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26 January 1961



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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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USSR: Following an eight-day meeting of the party's central committee, which further strengthened Khrushchev's public image as the dominant figure in Soviet affairs and re-emphasized his active responsibility for the troubled sphere of agriculture, the Soviet premier has begun a tour of the USSR's critical agricultural areas. Khrushchev's on-the-spot survey, which began in the Ukraine on 24 January, will also take him into the New Lands areas of Siberia and the Kazakh Republic. This round of visits, which Ambassador Thompson regards as a demonstration of Khrushchev's confidence in the effectiveness of personal intervention, may be accompanied by the removal of some of the regional leaders whose agricultural mismanagement was angrily criticized by Khrushchev at the central committee session. (Backup, Page 1) OK

USSR, Economic: The official report of the fulfillment of the Soviet 1960 plan shows a 10-percent increase in gross industrial production over 1959, an annual increase greater than needed to achieve Seven-Year Plan (1959-65) goals. For the first two years of the plan, industrial output has increased 22.1 percent, compared with the 17 percent originally scheduled. Overfulfillment of some industrial goals will not be allowed to continue, however, since in order to balance over-all economic achievements some investment will be shifted from heavy industry to the support of agriculture. This is necessitated by agriculture's lack of progress toward the 70-percent gross increase in output called for by the Seven-Year Plan. (Backup, Page 2) OK

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USSR - Communist China: The Soviet Union is believed to have transferred two new SO-1-class submarine chasers to Communist China on or about 1 January. The two ships were towed from Vladivostok to a South China port, probably Tsamkong. Except for one or possibly two older vessels this would be the first transfer of Soviet naval ships to Communist China since 1956. The two ships would provide only a small increase in Chinese Communist naval capabilities, but their transfer to Peiping, if confirmed, would mark the most significant turnover of materiel noted since the Sino-Soviet dispute flared up last summer. [redacted] (Backup, Page 4)

no

Communist China In contrast to its role as a net exporter of food grains in recent years, Communist China is making strenuous efforts to purchase large quantities of wheat, rice, and other foodstuffs from free world countries, chiefly in order to alleviate domestic food shortages, but also to fulfill certain export commitments. [redacted]

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[redacted] negotiations are under way for the Chinese to boost their wheat purchases from a reported figure of 300,000 tons for this year to about one million tons. Chinese trade negotiations also are under way with Canada, and an agreement is expected in the near future which may involve over one million tons of wheat and barley. An agreement with Burma signed late last year provided for the purchase of 350,000 tons of rice by China in 1961, and China apparently is probing for other potential food suppliers in Asia and the Middle East. Grain imports of this size, requiring substantial foreign exchange expenditures, indicate the magnitude of Peiping's current agricultural difficulties. [redacted]

Laos: [Soviet Deputy Foreign Minister Sobolev's recent remarks to the French ambassador in Moscow implied that]

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[any reactivation of the International Control Commission would have to be on the basis of new terms of reference from an international conference. This suggests that the USSR will probably avoid outright rejection of the 21 January British proposal by stressing the necessity to convene an international conference before any agreement on the ICC is reached.]

*Two Soviet AN-12 heavy transports left Moscow for Sverdlovsk on 24 January. There are indications that these aircraft may be en route to North Vietnam. One of them has flown to Canton in airlift operations associated with Laos on two previous occasions.

Congo: The Leopoldville conference of Congolese leaders which convened on 25 January at Kasavubu's request has as its announced purpose the preparation of a later conference of all Congolese leaders. It has been boycotted by Lumumba's supporters, whose position has been strengthened by the recently published letter from Hammarskjold to Kasavubu, urging that Lumumba be tried or released from jail. The conference, which is unlikely to contribute significantly to a solution of the country's political problems, may, however, produce some greater degree of coordination between Congolese in Leopoldville and Tshombé's government in Katanga. Meanwhile, anti-white activities by Gizenga's troops are continuing in Orientale and Kivu provinces, with the result that France has ordered the evacuation of its nationals from that area and has urged Belgians

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to leave also. In Leopoldville, UN officials are increasingly concerned over Belgian assistance to Mobutu's army; about 100 Belgian officers reportedly arrived recently in Leopoldville.

