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7 December 1961

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# CENTRAL INTELLIGENCE BULLETIN



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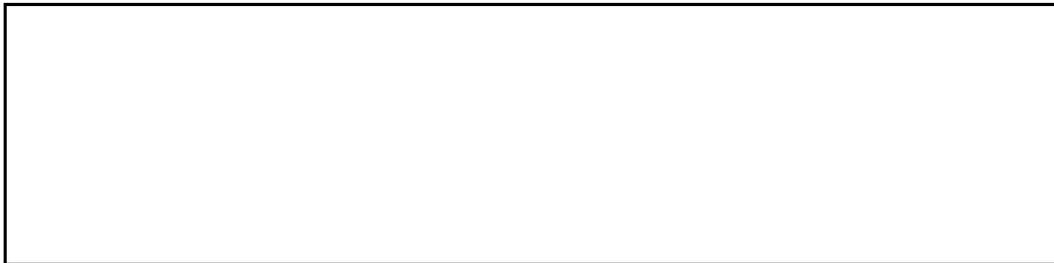
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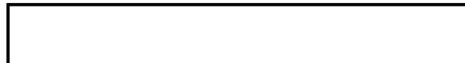


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### DAILY BRIEF

\*Congo: (information as of 0400 EST) Swedish jet fighters and Indian jet bombers yesterday carried out air strikes at the Katangan airfields of Jadotville and Kolwezi, and the UN Command claims to have knocked out Katanga's single Fouga Magister jet trainer. Heavy firing continued late on 6 December at the UN headquarters, which is at the Indian troop camp on the outskirts of Elisabethville and on the perimeter of the route to the new airport; earlier there was fighting at the old, unused airport where Katangan troops are dug in. Katangan troops were also in evidence throughout the city. The UN Command appears to be concentrating on building up its forces at the new airport, which, though under sporadic fire, remains in UN control. The arrival of 300 Swedish and 350 Irish troop reinforcements, along with anti-aircraft guns and armored personnel carriers, brings UN forces in Elisabethville to about 3,650. In addition a Nigerian battalion in Leopoldville has been alerted for transfer to Elisabethville.

UN civilian chief Linner told US officials in Leopoldville he issued instructions on 6 December to UN officials in Elisabethville "to end the situation there as swiftly and effectively as possible." He previously stated that he intended to "denude" the rest of the Congo of UN troops to build up his Katanga forces. The Indian commander of UN forces in Elisabethville, Brigadier Raja, told newsmen that the question of a cease-fire "is finished." Katangan leaders have made similar "fight-to-the-finish" statements and have exhorted the population to use every means available to fight the UN. Tshombé has left Paris by air for Brazzaville en route to Elisabethville. The Katanga leader reportedly declared before departure he would not negotiate with the UN and pledged himself "to resist to the bitter end."

The US Air Force lift of UN reinforcement to Elisabethville has provoked a strong anti-American reaction among Katangan leaders who charge the US with aiding and abetting the UN moves against them. American Consul Hoffacker reports that none of the consular staff have been molested, but he describes himself as under house arrest, following Foreign Minister Kimba's threat to arrest him if he leaves the consulate. Hoffacker and Western consular colleagues are attempting to obtain Katangan security guarantees for an evacuation of consular dependents.

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The fighting in the Elisabethville area may encourage Adoula to send Congo Army forces in Kasai Province back into northwestern Katanga. Clashes may be imminent at Kongolo and at Baudouinville in the north and northeast where Congo Army elements are reportedly advancing on these towns recently reinforced by Tshombé. Gizenga has announced he is "returning to the front" and called on all Congo Army units to follow his lead.

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\*USSR Budget and Plan: The 1962 Soviet budget announced on 6 December, as summarized by TASS, contains routinely small increases in total revenues and expenditures, but the stated appropriation for the military forces has increased to 13.4 billion rubles. This sum is 45 percent greater than the corresponding 1961 appropriation of 9.25 billion rubles, and about eight percent above the revised total for 1961 resulting from Khrushchev's 8 July announcement of a 3.1-billion-ruble increase. These increases, however, probably contain more bookkeeping transfers from military outlays hidden elsewhere in the budget than real increases in actual military outlays.

