

OUT

~~SECRET~~
THE UNITED STATES REPRESENTATION

OUT

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On The
ALLIED CONTROL COMMISSION FOR HUNGARY
OUTGOING MESSAGE

PRECEDENCE ROUTINE	ORIGINATING SECTION ECONOMIC	DATE, TIME 061130B
CLASSIFICATION SECRET	NAME OF OFFICER PREPARING LT. COL. HENRY C. SIMONETTE	REFERENCE NO. Z- 3316

TO: WARGOS FOR JCS, WDGID AND OPD, IINFO WTCUSA, USFET, USFA, OMCUS, ACC RUMANIA, MA YUGOSLAVIA, MA POLAND, AND MA FRANCE SIGNED WERMS

PARAPHRASED
SUBJECT POLITICAL INTERFERENCE BY THE RUSSIANS IN THE HUNGARIAN NATIONAL POLITICS HAS NOW REACHED POINT WHERE A GOVERNMENT CRISIS MAY RESULT SHORTLY.

LT. GENERAL SVIRIDOV, ACTING HEAD OF ACC, IS REPORTED

[redacted] TO HAVE HANDED A NOTE TO FERENC NAGY, PRIME MINISTER DEMANDING (A) THE DISSOLUTION OF THE BOY SCOUTS, THE KALOT (CATHOLIC YOUTH ORGANIZATION) AND THE CHRISTIAN YOUTH ORGANIZATION (B) THE IMMEDIATE OUSTER OF UNDER SECRETARY OF JUSTICE ISTVAN PFEBBER (C) THE ELIMINATION OF COUNT GYULA DESSEFFY AND BELA PARRACHI FROM ALL PUBLIC AND PRESS ACTIVITIES AND THE REORGANIZATION OF THE PRESS IN GENERAL AND THAT ANTAL BALLA, MINISTER OF INFORMATION, BE REMOVED FROM OFFICE (D) THAT STRONG MEASURES BE TAKEN AGAINST THE CATHOLIC CHURCH (E) THE IMMEDIATE ARREST OF SMALLHOLDER DEPUTIES GYULAY AND FILLER REGARDLESS OF THEIR PARLIAMENTARY IMMUNITY AND THEIR TRIAL ON POLITICAL CHARGES.

THE NOTE WAS NOT SIGNED AS CHAIRMAN OF ACC BUT AS "REPRESENTATIVE" OF THE SOVIET HIGH COMMAND ALTHOUGH SVIRIDOV IS KNOWN TO HAVE ONLY ONE POSITION, THAT OF ACTING CHAIRMAN OF ACC. THE NOTE REPORTEDLY ALSO STATED THAT FAILURE BY HUNGARIAN GOVERNMENT TO ACT WOULD COMPEL SVIRIDOV TO TAKE ACTION.

[redacted] PRIME MINISTER NAGY ASSURED [redacted] THAT: (1) AN

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TO:

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AGREEMENT HAS BEEN MADE BETWEEN THE SOCIAL DEMOCRATIC PARTY AND THE SMALL LANDHOLDERS THAT A WORKING PROGRAM WILL BE AGREED UPON DURING THE COMING DAYS WHICH SHOULD HOLD GOOD FOR ONE YEAR. IT WOULD ALSO BIND THE COMMUNIST PARTY. (2) HE WILL STAND PAT REGARDING THE RUSSIAN AND COMMUNIST DEMANDS TO EXPEL THIRTEEN MEMBERS OF THE SMALL LANDHOLDERS PARTY. HE IS WILLING TO REQUEST CERTAIN MEMBERS TO ABSTAIN FROM PUBLIC APPEARANCE BUT WILL NOT EXPEL THEM. [REDACTED] SINCE NAGY DID OUST EDITOR BALLA FROM THE KIS UJSAG, SINCE HE IS NOW FORCING GYULA DRSZEWFFY TO SELL HIS 49 PERCENT OF THE PAPER, AND SINCE HE DID AGREE TO ELIMINATE FOUR LT. GOVERNORS NOT SATISFACTORY TO THE COMMUNISTS, IT IS THE IMPRESSION [REDACTED] THAT UNDER PRESSURE FROM TILDY HE WILL COMPLY WITH ALL RUSSIAN AND COMMUNIST DEMANDS AND TRY TO FIND MEANS TO SAVE HIS FACE. HOWEVER MEMBERS OF HIS PARTY MAY REVOLT AND KICK HIM FOR HIS RESIGNATION. [REDACTED]

