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1 SEPTEMBER 1959

I. THE COMMUNIST BLOC

Khrushchev says Adenauer letter produced "favorable impression."

II. ASIA-AFRICA

Nehru labels Chinese Communist border incursions as "aggression;" press reports of further incursions remain unconfirmed.

South Vietnam seeks to aid Laos with troops disguised as civilians.

III. THE WEST

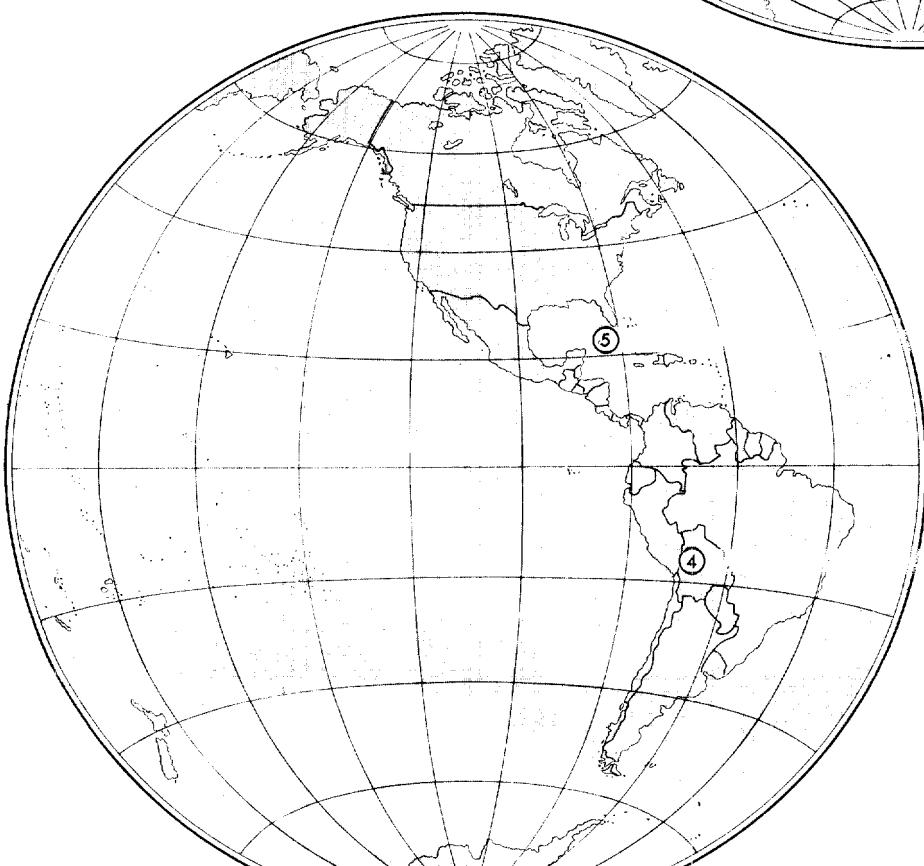
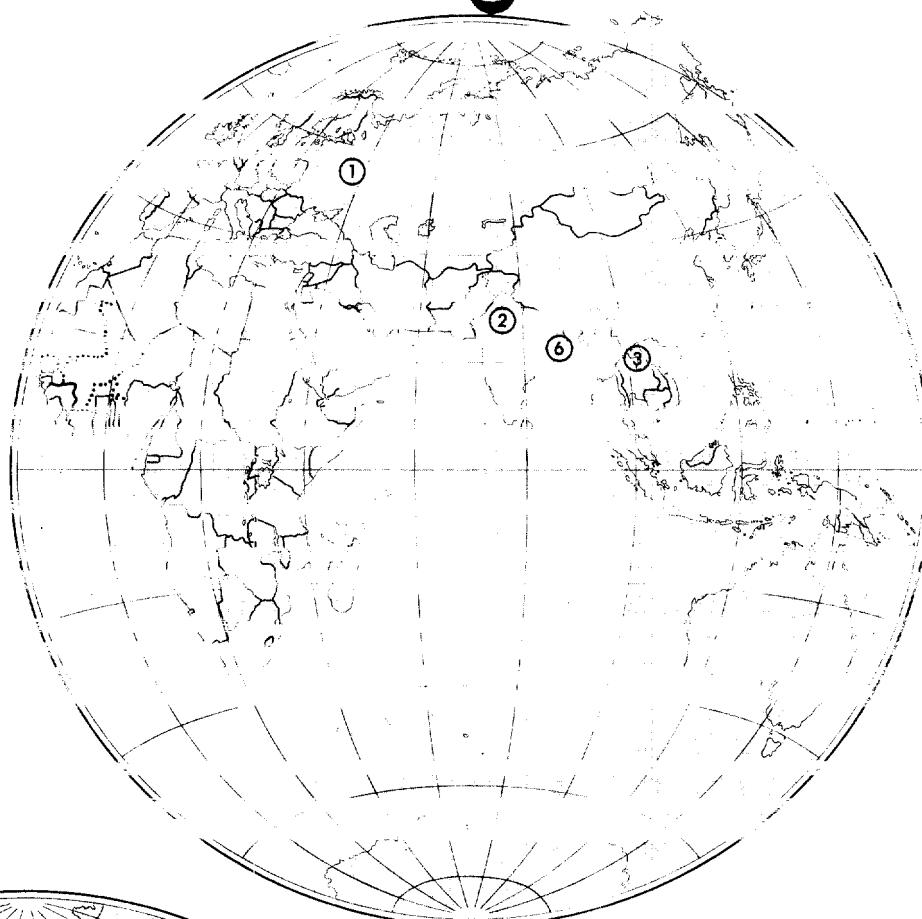
Bolivian Government under leftist pressure to accept Soviet loan.

