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28 December 1961

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CENTRAL INTELLIGENCE BULLETIN



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*Laos: Projected coalition talks in Vientiane by Boun Oum, Souvanna Phouma, and Souphannouvong foundered at the outset on 27 December, with Boun Oum reverting to insistence that further tripartite discussions are unnecessary and that it is up to Souvanna to try to form a government through direct approaches to various political figures in the country. Boun Oum took this stand after Souvanna and Souphannouvong paid him a brief "courtesy visit." Their cool reception to the capital was marred by recriminations between the Pathet Lao and Vientiane factions. While it is possible that the good offices of the ICC and the diplomatic corps in Vientiane will prevail upon the three princes to begin negotiations, this initial incident is a gauge of the extent of the present Vientiane regime's distaste for a coalition with the Pathet Lao under Souvanna's premiership.

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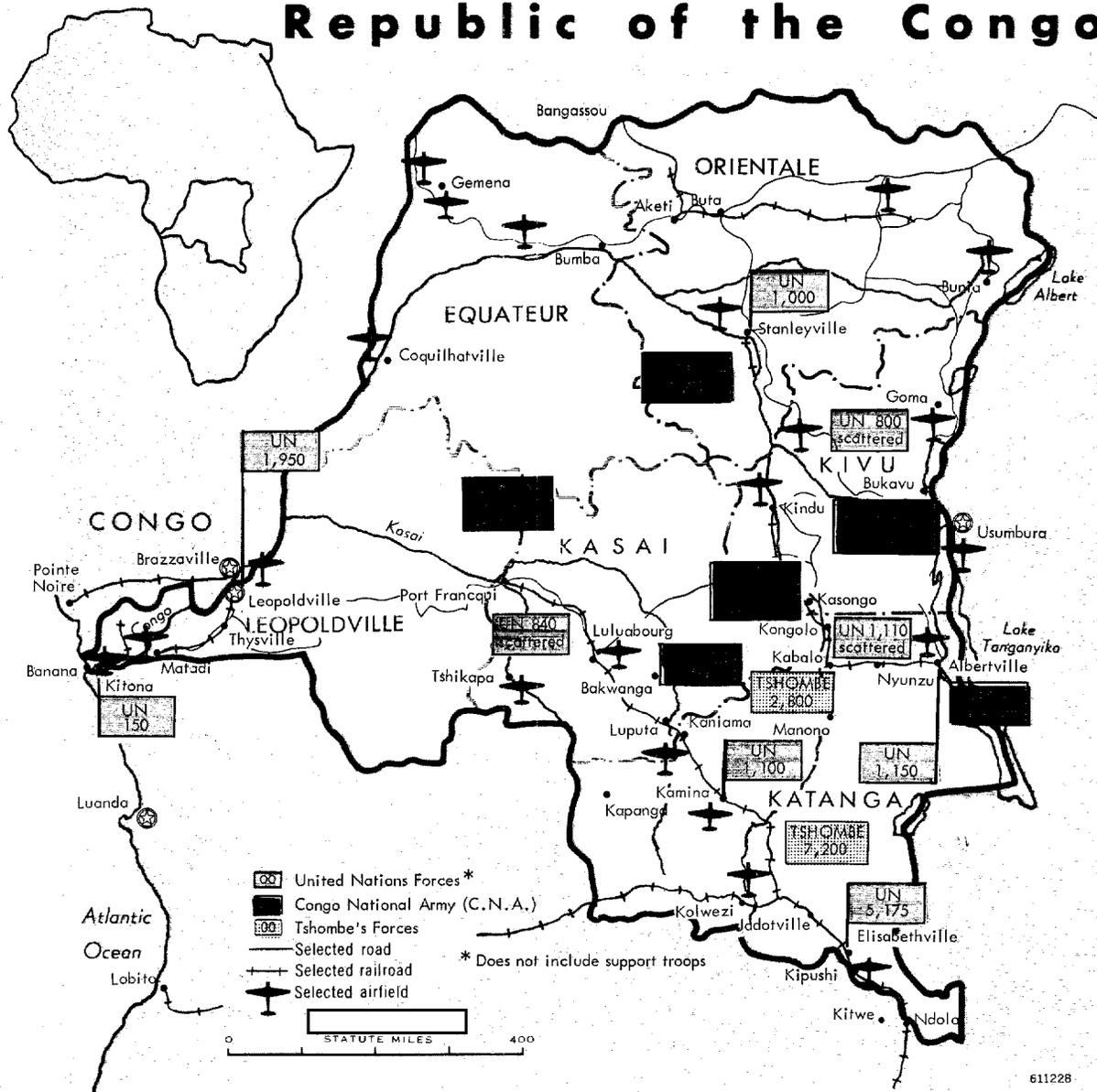
The Watch Committee at its meeting on 27 December reached the following preliminary conclusion concerning Laos:

The breakdown of princely negotiations in Vientiane appears imminent. Under these circumstances, the prospects have sharply increased for a renewal of military operations in Laos. There are indications that the Pathet Lao and Kong Le forces are increasing preparations for such a contingency.