The economic plan for 1962 calls for industrial investment and output to grow at high rates, but these rates of increase are somewhat below those of the past few years. The plan does not carry through Khrushchev's promises made earlier this year to the consumer. [redacted] (Charts)

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USSR-Berlin: Khrushchev used his conversation with Norwegian Foreign Minister Lange on 1 December to warn that the alternative to a new four-power agreement on West Berlin's status would be a blockade of Western military access following a separate East German peace treaty. As a new gambit on the proposal to station a Soviet troop contingent in West Berlin as part of the four-power guarantees for a free city, Khrushchev commented that Soviet prestige had to be taken into account on this question but that the USSR would not necessarily exercise a right to bring troops into West Berlin. Khrushchev's statements are another indication that Moscow expects negotiations will be arranged after current Western consultations are completed. While Khrushchev made no new proposals and categorically rejected the President's concept of an international administration of the autobahn to West Berlin, he did attempt to convince Lange of the desirability of negotiations.

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[redacted] Khrushchev told Lange he hoped relations with the US would improve to the point where the President could visit the USSR. [redacted]

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[The Watch Committee at its meeting on 6 December 1961 reached the following conclusion concerning Berlin:

[The construction at Babelsberg on the Berlin autobahn and at the sector checkpoints between East and West Berlin has increased the capability of the Communists to harass Allied access. The Communists may use the rotation of US troops into West Berlin as the pretext for some further move against Allied rights.]

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Dominican Republic: [Solution of the political impasse and an end to the nine-day-old general strike may be near. President Balaguer and the leader of the largest opposition group have agreed in principle to form a Council of State led by Balaguer but dominated by the opposition, on the understanding that Balaguer will resign within a few weeks in favor of a mutually acceptable successor. The plan has not yet been endorsed by the military, but an opposition leader believes armed forces chief Rodriguez Echevarria will accept it.]

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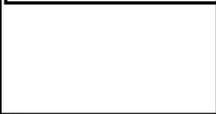
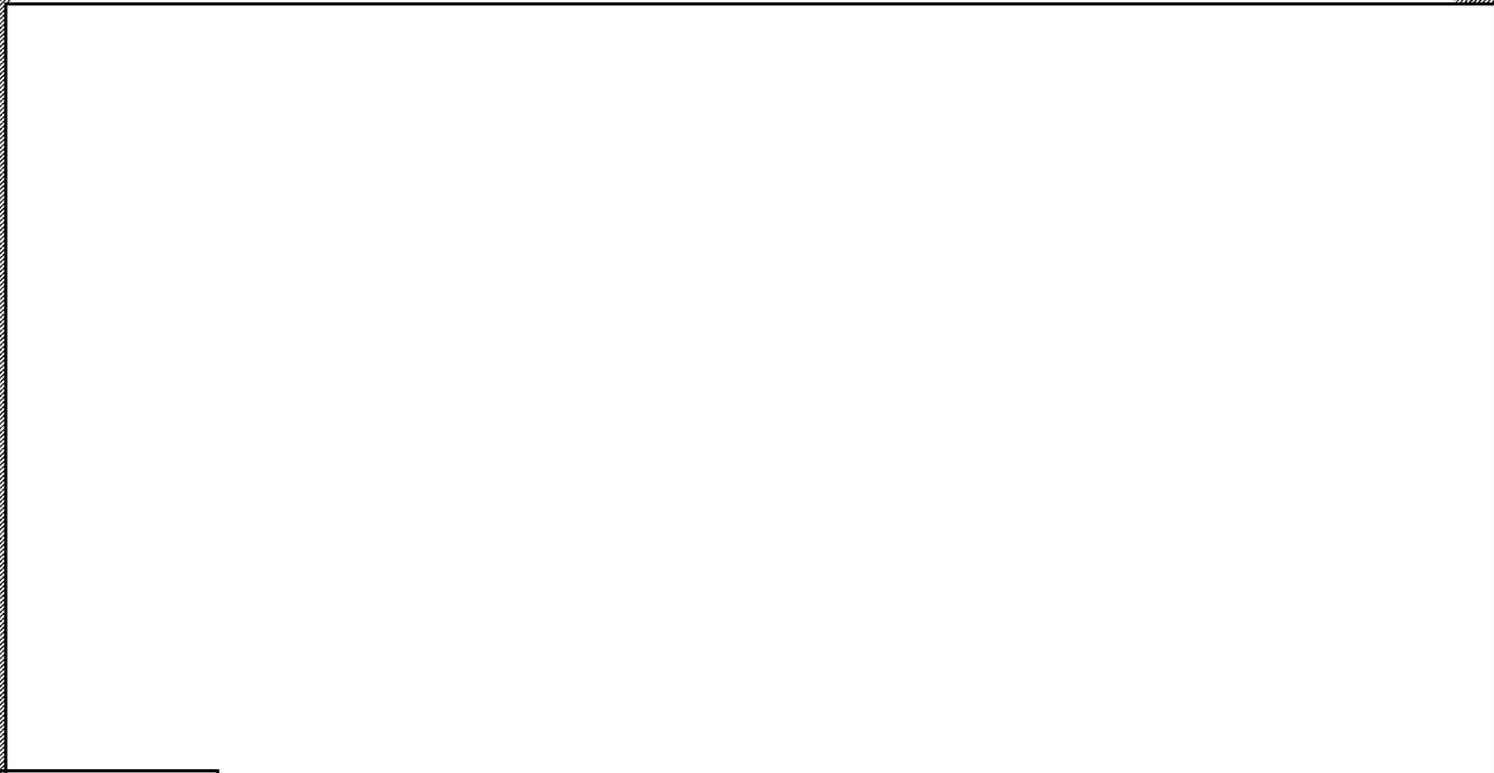
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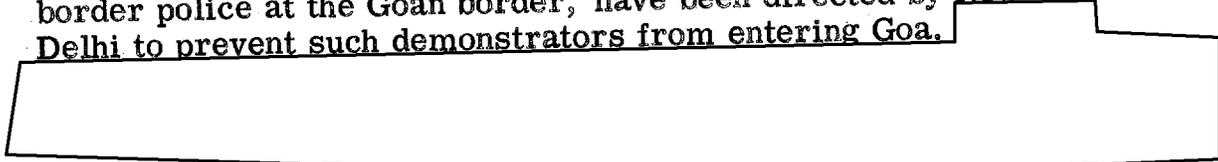
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**\*India-Goa:** The Indian military buildup in the areas adjacent to the Portuguese enclave of Goa continues, amid probably exaggerated Indian press reports of isolated incidents and Portuguese reinforcement. After a cabinet meeting yesterday, an Indian Government spokesman disclaimed any intention to occupy the enclave but threatened that "further provocations" like the minor shooting incidents of last week could force the government to "revise" its attitude. An All-Party Goan Political Convention, led by exiled Goan nationalists and scheduled to meet in Bombay on 7 December, can be expected to raise the level of vituperation in western India by calling for "peaceful" protest marches on the Goan enclave. Indian Army personnel, however, who are reported to have relieved state border police at the Goan border, have been directed by New Delhi to prevent such demonstrators from entering Goa.

