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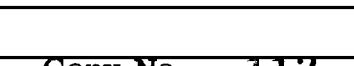
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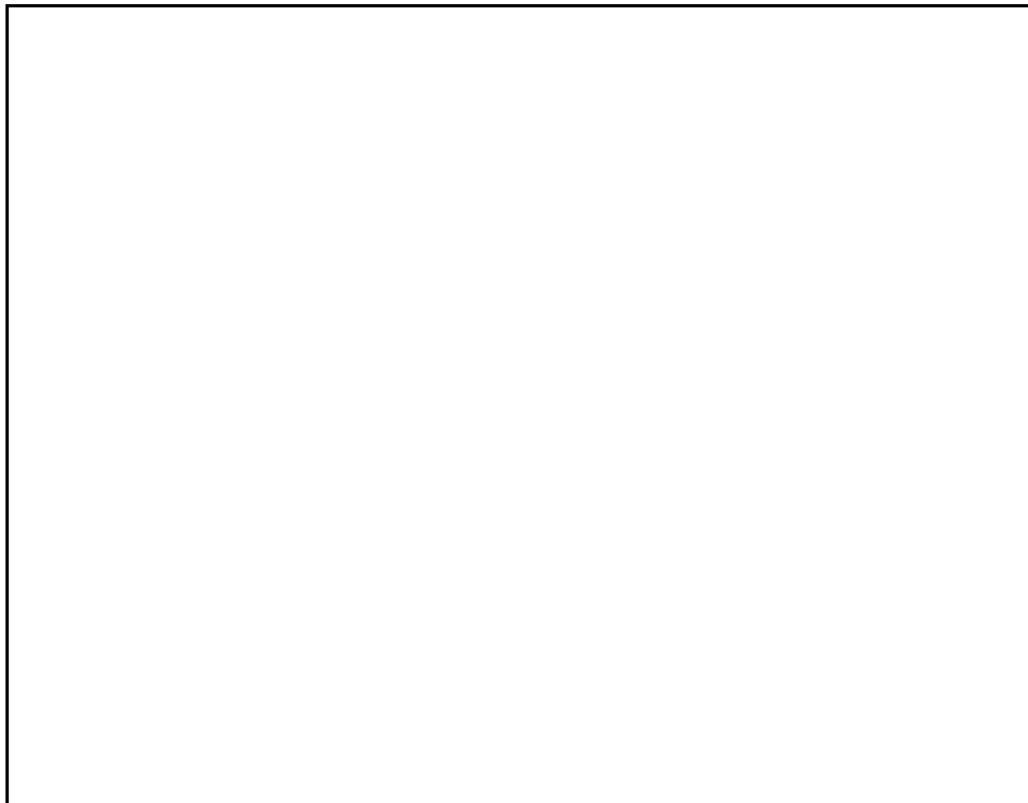
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## 0. SHIFTS IN SOVIET LEADERSHIP RUMORED

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[REDACTED]

The American embassy in Moscow has been told [REDACTED] that a plenum of the Soviet Communist Party central committee has already begun and that personnel shifts within the hierarchy will result from the meeting. [REDACTED]

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[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.

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[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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**3. QUIET APPEARS RESTORED IN HUNGARY**

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

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[Redacted]

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.

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**6. INDONESIAN NEGOTIATIONS WITH THE USSR FOR  
MILITARY EQUIPMENT**

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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.

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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.

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

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[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

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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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