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15 January 1956

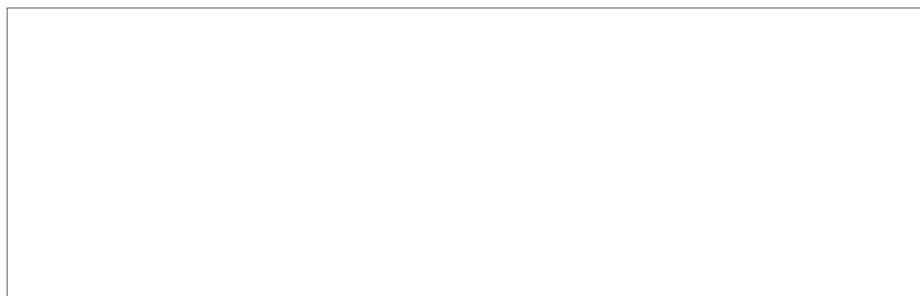
Copy No. 103

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 45
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 17 JAN 1980 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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1. THE SOVIET SIXTH FIVE-YEAR PLAN

The draft directives for the Soviet Sixth Five-Year Plan which will be presented to the 20th Party Congress

continue the focus of Soviet economic policy on the growth of heavy industry. Successful completion of the Fifth Five-Year Plan (1951-55) has raised Soviet industrial output from about one fifth that of the US to over one quarter. Fulfillment of the new goals for industry, which are believed to be within Soviet capabilities, will make Soviet production over one third as large as US production in 1960.

The new directives define surpassing the United States in per capita production as "the main economic task of the USSR." During the coming five years, this policy will strengthen the USSR's military potential but precludes any rapid improvement in living standards. The plans for light industry and agriculture, which are less likely to be fulfilled, are relatively modest in some instances and will produce steady but small gains in individual consumption.

Industrial output for the heavy industry sector is to increase by 70 percent. In comparison, a 91-percent increase was achieved under the previous plan. However, growth of the energy sector will continue at approximately the same rate as that attained during 1951-55. The 1960 output goals for steel, pig iron, coal, oil and electric power exceed by substantial margins the goals set by Stalin in 1946 to be reached during 1960-65.

To accomplish these tasks, heavy industry will receive the lion's share of new investments totaling 67 percent more than investments under the Fifth Five-Year Plan. An increasing share will be devoted to advanced types of machinery, with a goal of raising industrial labor productivity by 50 percent. For the first time, existing plants are to be modernized on a large scale. With the manpower supply tightening, the state labor force is to grow by only 6.5 million in comparison with 7.8 million during 1951-55.

Agricultural policy continues to rely on the "new lands" and corn schemes, coupled with further mechanization and closer control of the collective farms. These policies have produced disappointing results to date, and the 1960 targets remain unrealistic. Lagging agriculture will continue to hamper the growth of light industry, as the directives admit it has done in the past.

The large increase planned in total investment will also slow down the growth of consumption. Retail trade during the five-year period is to increase by only 50 percent as compared with about 90 percent in the previous period. Increases in real income, according to Soviet estimates, also are to shrink: the per capita gain for state employees is planned at 30 percent as compared to a 39-percent increase achieved from 1951 to 1955. The figures for collective farmers show the same trend (40 percent planned against 50 percent claimed for the Fifth Five-Year Plan). The higher figures reflect the party's continuing effort to bring rural living standards closer to those in the towns. A vigorous attack on the housing shortage calls for a doubling of state housing construction during the Sixth Five-Year Plan. [redacted] (Prepared by ORR)

2. FIRST USE OF NEW CHINESE COMMUNIST AIR BASE OPPOSITE TAIWAN

The first use of any of the new Chinese Communist airfields on the coast opposite Taiwan was noted on 11 January when two MIG-15 jet fighters from Canton landed in the Swatow area, apparently at the Chenghai base. The aircraft, which had attempted to intercept an overflight of Chinese Nationalist reconnaissance planes in the Swatow area, returned to Canton on 13 January.

Comment

It is not yet certain whether use of this Swatow-area base will be limited for the time being to refueling or whether planes are soon to be stationed there.

