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13 May 1961

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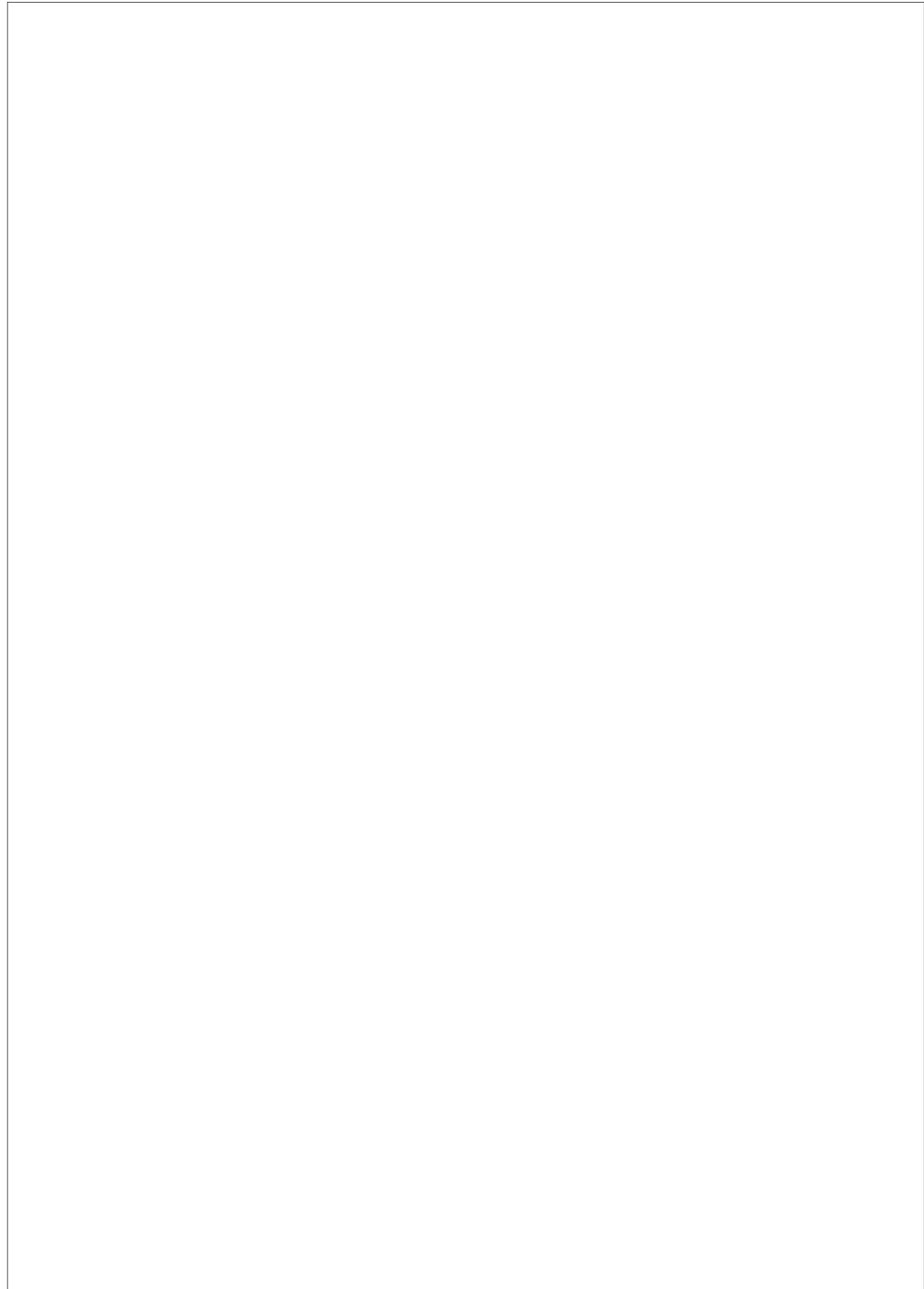
INTELLIGENCE

