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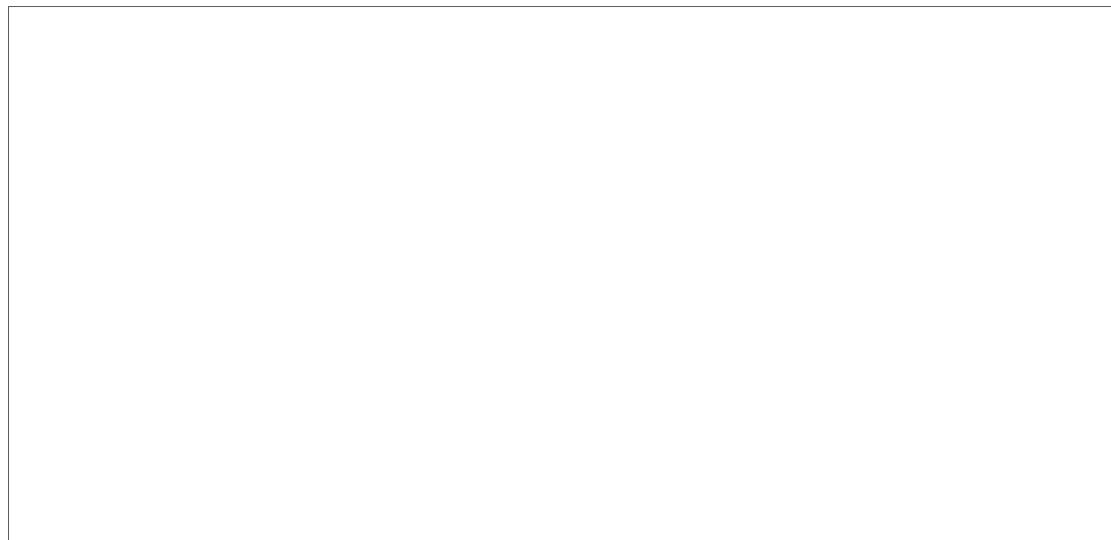
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1. NEW ISRAELI MOBILIZATION

The recall on 11-12 November of all Israeli units and personnel which had recently been demobilized may be an attempt to strengthen Israel's bargaining position on the question of withdrawal from Sinai or to increase readiness for action against Jordan or Syria. Although Ben-Gurion has indicated that Israeli forces would withdraw from Egypt upon conclusion by the UN of "suitable arrangements" for the entry of an international force in the Suez Canal zone,

Israel may be unwilling to withdraw from all recently seized territory. Israel may, in particular, be reluctant to withdraw from key communications centers in eastern and southern Sinai which control the approaches to the Negev and the Straits of Tiran.

Another major center of tension remains on Israel's border with Syria and West Jordan, from which large-scale terrorist operations against Israel were recently launched. Although

directed that such activities be halted, Israel has charged that new incursions, resulting in Israeli casualties,

Syria has agreed to accommodate and reorganize the terrorists who formerly operated out of the Gaza strip and are now in Jordan.

Israeli-Syrian tension has been further increased by Israel's assumption of control during hostilities in Egypt over most of the demilitarized zone opposite Syria, the location of the site for Israel's planned diversion of the Jordan River. Although Syria had previously warned that it would open fire on any activity in the zone, it has carefully avoided any publicity or counteraction in this instance. Israeli forces, meanwhile, have been concentrating opposite Syria and West Jordan, and many units returning from the operations in Sinai continue to be redeployed to the Northern Command.

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2. SYRIAN LEFTISTS MAY PRECIPITATE NEW CABINET CRISIS

Syrian minister of economy Kallas, a member of the leftist anti-Western Arab Socialist Resurrectionist Party (ASRP), has intimated that he and another ASRP minister may resign from the cabinet soon in order to bring about the fall of the coalition government,

that the coalition is unable to govern the country, believes these remarks support other reports that former premier Khalid al-Azm may form a government excluding rightist members of the coalition. (NOFORN)

Comment

Syria's "drift to the left" gathered much of its momentum during the period in 1955 when Azm was the dominating figure in the Syrian cabinet. Under present conditions in Syria, a new cabinet headed by Azm would probably complete the transfer of government power to the leftist forces. These forces, through the influence of the Syrian army intelligence chief, Lieutenant Colonel Sarraj, already control several government agencies, including press censorship. Sarraj reportedly has compiled a long list of Syrians scheduled for arrest for various activities "inimical to the interests of the army and the country." It is unlikely that rightist elements in Syria could successfully resist such a move.

