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10 February 1961

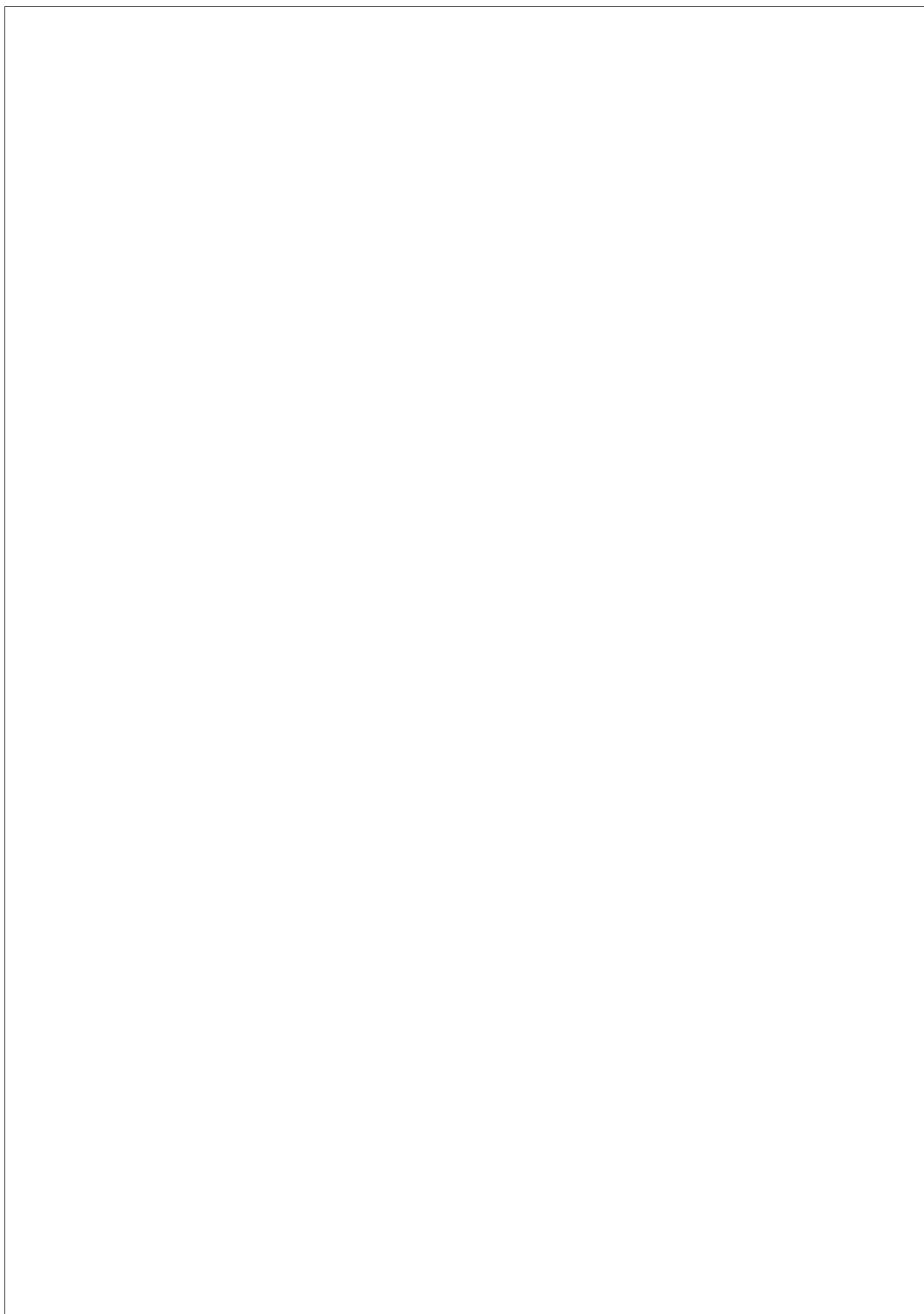
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CENTRAL INTELLIGENCE BULLETIN



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10 February 1961

CENTRAL INTELLIGENCE BULLETIN

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USSR: Moscow may be planning to release U-2 pilot Gary Powers, in spite of the security consideration involved, as a further gesture toward improving relations with the US.