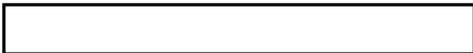
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Afghanistan-USSR: The USSR is using the Afghan dispute with Pakistan, which leaves Afghanistan more vulnerable to Soviet pressure, to speed up Kabul's Soviet-aided military modernization program. A Soviet general has reportedly arrived in Kabul to take over an enlarged military aid group there, and there are rumors that some inefficient Afghan officers are being reassigned in a general overhaul of the training and equipment maintenance programs. These and other measures are in line with the reported recommendations of Soviet Marshal Sokolovsky, who conducted a general review of the program in October

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\*Hungary: U Thant has been invited to visit Hungary. This invitation, like the 4 December offer to discuss the Mindszenty case, is part of the regime's diplomatic campaign to gain international respectability. Since 1956 the UN--largely on US initiative--has held in abeyance the accreditation of the representatives of the present Hungarian regime, because of Budapest's refusal to let UN representatives investigate conditions in the country. In an effort to circumvent this, Budapest last June invited UN General Assembly President Frederick Boland to make an unofficial visit, but the maneuver fell through when Hungary failed to meet Boland's conditions. U Thant indicated that he would not be able to make such a visit for the foreseeable future because of his schedule. An official visit by U Thant and the solution of the Mindszenty problem would leave the question of an amnesty for those individuals sentenced for public participation in the 1956 revolt as the only remaining major condition which had been set for UN acceptance of the Hungarian representatives.

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\*Communist China - India: Peiping has replied to Indian charges of renewed Chinese aggression in the border area by a Foreign Ministry statement of 6 December accusing New Delhi of trying to realize its territorial claims by armed force. The statement declares that China would not be "cowed" by the "extremely dangerous" Indian policy, and is a clear warning that the Chinese will back up their territorial claims by all the military measures they deem necessary. Although Peiping reaffirms its readiness to negotiate the dispute, the Chinese evidently anticipate continuing incidents along the border; the statement catalogs a list of alleged Indian provocations in order to put on New Delhi the "full responsibility for the resulting new tension." [redacted]

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WATCH COMMITTEE CONCLUSIONS

[redacted] On the basis of findings by its Watch Committee, the United States Intelligence Board concludes that:

[redacted] No Sino-Soviet bloc country intends deliberately to initiate direct military action in the immediate future.