Penetration of the area by the USSR would be facilitated if Azm succeeds.

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3. HAMMARSKJOLD'S VIEWS ON FORTHCOMING TALKS WITH NASR

[Redacted]

UN secretary general Hammarskjold reports that he has obtained Egyptian agreement to the use of Colombian, Danish, Finnish, Norwegian, Swedish, Indian, Indonesian, and Yugoslav troops in the

UN emergency police force. Canadian participation has been accepted in principle by Egyptian foreign minister Fawzi, according to Hammarskjold, but will be the subject of negotiations between Nasr and the secretary general this week in Cairo. The Egyptians are reportedly concerned that the Canadian troops' resemblance to British troops creates the possibility of incidents with the populace.

Hammarskjold prefers that any further UN action on Suez await the outcome of his talks with the Egyptians. He believes that functioning of the UN police force, clearing of the canal, negotiation among the parties, and the United States draft resolution setting up a UN committee to negotiate a settlement are too closely connected to allow for UN action while he is still negotiating with Nasr.

While Hammarskjold recognizes the importance of prompt UN action on the basic Palestine issues along the lines of the United States draft resolution, which also sets up a committee to recommend bases for settlement, he said he believes strongly that the success of any further UN action depends primarily on Israel's compliance with recent UN resolutions calling for withdrawal of troops.

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4. THE HUNGARIAN SITUATION

The American legation reports that the determination of the workers to continue to strike is in deadly earnest. Groups of workers, including the state railway workers, have apparently held meetings in which new demands were formulated, including the "formation of a government under Nagy which will accept the demands of workers and revolutionary youth and the immediate negotiation by this government for the withdrawal of Soviet troops." The situation remains tense in Budapest and the legation notes that although actual fighting is not reported, groups of people are swarming in the streets and that "the chance of renewed shooting" can "by no means" be ruled out.

A number of Soviet leaders, including Mikoyan and Suslov and possibly Khrushchev, reportedly were in Budapest on 12 November, apparently in order to look the situation over and to advise the local Communist leadership.

The government has announced that wage increases up to 11 percent will be implemented by 1 January, that certain unfair taxes will be abolished, and that insurance adjustments will be made for those who suffered a loss during the revolution. In addition, the government has announced that "all restrictions on private retail trade in the markets has been abolished and market trading has been made completely free."

In an assessment of the current situation, the American legation in Budapest on 12 November reported

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its belief that a "protracted period of absolute Soviet military occupation" of Hungary or of "stations so near as to represent a visible threat of immediate reoccupation, seems most probable." The legation adds that the Soviet estimate of Hungarian public opinion is probably realistic and that, hence, the USSR will take measures to prevent any "soft" policy from getting out of hand. Deportation of Hungarians who have demonstrated leadership qualities for continuation of resistance is reported already under way. ~~(SECRET)~~

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5. YUGOSLAVS SHOW CONCERN OVER RESURGENCE OF STALINISM

The Yugoslavs are indicating growing concern regarding the possible resurgence of Stalinist tactics in Soviet policy toward Eastern Europe. Referring to a Pravda article written by Albanian party first secretary Hoxha, Yugoslavia's leading paper Borba on 10 November sharply attacked Communist elements that have blamed events in Hungary on Yugoslav efforts to infect Eastern Europe "with doubtful political concepts."

The Yugoslavs believe the Hoxha article was clearly intended as an expression of Soviet views. Yugoslav vice president Colakovic,

said on 11 November that the article marks the end of further Yugoslav-Soviet rapprochement and now only "correct" relations can exist between Moscow and Belgrade, even at the party level.

The Borba editorial appears to be a warning to Moscow that although Belgrade recognized the need for Soviet intervention in Hungary, it would not "accept" any reversion to Stalinist tactics in Eastern Europe. Yugoslavia has publicly declared that it will reject all attempts to deny it the right to promote its views.