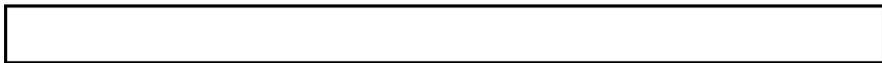
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Republic of the Congo



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Congo: Katanga leaders continue to disavow publicly the validity of the Kitona agreement and to say that they will agree only to a loose federal constitutional arrangement. The Katanga parliamentary delegation sent by Tshombé to discuss constitutional changes has begun to arrive in Leopoldville.

European civilian morale in Elisabethville has dropped sharply, and Brussels has requested American assistance to evacuate 2,500 Belgian nationals, mostly women and children. The Leopoldville embassy believes the Belgian request was made under the mistaken impression that Congo Army units recently assigned to the UN were about to arrive in Elisabethville. Tension in the Katanga capital remains high as a result of clashes between pro- and anti-Tshombé tribesmen, pillage and looting by roving Baluba tribal refugees, and from excesses apparently committed by UN Ethiopian troops during the recent fighting. The American consul reports that all but the most elemental economic activity has ceased and that top Union Miniere officials are afraid that their installations in the Elisabethville area will not be reopened for some time.

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UN officials in New York have told Ambassador Stevenson that no further military action is contemplated at present and that there would be no attempt to move against Katangan forces at Jadotville and Kolwezi. US Consulate officials report, however, that recent UN military deployments in and around Elisabethville suggest that the local UN military command may in fact be making preparations to exert some military pressure on Tshombé, such as a move against the Jadotville-Kolwezi area, should he go back on the Kitona agreements. (Map)

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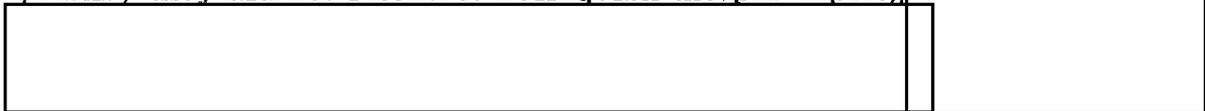
Indonesia-Netherlands: Both Indonesia and the Netherlands are willing to negotiate the West New Guinea dispute with third party participation, and both have stated that they will drop conditions for entering the talks. In what appears tantamount to a precondition, however, Sukarno told US Ambassador Jones on 26 December that there should be "advance understanding" that the purpose of negotiations would be to effect the transfer of the administration of West New Guinea to Indonesia and to discuss the manner in which it should be accomplished. Sukarno is willing to accept a one- or perhaps two-year UN trusteeship over the area, provided Indonesia is the trustee power and provided that at the end of the trusteeship period, West New Guinea will come under Indonesian sovereignty. The Dutch ambassador in Washington emphasized to US officials on 22 December that while the Dutch would not make the principle of self-determination for the Papuan inhabitants of West New Guinea a precondition for talks, they did not intend to relinquish the principle.

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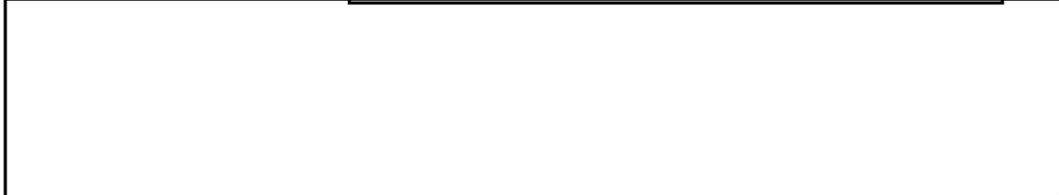
West Berlin: The US Mission in Berlin reports signs of increasing restiveness among the West Berlin population and growing concern in the business community. For the first time in recent years, West Berliners are becoming somewhat susceptible to Communist "scare" propaganda, which is increasing their nervousness. A new irritant is the inability of families separated by the sector border to get together during the holidays.

