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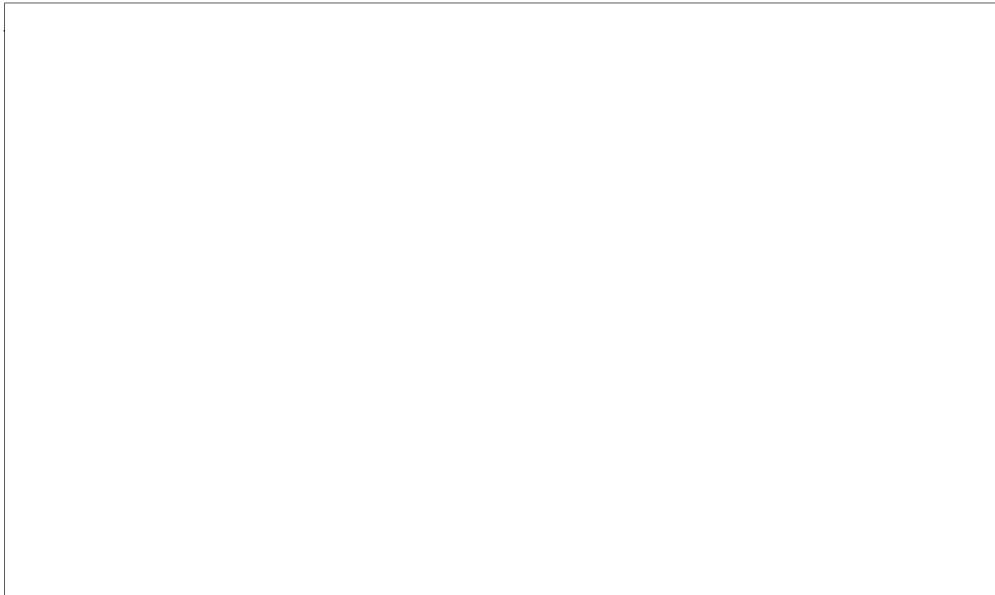
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OFFICE OF CURRENT INTELLIGENCE
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1. THE HUNGARIAN SITUATION (information as of 2330)

The complete failure of Soviet troops and Hungarian forces still loyal to the government to prevent the spread of the Hungarian rebellion has apparently forced the central regime of Imre Nagy to revise drastically its over-all policies and to abandon attempts to force the insurgents to surrender. Instead Nagy, calling for a cease-fire on the basis of the status quo, has ordered both Soviet and Hungarian forces not to fire unless fired upon by the rebels, and has been increasingly concessionary toward insurgent demands. The Nagy regime has also assured the insurgents that it is already negotiating with the USSR for the withdrawal of all Soviet troops from the country. By so doing, Nagy has, in effect, shifted the basis for whatever authority he now possesses from reliance on Soviet support to hoped-for insurgent support.

The Soviet attitude toward this shift remains completely unclear. The USSR may now have only two choices: full-scale war against a Hungarian rebellion which would be supported by virtually all Hungarians, including Nagy, or withdrawal within the near future of all Soviet military forces in the country. The first alternative would necessitate massive reinforcement of the Soviet troops which are now in Hungary.

[redacted]
three Soviet armies totaling 27 divisions are converging on Hungary from Rumania, Czechoslovakia, and the Ukraine. There is no confirmation of this or [redacted] Soviet and Czech forces moving toward the Czech-Hungarian border. Major elements of at least four Soviet divisions are now within the borders of Hungary. In addition to the two mechanized divisions normally stationed in Hungary, major elements of the

Soviet division at Timisoara, Rumania, arrived in the
Budapest vicinity by mid-day on 24 October [redacted]

The rebel forces, acting independently with no central leadership, appear to be in control of most of Hungary outside of Budapest. The independent provisional committee of Miskolc on the evening of the 28th called for a unification of the activities of the numerous provisional committees which have been established throughout Hungary. Attacking the Nagy government appointed 27 October as one "relying on a foreign power," the Miskolc committee is demanding the immediate formation of a new provisional coalition government under Nagy which would exclude all ministers who served under Rakosi. This government would be pledged to establish "a truly democratic free and socialist Hungary," and to hold general elections within two months in which several parties would participate. The Miskolc committee stated the provisional government's first act must be the immediate removal of Soviet troops from Hungary.

