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15 May 1956



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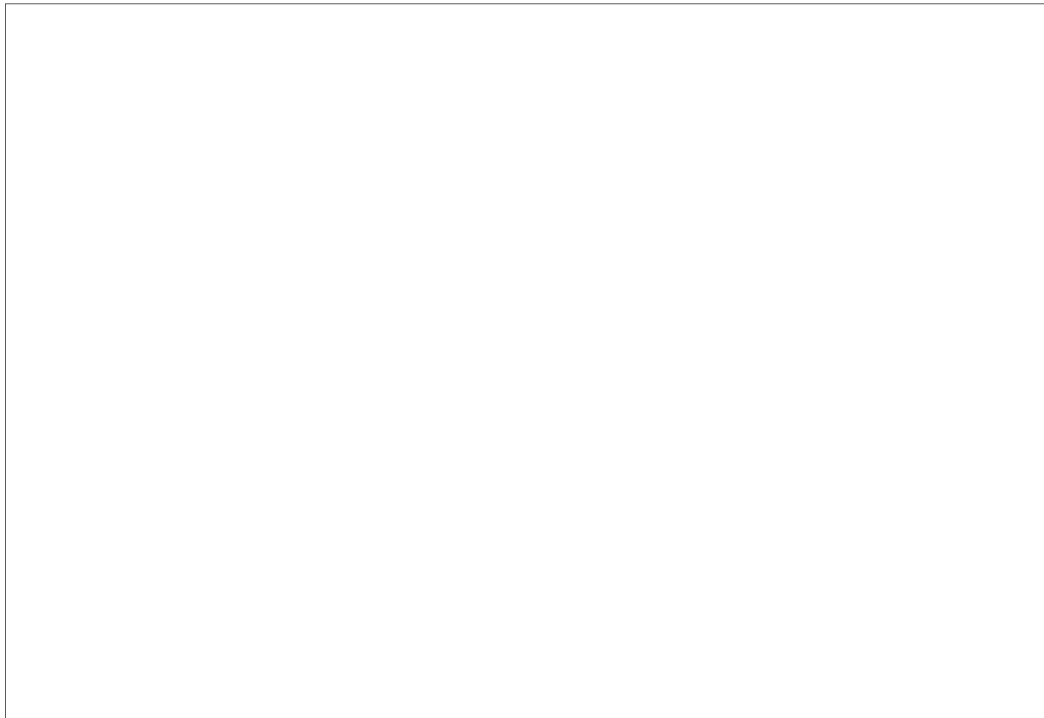
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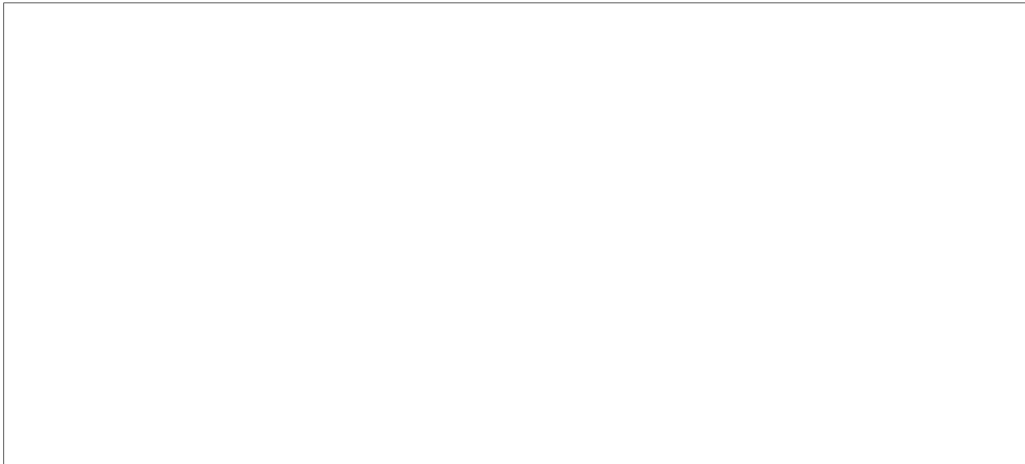
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1. USSR'S ANNOUNCED REDUCTION IN ARMED FORCES

Comment on:



The USSR's announced intention to reduce its armed forces by 1,200,000 before May 1957 reflects its current assessment of the nuclear stalemate and may have been motivated jointly by political and economic considerations.

