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24 January 1961



Copy No. *c-7b*

CENTRAL INTELLIGENCE BULLETIN



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24 January 1961

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DAILY BRIEF

*Laos: No significant military developments have been reported during the past 24 hours. Airlift operations with Soviet IL-14s continued through 23 January.

Surah

The Boun Oum government and the French representation in Laos appear headed for a showdown. The Laotian Government, convinced that the French are working with antigovernment elements for the return to power of deposed premier Souvanna Phouma, has already requested the recall of certain French advisers and is considering declaring French Ambassador Falaize persona non grata. Paris eventually may be goaded into withdrawing its representation completely, including its economic technicians and military training mission. The withdrawal of the French training mission would jeopardize the status of the American training program, which operates technically under the French. The 1954 Geneva Agreement specified France as the sole training agent for the Laotian armed forces.

no

Congo: The reported decision by the UAR to withdraw its troops from the Congo appears related to UN directives ordering Cairo's battalion to move from Equateur to Kasai Province. the battalion's commander received instructions from the UN on 21 January to transfer his unit to Kasai by the end of the month. The commander, pointing out to Cairo that the move would compromise his freedom of action--presumably including his ability to direct clandestine support to Gizenga--and would place the unit in the midst of "famine and disturbances," stated that he would attempt to stall for time until Cairo sent instructions. In threatening to withdraw its forces, the UAR

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may be attempting to pressure the UN into permitting the battalion to remain in Equateur. [redacted]

*Belgium reportedly is continuing its efforts to aid the regimes of Mobutu and Tshombé. [redacted] about 100 Belgian military advisers to Mobutu's army recently arrived in Leopoldville. Press reports indicate that 50 volunteers for the Katanga armed forces recently were moved from Brussels to Elisabethville. Meanwhile, the situation in Stanleyville reportedly is tense, with Europeans in a state of hysteria as a result of continuing intimidation by Lumumba followers. [redacted]

UAR: Many prominent mid-eastern investors are liquidating their real estate holdings and bank deposits in both regions of the UAR because they fear a foreign exchange crisis and further nationalization within the next few weeks. By December foreign exchange reserves of the Egyptian National Bank had fallen to the lowest point ever reached, and in Syria the exchange rate of the pound has continued its downward drift. Cairo's efforts to earn foreign exchange by shifting some cotton sales from Communist countries to Western Europe have met with little success. While a \$27,300,000 drawing from the International Monetary Fund may postpone the "crisis" foreseen by Egyptian Finance Minister Qaysuni before the end of February, a flight of capital, especially to Beirut, is likely to continue from Syria and increase from Egypt. [redacted] (Back-up, Page 1)

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Turkey: Despite recent moves toward a return to civil government, which included the establishment of a Constituent Assembly on 6 January, the situation in Turkey remains unstable. The military regime of the Committee of National Union (CNU) which overthrew the Menderes government last May still lacks unanimity of purpose, full loyalty of the military establishment, and popular confidence. Fourteen ultra-nationalist officers who were ousted from the CNU in mid-November and dispersed to foreign diplomatic posts apparently

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retain a degree of military and civilian support within Turkey. The two-month-old trial of members of the pre-revolution government has failed to promote either popular condemnation of those on trial or popular support for the government. Meanwhile, the Turkish economy remains sluggish, largely through lack of public confidence, and continues to be dependent on substantial foreign economic aid, which the Turks believe their Western allies should provide. Unless there is marked improvement in the economic situation, Turkey may accept some economic assistance repeatedly offered by the USSR, provided it does not inhibit Turkey's political freedom of action.

West Germany - Poland: Berthold Beitz, general manager of the Krupp industrial enterprises, has arrived in Warsaw for further discussion of the possibilities of improving West German - Polish relations. Adenauer, who wants to appear "flexible" on East-West relations in an election year, has, according to Beitz, authorized him to negotiate the establishment of a West German trade mission in Warsaw--possibly one having certain consular functions. Beitz returned from a similar trip last month convinced that the Poles are willing to establish diplomatic ties without insisting on immediate West German recognition of the Oder-Neisse line as Poland's western border. Poland, however, continues to insist on full diplomatic ties rather than the gradual improvement of relations favored by Adenauer.

no

(Backup, Page 2)

France-Libya: France has notified the US that it will again carry out secret reconnaissance overflights of Libya on 26-27 January and 2-3 February despite recent protests by the Libyans against flights they observed on 4 and 5 January. Although the flights have been going on approximately monthly since mid-1959, the early January missions were the first detected by Libya, which immediately threatened that any repetition would lead to

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[a rupture of relations with France. The US and UK have repeatedly warned Paris of the dangers involved in these flights, but the French military have insisted that they are essential as a means of discovering any arms build-up in Libya by Algerian rebels.]

(Backup, Page 4)

*Argentina-USSR: Argentina intends to ask the USSR to reduce the size of its embassy in Buenos Aires from the present total of 42 to 20 within the next three months. Notes will be sent later to Poland, Czechoslovakia, Rumania, Hungary, and Bulgaria requesting reductions ranging from one third to one half of the present legation staffs. Argentina, concerned about Communist penetration in Latin America, appears determined to press its request. When a suggestion along these lines was made to the Soviet and Polish missions last November, it was rejected as "inconvenient."

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UAR Economic Difficulties Increasing

[Large Middle Eastern investors reportedly are disposing of their holdings and closing out their bank deposits in both regions of the UAR. The Deputy Ruler of Kuwait has said that he is liquidating his assets in Syria because he fears increasing economic and political instability and further nationalization moves by Cairo.]