A few hours earlier Premier Nagy, in a desperate effort to meet rebel demands, announced that Soviet forces were now observing a cease-fire in Budapest and that after a Hungarian militia was formed to maintain public order, the Soviet units would move out of the Budapest area. Nagy also acceded to basic economic demands of the workers' councils, but he made no reference to freedom of religion or elections. In a subsequent Budapest radio broadcast, results of a cabinet meeting were announced in which the government body called for a revision of collectivization policies, a revision in the status of small craftsmen, changes in the system of produce collection, and basic changes in educational processes.

2. ISRAEL APPROACHING COMPLETE MOBILIZATION

Israeli mobilization on an unprecedented scale, which reached an estimated strength of 170,000 on 28 October, and is now approaching 100 percent, indicates preparation for possible major military action against the adjoining Arab states in the near future. The major concentration of Israeli forces remains south and southeast of Tel Aviv and south of Beersheba. Heavy movements of troops and materiel toward the Jordan border and Jerusalem have been reported, and reinforcements have been dispatched to other fronts. Civilian vehicular traffic has declined sharply, the Israeli military headquarters in Tel Aviv has moved to a field location, and civilian hospitals have been alerted. The

Israeli air force is not reported to have mobilized reserves in noticeable numbers, but is on alert status.

On the evening of 28 October, the Israeli cabinet announced "partial mobilization . . . as a precautionary measure to safeguard the security of Israel's border." Causes for the mobilization cited by the cabinet were renewed incursions by Egyptian-directed terrorists from Egypt, Lebanon and Jordan; establishment of a military alliance directed against Israel by Egypt, Jordan, and Syria; declaration by the government of Jordan that its principal concern is a war of destruction against Israel; and mobilization of Iraqi forces on the Jordanian border.

Deep Israeli concern over possible developments in Jordan and Syria, which might result in the intervention of Iraqi forces and change the status quo on Israel's most vulnerable flank, has been stressed in press and official comment from Tel Aviv. Israeli suspicions have probably been strongly aroused by recent large-scale Iraqi troop movements toward the Jordanian border. During the last week

Iraqi forces near the Jordanian border have approximately tripled, and now include about 6,000 troops at the border and 3,000 one day's march away.

Iraqi interest in supporting a rightist coup in Syria is probably also known in Tel Aviv, where it is viewed with strong suspicion. Israel's strong attitude on this point may have caused postponement of an Iraqi-backed antileftist coup in Syria, reportedly originally scheduled for 28 October. [redacted] on 28 October that the coup had been postponed for at least 24 hours.

Israel has as yet taken no action against Egypt in reprisal for the mining of two military vehicles on 21 October which killed three and wounded 27. Israeli action against Egypt, accordingly, may occur at any time. The 35,000 Egyptian forces remaining on the Israeli frontier during the Suez crisis are reported to have been placed on alert. Most of Egypt's forces were concentrated in the Nile delta area following Nasr's nationalization of the Suez Canal.



* * * * *

The IAC Watch Committee met at 1200 hours 28 October to consider available information bearing on the Israeli mobilization. The summarizing paragraph of the committee's report is as follows:

"The scale of the Israeli mobilization and its damaging effects on the economy, together with Egyptian preoccupation in the Suez, Soviet preoccupation in Europe, French material support to Israel and the complicated inter-Arab rivalries in and over Jordan, particularly

the growth in Egyptian influence in Jordan, all provide a favorable opportunity for a major attack. Past Egyptian provocations, the key role of Egypt in the Arab threat and UK involvement with Jordan indicate the attack will be launched against Egypt in the very near future, under the pretext of retaliation and exceeding past raids in strength. The scale of the mobilization indicates that Israel is prepared to meet or exploit such situations as may arise during such an attack."

3. AMBASSADOR BOHLEN DESCRIBES BEHAVIOR OF SOVIET LEADERS

Ambassador Bohlen reports that Khrushchev, Bulganin, Molotov and Kaganovich were the only full members of the party presidium present in Moscow at a reception for a visiting Belgian delegation on 25 October. Five of the six alternate members--Zhukov, Shepilov, Furtseva, Shvernik and Brezhnev--also attended.

The Soviet leaders were quiet and subdued and kept more to themselves than usual. Bulganin, in particular, looked tired and depressed, and Khrushchev was not his usual exuberant self. Kaganovich and especially Molotov seemed considerably more at ease. Later, at a ballet performance, Molotov occupied a prominent position in the front row along with Khrushchev and Bulganin.

The ambassador comments that, while it is dangerous to draw conclusions from the public behavior of these men, all foreign observers noted the difference in bearing between Khrushchev and Bulganin, on the one hand, and Kaganovich and Molotov on the other.