The Soviet announcement will support and intensify a major Soviet propaganda campaign to induce similar moves on the part of the Western nations. It may have been timed to have an impact on the visit of the French premier and foreign minister to Moscow, since French sentiment in favor of disarmament is particularly strong. In a 14 May interview with a correspondent for Le Monde, Premier Bulganin called for immediate settlement of the disarmament question, adding that an "utterly destructive war is the only alternative to coexistence."

The announcement indicated that 63 army divisions and brigades, including military units numbering over 30,000 men stationed in East Germany, would be demobilized and 375 warships put in mothballs. The reductions allegedly are in addition to the cut of 640,000 announced by the Soviet Union last year. Taken together, the cuts represent about 46 percent of total Soviet armed personnel, resulting in a significant loss of immediate combat capability.

Devices to maintain maximum combat efficiency in the face of these reductions would include a change to civilian status of support troops without any change in their functions as well as an expansion of military training

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for civilians. The USSR would retain its capability for rapid mobilization of its manpower which, with the reductions, would include approximately eight million trained reserves.

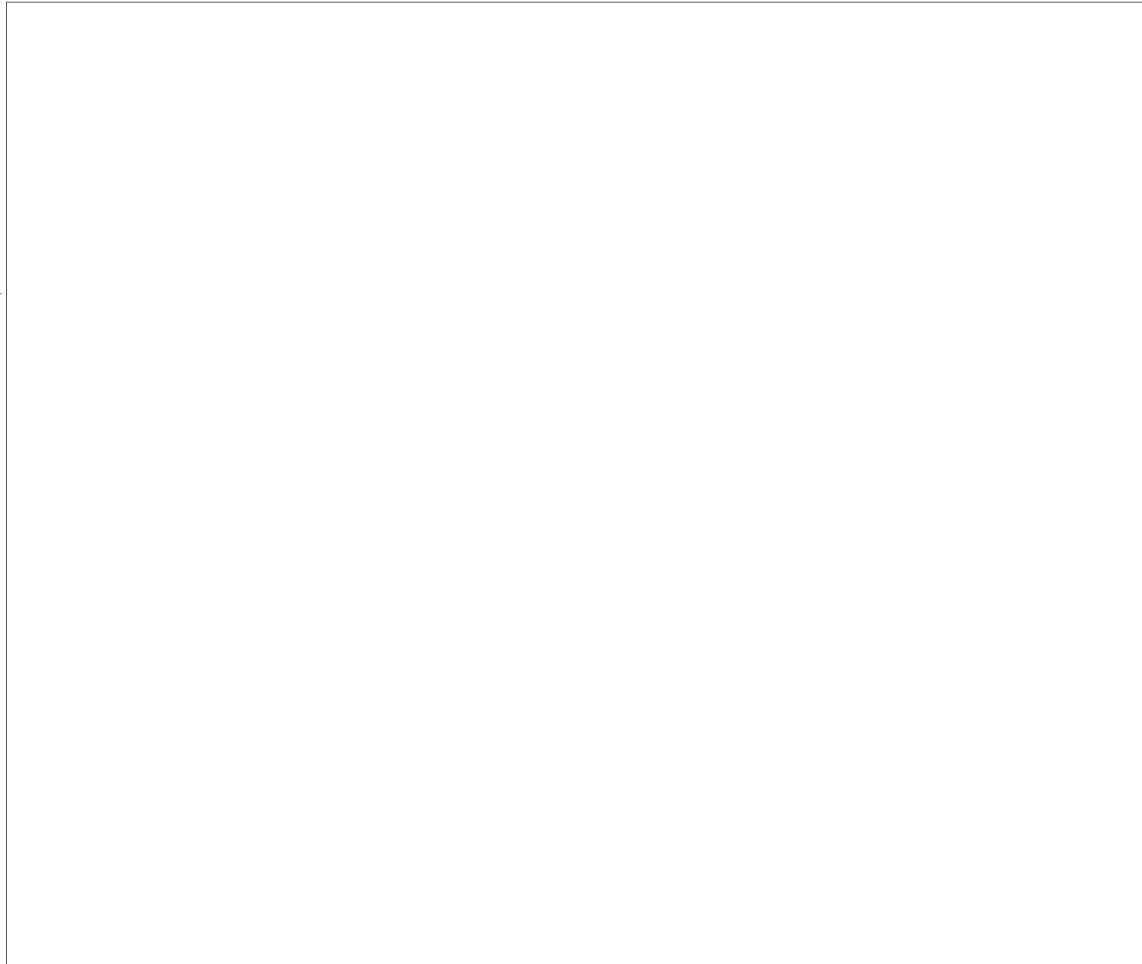
Procurement of modern complex weapons systems would probably not be slowed by such a reduction. Gromyko, in the London disarmament talks, implied that the USSR would reduce only personnel, maintenance, and operational costs, as was the apparent case in the 640,000 man reduction. Consequently, while the new cut would allow the USSR to claim a reduction of nearly 20 percent in the military budget, the bulk of major equipment procurement would probably continue as previously planned, with a possible doubling of procurement outlay per man for the remaining force.