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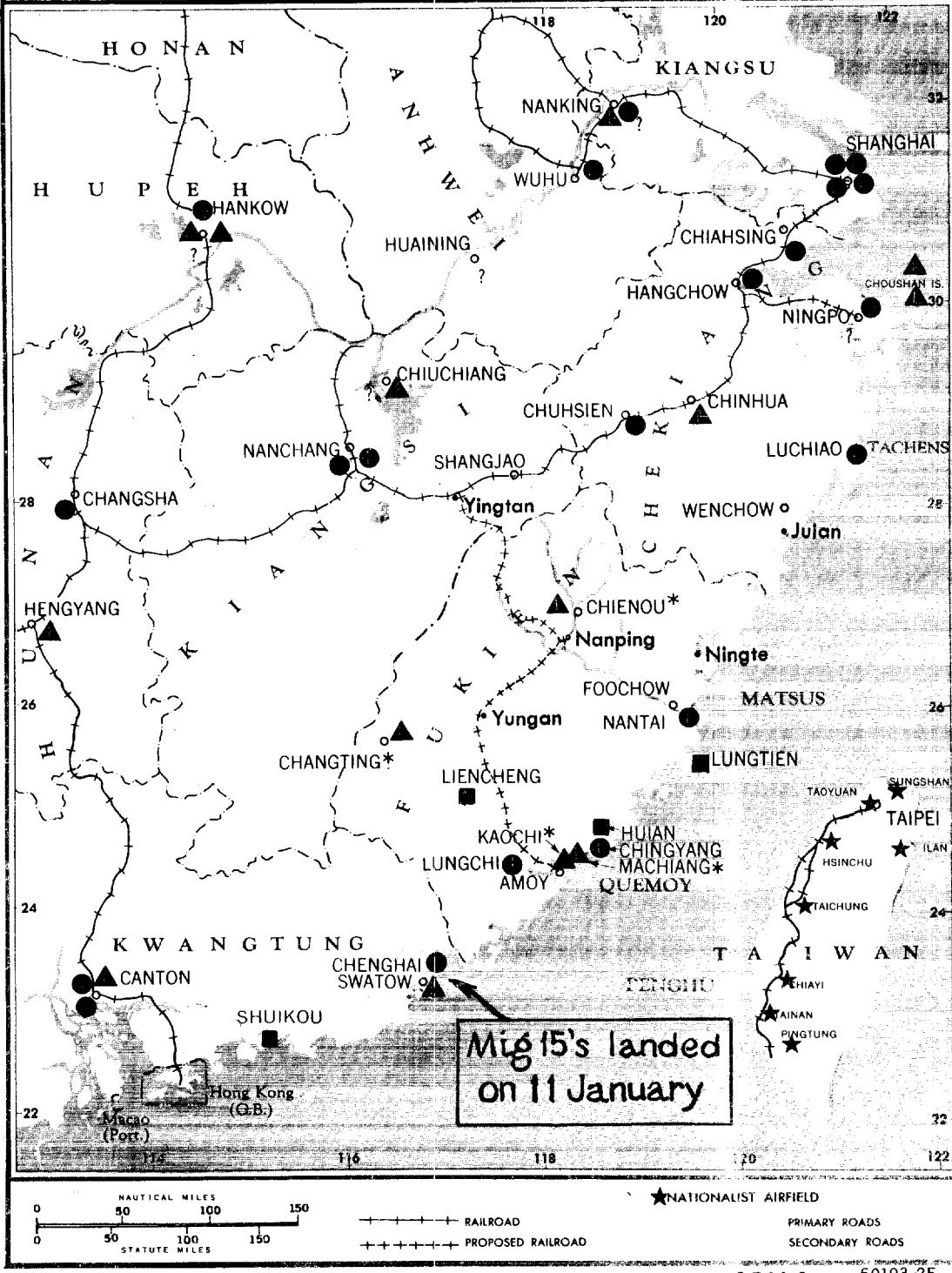
TAIWAN STRAIT SITUATION

15 JANUARY '56

CHINESE COMMUNIST AIRFIELD LEGEND:

