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22 January 1960

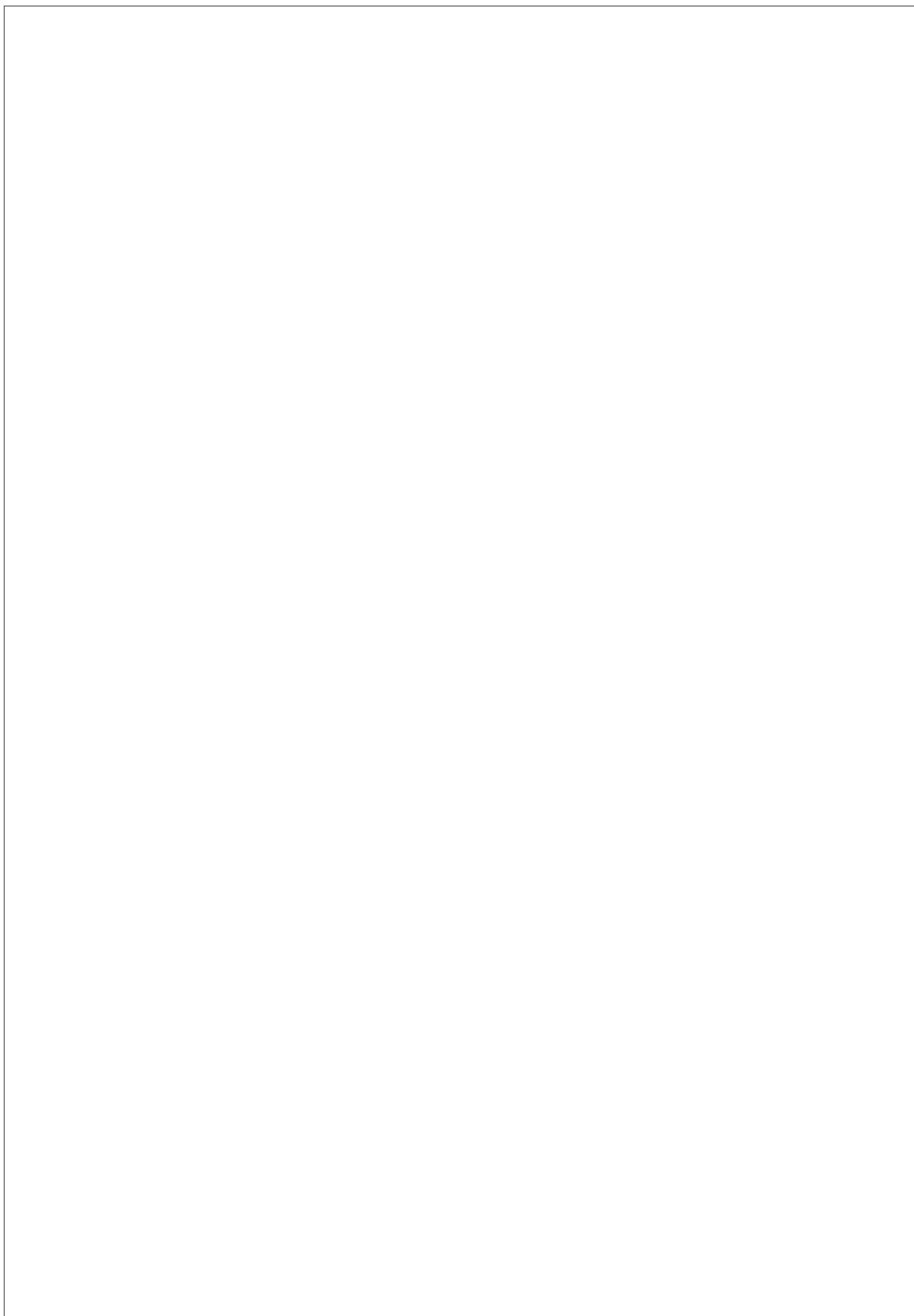
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# CENTRAL INTELLIGENCE BULLETIN



