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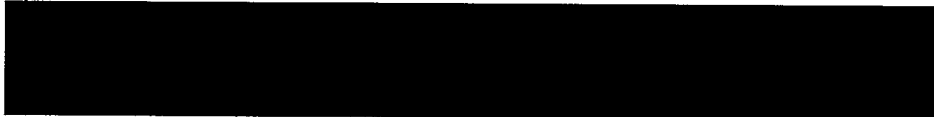
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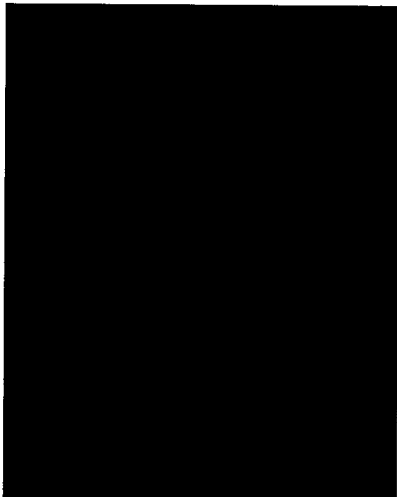
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2. BRITISH AND FRENCH ACCEPTANCE OF SUEZ CEASE-FIRE (information as of 2200, 6 November)

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Quick acceptance by Britain and France of a cease-fire with Egypt under conditions considerably less than they had demanded on 5 November evidently reflects a sharp turn toward caution following receipt of threatening notes from Moscow.

The cease-fire terms accepted by the two nations notably fail to provide for any approach to a general Middle East settlement or for any regime for the

Suez Canal itself, as demanded by Eden and Mollet.

Acceptance enables Britain and France to evade the risks inherent in trying to maintain a position athwart the length of the canal without destroying the Egyptian army and seizing Cairo and the Nile delta. From their present holdings they can block any canal arrangement unsatisfactory to them. French premier Mollet has claimed to have all the necessary equipment on the spot to reopen the canal, but the British Admiralty estimates it will take two to three months to reopen it.

The overthrow of Nasr presumably remains an important objective, especially for Paris. Though apparently obliged to forego his overthrow immediately, the British and French still hope to induce the Egyptian people to replace him.

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5. THE HUNGARIAN SITUATION (information as of 1700,  
6 November)

Although armed patriots continue to resist Soviet attack in Budapest and in at least two areas in the provinces, the Hungarian revolution is for all practical purposes at an end. The American legation in Budapest has reported that Hungarian security police were back in uniforms and, under the protection of Soviet troops, were already searching houses and arresting people.

Radio Pecs announced at 0530 on 6 November that all those still bearing arms could return home unharmed if their weapons were surrendered by 0800. Although this was only noted on a regional radio network, presumably such an amnesty was in effect throughout the country. It represents an extension of the amnesty announced on 5 November.

The Budapest legation reports that the Soviet forces in their efforts to storm the Kilian barracks-- one of the last rebel strongholds--fired on a children's clinic, ignoring the protests of several Western legations. The legation also reported that the Soviet troops had fired on the Yugoslav legation and "killed one younger diplomat, while wounding several others."

The Kadar regime is faced with a serious problem in restoring the nation's economy. Hourly appeals over most of the nation's radio stations reveal the size of the job now confronting the regime: foodstuffs, medicines and other staples are in short supply, transportation is at a

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virtual standstill, and most industrial plants, if in operation at all, are working with skeleton labor forces. On 5 November, Moscow announced that the Soviet government would send free food, building supplies and medicines immediately, as well as raw materials and fuel in advance of the regularly scheduled time of shipment. This was in apparent response to a plea for aid by Kadar to all Communist countries.

Western relief supplies have been held up at the Austrian-Hungarian border since the renewed Soviet offensive of 4 November.

Kadar's regime has continued to promise a national Communist program, dedicated to Hungarian independence within the socialist camp and an internal policy characterized by moderation and economic reform.

