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28 October 1959

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# CENTRAL INTELLIGENCE BULLETIN



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28 OCTOBER 1959

**I. THE COMMUNIST BLOC**

Soviet economic plan for 1960 calls for 8.1-percent rise in industrial output; budget allows for continued expansion of military programs.

Personnel shifts in Poland reflect regime's concern over economic situation.

**II. ASIA-AFRICA**

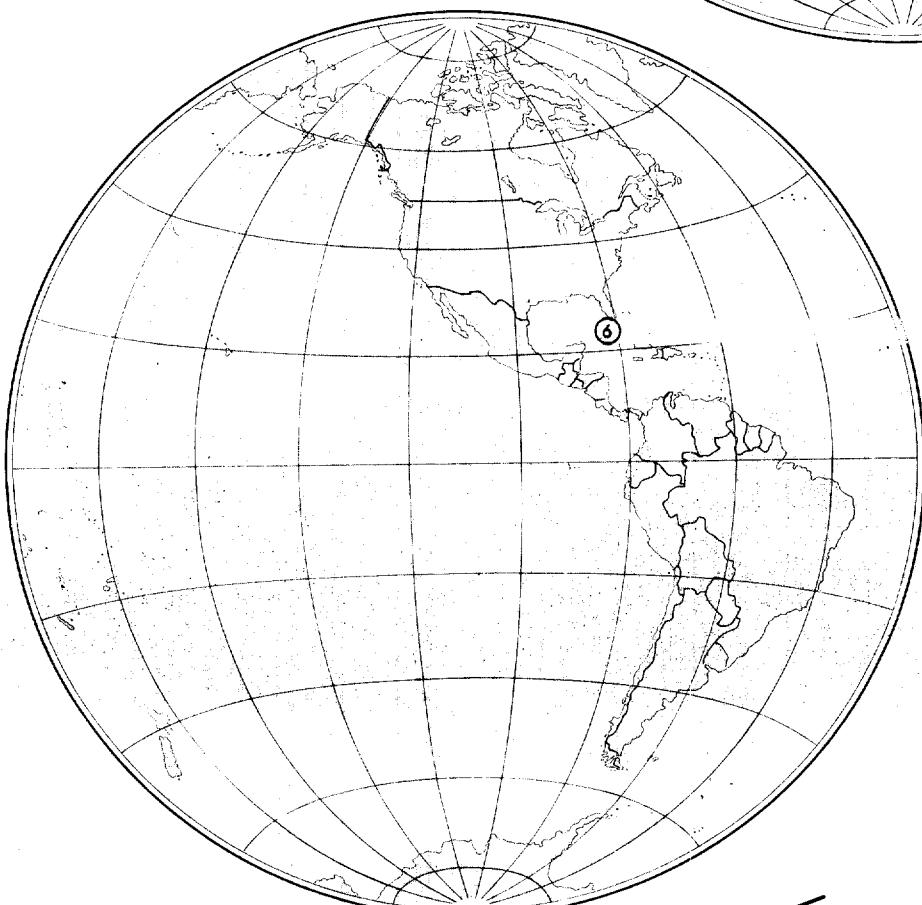
Algerian rebels seeking clarification of De Gaulle's terms for a cease-fire.

French military chief in Algeria reports army's concern over De Gaulle's policy.

UAR has postponed issuing decree that would raise fees paid by Tapline.

**III. THE WEST**

Cuba--Castro's strong anti-American line lays ground for more extreme measures against US interests.

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## CENTRAL INTELLIGENCE BULLETIN

28 October 1959

## DAILY BRIEF

*SIRAB*

## I. THE COMMUNIST BLOC

*OK*

USSR: The economic plan for 1960 presented to the Supreme Soviet on 27 October calls for an increase of 8.1 percent in industrial production. The 1959 plan called for an increase of 7.7 percent, but a rise of 11-12 percent is now expected. The 1960 budget, also announced on the first day of the session, provides for the same level of explicit military expenditures as in 1959. Unstated defense expenditures are included in other budget categories, however, and the increase in total expenditures budgeted for 1960 permits continuation of the growth of military programs thus financed.

