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19 April 1961

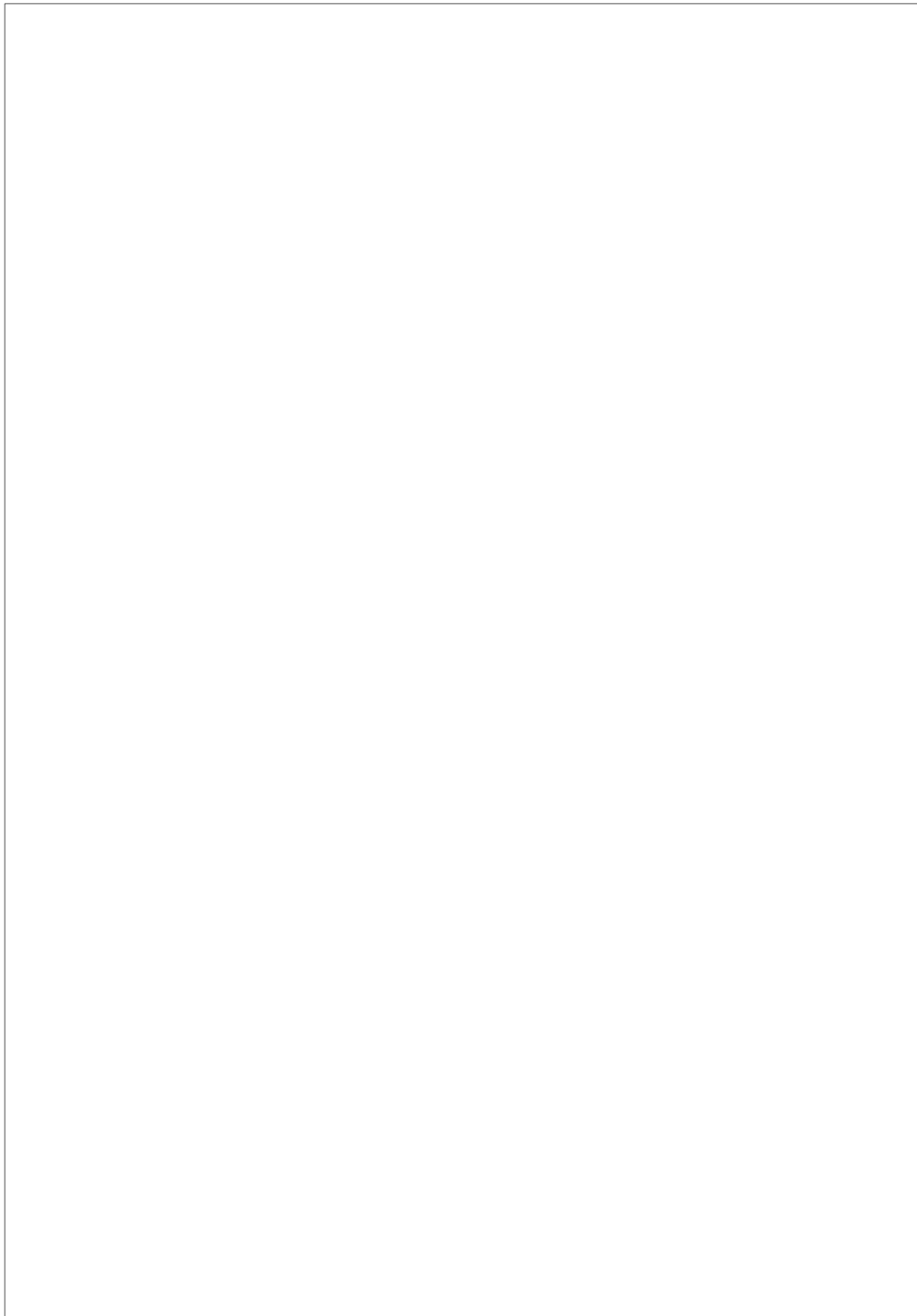
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# CENTRAL INTELLIGENCE BULLETIN



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19 April 1961

## CENTRAL INTELLIGENCE BULLETIN

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## CENTRAL INTELLIGENCE BULLETIN

