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21 July 1959

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CENTRAL INTELLIGENCE BULLETIN



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Approved For Release 2003/01/29 : CIA-RDP79T00975A004600180001-1

25X1

CENTRAL INTELLIGENCE BULLETIN

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25X1

DAILY BRIEF

I. THE COMMUNIST BLOC

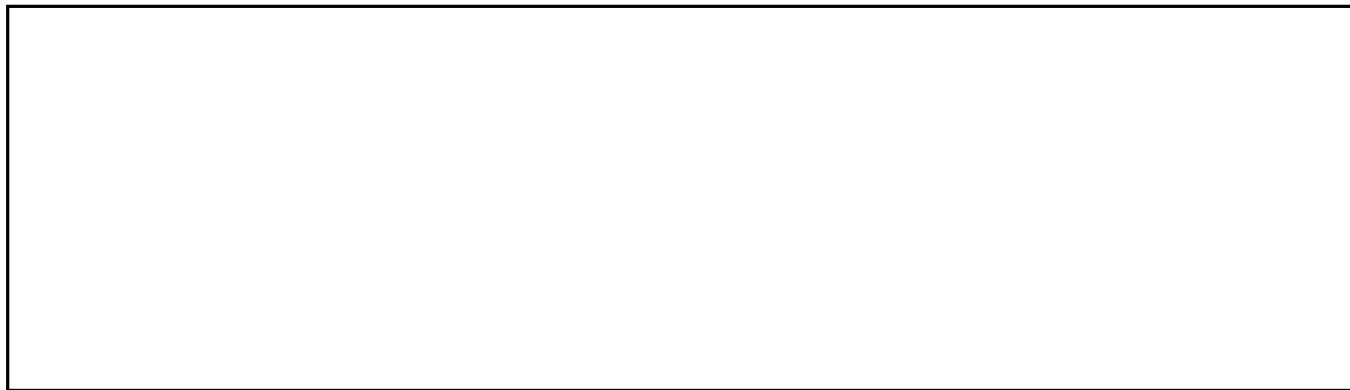
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USSR: Khrushchev's decision to cancel his Scandinavian tour, which he had planned for August, was accompanied by the unconvincing explanation that the decision was due to criticism in the Scandinavian press and the hostile views of certain political leaders. He has never before canceled a scheduled trip outside the bloc. Khrushchev has appeared tired on several occasions recently and may have been advised by his physicians to moderate his strenuous schedule. Moreover, Scandinavian opposition to the Soviet-proposed nuclear-free zone in the Baltic and the decision of the Scandinavian countries to proceed with plans for a "little free-trade area" probably made the visit appear less worth the effort than when it was planned. The note to Sweden expressed the hope that the trip could be rescheduled, "perhaps in a year."

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II. ASIA-AFRICA

South Korea: Song Yo-chan, chief of staff of the South Korean Army since last February, is to be replaced shortly, according to information from the defense minister. Although President

25X1

i

25X1

Rhee is believed to have backed Song's vigorous anticorruption drive in the army, a number of generals he has removed and their political backers may have succeeded in persuading the President that Song's exposures of inefficiency and corruption are undermining the army's prestige.] [REDACTED]

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India: India's foreign-exchange reserves have declined steadily during the past four months and on 3 July had dropped to \$399,600,000, as compared with \$1.6 billion in the spring of 1956. The present level is equivalent to less than three months' imports. The principal cause of the decline has been the failure of Indian exports to recover from the 1958 export slump. The foreign-exchange gap is likely to increase somewhat during the remainder of the Second Five-Year Plan (1956-61), since exports are not expanding as had been anticipated.

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Singapore: Since taking office on 5 June, the left-wing government of Singapore has moved swiftly to consolidate its position and prevent the development of effective opposition. The government party has been particularly active in labor unions and youth groups, where pro-Communist party extremists recently released from jail have their greatest following. The party is also limiting pro-Western influence, as evidenced by the recent ban on USIS material in community centers.

25X1

25X1

LATE ITEM

21 July 59

DAILY BRIEF

ii

25X1



25X1

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25X1



21 July 59

DAILY BRIEF

iii

25X1

Approved For Release 2003/01/29 : CIA-RDP79T00975A004600180001-1

I. THE COMMUNIST BLOC

Khrushchev's Scandinavian Visit Canceled

The official explanation that an "unfavorable atmosphere" caused Khrushchev to cancel the Scandinavian tour that had been planned in detail for 9-27 August appears to be incomplete, although the real reasons remain obscure.

The pace of Khrushchev's recent activities could have proved too strenuous and he may have been advised to moderate his schedule. According to the press, sources close to the Danish prime minister stated that the Soviet authorities arranging the visit repeatedly stressed that the program should not be too crowded. Signs that he has begun to tire more easily than heretofore began to appear early this year.

25X1

[Ambassador Thompson has recently noted a tendency for Khrushchev to drag his left leg. However, Governor Harriman, who made a deliberate attempt to test Khrushchev's physical condition during the ten hours he spent with him on 23 June, did not observe any peculiarities in Khrushchev's walk and has reported he appeared in good health.]

