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COPY NO. 70
OCI NO. 0262/61
12 January 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 9
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NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: 21-5-80 REVIEWER:

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THE WEEK IN BRIEF **CONFIDENTIAL**

PART I

OF IMMEDIATE INTEREST

LAOS Page 1

Pathet Lao - Kong Le forces are consolidating their gains in an area extending from Nong Het to the Plaine de Jarres in Xieng Khouang Province. The Pathet Lao threat to Luang Prabang has been increased by the fall of a government outpost at Nam Bac, about 55 miles north-east of the royal capital. If the armed T-6 aircraft recently put into operation by government forces achieve success against the continuing Soviet airlift or against rebel ground forces, the bloc probably will increase its military commitments in Laos. Both the USSR and North Vietnam have endorsed a recent proposal by Cambodia's Prince Sihanouk for an international meeting on Laos.

[Redacted]

CUBA Page 3

Cuba's increasingly close ties with the bloc are further illustrated in its new multilateral payments agreement with Communist countries, a unique arrangement that indicates Moscow is making special efforts to enable the bloc to meet most of Cuba's trading needs. Che Guevara in his 7 January speech, which described this arrangement, also stated that the bloc would provide training in Communist countries for 2,700 Cuban technicians. Within Cuba, war hysteria continues and police controls are being further tightened. A majority of OAS members now seems ready to begin discussions looking toward a multilateral break with Cuba and the imposition of economic sanctions, although the necessary two-thirds OAS support is not yet assured.

[Redacted]

CONGO Page 4

Troops loyal to the Gizenga regime in Stanleyville continue to extend the area of its influence. They have invaded the northern part of Katanga Province--where the tribesmen are hostile to the Elisabethville government--and have proclaimed a new Lualaba state. Katanga President Tshombé has threatened to take military action against the invaders, but his forces would have difficulty operating in the disturbed area.

[Redacted]

The Kasavubu-Mobutu regime in Leopoldville, its prestige

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PART I (continued)

already damaged by recent military reverses, faces new unrest among both police and army in the Leopoldville area. The UAR failed at the recent conference of pro-Lumumba heads of state in Casablanca to secure a firm commitment to support Gizenga militarily.

[redacted]

EAST-WEST RELATIONS Page 6

Premier Khrushchev [redacted] said that the Soviet 22nd party congress was postponed until October to allow time to establish contact with the new US administration. Khrushchev probably feels the challenge of the Chinese Communists makes it imperative that the congress formulate unequivocal and long-term positions; it is unlikely that he would want to make such decisions until the Soviet leaders have an opportunity to assess the new US administration. Moreover, Khrushchev probably also hopes to achieve some tangible diplomatic success which could be used to demonstrate the validity and effectiveness of his foreign policy before committing the Soviet party to the kind of authoritative programs that are enunciated at party congresses. Mikoyan reportedly has said Khrushchev did not expect to meet with the new President until perhaps July. [redacted]

FRANCE-ALGERIA Page 7

De Gaulle will now press forward with his plan to establish an interim administrative framework in Algeria, following the mandate he received as a result of the referendum. [redacted]

[redacted] rebels feel overtures should come from Paris, and even though Ferhat Abbas seems open to the possibility of a negotiated settlement, his extremist colleagues may overrule him. [redacted]

PART II

NOTES AND COMMENTS

SOVIET CENTRAL COMMITTEE PLENUM Page 1

The Soviet party central committee, which began meeting in Moscow on 10 January to consider agricultural problems, has scheduled a congress of the party, the 22nd, for 17 October 1961. Khrushchev is expected to dominate the proceedings; he is to report on the two main topics. Kozlov is to give the third key report; this tends to

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PART II (continued)

confirm that he is the number-two man in the Kremlin hierarchy. The anticipated reorganization of the USSR and republic ministries of agriculture is being discussed in speeches on agriculture at the central committee plenum. A report on the November conference of Communist parties in Moscow will also be given during the plenum.

