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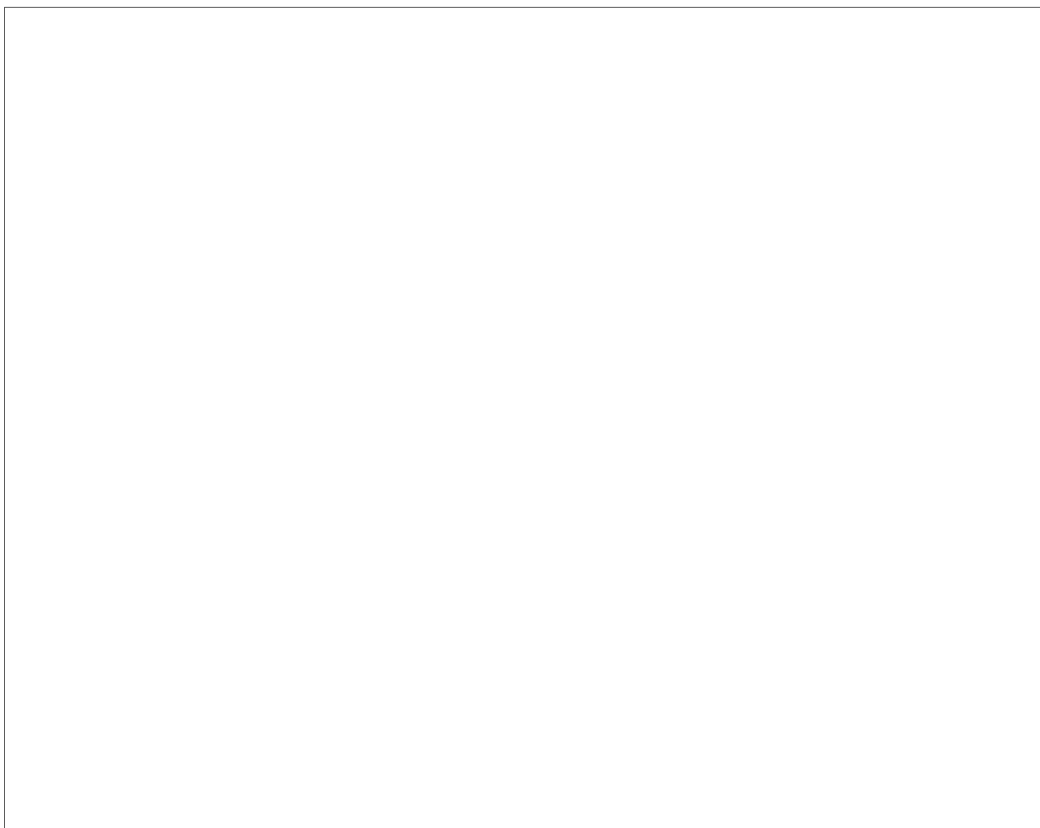


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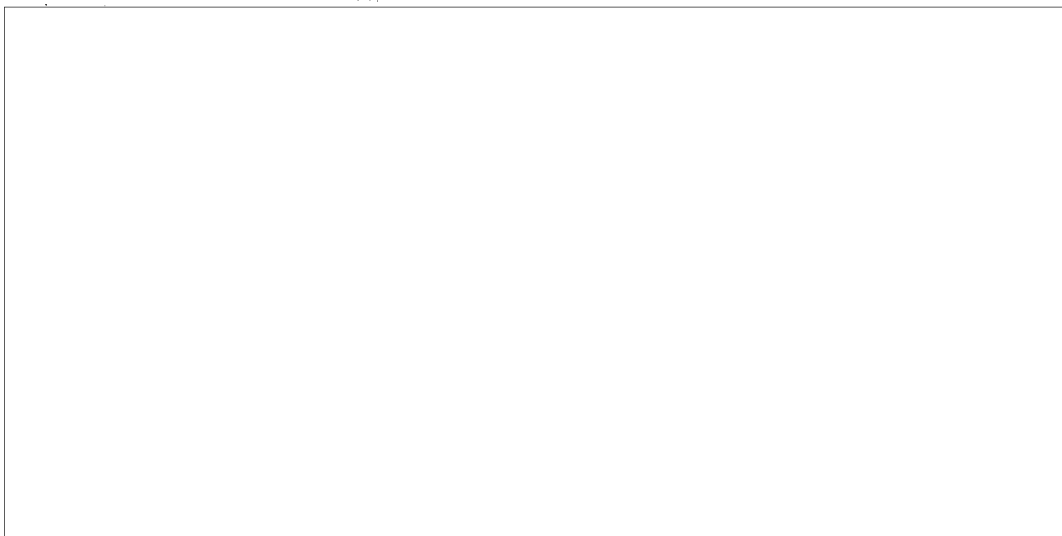
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THE ARAB-ISRAELI SITUATION
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~~TOP SECRET~~**1. HOSTILITIES IN EGYPT**

