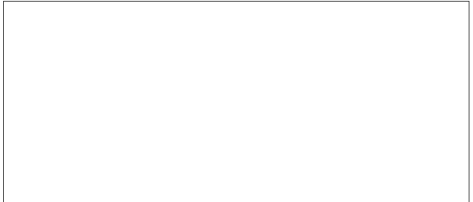


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31 January 1961



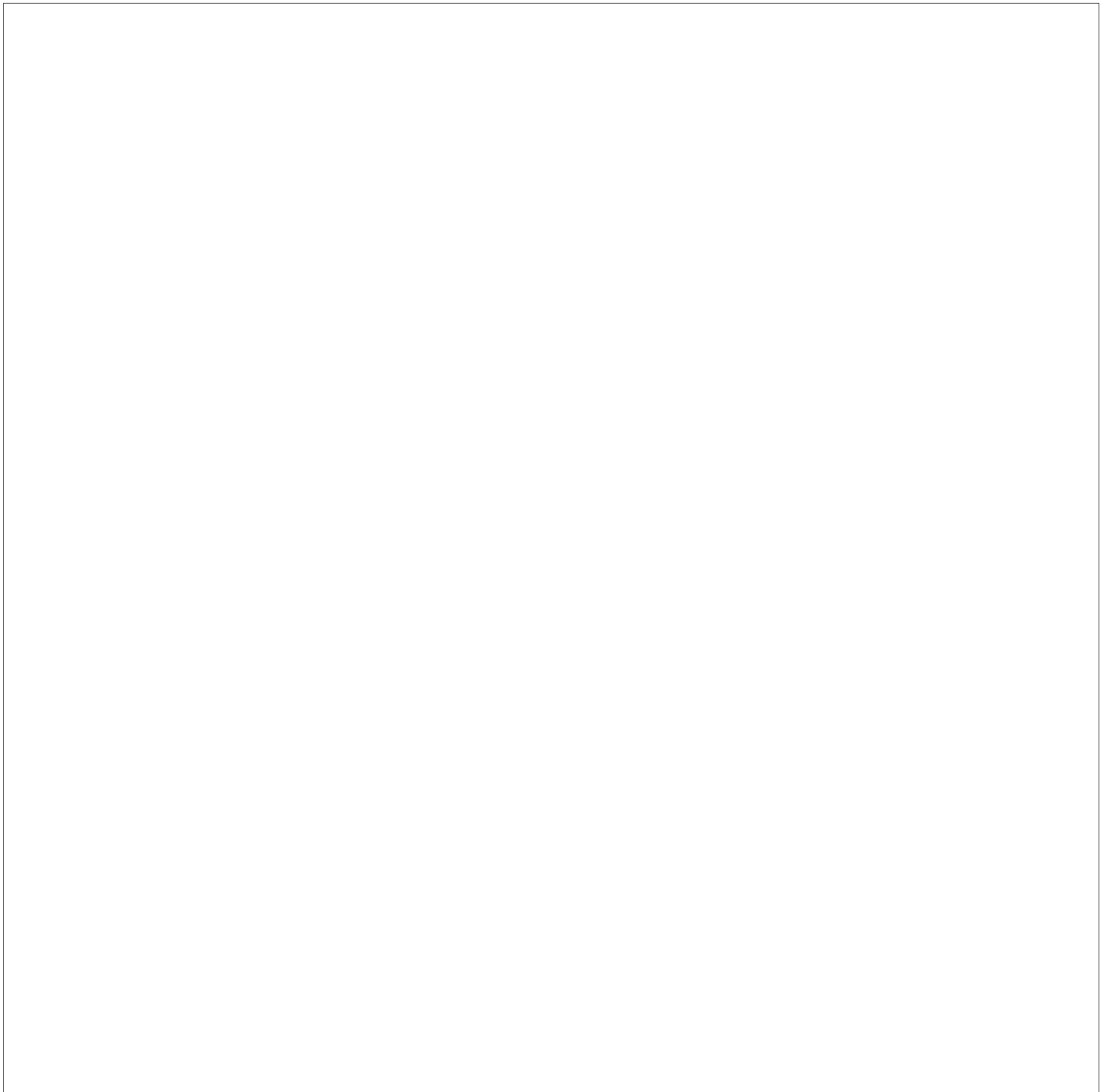
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# CENTRAL INTELLIGENCE BULLETIN



