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8 November 1960

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Copy No. C 76

# CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 7  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS. CHANGED TO: TS S D  
NEXT REVIEW DATE: 2010  
AUTH: HR TJ-2  
DATE: 10 JUN 1980  
REVIEWER:           

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State Dept. review completed

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Approved For Release 2003/02/27 : CIA-RDP79T00975A005400070001-4

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8 NOVEMBER 1960

**I. THE COMMUNIST BLOC****II. ASIA-AFRICA**

Thailand--Sarit statements welcoming Soviet economic approaches may stimulate Thai leftist groups to greater activity.

Ceylon may increase trade with bloc in order to conserve sterling and to provide an economic parallel for its neutralist foreign policy.

**III. THE WEST**

West Berlin Mayor Brandt still hopes for Berlin access guarantees from East German regime in return for renegotiation of interzonal trade agreement.

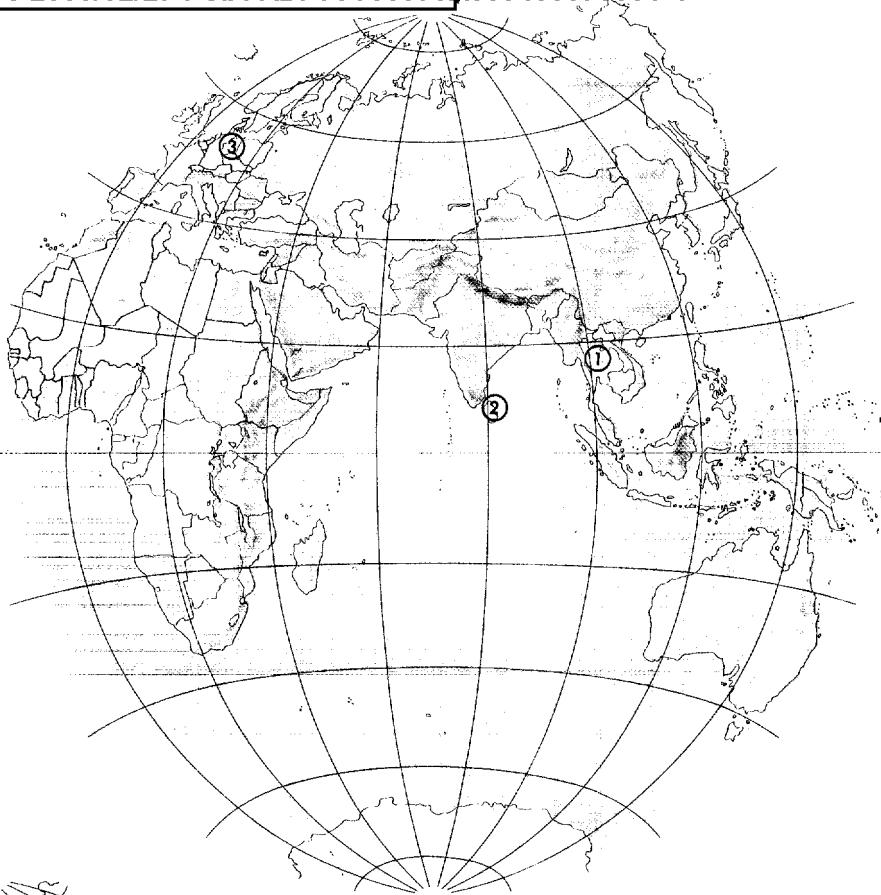
Chile--Leftist demonstrations result in new violence.

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## CENTRAL INTELLIGENCE BULLETIN

8 November 1960

### DAILY BRIEF

#### I. THE COMMUNIST BLOC

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#### II. ASIA-AFRICA

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Thailand-USSR: [Prime Minister Sarit's recent statements welcoming Soviet proposals for economic relations were probably intended primarily to underscore Bangkok's complaint that neutrals receive better treatment from the US than does a "committed nation" like Thailand. Nevertheless, Sarit's statements may stimulate leftist and neutralist elements in Thailand to greater activity.]

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Ceylon - Sino-Soviet Bloc: Government officials in Colombo foresee a significant shift in Ceylon's foreign trade in the next few months, probably resulting in expanded economic relations with the bloc at the expense of the sterling area. According to press reports, these officials ascribe the new trend to the Bandaranaike government's determination to check the recent drop in Colombo's sterling reserves and to give Ceylon's neutralism in international affairs an economic parallel. Among the steps already taken or planned by Colombo to diversify its trade are purchases of sugar and gasoline from the USSR at prices below the world market level and an increase in barter trade with Communist China.

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#### III. THE WEST

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West Berlin: [Mayor Brandt has informed American officials in Berlin that he is at a loss to understand Chancellor Adenauer's apparent decision to take no action at this time to resume negotiations for an interzonal trade agreement. Adenauer is reportedly anxious to avoid doing anything which]

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[would disturb the recent, apparent improvement in relations with the USSR. Brandt, on the other hand, feels that the cancellation of the old agreement has had a salutary effect on the East German regime, and he is still hopeful of obtaining an East German guarantee of access to West Berlin as a precondition of a new trade agreement. He fears that with the passage of time, East German eagerness for a renewal might be reduced by success in finding alternate sources of supply for needed industrial goods.]