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*OK*

Poland: Party and government personnel shifts announced on 27 October were apparently designed to strengthen economic planning and administration. The changes reflect the extremely serious view taken by the regime of its economic problems, which include food shortages, the unsatisfactory level of worker productivity, and rising living costs. The past record of the new appointees suggests that more rigid control will be exercised over economic policies in some spheres. There probably will be no fundamental change, however, in the liberal agricultural collectivization policy which makes Poland unique in the bloc.

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## II. ASIA-AFRICA

Algeria: Questions on the terms for a cease-fire have been presented by Algerian rebel leaders, through an intermediary, to the French minister of justice,

*OK* This request for clarification of De Gaulle's proposals included questions as to whether a cease-fire would permit the rebels to retain their arms and military positions, and whether

[rebel negotiators could meet with French political as well as military leaders in discussing a cease-fire. A prolonged period of covert bargaining is in prospect.] [redacted]

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*OK*  
Algeria: General Challe, commander of French forces in Algeria, has reported to Paris that the army is "desperate and feels abandoned" as a result of De Gaulle's Algerian policy.

Since De Gaulle's proposals of 16 September concerning Algeria, General Challe has repeatedly assured the government of the army's loyalty. The army in Algeria has thus far refused to support the settler extremists, but several reports have indicated opposition to any cease-fire negotiations.] [redacted]

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*OK*  
Tapline: The UAR apparently has postponed issuing the decree originally scheduled for the end of October, designed to increase sharply the transit fees from the Trans Arabian Pipeline Company (Tapline). Nasir may be reluctant to disturb his relations with the West at this time because of the critical situation in Iraq. Company officials state that they have received intimations that the decree might be postponed until the new UAR parliament meets next February. They point out, however, that the closely linked dispute of the Arabian American Oil Company with Saudi Arabia is as "prickly as ever." The Saudis are seeking \$185,000,000 in back profits which they claim the company illegally diverted. [redacted]

### III. THE WEST

*OK*  
Cuba: Fidel Castro, in his speech the night of 26 October, took a stronger anti-American line than at any time since coming to power, and gained mob support for his mounting criticism of the US base at Guantanamo. He reiterated his line that Cubans were killed by bombs dropped by planes based in Florida, despite evidence, supported [redacted] by Cuban military officials, that the damage was from antiaircraft fire, counterattacking Cuban Air Force planes, or grenades thrown from automobiles. The ground has been laid for more extreme measures against US firms doing business in Cuba. Many Cubans who do not agree with Castro now seem acquiescent despite reported misgivings. [redacted]

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**Note:** There now is evidence that the UAR "contact" who was reported arrested in the brief on Iraq in the Current Intelligence Bulletin of 27 October is a different individual from the contact with the Iraqi military group planning an anti-Qasim coup.

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[redacted]

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DAILY BRIEF

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## I. THE COMMUNIST BLOC

Soviet 1960 Budget and Plan

The summary of the 1960 Soviet budget announced on 27 October calls for record total revenues and expenditures. However, the increases--approximately 6 percent over 1959 plan levels--are much smaller than the unusually large increases planned for 1959 over 1958.

The explicit defense allocation of 96.1 billion rubles is the same as for 1959; it has remained virtually stable since 1956. Defense expenditures are concealed in other budget categories, however, and the increase in total expenditures budgeted for 1960 permits continuation of growth of those military programs. Outlays for scientific research institutes, planned at 27.3 billion rubles in 1959, are to increase by 15.4 percent in 1960.

In his speech on the 1960 annual plan, Gosplan Chief Kosygin announced that the successful performance of the economy thus far during the first year of the Seven-Year Plan (1959-65) has made possible higher targets for 1960 than originally envisaged. Gross industrial output, which is expected to increase approximately 11.5 percent in 1959 compared with the goal of 7.7 percent, is projected at 8.1 percent in the plan for 1960. Soviet leaders probably expect overfulfillment again in 1960; the average annual rate of increase necessary to fulfill the Seven-Year Plan is 8.7 percent.

Labor productivity is planned to increase 5.8 percent, compared with the annual 5.4 percent goals set for the last three years. The seven-hour day is expected to be extended to all workers in all branches of industry during 1960, although progress toward this goal has been lagging recently.

