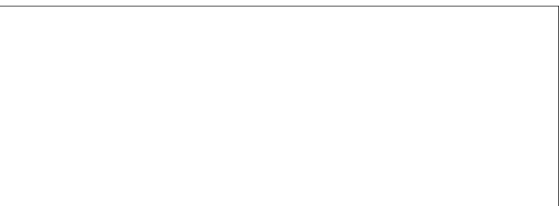


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6 March 1961



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# CENTRAL INTELLIGENCE BULLETIN



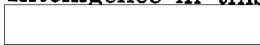
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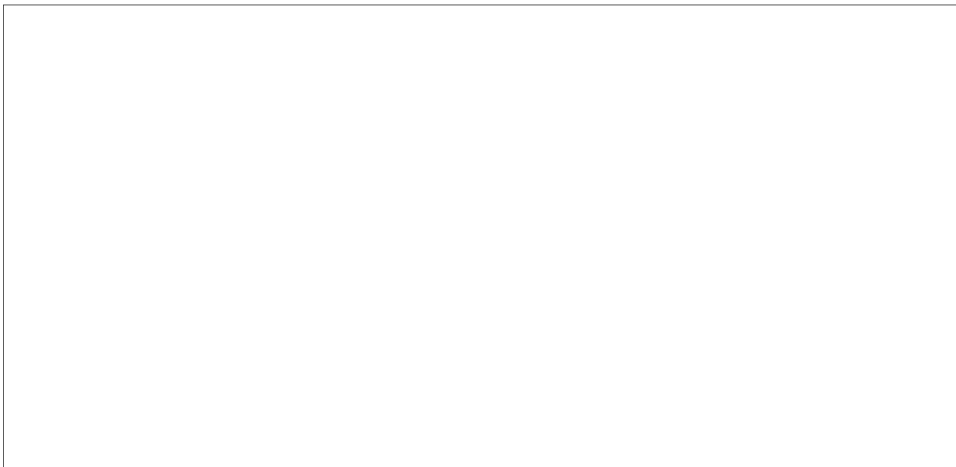
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6 March 1961

CENTRAL INTELLIGENCE BULLETIN

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6. Panamanian delegate to "peace conference" may introduce resolution on Canal Zone sovereignty. (*Page iii*)

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## CENTRAL INTELLIGENCE BULLETIN

6 March 1961

## DAILY BRIEF

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\*Congo: The situation in the Banana-Matadi-Kitona area remains tense, and the 120-man Sudanese garrison at Matadi has withdrawn to avert further clashes. Congolese forces apparently have ignored a cease-fire negotiated earlier by UN special representative Dayal and Congolese Foreign Minister Bomoko. UN Secretary General Hammarskjold, following a two and a half hour emergency meeting of the UN's 18-nation Congo advisory committee, is reported to have ordered the UN commander to meet today with Congolese military leaders in an effort to restore UN control in the area. Dayal confirmed on 4 March that he had orders from Hammarskjold to hold Banana and Kitona at all costs, and to retake them if lost, by force if necessary.

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Brussels radio has announced that Gizenga and Kashamura will attend the round-table conference called by Tshombé which is to begin on 6 March in Tananarive. Tshombé, Kalonji, and Ileo arrived in Tananarive on 4 March, and Kasavubu reportedly will join them on 6 March, following a plea from Tshombé that the conference would not succeed without him. The conference is unlikely to result in more than broad agreements to cooperate on "unifying" the Congo. The proclamation on 4 March of the State of Maniema, in Kivu Province, by Antoine Omari is probably an effort on his part to align himself with the anti-Communist grouping of Tshombé, Kalonji, and Ileo announced on 28 February. It is doubtful that Omari controls enough of Kivu Province to make this move significant.

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Laos: Former Laotian premier Souvanna Phouma is reportedly planning to leave Cambodia between 7 and 11 March on his world tour seeking support for his "legal" government. Former finance minister Inpeng Suradhay is still trying to arrange talks between Souvanna and General Phoumi. Inpeng, who arrived in Vientiane and Luang Prabang during Souvanna's recent visit to

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[rebel-held territory, planned an early return to Phnom Penh to convey Phoumi's willingness to meet Souvanna, possibly in Rangoon.]