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6. WESTERN EUROPEAN REACTION TO HUNGARIAN CRISIS

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Comment on:

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The Soviet Union's repression of the Hungarian rebellion has aroused greater concern in Western Europe than the situation in the Middle East. Public opinion in several countries tends to regard Western impotence to deal with Soviet brutality in Hungary as a sign of grave flaws in the Western alliance.

In West Germany, the Adenauer government interprets Hungarian developments as a warning of what could happen in East Germany. According to the press, the Bonn government is considering a program to form a corps of troops ready for immediate action. A crash build-up of two or three divisions was reportedly discussed at a cabinet meeting on 5 November. Foreign Minister Brentano told the American embassy immediate action is necessary to restore the Western unity disrupted by the Anglo-French moves in Egypt.

In France, the press echoes the government's criticism of the slowness of the United Nations to condemn the Soviet Union while it was quick to act against the British-French intervention in Egypt.

Portions of the British press friendly to Eden deplore Britain's intervention in Egypt when world attention should be focused on Hungary. Editorials critical of the government's Middle East policy state that the attack on Egypt may have tipped the scales in Hungary.

All speakers at the North Atlantic Council session on 5 November urged positive measures against the Soviet Union. The Netherlands proposed UN action to send

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observers to Hungary. The Italian representative, however, did not advance Italy's tentative suggestion, made on 4 November to the American embassy in Rome, that all Western nations consider breaking off relations with the entire Soviet bloc.

The Scandinavian press condemns the Soviet Union in the strongest terms, and expresses the opinion that events prove the impossibility of peace and co-existence with the USSR.

Chancellor Raab and the Austrian cabinet do not appear concerned over possible extension to Austria of the hostilities in Hungary, according to the American embassy in Vienna. Vienna evidently expects, however, that Soviet press charges of Austrian interference in Hungary may be followed up with official protests. (NOFORN)

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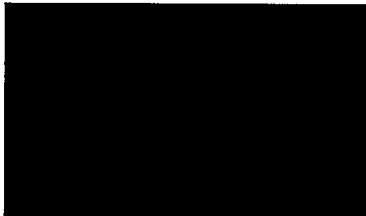
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**7. RUMANIAN REACTION TO HUNGARIAN DEVELOPMENTS**

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The American legation in Bucharest has received information [redacted]

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[redacted] that repressive action was taken last week against students in three universities in western Rumania.

One thousand students were arrested in Timisoara University immediately following a student meeting, where the students had been encouraged by invited authorities to speak freely. Many arrests were also reported in Targu Mures University, and the Cluj Hungarian University has been closed.

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[redacted] party first secretary Gheorghiu-Dej was summoned to Moscow on 31 October and had not returned by 4 November. On the morning of 2 November, the extreme nervousness on the part of Rumanian officials was replaced by a show of complete confidence, which indicated [redacted] that this was the date on which the Soviet decision to move additional forces into Hungary was communicated to Bucharest.

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**Comment**

The Rumanian regime appears to have the situation under control, despite limited unrest and discontent, particularly among the large Hungarian minority in Transylvania. To forestall any outbreak, it has taken a number of precautionary measures during the past two weeks. Identity cards are being checked, factory guards have been doubled, surveillance of diplomats has increased, and diplomatic travel has been sharply and arbitrarily restricted.

The USSR's strong action to quell the Hungarian revolt has served further to intimidate the general population and has reinforced the regime's sense of security. The legation in Bucharest believes that the Rumanian regime will resist popular pressures for the removal of Soviet troops.