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31 January 1961

## CENTRAL INTELLIGENCE BULLETIN

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# CENTRAL INTELLIGENCE BULLETIN

31 January 1961

## DAILY BRIEF

*Sirab*

[redacted] Laos: Soviet airdrops have been reported in support of pro-Communist Laotian forces at the Phou Khoun junction of Route 7 and Route 13. ( [redacted] ) Government troops are continuing their movement from the north and south toward this strategic junction. Soviet airlift operations into Laos continue to be scheduled through 30 January. The US Air Force estimates that since mid-December 500 Soviet IL-14 sorties have been flown into Laos, carrying an estimated total of 1,115 tons of supplies and equipment. [redacted]

*No*

[redacted] Communist China this month has made available \$8,750,000 in US currency for support of the pro-Communist Laotian forces. The allocation of these funds despite China's own pressing need for foreign exchange with which to finance grain imports points up the importance Peiping attaches to the Laotian crisis. [redacted]

(Backup,

Page 1) (Map)

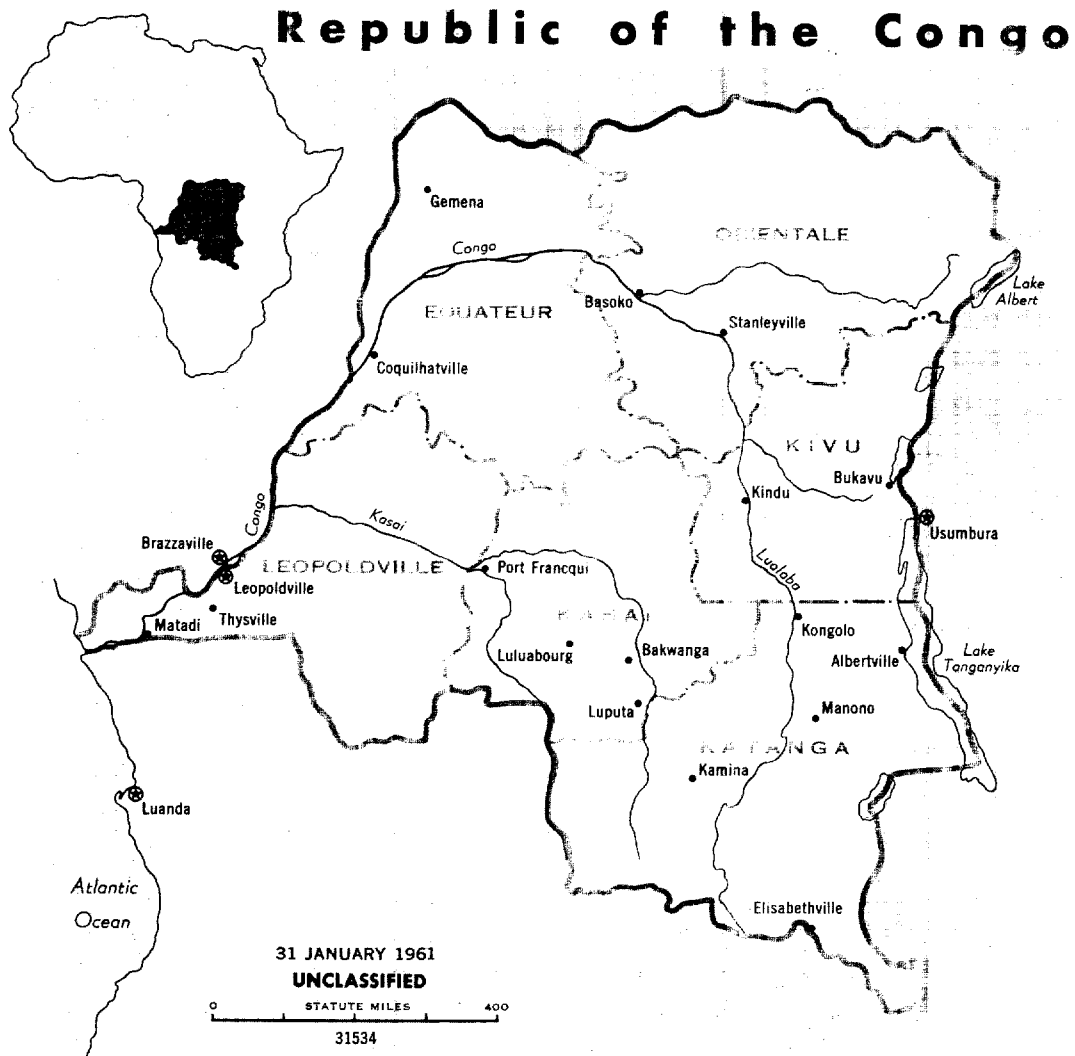
\*Congo: Mobutu's troops, which had penetrated to within 100 miles of Stanleyville, have, according to press reports, been repulsed by pro-Lumumba forces at Basoko. There are, however, increasing indications that Gizenga's forces may be short of supplies. [redacted]

