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31 July 1959

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# CENTRAL INTELLIGENCE BULLETIN



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## CENTRAL INTELLIGENCE BULLETIN

31 July 1959

### DAILY BRIEF

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#### I. THE COMMUNIST BLOC

OK USSR-Geneva: Khrushchev's renewed call for a summit meeting in his speech on 28 July, taken with the absence of any important modifications in Gromyko's positions at Geneva, suggests that Moscow may agree to terminate the Geneva talks and then press for an early summit meeting. Gromyko may, however, make some last-minute adjustments on such problems as the link between an interim Berlin arrangement and all-German negotiations. If these do not produce agreement, he may propose that the foreign ministers prepare a document setting forth their differences and agree on a date for a summit conference.

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OK Communist China - Indonesia: [Peiping has asked for reconsideration of the recent Indonesian decree which after 1 January 1960 will prohibit alien ownership of retail enterprises except in metropolitan areas. The law is directed]

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Primarily at the Overseas Chinese. Peiping is reported to be "very disturbed" and says that if the law becomes effective, full compensation for those affected will be essential to continued good relations and further economic aid for Indonesia. Djakarta may proceed cautiously with implementation since enforcement could have severe repercussions on the Indonesian economy.]

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## II. ASIA-AFRICA

Laos: [Additional pressure for reactivation of the International Control Commission in Laos is being placed on the UK by its Geneva cochairman, the USSR. Although Britain has thus far opposed such a step, the current fighting and the threat of expanded hostilities involving North Vietnam may force it to reassess its position. Meanwhile,] the Laotian Government's military position in Sam Neua Province continues precarious despite the arrival of some reinforcements. Skirmishes in central Laos have also been reported.

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\*A late, unconfirmed report states that an enemy band, allegedly North Vietnamese elements, overran a government outpost in the far northern Province of Phong Saly on 29-30 July.

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Cyprus: The 29 July announcement in Athens by former EOKA leader Grivas that he "dissociated" himself from the February agreements settling the Cyprus dispute has brought his rift with Archbishop Makarios into the open. Makarios appears convinced he can defeat Grivas in a contest for political supremacy at this time. The outcome of the struggle between the two will depend largely on the attitude of former lieutenants of Grivas in the EOKA movement, several of whom are currently working with Makarios in the transitional Cypriot cabinet. [REDACTED]

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\*Meanwhile, the denunciation of Grivas and strong support for Makarios contained in Premier Karamanlis' 30 July statement will probably cause the ex-EOKA leader to hasten his formal entrance on the Greek political scene. Opposition politicians in Athens have long hoped to capitalize on Grivas' popularity to bring down the government. [REDACTED]

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Japan-Korea: South Korea officially proposed to Japan on 30 July the "unconditional" reopening of talks for the normalization of relations, which would include the question of repatriating Koreans to South Korea. Seoul's reported position that the talks would not touch on Tokyo's policy of repatriating some

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Koreans to North Korea, if adhered to, would be a significant reversal of the Rhee government's attitude. [Korean officials have previously indicated their hope that a resumption of talks with Tokyo would delay any repatriation to North Korea, and might even result in North Korea's abrogation of the agreement with Japan]

[Japan has informed the US of its agreement in principle to resume negotiations on the basis of Seoul's proposal.]

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### III. THE WEST

Italy: The re-election of former Christian Democrat Silvio Milazzo as chief of the Sicilian regional government--mainly with Communist and Nenni Socialist votes--threatens a period of instability in Sicily that will have repercussions at the national level. The Rome government's policy of collaboration with the right-wing parties received a setback in Sicily and has been the object of increasing criticism within the Christian Democratic ranks.

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### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Communist China. NIE 13-59. 28 July 59.