Berlin (Carried on page iii of Daily Brief)

South Vietnam (Carried on page v of Daily Brief) [redacted]

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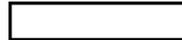
## SOVIET BUDGET EXPENDITURES ( PLANNED )

(billions of new rubles)

	<u>1961</u>	<u>1962</u>
Explicit Defense	9.255/12.355*	13.4
Administration	1.1	1.07
Social-Cultural Measures	27.1	28.7
Financing the National Economy	33.9	32.4
Other	6.145	4.7
Total	77.5	80.3

\*Khrushchey's announcement of 8 July of 3.1 billion ruble additional allocation added

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## USSR Budget and Plan for 1962

A part of the announced increase in military outlays, perhaps a billion rubles annually, is probably required by the increased size of Soviet forces, and the remainder could represent a sizable increase in the non-personnel aspects of the Soviet military effort. The increase in the original 1961 appropriation, however, is considered to have been primarily a propaganda device achieved by transferring military or quasi-military expenditures from parts of the budget not previously admitted to contain defense expenditures into the explicit military account. The Soviet budget is on a cash basis, and the USSR would be unable in as short a time span as the last five months of 1961 to increase useful outlays 70 percent above the planned figure. There was also no evidence of modification on a major scale of any significant procurement program capable of absorbing such funds, and the statement itself was made in a propagandistic context, following hard on a US increase of \$3.5 billion for defense--the same sum at the official exchange rate.

Having recently made such a major change, it is believed unlikely that the Soviet Government would now revert to the pre-July 1961 budgetary account system, at least until after the Berlin problem is satisfactorily settled. With data not yet complete, much of the increase in military outlays--regardless of whether it is primarily a bookkeeping transaction or a redirection of national resources--seems to have come from the budgetary categories for financing industry and from the unspecified budgetary residual--both of which are believed to contain expenditures supporting the military establishment, as this term is used in the West. The appropriation to science, which contains funds for research and development, was not affected and continued its recent rapid growth. The 1961 outlay was about 15 percent above that for 1960, and in 1962 it is planned to increase another 12 percent.

Under the industrial plan for 1962 presented on 6 December, industrial production as a whole is to grow 8.1 percent as compared with the "more than 9 percent" claimed for 1961, and an



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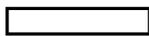
**USSR: SELECTED INDUSTRIAL PRODUCTION**

	1961		1962	Percentage Increase 1962 over 1961	Annual Average Increase Needed to Meet Revised Seven Year Plan Goals
	Plan	Actual*	Plan		
Pig Iron (million metric tons)	51.2	51.1	56	9.3	9.1
Steel (million metric tons)	71.3	71	76.9	7.8	7.8
Oil (million metric tons)	164	166	183+	11.5	9.6
Gas (billion cubic meters)	59.7	59.5	71.2	19.6	26
Electricity (billion kilowatt hours)	327	327	366	11.9	12.3

\*Soviet estimates

Percentage Increases	1960		1961		1962
	Plan	Actual	Plan	Actual	Plan
Gross Industrial Production	8.1	10	8.8	9+	8.1
Group A (heavy industry)	8.8	10.9	9.5	NA	8.8
Group B (light industry)	6.4	7+	6.9	NA	6.6
State Centralized Investment	11	11.5	12.6	9.7	8.1

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8.6-percent average annual increase called for in the Seven-Year Plan. Production of capital goods ("Group A") is to grow 8.8 percent over this year, while production of consumer goods ("Group B") is planned to grow 6.6 percent. Even the achievement of this more modest goal is dependent upon achievement of the agricultural goals, which is most unlikely. Thus, despite Khrushchev's promises to the consumer--especially in the spring of this year--the traditional low priority assigned the consumer in the Twenty-Year Plan at the 22nd party congress will prevail in 1962. The 34-percent planned increase in investment in light industry for 1962 is not high compared with last year's planned figure of 54 percent, which probably was not fulfilled. Production increases scheduled for the basic industries--steel, petroleum, and most of the like--are consistent with the revised Seven-Year-Plan goals announced by Khrushchev at the October party congress.

