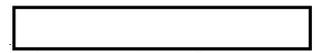


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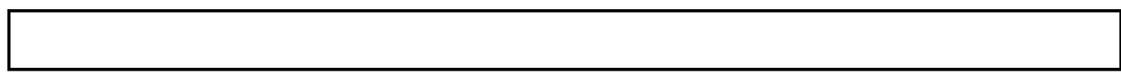
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4. Belgian defense officials apparently aiding Tshombés government. (*No Backup*)
5. Situation in South Vietnam. (*No Backup*) (*Map*)

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6. Brazilian ambassador in Mexico expresses misgivings over attitude of new Brazilian Government toward Castro regime. (*No Backup*)



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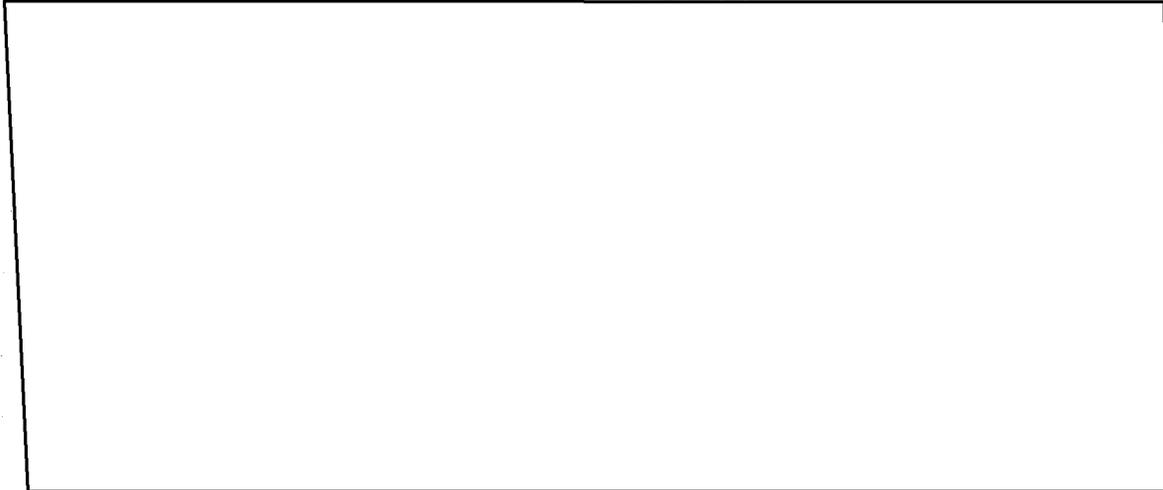
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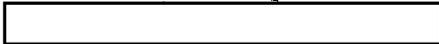
THE COMMUNIST BLOC

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Communist China: Following the Chinese Communist central committee plenum held from 14 to 18 January, Peiping announced a series of moves designed to overcome the present economic difficulties, bolster popular morale, and silence critics within the country who are blaming the regime for China's current difficulties. According to the communiqué issued at the end of the plenum, agricultural production will receive primary stress in 1961, capital construction will be cut back, and quality will be emphasized in industrial production. In addition, free markets are to be encouraged at the village level. Politically, Peiping has inaugurated a mass campaign against both "bad elements" who oppose and are sabotaging the regime's policies and "well-intentioned" cadres which have "misunderstood" those policies. The campaign--to be carried out with great publicity--will provide the regime with scapegoats for its own mismanagement as well as discourage further criticism from the population.