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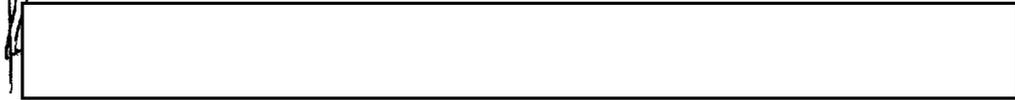
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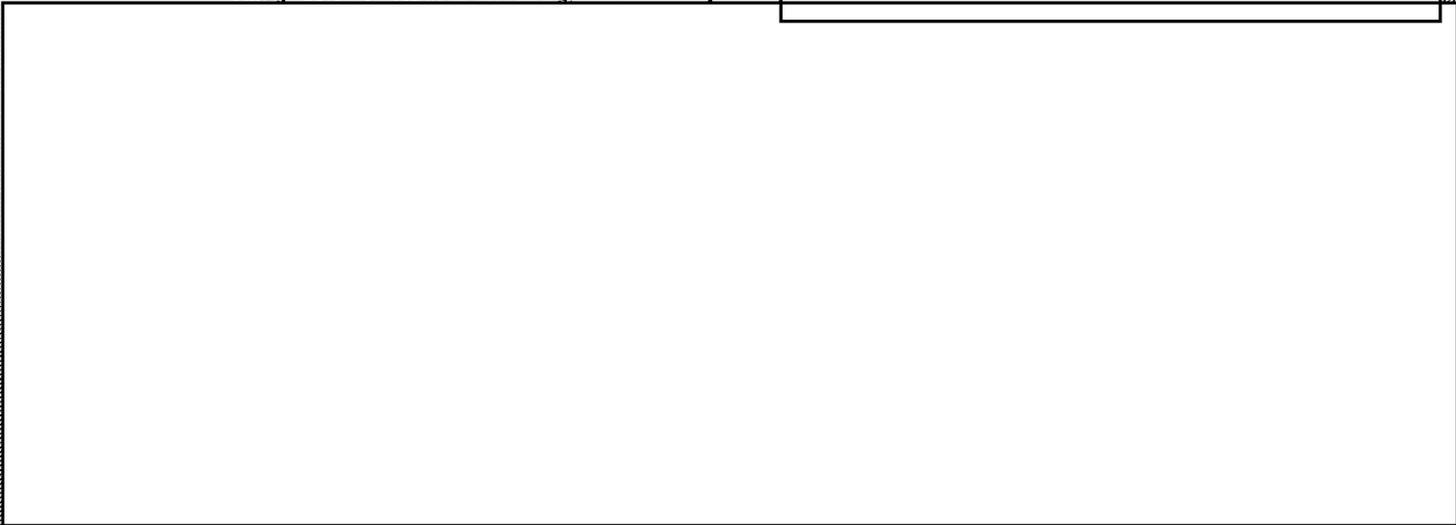
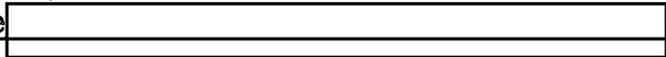
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Orders for producer goods fell off considerably in October, bank withdrawals have exceeded deposits since August, and tourist trade has declined sharply. The only bright spot in the picture is that orders for consumer goods rose substantially in October. There is general agreement among Berlin leaders that Bonn's measures to assist the Berlin economy have thus far been inadequate

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Common Market: Despite five days of intensive negotiations last week, the six Common Market (EEC) countries failed to reach sufficient agreement on a common agricultural policy to clear the way for the EEC to proceed by 1 January as scheduled to the second of its three four-year transitional stages. Some EEC sources are optimistic that the deadlock will be broken at the ministerial meeting opening 29 December, but others are "uncertain." There are press reports that the ministers may sit continuously until agreement is reached, turning back the clock if necessary in order to meet the deadline. The EEC treaty provides that in the absence of

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Unanimity, transition to the second stage will be postponed for at least one full year. Since the EEC countries are aware that failure to proceed on schedule to the second stage would result in a loss of momentum and a serious psychological setback for the Common Market, an accommodation to proceed is probable. (Backup, Page 1)

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Pakistan-India-UN: The controversy within the Pakistani Government over whether to reopen the Kashmir dispute in the United Nations has apparently been resolved by India's seizure of Goa. Pakistani officials now state that the issue will be raised soon in the Security Council, probably in January. They apparently hope to take advantage of New Delhi's loss of prestige in some international quarters and its increased sensitivity to foreign criticism following the Goa invasion to press their charges of Indian aggression in Kashmir and obstructionism in the United Nations. While Pakistanis probably do not expect strong action by the Security Council or General Assembly, they may calculate that such pressure on India will improve Pakistan's bargaining position in any bilateral negotiations on Kashmir following the Indian elections in February. The Ayub regime may also consider the UN debate useful to enhance its popularity within Pakistan.