*No*

[redacted] Nasir suggests Gizenga may have to take more arms from Mobutu's soldiers. [redacted] TASS announced on 30 January that the USSR has requested President Abboud to permit the Soviets to send food and medicine through the Sudan into pro-Lumumba portions of the Congo.

In Brussels, the Belgian foreign minister has reportedly won cabinet approval to enforce a law forbidding Belgian citizens to serve in or recruit for foreign armies, which could

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lessen overt Belgian assistance to Katanga President Tshombé. Unconfirmed reports state that Tshombé has purchased seven twin jet trainers from France. [At the UN, members of the UK delegation indicated on 27 January that they favor the early establishment of a new Congolese government, and are prepared to accept Lumumba's presence in this government.]

Communist China: Communist China's leaders have seized a number of opportunities to register anew their unyielding opposition to any "two Chinas" solution for the problem of Taiwan. Both Chou En-lai and Chen Yi, the regime's top foreign policy officials, used recent press interviews to emphasize Peiping's hostility to such an arrangement. [redacted] other Chinese leaders, in off-the-record comment, have been underlining the same point. This flurry of expressed opposition may reflect a growing concern in Peiping over the possibility that world sentiment is developing in favor of solving the Taiwan problem by giving some sort of separate international status to the Chinese Nationalists on Taiwan. By re-emphasizing their antipathy to such a solution--which is shared by Taipei--the Chinese Communists seem to be trying to head off efforts in this direction.

The authorities in Peiping regard the US as the prime mover behind the "two Chinas" solution and have insisted that the US must withdraw military support from Chiang Kai-shek before any improvement of Sino-US relations could take place. The Chinese Communists also insist they will not change their stand in exchange for UN membership. They have refused to sit in any international gathering along with Chiang's representatives and for this reason have already withdrawn from several, such as the UN-supported International Law Association. [redacted]

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Japan - Communist China: Prime Minister Ikeda's statement in a policy speech to the Diet on 30 January that his government will seek improved relations with Communist China this year reflects an effort to appear flexible on this issue. This will lend encouragement to recent steps which have been taken in both countries to end the impasse which has obtained since trade was broken off in May 1958. However, Ikeda indicated that a rapprochement must not affect existing conditions in the Far East. Japan is concerned over its vulnerability to international economic conditions, and its primary objective is increased trade; Peiping's motivation is principally political. Ikeda's stipulation that Tokyo cannot extend formal recognition to Communist China unless there is greater international acceptance of Peiping, however, reveals one of his principal problems--how to satisfy growing pressures within Japan for friendly ties with the China mainland without jeopardizing Japan's relations with the United States. [redacted] (Backup, Page 4)

