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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

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I. THE COMMUNIST BLOC

OK USSR: In his speech to the Supreme Soviet on 5 May, Khrushchev resorted to a Soviet device, frequently used on the eve of important East-West negotiations, designed to place the Western powers, particularly the United States, on the defensive and to demonstrate that the USSR's peaceful coexistence line does not result from any weakness which the West could exploit in summit talks. In general he sharply criticized the West's attitude toward the summit and charged violations of Soviet air space by American aircraft. The speech probably was also intended to warn against any exaggerated expectations in the Communist world regarding the outcome of the Paris meeting and to prepare the ground for blaming American "insincerity" should the talks break down.

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Khrushchev opened with an optimistic appraisal of the prospects for the Soviet economy, especially for the consumer, but had little new to offer except for the announcement of a currency exchange to take place in 1961.

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II. ASIA-AFRICA

OK *Turkey: Student groups continue isolated but bitter demonstrations against the Menderes regime. Any government effort to arrest opposition leaders, still rumored to be a likely development, would create a new crisis. The commander of Army Ground Forces reportedly has resigned. [Premier Menderes' repeated charges that the opposition Republican People's Party (RPP) was directing the recent riots are disputed by the chief of the Turkish General Staff, who believes the student demonstrations were spontaneous. RPP leader Inonu is reported pleased with recent events, believing that his party has gained popular support from the government's continuing attempts to suppress its opposition.]

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NO India: [India is engaged in a crash program to improve defenses, transport, and communications in the sensitive China/Tibet border regions. Defense Minister Krishna Menon, in discussing the program with Ambassador Bunker, requested urgent US consideration of an earlier Indian approach to buy 29 C-119G twin-engine military transports. The Indian Air Force now has 26 of these Fairchild Packets, but only six of them are reported operational. Menon said India needs the 29 aircraft immediately, before the monsoons in mid-June, and is also interested in later purchase of 30 more Packets and one or two C-130 Hercules aircraft.]

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Belgian Congo: The 3 May disorders at Stanleyville, in which the cars of Europeans were stoned, constitute the first major anti-European outbreak of the pre-independence period. They coincided with two political rallies in the area in connection with legislative elections to be held from 11 to 15 May. The incident is likely to accelerate the departure of Europeans from the Congo prior to its independence on 30 June. The threat of further anti-European outbreaks will add to the problems of Belgian security forces, which are already hard pressed to keep the peace between warring tribes in Kasai Province.

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Laos: The reported creation of a new political party by the young reformist group, the Committee for Defense of National Interests (CDNI), foreshadows a bitter struggle with the conservative Rally of the Lao People, the party of former Premier Phoui, for control of the new government of Laos. CDNI leaders, assuming credit for the anti-Communist sweep in the elections, have made it clear that they intend to be the dominant force in the new government. Communist propaganda before the elections hinted that the "civil war" in Laos might be expanded if the CDNI were to assume power.

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III. THE WEST

Austria-USSR: Premier Khrushchev's expected visit to Austria--for which Vienna has proposed the week of 27 June to 3 July--will continue the upward trend in official exchanges between the two countries initiated by Chancellor Raab's visit to Moscow in July 1958. These exchanges have had distinct propaganda advantages for the USSR in the past, and the forthcoming ceremonial visit will afford Khrushchev another opportunity to cite Austrian-Soviet relations as an example of successful "peaceful coexistence."

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OK ***Britain:** Recent trade union actions indicate that an effective majority of the Labor party membership may demand termination of the party's support for an independent British nuclear deterrent policy. These developments, following the Macmillan government's decision to abandon the Blue Streak missile program, have faced the Labor party with the necessity of revising its nuclear defense policy. Increasing public agitation for unilateral nuclear disarmament and the prospect of a shift in Labor's position will add to the pressures on the government to show some tangible progress in disarmament negotiations.

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LATE ITEM

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***Cambodia - South Vietnam:** The Cambodian Government has announced that its ground forces, supported by fighter planes, repelled "sizable South Vietnamese troops" who crossed the frontier on 2 May. Cambodia on 4 May requested the International Control Commission (ICC) to make an "on the spot" investigation, and informed the organization that the Cambodian Army has received a report that a South Vietnamese battalion is en route to the border area. Ambassador Trimble is suspicious of several aspects of Cambodia's version, and feels Cambodian leader Sihanouk may be seeking to "prove" aggression by South Vietnam to justify the signing of some agreement with visiting Chinese Communist premier Chou En-lai for closer Sino-Cambodian relations. Sihanouk, while expressing friendship for the West in a recent conversation with Ambassador Trimble, stressed that Cambodia would not hesitate to "throw itself into the arms of the Chinese Communists" if another serious border incident with South Vietnam occurred.