19 April 1961

## DAILY BRIEF

*Serial*

USSR-Cuba-Laos: The first official Soviet pronouncements on the Cuban situation foreshadow a massive propaganda and diplomatic campaign to mobilize world opinion against the US and generate alarm over the consequences of the fighting in Cuba. While the Soviet leaders will not hesitate to make maximum political capital from Cuban developments, neither Khrushchev's letter to the President nor the official government statements goes beyond the general warning that "we will extend to the Cuban people and its government all the necessary aid for the repulse of the armed attack on Cuba." Khrushchev's letter, however, implicitly links the Cuban situation to Laos by warning that "in general it is impossible to carry on affairs in such a way that in one area the situation is settled and the fire is put out and in another area a new fire is lit." Although the Soviet leaders probably will be careful to avoid any commitments to specific counteraction in Cuba, Khrushchev's letter suggests that Moscow may continue to stall on cease-fire arrangements in Laos and may sanction increased military pressure against the Vientiane government. The Soviet Government statement, appealing to all UN members to "render all necessary aid" to Cuba and demanding that the UN General Assembly urgently study the "aggressive actions" of the US, was followed by the Soviet resolution along the same lines presented in the UN yesterday evening. [ ]

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~~TOP SECRET~~Watch Committee Conclusion:

[The Watch Committee at a special meeting on 18 April reached the following conclusion:]

[In connection with the Cuban situation, the Committee met to review Sino-Soviet bloc military posture and, in particular, to discuss a reported alert of East German and Polish forces]

recall of personnel from leave, and to "a battle alert" and mentioning the Cuban situation. The first, [ ] is probably unrelated to bloc reaction to the Cuban situation; the other, [ ] cannot be assessed, and there is no way to determine whose forces the operators are discussing.]

[No abnormalities have been noted in the posture of Soviet and other bloc military forces. A condition of communications readiness in bloc forces can be expected, as has been the case in past periods of international tension.]

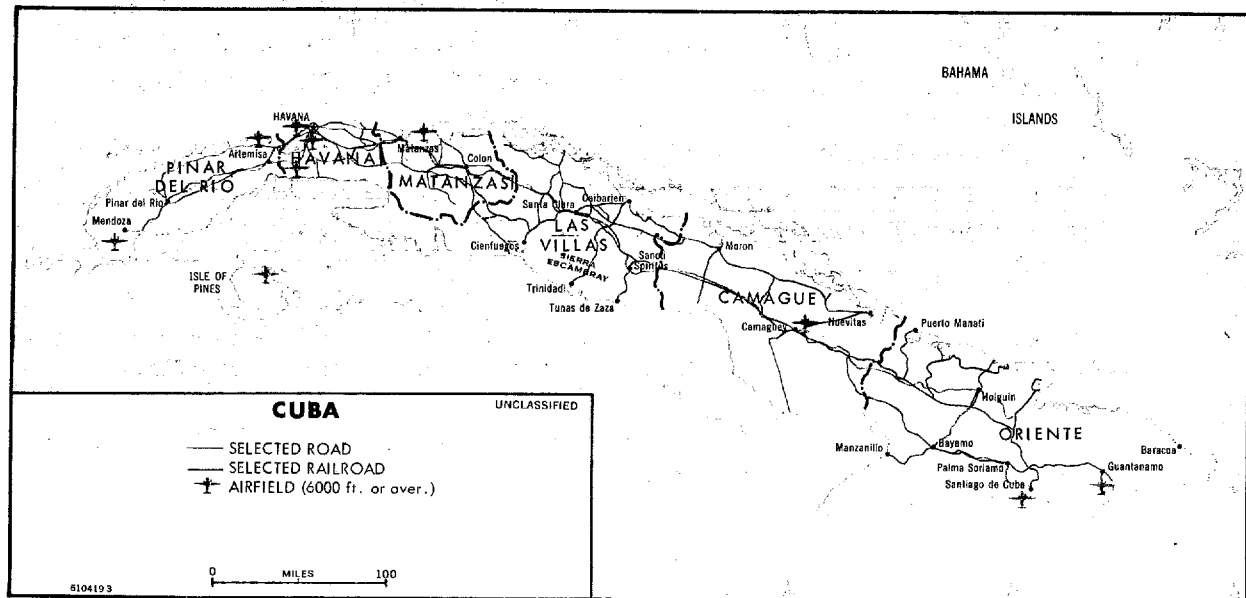
[As an adjunct to Soviet political efforts in the UN and elsewhere, it would be characteristic of the bloc to raise fears of spreading hostilities. Although we have no information to date, the bloc may in addition harden its position noticeably in various areas in reaction to the Cuban situation. We do not believe, however, that the Cuban situation in itself is likely to lead to the overt employment of bloc forces in Laos or to bloc actions in other parts of the world that would, in the bloc's view, involve serious danger of major hostilities.]

