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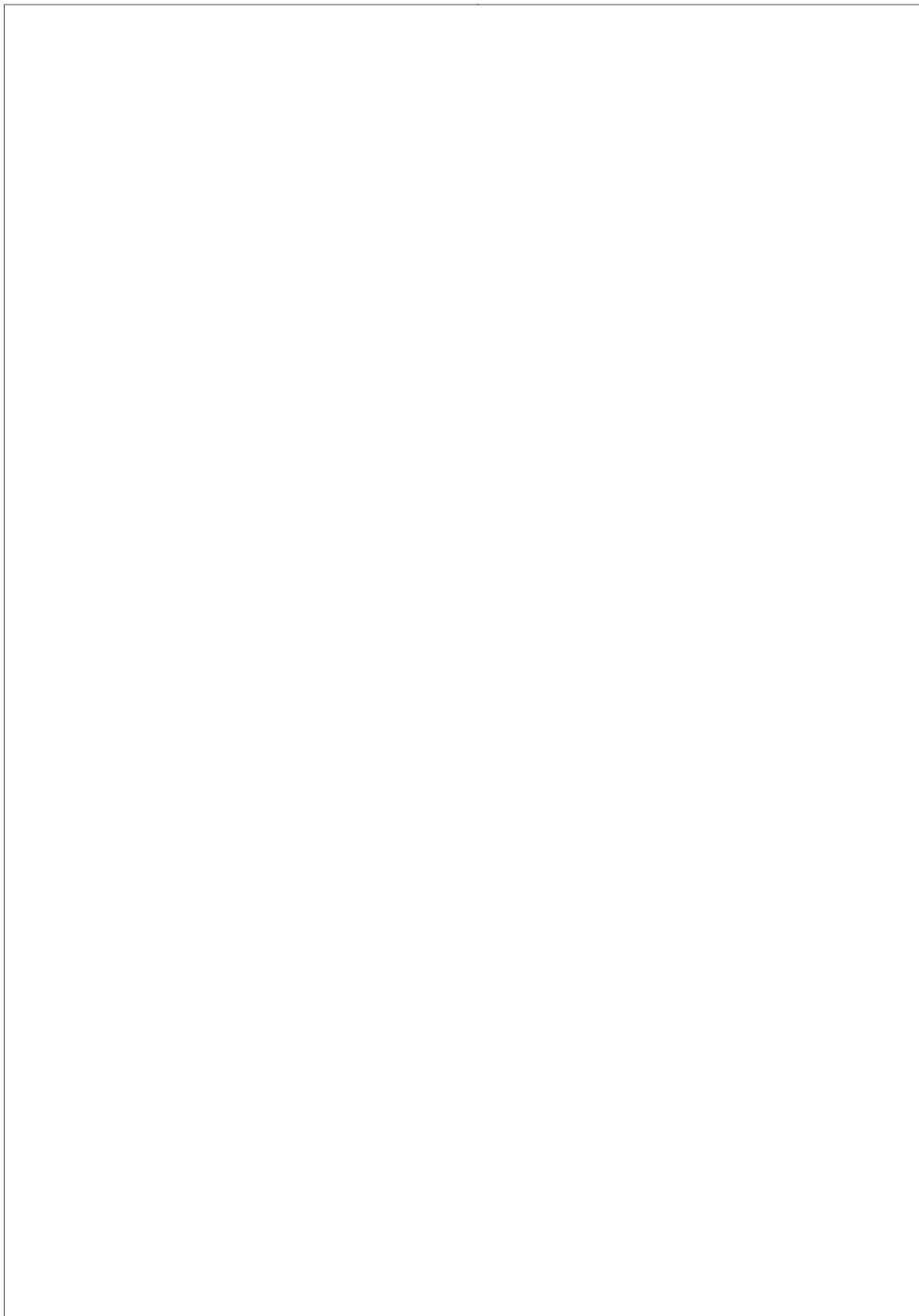
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CENTRAL INTELLIGENCE BULLETIN