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22 JANUARY 1960

**I. THE COMMUNIST BLOC**

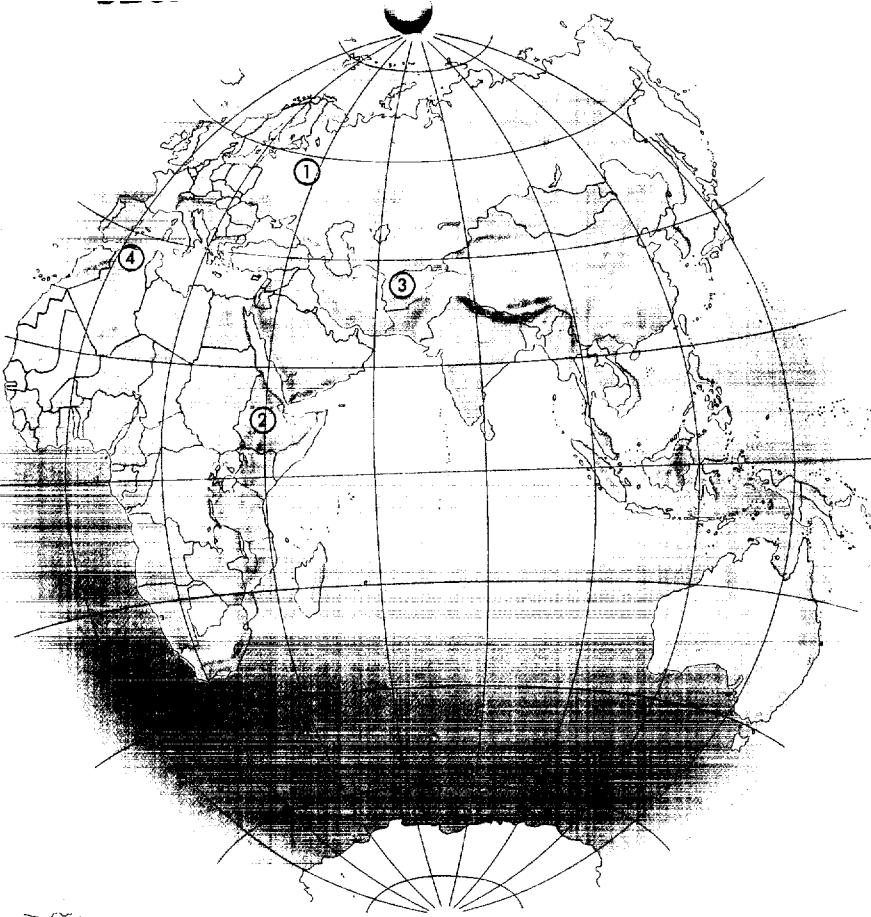
Khrushchev [redacted] admits he had difficulty in selling the Soviet military on his troop reduction plan. ①

**II. ASIA-AFRICA**

Ethiopia to accept nine-month supply of its petroleum requirements from USSR, probably under \$100,000,000 credit. ②