OK

Mongolia-Mali: Mongolia and the Republic of Mali have agreed to establish diplomatic relations at the ambassadorial level, according to press reports from Ulan Bator on 25 January. Mali is the fifth nation to recognize Mongolia in the past year, following Guinea, Cambodia, Nepal, and Cuba. India, Burma, Indonesia, Yugoslavia, and all Communist bloc countries also maintain diplomatic relations with Mongolia. Like the other Asian Communist regimes, Mongolia is particularly eager to gain recognition from the new African republics and Asian neutrals who might be expected to support its bid for UN membership. Mali's agreement to diplomatic ties with Mongolia provides an indication that Mali's "positive neutralism" may be taking on a pro-bloc flavor. [redacted]

OK

Cyprus: Economic and political problems are multiplying for the government of the Independent Republic of

OK

31 Jan 61

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Cyprus. A three-year drought has seriously reduced grain production, while general economic stagnation since the proclamation of the republic in August 1960 has led to widespread unemployment. An ably led Communist party continues to increase its strength, and the Communist-dominated labor federation remains the only effective labor organization on the island. According to the US Embassy in Nicosia, President Makarios' party is weakened by lack of organization, and some former EOKA underground fighters are turning against his moderate leadership. Disputes over implementation of the six-month-old Cyprus settlement continue to foster distrust and ill will between the Greek Cypriot majority and Turkish Cypriot minority. [redacted] (Backup, Page 6)

\*Brazil: Janio Quadros, who becomes president today, has announced a cabinet which US Ambassador Cabot characterizes as chosen largely with a view to ensuring political support in congress but including unusually able men in several key posts. The pro-US foreign minister-designate, Afonso Arinos, has been chairman of the Senate Foreign Relations Committee. Finance Minister - Designate Mariani, who will shortly be faced with a balance-of-payments crisis, is a strong personality capable of pushing needed economic reforms. The cabinet is generally conservative, and some pro-Quadros circles have criticized it as too conservative to accomplish the changes in Brazilian policy which they look for. [redacted] (Backup, Page 8)

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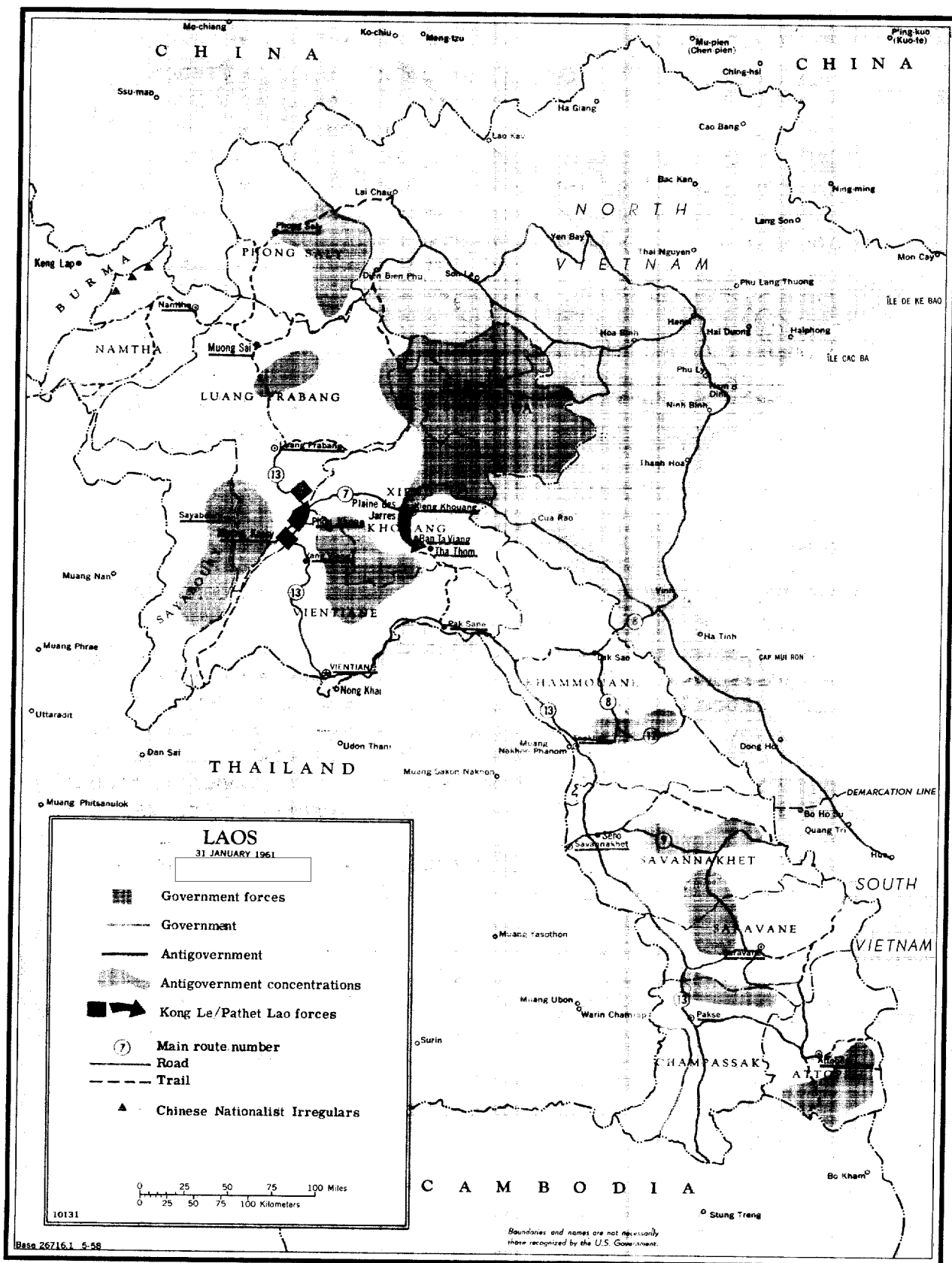
~~TOP SECRET~~Situation in Laos