BULLETIN



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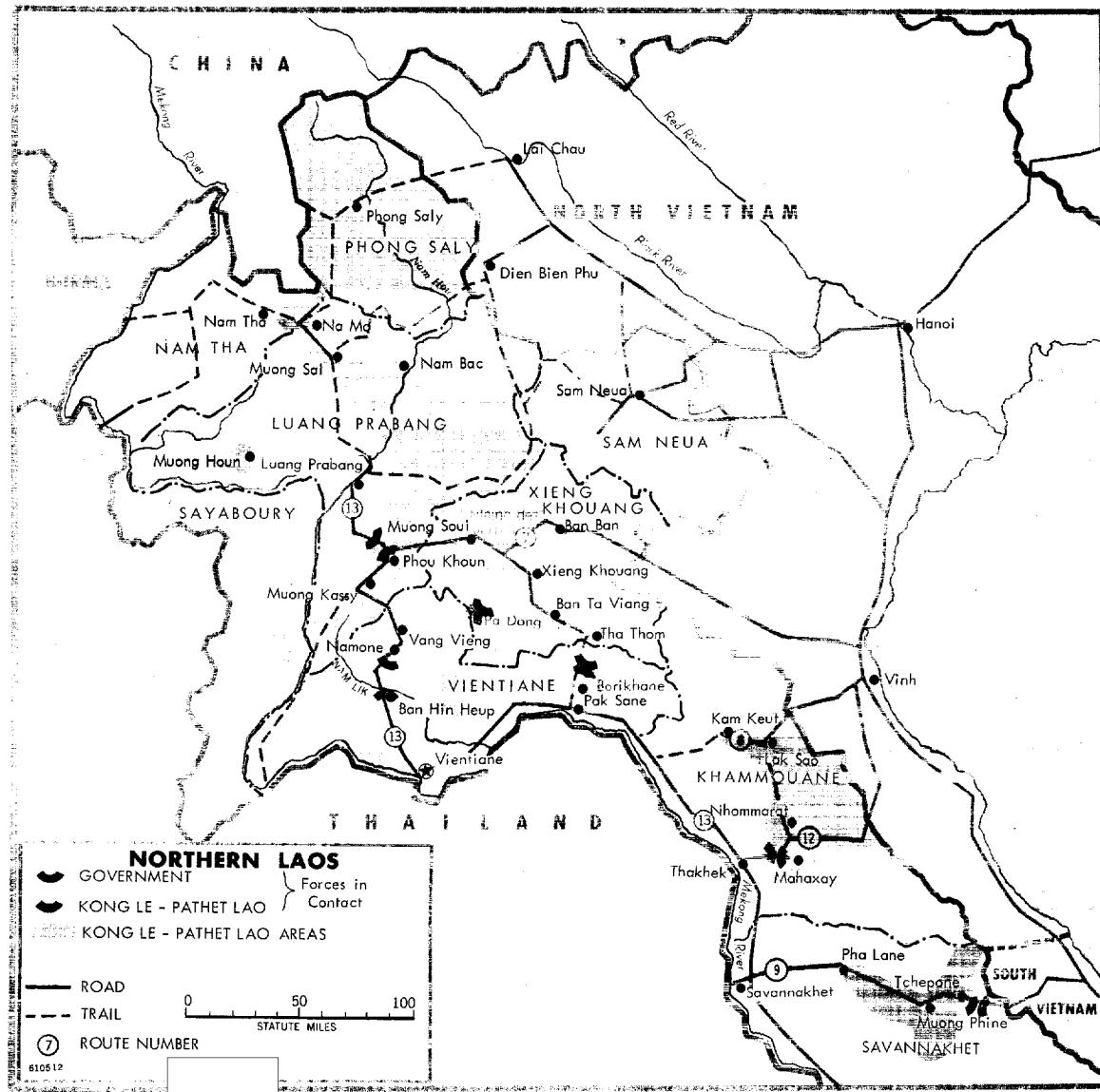
13 May 1961

CENTRAL INTELLIGENCE BULLETIN

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Laos:

Souvanna Phouma has rejected, at least for the present, General Phoumi's invitation that he and Souphanouvong meet Phoumi for political talks in Phnom Penh. Souvanna stated [redacted] that he preferred to await the outcome of further efforts by the truce delegations at the Namone site to arrange political and military talks. [redacted]

[redacted] Phoumi's delegation to Namone on 12 May would be empowered to discuss political and military problems. The Vientiane delegation, however, was unable to reach Namone because of bad weather.