Powers would be released "within three weeks." [redacted] in late December took a similar line. At the end of the Powers trial the chairman of the Moscow Lawyers Collegium told American attorneys that US-Soviet relations would improve in coming months and a commutation or remission of Powers' sentence might then be possible. Powers' Soviet defense attorney told US lawyers that he would file application for commutation of sentence "at an appropriate time."

USSR - Communist China: A Soviet trade delegation headed by Vice Minister of Foreign Trade Kumykin arrived in Peiping on 8 February to begin "preliminary talk on trade and economic relations with Communist China. Negotiations for the annual trade protocol usually begin by December or January but this year were delayed by Peiping's unwillingness to proceed while readjustments were being made in its over-all trade policy. The preparatory talks normally require from one to three months of hard bargaining before the annual trade pact is signed. This year's discussions are likely to be especially difficult as a result of the deterioration in Sino-Soviet economic relations which began in mid-1960 when Moscow abruptly called home its technicians who were at work in China. Developments since the withdrawal of the technicians indicate that a new stage in the relations has been reached in

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which there are indications that Peiping may be adjusting its foreign trade to reduce its very heavy dependence on the Soviet Union and the rest of the bloc. While trade with the USSR is expected to drop considerably in 1961, it will continue to account for a major share of Chinese foreign trade. [] (Backup, Page 1)

USSR-Indonesia

[] under the \$244,000,000 Soviet-Indonesian arms pact signed in Moscow on 6 January the USSR agreed to deliver high-performance TU-16 jet bombers, MIG-21 jet fighters, and air-to-air and air-to-surface missiles to Indonesia in 1961 and 1962. The USSR has allowed for a 10-year payment period beginning in 1965 and is to accept Indonesian goods in return for most of the equipment. Indonesian ability to absorb and effectively use this modern equipment will depend on the USSR's carrying through a training program, which is outlined in the agreement, in the use of this equipment and also on an improved Indonesian maintenance and logistic capability. The Indonesians are now able to utilize less than 30 percent of bloc jet aircraft delivered under the 1958 arms deal. It is, of course, possible that the Indonesians may find the more advanced air force equipment too expensive and time consuming to maintain and use and therefore may subsequently request a modification of the agreement. However, the past pattern of such Soviet agreements suggests that the USSR will for its part carry out the terms of the agreement. The more favorable terms of this agreement were also reportedly extended to cover the \$277,000,000 naval equipment pact concluded in September 1960. Since Khrushchev's visit to Indonesia in February 1960, Moscow has sought to develop cordial relations with Djakarta while exploiting President Sukarno's aspiration to be considered a leader of the Afro-Asian bloc.] (Backup, Page 2)

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France-Algeria: [The prospective meeting between De Gaulle and Tunisian President Bourguiba, seen by De Gaulle as a means of preparing the way for negotiations with the Algerian rebels, could complicate French relations with the rebels. The rebel government has almost certainly not authorized Bourguiba to discuss any substantive aspects of the Algerian problem, and one of its officials already has expressed resentment of what he terms Bourguiba's "newspaper diplomacy." Bourguiba himself seems uneasy over the loss of prestige he will suffer if the encounter with De Gaulle is without real results, but he is anxious to gain credit for promoting a settlement. He has therefore asked the US and UK to encourage the French to be forthcoming.] *No*

Congo: [Ghana is now advocating disarmament of all forces in the Congo except those serving the UN,]

[This is a shift away from the position held by other militant African neutralists, who maintain that only those Congolese troops which do not support Lumumba should be disarmed. Ghana continues to insist, however, that Lumumba and other political prisoners should be released at an early stage of any program to restore order in the Congo.] *No*

[Katanga President Tshombé continues to express vehement opposition to any disarmament plan. The government headed by Joseph Ileo, which was formed at Kasavubu's behest in Leopoldville on 8 February, is largely a regrouping of the Ileo cabinet which failed to obtain parliamentary approval last August. A few posts apparently have been left open for Mobutu and for supporters of Tshombé and Lumumba, but none of these factions has so far commented on the formation of the new government.]