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[ ] \*Cuba: (Information available as of 0430 EST) Fidel Castro's forces, supported by air, tanks, and artillery, are hitting hard against the anti-Castro fighters in southern Las Villas Province, and the next day or two will be critical ones. [According to a report from one observer, Soviet-type MIG aircraft were used against the anti-Castro landing forces.]

There is still no information of a general Cuban uprising, upon which anti-Castro forces that landed in Cuba on 17 April presumably had counted for assistance. The Castro government continues to maintain silence on the situation in the battle area. The regime is, however, stepping up its moves to arrest actual or potential anti-Castro elements, [ ]

[ ] units in Las Villas and Camaguey provinces to "search churches, convents, and religious colleges in an orderly manner," arresting all "counterrevolutionaries." On 18 April the Cuban national radio network reported the arrest in Havana of the Roman Catholic auxiliary bishop of Havana Province, long one of the church's most outspoken critics of the Castro government. Another 18 April broadcast stated that Castro's ex-Minister of Agriculture Humberto Sori Marin, who allegedly was involved in an assassination plot against Fidel Castro, was wounded and captured by government forces. No

Many Latin American political leaders are sympathetic to the anti-Castro cause, and there have been several anti-Castro demonstrations in Costa Rica, Panama, and Colombia. This anti-Castro sentiment is probably reflected in the comment by a Peruvian Foreign Ministry official, who said he was "privately delighted" with the action against Castro. An "anti-Communist guerrilla legion" reportedly was being formed in Guatemala on 18 April; an announcement claimed the organization had 400 men ready to "help in the fight against the Communist regime in Cuba."

On balance, however, pro-Castro and pro-Communist groups in Latin America have been more articulate, though almost always

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through relatively small groups. Yesterday saw pro-Castro demonstrations, of varying sizes and frequently aimed against US installations, in most Latin American countries; the Communist and pro-Communist direction of these efforts seemed most evident in Argentina, Chile, Colombia, Mexico, and Venezuela. In Panama, several hundred Castro sympathizers are said to have tried to enter the Canal Zone to demonstrate there. Further demonstrations of "solidarity with Cuba," some possibly violent, are likely.

On 17 April, the Venezuela Chamber of Deputies unanimously approved a resolution condemning "armed intervention by a foreign country" in Cuba. This followed approval of a similar resolution in the Venezuelan Senate two days earlier. In Chile, Communist and other leftist groups have been urged by the Cuban ambassador to prepare strikes and work stoppages in support of Castro, a tactic which may be employed by pro-Castro elements elsewhere. Press reports state that "volunteers" to help the Castro forces are being enrolled in Brazil, Colombia, and Venezuela, and the Cuban press service claims that "more than 1,000 volunteers" will leave Mexico for Cuba to fight for the Castro regime. [REDACTED] (Map)

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\*Laos: [redacted] on 17 April the government post of Mahaxay, 25 miles east of Thakhek, was evacuated. [redacted] ordered this withdrawal in the face of the enemy threat. Government troops in the Thakhek area continue to occupy defensive positions about 11 miles east of that town.