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Chile: Further violence broke out in Santiago during the labor demonstrations called on 7 November to protest the killing of at least two workers by the national police on 3 November. The government had previously put troops in Santiago on an alert status and seems fully capable of preventing violence from getting out of hand. Leftist elements, which seem to be more aggressive than at any time in the past three years, had called the 3 November demonstrations against the wage policy being followed in the conservative Alessandri government's stabilization program.

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Thailand Receptive to Soviet Aid

(Prime Minister Sarit's statement on 2 November that Thailand is prepared to enter closer commercial relations with the Soviet Union and to accept Soviet aid for economic development was clearly intended to underscore Thailand's complaint that "neutral" nations receive more US aid than a "committed nation" such as Thailand. Nevertheless, it will serve as an encouragement to the small left-wing and neutral elements in Thailand for increased political activity. These groups have been under severe government suppression for the past two years.)

(Over the past year, Thailand has become increasingly dissatisfied with its relations with the United States and uncertain of the defensive value of SEATO. The Thai Government has charged that US PL-480 grain sales in Asia have undermined Thailand's foreign exchange position. Most recently, Thailand has felt that SEATO's handling of the Laotian crisis has been inadequate and that Thailand must rely primarily on itself in the event of Communist attack. There is no current intent in Bangkok to make significant changes in foreign policy but, if the state of restiveness continues, Thailand may ultimately move toward a more neutral position.)

(Moscow's recent overtures to Bangkok to establish closer relations were timed to take advantage of Thai dissatisfaction with US aid policies. Sarit's responsiveness to the move represents a gain for Moscow in its long-term efforts to induce Thailand to adopt a more neutral position.)

(In recent broadcasts to Southeast Asia, the USSR has sought to intensify Bangkok's feeling of isolation in a neutralist Southeast Asia with sharp reminders of the hazards implicit in such military alliances as SEATO. A 20 October)

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article in Sovetskaya Rossiya, which reflects the theme of Moscow's propaganda coverage of the Laotian crisis, charged that SEATO plans to intervene in Laos with troops based in Thailand and urged Sarit to recall the "recent U-2 and RB-47 provocations" and the consequent danger to all nations that accept American military assistance.]

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Soviet Bloc

A considerable increase in Ceylon's economic relations with the Sino-Soviet bloc apparently is planned as part of the Bandaranaike government's general effort to overhaul the island's trade system and to begin work on foreign-assisted projects which have gathered dust during the past year of political upheaval. The anticipated increase in exchanges with the bloc, which is not likely to be large in terms of percentage of total trade, is likely to be made at the expense of the sterling area; the bloc and sterling areas until now have accounted for about 8 and 50 percent of the island's total trade, respectively. The intended shift appears to be motivated by Colombo's desire to apply its neutral foreign policy to the economic as well as the political field.

Negotiations are under way with Soviet officials in Colombo for the direct purchase of petroleum products; such products now are imported and distributed exclusively by a Western consortium. Colombo has also contracted recently for 9,000 tons of sugar from the Soviet Union. Project reports for two Soviet industrial schemes planned under the Ceylonese-Soviet \$30,000,000 loan agreement of 1958 were recently submitted to the government; actual construction probably will be soon. Finance Minister Dias Bandaranaike plans an extensive "shopping" tour early next year to discuss further aid offers in Moscow, the East European satellites, and Peiping.

Ceylon's intentions concerning economic relations with Communist China will become more apparent in December when Peiping's team arrives in Colombo to negotiate next year's protocol to the two countries' second rice-rubber agreement (1958-62). There are indications that Ceylon is ready to resume or even raise the level of trade which existed before 1959, when the rice-rubber exchange was reduced, particularly in view of the snags recently encountered in Ceylon's rice negotiations with Burma, the island's other main supplier. Colombo probably will also begin utilizing Peiping's \$15,750,000 grant extended in late 1957; the government reportedly has invited a Chinese team to the island to reopen negotiations for a textile mill offered under the grant in 1958 and rejected a year later.

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### Leftist Violence in Chile

Renewed violence broke out in Santiago on 7 November as hundreds of workers clashed with police during the funerals of victims of demonstrations four days earlier.

On 3 November, demonstrators protesting the wage policy of the conservative Alessandri government's stabilization program attacked the national police and injured ten. The police fired into the crowd, killing two—including one reported Communist—and injuring about 50.

On 7 November, several persons were injured as the police tried to prevent the funeral procession from passing through the center of the city, according to press reports. As a result of a 24-hour strike called by the leftist Single Center of Chilean Workers (CUTCH), the country's only important labor federation, workers halted buses and streetcars, and most of Santiago's stores were closed. The government had previously decreed a state of emergency in Santiago Province, and it seems capable of preventing violence from getting out of hand.

Leftist elements, which appear to be more aggressive than at any time in three years, sponsored the 3 November demonstrations. The demonstrations followed the inflammatory, antigovernment speech of Clotario Blest, president of CUTCH and a Socialist who usually follows the Communist line, at a labor meeting protesting Alessandri's recent withdrawal of wage readjustment legislation. The bill would have raised wages by 10 percent in partial compensation for a 40-percent increase in the cost of living since January 1959. The Chamber of Deputies had sought to triple the increase.

Blest stated, "The working class should rise up in arms and repudiate this government." In an allusion to Fidel Castro, he said, "Chileans should have their own Sierra Maestra."

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