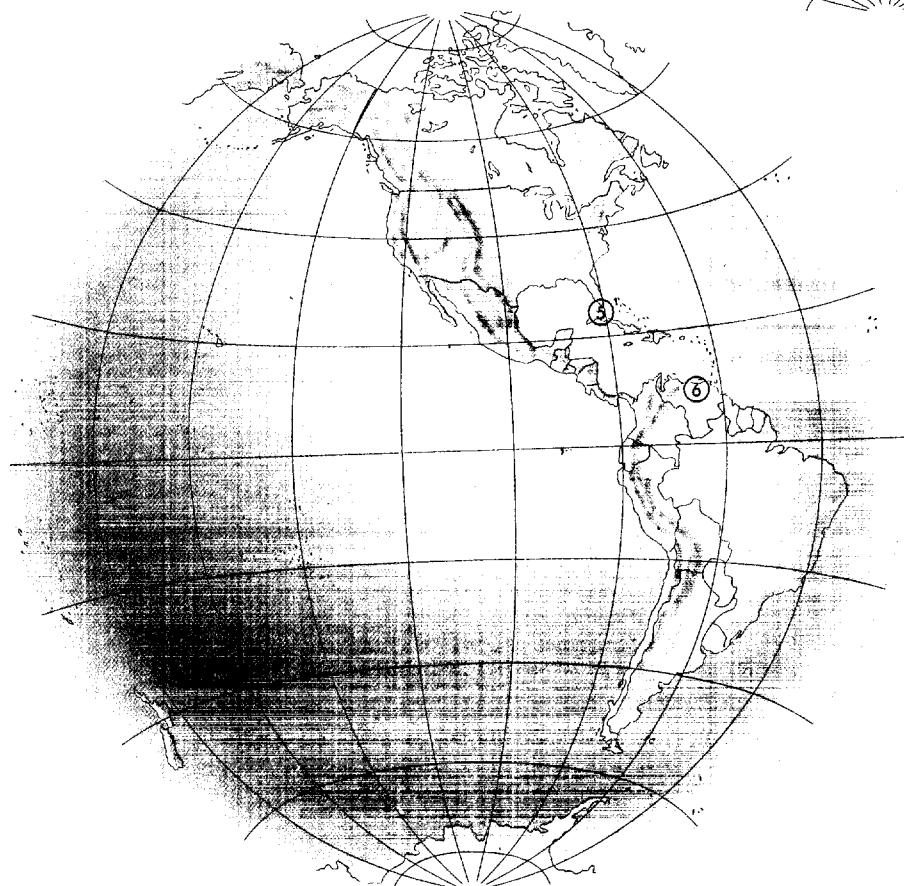
Announcement of Afghan-USSR agreements on hydroelectric construction possibly intended as rejection of Pakistani protests over extent of Soviet role in Afghanistan. ③

French settlers in Algeria increasingly restive over De Gaulle's Algerian policy. ④

**III. THE WEST**

⑤ Cuba to reorganize armed forces ministry; pro-Communist "Che" Guevara to be armed forces "instruction" chief

⑥ Venezuelan Government plans to borrow abroad to avoid political consequences of cutbacks to balance budget.

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## CENTRAL INTELLIGENCE BULLETIN

22 January 1960

## DAILY BRIEF

*SIRFB*

## I. THE COMMUNIST BLOC

*OK*

USSR: [Khrushchev has [ ] admitted that his plan to reduce the Soviet armed forces by over a million men had not been easy to sell to the military.] In addition Radio Moscow announced that several top party leaders attended a special meeting of the officers of the Moscow Garrison on 19 January in what appears to have been an unusual move to rationalize further the regime's troop reduction program to the military.

(Page 1)

## II. ASIA-AFRICA

*OK*

Ethiopia-USSR: The Ethiopian Government is reported to have accepted a Soviet offer to supply a quantity of refined petroleum products at slightly lower than market prices and under liberal credit terms. Four Western petroleum distributors in Ethiopia were told on 19 January that they had until 25 January to decide whether they would handle petroleum products amounting to about a nine-month supply "given" Ethiopia by a "friendly country." This is believed the first move to implement the \$100,000,000 credit granted to Emperor Haile Selassie in Moscow last summer. [ ] (Page 2)

*OK*

Afghanistan-USSR: One and possibly two construction agreements have been signed for dam and hydroelectric power projects to be built in Afghanistan with Soviet assistance under the 1956 Soviet \$100,000,000 loan. Kabul may hope announcement of these agreements will indicate to the Pakistani Government that the latter's objections to Soviet activity in Afghanistan have had little effect. [ ] (Page 3)

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*OK*

Algeria-France: [Long-smoldering hostility toward De Gaulle has intensified among rightist Europeans in Algeria recently. Settler unrest has been increased by rumors that new overtures to the Algerian rebels will follow a governmental conference on Algeria in Paris, scheduled for 22 January.]