Iran: General Hedayat, chief of the Iranian Supreme Commander's staff, has stated that he recommended to the Shah a reduction of Iran's armed forces by about fifty percent. The recommendation is based on continuing financial difficulties and the uncertainty of foreign assistance. Hedayat pointed out that the present forces of about 210,000 are too small for effective defense against the USSR and too large for only internal security purposes. He believes Iran would have to increase its army by 40,000 to meet its CENTO commitments, and that if a cut is ordered Iran will have to inform CENTO that it can make no military contribution to that organization. Hedayat's recommendation apparently is intended to exert pressure to obtain an increase in military aid from the United States.

no

France: Air Force General Maurice Challe, NATO commander in chief for Central Europe and former commander of all French forces in Algeria, has submitted his resignation from the French armed forces in protest over De Gaulle's Algerian policy. De Gaulle, who is said to have tried to dissuade Challe, is reported very disturbed over this as a further indication of dissatisfaction in the French Air Force. Challe's action could have repercussions--particularly among officers in Algeria, where it will encourage civilian and military extremists.

no

(Backup, Page 5)

*El Salvador: Violence erupted in San Salvador following the seizure of the government by the military early on 25 January, and more serious disturbances between the military and Communist-led mobs are anticipated. The coup

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was led by officers gravely concerned over the deposed junta's failure to take energetic measures against the Communists. The American Embassy reported that by noon the takeover was apparently complete, with all army garrisons supporting it. Colonel Anibal Portillo, army chief of staff, was selected by the army officers as leader of the new regime, along with Lt. Col. Julio Rivera, commandant of the general staff school. A roundup of Communist leaders was apparently under way immediately after the coup. Former President Osorio, who engineered the coup last October, and all but one member of the deposed junta are believed to be under detention. The missing junta member has gone into hiding.

Within a few hours of the coup, several hundred civilians were gathered in front of the presidential palace calling for a general strike to protest the army seizure of power. This may lead to further violent demonstrations by Communist-led groups, who have received Cuban support. There may be bloodshed, but the army is believed capable of suppressing disorders. Military leaders of the revolt had earlier advocated holding congressional elections as soon as possible in which all non-Communist parties would be permitted to participate. (Backup, Page 7)

WATCH COMMITTEE CONCLUSIONS

- A. [No Sino-Soviet bloc country intends to initiate hostilities against the United States or its possessions in the immediate future.]
- [No Sino-Soviet bloc country intends deliberately to initiate direct military action against US forces abroad, US allies, or areas peripheral to the bloc in the immediate future.]
- C. [Sino-Soviet bloc support for Communist forces in Laos continues; the bloc has increased its local airlift capability.]

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[Communist forces, operating on relatively shorter interior supply lines from the Plaine des Jarres area, retain the initiative and capability to extend offensive operations.]

[The pro-Lumumba regime in Stanleyville is apparently meeting with success both in its political and military activity in the Congo and is pushing ahead with arrangements for material aid and increased diplomatic support from the radical nationalist African states and the bloc. Despite evidence of attempts by anti-Lumumba leaders to submerge their own differences, the political situation of the Leopoldville group is still deteriorating.]

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Khrushchev's Dominance Underscored

A week after conclusion of an eight-day plenary meeting of the Soviet party central committee, called to examine agricultural problems, Khrushchev has begun a round of personal inspection tours in key agricultural areas. His first visit began on 24 January in the Ukraine, where 1960 agricultural performance has been under severe criticism. Khrushchev's announced schedule calls for subsequent visits to such areas as the North Caucasus, Georgia, and the New Lands regions of Siberia and Kazakhstan. The tour, viewed by the US Embassy in Moscow as demonstrating Khrushchev's self-confidence that personal intervention can produce better results, may also result in a juggling of regional leaders, many of whom were the targets of angry Khrushchev outbursts before the central committee.

The public record of the committee's proceedings will increase the impact of Khrushchev's on-the-spot survey trips--a further indication of his active responsibility in the agricultural sphere. Announcement at the session of the convening of the 22nd party congress, already being heralded as a landmark in party history, and the assignment of the focal role at the congress to Khrushchev, was followed by a lavish outpouring of personal tributes to the party chief and premier.

These developments appear to have reinforced the public image of Khrushchev as the chief architect of Soviet policy--an image which probably reflects accurately his political strength and acts to inhibit any serious challenge to his authority.