Israel appears to have won a decisive battle for control of the Sinai Peninsula after three days of heavy fighting. Israeli armored columns, with effective air support, have advanced into western Sinai, bypassing points of Egyptian resistance. British and French air attacks on Egyptian airfields contributed significantly to the process of neutralizing the Egyptian air force. The Gaza strip has been cut off at its base near Rafah, and in the vicinity of El Arish. Other Egyptian forces have been cut off or encircled. The Israelis claim that an Israeli armored force on 1 November routed Egyptian armored reinforcements south of Bir Gifgafa, 45 miles from the canal, capturing T-34 tanks, armored cars and other weapons. Israeli mobile units may therefore have cut the main road between eastern Sinai and the Suez

Canal crossing at Firdan Bridge, west of Bir Gifgafa, sealing the only good escape route from Sinai.

Although the Egyptians did reinforce their forces in Sinai, it is apparent that their main force, including most of their armor, has not yet been committed and is being held for defense of the delta and the canal zone against the Anglo-French landing, which has not yet occurred.

The Egyptian commander in chief's decision on 30 October to attempt to broaden the scope of Arab-Israeli hostilities was abruptly reversed

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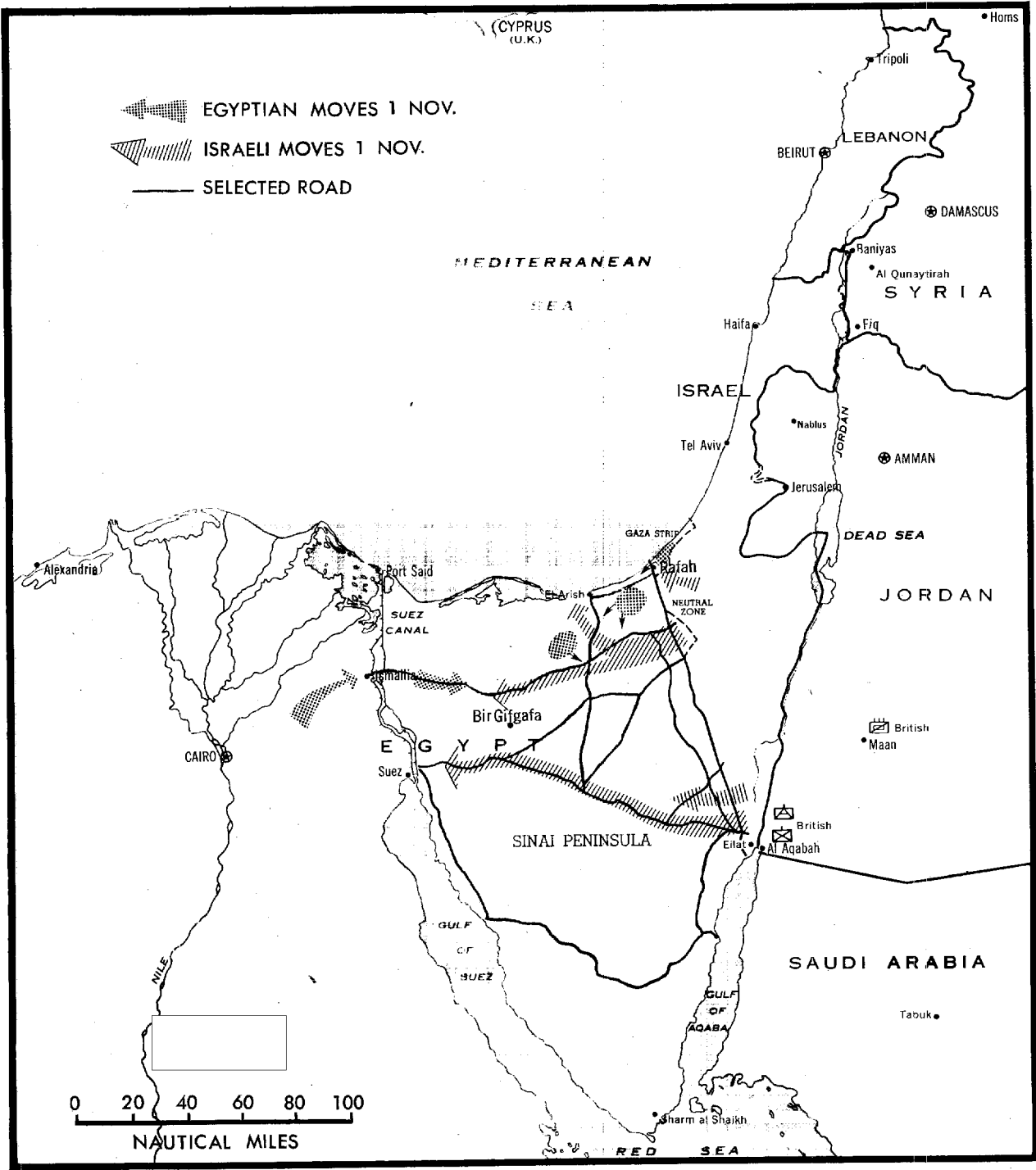
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Egypt has apparently launched its campaign against Western oil installations. An oil pipeline in the British-protected sheikdom of Qatar, and an off-shore delivery line furnishing oil to the British military in Tripoli, Libya, have been reported sabotaged. A general strike of oil workers in the sheikdom of Bahrein has also been reported.