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[redacted]

FOOD SHORTAGES AND DISCONTENT IN COMMUNIST CHINA Page 2

As a result of the food shortages in Communist China, there have been signs of open opposition to the regime in some localities.

[redacted] anti-Communist slogans were written on public buildings

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[redacted] and food riots reportedly took place [redacted]

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rested and shot. While the present scale of discontent poses no threat to the regime, the deteriorating situation has apparently resulted in the ouster of a prominent provincial party secretary, and further shake-ups may be in prospect.

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MONGOLIA GAINS FURTHER INTERNATIONAL RECOGNITION Page 3

Mongolia's campaign to win wider acceptance as an independent state is getting results, especially among Afro-Asian countries. Nepal, Guinea, Cambodia, and Cuba have recognized Ulan Bator within the past year; four other countries outside the bloc also maintain diplomatic relations with Mongolia. Like other Asian Communist regimes, Mongolia is particularly eager to gain recognition from new African republics and Asian neutrals which might support its bid for UN membership. When the General Assembly reconvenes in March it will probably pair Mongolia with Mauritania for membership.

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[redacted]

CHOU EN-LAI'S BURMESE VISIT Page 4

Communist China used the occasion of Premier Chou En-lai's recent visit to Burma--to exchange ratifications of the border treaty--to refurbish the image of a peaceful, friendly China. The visit was highlighted by an offer to the Burmese of a long-term, interest-free credit of \$84,000,000--the largest ever extended by the Chinese Communists to a free-world nation.

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NEW SOCIALIST TACTICS IN JAPAN Page 5

The conservative government in Japan, when the Diet reconvenes in late January, will face Socialist attacks on issues with wide popular appeal such as renewal of Sino-Japanese relations and opposition to Japan's defense build-up. These tactics may be more damaging to the US-Japanese alliance than last year's mass demonstrations.

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PART II (continued)

INDIAN CONGRESS PARTY CONVENTION ACCENTS FOREIGN ISSUES . . . Page 6

The annual conclave of India's Congress party in early January was dominated by crucial foreign issues, particularly the problem of Chinese "aggression" on the border. Official statements, phrased in stiffer language than previous ones, pledged "all necessary measures" to bring an end to Chinese occupation of Indian territory; however, repeated attempts by delegates to commit the government to specific action were turned aside. Other party statements tended merely to catalogue the problems and weaknesses of the country and party, often only repeating hackneyed slogans.

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ETHIOPIA'S HAILE SELASSIE FACES DIFFICULTIES Page 7

Emperor Haile Selassie's failure to reassert his personal control over the central government after crushing the recent coup has been accompanied by increasing unrest in Addis Ababa. It now appears unlikely that the Emperor will be able to re-establish his pre-eminent position. He will probably agree soon to some reforms sought by the younger progressive elements in an effort to preserve his position and perpetuate his dynasty.

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THE BELGIAN STRIKE SITUATION Page 9

The Socialist-led strikes in Belgium, now in their fourth week, appear to have passed their peak. There are indications that the Eyskens government will work out some compromise with the opposition Socialists over the austerity bill which produced the strikes. King Baudouin reportedly wants to replace the present government with men who could try to heal the cleavage between the Walloon south and the Fleming north. New elections seem almost certain to be held in the spring.

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PART II (continued)

DOMINICAN REPUBLIC Page 10

The Dominican Republic evidently anticipated the additional economic sanctions against it voted by the OAS on 4 January, and had already attempted to counter by moves for closer relations with the Soviet bloc. Moscow is unlikely to take any action that would associate it with the unpopular Trujillo dictatorship, but might permit one or more of its satellites to establish relations. Within the Dominican Republic, the economic situation has markedly worsened, and Trujillo is believed to have exhausted the country's gold reserves.