Cuba--More anti-Americanism expected as result of rift between inter-American labor organization and its Cuban affiliate.

LATE ITEM

Communists riot in Calcutta; call general strike for 3 September.

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DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR: Khrushchev's speech at Veshenskaya on 30 August provides further evidence that one of the principal aims in his forthcoming visit to the United States will be to establish the impression that Western leaders, including even Chancellor Adenauer, are moving gradually toward a general accommodation with the USSR based on Western acceptance of the status quo, especially in Eastern Europe and East Germany. Khrushchev reaffirmed his "ardent desire" for a relaxation of tension and promised to "take measures which could melt the cold war." In an abrupt shift from the usual vituperation directed at Adenauer, Khrushchev said the chancellor's letter of 28 August had produced a "favorable impression" and suggested that Soviet - West German relations could be considerably improved if Adenauer's words are "followed by deeds."

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II. ASIA-AFRICA

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India - Communist China: Nehru's statement on 31 August in Parliament labeling Chinese Communist border incursions in Assam as "a clear case of aggression" is his strongest reference to the clashes to date. He emphasized, however, that New Delhi, while strengthening its frontier defenses and repulsing any incursions, would attempt to settle its border problems with Peiping through diplomatic negotiations. Nehru has disclosed that in June Peiping had protested as an "intrusion" into Tibet the establishment of the new outpost in Assam attacked on 25-26 August. This suggests that the attack was intended to back up

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Chinese claims to the territory. There has been no confirmation of press reports of further border incursions. [The Indian Communist party, shaken internally by Peiping's border actions, has lined up with the view vehemently expressed by all other sections of Indian opinion that India's territorial integrity must be defended.]

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[] Laos: Reports persist that South Vietnam is pressing Laos to accept South Vietnamese troops disguised as civilians to bolster the security of southern Laos. Vientiane, which has undertaken contingency planning with Saigon, does not, however, believe such a move is warranted at this time. It fears that North Vietnam would retaliate by sending substantial numbers of "volunteers" into Laos. A high-ranking Laotian official stated, however, that if the military situation deteriorated to the point where Laotian forces could not cope with the enemy, Laos would request SEATO assistance as well as South Vietnamese troops.