[redacted] Fragmentary reports suggest that there may be a developing threat to Muong Sai, a key government post north of Luang Prabang. Some Pathet Lao elements are reported about six miles to the north of Muong Sai, while others are reported moving southward from Phong Saly Province with the mission of taking Muong Sai. The fall of this post would endanger the remaining western area of the province and Luang Prabang city itself. [redacted] (Backup, Page 1) (Map)

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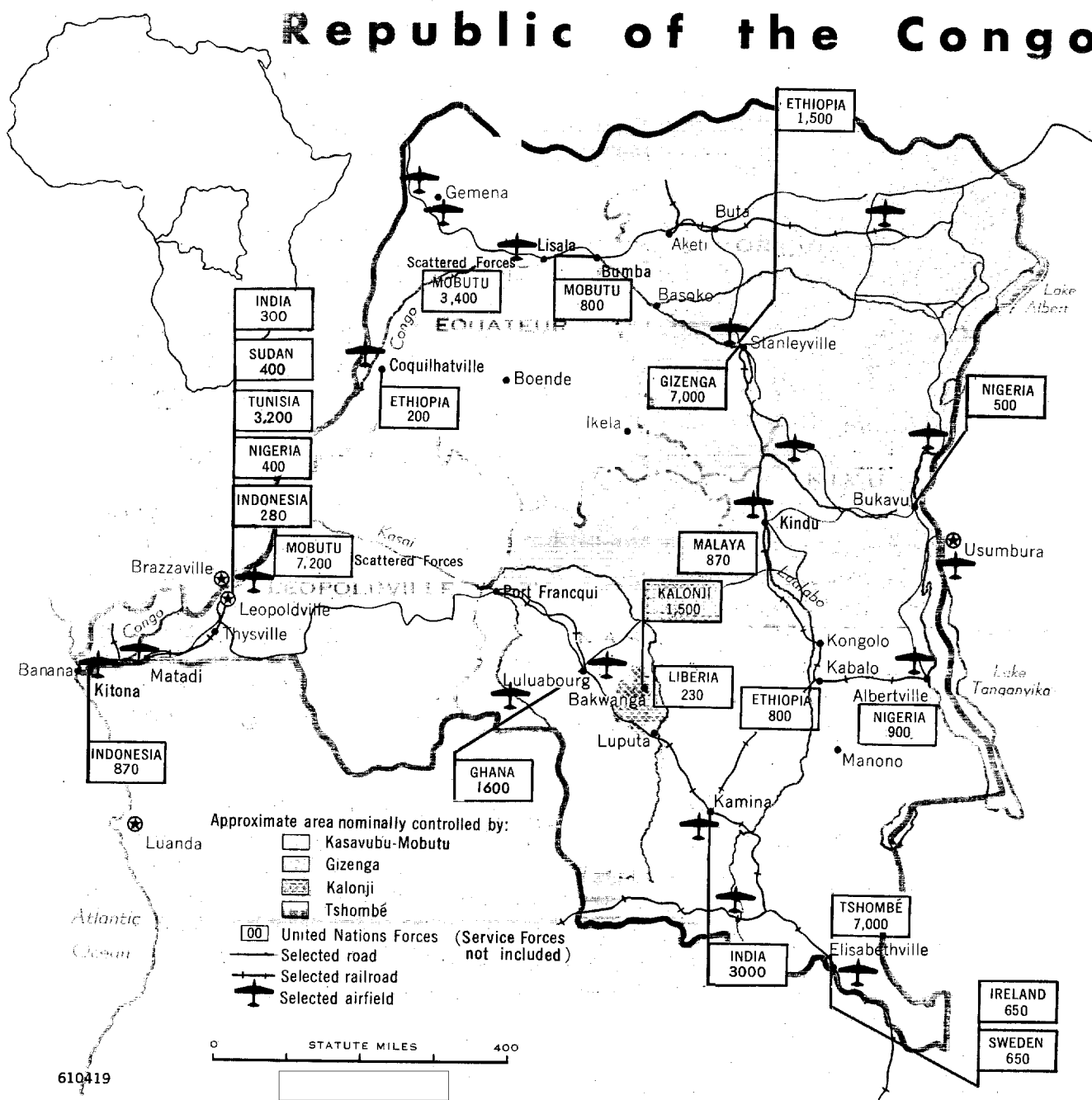
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19 Apr 61 CENTRAL INTELLIGENCE BULLETIN Map Page

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Congo: Although President Kasavubu is still avoiding any commitment to allow re-entry of UN troops into Matadi, he declared his willingness on 17 April to cooperate with the UN and to permit a reorganization of the UN army under UN auspices. His agreement on reorganization of the army appears to have been made independently of Army Chief Joseph Mobutu. It appears likely that Mobutu will demand assurances that such a reorganization will not be used as a pretext for disarming the army. Mobutu claims to have re-established his authority over Gizenga's forces in Orientale Province.