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Short-term Outlook in Indonesia. SNIE 65-60. 3 May 1960.

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Situation and Prospects in East Germany. SNIE 12.4-60.

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3 May 1960.

Strength of the Armed Forces of the USSR. SNIE 11-6-60.

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I. THE COMMUNIST BLOC

Khrushchev's Supreme Soviet Speech

Khrushchev climaxed his pre-summit maneuvers with a speech on 5 May to the Supreme Soviet in which he resorted to a Soviet tactic frequently used on the eve of important negotiations--of attempting to place the West on the defensive and to demonstrate that the USSR's peaceful coexistence policy does not result from any weakness the West could exploit at the negotiating table.

In his speech, which was largely devoted to economic affairs, Khrushchev inserted a pessimistic assessment of prospects for agreement at the summit, citing recent Western policy statements and actions as providing little ground for hope that the Western leaders "are really looking for concrete solutions." He charged that "aggressive forces" in the United States recently have intensified their efforts to "wreck the summit conference, or at least prevent it from reaching agreements."

References to President Eisenhower, although couched in moderate terms, went further in criticizing him than at any time since Khrushchev's visit to the United States. The Soviet premier remarked that recent speeches by American spokesmen were a bad omen for a favorable outcome at the summit and said this situation had been aggravated by the "unfortunate fact that even the American President approved these speeches." He expressed regret that President Eisenhower intended to limit his presence at the summit to only seven days and observed that this shows that questions to be discussed in Paris "do not enjoy due attention on the part of the US Government."

Khrushchev apparently intends to use his charges of recent violations of Soviet air space by American aircraft to embarrass the United States as much as possible without blocking his path to the summit. He denounced such violations as a "direct provocation" and announced that the USSR would take the matter to the UN Security Council. He charged that the incidents were timed to coincide with the summit meeting and that the United States is seeking

to weaken the USSR's "determination to fight for a relaxation of international tension and an end to the cold war and arms race." In an effort to portray American policy as irresponsible and provocative and to generate widespread public alarm over its possible consequences, Khrushchev warned that the USSR reserves the right to reply to "such aggressive actions" in the future "with measures which we shall find necessary to ensure the safety of our country." Without committing the USSR to such a course, he attempted to convey the notion that it might employ missile retaliation.

Khrushchev's speech probably was also calculated to warn against any exaggerated expectations in the Communist world regarding the outcome of the Paris talks, which he has been careful to portray as only the first of a series of such negotiations. Khrushchev's harsh criticism of the United States may also be intended to prepare a case for blaming American "insincerity" should the talks break down.

Khrushchev carefully disassociated himself from the more belligerent policies favored by the Chinese Communists. He declared, "We shall not spread the ideas of Communism by means of war." Having used the aircraft incident to raise the threat of a new and dangerous crisis, Khrushchev concluded his speech by reaffirming his "clear-cut, consistent" commitment to the "Leninist policy" of peaceful coexistence. By pledging himself to spare no effort at Paris to "achieve a mutually acceptable agreement," Khrushchev sought to reassure Western leaders and forestall speculation that he has lost interest in summit talks.

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Economic Aspects of Khrushchev's Speech

In his Supreme Soviet speech of 5 May, Khrushchev held out bright hope for major improvements in the Soviet consumer's welfare but, with the exception of the plan to alter the value of the ruble, disclosed little that was new. Plans to abolish income tax for factory and office workers and shorten the workweek were restatements of Seven-Year-Plan goals. Like other topics in the speech, these plans were discussed in a way designed to gain maximum propaganda benefit, but the Soviet consumer has been and will continue to be only a residual claimant on economic output.

Khrushchev continues to be extremely optimistic about overfulfillment of the Seven-Year Plan and about progress in "catching up." His data continue to be carefully selected to make the best impression--for example, comparisons in cloth production were again presented in linear measures, after a year of using the more realistic and less favorable square measurement.

Khrushchev reiterated the goal of a 41-hour workweek for all except collective farmers by the end of 1960, and of starting on a 35-hour workweek in 1964. Less than 30 percent of the 58,000,000 workers now have the 41-hour workweek, and the conversion has hardly started outside of heavy industry. Correction of hoarding and of inefficient use of labor, together with technological improvements, is making it possible for the USSR to carry out the cut in man-hours without sacrificing increases in output.