The transfers to the labor force which might result from the reduction would decrease the unprecedented dependence on increased labor productivity for the success of the Sixth Five-Year Plan.
(Prepared jointly with ORR)

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**2. NASR CONFIRMS FORTHCOMING SHAKE-UP IN
EGYPTIAN GOVERNMENT**



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3. SOVIET AND FRENCH OFFICIALS GIVE PREVIEW OF MOSCOW TALKS

Comment on:

Khrushchev told a French "peace" delegation visiting Moscow recently that the USSR still hoped for continued French presence in Algeria, provided a solution could be reached along the Moroccan and Tunisian line. He said that, for both internal and international reasons, Moscow could make no public declaration to that ef-

fect. Foreign Minister Molotov told the same group that Soviet denunciation of the French-Soviet treaty last May had been intended as a warning to the French people, and that the time was not ripe for any new treaty, since the French are "still held in the NATO vise."

Premier Bulganin, in reply to questions of the French newspaper Le Monde, said on 14 May that the USSR is ready to "increase considerably Franco-Soviet trade on the basis of long-term agreements, provided there is equality and mutual benefit without any discrimination."

Soviet leaders will try to obtain more from the French premier and foreign minister in Moscow and will try to insert language into the final communiqué bringing the French closer to the Soviet position on European security, German reunification, disarmament, and the Near East, particularly the Baghdad pact. French were determined to hold the line on these issues, and the communiqué would probably be confined to generalities.

The main Soviet objective in the talks with the French leaders, which start on 15 May, is probably to influence France's long-range thinking, rather than to reach immediate formal agreements.

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4. SINGAPORE SELF-GOVERNMENT TALKS APPROACHING CRITICAL STAGE

Comment on:


Talks in London on self-government for Singapore appear to have reached a crucial point, with Chief Minister Marshall still demanding complete local control of internal security and publicly stating that "no agreement is better than a bad agreement." British officials had hoped that last week's temporary postponement of the issue, combined with their sympathetic treatment of the citizenship question, would render Marshall more flexible on the security issue prior to a showdown meeting expected early this week.

Marshall is alone in his delegation in expressing objections to the British security position. He may still yield to his colleagues and settle for less than total control.

Representatives of the Communist-manipulated People's Action Party who are on the Singapore delegation have been content to let Marshall play the predominant role in the negotiations in order to be free to share in his success or to capitalize on his failure. Should the negotiations break down, Marshall is expected to resign. Security forces in Singapore have been strengthened and are on the alert for trouble.

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~~CONFIDENTIAL~~**5. THAILAND RESTRICTIVE ON TRADE CONTROLS ISSUE**

 Thailand's Premier Phibun and the minister of finance have publicly indicated that Thailand's foreign trade policies should be re-examined in the light of the United States' recent relaxation of restrictions on trade with the USSR and the East European Satellites, according to the American ambassador in Bangkok.

The ambassador observes that while the relaxation of Thailand's trade controls would not contribute materially to the bloc's economic build-up, it could have adverse political and psychological repercussions in terms of Thailand's anti-Communist orientation.

Comment

Thailand bans all direct trade with Communist China. It has also voluntarily banned the export of goods to the rest of the bloc.

Phibun has been subjected to strong official and unofficial pressure to ease these restrictions. So far, he has succeeded in resisting these pressures, but they may cause him to seize on any change in the American position on trade controls to justify a change in Thailand's policy.

Last fall the Thai government re-examined the desirability of its close political ties with the West and at that time reaffirmed its strong anti-Communist position. (Concurred in by ORR)

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 14 May)

Nothing of significance to report.

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