(Backup, Page 3) (Map)

USSR: The Soviet gold sales which began on the London market in mid-March, and which, amounted to \$47,000,000 between 15 and 27 March, have now been expanded to include the Paris market as well.

Total sales during the period 15 March - 10 April, may have reached as high as \$156,750,000. This is the largest amount of Soviet gold sold in such a short period and could presage sales for the year far in excess of the recent annual average of about \$200,000,000. Sales of this magnitude are still consonant with the Soviet Union's own growing foreign trade imbalances. Increased imports--largely industrial equipment--from Western Europe and the sterling area have resulted in a shift of Moscow's trade balance with these areas from an export surplus in 1958 to an import surplus in 1960.

(Backup, Page 4)

Yugoslavia: Belgrade is showing confidence in its ability to develop its domestic economy and to achieve greater public participation in achieving the regime's goals. The two most recent steps, the Third Five-Year Plan (1961-65) and a far-reaching economic reform, have the avowed purpose of reaching by 1965 a per capita income comparable to that of present-day Italy, i. e., about \$575 per year. The initial adjustment to the

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reform, however, has not been as smooth as the regime had hoped, [and certain elements in the party are concerned that inflationary trends accompanying the reform may create public dissatisfaction.] In the political sphere, the regime has further demonstrated its confidence by releasing from jail Milovan Djilas, author of The New Class, and continuing to ease pressures on the Catholic Church. [redacted]  
(Backup, Page 5)

Austria - Communist China: [The Austrian Government is again under pressure from business interests to consider recognizing Communist China. A delegation from the League of Austrian Industrialists reportedly has urged recognition on Foreign Minister Kreisky, who said that he personally favored such a move but that it would require time--perhaps half a year--to maneuver the government into position for it. Kreisky said he would raise the matter at a meeting of the new Gorbach cabinet. Kreisky has told Polish Foreign Minister Rapacki that there would be "no difficulty for Austria to recognize" Peiping but that Austria had not so far done so because of Washington's position.] [redacted] (Backup, Page 7)

NOTE: [The Department of State believes that Kreisky's personal attitude toward Communist China is well known, and feels it unlikely any change in Austrian policy will take place in the foreseeable future.] [redacted] Sources:

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~~SECRET~~Laos

[Prior to the latest Soviet response to the British on Laos, Prime Minister Nehru was becoming increasingly upset about Soviet delay in agreeing to a cease-fire, ]

[ ] On 10 April Nehru reportedly sent a letter to Khrushchev expressing his concern and pointing out that each day without a call for a cease-fire not only worsened the internal situation but made eventual agreement more difficult.]

[Souvanna Phouma told Ambassador Thompson in Moscow that inclusion of the Pathet Lao in a new government is essential. In Souvanna's view, the new government would be provisional and elections would have to be held in six or eight months. Souvanna was critical of past American policy toward Laos and indicated he had so expressed himself to Soviet leaders but said he thought the present administration had changed policy. Souvanna apparently was equally frank in making it clear to Khrushchev and Gromyko that he wanted a neutral Laos, and was opposed to Communism.]

[Ambassador Thompson found most disturbing Souvanna's remark that when he last visited Communist China in 1956 he had been convinced that the Chinese wanted peace in Southeast Asia for 20 years in order to build up their economy.]

Soviet transports continue to be scheduled for airlift operations into Laos. On 17 April, nine Soviet IL-14s and one North Vietnamese IL-14 flew from Hanoi to Xieng Khouang in airlift operations.

Communications continue between the Phong Saly headquarters of Colonel Khammouan and Kong Le headquarters in the Plaine des Jarres concerning the former's request for the parachuting of arms and supplies under an agreement he had reached with Souvanna's "defense minister" Quinim Pholsena and Pathet Lao leader Souphannouvong at Dien Bien Phu on 6 April. In addition to weapons and ammunition, clothing, food, and medical supplies are included in the requested material.

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[redacted] the urgent need for the supplies to "re-establish stability in Phong Saly Province and to settle any misunderstanding between our forces and Pathet Lao forces." The relationship between the various forces in Phong Saly Province is somewhat obscure, but Souvanna lists Khammouan's troops along with Kong Le's forces as "his troops" as distinguished from the Pathet Lao.