[Redacted]

[Redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT Page 1

The Organization for Economic Cooperation and Development (OECD), designed to accelerate free world economic growth and to increase aid to less-developed countries, faces an uncertain future. The OECD convention, negotiations for which were launched at US initiative over a year ago, involves few concrete commitments. Ratification by all of the 20 North Atlantic countries which signed the convention on 14 December is not yet assured, and jurisdictional conflicts with existing organizations--notably NATO and GATT--are likely to be troublesome. Many of the European members are more interested in settling such trade problems as the Common Market - Outer Seven dispute than they are in the broader objectives of the new organization.

[Redacted]

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CHINA'S INDUSTRIAL DEPENDENCE ON THE BLOC Page 6

As a result of Peiping's political dispute with the USSR, China has already had a foretaste of what "going it alone" could mean for its economic prospects. Considerable strains have been noted in the Chinese economy following the withdrawal of Soviet technicians last summer and the severe shortages of POL which developed at about the same time. In this situation, Peiping faces the need of coming to some new economic arrangements with the USSR or accepting a slowdown of more than one third in its rate of industrial growth. The reductions would be concentrated in precisely those key industries--especially the defense industries--on which Peiping's drive for big-power status is based.

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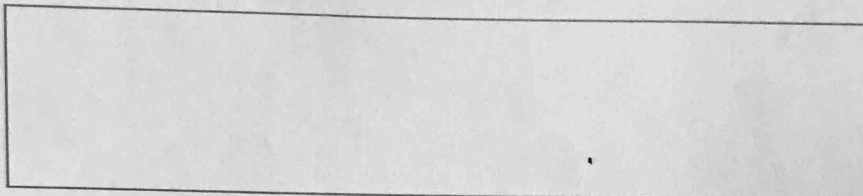
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PART I

OF IMMEDIATE INTEREST

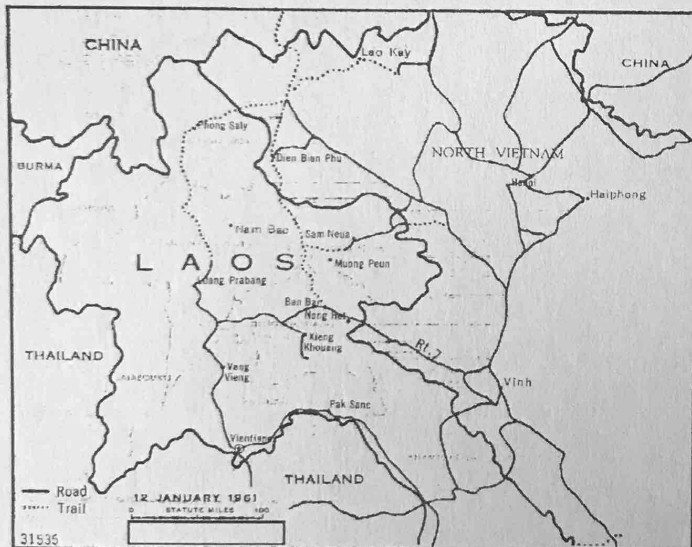
SITUATION IN LAOS

The Kong Le - Pathet Lao forces are consolidating their gains in an area extending from Nong Het to the Plaine des Jarres in Xieng Khouang Province. The government garrison at Ban Ban, which fell on 5 January, has taken up positions about 20 miles northeast of Xieng Khouang town. The balance of government troops in the province have withdrawn southward to an area about 40 miles south of the town.

Prabang have secured the road junction, but their ability to retain it should it come under significant Pathet Lao harassment is open to question.

Government plans to retake the Plaine des Jarres face serious obstacles, including the difficulty of resupplying the forces in Xieng Khouang by air, problems of coordination, and the strength of the Kong Le - Pathet Lao forces.

Another factor limiting the government's capability of retaking the Plaine des Jarres is the mutual distrust between regular Lao troops and the sizable body of Meo partisans in Xieng Khouang. The cooperation of the Meos is likely to be essential; however, the army commanders are reluctant to provide them the necessary arms to participate in operations against the Kong Le - Pathet Lao forces.