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### III. THE WEST

*NO*

Cuba: Armed Forces Minister Raul Castro has announced a comprehensive reorganization of his ministry. This is a move to strengthen the disorganized military forces as well as to bring their training more fully in line with "revolutionary thinking." Most of the new departments are headed by cronies of Raul's who formerly held similar posts in the army only. Che Guevara, the pro-Communist head of the National Bank of Cuba, is listed as being the head of the "Instruction" Department.

*NO*

Venezuela: [The Venezuelan Government, which faces a continuing drain in liquid foreign exchange reserves, has suffered a recent decline in its short-term cash position. After borrowing about \$95,000,000 from oil interests last fall, the government now intends to seek a loan of about \$200,000,000 from private US banks to meet a deficit in its \$1,800,000,000 budget for 1960. Recourse to foreign borrowing, always unpopular in Venezuela, probably is contemplated only because of the regime's concern over the possible political consequences of other solutions for the economic crisis such as cutting back the public works program.]

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### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Estimate of the World Situation. NIE 100-60. 19 Jan 1960.

22 Jan 60

DAILY BRIEF

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## I. THE COMMUNIST BLOC

### Kremlin Concerned Over Military Reaction to Troop Cut

Premier Khrushchev is [redacted] reported to have said in [redacted] conversation that the principle of reducing Soviet armed forces "had not been easy to sell" to the military. There are also indications that the regime is still concerned over possible continuing adverse reaction.

In an unusual move by the Kremlin, five top party leaders--Averky Aristov, Nikolay Ignatov, Nuritdin Mukhittinov, Mikhail Suslov, and Petr Pospelov--attended a special meeting of the officers of the Moscow Garrison on 19 January to explain the regime's plans for easing the transition to civilian life of the men and officers who will lose their military jobs in the troop reduction scheduled to take place in the next two years. Similar meetings in the past have been held subsequent to events which had a special impact on the military--the ouster of Beria in July 1953 and of Malenkov, Kaganovich, and Molotov in July 1957, and the firing of Marshal Zhukov in November 1957.

The recent Moscow Garrison meeting is indicative of the regime's concern over the morale of the officer corps but it also suggests that the regime is firm in its decision to reduce the Soviet armed forces by more than a million men, including 250,000 officers. Defense Minister Malinovsky, who gave the main speech, elaborated the privileges to be granted the discharged servicemen. Officers, for example, who had no civilian profession are to draw full military pay for a year while learning new skills and are guaranteed housing within three months. Party presidium member Suslov gave a "long" speech but its contents have not been disclosed.

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## II. ASIA-AFRICA

### Ethiopia to Accept Soviet Petroleum Products

Addis Ababa reportedly has accepted a Soviet offer to supply--on liberal terms and at reduced price--refined petroleum products approximating a nine-month supply for Ethiopia. Four Western petroleum firms--at present the sole distributors of petroleum products in Ethiopia--were told on 19 January to indicate by 25 January whether they would distribute petroleum products "given" Ethiopia by a "friendly country." Addis Ababa made it clear that if they refused, the USSR would develop the necessary facilities.

The oil deal, probably the first agreement negotiated under terms of the \$100,000,000 credit granted to Emperor Haile Selassie in Moscow last summer--very likely stems from Ethiopia's serious financial situation and the Emperor's desire to conserve foreign exchange for an extensive economic development program. The State Bank of Ethiopia recently introduced restrictions on both imports and domestic credit in an effort to check the outflow of foreign exchange. Since early November, Soviet economic experts and Ethiopian officials have been seeking appropriate projects to utilize the credit. [redacted]

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### Afghan-Soviet Agreements for Dam Construction Announced

One and possibly two new construction agreements have been signed for dam and hydroelectric power projects to be built with Soviet assistance in Afghanistan under the 1956 Soviet \$100,000,000 loan. Moscow announced on 21 January that Naglu hydroelectric dam near Kabul will be completed in five years. In addition, an agreement was signed on 19 January, covering the Jalalabad irrigation and hydroelectric dam project west of the Khyber Pass, according to a Reuters report from Kabul. [Preliminary surveys for these projects were completed in 1957. Although the Afghan Government had apparently decided by 1958 to construct both of these projects, engineering problems and the lack of local currency to cover Afghan costs have delayed the signing of construction contracts. Construction agreements for the two projects will probably obligate about a third of the \$100,000,000 Soviet credit.]

