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13 May 1961

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# CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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Communist China: Communist China's latest grain deal with Australia for delivery this year of at least 750,000 tons of wheat brings total Chinese grain purchases from all sources since late 1960 to nearly 10,000,000 tons, worth about \$600,000,000. About 5,000,000 tons are scheduled for delivery before the end of 1961; at least 500,000 tons of this amount are being re-exported to cover Chinese commitments to Ceylon, Cuba, and Albania. About two thirds of the 7,000,000 tons of grain purchased from Canada is to be delivered in 1962 and 1963. Long-term deliveries were also discussed with Australian officials, but apparently no agreements have been signed yet. The credit terms provided by Australia and Canada--the latter guaranteed by the government--will ease considerably the Chinese Communist payment burden this year.

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USSR-Thailand: Moscow is apparently seeking, through renewed aid offers, to exploit current Thai concern over developments in Laos and especially Thai dissatisfaction with the fact that SEATO has taken no military action there.

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Soviet Ambassador Nikolayev met with Prime Minister Sarit and assured the Thai leader that the USSR would be willing to supply whatever Thailand desired in the way of foreign aid, adding that Thailand's form of government was strictly an affair for Thailand to determine. Sarit is reported to have told Nikolayev he was

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pleased with this Soviet approach. Initial trade discussions held between the two countries last October and November were unproductive.] [REDACTED] (Backup, Page 3)

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France-Algeria: Die-hard opposition to De Gaulle may again be on the point of going "into the street" in Algeria following the stern repressive measures taken by the government since the collapse of last month's military insurrection and the 10 May announcement that negotiations with the rebels are to begin soon. Press reports state that Europeans will attempt to organize a general strike in Algiers on 13 May, the anniversary of the 1958 rightist coup that brought De Gaulle to power. Troops and security forces, located in large numbers throughout Algiers, have reportedly been ordered to fire if necessary to maintain order]

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Soviet Efforts to Encourage Thai Neutralist Sentiment

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[redacted] Soviet Ambassador

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Nikolayev again raised the question of trade relations with Thailand; [redacted] nothing definite was decided. The timing of this latest Soviet overture probably reflects a Soviet estimate that [redacted] could be persuaded to expand trade relations with the USSR in order to demonstrate Thai misgivings over SEATO's effectiveness in Southeast Asia.

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[Thailand's commitment to SEATO and the West has largely been predicated upon an assumption of US ability to contain Communist expansion within North Vietnam and upon the existence of a non-Communist buffer area protecting Thailand from direct Communist infiltration. From the time of the Kong Le coup in Vientiane in early August, Prime Minister Sarit has been urging vigorous SEATO intervention on behalf of the Royal Laotian Government, and as of 25 April he is reported to have obtained cabinet approval in advance for the commitment of Thai forces in Laos. Developments in Laos have undermined Thailand's confidence in its Western commitments and brought forth a revived interest in a foreign policy of neutrality.]

[Even prior to the Laotian crisis Thailand had begun to question the desirability of its strongly pro-Western orientation. Thai officials, including the foreign minister, commented that through its commitments Thailand had cut itself off from the possibilities, open to their neutralist neighbors, of obtaining economic assistance from both the Sino-Soviet bloc and the West. They have noted that the US aid to neutral Cambodia is far greater proportionately than that to Thailand. Further, they were angered by the sales of surplus American wheat and rice in Asia which they felt undermined Thailand's foreign exchange position and invaded its natural markets.]

[Although it is unlikely that there will be any immediate favorable Thai response to the Soviet ambassador's broad]

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[economic aid offer, Sarit is reported especially pleased with Nikolayev's statement that the Soviet Union has no interest in changing the Thai governmental system and that it "would not allow Communist China to invade Thailand." In the past, Thai leaders have always been prepared to modify their foreign policies to accommodate the pressures of foreign powers dominant in Southeast Asia.]

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French Fear Further Violence in Algeria

The American consul general in Algiers notes that since the collapse of the insurrection, Europeans have become steadily more embittered as a result of intensified search of homes and hotels for arms and fugitives, greatly increased numbers of troops in the city, and a nine o'clock curfew. The curfew had kept the population confined during hot weather, and extensive roadblocks and check points have kept many people from getting to the beaches or countryside on week ends. Troops--largely draftees--patrolling the streets after the curfew hour have several times fired warning shots in exasperation at Europeans who have been banging pots and pans on balconies and even throwing bottles and other objects.

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French officials also are concerned over growing unrest among urban Moslems, who have indulged in two violent demonstrations so far this week--one of which resulted in three Moslem deaths when security forces fired on the demonstrators. Although European activists apparently had nothing to do with these incidents, they might attempt to provoke further clashes between Moslems and security forces. The French feel that both the Secret Army and the Moslems are capable of provocations against each other that could produce violent disorders.

The top French civilian and military officials in Algiers have issued warnings that demonstrations on the 13 May anniversary or on 20 May, the scheduled date for the opening of negotiations, will not be tolerated. Police reinforcements

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have been stationed around the Algiers Casbah, allegedly to reassure the Moslems following European threats that the populous quarter would be burned. In the past, such highly publicized precautions have proved fairly successful in warding off disturbances at certain "psychological moments," but the unrest has continued to fester and riots have broken out at later, less guarded times.

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