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21 December 1960

[Redacted]

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CENTRAL

INTELLIGENCE

BULLETIN



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Next 1 Page(s) In Document Exempt

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CENTRAL INTELLIGENCE BULLETIN

21 December 1960

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DAILY BRIEF

I. THE COMMUNIST BLOC

USSR: A brief TASS summary of the 1961 Soviet budget announced today indicates that planned revenues and expenditures will continue to increase. The defense category in the budget, "expenditures for maintenance of the armed services," shows a 3.6-percent decrease from 1960; however, expenditures for items such as research and development and atomic weapons are concealed in other budget categories. Appropriations for science will increase by 15.6 percent. Gosplan Chief V. N. Novikov, reporting on the economic plan, implied that gross industrial production for 1960 will show a 10-percent increase over 1959, and the summary for 1961 anticipates a further increase of 8.8 percent--still slightly above the average annual increase needed to meet the goal set by the Seven-Year Plan. According to a press summary, Novikov admitted this year's poor grain harvest but claimed that grain production would still exceed the 1959 level. [redacted]

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Albania-Bloc: In a move reminiscent of the pressures against Yugoslavia in 1948, East German leader Walter Ulbricht has openly attacked the Albanian regime for holding "dogmatic and sectarian" views at the recent Moscow conference. This public attack would appear to reflect an increase in Soviet efforts to force the Albanians back into line. The Albanian leaders have postponed the party congress from December to mid-February. While they may be attempting to formulate a line acceptable to Moscow, initial comment in the regime press after the Moscow conference gave no indication of any change in Tirana's line. [redacted]

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II. ASIA-AFRICA

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Algeria: The Algerian rebel National Liberation Front (FLN), encouraged by the pro-FLN attitude of the Algiers Moslem rioters and subsequent expressions of international support, is reportedly determined to refuse to deal with any administration De Gaulle sets up in Algeria following the forthcoming referendum. [redacted]

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[redacted] De Gaulle now has no alternative but to negotiate directly with the FLN, and that the rebels will refuse overtures unless the UN has "some role in the proceedings." The resolution passed by the General Assembly on 19 December recognizing UN responsibility to assist Algerian self-determination will probably harden this position.

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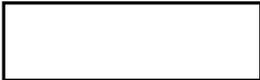
*De Gaulle's 20 December speech, in which he expressed willingness to discuss Algeria's future "notably with the leaders of the rebellion," concedes greater importance to the FLN's role in any settlement than he has hitherto publicly accorded. At the same time he made more explicit his standing threat of partition of Algeria if the FLN does not cooperate in a settlement. [redacted] (Page 3)