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Government military planners in Vientiane are developing ambitious plans to retake the Plaine des Jarres, employing the two groups of troops already in Xieng Khouang Province and a third column coming from the west. This latter column must first capture Vang Vieng, the Pathet Lao stronghold to the south of the junction between the Vientiane - Luang Prabang road and Route 7 leading eastward to the Plaine des Jarres. Government troops from Luang

Prabang capture of Nam Bac, about 55 miles northeast of Luang Prabang, on 8 January increases the threat to the royal capital, although it does not seem to be in immediate danger. With Nam Bac in their control, the Pathet Lao are now free to move down the Hou River toward Luang Prabang. However, before proceeding toward Luang Prabang, they may first choose to move against a government post to the west of Nam Bac to prevent development of any threat from the rear.

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[redacted] the bloc is now capable of supplying the Kong Le - Pathet Lao forces in the Plaines des Jarres area of Laos via an overland route. Route 7, which originates on the southern coast of North Vietnam and terminates in north-central Laos between Vientiane and Luang Prabang, apparently is open for limited truck traffic--at least during the dry season. The maximum capability of this road is estimated at approximately 300 short tons a day, although actual traffic probably falls considerably below this.

Any large-scale movement of bloc supplies and equipment to the Plaines des Jarres area of Laos probably would originate in sea shipments to the North Vietnamese coastal area near Vinh and then continue inland via Route 7.

The four T-6 trainers provided Laos by the United States have begun flying armed missions, following formal notification to the Soviet Government by the Boun Oum regime that it would take appropriate defensive measures if the airlift continued. Should the T-6s achieve success against the airlift or rebel ground forces, the bloc might introduce escort planes of roughly equivalent capabilities.

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[redacted]

In Phnom Penh, Souvanna Phouma continues to sit tight, refusing to recognize the legality of the Boun Oum government. He is quoted by reporters to the effect that the Boun Oum government was approved by the National Assembly only as the result of

pressure from the military. Souvanna has told numerous visitors that he will return home only if a coalition government including the Pathet Lao is possible. Souvanna's continued refusal to make a public gesture of acceptance of the Boun Oum government's legality facilitates bloc maintenance of the fiction that Souvanna's remains the lawful government.

In a talk with the UK ambassador on 3 January, Soviet First Deputy Foreign Minister Kuznetsov took the position that Souvanna Phouma's consent is a prerequisite to reactivation of the ICC. This follows the even stronger Chinese Communist declaration of 28 December, in which Foreign Minister Chen Yi said categorically that any reconvened ICC "must not have contact" with the Boun Oum government.

The recent endorsement by both Moscow and Hanoi of Com-bodia's 1 January proposal for a 14-nation conference to deal with the Laotian crisis was probably intended to capitalize on growing Asian concern over the future course of events in Laos and to maintain the posture of seeking a political settlement. The bloc probably also fears that its endorsement will provide an alternative to any proposal for renewing the ICC on Western terms and encourage what the bloc claims is increasing evidence of disagreement among the Western allies over a policy toward Laos. Recent Soviet propaganda has attempted to exploit this theme, and a 10 January TASS statement claimed that US efforts to "demonstrate Western unity and the effectiveness of SEATO in Laos have completely failed."

Additional warnings against further "US intervention" in Laos came from Chinese Communist leaders on 6 January. Both Chou En-lai, who was in Rangoon, and

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Chu Teh declared that the Laotian people should solve their own problems without any foreign interference. Chu warned that US actions in Laos "endanger

China's security." He said the US and its allies have "gone far enough on this dangerous road, and it would be most dangerous to go farther." 25X1

CUBA

Che Guevara, in a 7 January radio speech, reported the results of his two-month mission to the bloc to make arrangements for the bulk of Cuba's trade for 1961. He praised Sino-Soviet bloc economic assistance to Cuba and described it as politically motivated. In a reference to the cold war, he said: "We are not spectators in the struggle between two giants. We are an important part of this struggle."