(Backup,

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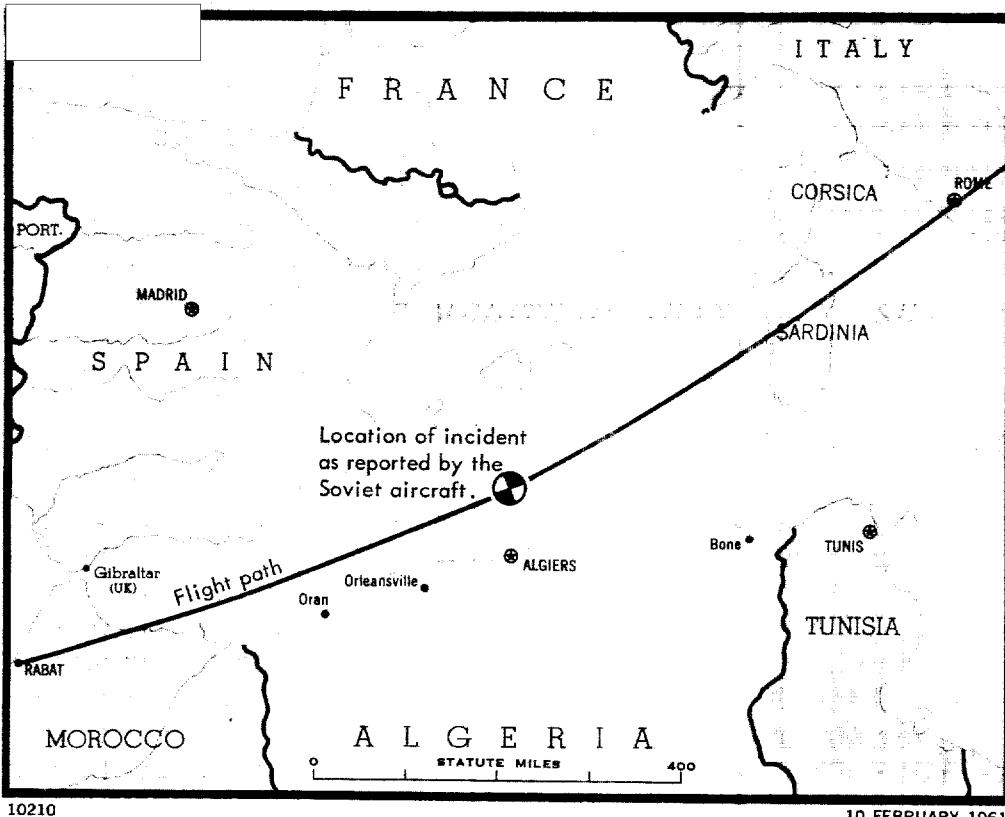
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SOVIET IL-18 FLIGHT TO RABAT

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Portugal: The riots in Angola over the week end of 4-5 February have aroused further criticism of the Salazar regime from its supporters.

[redacted] has charged that the government's present policy in Africa is designed to protect a few important commercial interests and has hinted that Moniz may tell the government that unless it makes radical changes, it can no longer rely on support from the military.

[redacted] there is widespread dissatisfaction with Salazar among army officers and has stated that some move against him may be made in the next few weeks.

