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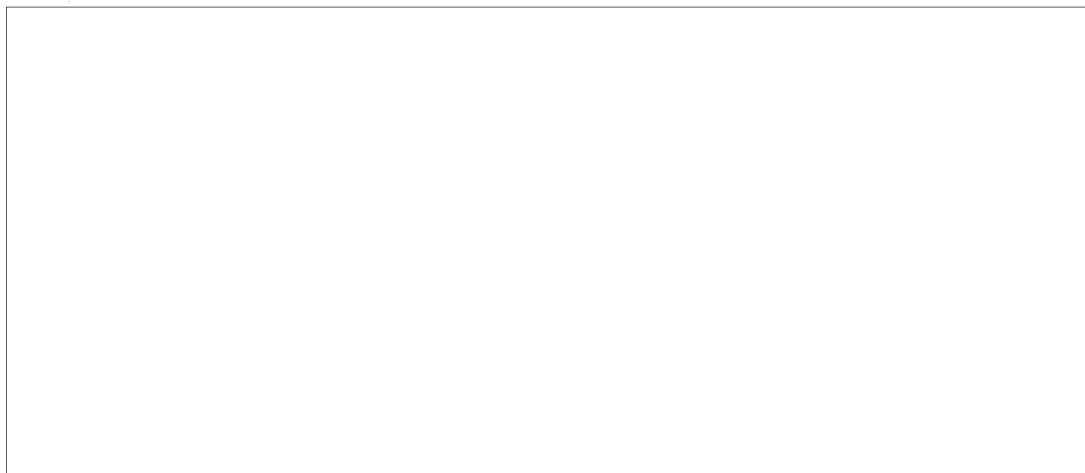
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1. LIMITED ISRAELI DEMOBILIZATION REPORTED

The strength of Israeli military forces is reported to have been reduced to about 135,000 from the estimated 200,000-level attained during the hostilities in Sinai. Israeli strength remains extraordinarily high in comparison with any other previous period, and Israel remains capable of remobilizing within 24 hours.

The heavy Israeli concentrations along the Syrian and Jordanian borders are reported to have been withdrawn, and only thin screening forces remain. Field communication wire which had been observed in the area since late October has been removed. Some reserve brigades are reported to have been demobilized

[redacted] and others returned to normal garrisons. The Israeli forces remaining on duty, however, are considered capable of effective action against Syria and Jordan, with little or no warning, upon reoccupation of forward positions.

An extensive reconnaissance by UN truce observers along Israel's frontier with Jordan on 23 November revealed "nothing unusual." On the same day other UN observers made a six-hour patrol of the Israeli side of the border with Syria and reported no indication that Israel was preparing for offensive action.

Additionally, on 20 November [redacted]

[redacted] the Israeli air

force had released those individuals called up for the hostilities in Egypt, and had returned to normal training programs. On 19 November, Israeli air strength included approximately

65 jet fighters of all types. The number of Mystere IV-A high-performance jet fighters noted in Israel, however, dropped from 66 in late October to 33 on 19 November. In the same period, the number of Noratlas twin-engined transports observed dropped from ten to two. These reductions probably reflect withdrawal of French air units which were based in Israel and participated in hostilities against Egypt.

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2. USSR OFFERS MILITARY SPECIALISTS TO SYRIA

The Soviet Union has offered the Syrian arms mission in Moscow 190 Soviet military specialists, a number described by the Soviet negotiators as "sufficient for training." The Soviets agreed to consider a Syrian request that the number be increased to about 600, the "minimum necessary for fighting."

Syria has only a few Czech arms technicians. The number offered by the USSR is slightly less than half the bloc arms technicians believed to have been engaged in training and maintenance in Egypt prior to hostilities.