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[A team from Taipei was expected to arrive in Bangkok by 6 March to negotiate arrangements for the repatriation of Chinese Nationalist irregular troops from the Thai-Burma-Laotian border area. The team plans to visit villages in Laos and Thailand, where irregulars crossing over from Burma have concentrated, to persuade as many as possible to return to Taiwan. Although a Laotian government spokesman has stated that Kuomintang elements in Laos are now being disarmed, [redacted] in the border area has reported seeing a well-armed unit in his village. [redacted]

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[redacted] about 1,000 irregulars encamped in northern Thailand may have crossed back into Burma.]

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Pakistan-USSR: "The agreement on oil exploration signed in Karachi on 4 March after several months of bargaining is the first major Soviet aid program accepted by the Pakistani Government. The agreement provides for a credit of \$30,000,000 to finance a five-year program of technical assistance in oil prospecting and surveying. The credit carries the usual favorable terms--repayment over 12 years at 2.5-percent interest. Pakistani officials, impressed by the discoveries of Soviet teams in India and Afghanistan, hope that the Soviets will succeed where Western oil companies have failed. Leaders of the military government probably are also motivated by political considerations. While maintaining Pakistan's commitment to its Western alliances and continuing to rely strongly on US aid, President Ayub and his associates have sought in recent months to demonstrate a greater "independence" in foreign policy as a reminder that Pakistan's cooperation should not be taken for granted. [redacted] (Backup, Page 3)

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West Germany: [In a sudden move, Bonn has raised the exchange value of the West German mark 5 percent in an effort to halt the steady influx of foreign exchange--chiefly dollars--which has contributed to US balance-of-payments difficulties. The Netherlands has announced that the guilder is being similarly revalued. Although [redacted]

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DAILY BRIEF

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German government and banking officials--under strong pressures from industrial and commercial interests--had repeatedly rejected revaluation, the failure of Bonn's recent easing in its tight monetary policy to correct West Germany's chronic billion-dollar payments surplus and the threat of another wave of speculation apparently convinced Bonn officials that a more realistic pegging of the mark was unavoidable. This action--which applies a brake on inflation but also makes German exports more expensive

[Redacted]

[Redacted] may be intended to demonstrate Chancellor Adenauer's willingness to take additional steps to ease pressure on the dollar

[Redacted]

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Latin America: A demand for full Panamanian sovereignty in the Canal Zone is likely to be one of the propaganda highlights of the Communist-backed "Latin American Conference on National Sovereignty, Economic Emancipation, and Peace," meeting in Mexico City from 5 to 8 March. Pro-Castro deputy Thelma King, head of the Panamanian delegation, reportedly will introduce the resolution on the Canal Zone and another condemning US "aggression against Cuba." The conference is sponsored principally by former Mexican President Lazaro Cardenas, a Stalin Peace Prize winner whose prestige as a revolutionary is high in Latin America, although he has allowed himself to be used increasingly by both Castro and the Communists.

[Redacted]

[Redacted]

[Redacted]