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## I. THE COMMUNIST BLOC

### Khrushchev Renews Call for Summit Meeting

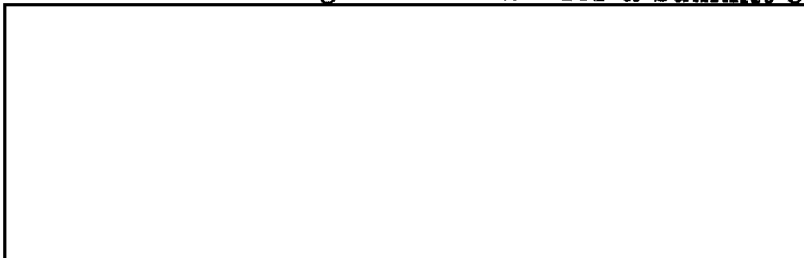
Khrushchev's statement in his speech at Dnepropetrovsk on 28 July that the "time has come" for the heads of government to tackle "complex unsettled international issues" suggests that he is less hopeful about drawing further concessions from the Western foreign ministers on the key issue of all-German negotiations. The tenor of his speech and the absence of any important modifications in the Soviet positions on an interim Berlin arrangement and all-German talks in the paper Gromyko handed the Western ministers the same day may indicate the USSR will now press for an early summit meeting.

Khrushchev made a perfunctory appeal to the ministers to "exert fresh efforts" to reach agreement "on what they can agree upon," but contended that the "other, more difficult matters, matters of principle, will be considered by the heads of government." He rejected the "pessimistic estimates" of prospects at Geneva made by "some Western leaders" and claimed that the foreign ministers have already accomplished some "positive work."

The Soviet premier, however, continued to insist on linking an all-German committee to an interim Berlin settlement, saying the USSR "attaches great importance to the solution of these questions."

In anticipation of an early conclusion of the foreign ministers' talks, Gromyko may make some last-minute adjustments on such Soviet positions as the link between a Berlin arrangement and all-German talks, the 18-month time limit on a Berlin agreement, and the 3,000- to 4,000-man ceiling for "token" Western forces in West Berlin. If these moves do not produce agreement, he may propose that the ministers prepare a document setting forth their differences and agree on a date for a summit conference.

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Peiping Expresses Concern Over Indonesian Restrictions on Overseas Chinese

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Communist China is "very disturbed" over the recent Indonesian decree prohibiting alien-owned retail enterprises outside metropolitan areas after the end of the year. The ban was directed at Overseas Chinese, who control most of the retail trade in Indonesian villages.]

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[Djakarta may proceed cautiously in implementing the decree, since its enforcement could have severe repercussions on the Indonesian economy. Chinese merchants may be able to evade the decree by hiring Indonesians as nominal heads of their businesses.]

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## II. ASIA-AFRICA

Laos

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[The Soviet chargé in London, in a 28 July approach to the Foreign Office, repeated the USSR's arguments for the reconvening of the International Control Commission (ICC) in Laos, alleging that Laos, together with the United States, was violating the Geneva agreements in such a way as to become a military threat to its neighbors. Although the Foreign Office reiterated its opposition to the return of the ICC, it may be forced to reconsider its position by the threat of expanded hostilities in Laos with North Vietnamese participation. Hanoi has categorically denied Laotian accusations that it has instigated the current fighting.]

[Indian Prime Minister Nehru will probably interpret current developments in Laos as confirmation of his long-standing fear that the Laotian Government's increasingly open identification with the West risks provoking Communist military reaction, upsetting the status quo established by the Geneva armistice in 1954. India can be expected therefore to bring additional pressure on Britain for reconvening of the ICC, at least on a temporary basis. Canada, also a member of the ICC, has sided with the British on this issue but has stated that an outbreak of hostilities would put it in a vulnerable position vis-a-vis India. Laos, however, will continue to resist any move for the ICC's return.]

[The Laotian Government's military position in Sam Neua Province meanwhile continues precarious despite the arrival of some reinforcements, including paratroop forces. The inhabitants of Sam Neua town have panicked, and a general exodus of civilians and officials has begun by air and on foot. First-hand accounts report that infiltration of the area by Communist partisans is taking place during the confusion.]

