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21 March 1961

Copy No. C 77

CENTRAL INTELLIGENCE BULLETIN



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LATE ITEM

Ethiopia: A new wave of tension and uneasiness has spread throughout Addis Ababa amid indications that army troops and younger officers are planning demonstrations in protest over failure of the government to provide satisfactory pay raises. In the absence of leadership from higher ranking officers, who remain passive, junior officers have taken the initiative in organizing the demonstrations. Ambassador Richards reports that while only peaceful demonstrations are planned, possibly beginning today, serious trouble could easily erupt; Chief of Staff Kebede Gabre is reported to have advised the government that he is no longer able to control either the situation or his troops. While support for the objectives of last December's abortive coup has continued to grow, the Palace has drifted along evidently hoping to preserve the status quo by minimal concessions where necessary to retain loyalty among security elements. Haile Selassie; [redacted] appears unable to comprehend the forces behind last December's revolt. [redacted]

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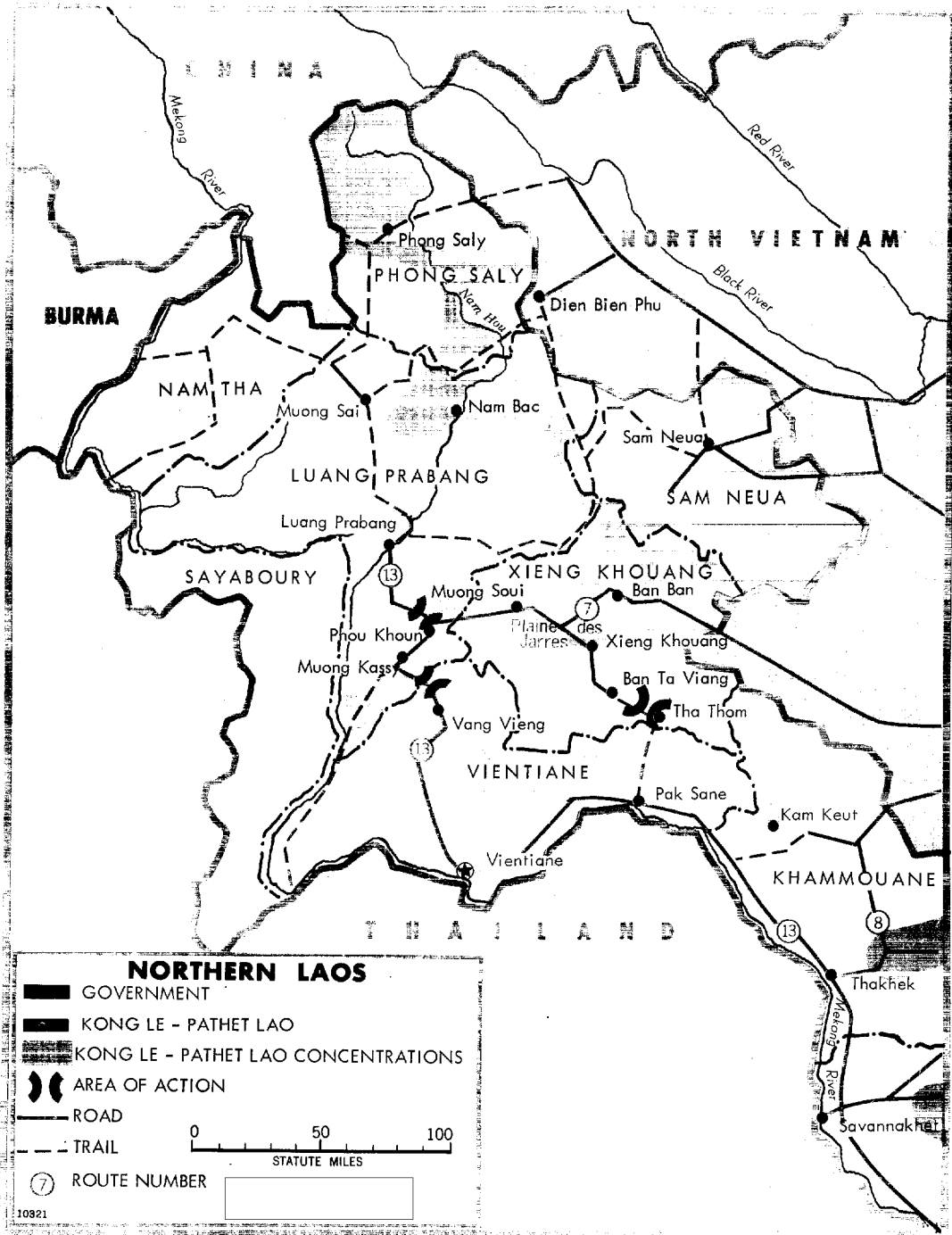
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DAILY BRIEF

*Laos : Government units in southern Xieng Khouang Province apparently have largely completed their withdrawal to Tha Thom, where they are preparing defensive positions. Government partisans operating in this general area continue harassment of Kong Le - Pathet Lao forces. Preliminary reports indicate that a government battalion at Kam Kout, some 70 miles east of Paksane, has abandoned its post in the face of a Pathet Lao attack of unknown strength on 20 March.]