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8. POLAND READY TO NEGOTIATE US AID

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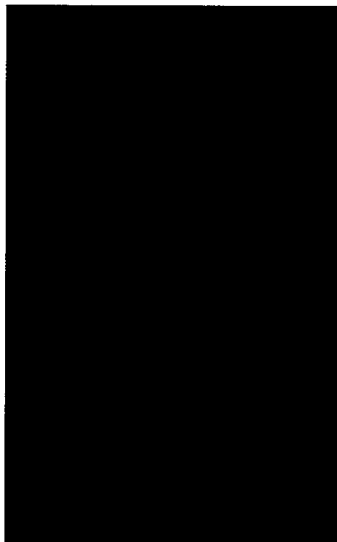
The Polish news agency's announcement of 3 November that Poland is ready to conclude aid agreements with the United States suggests that the Poles are prepared to negotiate regardless of the outcome of future economic talks with the Kremlin. The pointed insistence, however, that such agreements should not be conditioned by various forms of control indicates that the Poles will not accept economic assistance involving an American voice in the use of the aid. Poland is acting in accord with its own concept of sovereignty but at the same time probably wants to reassure the USSR of its orientation. Poland may also fear that the United States may raise the question of compensation for the nationalization of American property in Poland.

The announcement indicates that the Warsaw regime is more interested in credits than grants, and would probably like to negotiate a long-term loan as well as favorable trade exchanges.

While current food shortages could intensify Poland's need for immediate aid, Ambassador Jacobs in Warsaw believes that the Poles may not pursue the matter further unless the United States replies to the Warsaw note of 8 October calling for an American-Polish discussion of "all problems, the settlement of which would contribute to normalization and widening of Polish-American relations."

9. GOMULKA SEEKS SUPPORT OF ALL POLISH FACTIONS

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Polish first secretary Wladyslaw Gomulka is taking further measures, including attempts to gain the support of a variety of political factions, to ensure Poland's "independent" position. In a 4 November speech he appealed to the nation to refrain from demonstrations, and stated that everyone--including former socialists and pro-Soviet Communists--who believes in the party's present policies should be allowed to work for the party, be elected to party organs, and be judged according to the quality of his work.

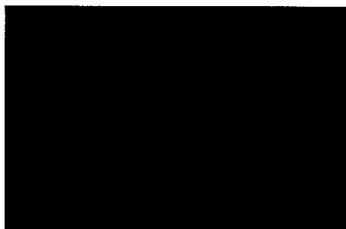
This policy will probably be attractive to many socialists who were purged in 1948, when the socialists merged with the Communists. While most of the pro-Soviet party leaders have already been dropped by Gomulka, he probably thinks that the leaderless elements of the pro-Soviet faction pose no serious threat.

According to an official Polish announcement, 35 Russian officers in the Polish armed forces, including five generals, have been replaced by Polish officers.

Gomulka has also promised that the scope of the security apparatus will be reduced and that secret police methods will be changed. He added that the regime "cannot, however, let anybody spit in our faces!" He also stated that press statements must conform to the party's program, and only if they do so will the need for censorship be eliminated. (CONFIDENTIAL)

10. SUSLOV SPEECH REAFFIRMS DECISIONS OF SOVIET  
20TH PARTY CONGRESS

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The speech delivered by party presidium member Suslov at the Soviet revolution anniversary celebration on 6 November maintains the Soviet leaders' commitment to the broad lines of foreign and domestic policy established at the Soviet 20th Party Congress last February.

In the field of foreign affairs, Suslov gave no indication that the setbacks to Soviet policies and prestige caused by recent events in Eastern Europe and the Middle East will lead the Soviet leaders to abandon or substantially alter the general policy orientation established by the party congress.

Suslov stated that despite Western efforts to increase international tension, the past year has witnessed a further relaxation which has improved the prospects for consolidating peace. He stressed the USSR's willingness to meet the Western powers half way in the settlement of outstanding problems and its determination to improve relations with the United States, Britain and France.

Suslov offered no new proposals for dealing with the Middle East crisis. He noted Bulganin's letter to President Eisenhower calling for joint Soviet-American action to end the fighting in Egypt and repeated the standard charges that Britain and France, by attacking Egypt, are trying to halt the "steady crumbling of the colonial system."