British and French naval and amphibious forces are moving toward assault positions in Egyptian waters. A Paris spokesman announced on 1 November that Anglo-French naval forces were approaching Port Said from the north and the city of Suez from the south.


A communiqué from the Anglo-French headquarters on Cyprus states that British and French air operations over Egypt are being shifted from bombing military airfields to attacks on individual aircraft and airfield installations. The communiqué claims that since 31 October British and French raids have destroyed 90 Egyptian aircraft.

French foreign minister Pineau told the American embassy in Paris on 1 November that the Anglo-French move against Egypt has "long" been planned with Israel.



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2. NASR ASKS AMERICAN MILITARY SUPPORT

 President Nasr told Ambassador Hare on 31 October Egypt had decided to ask for United States support against Anglo-French aggression. Nasr explained he meant military support in case of military aggression. At the time, the Anglo-French air assault had not yet taken place.

In reply to a question as to whether Egypt would turn to the USSR if this request were refused, Nasr appeared taken aback, but regained his composure and said there had been no discussion of turning to the Soviet Union. He asserted that Khrushchev in the past had suggested furnishing volunteers but Egypt had never replied.

Nasr concluded by saying he would not surrender but neither would he run away.

3. THE HUNGARIAN SITUATION (information as of 2400, 1 November)

Comment on:

Although Soviet troops have withdrawn from Budapest, they remain in bivouac areas near the Hungarian capital. Soviet tanks reportedly have surrounded the Budapest airfield, apparently for the purpose of maintaining control of the field while wounded Soviet troops are evacuated. No military action has taken place in Budapest between Soviet and Hungarian army units, [redacted]

At 1800 (local time) on 1 November, Budapest radio announced that Premier Nagy had officially protested to Soviet ambassador Andropov that he had received "authoritative information about the entry into Hungarian territory of new Soviet military formations," and had demanded that these forces be withdrawn at once. Budapest radio stated at 2300 that all airfields of the Hungarian air force had been surrounded by Soviet armored units in order to permit the departure of Soviet wounded. There is no firm evidence to confirm these assertions by Nagy, which may have been made in an effort to hasten the Soviet departure and to shore up his present government. There are indications of a small-scale Soviet troop redeployment within Hungary and [redacted] Soviet supply transports have been flying into Hungary daily.

Nagy, acting in a dual role as premier and foreign minister, also reportedly informed Andropov that the Hungarian government was withdrawing immediately from the Warsaw pact. At the same time he declared Hungary's neutrality, which, he added, should be guaranteed by the UN and the four major powers. Andropov, in response to the accusation that new troops were coming into Hungary, reportedly said that it was merely a regrouping of troops and not a new attempt on the part of the Soviet Union to smash the Hungarian revolution. During the afternoon of 1 November, Nagy said

in an appeal to the United Nations that "new Soviet troop units are entering Hungary." Secretary General Hammarskjold has reportedly added this question to the provisional agenda of the 11th General Assembly which opens on 12 November.

Politically, the day was consumed in feverish activity by diverse groups presenting their demands and attempting to build up their popular following, but no real political unity was achieved.

First Secretary Janos Kadar of the Hungarian Workers (Communist) Party announced at 2200 on 1 November that a new party would be formed which would make a complete break with the Stalinist past and serve as a rallying point for all workers. The establishment of the new party--known as the Socialist Workers Party--is an obvious effort to increase national support for the Communists, particularly from left-wing Social Democratic Party members.