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21 Dec 60



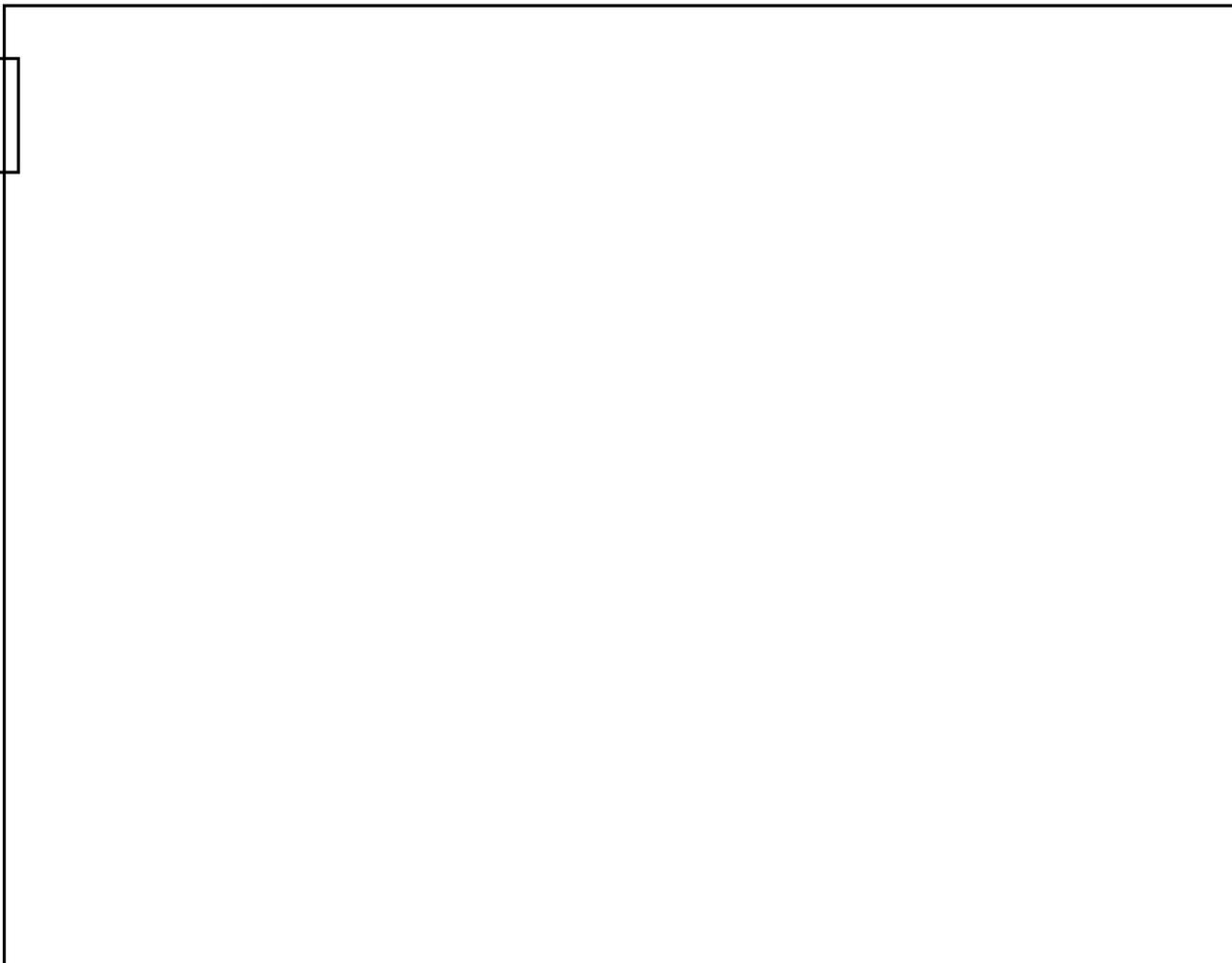
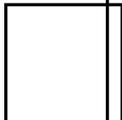
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**IV. CONCLUSIONS OF SPECIAL USIB SUBCOMMITTEE
ON BERLIN SITUATION**

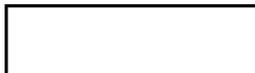
The USIB has taken note of the following conclusions reached by its special committee on the Berlin situation for the period 22 November 1960 through 19 December 1960.

1. The USSR is still pointing toward negotiations with the West and does not wish to increase tensions over Berlin at this time.

2. The East Germans appear to be urgently seeking a reinstatement of the Interzonal Trade Agreements (IZT) and to be

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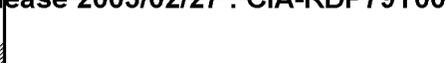
21 Dec 60



iii

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offering far-ranging concessions. At the same time Ulbricht and East German propaganda media are taking a hard line on the consequences to West German and Allied access to Berlin if the IZT is not reinstated by the deadline of 1 January 1961. It now seems likely that the IZT will be reinstated by 1 January on terms favorable to Bonn. However, the details of the East German concessions are not yet clear, and the possibility cannot be excluded that an agreement will not be reached and a period of increased tension might ensue.

3. Without an agreement, some trade could continue on the basis of ad hoc arrangements, but (a) the effects on the already strained East German economy would be serious; (b) Bonn would lose all present arrangements for West German commercial access to Berlin; (c) West Berlin's economic future would be further imperiled. [redacted]

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21 Dec 60

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Soviet 1961 Plan and Budget

The TASS summary of the 1961 Soviet budget announced today reports revenues up nearly 7 percent and expenditures up nearly 5 percent over 1960.