[At least two incidents of harassing attacks on small army detachments in central Laos have occurred since 27 July. These]

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[appear on the surface to be designed to pin down troops otherwise available as reinforcements for the north, but may be part of a broader Communist plan for country-wide action. [REDACTED]

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[REDACTED] government troops

at an outpost in the far northern province of Phong Saly were dispersed with casualties after an attack on 29-30 July by an enemy band, allegedly North Vietnamese elements. Phong Saly, along with Sam Neua Province, was a stronghold of the Communist Pathet Lao prior to the settlement reached with the government in 1957.) [REDACTED]

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[REDACTED]

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[REDACTED]

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South Korea Proposes Resumption of Talks With Japan

[In a memorandum to the Japanese Foreign Ministry on 30 July, the South Korean Government has proposed an "unconditional" resumption of talks to normalize relations between the two nations. The memorandum noted that the status and treatment of Korean residents in Japan is a major cause of tension which can be relieved by "mutually arranging" the removal of the difficulties blocking the repatriation to South Korea. If this is done, Seoul is ready to encourage a mass return of Koreans and to expedite the exchange of Japanese fishermen now held in Korea and all Korean detainees in Japan. The Japanese press reports assert that Japan has been assured that the discussions would not involve Japan's policy of repatriating some Koreans to North Korea.]

[South Korea apparently hopes that a reopening of talks would delay action on Japan's present agreement to return Koreans to North Korea. As recently as 27 July, South Korean Vice Foreign Minister Kim strenuously insisted to Ambassador Dowling that if Japan wants an agreement with Seoul, Tokyo should not object to postponing further negotiations with Pyongyang. He noted that in order to obtain President Rhee's consent for proposing a resumption of talks with Tokyo, he found it necessary to assure him that both the International Committee of the Red Cross and the Japanese Government would cooperate in postponing repatriation to North Korea. Kim has also expressed the hope that a resumption of talks with Tokyo might lead Pyongyang to abrogate its agreement with Japan.]

[The question of Japan's compensating Koreans returning to South Korea probably will be a major issue in negotiations. Japan has been willing to provide some subsidy, possibly as a resettlement payment, provided Japan can avoid liability for similar payments to Koreans going to North Korea. Seoul has been vague as to the criteria for determining the amount of such payments although it has insisted that payments be publicized as compensation for "forced" Korean labor in Japan.]

[While Japan expressed its willingness to reopen negotiations with South Korea, it has begun preparations for the]

(repatriation of Koreans to North Korea, and is unlikely to delay or abrogate this agreement. Pyongyang is also preparing to carry out the repatriation agreement and, while urging immediate signature of the pact, has not yet stated its demands as an ultimatum.)

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Sicilian Political Instability Accentuated by Milazzo Success

Silvio Milazzo, leader of a dissident Christian Democratic faction in the Sicilian regional assembly, was re-elected president of the regional government on 28 July by a 45-43 vote, in which he was supported by 21 Communists and 11 Nenni Socialists. Milazzo's victory marked the culmination of a long struggle against a coalition composed of Christian Democrats and rightist parties which succeeded in electing its candidate for regional assembly president on 8 July.

The failure of the Christian Democrats to apply in Sicily the national pattern--a Christian Democratic government supported by the Liberal Monarchist and neo-Fascist parties--will be interpreted by certain influential persons within the Christian Democratic party, notably ex-Premier Fanfani, as a vindication of the concept of an "opening toward the left." Similarly, the critics of the Christian Democratic leadership within the party will argue the merits of dissociating the party from undue clerical influence, pointing to the evident popularity of Milazzo despite the Vatican injunction against collaboration with the Communists.

A Sicilian "cabinet" has not yet been formed and the American Embassy reports Rome political commentators as seeing some slim possibility that before it is formed there will be a reconciliation between Milazzo and the Christian Democrats. Failing such a reconciliation, Milazzo will be under pressure to assign an increasingly important role in the Sicilian administration to the Nenni Socialists and Communists, who constitute his chief support. This will aggravate tensions between Rome and Sicily.

Since Sicilian deputies are notoriously resistant to party discipline, the slimness of Milazzo's majority leaves the possibility that the orthodox Christian Democrats--still the largest single party in the Sicilian assembly--may upset his majority in subsequent assembly votes.

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