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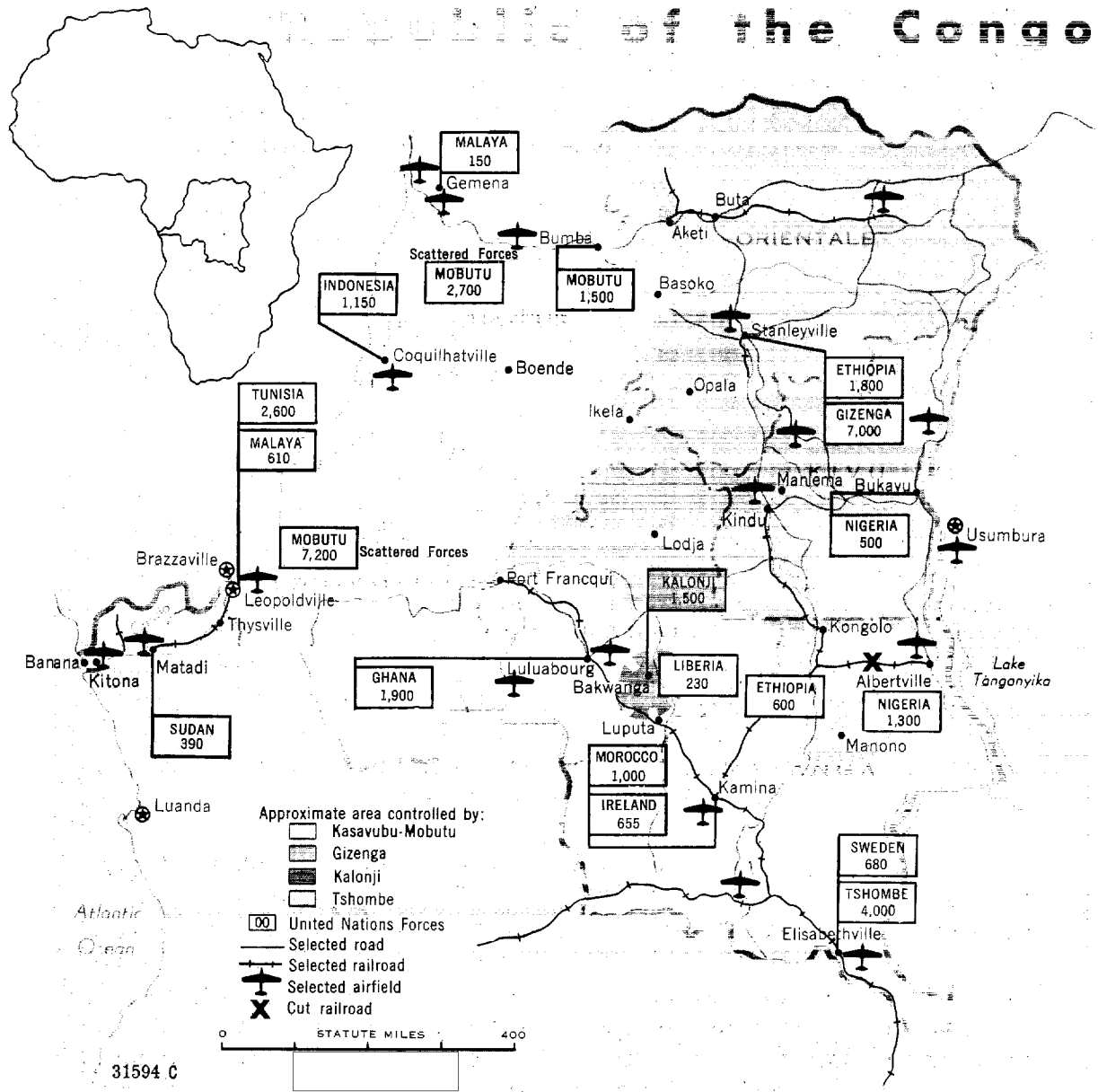
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DAILY BRIEF

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~~SECRET~~Situation in the Congo

The fighting around Banana has resulted in casualties on both sides--which will make it even more difficult for either UN or Congolese forces in Leopoldville to control the situation. [redacted] Congolese troops have used artillery, mortars, and even a small amphibious operation against the Sudanese UN forces. [redacted]

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[redacted] the incident could touch off fighting elsewhere.

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[redacted] Belgium will not insist on the departure of the Belgian military, paramilitary, and political personnel who are under contract to the Katanga government. Military technicians not under contract--probably about 40 in various ministries of the Katanga government--apparently will be recalled, however. Tshombé would react strongly to such a move.

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Gizenga, after having indicated several times that he would not attend the Tananarive conference, informed UN officials on 4 March that he was eager to participate and asked the UN to furnish transportation. The conference, originally planned for Geneva, was suddenly reset for Tananarive on 1 March--apparently without the Malagasy government's having been consulted. There is no known agenda, but some reports indicate that the conference will last for six days. Malagasy President Tsiranama, who apparently will take no part in the meetings, on 3 March broadcast advice to the population to receive the Congolese as brothers but not to take sides with any faction. [redacted]

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Meanwhile, Gizenga continues to explore ways of getting outside help for his hard-pressed regime. [redacted]