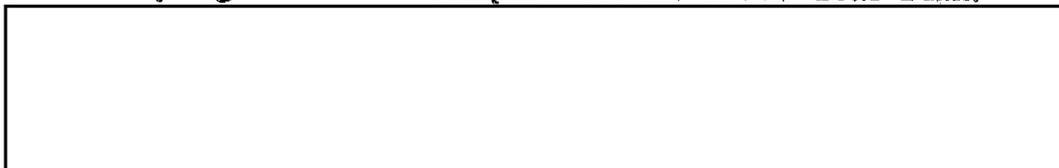
The only defense category in the budget, labeled "expenditures for the maintenance of the armed forces," indicated planned expenditures of 9.255 billion new rubles (92.55 billion present rubles), 12 percent of the entire budget, and approximately a 3.6-percent decrease from the 1960 allocation. This decrease is probably related to the partial demobilization announced this January by Khrushchev. As usual, however, military expenditures--such as items for research and development and atomic weapons--are concealed in other budget categories. Appropriations for science will increase by 15.6 percent.

In his speech on the 1961 plan, Gosplan Chief V. N. Novikov reported that the gross index of industrial production is planned to increase 8.8 percent. This is only slightly above the 8.6-percent average annual increase called for in the Seven-Year Plan. Actual performances during 1959 and 1960 well exceeded this average. Gross industrial production increased over 11 percent in 1959, and Novikov implied that this year the increase will be over 10 percent. The plan for 1961 maintains the recent growth rate in capital investment, scheduling a 12.6-percent increase over 1960.

The few major industrial products included in the summary indicate higher percentage increases in 1961 than needed to meet the present seven-year goals: crude steel output is scheduled to increase 9 percent, pig iron 10 percent, and electricity 12 percent.

The TASS summary of Novikov's report gave little information on the present state of agriculture. According to Reuters, he admitted this year's poor grain harvest and difficulties in meat production but claimed that 1960 grain production would still exceed the 1959 level.

Reported planned investment in state agriculture is considerably higher than contemplated in the Seven-Year Plan.



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Bloc Builds Up Pressure on Albania

The Albanian regime, long under pressure to abandon its pro-Chinese stand in the Sino-Soviet dispute, has been subjected to a new and unusual form of pressure--that of public criticism by another satellite leader. In a speech to the SED central committee published on 18 December, East German boss Walter Ulbricht singled out the Albanians for holding "dogmatic and sectarian" views at the Moscow conference. This public charge confirms reports that the Albanian delegation--led by First Secretary Enver Hoxha--sided with the Chinese against the USSR at the congress despite many months of Soviet effort to force the Albanians to desist.

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[Reports vary as to the extent of the Albanian "deviation" at the conference, with several claiming that the Albanians criticized Polich internal and foreign policies. [redacted] the Albanians succeeded in angering the Soviets and irritating the Chinese to the point that the latter suggested the Albanians be silent.] The Albanian leaders departed from Moscow about a week before other leaders did.

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Specific criticism of the leadership of one bloc state by another has not been seen in Eastern Europe since the period before Yugoslavia was ousted from the Cominform. Public criticism from East Germany--particularly if echoed by the other European satellites--is a means of warning the Tirana leadership to get into line with Moscow.

The Albanian fourth party congress, originally scheduled for December, has now been postponed to 13 February. It is possible--in light of Ulbricht's statement--that the East Germans and other satellites indicated to the Albanians that they would not send high-level delegations if the congress were to be used as a forum for "dogmatic and sectarian" views. Pre-congress preparations had not been carried through, suggesting regime leaders may be attempting to work out modifications in their policies that would mollify Moscow while at the same time not compromising their basic hard-line attitudes. Initial Albanian editorial reaction to the Moscow conference indicated no fundamental change in attitude. Any Modification at this time might encourage pro-Soviet elements in the Albanian party--elements which the regime apparently sought to repress by limited purges last summer--to renew their opposition to the party leadership. [redacted]

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Algerian Rebels Encouraged by Developments

While the Algerian rebel National Liberation Front (FLN) apparently did not plan the recent Moslem violence in Algiers, it has been encouraged by the pro-FLN attitude of the rioters and by subsequent expressions of international support and sympathy for the victims. The UN resolution on Algeria has also encouraged the rebels.