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15 JANUARY 1960

I. THE COMMUNIST BLOC

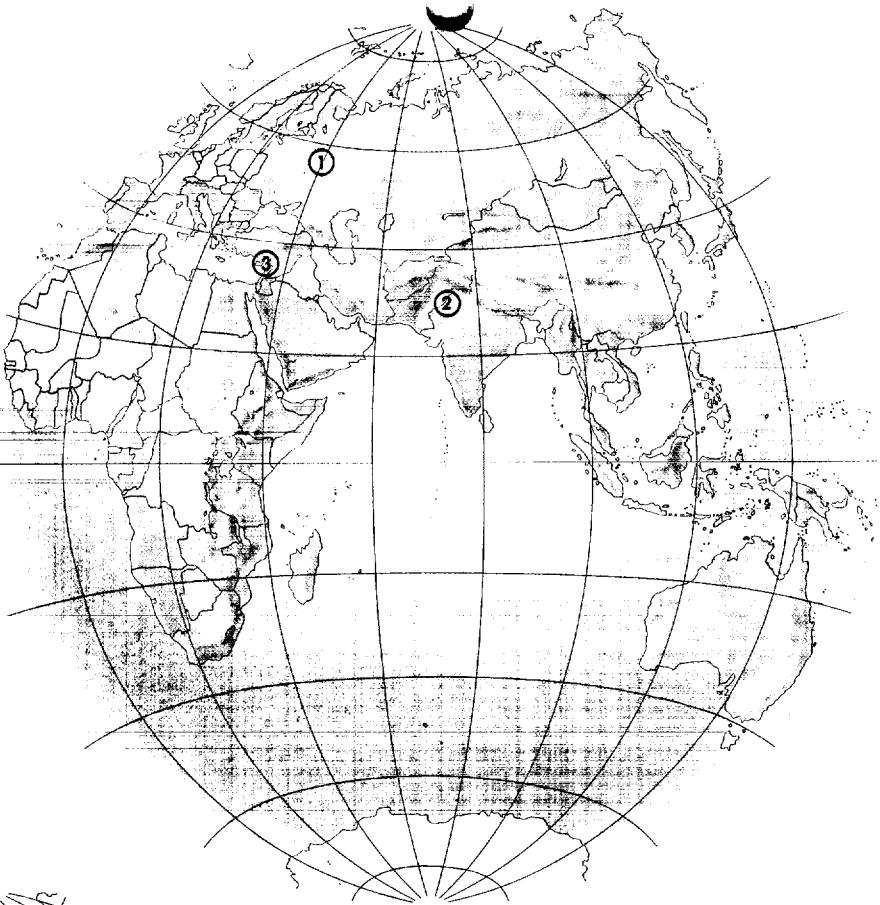
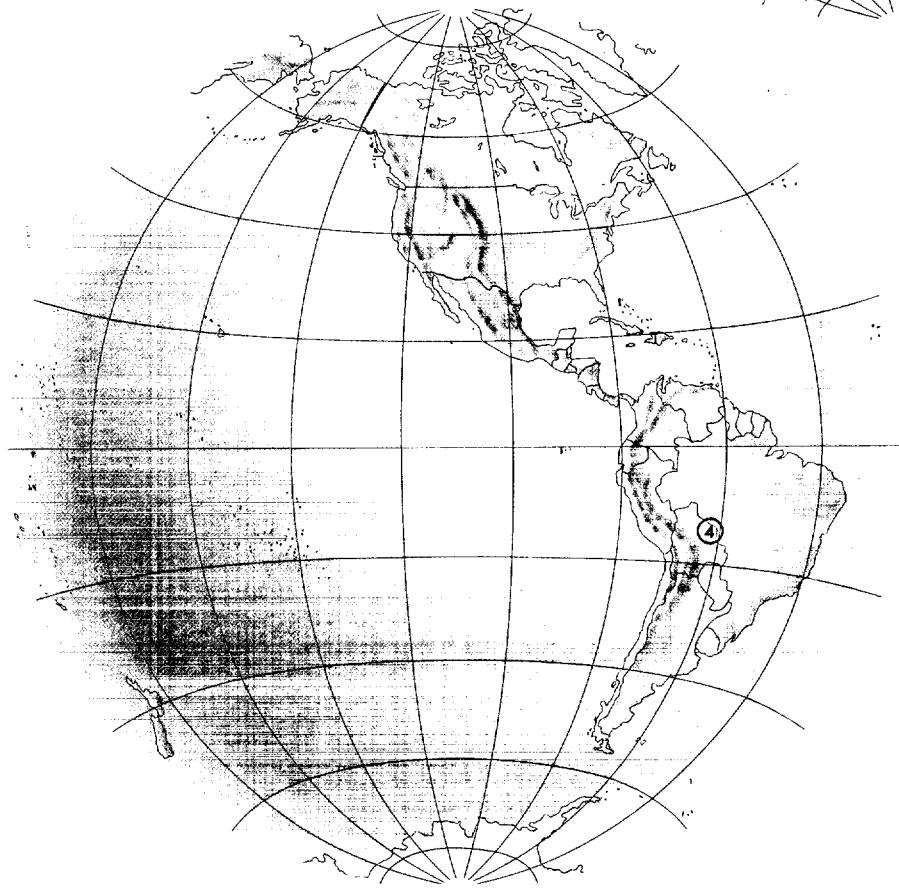
Khrushchev's program for Soviet military, if implemented, would mean sweeping shake-up of armed forces on scale similar to previous programs for industry and agriculture.

①

II. ASIA-AFRICA

Recent developments show continued progress by Pakistan and India toward solving some of their most bothersome problems.