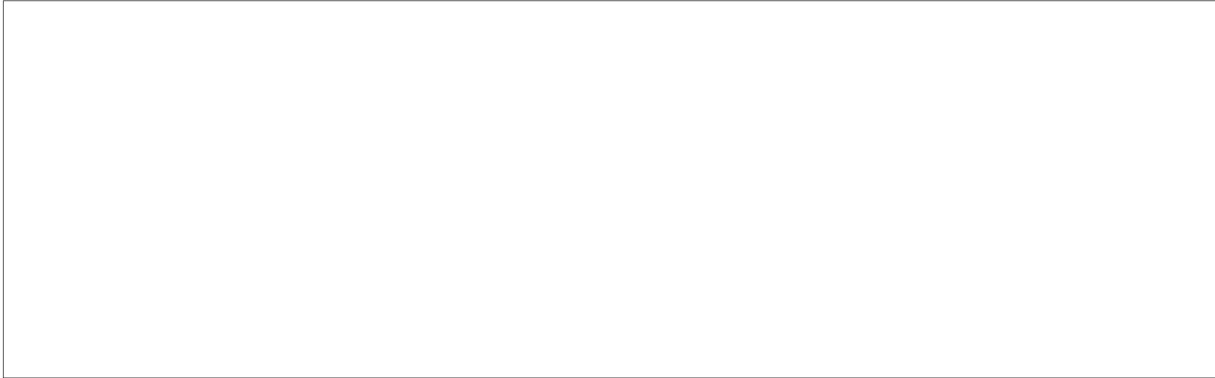
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### Pakistan and USSR Sign Agreement on Soviet Aid in Oil Exploration

Agreement in principle on the Soviet credit was reached in Moscow in December during the visit of the Pakistani minister of fuel, power, and natural resources, but consummation of the deal was delayed pending further negotiations in Karachi. Pakistani officials had originally hoped that Moscow would agree to share the expense of exploration if oil is not found--Pakistan paid only 25 percent of the cost of exploration undertaken by Western oil companies--but this idea was promptly dismissed by Soviet negotiators. Pakistani officials also pressed for even more favorable credit terms than they received, including repayment in nonconvertible rupees. In the end Pakistan apparently conceded its main points, although the Soviets, in agreeing to rupee repayment, probably assured Pakistani officials that Moscow would not demand conversion to hard currency unless acceptable exports were not available.

The Soviet ambassador recently discussed publicly the possibility of additional assistance in such areas as atomic-energy development for peaceful purposes, medical training, and agrarian problems. He also expressed hope that a cultural agreement would be signed. Pakistani officials have shown some reluctance with regard to further aid programs, but conclusion of the oil deal may make it difficult for them to turn down publicized offers in the social welfare field, because these are keyed to popular demands and have stirred considerable public interest.

Despite President Ayub's repeated reaffirmation of Pakistan's pro-Western foreign policy and commitment to the CENTO and SEATO alliances, neutralist tendencies have been increasingly evident in government circles since mid-1960. A number of top officials, sharing the view held by many intellectuals and large sections of the public, question the value of a rigid commitment to the West, noting that

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neutralist countries often gain more by exploiting the competing interests of both major power blocs. The military government since early this year has permitted much of the press to carry on a sustained editorial campaign calling for "gradual disengagement from the role of a committed nation" and for improved relations with the bloc. The line taken by the press presumably has reinforced the latent neutralist sentiment of the bulk of the population, especially in East Pakistan.

[In his latest conversation with Ambassador Rountree, Ayub explained that in view of Pakistan's "extremely difficult strategic position"--with enemies or potential enemies on all sides, excepting Iran--it was essential to avoid trouble with Communist China. Ayub felt he could not secure a border settlement from Peiping--which would ease the threat to Pakistan's security from that direction--without modifying his government's position on Chinese representation in the UN and specialized agencies. Ayub indicated that Pakistani delegations would abstain on procedural questions involving the seating of Chinese Communist representatives, and would have to vote for acceptance should a substantive resolution come to a vote.]

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[Ayub and his associates also calculate that an accommodation with Peiping will increase pressure on India in connection with the Kashmir dispute, and that better relations with Moscow will put Afghanistan at a disadvantage in its dispute with Pakistan over the Pushtoonstan issue.]