A press report from Vientiane alleges that government Information Minister Bouavan Norasing has proposed, in two current Laotian journals, that the Pathet Lao be allowed to form "states" out of the areas they now control and that these along with all other Laotian provinces be represented in an elected national parliament. This formula may have been advanced with official sanction out of desperation over the military situation as a trial balloon to elicit the attitude of the Pathet Lao toward a political settlement, following the breakdown of talks with Souvanna Phouma. As such it would be in character with the Laotian inclination toward compromise. It may, however, have been devised unilaterally by Bouavan; in this event, it would be a further indication of the confusion now prevalent in the government in Vientiane.

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Congo: The American ambassador in Khartoum believes that the Sudanese Government will continue to support the UN effort in the Congo, despite its disappointment over the "slow pace" of the operation there. He points out that Sudan has maintained its stand against transit of supplies to Gizenga in what it believes to be its own interest, rather than from a desire to accommodate the UN or the Western powers. Sudanese leaders fear that a UAR or Soviet-controlled government in the Congo would attempt to exploit long-smoldering dissidence among the negroid tribes in Sudan's southern provinces.

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[Premier-designate Ileo, in an 18 March briefing to the diplomatic corps in Leopoldville, stated that the Tananarive conference had had no power to change the fundamental law of the Congo. He asserted that his provisional government would continue to function until the new structure proposed in broad outline at Tananarive is established and legalized. He claimed that Tshombé and Kalonji, in signing the conference's final resolution, had recognized the Leopoldville government for the first time. Further claims and counterclaims can be expected.]

France-Algeria: Designation by the rebel Algerian provisional government of four "ministers" to meet with French officials confirms the rebels' intention to begin high-level negotiations on an Algerian settlement. The rebel delegation is composed of capable men from both the military and political factions of the rebel government, representing both "hard" and "moderate" views. [Rebel leaders, who are said to feel that the recent secret preliminary talks with the French made little progress in resolving key substantive issues, will probably seek to give considerable publicity to the progress of further negotiations in an attempt to keep pressure of world opinion on France.] (Backup, Page 1)

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Poland: Available texts--incomplete--of Cardinal Wyszynski's two most recent sermons show a decided stiffening by the church against further compromise with the regime. Although Wyszynski did not explicitly call for direct political opposition by Catholics to the Communists' economic and social welfare programs, he nevertheless implied that, if necessary to preserve spiritual integrity, Polish Catholics would form an underground church. At least until the 16 April parliamentary elections, the regime may decide it is best to temporize and avoid exacerbating a potentially explosive popular issue. (Backup, Page 3)

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Brazil: Proposed Brazilian congressional action would make it "virtually impossible" for foreign banks to continue to function in Brazil, according to the head of the First National

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City Bank in Rio de Janeiro. Under the proposed law, foreign banks would be required to maintain capital reserves amounting to 20 percent of deposits, while Brazilian-owned banks would need reserves of only 10 percent. Ambassador Cabot believes that the measure is unlikely to be beaten in Congress. Closing of foreign banks would give new momentum to a long-standing proposal for expropriation of foreign electric companies, owned principally by US and Canadian interests. [REDACTED]

[REDACTED] (Backup, Page 4)

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Algerian Rebels Designate Negotiating Team

[The rebel negotiators are Vice Premier and Foreign Minister Belkacem Krim, and Minister of Interior Lakhdar Ben Tobbal, Minister of Finance Ahmed Francis, and Minister of Information Mohammed Yazid. Krim and Ben Tobbal are former rebel military commanders and are now members of the Interministerial War Committee of the rebel provisional government (PAG), the top military authority of the rebel movement. Both of them have great influence and popularity among rebel fighting men in Algeria. They are generally considered to be among the "hard" faction of the PAG, but they now have agreed that the PAG should seek a negotiated settlement.]