[A further strain has been placed on Laotian-French relations by the Boun Oum government's notice to French Ambassador Falaize on 29 January that Lao army units would shortly take over "required" portions of the French base at Seno, including the airstrip and related facilities. The note stated that Seno henceforth would be considered a Laotian base, although French troops might still be stationed there. The French, who had parried earlier Laotian notes on Seno by assuring that the matter was under consideration in Paris, have been taken aback by the abruptness of the Boun Oum government's action. The French counselor in Vientiane has claimed that the move is a violation of the 1954 Geneva agreement on Laos--which specified Seno as a French base--and has speculated that France might call for reconvening the Geneva conference in protest.]

[The Seno military base, located a few miles outside Savannakhet in south central Laos, has the best airfield in Laos in addition to important ground installations. The 1954 Geneva agreement authorized the French to maintain garrison forces totaling 3,500 troops to be stationed at Seno and at another base which never was activated. An additional 1,500 French troops were authorized in Laos for training purposes. Although France has never maintained Seno at much more than caretaker strength--the present garrison numbers about 300--retention of this base under French authority is of potential strategic value to SEATO. The various governments in Vientiane, however, have regarded French control of the base an affront to Lao sovereignty, and the present Laotian administration seems convinced that the French, far from providing protection for Laos, are in open sympathy with the Kong Le - Pathet Lao forces.]

[ ] the IL-14 drops at Phou Khoun stated that the cargo appeared to be heavy and that a large number of open parachutes were discernible on the ground. [ ] the concentration as the heaviest observed since the Soviet air drops in support of the Kong Le - Pathet Lao takeover of the Plaine des Jarres on 1 January. This report would seem to bear out the expectations of)

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[Laotian military officials that the enemy would make a strong stand at the crossroads. A government column of approximately 1,300 men coming from the north is said to be within about ten miles of Phou Khoun. To the south, the government force proceeding from Muong Kassy is apparently cautiously making its way toward the junction.]

The second of the two Soviet AN-12s which arrived at Canton on 28 January flew to Haiphong and returned to Canton on the morning of 30 January. It appears that in large measure the ability of the pro-Communist forces to maintain the initiative in ground operations has been the result of airlift operations. Although North Vietnamese and, indirectly, Chinese Communist transports have been involved on a relatively small scale, the airlift has been primarily directed, supported, and carried out by the USSR.

