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**OFFICE OF CURRENT INTELLIGENCE**

CENTRAL INTELLIGENCE AGENCY

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#### THE TAIWAN STRAIT

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**1. SELWYN LLOYD REITERATES BRITISH DETERMINATION TO STAY IN EGYPT UNTIL RELIEVED BY EFFECTIVE UN FORCE**

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25X1 [redacted] British foreign secretary Lloyd told Ambassador Lodge in New York on 13 November that Britain and France will not withdraw their troops from the Suez Canal zone unless they are replaced by an "effective" UN force of approximately equal strength. Lloyd stated, however, that Britain and France were anxious to get out, lack the means of staying long, and never had intended to reoccupy the canal zone. The British have informed Secretary General Hammarskjold that they agree to the withdrawal of one battalion of their 15,000-man force "at once!"

Lloyd stated that the British must not lose the "fruits of their action"--a Suez Canal settlement and a Palestine solution--and indicated that he is quite willing to risk Soviet intervention. He discounted the help Moscow might be able to give Egypt and the other Arab states, and said that even if there were 50,000 Soviet "volunteers" in Egypt, the British force could take care of them.

Ambassador Lodge believes Lloyd's views reflect Prime Minister Eden's, and comments that his attitude appears reckless and full of contradiction.

Comment In London, several of Eden's parliamentary supporters have predicted a wide-open split in the Conservative Party if the government is pressured into evacuating Egypt without prior assurances that the UN police force will act to ensure freedom of navigation of the canal. [redacted]

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## 9. HUNGARIAN REGIME SPEEDS CONCESSIONS IN ORDER TO OVERCOME WORKER RESISTANCE

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Since an apparent endorsement of his "liberal" policies by Soviet leaders who visited Budapest on 12 November, Hungarian premier Janos Kadar has accelerated his attempts to win support from the workers. Forced to cope with public reaction to extensive deportations, Kadar stated in a speech on 14 November that "in concord with the competent Soviet authorities," agreement had been reached that "no one must be taken out of the country!" The American legation in Budapest believes that at least 16,000 Budapest residents have already been deported to the USSR.

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Kadar spoke in favor of a multiparty system, composed of parties based on socialism, and admitted that such elections might lead to the Communists being "thoroughly beaten." He added, however, that such elections could not take place until the "workers' power" could be guaranteed.

Kadar's address--delivered before a delegation of workers who had presented a series of demands to the regime--reflected both confusion and desperation. He avoided any unqualified promises and rejected proposals for Hungarian neutrality and for the immediate withdrawal of Soviet troops, although he is pledged to negotiate for their withdrawal when order is restored.

Kadar acknowledged worker demands that ex-premier Imre Nagy be restored to his former post, but indicated he had not been able to talk to Nagy, 'since he was

now in a foreign legation--presumably the Yugoslav. Kadar said that talks could be undertaken with Nagy to reach an agreement with him when he left his extraterritorial refuge.

Nagy apparently continues to have broad popular support. For this reason the Soviets--still hunting for a formula to establish a strong national Communist regime in Hungary--might meet certain of Nagy's demands in order to bring him into the government, even though they are aware that strong efforts will have to be made to keep him in line. Kadar, whose "liberal" program and dismissals of Rakosi-type Communists have not gained popular support or lessened passive resistance, continues to give little indication of being able to create and direct a successful national policy.

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## 10. AUSTRIA ALARMED BY HUNGARIAN REFUGEE ACTIVITIES

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[REDACTED]

Hungarian refugees are beginning to engage in political activities in Austria, are talking of forming an emigré government, and some are even attempting to obtain arms and return to Hungary, according to information given Ambassador Thompson by the Austrian Foreign Ministry. Ministry officials are deeply disturbed by reports that Radio Free Europe representatives are in effect encouraging these activities.

The ministry believes that it is absolutely essential to speed up the removal of refugees from Austria, since the continued influx is "threatening chaos!" Thompson has been advised that facilities for handling the refugees are already overwhelmed and that in some sectors the border authorities in Hungary are making little effort to impede the flow.