[redacted] an armored car training school was to be opened on 16 April at a place about 5 miles northeast of Xieng Khouang town. [redacted] forwarding to the Plaine des Jarres area of Laotian Government military and civil personnel who have either defected or been captured. [redacted] food and lodging be prepared for three government soldiers who "rallied with their weapons" at Ban Pha. [redacted]

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~~CONFIDENTIAL~~The Situation in the Congo

The 17 April claim by Congo Army headquarters that General Mobutu has reached agreement with the authorities in Orientale Province has yet to be confirmed by any spokesman for Gizenga. The position of the Leopoldville government relative to its rivals appears to have improved, however, as a result of the internal dissensions besetting the Gizenga and Tshombé regimes. In Stanleyville, the leader of one faction was briefly under arrest in mid-April for subversive activities; in Elisabethville, Tshombé's freedom of action has been limited both by factional rivalries among his subordinates and by diminishing popular support.

President Kasavubu's declaration of his willingness to cooperate with the UN contrasts with Tshombé's recent warnings against any reinforcement of UN troops in Katanga. That Kasavubu desires further to isolate Tshombé is suggested by a passage in his agreement with the UN calling for the expulsion of all foreign political and military functionaries hired by any agency other than the Kasavubu government.

As of 17 April, approximately 900 Indian troops had been airlifted from Tanganyika to Kamina base in Katanga. UN officials, however, have charged that Tshombé has revived efforts to boycott the UN in Katanga and to prevent it from purchasing food and other supplies.

On 14 April Albert Ndele, governor of the Congo National Bank, briefed foreign diplomats and businessmen on the financial condition of the Congo, which he described as grave. According to Ndele, governmental expenditures in the last half of 1960 exceeded income by US \$12 million per month. Ndele observed that falling imports had brought serious inflation, and charged various government agencies, particularly the Congo Army, with fiscal extravagance.

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~~SECRET~~Soviet Gold Sales

[Although there is a possibility of double counting, reports indicate that the USSR sold \$101,750,000 worth of gold on the London market between 15 March and 10 April and another \$55,000,000 to the Bank of France in the first week of April. Such sales, if substantiated, would be well above the unusually low volume in 1960 (estimated at \$125,000,000), suggesting that the total for the year may exceed the \$300,000,000 level in the peak year 1959.]

[These large-scale transactions may be attributed to a combination of circumstances. Soviet imports from Western Europe and the sterling area are expanding at a greater rate than exports. Moscow's balance of trade with the sterling area has changed from a slight surplus in 1958 to a deficit of about \$100,000,000 in 1959 and an estimated deficit of about \$130,000,000 in 1960. Similarly, Soviet imports from the rest of Western Europe in 1960 increased almost 50 percent over 1959, while total exports to the area rose less than 20 percent, thus reducing the USSR's traditional export surplus with the area from \$164,000,000 in 1959 to \$76,000,000 in 1960. This shift in Soviet trade with nonbloc areas, coupled with the small sales of gold last year, has undoubtedly caused a drain on Soviet foreign exchange reserves necessitating re-entry into the gold market.]

[Although no evidence exists, it is possible that the USSR is acting as an agent for Chinese Communist gold transactions. Peiping is currently short of foreign exchange, and a part of its gold holdings is assumed to have been sent to the USSR for minting and presumably for ultimate disposal in Western markets.]

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~~SECRET~~Internal Developments in Yugoslavia

Yugoslavia's parliament convened on 18 April to approve the annual report of the Federal Executive Council (the cabinet) on economic development and the primary tasks to be faced in the coming year. While the report itself contains little of dramatic import, it comes at a time of significant change in Yugoslavia. On 1 January Belgrade announced that its Second Five-Year Plan (1957-61) had been completed one year early and that the third would be begun immediately.

The economic reform accompanying the new plan will bring Yugoslavia's foreign trade practices into closer accord with those of the West by lessening central government control over trade, unifying the exchange rate of its currency at 750 dinars to the dollar, and using simplified, direct tariffs. Belgrade hopes that these changes will increase foreign trade by 74 percent in the next five years. The reform also calls for further decentralization of Yugoslavia's political administration and economy. By vesting more power at the local level, the regime hopes to solve a problem which plagues all Communist regimes--how to stimulate individual initiative and industrial efficiency without endangering the regime's control.

