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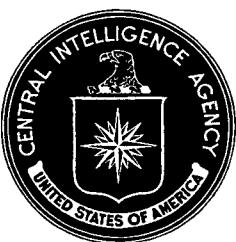
19 June 1961

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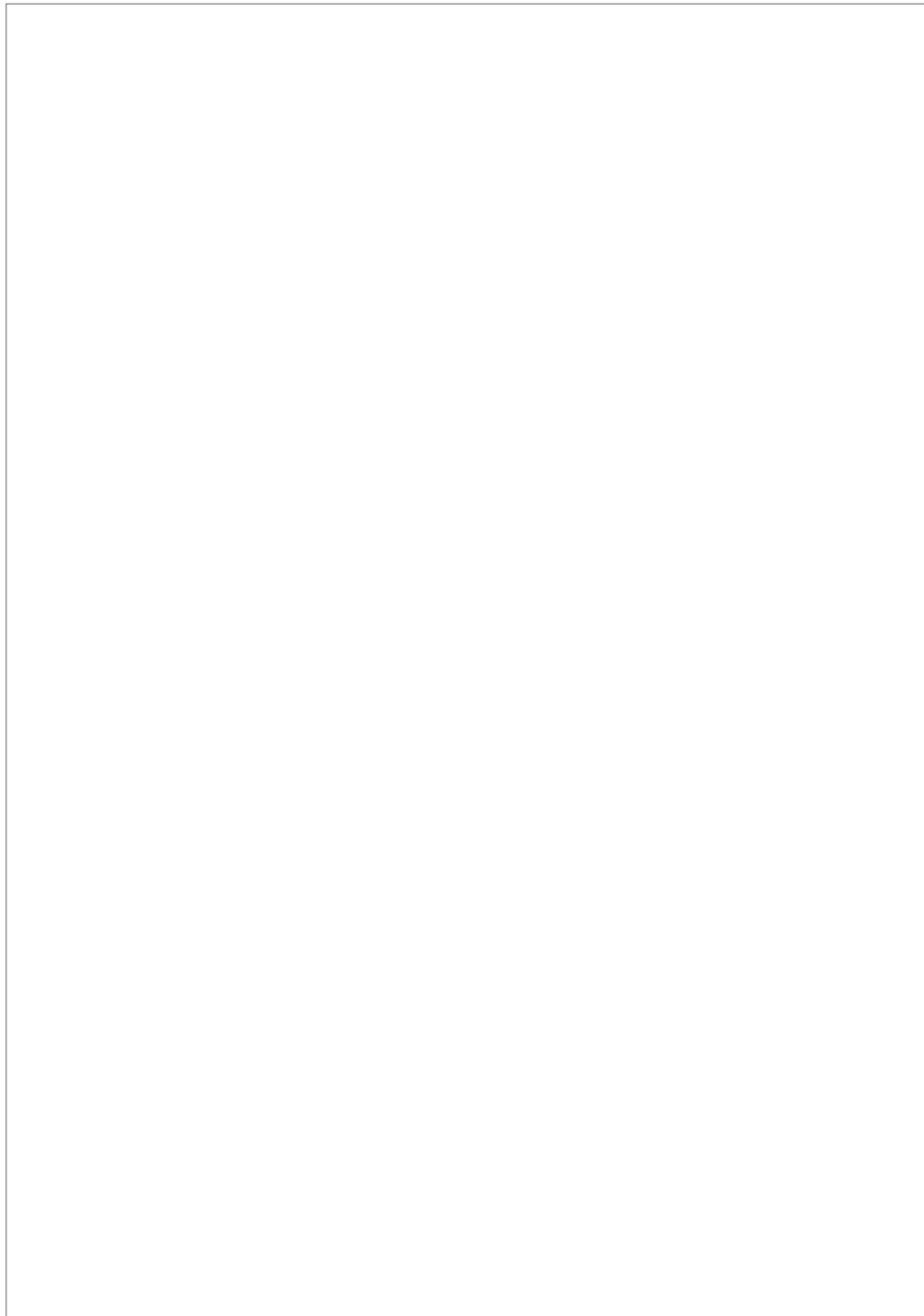
INTELLIGENCE

BULLETIN



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19 June 1961

CENTRAL INTELLIGENCE BULLETIN

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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

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Laos: Preliminary contacts at the Zurich "summit" meeting apparently have produced an informal agreement to bypass the cease-fire and neutrality issues and to concentrate on the question of a coalition government. The Boun Oum proposal that the King serve as prime minister of a new government was politely but firmly opposed by Souvanna Phouma and Souphanouvong on constitutional grounds. Prince Sihanouk, under whose auspices the conference was convened, is openly pressing for a government headed by Souvanna Phouma and, according to a press account, advocating the dissolution of the National Assembly and elections 90 days afterward.

