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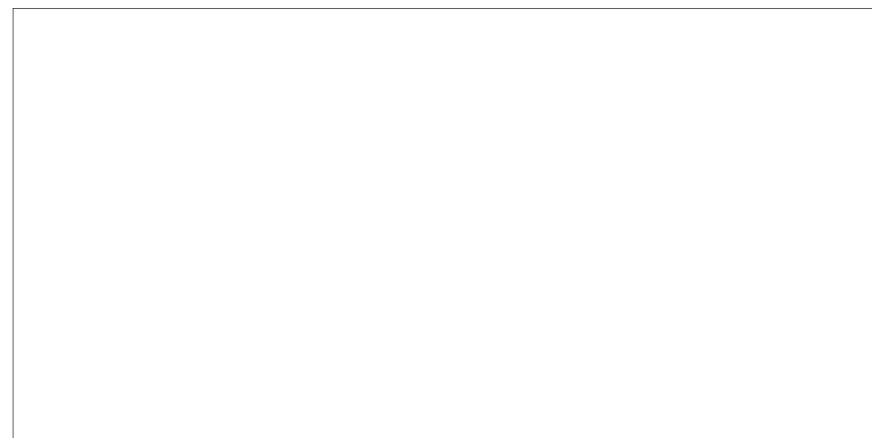
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1. SOVIET INFLUENCE SEEN SERIOUSLY THREATENED IN HUNGARY

[Redacted] Recent developments in Hungary are carrying Hungary "further along a course from which a return will be increasingly difficult," and strong countermeasures seem necessary if Soviet influence is to remain at the present level, according to the American legation in Budapest.

[Redacted] The drive for liberalization in Hungary reached a new height during the past few days when a number of Hungarian writers defied present Hungarian policies and "reactionary" leaders in a number of strongly nationalistic speeches at the recent meeting of the Hungarian Writers Union. Speakers challenged the monolithic solidarity of the Communist Party and implied that Marxism, to remain vital, would have to compete within Hungary with other systems.

[Redacted] The legation believes that some Soviet response to the current situation is increasingly to be expected, since an absence of such measures in the near future would be an indication that the USSR has accepted a definite gradual change in its control relations with Hungary.

Comment

The USSR apparently has already warned Hungary and the other Satellites not to transgress the Soviet-established limits of the "independent roads to socialism" doctrine, but this warning has evidently had little effect in Hungary to date.

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2. SITUATION IN NICARAGUA

The death of Nicaraguan president Somoza--whose condition as the result of the 22 September attempt on his life is now considered grave-- would mean a period of uncertainty and possible violence in Nicaragua. It is unlikely that Somoza's two sons, who now control the government, could long remain in power. In any event, the position of the National Guard would probably be decisive. Minister of Defense Francisco Gaitan, who is believed to be pro-US, is popular with the Guard and seems most likely to head a group assuming control of the government.

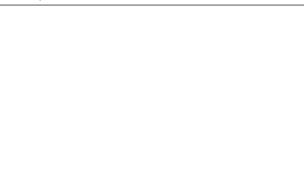
A state of siege was proclaimed in Nicaragua shortly after the wounding of the president on 22 September. Frontiers have been closed, the Nicaraguan air force is patrolling both borders, and the National Guard is in alert status. About 200 opposition political leaders and Communists have reportedly been arrested.

[redacted] Managua and its surroundings appeared "unusually quiet." There is no indication of any revolutionary movement timed to coincide with the attempted assassination. Reprisals against the opposition may be less severe than originally anticipated if, as some reports now suggest, Somoza's attacker acted on his own. The attempt on Somoza came as a surprise to the opposition in Managua, which has been working on "other plans" from outside the country, [redacted]

[redacted]

3. SOVIET LOAN TO POLAND

Comment on:



The new credit being extended to Poland by the USSR and the easing of the terms of repayment of previous credits will have only a marginal effect on the Polish program to improve living standards. The

Soviet move is designed, according to the Polish announcement, to enable the regime to fulfill its promise to raise wages 30 percent by 1960, an increase which will not be sufficient to eliminate widespread poverty. By the loan to Poland the Soviet leaders may hope to quiet the incessant demands by the more liberal party elements there for more independent policies and a higher living standard, and also to strengthen the position of the Moscow-oriented Communists in their struggle with these elements.

The credit, granted at 2-percent interest, consists of \$25,000,000 in gold plus undisclosed amounts of copper, rubber, and fats, and is to be repaid in equal annual installments of Polish goods during 1957-60.

In addition, the USSR will allow Poland to repay loans granted in 1947-49 in Polish goods rather than in gold or convertible currency as called for originally, and will lengthen by four to five years the payment period for \$202,500,000 borrowed to finance Polish industrialization during 1950-55.



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**4. SOVIET OFFICIAL ASSURES EGYPT THAT WESTERN
ECONOMIC "PRESSURE" WOULD FAIL**

[redacted] the West's threats to boycott the Suez Canal or "not to bother with Middle Eastern oil" are impractical and that if carried out, "would not suffice for long" because of "exorbitant costs," [redacted]

Comment This is the first report of a specific Soviet offer to help Egypt improve the canal, although Izvestia on 23 August said that Egypt could count on many nations for help in operating the canal.

Zaitsev has on several occasions urged Cairo to discount possible Western military action.

5. OCTOBER DATE REPORTEDLY SET FOR COUP IN CUBA

A "firm" date in October has been set for the overthrow of Cuban president Batista by the group headed by Colonel Ramon Barquin, imprisoned leader of the abortive military plot of early April

1956, according to a usually reliable source of the American army attaché in Havana. The majority of the army and police reportedly are to participate. The source has promised to give the attaché 24 hours' warning of the coup.

Comment

The Batista government has been faced with plotting by exiles and reportedly by civilian and military elements within the country.

Cuban minister of state Guell

had alerted his government to expect trouble during October from subversive elements wishing to overthrow the government. On 19 September it was reported that security measures had been tightened and that they would be further strengthened from 25 September to the end of October.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 24 September)

According to a Tel Aviv announcement, an Israeli woman was killed by Jordanian fire on 24 September while working in a field at a settlement southwest of Jerusalem. (Press)

Jordan was reported clearing traffic from roads in the Jerusalem area as precautions were taken against a reprisal raid from Israel for the firing on Israeli delegates to an archaeological convention on 23 September in which three Israeli civilians were killed and 15 wounded. An Israeli Foreign Ministry spokesman charged that the investigation by the UN Mixed Armistic Commission "completely contradicts Jordan's version, which alleges that the shots were fired by a single soldier in a fit of madness." He cited eyewitness reports that two machine gunners and three riflemen had been seen firing on the group from two Jordanian outposts, adding that Jordan could hardly claim that all soldiers participating in the incident were "taken by madness." According to one report, several prominent Israeli military leaders who are interested in archaeology, including Chief of Staff Dayan, former chief of staff Yigal Yadin, and former commander of the southern command Yigal Alon, had been expected to attend the session but did not appear. (Press)

On the night of 23 September, UN truce supervisor General Burns commented to the American consul in Jerusalem that he had only limited confidence in his efforts to dissuade the Israelis from retaliation. He considered, however, that Israel would need a day or more to reach a decision and mount a "suitable" reprisal.

According to an official of the Iraqi embassy in Cairo, renewed Israeli "activism" on the Jordanian border has, for the time being, induced Egypt to avoid open objection to Iraqi efforts to support Jordan. The Iraqis believe, however, that Egypt is counting on the Jordanian National Guard, which Egypt has recently agreed to help arm, and on Jordanian chief of staff Nuwar, to limit potential Iraqi influence in Jordan.