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~~CONFIDENTIAL~~**0. SHIFTS IN SOVIET LEADERSHIP RUMORED**

[REDACTED] The American embassy in Moscow has been told [REDACTED] that a plenum of the Soviet Communist Party central committee has already be-

gun and that personnel shifts within the hierarchy will result from the meeting. [REDACTED]

[REDACTED] Malenkov will succeed Khrushchev as party first secretary and that Khrushchev will take over Bulganin's post as premier. Bulganin, in turn, is to replace Voroshilov, who will retire from his position as chairman of the Presidium of the Supreme Soviet.

The explanation given for this move, "which came up at the last minute," is that Khrushchev, who is identified with successes in agriculture, would be responsible as premier for the governmental program to improve the economic situation of the working class. Malenkov's appointment as first secretary would bring in a man with "requisite firmness plus greater finesse" to deal with ideological shortcomings of students and the intelligentsia.

[REDACTED] Molotov apparently has played a considerable role in bringing about the changes and has formed a close association with Malenkov.

Comment

Repeated Soviet setbacks in Eastern Europe and increasing signs of popular dissatisfaction inside the USSR may have caused the Khrushchev leadership to lose its hold over the party presidium. A dramatic shift within the hierarchy at this time, however, would probably compound current Soviet difficulties by revealing a lack of unity in the party presidium and casting doubt on the continuance of the policies laid down at the 20th party congress.

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1. SYRIA CONTINUES TO OPPOSE RESUMPTION OF OIL FLOW

Comment on:

The Syrian government apparently intends to continue blocking the flow of oil from Iraq to the Mediterranean, despite its own pressing need for petroleum products and pipeline royalties, in the hope that denial of this oil will lead Britain, France and the United States to meet Arab political demands.

The Syrian foreign minister, in response to India's demarche urging quick repair of the Iraq Petroleum Company sabotaged pumping stations, stated that pipes bypassing the stations could be installed at once if the US issued a statement fixing a date for an Israeli withdrawal from the Gaza strip.

The Syrian government had already indicated that, in view of the Anglo-French evacuation from Egypt, it would agree to let the company's representatives enter the country for discussions and to make repairs to the pumping stations, but that there had been no decision to permit the flow of oil. Company officials estimate that a limited quantity of oil could start moving within a week after its technicians arrived. The decision will almost certainly be made by the Syrian army leaders who sabotaged the stations in the first place. Military requirements for oil may lead them to compromise.

Syria's petroleum stocks--estimated at 32,000 tons before hostilities as compared to annual consumption of about 600,000 tons--are believed nearing exhaustion. Syria has been informed that shipments from Lebanon will stop on 10 January owing to a shortage of crude oil. The USSR has agreed to ship 30,000 tons of petroleum to Syria. Two tanker loads of fuel oil arrived this month. A third delivery is expected within the next few weeks. Despite these Soviet deliveries, however, Syria faces a fuel crisis early in January.

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2. COMMUNIST CHINA OFFERS ARMS AND AID TO EGYPT ON EASY TERMS

[REDACTED] The Chinese Communist defense minister affirmed Peiping's readiness to supply Egypt with "all possible aid" and equipment "except for tanks and heavy arms" on long-term credit or

"without payment," [REDACTED]

[REDACTED] The Chinese requested a detailed list of Egyptian requirements but pointed out that it was necessary to solve the problem of sea transportation.

Comment

Peiping's offer of arms to Egypt supports the Soviet aim of preventing quick settlement of outstanding issues by strengthening Nasr.

Cairo is probably not interested in receiving shipments of small arms and light equipment from China, but almost certainly will seek to obtain Peiping's promise of some other kind of aid.

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3. QUIET APPEARS RESTORED IN HUNGARY

Comment on:



The repressive measures of the Kadar regime during the past two weeks have restored a degree of order in Hungary which may enable the regime to turn its attention to restoring the Hungarian economy. Although widespread distrust and dislike of the regime remain, there appears to be a growing belief among workers that little is to be accomplished, at this point, by continued active resistance or strikes.

The Kadar regime is combining its stern police tactics with many promises of concessions, which would represent an acceptance of a number of the pre-revolution economic demands of Communist moderates. It has, for example, promised pay increases for those workers presently active in certain industrial sectors, particularly coal mining. A re-examination of foreign trade treaties has also been called for and "substantial cuts" in capital investments will be made. The regime has stressed, however, that economic chaos threatens the fulfillment of such pledges and may result in extensive unemployment.

Efforts to broaden the basis of political power continue but have met with little if any success. Kadar has reportedly failed to establish a coalition utilizing Smallholder or Peasant Party officials, and apparently will be unable to achieve a compromise as long as he is so closely associated with the Soviet elements in Hungary.