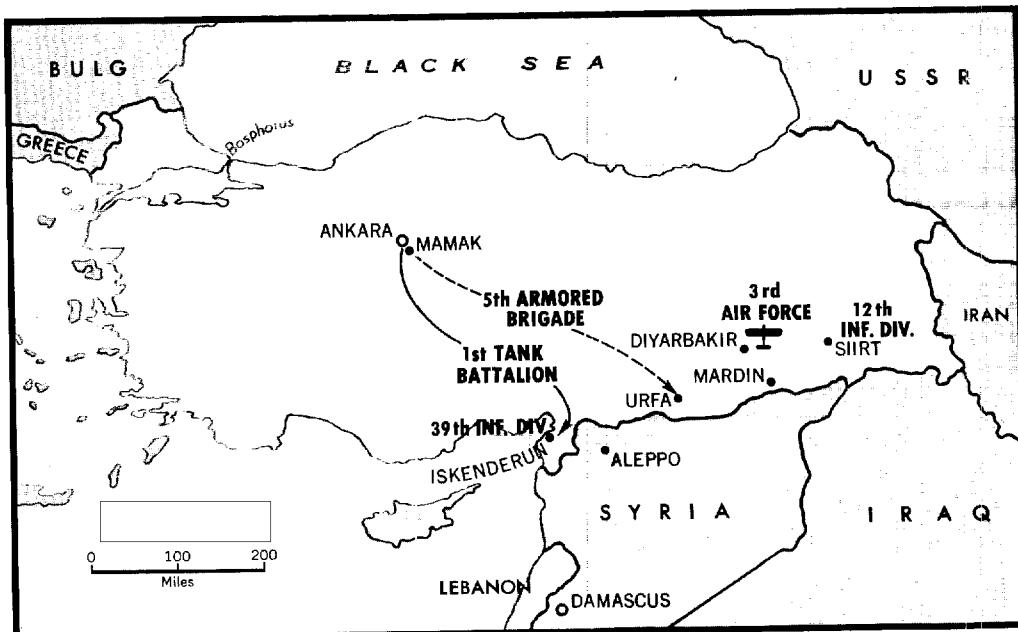
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3. TURKEY INCREASING TROOPS NEAR SYRIAN BORDER

The movement by rail of the Turkish 5th Armored Brigade from Mamak, near Ankara, to a position at Urfa, southwest of Diyarbakir.

[redacted] continues the build-up of military forces in southern Turkey near the Syrian border. It has also been confirmed that the First Tank Battalion has recently moved from Ankara to the Iskenderun (Alexandretta) area, and there is some evidence that Turkish infantry units have moved to the western segment of the Turkish-Syrian border.

[redacted] American officials have been denied permission to travel in the area south of Diyarbakir. Both the



American embassy and the military mission believe the Turks are not admitting the extent of their military build-up. The Syrians also allege that Turkish planes are flying reconnaissance missions over their airfields.

Simultaneously, at least a partial mobilization of Turkey's armed forces appears to be under way. Turkey's military build-up along its southern border may be strictly precautionary, but the Turks view the Syrian-Soviet courtship with increasing anxiety. [redacted]

4. CRISIS IN YUGOSLAV-SOVIET BLOC RELATIONS

Yugoslav differences with the Kremlin have reached their most critical point since 1948 as a result of the Soviet seizure of ex-premier Nagy, the latest Pravda editorial against Tito, and violent Albanian propaganda against Yugoslavia. For ideological and economic reasons, Tito would be reluctant to make a complete break, but may now feel that the entire Yugoslav policy of independent Communism must be upheld.

According to Belgrade, the Yugoslavs had worked out a firm agreement that the Kadar regime would not molest Nagy and other members of his government when they left their refuge in the Yugoslav embassy in Budapest. Soviet army officers refused to recognize the agreement, took the Hungarians into custody, and ejected the Yugoslav diplomats assigned to see the men safely home. The Tito government has now sent two strong protest notes to Hungary, demanding immediate fulfillment of the agreement and rejecting the Hungarian explanation that Nagy and the others went to Rumania of their own volition. The Yugoslavs are likely to withdraw support from the Kadar regime. According to press reports, Belgrade has also sent a strong protest note to Moscow, the first such diplomatic action since Stalin's death.

Yugoslav vice president Kardelj told Ambassador Riddleberger that the Nagy kidnapping proved three things: the Stalinist wing is now dominant in Moscow and Khrushchev's personal position no longer important since the Kremlin leaders are united on policy; the Soviet

leaders are now trying publicly to discredit Yugoslavia; and the Hungarian revolt will be hopelessly crushed as a lesson to the Satellites. Kardelj said he felt the Yugoslav-Soviet declarations of June 1955 and June 1956 had received their coup de grace, not from the Nagy affair, but from the September directive from Moscow to the Satellites warning against Yugoslav influence. Another Yugoslav official said that the "ideological struggle" with the USSR would be "very long," but would not affect state relations as it had in 1948.