Efforts to enlist Social Democrats in the new coalition continue to be fruitless. Ana Kethely, provisional president of the newly re-formed Social Democratic Party, who arrived in Vienna for the Socialist International, [redacted] stated that until free elections had taken place there could be no thought of "real" Social Democrats becoming members of the government.

Cardinal Mindszenty in his first public statement since his release said that "all conditions for the continuation of life are lacking." He withheld his support for any political group and indicated that in two days he would clarify his position. [redacted]

4. EAST GERMAN REGIME DETERMINED TO MAKE NO CONCESSIONS NOW

[REDACTED] High East German officials say that despite widespread internal demands for changes, East German party first secretary Walter Ulbricht will not be removed from his post nor will any concessions be made until the unrest in the other Satellites calms down, [REDACTED]

[REDACTED] Ulbricht's removal or any other reform now would be interpreted by the restive East German populace as an indication of weakness, and could lead to revolution. When it comes, Ulbricht's ouster will be explained on grounds of health and will not be accompanied by significant changes in government or party policies. [REDACTED] East German Communists have been assured of continued Soviet support and need not fear they will be sacrificed in a reunification deal.

According to the alert plan now in effect in East Germany, the Kampfgruppen--recently reported purged of unreliable elements--are to go into action first, with the police, the secret police, the army, and Soviet troops to be called on successively if a situation threatens to get out of hand.

Students at East German universities are protesting the regime's failure to give factual news coverage to the upheavals in Poland and Hungary. Party functionaries blame student restlessness on the Western press and radio, and maintain that the developments were adequately explained by Ulbricht and Premier Grotewohl in their 27 October radio and television broadcast.

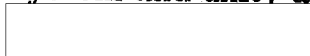
East German leaders apparently accept the Soviet policy to allow liberalization in the Satellites except East Germany. Pressures for change, however, may develop to such an extent that they will be forced to adopt a more liberal internal program, particularly in the event that the USSR withdraws its troops from other Satellites. [REDACTED]

5. PEIPING'S STATEMENT ON SOVIET-SATELLITE RELATIONS




The Peiping regime has endorsed the Soviet declaration of 30 October on relations with the Satellites, and at the same time has rebuked the USSR for its earlier mishandling of Poland and Hungary. This first Chinese Communist statement on the question supports the view that Peiping wishes to see a relationship between the Soviet Union and Eastern European states of approximately the kind Peiping itself enjoys.

In terms similar to those of the Soviet declaration, the Chinese statement describes as "completely proper" recent Polish and Hungarian demands for "democracy, independence, and equality," as well as for economic improvements. The Chinese went beyond the Soviet statement in a sharp criticism of "great-nation chauvinism" as the cause of "serious damage" to international Communist solidarity. At the same time, they cautioned the European Satellites against "reactionary elements who attempt to undermine the people's democratic system and unity among socialist countries."



6. FIRST NATO REACTION TO ANGLO-FRENCH INTERVENTION IN EGYPT

 Strong opposition to Anglo-French intervention in Egypt was expressed at a special North Atlantic Council meeting called on 31 October to discuss the Middle East situation. There was particular concern over the effect the developments might have on the NATO alliance.

Council representatives deplored the fact that action had been taken without prior consultation with other NATO partners. Most of the representatives at the meeting expressed support for the position presented by the United States. The Canadian representative regretted the British-French move because the subject was under consideration in the UN Security Council and in view of the current developments in Eastern Europe. He was supported by other members.

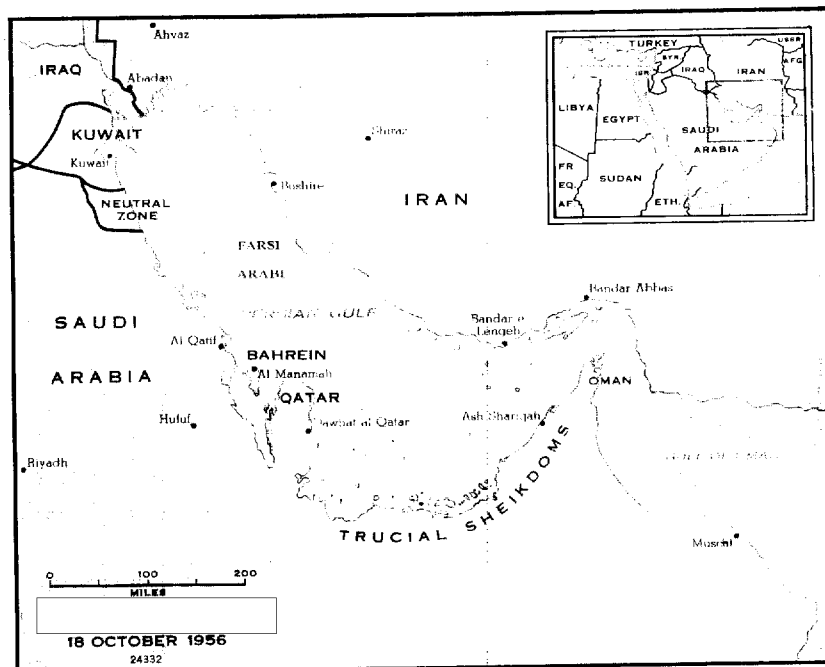
Apparently Britain does not envisage invocation of the North Atlantic treaty. In answer to an Italian question as to the effect from the treaty standpoint of an Egyptian attack on British or French naval vessels and aircraft in the Mediterranean, the British representative stated that the treaty was not intended to cover this particular case.