There was no reference of any kind in the speech to Poland's bid for greater independence from Soviet control. Suslov's lengthy discussion of recent events in Hungary

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followed the established line that reactionary antisocialist elements, directed by international reaction, were attempting to restore the capitalist order. He argued that a victory for "reaction and fascism" would have created a danger to other socialist countries "by bringing their frontiers closer to the imperialist bases." As for the future, Hungary will continue to be a member of the "family of socialist countries."

Suslov indicated that the main lines of Soviet internal policy will remain in effect. Priority of heavy industry, the agricultural program including the new lands campaign, and recent measures for improving the welfare of the people were among the policies reaffirmed. As was the case in the public speeches at the 20th party congress, the attack on the cult of Stalin was not emphasized, however.  
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ANNEX

Special National Intelligence  
Estimate 11-9-56 of the Intelligence  
Advisory Committee, dated 6 November  
1956 and titled "Sino-Soviet Inten-  
tions in the Suez Crisis," follows:

1. The Soviet notes to Eden and Mollet constitute strong threats of military action against the UK, France, and Israel in connection with the Suez crisis. These threats are imprecise, however. They do not include a definite expression of Soviet intent to take unilateral military action; they still specifically call for UN action. Nevertheless, they are clearly intended to imply that the USSR may act alone.

2. There are several reasons for strong Soviet action in the Suez crisis:

(a) to reassert the Soviet position as the champion of Egypt and of anti-colonial countries generally;

(b) to distract attention, both within and outside the Bloc, from the situation in Hungary;

(c) to damage the interests and prestige of the UK and France and further divide and weaken the Western Alliances;

(d) possibly, to re-establish the fear of the use of Soviet military force as a primary factor in world affairs.

3. We believe that our previous estimate that the USSR wishes to avoid general war continues to be valid.

4. It is our present estimate that the USSR:

(a) will almost certainly not attack metropolitan UK or France - primarily because such an attack would make general war practically certain;

(b) will probably not employ Soviet forces on a large scale in the Eastern Mediterranean - primarily because their capability to do so at an early date is inadequate, also because the risk of general war arising from such action would be very great;

(c) may make small-scale attacks by air or submarine against UK and French forces in the Eastern Mediterranean - for the purpose of creating further pressures toward a UN settlement satisfactory to themselves, and showing themselves as the reliable champion of Egypt;

(d) will continue to furnish military aid in the form of materiel, technicians, and logistics to Syria, and through Syria to the other Arab States, probably on an increased scale. They will probably send volunteers;

(e) will at the least continue by threats to seek to create alarm in the West, in order to produce a UN settlement tolerable to the USSR.

5. With respect to the implied threat to the UK of using "rockets" (presumably guided missiles with nuclear warheads), the USSR is estimated to have the capability of delivering low yield atomic weapons by ballistic missiles with 800 nautical mile range which could reach the UK if launched from the Satellites. The 800 mile missile could reach major Israeli and Cypriot targets but not Egypt itself. Air-to-surface missiles, and probably submarine launched missiles with nuclear warheads are also within current Soviet capabilities and could pose a threat to all areas. We do not believe that the USSR would employ guided missiles with nuclear warheads in the Egyptian-Israeli conflict.

6. To attack Israel or Franco-British forces in the Eastern Mediterranean (except those on Cyprus) from present Bloc bases, the USSR would have to use aircraft of the Long-Range Air Force, or use IL-28 jet light bombers on missions involving no return to the Bloc. Establishment of bases for IL-28

bombers in Syria, Jordan, or Iraq is an alternative possibility, but would involve considerable problems of logistical support and defense of such bases, especially if they were used for sustained operations.

7. With respect to the Far East, we believe it possible, though it does not at present seem probable, that the Suez crisis might develop in such a way as to cause the Chinese Communists to take advantage of it by an attack on the British Crown Colony of Hong Kong.

8. This estimate is based on intelligence received up to 1100 hours EST, 6 November. In the fast developing situation our estimates of this situation must be kept under constant review. The flow of events will be drastically affected by day to day decision and action of the main participants, including in particular the USA, and the estimate the Soviet Union reaches as to the probable course of action of the USA, and the UK and France.