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4. GUATEMALAN UPRISING REPORTEDLY SET FOR 24 DECEMBER

[REDACTED] An uprising against the Castillo Armas government in Guatemala is scheduled for 24 December, [REDACTED]

[REDACTED] army elements in two provincial capitals are to join the revolt and that revolutionary leaders have two aircraft.

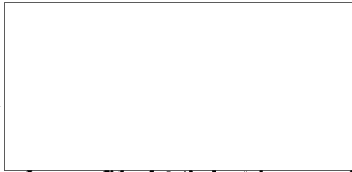
Comment The revolt, which is reportedly planned by an exile faction in Costa Rica, El Salvador, and Mexico led by non-Communist former Guatemalan army officers, is almost certain to fail. Guatemalan security forces are alerted to the plot.

As recently as 7 December the attempt was set for "about" 20 December. It has also been reported [REDACTED] that the revolt is to coincide with an attempt to assassinate the president. Arms have apparently been smuggled across the Salvadoran and Mexican borders, and the plotters reportedly expect support from elements in the army. In this respect they are likely to be disappointed; key army leaders are believed to be loyal and those few officers who are reportedly disaffected do not command a significant number of troops.

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5. SUKARNO MAY SOON ANNOUNCE PROPOSALS FOR
"GUIDED DEMOCRACY"

Comment on:



President Sukarno may unveil his plan for correcting Indonesia's internal problems on 22 December before the All-Indonesian Veterans' Congress. Sukarno stated last month that he would offer suggestions in mid-December on a "guided democracy" and de-emphasis of political parties.

Among the 2,000 veterans that are to be brought into the city are 500 students whose attendance has been especially arranged by army chief of staff Nasution. These student veterans, noted for their "direct and violent" approach to political actions, could easily be used as a hard core for a demonstration demanding that political parties capitulate to Sukarno.

There have been indications of increasing co-operation between Sukarno and Nasution. [redacted] [redacted] have recently intimated that when Sukarno returned from his vacation this week he would initiate a series of actions, with Nasution's support, to enhance his personal control over the government.

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6. INDONESIAN NEGOTIATIONS WITH THE USSR FOR MILITARY EQUIPMENT

Comment on: [REDACTED]

[REDACTED]

Indonesia may be turning to the Soviet Union for military equipment. The government is known to be planning to re-equip its armed forces, now handicapped by both shortage and obsolescence of arms and equipment.

An army spokesman stated on 17 December that any purchases would be made in accordance with Indonesia's "independent and active foreign policy." He was also quoted as saying that the choice of the source was usually determined by considerations of quality and price.

[REDACTED] reports from Djakarta suggest that agreement has already been reached with the USSR for the supply of a large number of jeeps. [REDACTED]

[REDACTED] an initial shipment of 550 will arrive in March 1957, with 5,000 others scheduled for later in the year. The Soviet [REDACTED]

[REDACTED] long-term credit had been agreed on to permit Indonesian arms purchases.

The Soviet Union's attempts to forge closer links with Indonesia are considerably facilitated by President Sukarno's admiration for material accomplishments under Communist systems, particularly in China. On his return from a tour of bloc countries last fall, Sukarno publicly advocated closer contacts with the Orbit and specifically mentioned the advantages to be gained through co-operation in the military field. [REDACTED]

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7. YUGOSLAV AMBASSADOR IN MOSCOW COMMENTS ON MOSCOW-BELGRADE DISPUTE

[REDACTED]

In a series of recent conversations with Ambassador Bohlen, the Yugoslav ambassador in Moscow has expressed the belief that Soviet-Yugoslav relations will deteriorate further in "all aspects," but will stop short of any rupture similar to that of 1948.

[REDACTED]

He felt that Soviet leaders resented Yugoslav vice president Kardelj's speech of 7 December more than President Tito's speech at Pula in November; because it explored questions of ideology more deeply and was more critical of Soviet action in Hungary. The Yugoslav ambassador believed that the Soviets were finding it more difficult to exercise restraint in replying to Yugoslav arguments.

Comment

Apparently convinced that Moscow does not intend to permit the controversy to result in an open breach, the Yugoslav regime seems to be enjoying its ideological jousting with the USSR. The Yugoslavs presumably see the exchange as furthering significantly Yugoslav influence and prestige throughout the world, particularly among the uncommitted nations.

Yugoslavia's leading paper Borba, in its latest contribution to the debate on 19 December, took issue with Pravda's recent suggestion that the current exchange is now inopportune "when reaction is attacking Communist parties." It declared that the seriousness of the current international situation, in fact, demands "open, loyal and comradely exchanges of views between Communists." The Yugoslavs have been particularly critical of Moscow's refusal to give full and accurate press coverage to the Yugoslav argumentation.

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ANNEX

Watch Report 333, 20 December 1956
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future. The USSR continues to give diplomatic, propaganda, and material support to Egypt and Syria, and persists in its effort to prevent a settlement of outstanding issues in the Middle East.

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