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2. THE SITUATION IN HUNGARY (information as of 1700 EST  
31 October)

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The American legation in Budapest reported on 31 October at 1300 Budapest time that "it became virtually certain in Budapest this morning that the Hungarian revolution was now a fact of history." The legation said that personal observations, newspaper stories, and radio broadcasts tended to confirm the complete withdrawal of Soviet troops from the city. There is no indication, however, that these Soviet forces have as yet returned to their garrisons.

Apparently in direct response to the demands of the increasingly powerful Revolutionary Military Council of the Hungarian army, Premier Nagy told a crowd gathered in Kossuth Square in midafternoon of the 31st that not he but his predecessors had asked for Soviet military aid, and that his government is demanding not only the immediate withdrawal of all Soviet troops from Hungary, but also withdrawal of Hungary from the Warsaw pact.

The Military Council was established on 30 October by army and police units, insurgent workers, and youth groups. It includes a rebel leader, Colonel Pal Maleter, who led the insurgents in their defense of Ulloi Ut barracks. The council, officially recognized by the Nagy regime, apparently is backed by major elements of the Hungarian army and air force, and appears strong enough to maintain order in Budapest. In addition, it has probably gained wide popular support by threatening on the 30th to attack Soviet units if they did not leave Budapest "within 12 hours," and withdraw from Hungary by 31 December.

Strenuous efforts are being made by one major "free" regional government--the Transdanubian National Council located at Gyoe--to line up support from insurgents elsewhere in the provinces in order to unify "national interests" and withhold recognition of the Nagy regime

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until their demands are met. There is no firm evidence to indicate a relationship between the two seemingly most powerful revolutionary units, the Revolutionary Military Council--recognized by Nagy--and the Transdanubian National Council. They both appear to include Communists and non-Communists. Both seem willing, if Nagy will accede to their basic demands, to recognize his government, at least until peace can be restored and free elections held.

The Transdanubian Council claims the support of the national councils of several West Hungarian counties and military units in the western part of the country, as well as the Hungarian army's 9th Division. It enunciated its demands in a special session on 31 October. These include: (1) the proclamation of Hungarian neutrality at the UN; (2) a free and general election, at the latest by the end of January 1957; (3) the naming of a national council for the interim period with the right to appoint ranking military officers; (4) changes in the national government to ensure adequate representation of "freedom fighters" in the government; and (5) guarantee of the freedom of speech, press, assembly and religion. This regional council, which is now apparently supported by the insurgents at Miskolc, also expressed the view that the rebel demands should be met by the government before individual parties are reconstituted, possibly in fear that the Nagy government would utilize the cover of a mock coalition to hold back on the granting of further demands.

Following Nagy's call for a multiparty system on 30 October, the Smallholders and Peasant Parties were reorganized. However, the Budapest radio reported on 31 October that Bela Kovacs, strongly anti-Communist Smallholder leader, informed a meeting of his party in Pecs that he had not accepted his appointment to the government as minister of agriculture; he now planned to go to Budapest to discuss the political situation with Premier Nagy. Meanwhile, the Social Democratic Party, which continues to refrain from joining the Nagy coalition, announced on the same day its reorganization and the election of Anna Kethely as president.

To maintain his leadership, Nagy continues to work feverishly for an accommodation with the rebels--a

difficult task without a guarantee of a Soviet troop withdrawal. Apparently making a virtue of necessity, the regime has restored all civil and ecclesiastical rights to Cardinal Mindszenty, who had already been freed by the rebels. All proceedings and allegations against him were branded false. In addition, Nagy continues to shuffle government figures. Hungary's chief delegate to the UN, Peter Kos, was recalled on 30 October; Laszlo Hay, president of the National Bank, was fired, and Prosecutor General Gyorgy Non--allegedly guilty of criminal activity in the past few days--was ousted. Nagy may also yield to popular demands for the removal of Ferenc Muennich, newly appointed minister of interior.