### Comment

As of 11 November, 17,000 Hungarian escapees were reported in Austria. Moscow press and radio charges that Austria has not taken a neutral position during the Hungarian rebellion have been directed primarily at the alleged activities of expatriates. Vienna has forcefully denied these allegations, but there is strong popular sympathy for the rebels, and police and border controls have been lax. Although many Western countries are offering to receive refugees, many refugees may be reluctant to leave Austria as long as there is any hope that the situation in Hungary may be reversed. [REDACTED]

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## 11. TITO BERATES SOVIET LEADERSHIP



Yugoslavia's President Tito, in an 11 November speech to party activists which was not made public until 15 November, placed the blame for developments in Hungary squarely on the

Soviet leaders. He claimed that his talks with Soviet leaders in September showed that the Stalinist element in the leadership had "forced its attitude" upon the other leaders "to a certain degree!" He strongly condemned the Soviet leaders for their failure to apply the principles adopted in the joint Yugoslav-Soviet declarations of 1955 and 1956 to their relations with all Socialist countries.

Tito denounced the Soviet leaders for failing to go beyond a condemnation of the cult of Stalin to a condemnation of the system which made Stalin possible. This, he emphasized, was the chief cause of all Soviet difficulties, and must be rectified. He said that advocates of this system, which "ignores the strivings of the working masses," remain in the leadership of other Communist parties and are today "endeavoring to revive Stalinism and make it prevail."

He felt, however, that a victory was still possible for "strong" elements in the Soviet Union who desire the abandonment of Stalinist methods in favor of democratization and the "creation of new relations between the socialist states."

Although Tito criticized the initial use of Soviet forces in Hungary, he said their second intervention was necessary because "chaos, civil war and counterrevolution, and even a third world war threatened." [Redacted]

## 12. PUBLIC REACTION IN MOSCOW TO HUNGARIAN EVENTS

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[redacted] The Hungarian revolution and Soviet intervention have aroused "unusually strong interest among perceptive Soviet people," according to an informal survey conducted

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[redacted] by the American embassy in Moscow. Ambassador Bohlen believes, on the basis of the reports, that a particularly strong impression has been made on Soviet students and young intelligentsia and that a substantial portion of them condemn the Soviet intervention. The embassy also noted widespread realization that the Soviet press was presenting a partial, one-sided picture of Hungarian developments.

An embassy officer who recently attended a lecture on international events at the Lenin Library in Moscow reports that the speaker solicited and received written questions from the audience, all dealing with Hungary and Poland. The speaker refused to discuss the subject, whereupon a young man demanded to "hear the truth" about Hungary. When the speaker asked, "Does anyone in the audience believe that the Soviet press does not print the truth?" the entire audience rose, and soon thereafter, when the speaker continued to avoid discussing requested subjects, left the hall en masse.

### Comment

This is one of the strongest indications that Soviet propaganda is failing to convince the people in the freer intellectual atmosphere which has developed since Stalin's death.

Such attitudes as these among Soviet youth may be one reason Khrushchev in his 8 November speech to the Komsomol singled out the role of Hungarian young people in the revolution and demanded that the Soviet youth organization "devote more attention to correct indoctrination of young people, correcting erroneous views and rebuffing unhealthy trends."

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### 13. SITUATION TENSE IN RUMANIA AS PUBLIC HOSTILITY MOUNTS

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Heightened popular feeling against the regime in Rumania has caused increased "nervousness" among the leaders in Bucharest. This has led to a "hysterical" press campaign against the United States and to the arrest of increasing numbers of Bucharest students, according to the American legation in Bucharest. The population's hostility has been aggravated

by a serious shortage of food caused by a bad harvest and hoarding.

Press reports from Vienna state that riots and arrests of anti-Soviet demonstrators have been taking place in Rumanian areas predominantly inhabited by ethnic Hungarians.