Kabul may use these announcements to demonstrate to the Pakistani Government that Pakistani President Ayub's recent objections to Soviet activity in Afghanistan have not moved the Afghans to change their readiness to accept Soviet aid. If construction work begins on the dam near the Khyber in the near future, the introduction of a large number of Soviet technicians into this area, which lies adjacent to the sensitive tribal territory along the Afghan-Pakistani border, would probably be viewed as a pointed rebuff by Rawalpindi.

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Increasing Settler Unrest in Algeria

[Long-smoldering hostility toward De Gaulle among rightist Europeans in Algeria appears to have intensified. Although the close alliance of May 1958 between settlers and the army which brought about the downfall of the Fourth Republic has yet to be re-established, there are indications that the settlers are openly seeking army support for a "trial of strength" with De Gaulle.]

[Settler unrest has been fanned by an increase in rebel terrorism in the Algiers Department, uncertainty concerning the significance of an Algerian rebel council of war in Tripoli, and the furor surrounding the recall to Paris of the outspoken General Massu. A cabinet statement of 20 January reiterating support for De Gaulle's Algerian policy, and the scheduling of a conference of top civil and military officials concerned with Algeria for 22 January in Paris, have added to the tension. Extremists in Algeria fear that the conference may be followed by new overtures to the rebels.]

[One settler leader has alleged that as many as 15,000 rightist militants, organized into three groups, are prepared "to act in a moment" should De Gaulle continue to support a policy of Algerian self-determination, and that the rightists will not be misled by any temporary hardening of Paris' attitude toward the rebels if it is not accompanied by a change in policy. Europeans in Algeria are believed to be well supplied with small arms, some of which have been distributed by the army for purposes of local security.]

[Although senior French officials in Algeria are believed loyal to De Gaulle, there are indications that several, particularly among the military, have expressed sympathy with the goal of a "French Algeria" in such a manner as to encourage extremist elements. Meanwhile, the Algerian rebels probably view the growing opposition to De Gaulle as evidence that De Gaulle's personal assurances of eventual self-determination may not be sufficiently binding on France to justify cease-fire talks.]

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### III. THE WEST

#### Venezuelan Government Faces Serious Financial Problems

[The Venezuelan Government is faced with a 50-percent decline in its short-term cash position and a continuing drop in liquid foreign exchange reserves--a situation which could touch off renewed political opposition and a division within the ruling three-party coalition. After borrowing about \$95,000,000 from the oil interests last fall to check the rapid loss of exchange, the government now intends to seek a loan of \$200,000,000 from private US banks to meet a deficit in its \$1,800,000,000 budget for 1960.]

[Minister of Finance Mayobre has stated that President Betancourt, the cabinet, and the coalition parties agree that foreign borrowing is the only solution to the urgent problem. He also indicated that further attempts to cut the public works program--like those which gave rise to serious rioting in Caracas on 11 January and last August--are not considered feasible because of the dangers of unemployment and concomitant political unrest.]

[Recourse to a foreign loan, which is highly unpopular in Venezuela and was opposed last year by President Betancourt, suggests the regime's concern over the political consequences of further economic deterioration. Dissident civilian and military elements will be encouraged to use the economic problems to foment opposition to the government, which is handicapped by internal dissension. On 19 January the leader of the Democratic Republican Union party, a dissatisfied component of the coalition, pointed out the tension among the three parties and called for a government reorganization.]

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