The USSR began the airlift in early December at the request of Souvanna Phouma, then premier of the Laotian Government. Between 4 and 13 December, five Soviet IL-14 transports flew 69 sorties to Vientiane, delivering gasoline and oil and foodstuffs, and--beginning about 10 December--105-mm. howitzers, 120-mm. mortars, and other unidentified cargo. Recently the airlift capability has been substantially augmented by the introduction of eighteen Soviet LI-2 transports and at least nine Soviet helicopters--five MI-4s and four MI-7s. In addition, Soviet AN-12 heavy four-engined turboprop transports have made 12 flights to South China and North Vietnam from the USSR in three separate operations--the most recent of which is still in progress.

The ten Soviet IL-14s have been flying most of the sorties into Laos, a large share of which have been airdrop missions. The Soviet MI-4 medium cargo helicopters apparently have operated principally within North Vietnam and in short-haul small cargo resupply missions in the Laotian border area. The eighteen LI-2s which arrived in North Vietnam in mid-January have been engaged in shuttle flights between Hanoi and Haiphong and may be flying into Laos, although this is unconfirmed.

The tonnage of supplies estimated to have been airlifted to the pro-Communists in Laos during the past six weeks

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appears to be substantially in excess of that required to sustain the current level of military operations. It is likely that caches of supplies vital to the conduct of guerrilla warfare are being built up, thus indicating that the bloc is prepared to prolong military operations in Laos. [redacted]

[redacted]

[redacted]

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## Japan Seeks Closer Relations With Communist China

Japanese Prime Minister Hayato Ikeda believes that the China question will be Japan's foremost international problem in 1961. Although apparently developing a program to promote friendlier ties with Communist China, the prime minister has stipulated that formal recognition must await a "general adjustment of East-West relations."

In May 1958, after gradually improving relations had led to a total trade level of approximately \$120,000,000 in 1957, the Kishi government refused to grant official sanction for the Chinese Communists to fly their national flag over a proposed trade mission in Tokyo. Peiping retaliated by breaking off trade relations, including several long-term contracts for exchanging Chinese industrial raw materials for Japanese industrial machinery and products, and refused to resume them unless Japan made political concessions.

In recent months, both Tokyo and Peiping have relaxed their positions without, however, making substantive concessions. Following the resignation of the Kishi government last July, Peiping lifted its total ban on trade with Japan to permit the export of small quantities of highly specialized foodstuffs desired by the Japanese, in the apparent hope of stimulating pressures for the new Ikeda government to honor the "three principles" Peiping still insists on. These are: ending Japan's hostile policy toward China; noncollaboration with the "US plot to create two Chinas"; and severance of relations with Taiwan and recognition of Communist China.

Subsequently, there have been exchanges of various labor, economic, and nonofficial political missions, and in the past six weeks the Chinese have inquired about an exchange of "important goods"--Japanese steel, heavy machinery, and vessels, for Chinese soybeans, pig iron, and coal. These inquiries are probably intended to encourage Japanese elements interested in trade with the mainland to step up their pressures on Ikeda for concessions. That the basic Chinese motivation continues to be political is suggested by Peiping's refusal in mid-January to discuss Ikeda's proposal for postal, meteorological, and other technical agreements unless a Japanese

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cabinet minister is dispatched to Peiping for the purpose.

Recent US measures to conserve dollars have aroused new concern in Japan about its need for expanded export markets to maintain the present standard of living for a growing population. In addition, Tokyo is reviewing its position on the question of UN membership for Communist China in order not to become isolated from the Afro-Asian group of nations.



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~~CONFIDENTIAL~~Cyprus Faces Economic and Political Problems

The Cyprus government, under the leadership of Greek Cypriot President Makarios and Turkish Cypriot Vice President Fazil Kuchuk, continues to look to the West for friendship and guidance, but growing problems appear to be undermining its popular support.