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emphasized his determination to hold out during the formal Zurich meetings which opened this morning for a government under the leadership of the king. He indicated that if he did not get his way on this point, his delegation would return to Laos.

US military officials in South Vietnam report an engagement on 16 June between a Pathet Lao unit and a South Vietnamese reconnaissance patrol at a point just inside Laos where Route 9 crosses the Lao-Vietnamese frontier. The South Vietnamese unit was presumably operating on a security mission within a 10-kilometer strip inside Laos which had been authorized by recent agreement with the Vientiane government. There has been no bloc propaganda reaction yet, but the incident is susceptible to exploitation as a means of diverting attention from Communist violations of the cease-fire and weakening the Western position on this issue at Geneva. [Indian Defense Minister Krishna Menon reportedly told Gromyko privately at Geneva that he blames the USSR for the lack of progress in the Geneva conference, since it failed to stop Communist violations of the cease-fire in Laos.]

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France-Algeria: French Foreign Ministry spokesmen state that the climate is not good for an early resumption of peace talks with Algerian rebel leaders. The French feel the war may drag on for two years. They are again referring to the possibility of establishing local administrations in Algeria without the participation of Provisional Algerian Government (PAG) representatives, and Minister of Algerian Affairs Joxe's scheduled trip to Algeria may be to explore this idea. [] *OK*

[] doubts that France can maintain its unilateral truce in all districts in Algeria.

Rebel leaders in Tunis were reportedly surprised by the suspension of the Evian talks, and a PAG spokesman told the press the PAG would be obliged to "internationalize the conflict" if France remained firm. []

Bolivia: Vice President Juan Lechin, who returned to Bolivia on 12 June, is reported urging the release of Communist labor leaders arrested under cover of the fabricated coup of 6-7 June. President Paz told Ambassador Stevenson on 15 June that Lechin has adopted a "very doubtful" attitude. He said that if government unity is not achieved and the US does not furnish the immediate financial assistance he has requested, the "government will fall within a week." While Lechin may be willing to oppose the government's attempt to stabilize the mine labor situation to protect his own position as national labor federation head, his defection alone would probably not bring on Paz' downfall. Without Lechin's support, however, Paz would feel he needed additional financial aid in order to control labor unrest and get his development program under way. [] *OK*

Ecuador: []

[] While Velasco has followed a pro-Castro policy for several months, he has recently been attempting to present a facade of anti-Communism. He is expected to press his government's requests for large-scale [] *No*

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US financial aid during Ambassador Stevenson's 18-19 June visit.

The Ecuadorean vice president has departed for Moscow with a six-man parliamentary delegation, and the Ecuadorean Foreign Ministry has indicated its willingness to receive the large Soviet good-will mission scheduled to visit Latin America in July.

Communist China - India: The Chinese Communist ambassador in Rangoon is urging Prime Minister U Nu to visit India in an effort to influence Nehru to take a more "flexible" attitude in border negotiations with Peiping. U Nu, who has already been unsuccessful in a similar effort, will be reluctant to accept China's suggestion. Peiping nevertheless hopes by such diplomatic maneuvers to dramatize its "reasonableness" to Asian neutrals and to undercut charges of Chinese aggression if new clashes occur on the Indian border. [New Delhi is augmenting its military forces in the area, and Nehru reportedly expressed expectation of Chinese Communist "mischief" along the border in a recent letter to Indian President Prasad.] (Backup, Page 3)

Iran: [Ambassador Holmes, in his initial analysis of the situation, reports that neutralist sentiment continues to grow in Iran. There are increasing reports in Tehran of intrigue against the government by landowners and other members of the wealthy class. Many Iranians reportedly are becoming restive over government delays in translating promises of reform and progress into reality. The Soviet press has intensified its criticism of Amini for his reaffirmation of Iran's adherence to CENTO and the bilateral military agreement with the US. National Front leaders continue to agitate for early elections. The government's short-term chances for survival still appear good, with Premier Amini continuing to receive the support of the Shah. The longer range prospects, however, depend largely on solution of the present economic crisis and effective action against corruption.]