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Soviet 1960 Plan Results

Soviet industrial production continues to increase at an annual rate greater than needed to achieve Seven-Year Plan (1959-65) goals. According to the official report of plan fulfillment in 1960 released on 25 January by the USSR's Central Statistical Board, gross industrial production in 1960 increased 10 percent over 1959 instead of the planned 8.1 percent and, in the first two years of the Seven-Year Plan, increased 22.1 percent compared with the 17 percent originally scheduled.

Planned goals for steel and oil were overfulfilled; 65,300,000 tons of steel and 148,000,000 tons of oil were produced. Steel output approached that originally scheduled in the Sixth Five-Year Plan (1955-60) which was abandoned in 1958, and oil production was almost 10 percent more than contemplated in that plan. The raw materials shortages which plagued the Sixth Five-Year Plan have apparently been eased. Electricity production--292,000,000 kilowatt-hours--was also above plan but not by as much as Soviet officials had recently indicated, probably reflecting a year-end slowdown.

Overfulfillment of industrial goals will not continue at the present pace, however. In order to balance over-all economic achievements some investment will be shifted from heavy industry to the support of agriculture, which is making no progress toward achieving the 70-percent increase in gross agricultural output called for by the Seven-Year Plan. While 1960 grain production was reported as 133,000,000 metric tons, indications are that grain output was probably closer to 100,000,000 metric tons--about the same as the estimated 1959 harvest. Meat and milk production declined slightly from last year's level. Khrushchev in his speech to the recent central committee plenum on agriculture claimed that the seven-year steel target could be surpassed by as

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much as 10,000,000 metric tons, but that this performance might be held back in order to increase agriculture's contribution to consumer industries.

There reportedly was an increase of 5,500,000 persons in the state labor force (which excludes collective farms and producers' cooperatives), in contrast with a planned increase of only 2,000,000. All but about 2,000,000 of this increase, however, apparently resulted from the conversion of some collective farms into state farms and of many producers' cooperatives into state industrial enterprises. There are no indications that the total labor force grew more rapidly last year than in recent years.

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~~SECRET~~Soviet Subchasers Possibly Transferred to Communist China

Two Soviet subchasers of the SO-1 class previously thought to be en route to Indonesia are probably in the South China port of Tsamkong. Although these ships could continue to Indonesia or even North Vietnam, it is more likely that they have been transferred to Communist China. The two ships would increase Chinese Communist naval capabilities only slightly, but their transfer to Peiping, if confirmed, would mark the most significant turnover of materiel noted since the Sino-Soviet dispute flared up last summer. The transfer of naval units to Communist China virtually ended in 1955-56 when China, with Soviet assistance, expanded its naval shipbuilding program. Subchasers of this class have not been transferred to any other nation except East Germany, possibly because of the USSR's need for modern antisubmarine-warfare units.

The SO-1 subchaser first appeared in 1957 and is in series production. It displaces 315 tons, is 130 feet long, and has a maximum speed of about 20 knots. The armament includes depth charges, mines, four 25-mm. guns, and four of the newly developed 240-mm. multiple antisubmarine rocket launchers. Rockets for the latter weapon would have to be supplied at least initially by the Soviet Union. The addition of these units would be another step in the continuing Chinese Communist efforts to strengthen the small South China Fleet.

The Chinese Communist Navy has about 930 naval vessels in commission, including four destroyers, four destroyer escorts, 21 long-range "W"-class submarines, and eight older submarines. Except for the Soviet Pacific Fleet, the Chinese Communist Navy is the largest among the Far Eastern powers. It has more submarines than any country except the US, the Soviet Union, and Great Britain.

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Ranking French NATO Commander Resigns Commission
In Protest Over De Gaulle's Algerian Policy

[Air Force General Maurice Challe, the ranking French officer in SHAPE and former French commander in chief in Algeria, informed SACEUR on 24 January that he has submitted his resignation from the French armed forces in protest over De Gaulle's Algerian policy. Challe, who since March 1960 had been NATO commander in chief for Central Europe, stressed to General Norstad that the resignation had nothing to do with his NATO assignment, but was based purely on "personal and national considerations" arising out of his former responsibilities in Algeria. Challe said De Gaulle's present policy was not compatible with the assurances that he had given to his subordinates in Algeria and that they, in turn, had passed on to Moslems loyal to the French. According to an earlier report, Challe is said to have stated that when he was ordered to pacify Algeria he did not take the job with the idea of surrendering the country to the enemy.]

