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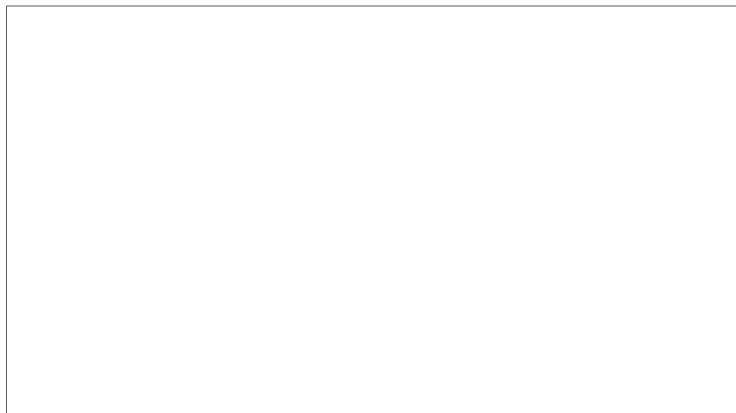
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1. HUNGARIAN REGIME MOVES TO CRUSH WORKER RESISTANCE

Following almost a week of popular demonstrations in Budapest sometimes reaching violence, Hungarian security units--backed by Soviet military personnel--have arrested large numbers of students, intellectuals, workers and representatives of the various workers' councils. The regime conceded on 7 December that a "few hundred" had been arrested, and the American legation reports that Budapest is tense with fear of further arrests.

In an apparent attempt to justify the wave of arrests, the Kadar regime has denounced worker groups still "disturbing the peace" as counterrevolutionaries who must be apprehended in order to restore order. In addition, small groups of AVH personnel in civilian clothes have precipitated fights with anti-Kadar demonstrators to provide further justification for arrests and a general tightening of internal security.

The Central Workers' Council of Budapest threatened on 7 December that if the arbitrary arrests continue, the "workers will turn against the government for good and the end will be a general strike, bloodshed and a new national tragedy!" The council was to meet with Premier Kadar on 7 December to press for the release of recently seized workers and labor leaders and the right to publish a paper. The council has succeeded in distributing throughout much of the country leaflets defying the Kadar regime's recent strong-arm methods. The regime radio has admitted that "opposition" elements have been active in scattered areas in Hungary, and that most coal miners have again left their jobs.

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2. DALAI LAMA MAY SEEK ASYLUM DURING INDIA VISIT

The Dalai Lama plans to seek asylum during his present visit to India, [redacted]

leader. The Tibetans who are supporting the move feel that the Dalai Lama's absence from Tibet would free the people at home for widespread resistance, and that with the support of friendly powers, he could become an independent force for liberation of the country.

The Dalai Lama reportedly is trying to determine whether or not he can obtain financial and political support from India. If India refuses, he reportedly will ask for asylum for himself and other officials in some Buddhist country. If this also fails, he will return to Tibet to continue passive resistance there.

[redacted]
In his initial talks with Prime Minister Nehru, the Dalai Lama did not bring up the matter of asylum. He only asked Nehru's advice on how to deal with Chinese Communist encroachments, which he claimed had violated the Sino-Tibetan agreement of 1951 formalizing Peiping's control over Tibet.

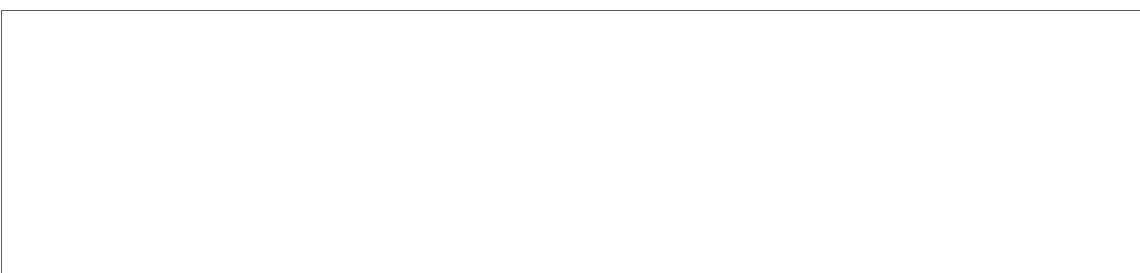
Although sympathetic to Tibetan aspirations for independence, Nehru reportedly told the Dalai Lama that Tibet's only recourse at this time is to seek a larger measure of autonomy under Communist China's sovereignty, which India recognizes.