The recent arrival of the first relief shipment of some 50,000 tons of wheat and barley from the US, supplied under Title II of PL-480, received favorable publicity but is recognized locally as only a stopgap measure in alleviating shortages caused by the prolonged drought. The government, unable to find markets for Cypriot raisins in the West, concluded a barter agreement with the USSR in early December under which the Soviet Union will take 8,000 tons of raisins in exchange for cement, lumber, and other products. Tourism--which was anticipated before independence as a source of foreign exchange --has not come up to expectations.

In the Greek Cypriot community, Makarios retains much of his great popularity, but his own political party, the Patriotic Front, suffers from a dearth of second-echelon leaders. The well-organized Communist-dominated Regenerative Party of the Working People (AKEL), which probably can count on the support of 35 percent of the electorate, continues to gain followers. At present, its leaders appear content to follow a program of "peaceful coexistence" with the Patriotic Front while developing new support from the government's inevitable errors. The Communists have been further strengthened by the recent arrival of the first Soviet ambassador to Cyprus, who is in a position to give guidance to local party leaders.

The situation in organized labor is deteriorating. The Communist-led pan-Cyprian Federation of Labor (PEO) is growing more powerful, while the anti-Communist federation --never a real competitor to PEO--apparently is on the verge of dissolution. Unless action is taken soon to reorganize the right-wing union, the Communists will dominate the entire Greek Cypriot labor movement.

Makarios also faces increasing competition from a group of former members of EOKA, the underground organization

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against the British, and others who, disillusioned with the Cyprus settlement, have renewed the call for "enosis"--union of the island with Greece. Occasional acts of terrorism appear traceable to fanatics among this group.

The Turkish Cypriot minority has exhibited signs of a developing cleavage between the moderates, who follow the leadership of Kuchuk, and those who favor a more militant defense of Turkish minority rights. Recent actions of the pro-enosis Greeks have resulted in uneasiness among the Turks and a widespread insistence that the Cyprus agreements be carried out "to the letter." The newspapers supported by each community on the island have adopted highly critical attitudes toward the actions of the other community, and the spirit of mutual toleration between Greek and Turkish Cypriots, which was evident at the time independence was proclaimed, seems to be disappearing.

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~~SECRET~~The New Brazilian Administration

Janio Quadros maintained complete silence regarding his future government during his three-month visit to Europe after the presidential elections of 3 October, and only on 29 January announced his cabinet appointments. The choices reflect a variety of considerations, including individual abilities and past association with Quadros, as well as geographical factors and the new President's lack of formal ties with any of the several parties of his sponsoring coalition.

Besides Finance Minister Mariani and Foreign Minister Arinos, the outstanding personalities in the cabinet are probably Labor Minister Francisco Carlos de Castro Neves and War Minister Odylia Denys. The new labor minister was Quadros' secretary of government in Sao Paulo and is one of the shrewdest politicians in Quadros' entourage. Marshal Denys was war minister in the Kubitschek administration and was asked to continue in the same post.

Denys reportedly agreed to stay on after Quadros promised him a free hand in removing from the armed forces certain officers he considered unreliable, including pro-Communists and Communist party members. One of Quadros' campaign pledges was to legalize the Communist party--which supported the administration candidate, General Lott, in the October elections--but this pledge would not preclude his support for stronger anti-Communist measures if it suited his purposes.

Initial reaction to the cabinet selections among the pro-quadros press in Rio de Janeiro has been one of strong criticism, with the cabinet termed mediocre, ultraconservative, and incapable of bringing the renovation and regeneration that Quadros supporters had anticipated. Indicative of the radical line some pro-Quadros factions expect of the new President is [redacted] on what is looked for in the way of foreign policy. [redacted] Quadros' proposals for a "bold new policy" will be published shortly after his inauguration in an anonymous newspaper article written by [redacted]

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[redacted] Actions proposed in this article allegedly will include: establishment of diplomatic relations with the USSR; a call for "understanding" instead of condemnation of the Cuban revolution; and an expression of hope for better Latin American relations with Washington, but with an insistence that the nature of these relations must be changed.

[redacted] Quadros will also call for a conference of all nations interested in studying the problems of the underdeveloped nations, inviting countries from the Middle East, Asia, and Africa, as well as from Latin America. [redacted]

[redacted]

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