[De Gaulle, who is said to have tried to dissuade Challe, is reportedly very disturbed by this as a further indication of dissatisfaction in the French Air Force. Challe, as air deputy to Chief of National Defense General Paul Ely in 1958, played a key role in the military maneuvering which brought De Gaulle to power. Considered a completely loyal officer, he was selected by De Gaulle in late 1958 to succeed the less reliable army general Raoul Salan as commander in Algeria. After De Gaulle proclaimed his self-determination policy for Algeria, and prior to the January 1960 Algiers insurrection, Challe was reported to have alerted the government to the deleterious effect of the policy on military morale in Algeria. Until Challe failed to nip the insurrection in the bud, he was considered a likely successor to Ely. The latter, who is scheduled to retire in March, is reportedly trying to minimize the effect of Challe's resignation by delaying action on]

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[it until March, when he himself and a number of other high-ranking officers are scheduled to retire. Challe's action has not yet been made public.]

[The opposition among officers, which had been reported spreading since De Gaulle began referring last fall to a future Algerian republic virtually independent of France, recently seemed to be subsiding. It did not manifest itself during the tense period of Moslem rioting accompanying his December visit to Algeria nor during the equally tense 6 to 8 January referendum there, and the public declarations of opposition by numerous senior retired officers seemed to have no effect on officers on active duty.]

[Challe's action, when it becomes known, will encourage extremists, both civilian and military, to redouble their efforts to try to sabotage any negotiations De Gaulle undertakes with the Algerian rebels by creating incidents which could jeopardize the possibility of a cessation of hostilities]

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Armed Forces Seize Government in El Salvador

Violence erupted in San Salvador following the seizure of the government by the military early on 25 January, and more serious disturbances between the military and Communist-led mobs are anticipated. The American Embassy reports that by noon all army garrisons were believed supporting the coup. Colonel Anibal Portillo, army chief of staff, and Lt. Col. Julio Rivera, commandant of the command and staff school, were chosen by the officers to head the new regime. These officers have established a five-man junta which, in addition to themselves, includes three civilians; the most prominent of these is Dr. Jose Antonio Rodriguez Porth, a conservative, pro-US lawyer and former dean of the school of law.

The issue that prompted the coup was the grave concern among military officers over the failure of the deposed junta to take energetic action against the Communists. The American Embassy reported that a roundup of Communist leaders was under way immediately after the coup. Former President Oscar Osorio, who engineered the 26 October coup, and all but one member of the deposed junta are reportedly being detained. The remaining junta member, Dr. Fabio Castillo, who is believed to have been sympathetic to the extreme leftists, is reported to have gone into hiding.

The most immediate challenge to the new authorities occurred within a few hours of the coup when a mob estimated to number 1,500 gathered in front of the presidential palace shouting in favor of the ousted junta and against the military and calling for a general strike to protest the coup. The Communists, who have had three months of unrestricted freedom

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to build up mass support, may succeed in instigating grave disorders, and further bloodshed may result. The Salvadoran Army, however, is believed capable of dealing with such disorders unless they are long sustained. There still remains some danger of a split in the army, however, as the now jailed former President Osorio retains some military support. If the new regime should turn to the extreme right and be impelled to resort to strong repressive measures, the Communists could eventually enhance their influence by exploiting the resulting grievances of moderates and non-Communist leftists.

The Communists and pro-Castro elements in El Salvador probably have received support from Cuba. Fidel Castro reportedly told members of a Communist delegation from El Salvador earlier this month that he would assist them in defeating the Salvadoran Army should the army attempt to seize power. Castro is believed to have supplied them with a large sum of money.

Immediately after the coup, the new authorities issued a public statement claiming that the purpose of the coup is to eradicate the Communists and to achieve "constitutionality" as soon as possible. Before the coup, some military leaders had advocated holding congressional elections as soon as possible in which all non-Communist parties would be permitted to participate. The detention of Osorio, however, raises some question that this will now be carried out, since Osorio had been in the process of forming a new political party which appeared to have wide backing.

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