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Pakistan: [Pakistan is disappointed with the recent meetings sponsored by the World Bank in Washington to coordinate US, UK, French, Japanese, and West German aid to India and Pakistan. This has increased Pakistani criticism of the United States, with new demands that Pakistan accept substantial aid from the USSR. Pakistanis particularly resent what they regard as favored treatment for India at Pakistan's expense. Most leaders of the military regime, however, appreciate the size and importance of the US contribution to Pakistan's development. Nevertheless, the government has apparently been encouraging the press in its criticism of the United States and the Western alliances.] (Backup, Page 4)

South Korea: Maj. Gen. Pak Chong-hui has announced that a civilian will replace Maj. Gen. Paek Son-chin as minister of finance. Pak did not name the new civilian minister, [] it will be Kim Yu-tae, former governor of the Bank of Korea and more recently ambassador to the United Kingdom.]

[] civilians may soon be appointed to head the other economic ministries but not those ministries dealing with security matters-- Defense, Home Affairs, and Justice. South Korea's new military leaders probably realize that they lack the background to deal effectively with the country's overwhelming economic difficulties, but in all probability this does not foreshadow an early return to civilian government.

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[In response to Menon's statement that the USSR could halt the cease-fire violations, Gromyko reportedly said the USSR desires a cease-fire and blamed the violations on the Pathet Lao, who, prompted by the Chinese Communists, are pressing for a military advantage. Although there probably are some points of difference between Moscow and Peiping on Laos, bloc delegations at Geneva have been united in opposing any effective cease-fire arrangement, as this would inhibit Pathet Lao military operations and reduce Communist bargaining leverage in political negotiations. These tactics, however, have placed the USSR in an awkward position in its role of Geneva co-chairman, and Gromyko finds it convenient to evade responsibility by placing the blame for violations on his Asian partners.]

[Prior to his departure from Geneva for Zurich, Souvanna Phouma paid a courtesy call on Ambassador Harriman during which he again emphasized that he was not a "captive" of the Pathet Lao. He supported his argument by claiming that all Soviet military materiel shipped into Laos is channeled directly to his "regime," and that his subordinates control its transfer to Pathet Lao units. Souvanna also claimed that Kong Le forces and troops under Colonel Khammouane's control in Phong Saly Province are loyal to Souvanna and are anti - Pathet Lao. Souvanna insisted on quick dissolution of the National Assembly.]

While Phoumi has deliberately assumed a posture of inflexibility on the eve of formal negotiations with Souvanna and Souphanouvong, he nevertheless feels that he has the king, the assembly and "constitutionality" on his side and insists he will not compromise the "traditional and necessary" role of these three elements in Laos. He indicated his anxiety over the military situation in Laos and stated that while he hopes to reach some fruitful conclusion in the Zurich talks he also is eager to return to Laos to direct his troops who he claims now badly need him.

In a conversation with a US official at Zurich on 17 June, Souvanna was vehement in his criticism of the present National Assembly, which he said represented nothing. He referred to political parties cooperating with the Boun Oum government as mere "personal vehicles." His remarks suggest he feels some

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discomfort at the apparent unity of the non-Communist parties and their support of the royal government's position as the Zurich meeting opens.

Souvanna did, however, indicate that he was adopting a flexible position on the questions before the meeting. He said he would not take any initiative but would let the extreme right and left confront each other. He advanced the idea that the King might appoint a provisional government but did not indicate what might be acceptable in terms of its composition or its policies.

The enemy continues to harass and probe Meo bases in Xieng Khouang Province. A Meo position about 15 miles northeast of the Plaine des Jarres was under heavy attack on 16 June by an enemy force estimated at five companies using 120-mm. mortars. An enemy force of unknown size launched small-scale probing attacks from the Ban Pa Dong area against Meo units in the vicinity. In the Ban Hat Bo area--midway between Pak Sane and Tha Thom --government troops on 17 June were forced to withdraw from a town which they had reoccupied without opposition two days earlier.

[redacted] a committee be formed to purchase opium at the provincial and district level. Similar measures have very likely been adopted in Xieng Khouang and other areas under Kong Le - Pathet Lao control in order to win the sympathies of the Meo whose traditional markets have probably been disrupted as a result of the fighting. Xieng Khouang authorities may also expect to derive considerable revenue from the sale of opium.

[redacted] The Ban Namone talks from 14 to 16 June provide further indications of distrust between the Souvanna - Kong Le group and the Pathet Lao delegation.

[redacted] According to Oudone, several Souvanna delegates said in informal conversations at both the 14 and 16 June meetings that in the event of a breakdown in the Geneva talks, Kong Le forces would attempt to break with the Pathet Lao and

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rejoin the royal government.] Another government delegate says some members of the Souvanna group expressed disgust with the delegation's head, Pheng Phongsavan, on the grounds that he is completely a tool of the Communists.

Airlift activity in support of the antigovernment forces continued on 16 and 17 June. No schedules for flights into Laos were noted on 18 June.