*Airlift operations were scheduled through 13 May. [redacted]

[redacted] (Backup, Page 1) (Map)

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Iran: General Pakravan, Chief of the Iranian National Intelligence and Security Organization (SAVAK) is undertaking an investigation of the "political and military stability" of the Iranian Army. This follows reports that during the recent demonstrations several high-ranking officers expressed doubts their troops would fire on crowds if ordered. The Shah has not given General Pakravan any formal authority to investigate, but both he and Prime Minister Ali Amini are aware of the investigation. Pakravan also described the weakness of the National Police as appalling and said he had recommended to Police Chief General Nasiri that the riot squad be expanded and properly trained.] *nd*

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. *OK*

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. *OK*

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.] [] (Backup, Page 3)

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.

[] (Backup, Page 5)

Communist China - Brazil: President Quadros' agreement to the establishment of a "non-official" Chinese Communist trade office in Brazil will give Peiping its first permanent representation on the continent. Peiping has had an embassy in Cuba since December. Communist China regards the establishment of a trade office as a step toward political recognition, and the leader of the Chinese trade mission now in Brazil has reiterated Peiping's willingness to establish diplomatic relations if Brazil breaks its ties with Taipei. Quadros, however, is approaching these matters with extreme caution. The Chinese Communists are holding out the promise of substantial trade between the two countries, and Brazil has agreed to send an economic delegation to Peiping in the near future.

[] (Backup, Page 7)

Cuba-Ecuador: The Ecuadorean Government, already the Latin American regime most favorably disposed toward Castro, is receiving further Cuban attention.

[] at an embassy reception on 9 May, Fidel Castro "demonstrated exceptional

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sympathy and deference toward Ecuador," said he wanted to invite President Velasco to visit Cuba, and announced that he will establish 200 scholarships there for Ecuadoreans, including 50 for university students.

(Backup, Page 9)

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~~TOP SECRET~~Situation in Laos

Five members of the Boun Oum government delegation left yesterday for Geneva, following the ICC report to the Geneva co-chairmen verifying that a de facto cease-fire exists in Laos. Two other members were to leave today, arriving in Geneva on Sunday.

General Phoumi was said to be planning to depart on 13 May following the failure of efforts to meet with Souvanna Phouma in Phnom Penh, but his plans were still uncertain. Cambodian Premier Sihanouk has announced that he plans to leave Phnom Penh on 14 May to attend the conference. Delegations from South Vietnam and Thailand delayed their departures awaiting action from Vientiane.

[Some minor skirmishing had continued in scattered locations through the evening of 11 May. Enemy forces attacked Meo elements in the north and east of Pa Dong, and artillery fire was directed at a guerrilla command post in the town. On the same day, a government force evacuated a town about 18 miles northeast of Thakhek after it had been shelled for about six hours. The enemy reportedly now has control of the town.]

[] a bridge on Route 9 less than five miles from the border of South Vietnam was destroyed by Vietnamese Communist troops early on 10 May. [The 120-man South Vietnamese army special force across the border in Laos reportedly is guarding the most important of 9 remaining bridges west of the border and has assumed effective control of the Laotian government remnants from the command which abandoned the Tchepone garrison on 1 May.]

[] although materiel is still being supplied to these Laotian forces, a political decision has been made in Saigon against the overt employment of regular Vietnamese army troops for offensive action in Laos.]

Airlift operations on 11 May involved 21 sorties. Although only two Soviet LI-2 flights into Laos []

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[redacted] the nine Soviet IL-14s tracked in the Vinh area could have made drops in southern Laos.

North Vietnam has formally asked that the Geneva co-chairmen take "urgent measures" to prevent further US aid for South Vietnam's struggle against Communist guerrillas. A government statement, issued in Hanoi on 12 May but signed by North Vietnam's foreign minister who is now in Geneva, charged that Vice President Johnson, now in Saigon, was discussing use of US troops in South Vietnam and that the situation constitutes a "most dangerous menace to peace in Indochina. . . at the moment when the situation in Laos is temporarily easing." This statement, coupled with previous statements linking Laotian and Vietnamese issues, seems to foreshadow a North Vietnamese effort to expand the present Geneva Conference to include discussion of Vietnamese reunification. [redacted]

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[redacted]

Soviet Efforts to Encourage Thai Neutralist Sentiment

[redacted], Soviet Ambassador 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 Sarit could be persuaded to expand trade relations with the USSR in order to demonstrate Thai misgivings over SEATO's effectiveness in Southeast Asia. The cordial and moderate tone of Nikolayev's remarks was probably intended in part to balance the impact of an early March conversation with the Thai King in which the Soviet ambassador hinted at the possibility of Soviet retaliation if Bangkok continued its "interference" in Laotian affairs.]