②

**III. THE WEST**

③ British and Greek Cypriots still far apart on size of Cyprus bases to be retained by Britain; however, representatives to London conference starting 16 January appear determined to reach agreement so that Cyprus independence date of 19 February will be met.

④ Question of exchanging diplomatic missions with USSR again arises in Bolivia; although President Siles and foreign minister apparently oppose such an exchange, congressional and public support for it is strong.

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CENTRAL INTELLIGENCE BULLETIN

15 January 1960

DAILY BRIEF

SIR AB

I. THE COMMUNIST BLOC

OK
USSR: [A preliminary analysis of Khrushchev's major disarmament statement to the Supreme Soviet session on 14 January indicates it is a major move in East-West relations. The main points of his program for the Soviet military, if implemented, would mean a sweeping shake-up of the Soviet armed forces on a scale similar to his previous programs for industry and agriculture.] [] (Page 1)

[The representative of the Department of State believes that the Soviet move, if implemented, would be principally motivated by technological and manpower considerations. He further believes that the timing of the Soviet announcement is designed to be of maximum benefit to the Soviet position prior to impending East-West negotiations.] []

II. ASIA-AFRICA

OK
Pakistan-India: Recent developments indicate continued progress by Pakistan and India toward solving some of their most bothersome problems. Recently representatives of both countries announced that all border delineation disputes were resolved except in one area on the southern West Pakistan - Indian border. (The Kashmir dispute remains essentially untouched.) Earlier the Ayub government had reported it had nearly settled the complex internal problem of claims by Moslem refugees from India on Hindu evacuee properties in Pakistan. In early January a meeting of representatives of both countries announced substantial progress toward final settlement of the financial disputes which arose out of the 1947 partition of British India. [] (Page 3)

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III. THE WEST

N.D. **Cyprus:** [Greek Cypriot and British positions on the size of the military bases to be retained by Britain on Cyprus are still far apart as the London conference opens on 16 January. The British want a total of 113 square miles; the Greek Cypriots want them limited to 42 square miles. British, Greek, Turkish, and Cypriot representatives to the conference, however, appear determined to reach an agreement so that Cyprus will attain independence as scheduled on 19 February.] (Page 4)

N.D. **Bolivia:** The question of exchanging diplomatic missions with the USSR has arisen again in Bolivia in the midst of a struggle over the governing party's nominations for the presidential elections later this year. President Siles and his foreign minister apparently oppose an exchange of missions. Funds for a Moscow embassy have been allocated in the present budget, however, and congressional and public support for active diplomatic relations is strong. (Page 5)

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Main Trends in Soviet Capabilities and Policies, 1959-1964.
NIE 11-4-59. 5 Jan 1960.

Outlook in Libya. NIE 36.5-60. 12 Jan 1960.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Khrushchev's Supreme Soviet Statement

A preliminary analysis of Khrushchev's major disarmament statement to the Supreme Soviet session on 14 January indicates it is a major move in East-West relations. The main points of his program for the Soviet military, if implemented, would mean a sweeping shake-up of the Soviet armed forces on a scale similar to his previous programs for industry and agriculture. The main points were as follows:

- A. The armed forces are to be reduced (unilaterally) by 1,200,000 men (from 3,600,000 to 2,400,000) over the next one to two years.
- B. The air force has "lost its previous importance." "Almost the entire military air force is being replaced by rocket machinery. We have by now cut down sharply and it seems will continue to cut down and even discontinue the manufacture of bombers and other obsolete machinery."
- C. The submarine fleet "assumes great importance"; surface ships are no longer as useful as "in the past."
- D. A saving of 16 to 17 billion rubles will result, it is claimed, from the reduction in armed forces. Khrushchev warned, however, that "our defense budget can stand an increase in military expenditures" if "defense of the motherland" requires it.

Khrushchev stated, "We have consulted our military and come to the conclusion that our defenses will not be jeopardized." Numerical strength of forces is not as important as it was "three years ago," he said. "The defenses of a country are determined not by the number of soldiers, but by economic factors--and the power of weapons and the means of their delivery." Khrushchev reassured the Soviet people that the proposed measures would not reduce military power since "our

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army has such arms as have heretofore been unknown to men." He added, "We possess formidable weapons," but those which are being designed and contemplated are "incredible."

Khrushchev told his audience that while the US has decided to catch up with the USSR in five years, it would be naive to think that in the meantime "we will sit with folded arms." He warned that modern war will begin "in the heart of countries," and all industrial and strategic centers will be attacked "during the first minutes." Meanwhile, the USSR is creating an ICBM system with "sufficient duplication and triplication" to ensure retaliation should "our enemies suddenly attack."