The income tax has been a very minor source (currently about 7 percent) of budget revenue, which depends mainly on indirect taxation, e. g., profit deductions and turnover tax. The abolition of income taxes will have the effect of raising slightly the take-home pay of most workers, although the more highly paid workers will have their wages decreased by an amount equivalent to the tax no longer charged.

Khrushchev stated that all prices and all payments will be revalued at the end of the year on the basis of ten old

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rubles for one new. The existing currency is to be replaced by new currency over a three-month period. The change would have no significant effect in domestic trade. Khrushchev said the gold content of the ruble will be raised but did not say by how much.

The external value of the ruble will also be changed at a rate not yet announced and probably different from the one-to-ten rate applying to domestic funds. This would make it possible to bring the two values of the ruble closer together, simplify the bookkeeping of the USSR's foreign trade, and enhance the prestige of the ruble. The currency change will also give the regime useful data as to who holds the presently outstanding currency.

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II. ASIA-AFRICA

Turkey

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[Occasional student demonstrations continue in the larger Turkish cities, and the security situation could deteriorate rapidly if the government implements reported plans to lift the parliamentary immunity and arrest four to six opposition deputies.] The situation in Ankara remains tense, as indicated by the angry student demonstration which broke out in the capital on 5 May around the car in which Premier Menderes was riding. Menderes reportedly was jostled but uninjured.

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[Republican People's party (RPP) leader Inonu is reported pleased with the extent of political gains which he believes have accrued to his party during recent events. He feels that the RPP should remain quiet for the present and let the administration engender greater unpopularity with its oppressive measures.] The RPP will continue to apply pressure on the government, however, as indicated by the action of RPP deputies in walking out of the National Assembly on 4 May when an RPP deposition requesting an investigation of the premier's recent actions was not read before the legislature.

[The chief of the Turkish Armed Forces General Staff, General Erdelhun, in reviewing recent events in Istanbul for the American army attaché on 3 May, stressed that no evidence had been uncovered that the RPP had participated in or directed the student demonstrations. This comment is contrary to recent statements by Menderes and the Ministry of Interior denouncing the RPP for instigating an "open rebellion." Erdelhun also stated that as long as he remains chief of the General Staff, the Turkish Army will not be used either to overthrow the government or to crush the opposition. Erdelhun's blunt statements indicate his firm determination to maintain the armed forces' traditional aloofness from politics and do much to clarify recent speculation about the army's potential role in future political crises. The reported sudden resignation of the commander of the Army Ground Forces on 5 May demonstrates, however, that important army leaders are opposed to the present government's policies.]

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India Desires Immediate Purchase of US Military Transports

[India's strenuous efforts to improve its defensive capabilities and means of communication in the remote Himalayan border regions were outlined to Ambassador Bunker by Defense Minister Krishna Menon on 4 May to support his request for urgent US consideration of an earlier approach for the purchase of 29 C-119G twin-engine military transports with spares. He claimed the urgency is tied to the coming monsoon season, which begins in mid-June and will make overland support to the mountainous border areas extremely difficult if not impossible.]

[Menon further stated that later, in connection with its road-construction program in the border region, New Delhi wants to buy 30 additional such C-119s. He also expressed an interest in one or two C-130 Hercules turboprop military transports, and suggested financing these later purchases with credits from the Export-Import Bank or some other lending agency.]

[The Indian Air Force now has 26 C-119s, of which only six are reported operational. These craft, together with India's military and civilian fleet of time-worn aircraft of the C-47/DC-3 type, are at present the mainstay of the country's airlift capability in the north. Plans to begin replacement of the C-47s with an Indian-produced, British-designed turboprop transport will not be carried out until 1962. The Indians, however, are apparently convinced they cannot wait that long, inasmuch as the border problem with the Chinese, left unsettled by the Nehru-Chou conversations, will continue for some time.]

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Political Maneuvering in Laos

The reported creation of a new political party in Laos by the young reformist Committee for Defense of National Interests (CDNI) foreshadows a bitter struggle among the victorious conservative elements in the recent elections for control of the government to be formed after the National Assembly convenes on 11 May. [The new party, as yet unnamed, will consist of assembly deputies elected with CDNI affiliation or support; determination of its precise strength will probably have to await a voting test after the assembly opens. The CDNI will reportedly continue to function as an anti-Communist reform group whose main function will be to generate the mass support necessary to assure the new party of control of the assembly.]