The American embassy in Belgrade has seen a memorandum, apparently giving regime guidance to Yugoslav Communists, which says the Stalinists now have complete control in Moscow, but that anti-Stalinists probably will regain control gradually. Yugoslav Communists are warned to expect vilification similar to 1948, but are told to react calmly to avoid pushing the Stalinists to greater extremes.

The Albanian press and leaders are now attacking Tito vehemently, accusing the Yugoslavs of "subversive propaganda and conspiracies." According to a Yugoslav press correspondent abroad, Tito fears Moscow may instigate an uprising against Hoxha in order to blame Tito and justify an attack on Yugoslavia. While such an attack seems highly unlikely, Moscow may be preparing a case against Yugoslav interference. Tirana announced on 23 November the execution of three agents for espionage--presumably for Yugoslavia. [redacted]

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5. BRITISH GOLD AND DOLLAR RESERVES DROP DRASTICALLY

In the week ending 17 November, British gold and dollar reserves decreased by \$102,000,000, as compared with \$84,000,000 lost during all of October.

This reduced reserves to a total only \$67,000,000 above the two billion dollars considered by British Treasury officials as the minimum safety level. This decline for a single week is greater than that for any previous month this year, and underlines Chancellor of the Exchequer Macmillan's [redacted] statement [redacted] that the October losses, which preceded the Anglo-French invasion of Egypt, would be "as nothing" compared to those of November.

The United Kingdom's most immediate financial concern is to maintain the strength of sterling as the trading medium for approximately 40 percent of free world trade. Even before the Suez crisis, there was substantial speculation on the continent against the pound because of Britain's gold and dollar losses and the poor prospects for reversing the trend.

In addition, the American embassy estimates that if Middle Eastern sources remain blocked, Britain will have to spend approximately \$225,000,000 over the next six months to maintain oil supplies at 75 percent of normal consumption in Britain and among normal British customers on the continent.

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6. HUNGARIAN WORKERS' STRIKE

The American legation in Budapest, commenting on the "peak effectiveness" achieved on the second day of the 48-hour general strike, states that the present mood of the workers indicates no intent to resume work and that, in fact, public determination to continue the strike is mounting. A one-hour "stay-at-home" protest on 23 November by the people of Budapest--viewed by the legation as a "complete success"--appeared to give the population a further big morale uplift.

These observations were made by the legation prior to the seizure and alleged deportation of Nagy to Rumania by the Soviets--a move which apparently has only served to stiffen popular resistance to the Kadar regime.

Kadar, however, appears to be taking a somewhat stronger approach to the problem of getting the country back on its feet, despite the obvious unpopularity of his government. In a speech made on 25 November to a delegation from the Budapest Workers Council, Kadar said, "It is part of the government's program that (it) cannot be soft and yielding. Practice has shown that a counterrevolution cannot be disarmed by concessions!" He then went on to make the same evasive type of promises that he has been making since he took over--that once order has been restored the government will be able to take steps to meet popular demands.

The first attack by the government against Cardinal Mindszenty--still in refuge in the American legation

in Budapest--appeared the same day in the party daily, which described him as "a typical representative of fascism."

Unconfirmed press reports from Vienna on 25 November state that renewed fighting has broken out in Hungary, both in the capital and other parts of the country. According to unconfirmed refugee reports, insurgents were fighting in mountainous areas in southern Hungary as late as 21 November.

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7. POLISH PARTY REPORTEDLY APPROVED PRESS ATTACK ON SOVIET POLICY IN HUNGARY

The press attack on Soviet policy in Hungary in the Polish paper, Zycie Warszawy, on 23 November was approved in advance by the press department of the central committee of the Polish United Workers (Communist) Party.

The article, which called the Soviet line on Hungary a "senseless theory," attacked the Soviets at their most sensitive point by stating that the Soviet system itself as well as Stalin bears a heavy responsibility for Stalinist practices.

Various other Polish papers have joined in criticizing Soviet policy in Hungary, although the chief party daily has not yet entered the controversy. One newspaper endorsed Tito's views on events in Hungary and called for Polish-Yugoslav co-operation. Broadcasting of these articles by the Polish radio suggests that the regime is prepared to engage in public controversy with Moscow.

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