[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.] [redacted]

[redacted]

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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.

[French security officials are concerned over evidence that the settler extremist Organization of the Secret Army is still plotting violence. They point out that this organization emerged from the insurrection virtually intact, and probably in possession of many thousands of arms--some reports say 15,000--which have disappeared from government stocks.) Security forces have not been able to prevent the circulation of incendiary tracts threatening dire measures, such as, "The time of plastic bombs has passed--it is now the hour of the machine gun."

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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~~TOP SECRET~~Communist China to Open Trade Office in Brazil

Trade between Communist China and Brazil has been limited to a few Chinese purchases of Brazilian sugar; it is unlikely that the opening of a trade office will lead to a spectacular leap in trade. Communist China in the past, however, has found the signing of trade agreements or the opening of trade offices a useful preliminary move in gaining recognition. This procedure was used in the UAR, Morocco, and Cuba. However, in 1958 Peiping abandoned plans to open an unofficial trade office in Japan after the Japanese Government rejected Peiping's demand for a clear endorsement of the right to fly the Chinese Communist flag. Last year the Chinese Communists closed a trade office in Lebanon--maintained for four years--because Beirut failed to sever relations with Taipei.

The Chinese Communists have long indicated a particular interest in Brazil and apparently consider it the key to their efforts in South America. Brazilian members of Latin American delegations to China have reported that the Chinese Communists have given them far more attention than has been accorded other members. The Chinese plan further to court Brazilian interest by opening an exhibition in Brazil illustrating the achievements of the Peiping regime.

The Quadros administration has been making unusually strong efforts since its inauguration last January to expand economic relations with both Communist and non-Communist countries. [] President Quadros has made equivocal statements as to his alignment with the West and, [] has accepted an invitation to the Nasir-Tito conference of "non-aligned" countries which was announced in April. []

[] Quadros is not likely to accord early recognition to Peiping, however, since he apparently prefers to space out his announcements of dramatic changes in Brazilian foreign policy and has indicated that the re-establishment of relations with the USSR may precede the establishment of relations with Communist China.

The Chinese trade group in Brazil--led by Nan Han-chen, head of Peiping's Committee for the Promotion of International

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Trade--is working to promote interest in trade with China on the part of other Latin American countries. It earlier spent six weeks in Cuba and has accepted an invitation for a visit to Uruguay from an unofficial Uruguayan trade promotion organization. The Chilean foreign minister has apparently agreed to permit Nan to visit there. [redacted] He has also applied for an Argentine visa. [redacted]

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Cuba Seeking Ecuadorean Support

Cuba is actively striving to influence public opinion in the hemisphere in its behalf. A number of students from other Latin American countries are now in Cuba, apparently without the approval of their governments. A Cuban good-will mission to various Latin American countries is now in Mexico and will probably include Ecuador in its itinerary.

[redacted] the imminent arrival there of the mission and requested that appointments be made for the emissaries with President Lopez Mateos and Foreign Minister Tello. One of the two leaders of the mission is a member of the Popular Socialist (Communist) party of Cuba.

The Ecuadorean ambassador in Havana made no commitments regarding Castro's offer of scholarships or a Velasco visit to Cuba. Velasco is tentatively scheduled to make an official visit to the United States sometime this fall.

Within Ecuador, Velasco's acceptance of an invitation from Castro would probably provoke a sharp reaction from anti-Castro forces--which include not only conservative elements and the Catholic clergy, but also a faction of the President's own heterogeneous following. Some retired and active military officers, who are strongly anti-Castro, joined with civilians earlier this year to consider Velasco's ouster because of the leftist drift in his policies and his close ties with the principal pro-Castro leader in the country --former Minister of Government Manuel Araujo.

Foreign Minister Chiriboga, a leader of the anti-Castro forces in the Ecuadorean cabinet, resigned on 10 May in opposition to the government's favorable policy toward Cuba

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and was replaced by Wilson Vela, who apparently is in complete conformity with President Velasco's views. Vela is also a friend of the President's, having held high positions while Velasco was in office from 1952 to 1956. On 9 May, Chiriboga strongly chastised Ambassador Falconi in Havana for hailing Castro as a "great leader." In his now public letter of resignation Chiriboga described the Castro regime as a "bloody Communist dictatorship" which had openly proclaimed its alignment with the Sino-Soviet bloc and is threatening "the foundations of the Organization of American States."

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