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Bonn Raises Value of West German Mark

[Foreign exchange trading in West Germany was briefly interrupted on 4 March and then resumed at a new rate of four German marks to the dollar, compared with the old rate of 4.23. Later, Economics Minister Erhard confirmed that Bonn has revalued the mark and described himself as the "initiator and driving force behind the action." He explained the move as a necessary step to maintain the stability of the German currency and price levels in West Germany, as well as to stem the speculative influx of dollars into the country. International financial circles have long been concerned over Bonn's chronic balance-of-payments surplus, which increased another \$2 billion in 1960 for a total gold and foreign exchange reserve of more than \$7.5 billion. Revaluation is intended to help correct this imbalance. Although the move benefits German consumers through lower or stable prices, German businessmen and labor leaders are critical because of the resultant reduction of Bonn's competitive price edge in world markets, which they fear may put a damper on Bonn's continuing boom.]

[While praising the move, some Western officials have questioned whether a 5-percent revaluation is sufficient to reverse the imbalance. These officials suggest that instead of an immediate flow of dollars back to the United States, speculators might stand pat in anticipation of further changes not only in the mark but in other currencies as well.]

[In a press interview on 5 March, Erhard gave assurances that in addition to revaluing the mark, Bonn intends to go ahead with plans for a billion dollar aid program for underdeveloped countries as a further means of easing the US financial burden.]

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### Hostility to Trujillo Intensifying

Arrests and tortures have increased markedly in recent weeks, particularly in traditionally anti-Trujillo cities in the interior, according to information reaching the American Consulate from a number of independent sources. Although opposition to Trujillo extends to all social and economic levels except the generally politically inert peasantry, it has long been led by middle class and professional elements who are moderate and friendly to the United States. It is these groups that have been most gravely weakened by the government's repression and by the economic difficulties of the past two years. Dissident leaders fear that unless Trujillo is soon ousted, there will be little hope of a moderate successor.

The military and police organizations, which remain the key to Trujillo's survival, show no sign of disaffection. However, relatives of certain key officers have been victims of Trujillo in the past year, and these and other officers may well desert him if they become convinced that his end is near.

The American Consulate noted on 3 March that Trujillo, who is probably aware of the gravity of the current political and economic situations, may be planning a simulated coup. Under such a plan, the government would be turned over to a military junta composed of officers ostensibly opposed to Trujillo but actually controlled by him. After OAS sanctions against the Dominican Republic had been lifted and the government assured of a market for Dominican sugar in the US, Trujillo would be recalled. Such a strategy is consistent with Trujillo's mentality and with tactics he has used in the past.

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[REDACTED]

Communist and Castro Influence Dominant in Latin American Peace Congress

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[An attack on the US position in the Canal Zone would be enthusiastically supported by delegates to the conference, as well as by observers who are attending from most Communist countries, including China. The Panamanian demand for sovereignty may be used as part of a campaign against US retention of the naval base at Guantanamo.]

[Thelma King has a long record of involvement in subversive political activity, and her current plotting with other [REDACTED] Panamanian politicians has contributed to the instability of the Chiari government. Reportedly subsidized by Castro, she has been successful in arousing support for him among student and other groups.]

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[The conference seems to be the fruition of Communist efforts to convene a Latin American "people's congress," originally set for April 1959 when Castro's prestige was at its height. Designed to promote anti-US and pro-Castro sentiment, its agenda includes such topics as anti-imperialism, anticolonialism, defense of national resources, and disarmament, as well as support of the Cuban revolution.]

[A secretariat drawn from Communist-front peace groups in several Latin American countries has been in Mexico since December working out details of the meeting. Programs to arouse interest have been held recently among student, labor, and cultural groups in various countries, particularly in Mexico. Cardenas--whose widespread popularity in Mexico gives him some influence in the Lopez Mateos government--and other conference organizers have met several times recently with the Soviet ambassador to Mexico, Bazykin, and two Venezuelan delegates called on the envoy soon after their arrival on 16 February.]

[Bazykin plans to leave soon on a Latin American tour probably designed to explore possibilities for increasing Soviet diplomatic and economic ties. Several countries, including Panama, have delayed issuing visas requested by him, and Colombia has actually refused to grant a visa, saying the "time is not appropriate for such a visit."]

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