The Dalai Lama reportedly hopes to see Nehru again after the latter's return from the United States.

Comment

The Dalai Lama presumably will have decided upon his future action by the time he sees Nehru again. Nehru will probably make every effort to discourage his plans, to flee Tibet, especially since India is now host to Chou En-lai, who reportedly has requested and received assurance that India would not encourage the Dalai Lama to stay in India. However, if the Dalai Lama requests a longer stay, Nehru can hardly force him to return to Tibet. [redacted]

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3. JORDAN ASKS WITHDRAWAL OF IRAQI TROOPS**Comment**

The Jordanian government presumably now regards the Iraqi troops, who entered at Jordan's request on 3 November to help defend against a possible Israeli attack, as a political liability because of Iraq's identification with British policy. The Iraqis have viewed the presence of the 3,000-3,500 Iraqi troops in Jordan as insurance against attempts to bring Jordan still closer to the pro-Egyptian bloc. [redacted]

4. EGYPT PREPARES FOR SABOTAGE OF BRITISH OIL INSTALLATIONS IN ARABIA

Comment on:

[redacted] Egypt has stepped up preparations for sabotage of British oil installations in Kuwait and possibly in Aden.

[redacted] Cairo had made British oil installations in Kuwait a sabotage target, and attempted to send explosives and trained personnel into this area, as well as to Bahrein and Qatar.

Kuwait's oil production, which is the largest in the Middle East and amounted to over a million and a half barrels a day prior to the blocking of the Suez Canal, is owned equally by British and American interests. The output of Kuwait's small 28,000-barrel-a-day refinery is consumed locally.

[redacted] an Egyptian-trained saboteur returned to Yemen at the end of November with plans of Aden harbor and several cases of explosives and detonators.

[redacted] Aden has a large new British refinery with a capacity of 120,000 barrels a day which processes Persian Gulf crude.

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5. LIBERALS TO HEAD NEW POLISH ECONOMIC COUNCIL

The Polish radio announcement on 5 December of the imminent appointment of Oskar Lange and Czeslaw Bobrowski as chairman and deputy chairman of the newly formed Economic Council of the Polish Council of Ministers illustrates the emphasis now being placed by the new regime on technical competence of personnel chosen to direct the economy along more liberal lines. Lange, a former Socialist, is Poland's most prominent economist. Bobrowski, also an experienced economist and administrator, is a steadfast Socialist and has been living in France since his defection in 1950.

In an article published last July, Lange outlined the essential elements of a new liberalized economic policy very similar to that subsequently enunciated by Gomulka at the eighth plenum of the Polish United Workers (Communist) Party (PZPR). He has managed to survive the welter of post-war economic policy changes relatively unscathed, emerging now in the apparent role of architect of Gomulka's new economic program for Poland. He spent the years from 1934 to 1947 in the United States, first in the academic world and later, after renouncing his newly won American citizenship in 1945, as Polish ambassador to the United States.

Bobrowski is highly regarded by old-line Polish Socialists. After serving with the government-in-exile in London, he returned to Warsaw in 1946 as chairman of the State Planning Commission. He held this position until 1948, when he was forced to resign as a consequence of his close identification with the right wing of the Polish Socialist Party. He was subsequently appointed minister to Sweden.

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6. VATICAN POSITION ON POLISH WESTERN TERRITORIES UNCHANGED

The Polish government newspaper on 5 December stated that the Vatican's agreement to appoint bishops in Poland's western territories does not mean a change in the Holy See's policy that the political question of the Oder-Neisse frontier remains to be settled in a peace treaty. The official Polish news agency had previously claimed the Vatican's action was "confirmation of the inviolability of the frontiers of the republic on the Oder and Neisse and the Baltic!"