Comment Khrushchev and Bulganin, who initiated the rapprochement with Tito in 1955, would be more subject to psychological tension from recent events in Eastern Europe than Molotov, who opposed that policy, or Kaganovich, who has not been closely associated with Soviet policy toward the Satellites. Mikoyan and Suslov, who have been closely associated with developments in Hungary, were not present at the reception. There is no confirmation of press reports that they were in Budapest on the morning of 25 October.

The threat to Soviet control of Eastern Europe has probably weakened Khrushchev's position and

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5. ITALIAN FOREIGN MINISTER COMMENTS ON POLISH-HUNGARIAN DEVELOPMENTS

[Redacted] Italian foreign minister Martino told Ambassador Luce on 26 October that Soviet use of troops in Hungary and the threat of such use in Poland could give Italian Socialist leader Pietro Nenni a solid reason for breaking with his Communist allies. He said that Nenni's failure to avail himself of the opportunity would give Socialist reunification in Italy a "stunning setback" and discredit it in the eyes of many Socialists.

Martino also expressed the opinion that "Nehru can no longer believe," as he had insisted to Martino in India, that the Kremlin could be trusted to abide by the "five principles," and therefore would never intervene by force in the internal affairs of the Satellites or of friendly states.

Comment

There has been an increasing divergence in Nenni Socialist and Italian Communist views on the developments in Poland and Hungary. On 22 October, Nenni stated publicly that it would be erroneous to believe the movement for democratization in Poland could be blocked or hampered. His party press declared on 26 October that responsibility for the Hungarian uprisings rested in part with the Communist "people's democracies!"

According to a semi-official French news agency, the youth groups of the Nenni Socialist and Democratic Socialist Parties, which are considering reunification, jointly declared their enthusiasm for Polish developments.

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may bring another shift in power in the party presidium, despite Khrushchev's apparent successes in Soviet internal policy, particularly agriculture. The attitude of Mikoyan, and possibly Suslov, could be decisive in determining Khrushchev's future.

4. GOMULKA REPORTEDLY PLANS TO REQUEST SOVIET AID BEFORE TURNING TO WEST

Wladyslaw Gomulka reportedly will ask the USSR for a large-scale, long-term loan before turning to the West, [redacted]. If the USSR refuses, Gomulka will make the same request to the West through the International Bank or some similar agency. He will not accept any loan with strings attached, but will guarantee that the loan will not be used for military purposes.

Gomulka reportedly is fully aware that although the Polish people are supporting him, it will be several months before he can bring about enough increased production to improve living standards and that he cannot wait this long. He firmly intends to reduce military expenditures to what he considers more reasonable amounts.

The American embassy in Warsaw on 23 October reported that Western press representatives stated that the government was pressing the USSR for a one billion ruble (\$250,000,000) loan, and that it was leaking word that Poland wanted \$300,000,000 from any source with no strings attached. [redacted]

Comment

Poland is already over \$600,000,000 in debt to the USSR. In September the regime asked for, and received, a moratorium on repayment of these debts and a new loan of \$25,000,000 was granted. Any loan capable of halting Poland's deteriorating economic position and significantly improving the standard of living would have to be several times the size of the September loan.

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6. FRENCH TROOP MOVEMENTS IN NORTH AFRICA

French troops in Morocco and Tunisia appear to be maneuvering into position to resume protection of French settlers' lives and property. Any such French action would probably prompt Rabat and Tunis to break completely with Paris and might lead to an early resumption of guerrilla warfare against the French in both countries.

Moroccan foreign minister Balafrej informed the American embassy in Rabat on 26 October that French troops have crossed into Morocco from the Oran region of Algeria, while at Safi--a port city south of Casablanca--they have seized all Moroccan arms, distributed them to French residents and taken up positions behind freshly constructed entrenchments. He also said that the French army had taken over police headquarters in Meknes, scene of bloody anti-French reprisals last week, ejected Moroccan policemen and officers and seized a quantity of Moroccan arms. In Tunisia, similar French military movements led to clashes on 27 October in which 14 were killed.

Balafrej stated that Moroccan authorities are entirely capable of maintaining law and order and indicated that Prime Minister Bekkai's new government would lodge a strong protest both with the French government and the UN.

In Paris, a high Foreign Ministry spokesman denied the French intended to use troops in

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Morocco or Tunisia unless requested by the respective governments. He stated that French officials in both countries have been instructed to observe caution and avoid any provocative action. The American military attaché in Rabat, however, believes that the French army is prepared to intervene militarily.

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7. SINGAPORE RIOTS

Rioting continues in Singapore, but on a greatly reduced scale, and business is almost normal. Army reinforcements from Malaya have been deployed throughout the city to help deal with any resurgence of violence.