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II. ASIA-AFRICA

Recent Progress Under Pakistani Military Government

The Ayub government is continuing to make progress toward solving some of its most bothersome problems. On 11 January it announced the resolution of all but one of the border disputes with India which in the past have resulted in border firing incidents. At the close of December the government reported that it had nearly settled the complex problem of claims by Moslem refugees from India on Hindu evacuee properties in Pakistan. This will tend to enhance the regime's reputation for efficiency and strengthen its prestige among the politically important refugee element of the population, whose problems have long been a political football. In early January, negotiators from the two countries overcame the most difficult obstacles to a final settlement of the financial disputes which arose out of the 1947 partition of British India. A further improvement in Indo-Pakistani economic relations will probably follow.

Although considerable preparatory work for these achievements was done under previous regimes, Ayub's government has attacked many of the country's long-standing problems with vigor, and it will probably receive the lion's share of the credit. The improvement in relations with India has also been encouraged by the common danger presented by Chinese Communist pressures on the Himalayan border area.

The Pakistani military government, however, has yet to make major progress on other basic problems. Little headway has been made in eliminating the food production deficit or in raising the standard of living. Although Ayub has given the Kashmir dispute increased attention in his recent speeches, no direct effort has yet been made to initiate negotiations with India on this problem.

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III. THE WEST

Cyprus Conference

[Some British officials, including Cyprus' Governor Foot, have warned that the transfer of sovereignty, scheduled for 19 February, may have to be postponed if the Cyprus conference, scheduled to begin in London on 16 January, cannot agree quickly on the major issues.]

[The main issue to be discussed concerns the two military bases to be retained by Britain after independence. British and Greek Cypriot positions may be difficult to reconcile in the short time available for negotiations.]

[The extent of the sovereign areas to be retained by Britain and provisions for other facilities outside the bases, such as training areas, for use by British military forces, are still in dispute. The Cypriots are prepared to accept British sovereignty over base areas of 42 square miles, while London demands 113. In addition, the Cypriots want assurances that the bases will be ceded to the Cypriot Republic if Britain finds them unnecessary, that no foreign labor will be settled on the bases, that the administration of the areas will be military rather than civilian, and that a satisfactory status-of-forces agreement can be negotiated. The Cypriots also insist on financial compensation for all facilities provided the British outside their sovereign areas--a demand that Britain has rejected.]

[Archbishop Makarios will be under conflicting pressures at London. The Greek Government is apparently urging concessions to Britain, while some of his Cypriot advisers will oppose any further compromise. In addition, reports indicate that last October's agreement between Makarios and General Grivas pledged the Archbishop to try to limit the base area to approximately 36 square miles. The adverse Cypriot reaction which would follow even a temporary postponement of independence, however, will be a powerful factor inclining him to some form of settlement.]

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Status of Bolivia's Relations With the USSR

The question of Bolivian relations with the USSR has risen again in the midst of a struggle over the governing party's nominations for the presidential elections in May or June. The two countries did not exchange representatives after relations were established in 1945, but Bolivia's new Foreign Ministry budget, reflecting strong public and congressional interest, provides funds for a Moscow mission. Part of this pressure derives from hope of Soviet economic aid.

President Siles and Foreign Minister Walter Guevara--the presidential aspirant favored by right-wing elements of the government party--apparently oppose the exchange of missions. [Guevara on 12 January assured US Ambassador Strom that as long as he is foreign minister no Moscow embassy will be established.] Guevara's tenure, however, is uncertain, as he may decide to resign soon to devote himself to campaigning.

The probable victor at the party's nominating convention of 15-21 February, with nomination tantamount to election, is former President Victor Paz Estenssoro, who has not expressed himself on the exchange of missions, but is supported by the party's left wing. Paz is friendly to the United States but seems to favor a more independent line than incumbent President Siles, and thus may be responsive to public pressures for active relations with the USSR.

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THE PRESIDENT**The Vice President****Executive Offices of the White House**

Special Assistant for National Security Affairs

Scientific Adviser to the President

Director of the Budget

Director, Office of Civil and Defense Mobilization

Director, National Aeronautics and Space Administration

Special Assistant for Security Operations Coordination

Chairman, Board of Consultants on Foreign Intelligence Activities

Special Assistant for Foreign Economic Policy

Executive Secretary, National Security Council

The Treasury Department

The Secretary of the Treasury

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

Assistant Secretary of Defense for International Security Affairs

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Chairman, The Joint Chiefs of Staff

Commandant, United States Marine Corps

The Director, The Joint Staff

Chief of Staff, United States Army

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Assistant to Secretary of Defense for Special Operations

Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of Army

Director of Naval Intelligence, Department of Navy

Assistant Chief of Staff, Intelligence, Department of the Air Force

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Department of Commerce

The Secretary of Commerce

Federal Bureau of Investigation

The Director

Atomic Energy Commission

The Chairman

National Security Agency

The Director

National Indications Center

The Director

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