The Vatican may have made Poland's public acknowledgment of the church's unchanged position on the Oder-Neisse issue a condition for the episcopal appointments.

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7. INDONESIAN POLITICAL CRISIS DEVELOPING

The reported decision of Indonesia's largest Moslem party, the Masjumi, to withdraw from the cabinet suggests that a major political crisis is developing. According to the editor of a leading Djakarta newspaper, this decision will be announced at the Masjumi congress scheduled for 22-28 December.

The withdrawal of the Masjumi from Indonesia's coalition government would culminate a long period of dissatisfaction over corruption and government mismanagement, as well as concern over unrest in the army and President Sukarno's advocacy of "guided democracy."

Should the Masjumi leave the government, it would almost certainly look to former vice president Hatta for leadership. Hatta, in any bid for power, would probably have the strong backing of Indonesia's other major Moslem party, the Nahdlatul Ulama (NU). These two parties, representing about 50 percent of the voting public, could count on the support of various small parties, and might therefore be able to organize a new government. The National Party, however, supported by Sukarno, could be expected either to offer the NU strong inducement not to defect or to accept openly the full support of the Communist Party.

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8. BRITISH REPORT IMPORTANT SUCCESSES AGAINST COMMUNISTS IN MALAYA

[Redacted] Communist guerilla strength, now estimated at 2,100, can be reduced to 1,000 if British forces

remain in Malaya for two years after independence in August 1957. Without British troops, however, he foresees a stalemate followed by a negotiated peace, which would permit the Malayan Communist Party to engage in overt united-front tactics.

[Redacted] the Communist political underground organization in Malaya has been almost completely destroyed. The Communist courier communications system has been so disrupted by government operations that policy guidance and tactical direction are now provided by Radio Peiping. [Redacted] the Communists plan to recruit former Malayan Communists now resident in other Southeast Asian countries, India, and China in order to set up a new subversive organization.

Comment Although Communist armed strength in Malaya has been declining steadily since its peak of between 5,000 and 6,000 in 1953, this is the most optimistic view to date of the success achieved by the British campaign against the terrorists.

Malayan chief minister Rahman has stated he will not negotiate with the Communists, and will meet Communist leader Cheng Ping only if Cheng agrees beforehand to complete capitulation. Pressures on Rahman for a negotiated peace, however, will undoubtedly increase after independence is achieved.

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~~SECRET~~**9. BRITAIN APPARENTLY TO GIVE UP BASES IN CEYLON**

Britain has apparently agreed to give up its naval base at Trincomalee and its airfield at Katunayake, north of Colombo. Prime Minister Bandaranaike told newsmen in London on 5 December that the "sooner the UK quits the bases the better." In Karachi, on his way home, Bandaranaike said that Britain would give up these military bases next year.

Prior to the British intervention in Suez, which caused a storm of protest in Ceylon, Bandaranaike had apparently been willing to postpone base negotiations almost indefinitely or permit British use of the bases under Ceylonese control despite his election promises to obtain British withdrawal from the bases.

The British presumably bowed to Bandaranaike's demand in order to avoid further strain on Ceylon's attachment to the Commonwealth. British military authorities for some months have been considering several alternatives to the bases in Ceylon--principally Mombasa, Aden, and the Maldives Islands.

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~~SECRET~~**10. BRITAIN MAY REDUCE FORCES IN GERMANY**

A high British Foreign Office official reportedly has stated that Britain would not be able to maintain the present level of its forces in Germany because of economic troubles. This information comes from German officials, one of whom said that a reduction did not seem immediate, but might occur in late 1957 or early 1958.

Comment This supports other indications that London is considering a substantial reduction of its forces in Germany. The Canadian under secretary for external affairs told the American ambassador in Ottawa on 4 December that he feared Britain was contemplating partial withdrawal in the near future.

In the NATO annual review of military plans, Britain said its forces would be maintained at present levels during 1957, but declined to project its plans into the second and third years as is customary. Britain has already withdrawn at least 3,000 troops, mainly service and support elements, from Germany since August because of the Middle East crisis. Britain maintains four army divisions and one tactical air force in Germany.

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