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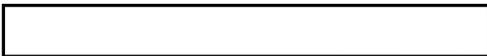
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Afghanistan-Pakistan: Afghan Foreign Minister Naim has indicated that Kabul may soon relax its closure of the Afghan-Pakistani border for a single entry of US aid shipments which have been held up in Pakistan since early September. Such a move by Kabul would be its first demonstration of an accommodating attitude toward the practical difficulties created for the US aid program by the border closure. The move underscores the importance the Afghans attach to US aid programs and their realization that reshipment through Iran of the supplies now in Pakistan is not feasible. It further suggests that the Afghan

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Government has concluded that its policy of disrupting American aid shipments to stimulate US pressure on Pakistan is not producing the desired results. Although Afghanistan is not modifying its policy toward Pakistan, the latter will almost certainly consider any relaxation of Kabul's "self-blockade" as a vindication of its view that the Afghans must eventually relent if the free world allows them to "stew in their own juice."

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Naim reiterated his concern over the lack of a long-term American aid commitment for the Afghan Second-Five-Year Plan, which starts next March. [The USSR has agreed to provide \$196,000,000 worth of aid during the plan period.]

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WATCH COMMITTEE PRELIMINARY CONCLUSIONS

[The Watch Committee of the United States Intelligence Board in its meeting of 27 December reached the following preliminary conclusions:]

[No Sino-Soviet bloc country intends deliberately to initiate direct military action in the immediate future.]

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SOUTHEAST ASIA:

- A. [LAOS: (Carried on page i of DAILY BRIEF)]
- B. [SOUTH VIETNAM: Viet Cong subversive and small-scale military activity continues at a high rate, despite widespread counteractions by government forces. A renewal of major fighting in Laos is likely to lead to increased Communist operations in South Vietnam. The]

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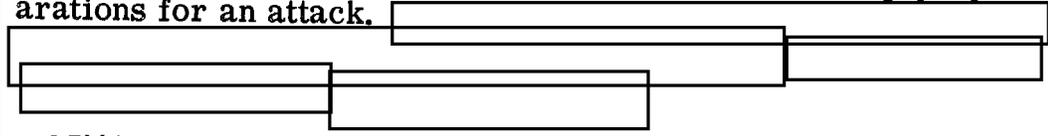
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(Watch Committee Conclusions continued)

(Viet Cong has the capability of conducting large-scale attacks on preselected targets in some areas of the country at any time.)

IRAQ-KUWAIT: (British forces bearing on the area have been alerted. Iraqi statements menacing the future of Kuwait continue, but we have seen no convincing evidence of Iraqi preparations for an attack.)



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Status of the Common Market

At the negotiating session on 22 December, France proposed that the move to the second stage be delayed a month to give more time for compromise. This proposal was rejected, however, by the other five countries and by the EEC's executive commission on grounds that it is politically necessary to adhere to the EEC treaty, which provides that--failing unanimous consent to open the second stage--the first stage is automatically extended for at least a year. The French thereupon agreed to proceed on 1 January with the second stage, provided prior agreement is reached on eight controversial agricultural policy issues.]

On at least some of these issues, all of which are exceedingly complex and involve major national interests, a measure of agreement appears to have been reached already. As a step toward eventual equalization of farm prices throughout the EEC, for example, it has been agreed to freeze support prices at their present levels. A compromise has also been reached on the administrative machinery for controlling the system of variable import levies, and agreement is apparently in sight on a way to share the costs for the various agricultural funds which will be used to subsidize exports, buy up farm surpluses, or modernize farming methods. However, various measures looking toward the regulation of trade in milk products, fruits, and vegetables and the use of minimum-price import restrictions are still in dispute.]

Belgium has warned the other countries that it considers agreement "imperative," and most observers share this view. The four-year duration of the second and third stages can be extended only by unanimous consent of the member countries, and the tariff changes and other measures they provide are virtually automatic. While the acceleration program has already put the EEC ahead of the schedule of tariff adjustments set forth in the]

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[Redacted]

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[Redacted] treaty, a delay in the second stage would jeopardize the continuation of this acceleration program. Moreover, as the EEC treaty is implemented, its institutions become progressively more supranational in their operation.

[Redacted]

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[Redacted] It would be particularly embarrassing for the Common Market to falter on the farm problem. EEC insistence on the coverage of trade in farm products was one of the issues on which the British-backed Free Trade Area project foundered and is one of the issues in negotiations on the UK's accession to the EEC. [Redacted]

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[Redacted]

[Redacted]

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