7. BRITISH TESTING SAUDI HOLD ON DISPUTED PERSIAN GULF ISLAND

The British ambassador in Tehran informed the American ambassador on 31 October that an armed British detachment was to land temporarily on Arabi Island in the Persian Gulf on 30 or 31 October to check on the reported occupation by Saudi Arabia and to test the determination of Saudi personnel to remain. The detachment had instructions to fire only if necessary to cover its withdrawal.

Comment

As recently as 12 October, British officials had indicated that Britain could probably do no more than protest the Saudi occupation. The decision to move onto Arabi may be designed both to distract Saudi Arabia's attention from the Egyptian situation and to demonstrate Britain's determination to maintain all



its Middle Eastern interests vigorously. London supports Kuwait's sovereignty over Arabi, as well as over nearby Farsi, recently occupied by Iran. These islands are important principally for offshore oil operations in the Persian Gulf.

8. SUKARNO ADMIRES MAO TSE-TUNG'S LEADERSHIP

The director of the Indonesian president's personal cabinet, Pringgodigdo, told the American ambassador in Djakarta that Sukarno is "in love with the system in China," is feeling expansive and "braver" since his return to Indonesia, and wants to pattern his leadership on that of Mao Tse-tung. He said Sukarno has not thought through the ramifications of such a role, however.

Pringgodigdo stated that he himself felt the Chinese people were happy and well fed, and that the Chinese leaders were close to the people and popular since they had brought "victory, unity, freedom, and progress!"

Comment

Sukarno reportedly stated in a speech on 30 October that he had been more impressed by his recent tour to the Soviet Union and Communist China than by his earlier visit to the United States and Western Europe because in the former areas he had seen a greater vitality in social and economic progress. Although most members of Sukarno's entourage were highly impressed with China, Pringgodigdo's opinion is the most enthusiastic yet expressed by any anti-Communist who accompanied the president.

Sukarno's favorable impression of the Chinese system probably accounts for his suggestion on 28 October that political parties be abolished--an idea which has been denounced by the press and all parties except the Communists.

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 1 November)

The Egyptian-dominated Arab confederation of labor has called on Arab workers to blow up Western oil installations if necessary to stop the flow of petroleum. The federation also called for destruction of foreign military bases in Arab countries which could be used for aggression, and for an immediate halt to loading and supplying of ships and planes of "aggressive nations." (Press)

An announcement from Baghdad states that a meeting of all Baghdad pact powers except Britain will be held "soon." The Shah of Iran allegedly will chair the meeting, which may also be attended by the president of Pakistan (who is now visiting Tehran), and the Iraqi, Pakistani, Iranian and Turkish foreign ministers. (Press)

Reports from Syria and Jordan indicate the governments of these countries, while they feel obliged to support Egypt, are pessimistic over their capabilities. According to one report, the Syrian army staff was reluctant to order mobilization because neither the necessary materiel nor money were available. The new Jordanian prime minister told Ambassador Mallory on 31 October that his government was in a "terrible position" and that the only thing which could save Jordan would be a cease-fire between Israel and Egypt. [redacted]

Iraq, however, has proclaimed martial law and partial mobilization. The Iraqi chief of staff stated on 1 November that the Iraqi 1st Division began concentrating at pumping station H-3 near the Jordan border on 31 October, preparatory to a move into Jordan as soon as a Jordanian request was received. The chief of staff said he expected the request later in the day. [redacted]

The Libyan government announced on 31 October that it would use all means in its power to prevent the use of British forces in Libya against Egypt. According to the press, Libya has declared martial law. British units in Libya are reported on a precautionary alert: 12 tanks have been moved to the vicinity of Benghazi. [redacted]