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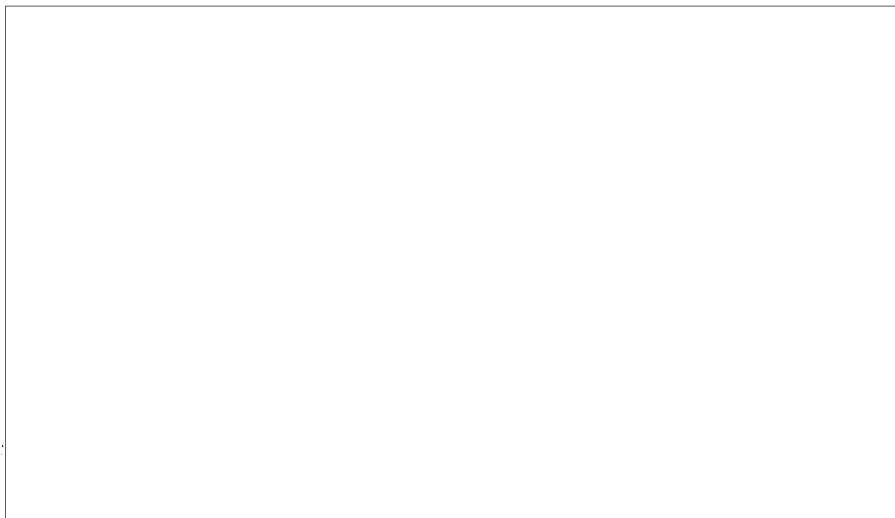
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1. THE SYRIAN SITUATION

[redacted]

[redacted] Britain and France may be contemplating direct action in Syria under the pretext of preventing a Soviet takeover. Co-operation of Israel, Turkey and possibly Iraq in one manner or another is also suggested.

[redacted]

[redacted]

[redacted] France has two "solutions" in mind for the Syrian problem: (1) an autonomous Syria under former premier Shishakli, whom the French and British believe strong enough to control Syria and prevent further Soviet infiltration, or (2) annexation of Syria and northern Jordan by

[redacted] Iraq, with the southern part of Jordan going to Israel, whose boundaries would be guaranteed by Britain and other "interested parties!"

[redacted] the French and British were already in touch with Shishakli, and French representatives were discussing a Syrian plan with British prime minister Eden "now." [redacted] the French had never taken seriously the "Soviet volunteer" threat in the Suez crisis. [redacted] the "humiliation" of the second London conference on Suez and greater UN interest in Suez than in the Hungarian situation had "finished off the UN for France!"

To offset the evident failure of their Suez intervention to achieve any of its original objectives, both Paris and London are playing up the magnitude of the build-up of Soviet arms in the Middle East. French officials have

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particularly emphasized a build-up in Syria. In view of several suggestions that both governments feel the US and USSR counterbalance each other in the Middle East, Eden and Mollet may possibly be considering further drastic action, as suggested by Pineau.

The Turkish government, in a formal memorandum to the United States, has expressed its great concern over Soviet activities in Syria and stated that Ankara had a "sacred duty" to take any steps necessary to protect itself. Turkey would probably be willing to participate in any joint move to intervene in Syria. Other indications of possible plans for action in Syria come from Israel and Iraq. [REDACTED]

[REDACTED] urged quick American action to halt Soviet advances and bring about a change of government in Syria. On 13 November top Iraqi army officers appealed for speedy American action to assist Iraq in preventing further Communist gains in the area.

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2. TENSION CONTINUES IN HUNGARY

[redacted] Soviet tanks and armored cars resumed their "aggressive patrolling" of Budapest on the afternoon of 15 November. There were large crowds in the streets protesting the deportations to the USSR, according to press sources. The American legation considers possibly true a report that the USSR is bringing in sizable numbers of infantry troops, since the USSR has not been able to restore order with mechanized units.

An attempt by the regime on 16 November to begin a back-to-work movement--by broadcasting a plea from the so-called Central Workers' Council of Budapest for an end to the general strike--apparently backfired when individual Budapest workers' councils reportedly repudiated the statement and "fired" the union officials who had issued it. The vast majority of workers apparently will refuse to work, at least until their demands--including a cessation of deportations to the USSR--have been implemented, not just promised.

The Kadar regime continues to press for wider domestic political support. In addition to expressing willingness to talk with Nagy, Kadar has indicated a desire to have three Social Democrats in the government, [redacted] and is also reported seeking the support of leaders of the Peasant and Smallholders Parties.

In an apparent effort to demonstrate nationalist intentions, the Kadar-controlled Budapest radio broadcast the full text of Tito's attack on the errors in the Soviet system and mistakes of Soviet leaders which led to the "Hungarian slaughter." (NOFORN)

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3. VATICAN CIRCLES REPORTEDLY FEEL POLISH CHURCH SHOULD BACK GOMULKA

[redacted] Vatican circles, [redacted] believe the Polish Church should back the Gomulka regime if it pursues a "nationalistic and anti-soviet" course. Cardinal Wyszynski, the Polish primate, will soon visit the Vatican with the approval of party first secretary Gomulka. (NOFORN)

Comment

Gomulka's quick restoration of Wyszynski to his office as primate reflects the new regime's eagerness for the co-operation of the Polish Church. As a further step, the government recently appointed a minister to deal with church-state questions. Wyszynski in public statements has already implied that he supports Gomulka.