Moscow may consider that recent statements by Scandinavian leaders strongly opposing the Soviet-proposed nuclear-free zone in the Baltic area, as well as the plans of the Scandinavian countries and Finland to open negotiations on 20 July for a little free-trade area, have made a visit at this time inopportune. The Soviet notes delivered in Moscow to the three Scandinavian countries and Finland on 19 July cited Scandinavian press criticism of the visit and the "hostile" view of certain political leaders toward Khrushchev's tour. Moscow charged that Swedish newspapers "had been permitted to make insulting attacks on the USSR and the Soviet premier personally," and the official Danish paper was quoted as saying that the invitation had been issued "out of sheer courtesy."

Pravda stated on 19 July that the USSR was unalterably opposed to the formation of the "Outer Seven'market area, alleging that

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such "NATO-dominated closed economic organizations" are "controlled by the US." Finland was particularly warned against participation in a trade group with "an obvious political slant."

The cancellation leaves Moscow free to indulge in the tactic of a bid for an early summit meeting--possibly during Vice President Nixon's forthcoming visit to the USSR. Although the Soviet leaders would probably expect the Western powers to reject a bid for a mid-August meeting on the grounds of insufficient time for preparation, they may believe that such a move would increase pressure in the West, particularly on London during this crucial pre-election period, for agreement to hold a top-level meeting in the near future.

The Soviet note expressed the hope, however, that future conditions would allow the trip to be rescheduled, "perhaps in a year." [redacted]

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II. ASIA-AFRICA

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South Korean Army Chief May Be Relieved of Command

[South Korean Army Chief of Staff Lt. Gen. Song Yo-chan, who was appointed on 23 February 1959, will be relieved of his command shortly, according to the minister of defense. It had been assumed that Song would retain his office until after the 1960 presidential election.]

[Although President Rhee is believed to have backed Song's vigorous anticorruption drive in the army, ousted generals and their political backers may have succeeded in persuading the President that Song's exposures of inefficiency and corruption are undermining the army's prestige. Song had reassigned 51 general officers, placed 13 on reserve status, and court-martialed several. Some of the general officer reassignments probably resulted from evidence uncovered in the anticorruption drive.]

[Former Chief of Staff General Paek Son-yop, whom Song replaced last February, reportedly has been circulating rumors to discredit Song. In addition, Song's reported interest in reducing the amount of funds available to the army for political purposes may have aroused Liberal party opposition.]

[Such a rapid change in the key position in the military forces would have an unsettling effect on the officer corps, especially if the new chief of staff follows the pattern of others by seeking to place his followers in key positions. A possible candidate for Song's position would be Lt. Gen. Yu Chae-hung, the present commander of the First Army.]

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India's Foreign-Exchange Reserves Again Declining

India's foreign-exchange reserves declined \$55,600,000 between mid-March and 3 July, when they amounted to only \$399,600,000 or less than the cost of three months' imports. The reserves, which previously had declined from nearly \$1.0 billion in April 1956 to \$374,700,000 in October 1958, had increased slowly from October to March as a result of stringent import restrictions.

These figures do not include the \$247,000,000 gold reserve used for currency backing. While import curbs have recently been relaxed slightly to provide a better supply of industrial raw materials, the principal factor causing the decline is the failure of Indian exports to recover from the 1958 export slump. This slump originally was attributed to world-wide recession, but it now appears that India's major exports--tea, jute goods, cotton textiles, and metallic ores--have been priced out of some of their previous markets. In addition, several other commodities previously exported have found more profitable markets within India.

India's need for foreign aid is likely to increase during the remainder of the Second Five-Year Plan (1956-61), since its exports for the plan period appear unlikely to reach anticipated levels.

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Left-wing Singapore Government Moves to Consolidate Its Position

Since taking office on 5 June, the left-wing People's Action party (PAP) government of Singapore has embarked on an ambitious program apparently designed to assure tight control over a wide range of political, economic, and cultural activities. The government's program will make it extremely difficult for the already demoralized moderate and conservative groups to develop any type of effective opposition. At the same time, opportunities are being provided to the PAP's pro-Communist extremists, many of whom were recently released from jail, to increase their influence in Singapore's labor and youth organizations, where they have long had their greatest following.

The PAP government plans legislation to foster development of a unified labor movement which it can control. In the youth and recreation fields, the government has ousted the leaders of many community centers and apparently plans to bring them all under direct government control. The most prominent and popular pro-Communist in the PAP, Lim Chin Siong, reportedly is taking an active interest in youth centers in addition to his labor union activities.

Other government moves include a proposal to establish a National Cultural Organization, which presumably would be used to pressure private cultural groups to support PAP objectives; pressure on newspapers to take a progovernment line; and plans to gain control of all government patronage by packing the Public Service Commission.

Meanwhile, the government has acted to limit Western influence by such measures as banning USIS materials in community centers. [It is also said to be planning to give further publicity to alleged American financial support--actually provided by Nationalist China--of a high official of the previous government.]

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