On the night of 26-27 October, the police arrested some 500 persons, including the hard-core elements of the pro-Communist People's Action Party and its labor affiliates. This action by the government is aimed at the heart of the pro-Communist organization in Singapore. The American consulate general reports that the arrests may lead to fresh trouble in the form of widespread strikes, although there is presently no evidence that such a development is imminent.

There is no reason to doubt that the government will vigorously press its advantage. Under the circumstances, the prospects are that PAP will have a difficult time regrouping its forces and regaining lost prestige and influence.

8. FURTHER REVISIONS IN WEST GERMAN DEFENSE TARGETS PLANNED

The American embassy in Bonn fears that unless NATO makes it clear to the West Germans that their force targets still stand, the Germans may change their targets and claim NATO approval for the action. The Foreign Ministry in Bonn told the embassy that Defense Minister Strauss will announce at the NATO annual review examination on 29 October that the armed strength target for 1957 will be considerably below the planned 270,000, and that manpower at the end of 1956 will total only 75,000 instead of the 95,000 planned. Defense expenditures for the current year are also far behind schedule.

Strauss will not discuss West German defense goals beyond 1958 on the grounds that NATO is now considering a revision in strategy and force goals.

Comment	A reappraisal of Bonn's present military commitments appears essential to overcome public reluctance to meet the financial and military goals. The desirability of a "go-slow" pace was reflected early this month when the defense committee of the Bundestag planned the defense procurement program only to 1958 to allow for periodic reappraisal and procurement of the most modern equipment.
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9. PATHET LAO OBJECTIVES CLARIFIED

[With regard]

to a coalition government, [the Pathet Lao will demand a deputy premiership and at least the post of deputy minister in Defense, Interior, and Foreign Affairs.]

The Communists proposed to accept a government offer "leaving our forces complete and organizing them into battalions!" [it was essential to retain the original units, under Communist command. In addition, the Communists will demand that a "number of units be stationed in the two provinces," with others advantageously stationed in the ten provinces now controlled by the government.]

Comment

There is strong sentiment in Laos for a settlement of the Pathet problem, and Premier Souvanna Phouma has indicated a desire to complete negotiations by the end of the month. The Communists, however, have almost certainly overestimated the strength of their position, as the government is unlikely to settle on a basis of peace at any price. The government has indicated, for instance, some reservations on acceptance of Pathet Lao units intact. [the Communists are anxious to avoid a deadlock, and therefore they will probably settle for less than the concessions demanded]

10. CYPRUS PARTITION PLAN

The plan for partitioning Cyprus between Greece and Turkey, which has been pressed for several months by Sir Ivone Kirkpatrick--until recently permanent under secretary of the British Foreign Office--and which has recently received press discussion, has aroused little enthusiasm outside London. The Turkish ambassador to Athens told Ambassador Allen on 26 October that he and Greek foreign minister Averoff had briefly discussed

the matter. Although the Turkish ambassador quoted Averoff as saying partition might "turn out to be the only feasible solution," the ambassador concluded that Turkey could not accept partition if proposed by Greece, and Greece could not accept it if either Britain or Turkey proposed it. If put forward, it would have to be done by a supranational organization such as NATO.

Partition of Cyprus would tend to perpetuate Greek-Turkish antagonisms and would be bitterly resisted by the Orthodox Church of Cyprus and the Greek-Cypriot population. It would be difficult for any Greek government to accept the plan and survive. Ankara has apparently given the plan no serious consideration.

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 28 October)

The signing on 24 October of a military agreement linking Jordan, Egypt and Syria, which establishes a combined staff in Jordan to function under the command of Egyptian general Amer, places Jordan solidly in the Egyptian-Syrian military camp, according to the American embassy in Amman. The agreement also jeopardizes the Anglo-Jordanian treaty since it raises the possibility that British forces would be required to operate under Egyptian command. The agreement completely excludes Iraq.

Now that unity of command under General Amer has been openly asserted in Jordan, Egypt will send considerably more arms of all types, according to comment by a Syrian staff officer to the American army attaché in Damascus. Syria would also continue arms shipments to Jordan.

The position of Jordan's anti-Western and opportunistic army chief of staff, General Nuwar, has been strengthened as a result of his success in placing Brigadier Hiyari, his principal remaining army rival, on extended leave pending forced retirement. (Press)

Following his designation as prime minister of Jordan, the anti-Western Suleiman Nabulusi has started to choose a leftist coalition cabinet which includes thus far, in addition to members of his own National Socialist Party, one representative each from the pro-Communist National Front and Resurrection Parties, and two independents. (Press)