[Krim is highly regarded within Algeria and in the other Arab states. He has a long record as a militant and has been a vice premier of the PAG since it was founded in September 1958. He headed a PAG group to Communist China in 1960, and has twice led the rebel "delegation" to the UN General Assembly. There are indications, however, that his power within the PAG may have waned within the last year. Ben Tobbal accompanied Premier Ferhat Abbas to Moscow and Peiping in the fall of 1960, and is reported to have been impressed with the achievements of the Communist states.]

[Both Minister of Information Yazid and Minister of Finance Francis have long advocated a negotiated settlement of the Algerian problem. Francis has little stature as a revolutionary and is relatively unknown among the Algerian masses. He is respected within the PAG, however, for his technical ability. A brother-in-law of Premier Abbas, he shares Abbas' moderate outlook. Yazid has a solid reputation as a nationalist leader before the outbreak of the rebellion in 1954. His standing within the PAG comes largely from his ability as a political adviser. Yazid, who is married to an American, is well known in France, and is considered the most pro-Western of the rebel leaders. There are reports that Krim and others are distrustful of his moderate attitude.]

[Minister for Algeria Louis Joxe is expected to head the French negotiating team. De Gaulle reportedly has full confidence.]

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{that Joxe, a top-level career diplomat before joining the cabinet in July 1959, will deal patiently with the rebel delegation in strict accordance with De Gaulle's instructions.}

{The rebel negotiators will operate under handicaps arising from the fact that the PAG is a somewhat loose organization designed to carry on a rebellion and has no elaborate ministerial staff and few technical advisers. The director of De Gaulle's staff indicated to an officer of the US Embassy in Paris on 17 March that the French realized the PAG representatives may have difficulty in making decisions on the complex problems which will arise during negotiations. Also, as negotiations proceed, the rebel leaders may become increasingly concerned with internal power struggles in order to ensure their positions in a future Algerian government.}

{French Premier Debré has [] admitted "disillusionment" with De Gaulle's Algerian policy but said he intends to continue in office even though De Gaulle does not listen to him or his staff. Debré may try to obstruct the negotiations by further public statements on issues under negotiation. []
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Poland

The Cardinal chose to dramatize the situation by presenting his defense of the church on 19 March, following party boss Gomulka's speech on 18 March opening the parliamentary election campaign. In his speech the Communist leader asserted that in fact no persecution existed, and that the Vatican, by its "hostile attitude" toward the state, was attempting to create Polish martyrs. Wyszynski rebutted Gomulka's charges in detail, and named 20 state-supported organizations openly devoted to anti-Catholic activities. He flatly denied Gomulka's charge against the Vatican and, in effect, defied the regime to retaliate; Wyszynski declared that he has sole responsibility for church policies in Poland.

As early as 12 January the Primate indicated that he felt the situation had deteriorated to a critical stage, and in an episcopal letter he exhorted his clergy to defend the church's rights at all "reasonable costs, even... punishment, expulsion, loss of personal liberty." "There can be no husbanding of strength and sacrifices," he added. He apparently intends to sum up his position for the general public in a pastoral letter --reportedly drafted last week--which will be read from all pulpits on Easter Sunday.

In contrast to the elections in 1957, when Gomulka needed support against strong party factionalism, the church has not been asked to support the regime's slate or programs in the election campaign. Gomulka's sensational charges against the church and the Cardinal's reply may have an adverse effect on the forthcoming balloting, and lead many otherwise apathetic voters to oppose regime-favored candidates. If the regime continues to press its anti-church line during the mass meetings organized in the course of the campaign, a violent reaction could result. In the past year there have been a number of local riots and demonstrations over regime treatment of less important church matters.

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Brazilian Congress May Act Against Foreign Banks

Ambassador Cabot believes that from the viewpoint of foreign banks, a new banking bill prepared for congressional action by a committee of moderates may be worse when passed by Congress.

Extreme nationalist and leftist forces have substantial strength in Congress and have in the past succeeded in arousing effective national opposition to private foreign investment in Brazil, notably in the 1947-53 period prior to passage of legislation providing for a national petroleum monopoly. Extremist agitation has more recently been effective against certain existing US investments, such as the American meat packers, a large can manufacturing company, and an electric company's subsidiary in southern Brazil.

A bill proposing a government-controlled agency for the production and distribution of electric power was first suggested by President Vargas, shortly before his suicide in 1954. It was approved by Congress in 1960, but President Kubitschek left office without taking action on the bill. The bill does not expropriate existing plants and installations, but provides authority for the government company to do so.

Quadros undoubtedly reflected considerable support for expropriation when he said during his campaign, "There are fields where foreign investments are not necessary and may constitute some danger, as is the case with petroleum and electric energy. . . . Electric power has become so important that it must be supplied at cost; thus private capital, even national, has to be excluded."

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