Guevara stated that agreements signed during his tour provide for 2,700 Cuban technicians to be trained in the bloc, and he added that Soviet technicians are now working on the expropriated American-owned Nicaro and Moa Bay nickel plants, "which they promise to have operating in a short time," enabling Cuba to produce nickel "independently of other countries." He explained that minor difficulties had arisen in dealing with the bloc, including: "The socialist countries use the decimal system; we use the colonial system of pounds.... We will have to change all this."

Guevara revealed in his speech that the bloc has entered into a multilateral trade and payments arrangement with Cuba which considerably enhances the value of the economic agreements with the bloc. Cuba apparently will be able to sell sugar and other products to one bloc country and buy an equivalent value of goods from another. Thus, while only selling small amounts of sugar to certain countries--

particularly the European satellites--Cuba can continue to purchase the goods it desires from these countries without being forced to part with large amounts of foreign exchange.

Such an arrangement highlights the special position Cuba has assumed vis-a-vis the bloc. The only comparable agreement the bloc has made with a non-Communist country was with Finland, and this one has since been abandoned. Even within the bloc, multilateral transactions are minimal and usually are used only to deal with a specific situation.

Guevara voiced impatience with economic disruptions caused by "exaggerated" preparations in Cuba for an "imperialist attack" and urged the people to return to their jobs. This could be taken as a rebuke to Fidel Castro, who continues to claim that a US attack will occur prior to Inauguration Day in the United States.

Despite Guevara's admonitions, war hysteria and feverish preparations are continuing. Drastic police-state controls are being further tightened. As of 6 January the people of Havana appeared to be in a state of frightened expectancy.

Officials of a number of countries have privately stated that, while their governments could not now unilaterally break with Cuba without being subjected to the charge of following US footsteps too closely, they

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would support multilateral action--i.e., through the machinery of the 21-member Organization of American States (OAS)--severing diplomatic ties with the Castro regime. A majority of OAS members now seems ready to begin discussions looking toward a multilateral break with Cuba and the imposition of economic sanctions, although the support of two thirds of the member countries necessary for the imposition of such sanctions is not yet assured.

Colombian Foreign Minister Turbay told the US ambassador on 5 January he felt the time had come for collective OAS action and urged the United States to make special efforts to persuade the three "doubtful" governments of Mexico, Brazil, and Ecuador, since he considered that unanimity was essential for collective action to be effective.

Mexican Foreign Minister Tello had already advised the US Embassy that his government would feel obliged to abstain on any OAS action taken under the 1954 Caracas resolution against international Communism, but he implied that Mexico would not oppose such action. In Brazil, where policy making is virtually suspended pending the return of President-elect Quadros from Europe and his inauguration on 31 January, there is pressure for an attempt to mediate US-Cuban "differences." The Ecuadorean Government, prepar-

ing to play host to the 11th Inter-American Conference scheduled to open there later this year, appears anxious to avoid any action that might jeopardize its plans.

Three other countries--Chile, El Salvador, and the Dominican Republic--appear reluctant to associate themselves with moves for strong action against Castro. In Chile, the government hopes to keep the Cuban problem out of the congressional election campaign during the next two months, fearing a further swing to the left if emotions are raised over the Castro issue.

Argentina, which has been one of the sharpest critics of Cuba among the major Latin American countries, might be willing to support economic sanctions against Cuba but would be reluctant to break diplomatic relations for both hemisphere and internal security reasons. The government believes it should maintain a listening post in Cuba, where a number of important Peronista leaders reside. The Cuban opposition leaders have requested Argentina to maintain its embassy in order to furnish assistance to those seeking political asylum. The foreign minister has said that relations with Cuba could definitely not be severed before the 5 February local and senate elections. [redacted]

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CONGO

Troops loyal to the Gizenga regime in Stanleyville continue to extend the area under their control. After setting up a pro-Stanleyville government in Kivu Province, they have entered the northern part of Tshombé's Katanga Province and

have proclaimed the establishment of a new Lualaba state. They apparently have been welcomed by the anti-Tshombé Baluba tribesmen of the area. [redacted]

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