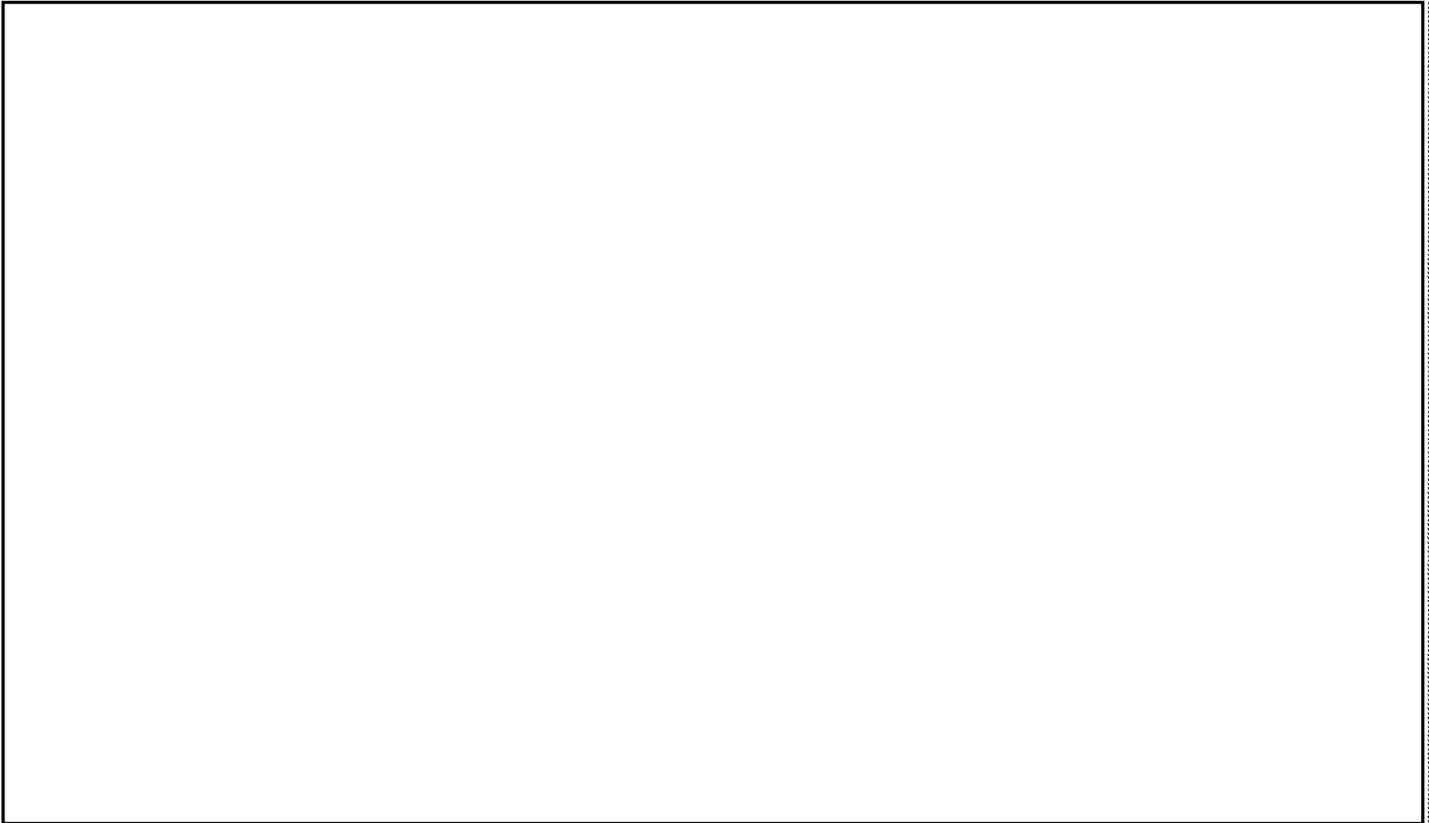
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ASIA-AFRICA



Congo-Belgium: [Officials of the Belgian Defense Ministry appear to be aiding Tshombé's Katanga government without the knowledge of the Belgian Foreign Ministry. A Foreign Ministry official told the American ambassador on 19 January that his office had just learned that Defense Ministry personnel had assisted in the screening of a group of white recruits who had left Brussels that day for service with Tshombé's forces.]



[] a senior Belgian military officer had stated that Belgium was willing to sell the equipment then at Kamina base to Tshombé for a token payment; in addition, the officer reportedly had recommended that equipment and training for a paracommando battalion be provided by Belgium. [] indicated that more than 200 "deserters" from Belgian units in Ruanda-Urundi are now serving with the Katangan forces. The military activities apparently conflict]

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with policies developed by the heads of other ministries, whose representatives have told American officials that although Belgium wished to send aid, it would defer to its major NATO allies. [REDACTED]

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***South Vietnam:** The survival of the Diem government in South Vietnam continues to be threatened by the operations of an estimated 7,000 Communist guerrillas directed by North Vietnam and by the generally deteriorating situation. In the southern delta provinces, where they are concentrated, the guerrillas now exercise control in many rural areas despite repeated security sweeps by units of Diem's 150,000-man army and paramilitary forces. The Communists have also shown capability to strike in force in the northern plateau region and on the main routes outside Saigon. In addition to the guerrilla activity, the North Vietnamese are conducting a major propaganda campaign designed to promote a united front that would exploit the general dissatisfaction with the Diem regime's social and political controls.

The increased Communist threat has reinforced Diem's preoccupation with security measures at the expense of economic development programs. His failure to counter Communist influences by reform of his rigid and highly centralized government is encouraging further plotting by frustrated politicians and restiveness within the military. Diem survived the attempted coup by paratroop elements in November 1960 only because the rest of the army remained loyal to him. [REDACTED]

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THE WEST

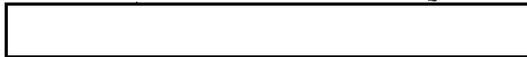
Brazil-Cuba: The Brazilian ambassador in Mexico has expressed concern to the US Embassy over the probable attitude of the new Brazilian Government toward the Castro regime in Cuba. He said that President-elect Janio Quadros, who is to be inaugurated on 31 January, has a number of pro-Cuban advisers. Quadros visited Castro last March in an effort to refute Communist charges that he is a "Wall Street lackey" and

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subsequently made a number of statements favorable to Castro. In his only postelection press conference last October, Quadros refused to comment on the Cuban situation and has not issued any policy statements on any subject since. Quadros has been holding himself virtually inaccessible in Europe for the past three months and upon his return to Brazil on 20 January brushed aside queries as to his cabinet choices. It seems unlikely that he will take any precipitate action either for or against Castro and he may make an effort to mediate between Cuba and the anti-Castro governments in the hemisphere.