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6. EAST GERMAN PARTY BOSS ULRICH REJECTS "INDEPENDENT ROAD TO SOCIALISM"

First Secretary Ulbricht on 7 November told an East Berlin party member that the Hungarian situation vindicated his prediction that counterrevolution would inevitably result from attempts to take separate roads to socialism, [redacted] Ulbricht scoffed at such proposed reforms in East Germany as the abolition of work norms, the institution of a profit sharing system and the formation of workers' councils to share in management of industrial works. He compared East German intellectuals who demanded such reforms with the Hungarian intellectuals who, Ulbricht claimed, turned out to be enemies of the people. Referring to proponents of independent socialism in East Germany, Ulbricht warned, "...we shall not permit such efforts and shall crush them without mercy. We have learned from Poland and Hungary!"

Ulbricht said that the current situation in Poland embodies the same tendencies which led to counter-revolution in Hungary. The idea of an independent way to socialism is "an enemy slogan... designed to break us out of the system of socialism..." He pointed out that the socialist states have an integrated economic plan and noted that they would all collapse if each went its own way.

Ulbricht claimed that he foresaw the developments in Hungary and had warned the Hungarian Communist Party. He recounted how the Hungarians had gone from demands for reform to asking for a special way to socialism and ultimately to sliding into "the counterrevolutionary camp!" Ulbricht warned, "All comrades will get to that point if they harbor such thoughts." (NOFORN)

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**7. GOMULKA REPORTEDLY TO NEGOTIATE WITH SOVIET
LEADERS IN MOSCOW ON 14 NOVEMBER**

Polish first secretary Gomulka is reportedly going to Moscow on 14 November to discuss Polish-Soviet relations. Premier Cyrankiewicz and former first secretary Ochab will reportedly accompany Gomulka to the meeting, which has already been postponed for nearly a month. On 13 November the Polish parliament was told that Marshal Konstanty Rokosowski had resigned as minister of national defense and deputy premier.

[redacted] the decision that Gomulka should make the trip was reached after former politburo member Franciszek Mazur returned from a recent ten-day visit to Moscow. Many Polish Communists fear that Gomulka may not return to Poland, and some believe that Mazur may become Poland's Janos Kadar. Such a development, however, appears unlikely since replacement of Gomulka by a man who is identified in the public mind as a leader of the pro-Soviet faction in the Polish party would probably arouse public unrest.

Reports of Soviet troop concentrations on the Polish-Soviet border remain unconfirmed. US army attachés observed no unusual military movements during extensive trips throughout Poland between 8 and 11 November.

[redacted]
 [redacted] There has been no known movement of Soviet forces in Germany, although they apparently are still on alert status.
 [redacted]

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8. GOMULKA REGIME REPORTEDLY ASSURED OF CHINESE COMMUNIST SUPPORT

The Peiping regime has assured the Gomulka government of continued support for the Polish position on relationships with the Soviet Union,

The Chinese assurances, delivered after Peiping's public endorsement of Soviet armed intervention in Hungary, indicated that the Chinese distinguish clearly between Polish and Hungarian developments.

Comment This report gains credibility from Peiping's public statements. The party's official newspaper, in its 4 November editorial supporting the Soviet action in Hungary, stated that "it is absolutely erroneous to refer... to the events in Hungary and those in Poland in the same terms." The editorial distinguished sharply between a Communist regime which intends to remain in the bloc--such as Gomulka's--and an anti-Communist regime which did not, as in Hungary.

The Poles have welcomed continuing evidence that the Chinese favor for the Eastern European regimes a relationship with Moscow similar to that enjoyed by Peiping. The Polish press described a Chinese statement of 1 November--in which Peiping set forth its general position on relationships among Communist states--as "most important moral support for all those forces which... strive for the elimination of everything that violates the sovereignty of our countries."

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WITH ORBIT**

In a 10 November speech to army officers, President Sukarno claimed credit for promoting and clinching the \$100,000,000 Soviet aid agreement when he was in Moscow and disclosed that Mao Tse-tung had offered Indonesia credits at low interest. These disclosures throw light on Sukarno's behavior since his return to Djakarta, which has created a strong impression that he felt his trip to the Orbit was more productive than his previous visit to the West.

Sukarno's speech foreshadows closer relations with the bloc. He expressed admiration for the "practical system" of child education in the USSR and Communist China and for the "revolutionary, patriotic and peace-loving ideology" guiding the armies of these countries. He indicated that Indonesia had much to learn in these fields and suggested that military and educational missions be dispatched to the Orbit. **~~(CONFIDENTIAL)~~**

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