(Backup, Page 4)

*USSR-France: The swiftness of Moscow's action in protesting the "attack" by a French jet fighter on the IL-18 carrying Soviet President Brezhnev to Guinea via Morocco suggests that the USSR hopes to use this incident to exploit anti-French sentiment in these countries. Within a few hours after the incident occurred on 9 February, Moscow published the note which Foreign Minister Gromyko delivered to the French chargé denouncing the action as an "act of international banditry." Brezhnev was en route to Guinea for an official visit at the invitation of President Sekou Touré. He is stopping over in Rabat as the guest of King Mohammed V. An original transit stop at Rabat reportedly was extended to a 24-hour layover.

The Soviet aircraft [redacted] position at the time of the incident as 37°05'2"N-02°50'E--about 79 statute miles north of Algiers. [redacted] This would place the aircraft within the area described by French officials as the "zone of French responsibility" which they say extends north to the 38th parallel--88 statute miles north of Algiers. The French have long maintained a wide-ranging program of surveillance, search and seizure of ships and aircraft in the North African-Mediterranean area which they suspect of carrying arms to the Algerian rebels. They have boarded and

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searched for and in some cases seized arms cargo aboard West European and Soviet Bloc ships and last month forced down in Algiers a Lebanese plane which was flying arms from Sweden to Uruguay.

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**SELECTED INTELLIGENCE
REPORTS AND ESTIMATES**

(Available During the Preceding Week)

Prospects for Japan over the next few years: Foreign Policy, Economic Situation, and Domestic Politics Including Communist Activity and Ikeda's role as Premier. Tables.
NIE 41-61. 2 February 1961.

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~~SECRET~~Sino-Soviet Trade Talks Begin

The belated start of this year's Sino-Soviet trade talks reflects both internal Chinese economic difficulties and the uncertainties resulting from the Sino-Soviet dispute.

[redacted] Peiping had great difficulty in meeting export commitments to the bloc last year and was forced to postpone or cancel many deliveries, as well as to delay all decisions on trade plans for 1961. After surveying their export capabilities, the Chinese began making preliminary offers on certain commodities about mid-December. In January, formal trade talks began with Bulgaria and East Germany. The present negotiations with the USSR suggest that adjustments in trade policy which have been under way in Peiping for the past few months are to be formalized in a series of new agreements.

Chinese trade with the USSR did not reach the planned goal of about \$2 billion last year. Both Chinese imports and exports were affected, but the sharp rise in China's short-term indebtedness to the USSR suggests that while Soviet exports to China were maintained at a high level for much of the year, Chinese deliveries did not keep pace. The Soviet Union allowed this indebtedness to mount, but it may not tolerate further increases as long as the Chinese insist on maintaining an independent course in ideological matters.

[redacted]
Trade prospects for 1961 point to a marked reduction in total Chinese trade, an increase in trade with the non-Communist world relative to that with the bloc, and a substantial cut in imports from the bloc, particularly from the USSR. Import reductions probably will be chiefly in machinery and equipment--which accounted for about \$600,000,000 or some 60 percent of China's imports from the Soviet Union in 1959. A continuing cutback of these deliveries--a consequence of the withdrawal of Soviet technicians--would greatly reduce China's rate of industrial and technological progress.

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~~SECRET~~Soviet Military Aid to Indonesia

[Moscow, in keeping with its past performance in certain other underdeveloped countries--such as the UAR, Afghanistan, and even Yemen--apparently is willing for political reasons to provide modern weapons to the Indonesian armed forces regardless of Indonesian ability to utilize such materiel.]

[Since the Soviet Union's extension of a \$250,000,000 economic credit to Indonesia during Khrushchev's visit to Djakarta last February, Moscow has engaged in a program with far-reaching political implications to ensure Soviet participation in Indonesia's economic and military development. It has effectively capitalized on the Indonesian President's sensitivity to what he considers US hostility to himself. The Soviet Union probably hopes that this approach, combined with its economic aid and well over \$500,000,000 in military assistance since February 1960, will strengthen Sukarno's resolve to bring members of the Indonesian Communist party into his cabinet.]