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III. THE WEST

Bolivia: [The Siles government faces concerted leftist pressures to seek a Soviet loan amounting to about \$60,000,000 for the national oil company, YPFB, and to replace the present petroleum code, which is favorable to private capital. The elements behind these moves may be attempting to oust private foreign companies now engaged in developing the country's oil resources. President Siles is likely to use this leftist pressure in another effort to obtain sizable US aid for the YPFB before accepting Soviet offers or bowing to demands for a new petroleum code.]

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Cuba: There is a widening rift between the AFL/CIO-backed Inter-American Regional Organization of Workers and its affiliate, the Cuban Confederation of Workers. The result is likely to be an increase in anti-US sentiment in Cuban organized labor, where Communists have made gains by promoting "unity" with

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adherents of the dominant 26 of July Movement. The rift could also lead to intensified opposition to US business operations and the US Naval Base at Guantanamo, which employs over 3,000 Cubans and has been sporadically denounced by Prime Minister Fidel Castro.

LATE ITEM

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*India: The violent rioting which broke out in Calcutta on 31 August is the latest in a series of demonstrations begun on 20 August by the Communists and other leftist parties in West Bengal State in protest against high food prices. This campaign was planned as retaliation for the Nehru government's recent dismissal of the Communist government in Kerala State. A general strike has been called for 3 September in Calcutta. Its success may be jeopardized by widespread arrests of leftist leaders and by growing anti-Communist feeling in India following the recent border clashes between Indian and Chinese Communist forces.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

II. ASIA-AFRICA

Sino-Indian Border Dispute

Prime Minister Nehru, expanding on his earlier disclosure of Chinese Communist border incursions, told the Indian Parliament on 31 August that the attacks on outposts in Assam constituted "a clear case of aggression." He emphasized, however, that New Delhi would strive to settle its border problems with Peiping through diplomatic channels. Nehru outlined a "dual policy"--to "defend our frontier and resolve all matters by conference."

He drew a distinction between the frontier problem in Assam and that in the Ladakh area of Kashmir: he specified that whereas any incursions south of the Mc Mahon Line in Assam must be repulsed as a violation of Indian territory, disputes over Ladakh, which were likely to occur because of the lack of a clearly demarcated border, should be resolved by mutual discussion.

Nehru has revealed that the Assam outpost set up in April and attacked by Chinese troops on 25-26 August had been the subject of a protest by Peiping in June charging the Indians with "intruding" into Tibet. Although both the Chinese and Indians claim the area, Indian troops had remained some miles below the Mc Mahon line until this outpost was established close to the line. The attack on this particular Indian unit therefore seems intended by the Chinese to back up the protest and demonstrate their readiness to reinforce territorial claims. While Peiping probably would be willing to discuss disputed boundaries in Assam and Ladakh, significant Chinese concessions are unlikely. Peiping's past record on border talks suggests that discussions with the Indians would be prolonged.

Nehru will confer this week with top officials of Bhutan and Sikkim and with the Dalai Lama, who published his appeal to the United Nations on 30 August. Nehru may also discuss Peiping's border moves in a brief airport meeting with President Ayub of

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Pakistan on 1 September; their meeting had been scheduled prior to the latest incidents.

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The Bhutanese prime minister has welcomed Nehru's reaffirmation that India would defend Bhutan in event of an external attack and apparently desires further Indian military aid, but there are increasing indications that Bhutanese leaders are concerned over signs that New Delhi is assuming diplomatic and defensive responsibilities exceeding its treaty rights. They are exploring the possibility of establishing diplomatic relations with several major powers--particularly the United States, the USSR, and Britain--as a counterweight to Indian controls. Press reports of major Chinese incursions into Bhutan and elsewhere along the frontier remain unconfirmed, although the Bhutanese prime minister has reported two minor incidents involving Chinese troops.
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III. THE WEST

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Concerted Leftist Pressure in Bolivia in Favor of Soviet Aid

(The government of Bolivian President Siles is facing concerted leftist pressures to seek a Soviet loan amounting to about \$60,000,000 for the national oil company, YPFB, and to replace the present petroleum code, which is favorable to private capital. The campaign may be designed in part to oust private foreign companies now engaged in developing Bolivia's oil resources. Among the powerful pressure groups behind these moves are the principal labor confederation, the oil workers' federation, the youth wing of the ruling party, and leftist members of Congress.)