Comment              Student unrest, particularly in ethnic Hungarian areas in Rumania, has been tacitly confirmed by a number of recent official actions preventing Western contact with students and local residents in the Transylvanian area.

The Rumanian regime has maintained its extensive security precautions and apparently has adopted a policy of repression coupled with minor economic concessions to handle the present tense situation.

**14. FRENCH GAULLIST LEADER TO WORK FOR PRO-SOVIET ORIENTATION**

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[Redacted] Jacques Soustelle, Gaullist deputy and former governor general of Algeria, recently asserted that he would work henceforth for a pro-Soviet orientation of France, according to the American vice consul in Lyon. Soustelle dismissed as alternative policies either continued reliance on the United States and NATO, which he said has been proved "worthless," or the creation of a politically united Europe, which he prefers but considers unattainable at this time.

Soustelle claimed that the construction of American bases in North Africa was at the heart of French difficulties there, since the bases had encouraged Arab nationalism and provoked Soviet intervention in North African affairs.

**Comment**

Soustelle has long held that France derives no benefit from the Atlantic alliance and recently argued that a retreat from North Africa would result in turning France toward neutralism if not "national Communism." He has developed this theme in numerous public speeches since he was relieved of his Algerian post by Premier Mollet in February. His ideas have reportedly gained him a considerable personal following, particularly on the right, and he is considered a serious contender for the premiership.

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15. NEW JAPANESE GOVERNMENT EXPECTED IN  
EARLY DECEMBER

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[Redacted]

Secretary General Shinsuke Kishi of Japan's ruling Liberal-Democratic Party has informed Ambassador Allison that a new party president will be elected at a convention on 7 December, and that the successful candidate's name will be presented to the Diet session on 10 December for election as prime minister. He said the three principal candidates are Executive Board chairman Ishii, Minister of International Trade and Industry Ishibashi, and himself.

Kishi said that all three candidates are united on foreign policy and that, regardless of who wins, the United States can rely on the continued co-operation of Japan. He pointed out, however, that the party feels Japan's security treaty with the United States requires revision, and that the release of remaining war criminals would be an important element in improving American-Japanese relations.

Comment

While Kishi is regarded as the leading candidate to succeed Hatoyama, the outcome is still in doubt because of uncertainty over which way many of the local party representatives may vote and because of the possibility of last-minute deals.

It is probable that the next government will continue the present trend toward a more independent position in international affairs, and will seek to eliminate what the Japanese regard as the "unequal" aspects of the Japanese-US relationship.

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## 17. SINGAPORE AND MALAYA THREATENED WITH CRITICAL FUEL SHORTAGE

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[Redacted]

The refusal of Indonesian oil unions in Sumatra to permit the shipment of oil to Singapore and Malaya will bring transportation and power plants to a halt in those areas within ten days, according to the American consul general in Singapore. Malayan chief minister Rahman is considering an appeal to the Indonesian government, and the Indonesian consul general in Singapore has been asked to intervene with Djakarta.

**Comment** This action was almost certainly instigated by PERBUM, the largest oil union in Sumatra. PERBUM is an affiliate of SOBSI, the powerful Communist-controlled Indonesian labor federation which has promoted a great deal of the anti-British and anti-French activities in Indonesia since the Anglo-French invasion of Egypt.

In the past, the Indonesian government has been reluctant to take firm action against labor. This reluctance is likely to be reinforced in the present instance by the strong governmental disapproval of the Anglo-French operation in Egypt.

**BIWEEKLY SUMMARY  
(31 October-14 November 1956)**

**THE TAIWAN STRAIT**

**Report of the IAC Current Intelligence Group  
for the Taiwan Strait Problem**

1. There were no significant combat operations in  
the area during the period.

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2. Peiping's broadcasts over the past two weeks con-  
tinued to refer to the theme of "peaceful liberation," but  
contained no statement connecting the Taiwan situation with  
developments in the Middle East or Hungary.

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