Capital investment in 1961 grew by nearly 10 percent, more than needed to meet the annual increase called for by the Seven-Year Plan, but about 3 percent below the annual plan and below the achievements of the past several years. In Soviet national accounting, capital investment is mainly composed of two parts--construction, and the acquisition of new machinery and equipment. According to Gosplan chairman V. Novikov, the plan for total volume of construction was fulfilled; it appears therefore that the plan for acquiring machinery and equipment was more than 10 percent underfulfilled.

Capital investment is scheduled to increase 8.1 percent in 1962. This rate is slightly lower than needed to meet either the Seven-Year-Plan or Twenty-Year-Plan goals. However, because plan rates were exceeded in 1959-1961, the 1965 goals are not yet endangered. The smaller rate of increase in 1962 probably reflects the desire expressed by Khrushchev at the 22nd congress to use resources more effectively in the creation of new industrial capacity. In addition, the increase in the state labor force above the originally planned levels may have reduced somewhat the capital requirements of the Seven-Year Plan.

The reported 2.5-million-man increase in the labor force planned for 1962 is in line with recent increases, although much

higher than those scheduled in the original Seven-Year Plan, and seems attainable assuming some continuation of book-keeping transfers of collective farm labor to state farm labor. The original Seven-Year-Plan goal for the labor force in 1965 will have already been achieved by the end of 1961, and the 1965 goal has reportedly been revised by some 10 million workers.

Novikov was noncommittal about agricultural achievements in 1961, saying merely that "collective and state farms have secured a further increase in output." This treatment tends to support the belief that the grain harvest was only slightly above that of last year and considerably below the record of 1958. Soviet officials have recently been acknowledging the effects of bad weather, especially in the part of the New Lands where Khrushchev said this year's harvest was "wrecked." Despite Khrushchev's continuing promises to improve Soviet food supplies significantly, the scheduled investment increases for 1962, even if achieved, are far too small to do the job.

The urban housing goal of one billion square feet for 1962 is slightly lower than the 1961 goal, but significantly higher than the actual volume anticipated for 1961. The achievement of the 1962 goal is subject to question because of difficulties in the supply of construction materials. [REDACTED]

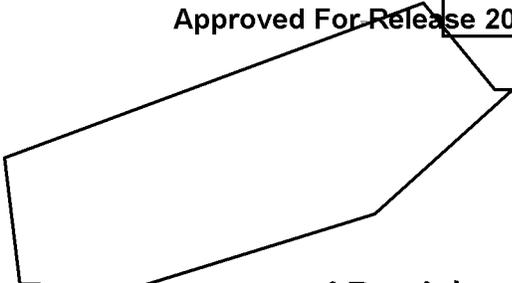
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Solution of Dominican Political Stalemate May Be Near

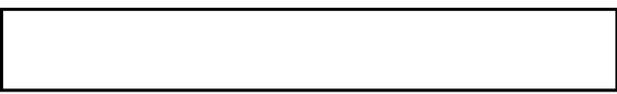
The plan for a solution of the impasse was worked out by Balaguer's representative and Dr. Viriato Fiallo, president of the largest opposition group, the National Civic Union (UCN). It calls for the creation of a five- or seven-man Council of State composed either of independents chosen from a list submitted by the opposition or of recognized opposition figures. The council, presided over by the President, would exercise executive functions until after the elections scheduled for next May. President Balaguer would resign within a few weeks of the council's formation; his successor, ostensibly elected by the council, is to be privately agreed upon in advance by Balaguer and the opposition, but such agreement has not yet been reached. The cabinet would be divided between the opposition and the present government, with the majority of the ministries going to the opposition. Congress would be recessed until replaced by next year's election.

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Numerous important points still remain to be agreed upon, but the negotiators appear relatively confident that the UCN intransigents, who blocked an earlier agreement that had been accepted both by Balaguer and Fiallo, will accept this plan.

Unlike the "solution" proposed by armed forces chief Rodriguez Echevarria last week, this plan could result in a government free of military domination. It is probable, however, that General Rodriguez will insist on retaining an important role in the interim government. Amiamo Tio, one of the survivors of the group that assassinated Trujillo last May and who is now acting as mediator in the negotiations between Balaguer and the UCN, conferred for more than an hour with General Rodriguez on 5 December. He subsequently told the American consul general that he believes the general genuinely



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wants a democratic solution, and that he will accept the proposed plan and "make it stick" despite any opposition to it from his opponents in the armed forces or from the UCN intransigents.

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The moderate political orientation of the UCN and the fact that all the principals in the negotiations are strongly motivated against permitting any inroads by extreme leftist factions suggest that, if the plan now under discussion meets with final acceptance, the interim regime will be dominated by political moderates.

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