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Chinese Communist Central Committee
Announces Retrenchment

The first plenary session of the Chinese Communist party central committee to be held in 17 months, meeting in Peiping from 14 to 18 January, decided on a series of moves designed to bolster the Chinese economy and silence domestic critics who are blaming the regime for the current difficulties.

The communiqué issued by the plenum acknowledges a second year of bad harvests in China and makes an appeal for every effort to bring in a better harvest in 1961.

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[Opposition to the regime's economic policies is known to have flared into the open recently, and posters reading "more food" and "down with Communism" have been reported in Dairen, Hainan Island, and Peiping.] The central committee communiqué takes cognizance of this opposition, while claiming that over 90 percent of the population wholeheartedly stands behind the regime. It admits that a "small minority of unreformed landlord and bourgeois elements" have taken advantage of the present problems to carry out sabotage, and in some cases have infiltrated party ranks and economic organizations on the lower level. The communiqué also asserts that a few "well-intentioned" cadres have misunderstood the party's fundamental policies and therefore have erred in their work. These cadres are accused of failing to comprehend the difference between socialism and Communism and not giving enough stress to the workers' need for material incentives. Peiping is thus blaming these cadres for implementing policies advocated by the leadership itself just a short time ago.

To silence the opposition and provide scapegoats for its own mismanagement, the central committee has announced a mass campaign to be carried out with maximum publicity against the "bad elements" and to raise the ideological level of those "well-intentioned" cadres which erred. This rectification campaign will

probably last for several months and result in some widely publicized purges at the provincial or lower levels. The references to opposition of only a "few elements" in the party and government, however, suggest that any purge will affect only a small minority of the cadres; there is no indication that it will reach into the top leadership.

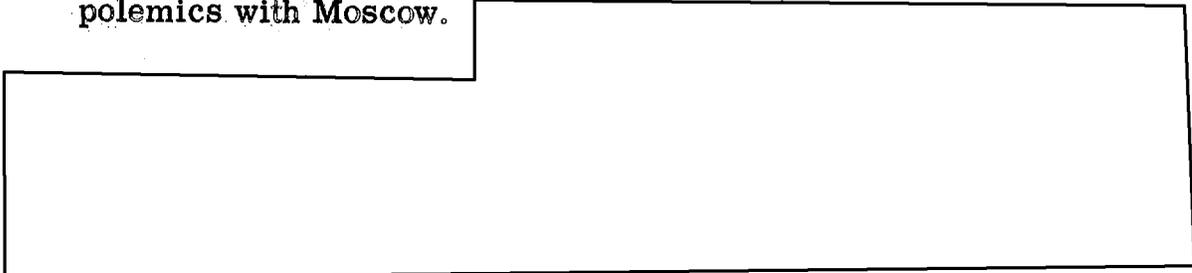
In citing overfulfillment in advance of production goals originally scheduled for 1962, the communiqué puts the best face possible on industrial performance in 1960, but failure to meet 1960's "leap forward" goals is apparent. The communiqué suggests that the value of industrial output increased by only 14 percent in 1960, less than half the 29 percent scheduled. The guidelines for 1961, as spelled out in the communiqué, comprise mainly a further effort to boost agricultural production, stopgap measures to tide light industry over continued shortages of raw materials, and a reduction in the rate of growth in heavy industry. Investment in capital construction is to be reduced, and the emphasis in industry is to be on "consolidating, filling out, and raising of standards." No production goals are announced for 1961, but the tone of the communiqué is a clear admission that Peiping's "great leap forward" has spent its force.

The communiqué also announces that the central committee plans to establish six regional bureaus to strengthen leadership over the municipal and provincial party committees. The six regional committees are identical with the form of party organizations in force before June 1954. They were dissolved at that time in the aftermath of the purge of two regional leaders who were charged with attempting to set up "independent kingdoms." The current reorganization points up the lack of qualified leadership at the intermediary level, which apparently is severe enough to force Peiping to run the danger of allowing regionalism to develop once again.

The plenum also passed a resolution on the Moscow meeting of Communist parties held in November 1960, affirming

Peiping's satisfaction with the results of the conference and its intention to adhere to the declaration produced by the conference. The resolution is similar to the Soviet party central committee's resolution of 18 January. The language of the Chinese resolution at several points implies that the Chinese party will continue to advocate a more militant strategy than Moscow currently favors, but the emphasis on the importance of Sino-Soviet "unity"--declared to be in the "fundamental interests" of the two countries--suggests that Peiping will refrain, for a time at least, from polemics with Moscow.

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The Department of State

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The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

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The Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

Assistant Secretary of Defense (International Security Affairs)

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

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The Director, The Joint Staff

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