Consequently, the provisional government is reportedly determined to refuse to deal with any Algerian administration De Gaulle sets up following the referendum to take place in Algeria on 6, 7, and 8 January, and in metropolitan France on 8 January. [redacted]

[redacted] De Gaulle now has no alternative but to negotiate directly with the FLN, and that the rebels will refuse any overtures unless the UN has "some part in the proceedings." [redacted]

[redacted] the FLN would not demand direct UN participation in the talks, but would be satisfied with UN good offices to arrange the initial meeting, provide a neutral site, and receive progress reports. However, the FLN may insist on greater UN participation in view of the resolution passed by the General Assembly on 19 December which recognizes the responsibility of the UN to assist in implementing Algerian self-determination.

The Sino-Soviet bloc and the Arab press have strongly condemned the "massacre" of Algerian Moslems. There have been sporadic "free Algeria" demonstrations in Libya, and the Tunisian foreign minister called personally on rebel Premier Ferhat Abbas to present condolences. [redacted]

[redacted] the Moroccan Government has agreed to permit the Algerian rebel army to receive Soviet arms shipments in Moroccan ports. A Soviet vessel began unloading what appear to be small arms and munitions in Casablanca on 16 December. A similar delivery

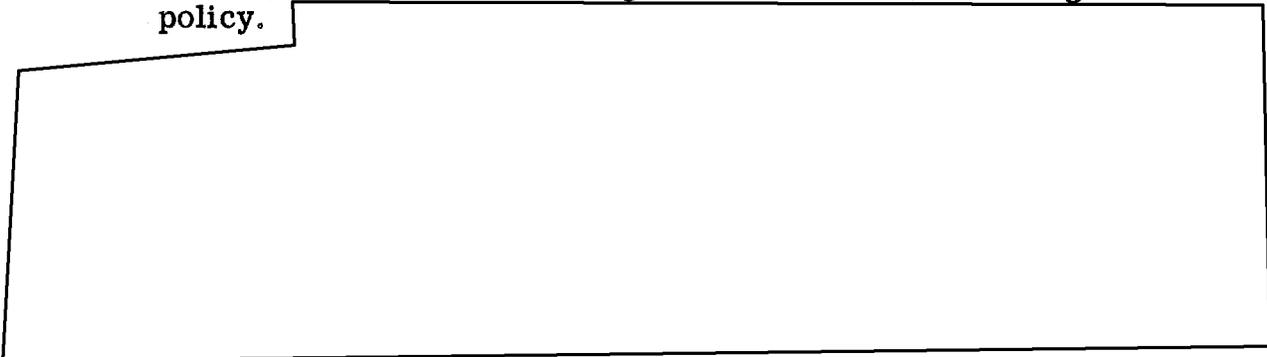
[redacted]

of bloc arms was made under Moroccan auspices in late November.

De Gaulle's 20 December speech, in which he expressed willingness to discuss Algeria's future "notably with leaders of the rebellion" concedes greater importance to the FLN's role in any settlement than he has hitherto publicly accorded. At the same time he made more explicit his standing threat of partition of Algeria if the FLN does not cooperate in a settlement.

His more favorable references to negotiations with the rebels and the absence of a formal prerequisite of a cease-fire will win over some of the wavering voters on the left and center in France in the January referendum. De Gaulle's reiteration of Premier Debré's 16 December assurances in the National Assembly of guarantees for the European settlers and pro-French Moslems in Algeria is aimed at breaking the solid opposition of French rightists to a more liberal Algerian policy.

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