(President Siles will probably use this leftist pressure in another effort to obtain sizable US aid for YPFB before reaching an agreement with the USSR or bowing to demands for a new petroleum code. He advised the US Embassy in La Paz in late July that the government had received informal Soviet proposals totaling about \$60,000,000 to assist YPFB and that former President Paz had also received an offer during his trip to Prague in June. Foreign Minister Andrade says the government will defend the petroleum code, honor existing contracts with private foreign companies in the unlikely event a new code is adopted, and take no action on a Soviet loan until after further investigation of US aid prospects.)

(The long-range outlook for increased Bolivian oil production and exports through joint action of YPFB and private foreign companies is one of the few bright spots favoring Bolivian economic stability. The economy declined sharply in 1958 and the trend has continued this year.) [Redacted]

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Communist Gains in Cuban Organized Labor

Relations have worsened between the AFL/CIO-backed Inter-American Regional Organization of Workers (ORIT) and its affiliate the Cuban Confederation of Workers (CTC). The Cubans, who charge ORIT with having backed pro-Batista labor leaders before the revolution, also appear convinced that ORIT is overly responsive to AFL/CIO leadership. The American Embassy understands that the AFL/CIO withdrew its conciliatory proposal for a meeting with CTC leaders after the latter insisted that ORIT Assistant Secretary Romualdi, a US labor representative, be excluded from the meeting.

The growing rift between Cuban labor and the anti-Communist regional labor body is likely to lead to an increase in the anti-US attitude of Cuba's labor leadership and support for the strong anti-ORIT campaign of the Communists. It could also lead to intensified opposition to US business operations in Cuba and to the US Naval Base at Guantanamo which employs over 3,000 Cubans and already has been denounced sporadically by Prime Minister Fidel Castro.

The Communists have made important gains in politically powerful organized labor since Castro's rise to power last January, although they are still far from recapturing the dominant control of labor which they exercised from 1940 to 1947. They have achieved their gains this year largely by promoting unity with adherents of Castro's dominant 26 of July Movement, which is consistent with their united-front tactics in other fields. In the 15 of 33 constituent federations of the CTC which have recently held elections, Communists or suspected Communists were elected, under 26 of July cover, to the executive committees of five federations, including Cuba's second, third, and fourth largest. Communist gains were also significant in earlier local union elections. The election of top CTC officials is to be held soon, perhaps in September. [Redacted]

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LATE ITEM

Leftist Violence in Calcutta

A Communist-led campaign launched in India's West Bengal State on 20 August to protest the high prices of food grains erupted into major violence in Calcutta on 31 August. This campaign was instituted by most leftist parties as West Bengal's contribution to the Communist party's nationwide agitation program planned as retaliation for New Delhi's dismissal of the Communist-run government in Kerala State on 31 July. The Praja Socialist party declined to participate.

Starting slowly, the campaign was hampered at the outset by the Congress party government's widespread preventive arrests of leftist leaders. Demonstrations have occurred since 20 August, however, in a number of provincial towns, and arrests now total over 3,200, according to press reports. The Communist party leaders--in keeping with current policy--have urged that demonstrations be kept peaceful, although other leftist parties have advocated violence. Until 31 August, the demonstrations seemed to lack enthusiasm and were unimpressive.

The American consulate general in Calcutta reported on 27 August that the tempo of the agitation was rising, and that a general strike is planned by leftist trade unions in Calcutta on 3 September. Nehru's revelations in Parliament on 28 and 31 August regarding Sino-Indian border clashes may dampen left-wing enthusiasm even in the traditionally volatile city of Calcutta. Following Nehru's statements, the West Bengal government is also likely to deal even more firmly with agitators than in the past.

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