The reform has had unsettling domestic effects, [and as a result, some party officials fear that popular unrest may develop.] Retail prices for certain consumer goods have risen sharply, necessitating the extension of price controls. Under the new system, some industries have engaged in monopolistic practices, forcing up prices despite the regime's expectations to the contrary. Belgrade has not been able, moreover, to reduce controls on as many commodities as originally planned, because some of the Western aid--totaling \$275,000,000--supporting the reform is relatively short term, high interest, and restricted as to its use.

Yugoslavia is making ideological claims about the reform in an attempt to justify a program which some party cadres apparently consider non-Marxist. Moreover, these cadres may feel threatened by the regime's policy of emphasizing efficiency

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rather than party loyalty. The front organization and the trade union federation have undertaken a campaign to win popular support and to ensure compliance with the reform by local economic functionaries. In addition, Yugoslav courts have begun handing out jail sentences in cases involving economic malfeasance by executives.

In order to reflect more accurately the extent to which the Yugoslav system has been decentralized and "democratized"--i. e., more persons involved in the processes of administration--a new constitution is being written which will institutionalize current practices. Avowedly, it will also broaden civil rights and, perhaps, attempt to provide a mechanism which would ease the transfer of power after Tito's death.

Djilas was released after serving only four years of his ten-year jail sentence for "hostile propaganda"; he is not being subjected to normal parole restrictions. Djilas hopes to publish in Yugoslavia some of the five books he wrote while in prison and expects to resume a significant role in Yugoslav politics, although the latter seems unlikely during Tito's lifetime.

Similarly, Belgrade has moved since the death of Cardinal Stepinac in February 1960 to improve its relations with the Catholic Church; a working relationship has already been reached with the Moslem and Orthodox Church communities. Although progress has been made, a disagreement over appointment of an apostolic delegate, who the regime insists must be a Yugoslav citizen, has not been resolved.

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Pressure in Austria for Recognizing Communist China

[In its session with the foreign minister, the delegation from the League of Austrian Industrialists argued that Austria should recognize Communist China before the US did, in order to avoid giving the impression that Austria was an American satellite. Kreisky, one of the prominent Socialist members of the coalition cabinet, replied that he could not move alone in the matter because his political enemies, particularly in the coalition People's party, were jealous of his growing prestige and would label him a Communist. He said that the Socialist party in general favors recognition because of its interest in developing the country's nationalized industries. Kreisky also told the delegates that in 1958 he had changed Austria's position in the UN from one of supporting the moratorium on Chinese UN representation to one of abstention on the issue, and that Austria's future attitude would depend on circumstances in the next General Assembly.]

[In the first ten months of 1960 Austrian imports from Communist China were worth \$5,200,000, practically double what they were for the same period in 1959. Exports, however, remained at about the same level, around \$11,000,000 in each period. Austrian businessmen have frequently complained that lack of political ties is hurting Austria's export trade. Austria's trade with Communist China makes up about 13 percent of its total trade with the bloc. Austria has no diplomatic, consular, or commercial representation in either Nationalist or Communist China. A trade commissioner resident in Hong Kong handles Austria's trade matters in the area.]

[Kreisky, in telling US Ambassador Matthews about his discussions with Polish Foreign Minister Rapacki during his visit to Vienna from 8 to 11 March, implied that establishing Austrian diplomatic relations with Communist China was mainly a matter of time. Kreisky said he had turned down Rapacki's offer of mediation because of the domestic political situation, adding that the USSR had made a similar offer but that he prefers the mediation of a neutral like Switzerland which already has an embassy in Peiping.] [REDACTED]

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The Director of the Budget

The Director, Office of Civil and Defense Mobilization

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The Department of State

The Secretary of State

The Under Secretary of State

The Director, International Cooperation Administration

The Deputy Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Administration

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

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The Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Assistant to Secretary of Defense (Special Operations)

The Chairman, The Joint Chiefs of Staff

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U.S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

The Atomic Energy Commission

The Chairman

The National Security Agency

The Director

The United States Information Agency

The Director

The National Indications Center

The Director

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