DESIGNATIONS	PRIMARY AIRFIELD CONSIDERED MOST IMPORTANT IN AREA WITH PREPARED RUNWAY GENERALLY 5000 FEET OR LONGER.	SECONDARY AIRFIELD AUXILIARY OR EMERGENCY BASES OR FIELDS OF LESSER IMPORTANCE. RUNWAYS GENERALLY LESS THAN 5000 FEET.	USABILITY		
			+	1	?
ACTIVE BASE FOR MILITARY & CIVILIAN AIRCRAFT. SOME BASES USED BY PISTON TYPES MAY BE USABLE BY JETS	●	▲	MIG-15 MIG-17 TU-4 IL-28	TU-2, IL-10 LA-9/11 ETC.	UNKNOWN UNDER CONSTRUCTION
INACTIVE BASES CAPABLE OF USE BY AIRCRAFT	●	▲			
CURRENT STATUS UNDETERMINED		UNKNOWN			

* FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.



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3. INDIA REPORTEDLY TEMPTED BY SOVIET AIRCRAFT OFFER

Comment

The Indian air force, whose present equipment is British, would probably prefer to standardize with British aircraft. However, Air Marshal Mukerjee, who visited the USSR last summer, and other Indian officials have reportedly been impressed by the high performance and low prices of Soviet aircraft. Unless acceptable terms and prompt delivery can be obtained for Western aircraft, India may accept the Soviet offers.

The British High Commissioner in New Delhi has been pushing Britain's counteroffer of Canberra bombers and now believes India will purchase the Canberras and arrange to build a plant for production of British Gnat fighters. [redacted]

[redacted] (Concurred in
by ORR)

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4. ALGERIAN SITUATION WORSENING

[Redacted]

Military measures in Algeria remain ineffective and terrorist activities are spreading, in the opinion of the American consul general in Algiers. At the same time, the differences between the extremists and moderates are growing both among the French settlers and the Algerian Moslems.

Jacques Chevallier, mayor of Algiers and the leading local French liberal, informed the consul general that a general insurrection is probable in 60 days if France has not replaced the ineffective administration in Algeria with something realistic.

Comment

Other sources confirm the worsening situation in Algeria. The resignation of Governor General Soustelle, who continues to advocate closer Algerian integration with France, was reported and denied on 12 January when details of his recommendations were made public. His replacement nevertheless seems assured.

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5. LAOS SUBMITS PROPOSALS FOR SETTLEMENT OF PATHET LAO ISSUE

[Redacted]

The Laotian government in a letter of 7 January outlining new proposals for a settlement of the Pathet Lao problem, has suggested to the Geneva co-chairmen, Eden and Molotov, that the Pathet Lao, under close supervision of the International Control Commission, surrender their arms by 15 March. Pathet Lao personnel, after processing, would be reintegrated into Laotian society and all "foreign elements" returned to their country of origin. The letter concluded with a warning that unless the co-chairmen promoted some such remedy, the government might be compelled to take direct action to restore order.

Comment

This letter reflects an increased determination on the part of the Laotian government, strengthened by the recent elections, to end the dispute over the two northern provinces. The proposals parallel closely those contained in a 7 January ICC resolution, calling for the prompt restoration of royal control over the two provinces and the nondiscriminatory integration of the Pathet Lao into the national community.

The abstention of the Polish delegate on the ICC resolution as well as the recent inauguration by the Pathet Lao of a broadened national front indicates that the Communists have no intention of giving up their foothold in Laos at this time.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 15 January)

No significant military activity on the frontier has been reported.

[redacted] the Israelis are strengthening their defenses along the Israeli-Jordanian border, apparently as a protective measure, because of events in Jordan.

The American naval attaché in Cairo [redacted] reports that [redacted] an Egyptian naval force consisting of two coastal mine-sweepers and four motor torpedo boats moved through the Suez Canal on the night of 7 January heading south.

According to the American ambassador in Tel Aviv, the Israeli government believes that Israeli pilots must begin training with modern jets in February "and in no case later than March." They estimate Egyptian pilots will be competent to use jets in combat by July. The Israelis estimate that Egypt now has 65 MIG jet fighters and 15 IL-28 bombers. While these figures may in part reflect the Israeli desire to lend a sense of urgency to their requests for American support, the estimate of Soviet planes in Egypt appears to be reasonable.