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COMMENTS: IF PRIME MINISTER NAGY HAD REFUSED TO GRANT THESE REQUESTS, THE RUSSIANS WOULD UNDOUBTEDLY HAVE INCITED THE COMMUNISTS TO CAUSE STRIFE, ETC., AND BRING ABOUT THE DISSOLUTION OF PARLIAMENT. THIS COUPLED WITH THE PRESENT COLLAPSE OF THE ECONOMIC SYSTEM, MIGHT LEAD TO CIVIL STRIFE RESULTING IN MARSHAL LAW WITH COMMUNISTS SEIZING THE GOVERNMENT. NOW THAT PART OF THE DEMAND HAS BEEN FULFILLED, THE LEFTISTS WILL DEMAND THE REMOVAL OF SOME ADDITIONAL DEPUTIES FROM PARLIAMENT IN THE SAME MANNER THAT THE 22 SMALLHOLDERS WERE EXPELLED RECENTLY. THESE DEMANDS,

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TIMED WITH SVIRIDOV'S NOTE, APPEAR TO FOLLOW A PATTERN OF THE LEFTIST PARTIES TO WHITTLE DOWN THE SMALLHOLDERS ORIGINAL MAJORITY OF 57 PERCENT. THE LEFTIST PARTIES MIGHT DEMAND THIS AS A CONDITION FOR REMAINING PART OF THE COALITION AND IN THIS WAY OBTAIN A MAJORITY. AGAINST THIS COALITION ONLY A GROUP OF RIGHTIST DEPUTIES WOULD THEN BE IN OPPOSITION AND IT IS A QUESTION HOW MUCH THEY WOULD BE PERMITTED TO VOICE THEIR VIEWS ONCE SUCH RUSSIAN INTERFERENCE HAD BEEN EXPERIENCED. THE 22 DEPUTIES WHO WERE EXPELLED HAVE FORMED A NEW PARTY HEADED BY COUNT JOSEPH PALFY PREVIOUSLY REPORTED KNOWN AS THE CATHOLIC DEMOCRATIC PARTY. THE RUSSIANS HAVE JUST ARRESTED COUNT GEZA PALFY, COUSIN OF JOSEPH AND IVAN LAJOS, AND WILL PROBABLY CONTINUE TO ARREST ANY PERSON WHO VOICES ANY OPPOSITION TO THEIR PROGRAM.

IF PRIME MINISTER NAGY RESIGNS, THE COMMUNIST WOULD FORCE A COMMUNIST GOVERNMENT TO BE FORMED WITH AN EVEN MORE COMPLETE COMMUNIST POLICE CONTROL THAN THEY NOW HAVE. THE SCHEDULED SEPTEMBER ELECTIONS WOULD BE POSTPONED AND A COMMUNIST STATE WOULD EVOLVE. RAIDS ARE NOW BEING CONDUCTED BY COMMUNIST POLICE AGAINST ALL PERSONS OF PROMINENCE OR MEANS WHO ARE ANTI-COMMUNIST. ANYONE WHO HAS DOLLARS IN POSSESSION IS SUSPECTED OF DEALING WITH AMERICANS AND IS ARRESTED AND HIS MONEY IS CONFISCATED. RUSSIAN REQUISITIONS OF FOOD CONTINUE AND THE FOOD SITUATION IS BAD. PRESSURE IS BEING PLACED ON UNRRA TO WITHHOLD FOOD UNTIL THE NEW CURRENCY IS PUT INTO CIRCULATION ON 1 AUGUST. THE LATEST PENGO NOTE IS ONE ~~ONE~~ MILLION AND NEW DENOMINATIONS ARE

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