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There are strong indications that the new party may attempt to organize a government without the participation of former Premiers Souvanna Phouma and Phoui Sananikone, who between them control the bulk of the deputies in the other major assembly grouping, the Rally of the Lao People (RLP). Any such attempt, if successful, would give Laos a narrowly based government which would face formidable opposition in the assembly; an unsuccessful effort would leave a residue of bitterness that would impair vital RLP-CDNI cooperation in any coalition government.

General Phoumi and other CDNI leaders have claimed credit for the anti-Communist sweep in the elections and appear determined to cash in on the political gains they feel their group has made in recent months. They can be expected to hold out for a dominant voice in whatever government is formed and to oppose the appointment of either Souvanna or Phoui as premier.

A CDNI-dominated government would be the development most likely to lead to an intensification of Communist Pathet Lao guerrilla attacks throughout the country. Communist propaganda before the elections consistently singled out the CDNI for attack and hinted that the "civil war" in Laos might be expanded if the CDNI were to assume power. [REDACTED]

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Khrushchev's Forthcoming Austrian Visit

Premier Khrushchev's expected visit to Austria this year--for which Vienna has proposed the week of 27 June to 3 July--will continue the notable increase in official exchanges between the two countries which has followed Chancellor Raab's visit to Moscow in July 1958. More than 30 comparatively high-level exchanges have occurred since then, highlighted by Defense Minister Graf's visit to Moscow in October 1958 and President Schaerf's visit a year later. As a result of Schaerf's trip, President Voroshilov has an invitation to visit Austria.

According to Austrian plans, Khrushchev will spend three days in Vienna--where he will be entertained with "all the pomp Austria can muster"--and will then tour the provinces. Austrian officials may hope the largely ceremonial occasion will also provide opportunity to discuss trade matters. Reparations deliveries--with the exception of oil--will be completed early next year, and Vienna has long hoped that these deliveries could be placed on a commercial basis after that.

Khrushchev will probably attempt to gain support for Soviet foreign policy positions such as that on disarmament, and he will urge the Austrians, both in public and in private, to follow a strictly neutral course. He will, as Soviet visitors have in the past, emphasize Austro-Soviet friendship and cite relations between the two countries as an outstanding example of successful coexistence. US Embassy officials in Vienna note that the USSR in the past has gained "one-sided propaganda and prestige advantage" from its exchange program with Austria. During his 1958 visit, for example, Raab--who was hoping at the time to obtain some alleviation of Austria's reparations burden--virtually credited the USSR with the successful conclusion of the state treaty.

Although the embassy officials doubt the exchange program has materially changed Austria's basic anti-Soviet feelings, they believe firsthand acquaintance with the USSR's technological achievements and power have impressed Austrian visitors.

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[The resolution passed on 4 May by the Amalgamated Engineering Union, Britain's second largest, demanding that the government renounce the testing, manufacturing, and stockpiling of nuclear weapons and the basing of such arms in the United Kingdom indicated that opponents of Labor's present nuclear weapons policy will have a majority at the party conference next fall. The party's policy now calls for an independent British nuclear deterrent pending formation of a non-nuclear "club." Three of the six largest trade unions, which make up the bulk of the Labor party membership, are on record favoring unilateral nuclear disarmament. Local Labor constituencies, which muster 750,000 votes at the conference, have long supported this view. Together these add up to the 3,300,000 votes required for a conference majority.]

[While party leader Gaitskell insisted as recently as 1 May that Britain could not disarm unilaterally and renege on its NATO commitments, he acknowledged that Labor's policy would have to be reconsidered. He implied that as a compromise to accommodate critics of the policy, the leaders might consider calling for an end to production of nuclear weapons but for retention of those already on hand. Any change in policy would come up for ratification at the conference.]

[The government's decision to abandon the Blue Streak missile project, which Labor contends is an admission of the impossibility of providing an independent British deterrent, gives party leaders an occasion for changing the party's nuclear defense policy without losing further prestige.]

[Rising antinuclear sentiment in Britain apparently is not confined to the Laborites. In commenting on the highly successful Easter week-end march sponsored by the Campaign for Nuclear Disarmament, the American Embassy noted that the movement now contains supporters from among an influential cross-section of the British public. These factors will add to the pressures on the Macmillan government, already highly sensitive to public opinion on the issue, to achieve some tangible progress on disarmament in East-West negotiations.]

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