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Sino-Indian Border Dispute

The Chinese Communists persuaded U Nu to discuss the Sino-Indian border dispute with Nehru in the fall of 1960. At that time, Nehru rejected Nu's suggestion that the Burmese could assist in bringing about a settlement, observing that he did not expect to see the issue resolved in his lifetime.

The present attempt to enlist Burma's good offices is one of a series of maneuvers through which Peiping hopes to isolate New Delhi on the border issue. China has ratified a border agreement with Burma, reached a preliminary settlement with Nepal, and indicated readiness to discuss a border demarcation agreement with Pakistan.

Throughout the course of the Sino-Indian boundary controversy, the Chinese have sought to make it appear that New Delhi is the intransigent party. Peiping's position is that a settlement should be based on "present actualities." By this the Chinese mean a solution which would, in general, award them the Chinese-occupied sections of Ladakh in exchange for relinquishment of their claims in Assam.

Indian leaders believe there is little chance for successful negotiations in the near future. Fearing that incidents may occur at any time, New Delhi is strengthening its defenses along the frontier to offset a reported Chinese build-up on the other side. [redacted]

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Pressure in Pakistan for More Independent Policy

[President Ayub and Finance Minister Shoaib [redacted] complain that the US applied greater pressure on the European allies and Japan to provide funds for India than it did for Pakistan. As an example, they cite British representations that the UK could afford a pledge of only \$20,000,000 for Pakistan after agreeing to a commitment of \$200,000,000 for India.]

[There have been increasing demands by some Pakistani officials and a growing section of the press for the government to seek more aid from the USSR. Six Soviet technicians are in Pakistan to work out the details for implementing the \$30,000,000 oil exploration assistance agreement signed in early March. In addition, Pakistan apparently intends to send a group of experts to the USSR to study Soviet salinity-control and soil-reclamation methods. Minister of Natural Resources Bhutto, the chief advocate of more economic cooperation with the USSR, now is supported by Minister of Industries Kasem Khan, who announced on 11 June that Pakistan should "unhesitatingly" accept more Soviet aid for its Second Five-Year Plan.]

[Shoaib, on the other hand, remains strongly opposed to accepting Soviet aid; he has sarcastically told newsmen that if the USSR is interested in giving aid to Pakistan, it should join the World Bank's international consortium. Nevertheless, press stories about the possibilities of such aid have become so widespread that the Soviet Embassy has felt it necessary to issue a statement denying that the USSR is prepared to give substantial aid to all underdeveloped countries, irrespective of their policies.]

[Although President Ayub has made it clear that his government intends to adhere to its commitments, he apparently considers some accommodation with the USSR to be useful for reducing bloc pressures, as well as for putting pressure on India to negotiate the Kashmir question and on the West to maintain a high level of aid to Pakistan. Press demands for such an accommodation have apparently resulted partly from frustration over lack of American support for Pakistan in the Pushtoonistan and Kashmir disputes.]

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~~SECRET~~South Korea

[Since the 16 May coup there has been a noticeable lack of direction to South Korean economic affairs, aside from a relentless campaign to wipe out corruption. The unfamiliarity of responsible military officers with economic planning has opened the door for civilian bureaucrats in the various ministries to push their pet schemes.]

[Popular acceptance of the regime will depend in great measure on its success in raising living standards. The junta leaders probably recognize that a failure to live up to their economic promises would undermine the stability of the regime and generate further unrest. Kim Yu-tae was reportedly involved in some irregularities during the Rhee regime, but he is considered a competent economist.]

[In another cabinet switch, the regime on 12 June recalled retired Lt. Gen. Song Yo-chan from studies in the United States to be minister of defense. Song is highly respected by his colleagues, and his appointment may strengthen the position of moderate elements in the junta vis-a-vis the more radical junior officers. His recall, however, probably was motivated by a desire to impress American officials. He proved a top combat commander during the Korean war and subsequently was noted for his efforts to eliminate army corruption. As army chief of staff at the time of Rhee's ouster last year, Song was credited with avoiding large-scale bloodshed.]

[Meanwhile, the ruling Supreme Council for National Reconstruction has launched a national front movement designed to provide a broad base of organized public support for the regime. Called the "National Movement for Reconstruction," the organization places special emphasis on student, women's, and youth groups and extends political supervision over the population down to and including the neighborhood level.]

[Brig. Gen. Yi Chi-hyong, one-time head of psychological warfare in the South Korean Army, has been named deputy chief of the movement. Yi is anti-American and arrogant. The nominal head of the organization is Dr. Yu Chin-o, president of Korea University and senior adviser to the planning committee of the Supreme Council.]

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The Director, Office of Civil and Defense Mobilization

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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

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