All releasable to UK & Canada

[Nasir refused to approve its plan for guaranteeing private and foreign investment in Syria against nationalization. He also characterized efforts by government officials to win the support of the business community for the region's economic development plan as "begging," and noted that he had neither ordered nor approved such action.]

[Cairo's efforts to earn foreign exchange by shifting some cotton sales from Communist countries to Western Europe have not been particularly successful, and the foreign exchange situation is worsening. By December, foreign exchange reserves of the Egyptian National Bank had fallen to \$55,000,000 --their lowest ever.]

[In an effort to alleviate the situation, Egypt drew \$27,000,000 from the International Monetary Fund. This action may have postponed the early "crisis" predicted by Egyptian Finance Minister Qaysuni, but the loan was practically wiped out by a payment on 1 January of \$23,000,000--half to the Suez Canal shareholders and almost half to the Sudan under the Nile Waters Agreement.]

[The situation will deteriorate even further if Nasir carries out a reported plan to require all foreign firms doing business in the Egyptian Region of the UAR to conduct their affairs through an Egyptian "agent."]

[Redacted]

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[REDACTED]

Bonn Seeks Improvement of Relations With Poland

[Negotiations for improved West German relations with Poland seem to be under way. Berthold Beitz, general manager of the Krupp industrial enterprises, says he has been authorized by Chancellor Adenauer to negotiate the establishment of a West German trade mission in Warsaw--possibly one having consular functions. Beitz arrived in Warsaw on 22 January.]

[After a conversation with Polish Premier Cyrankiewicz during a visit to Warsaw last month, Beitz returned to Bonn convinced that the Poles are willing to establish diplomatic ties without insisting on immediate West German recognition of the Oder-Neisse line as Poland's western border. The boundary question and the so-called "Hallstein doctrine" by which Bonn refuses to have diplomatic relations with any country other than the USSR which recognizes East Germany have been the major stumbling blocks to an improvement of relations between Bonn and Warsaw.]

[A similar attempt to improve relations in 1958-59 failed because of Warsaw's insistence on immediate resumption of full diplomatic ties rather than following the step-by-step procedure desired by Adenauer. Although Beitz maintains that Premier Cyrankiewicz indicated a willingness to agree to exchange permanent trade missions as a first step, Polish Foreign Minister Rapacki and other diplomatic officials have continued to insist on full diplomatic relations.]

[The undersecretary in the West German Foreign Ministry informed American officials in Bonn that Adenauer had not raised the question of a trade mission with the Foreign Ministry and that he believed the chancellor would move cautiously in an election year to avoid alienating the expellees and refugees who make up about one fifth of the population. Adenauer, however, may be willing to make at least a gesture in order to convince the German public, as well as his allies, that he can]

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[be flexible in dealing with the East and that he is not an obstacle to an international detente.]

[redacted] publicly taking a "positive attitude" toward attempts to improve relations with Poland in hopes of removing the impression that the refugees are "disturbers of the peace" in East-West relations. German businessmen have long sought to expand formerly lucrative Eastern markets. The Poles have expressed strong interest in West German industrial products and also wish to increase exports of raw material and agricultural products to West Germany. At present, trade with Poland amounts to less than one percent of all West German foreign trade.]

[redacted] statements by Polish leaders have been extremely cautious on the question of a rapprochement with Bonn, but there are indications that negotiations are proceeding on the Foreign Trade Ministry level in the establishment of economic relations while playing down the political problems involved.] [redacted]

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[REDACTED]

France Schedules Further Overflights of Libya Despite Tripoli's Protests

{Despite a recent protest from the Libyan Government, France intends to continue the series of reconnaissance flights the French Air Force has been making over Libya since mid-1959. A French Air Force intelligence officer has notified the US air attaché in Paris that flights north of the 30th parallel will be flown on 26-27 January and south of the parallel on 2-3 February.}

{Libya has become aware of such overflights only recently. On 9 January Libyan Prime Minister Muhammed Ben Uthman informed the US ambassador in Tripoli that on 4 and 5 January two French military aircraft had conducted 20-minute low-level surveillance over Ghat and two other villages in southwestern Libya near and on the Algerian border. French officials had previously notified the US that overflights south of the 30th parallel were scheduled for these dates. Uthman charged that a French military land penetration of Libyan territory had occurred also on 5 January, and stated that the French ambassador had been warned that repetition of such incidents would inevitably lead to a rupture of relations. He asked both the United States and Britain to intervene with France. He insisted that the whole matter be handled with the utmost secrecy, pointing out that publicity would generate strong domestic pressure for immediate action.}

{French officials have regularly notified the US of the scheduled dates and areas for the overflights, and have as regularly ignored US and UK warnings of the possible consequences. The French military justify the overflights as essential to detect a possible Algerian rebel arms build-up on Libyan bases, and have even claimed to possess intelligence reports that a rebel air force is being formed there. Although arms have been transshipped through Libya to rebels in Algeria, Paris has made no claims that a major build-up has been discovered as a result of the overflights.}

{If such French activities are again detected, Tripoli may go beyond simply breaking relations. It may invoke its mutual defense}

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[treaty with the UK to demand that British aircraft prevent such incursions; it may also threaten to suspend the Wheelus air base agreement with the United States unless US aircraft assist in protecting Libyan territory.]



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