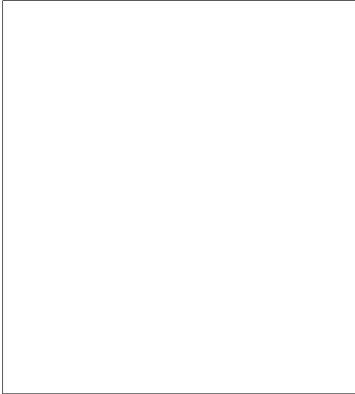
The backing of the regime by the Polish Church would presume some concessions from the government on such outstanding differences as the question of religious instruction in state schools, the Vatican's insistence that no bishops be appointed to the new dioceses formed in the western territories of Poland until Germany's eastern frontier has been finally established, and freedom of the church in respect to publications and the operation of seminaries.

Vatican leaders have long disagreed over the most effective method of dealing with the Soviet bloc. To date the proponents of a consistently uncompromising line have prevailed in forming Vatican policy.

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4. INDIA ACCEPTS NEW \$126,000,000 SOVIET LOAN



India has accepted a new Soviet loan equivalent to \$126,000,000, repayable in rupees, for industrialization under its Second Five-Year Plan. New Delhi not only lacks \$1,600,000,000 to finance the plan, but its foreign exchange holdings dropped abnormally by 20 percent between April and September.

The press reports that the loan is to be used for construction of a government-controlled oil refinery, a heavy machinery manufacturing plant, and fertilizer plants, and to buy mining equipment and other machinery from the USSR. K. C. Reddy, India's production minister, who presumably negotiated the loan during his visit to the USSR in October, indicated before his visit that a new shipbuilding yard might also be involved.

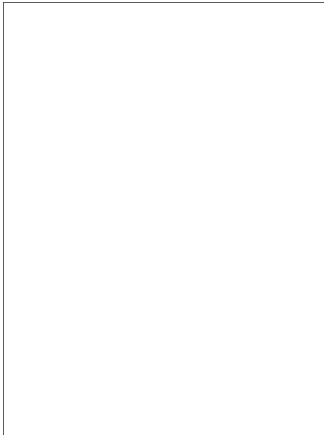
India obtained a \$115,000,000 credit from the USSR in March 1956 for construction of a new steel plant. Terms of repayment of both loans are reportedly the same-- 2.5-percent interest repayable in 12 annual installments.

Repayment of the Soviet credits will probably necessitate a major increase in India's exports to the USSR, which totaled only \$5,000,000 in 1955.
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5. HANOI ADMITS NEW OUTBREAKS AGAINST THE REGIME



In a Hanoi broadcast of 16 November, the Viet Minh frankly admitted incidents of open violence in North Vietnam and the existence of widespread discontent. The broadcast reported the use of troops to put down a "counterrevolutionary uprising" in a Catholic area, and admitted that there had been sabotage and "confusion" in a number of other regions.

The broadcast substantiates reports of increasing pressure for reform in North Vietnam. Popular demands for intellectual freedom, democratization of the government and a slowdown in collectivization have recently been reported. Reforms along these lines were announced in an early November communiqué of the Council of Ministers, and Hanoi now promises continuing efforts to "correct mistakes" and to "satisfy the aspirations" of the people.

Despite these promises, growing dissidence in North Vietnam, coupled with recent events in Eastern Europe, will probably stiffen Viet Minh determination to move cautiously and to prevent its own "liberalization" program from encouraging anti-Communist tendencies. While paying lip service to freedom of speech, the Viet Minh leaders have condemned "rightist attitudes favoring the dissemination of reactionary thoughts and acts which are harmful to the people's unity."

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8. "DEAL" ALLEGED BETWEEN LAOTIAN PRIME MINISTER
AND PATHET LAO CHIEF

[redacted] Souvanna
and his half-brother, Pathet Lao chief
Souphannouvong, have bypassed the mixed
commission and reached private agree-
ment in secret on disputed factors of a political and military
settlement. [redacted] announcement will be de-
layed until a third brother, Prince Petsarath, returns from
self-exile in Thailand, so that he can use the political credit
in his bid for the premiership. [redacted]
that an overwhelming majority of deputies and politicians fa-
vor Petsarath as prime minister and that the latter would
insist on Souphannouvong, whom he holds in high esteem, be-
ing included in the cabinet or given some other high post.

Comment

Souphannouvong has been in Vientiane since 7 November where he has been in frequent contact with Souvanna Phouma, various leading politicians, the international control commission, and the king.

Petsarath, whose return is reported imminent, regards the Pathets primarily as nationalists, and his overriding personal ambition may lead him to co-operate with the Pathets to further his own interests.

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7. INDONESIAN ARMY TERRITORIAL COMMANDER THREATENS GOVERNMENT

[REDACTED] [REDACTED]
[REDACTED] unless the two army colonels arrested for plotting to overthrow the government are "rehabilitated immediately, we shall not be answerable for the consequences." [REDACTED]
[REDACTED]

During the past three months resentment within the Indonesian army has intensified as a result of the chief of staff's efforts to restrict political activities and circumscribe the power of territorial commanders. There have also been numerous reports of an impending coup d'etat.

The [REDACTED] threat suggests an intention to encourage at least a passive army revolt against headquarters and the cabinet, a tactic that was successful in bringing about the downfall of the first Ali cabinet last year.

In the event of a showdown between the army and the government, [REDACTED] could probably expect considerable support. He would probably be joined by the nationally respected commander in North Sumatra, Colonel Simbolon, who has also protested the arrests in Djakarta. In addition, the chief of police is [REDACTED] working for a military dictatorship, army units in the West Java command are known to be disgruntled, and the commander in East Indonesia has adopted a policy of "wait and see."

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