The new plan maintains the growth rate in capital investment, scheduling an 11-percent increase over 1959. The plan continues the 1959 emphasis on metallurgy, chemicals, oil and gas, and machine construction, although the rate of investment appears scheduled to ease slightly. Preliminary reports imply that state housing expenditure is to increase approximately 15 percent above the level planned for 1959, thus maintaining the emphasis of the last few years on housing construction. [redacted]

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## Polish Party and Government Changes

High-level changes in the Polish party and government on 27 October indicate the regime's concern over the economic situation and its determination to take corrective action. Major elements in this situation are the unsatisfactory level of worker productivity, the rising cost of living, and the shortage of meat and animal feed.

Edward Ochab was relieved of his post as agriculture minister but remained on the politburo and was named to the party secretariat. Although Ochab has long been known as a Gomulka supporter, he is reported to have come under fire for agricultural policies which allegedly contributed to the present difficulties.

Eugeniusz Szyr and Julian Tokarski, chairman of the planning commission and minister of heavy industry respectively in the Stalinist Beirut regime, were named deputy premiers. Szyr was ousted from his planning post following the Poznan riots in June 1956, but has since served on several ad hoc party commissions. At the central committee plenum last fall Szyr sharply criticized Gomulka and his economic policies. Tokarski has not occupied any significant government or party post since 1956. Tadeusz Gede, currently ambassador to Moscow and a deputy premier prior to October 1956, was appointed first deputy chairman of the planning commission. These men are regarded as competent administrators who would not be reluctant to implement sterner internal policies.

The party apparently is working toward greater government control over economic policies in certain spheres--a step advocated by some party members who believe that the regime has permitted too much economic freedom. It is unlikely, however, that Gomulka will abandon those features of his program--such as his opposition to forced collectivization--which make his regime unique in the Sino-Soviet bloc. [redacted]

[redacted]

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## II. ASIA-AFRICA

Algerian Rebels Query French Regarding Terms for Cease-fire

[Questions concerning terms for an Algerian cease-fire have been relayed from Algerian rebel leaders to French Justice Minister Edmond Michelet]

[Rebel leaders asked whether a cease-fire would allow the Algerian Army to retain its arms and military positions; whether a post-armistice amnesty would cover rebel civilians as well as soldiers; and whether rebel negotiators could meet with French political as well as military leaders to discuss the cease-fire.]

[the rebels will reject any arrangement which does not permit contact with French "political leaders."]

[Paris is unlikely to provide assurances satisfactory to the rebels on all these points. In particular, the French Army's sensitivity to any hint of a "betrayal" in Algeria will probably preclude assurances that the rebel army can retain its arms and organizational integrity. De Gaulle has consistently maintained that any talks with the rebels would concern only a military cease-fire; while he may expand on his 16 September proposals--possibly on an occasion such as his late November visit to Algeria to inaugurate the Hassi Messaoud pipeline--a prolonged period of covert bargaining appears in prospect.]

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[redacted]  
French Commander in Algeria Warns That Army Is "Desperate"

[The French commander in chief in Algeria, Air Force General Maurice Challe, [redacted] informed Premier Debré and Minister of the Armies Guillaumat on 23 October that the army in Algeria is "desperate" and feels "abandoned." Challe stated that while France is winning militarily, it is losing out on the psychological front because of uncertainty created by De Gaulle's 16 September proposals offering the Algerians self-determination. He reportedly requested the government to issue directives clarifying the army's role in Algeria for the months to come.]

[redacted] Challe himself is concerned over the state of military morale. Heretofore he has publicly assured De Gaulle of the army's loyalty, which has been demonstrated to the extent that it has thus far refused to support European settlers desiring to demonstrate their opposition overtly. Nevertheless, there have been several reports indicating uneasiness among some officers, particularly elements identified with the 13 May coup, concerning any cease-fire negotiations with the rebels. Some appear to believe that any cease-fire short of complete rebel surrender would be "against French interests." There is also uneasiness over whether the army is to continue to play a major role in administration of Algeria.]

[Despite evidence of widespread public support in France for De Gaulle's 16 September proposals, the army--particularly the major portion which is in Algeria--holds the key as to whether he can make good on his proposals should the rebels finally decide to accept them.]

[redacted]

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