[Previously the anti-Communist posture of Army Chief of Staff General Nasution and the Indonesian Army had fore stalled Sukarno's intentions in this regard. However, on Sukarno's orders, General Nasution led the Indonesian mission to Moscow in January which resulted in the army's acceptance for the first time of a substantial amount of bloc military equipment. Moscow may feel that Nasution's acceptance of this materiel will undercut his opposition to President Sukarno's plans. In addition [redacted] Soviet officials also impressed Nasution with their support of Indonesia's intention to recover West New Guinea.]

[Since the conclusion of the January arms agreement, Moscow radio has launched a steady propaganda barrage in support of Indonesia's position on Guinea. Subandrio told the US ambassador in Djakarta that accommodation with the bloc "had been unavoidable" since no alternative was available to the Soviet offer of political support on the question of New Guinea. Moscow probably hopes that Soviet assurances of continued full diplomatic support for Djakarta in the New Guinea campaign will strengthen the Communist party in Indonesia in its efforts to expand its role throughout all levels of the government]

[redacted]

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~~TOP SECRET~~Situation in the Congo

[redacted]
the Ghanaian Foreign Ministry outlined a five-point program for ameliorating the Congo situation. The program makes the usual neutralist demands for the release of Lumumba, for the withdrawal of all Belgians, and for the early reconvening of the Congolese parliament. However, Accra also proposed that all forces in the Congo, except those serving with the UN, should be disarmed and that all military assistance should be channeled through the UN.]

In contrast to its neutralist allies, Ghana has continued to support the UN effort in the Congo. Moreover, there has been some indication that Nkrumah would accept Lumumba's participation in the government in some capacity other than premier. On the other hand,

[redacted] Nasir and other participants at the January Casablanca conference still insist that forces of the "legitimate Congolese government"--that of Lumumba and his supporters--should not be disarmed, [although Nasir recently told the American ambassador in Cairo that he was prepared to co-operate with recent Western pronosals for the Congo.]

[redacted]
[redacted] Although UN representatives of the Leopoldville government recently showed less opposition to the proposals than they had previously indicated,

[redacted] Katanga would resist UN efforts to disarm its forces with all the means at its disposal. At the same time, Tshombé apparently is becoming more closely identified with the separatists in his cabinet, and the Belgians believe that he would refuse to enter into any agreement with the Leopoldville government unless Katanga's independence were recognized first.

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Dissatisfaction of Portuguese Military
With Salazar Regime

[redacted] the political situation in Portugal was very bad and that drastic changes were needed in its African policy. [redacted] the military, while able to handle disorders of the kind that took at least 31 lives in Angola over the previous week end, could not solve the African problem by repression or cope with a general uprising. [redacted] Portugal must henceforth give satisfaction to "valid complaints" from overseas on the part of both Portuguese and Africans.

[redacted] Moniz would raise the question of needed radical changes at a cabinet meeting scheduled for 7 February and might even issue an ultimatum to the government to effect these changes or forfeit support by the military.

Dissatisfaction among the armed forces with Salazar's policies is further reflected in an 8 February statement to the US consul in Oporto by an [redacted] who had predicted Salazar's fall six weeks before the abortive coup of March 1959 that "a military movement" against the premier had been expected last week.

[redacted] such a move was being "freely" discussed at a military base near Lisbon, and said it might take place in the next few weeks. However, the US Embassy in Lisbon reports its service attachés have received no impression of an early attempt at a coup from contacts in the upper level of defense officials and among the middle and junior ranks of the armed forces, where it believes such a move would be most likely to originate.

On 6 February three leaders of a group which had signed a letter calling on President Thomaz to grant Portugal a government willing to restore the fundamental liberties, told Thomaz personally, [redacted] that if he wanted to rally Portuguese popular support in the face of a deteriorating domestic situation and threats to the overseas provinces, he would have to dismiss Salazar and bring some of the opposition into the government. Similar views reportedly have long been held by junior and even some high-ranking military officers.

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