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BURMA

Brigadier Aung Gyi, Burmese vice chief of staff, has confirmed the existence of a secret Sino-Burmese agreement--resulting from the recent border treaty--authorizing troops of both countries to operate against Chinese Nationalist irregulars up to 15 miles on either side of the border. He claimed that the Chinese Communists have inflicted heavy casualties on the irregulars. The agreement is said to have been drafted at Aung Gyi's initiative; he reportedly guaranteed to the Chinese that their military actions would receive no publicity in Burma. Only a handful of Burmese officials know of the agreement, and even Prime Minister Nu professes not to have been officially informed. Nu stated flatly in a press conference on 20 December that there was no agreement, and that if there were Chinese Communist troops in Burma, they would be driven out.

[redacted] Burma now wants to proceed with the Rangoon-Mandalay highway project. A formal request from the Ministry requesting the US to proceed with a new engineering survey was received 17 December. (ICA Summary, 20 Dec., OUG; [redacted])

CAMBODIA

During Sihanouk's visit to Communist China a friendship and nonaggression treaty was signed. Cambodia has accepted Chinese Communist offers of an additional \$40 million in aid--to be used to complete and expand the four Chinese-built factories in Cambodia and to construct other new industrial projects. Chinese technical aid in the agricultural field is to be provided for reorganizing cooperatives, improving rice cultivation, and introducing new crops. In addition, Peiping will participate in Sihanouk's pet project, the Phnom Penh-Sihanoukville railroad. [redacted]

LAOS

[redacted] operations of the Laotian Ministry of Defense and army headquarters "continue most confused, inefficient and to a large degree ineffective." The command structure, assignments, and communications are in a "chaotic state of change" as a result of a major reorganization of the military establishment which Phoumi had begun just prior to the Communist offensive.

On the political front, the Boun Oum government has summoned all National Assembly deputies to Vientiane for a special session to be convoked on 3 January by King Savang to invest the government. The Laotian UN representative has been instructed to protest to the Security Council against Soviet intervention in Laos. On 31 December, the Lao representative sent a cable to Secretary General Hammarskjold protesting Soviet airdrop activity in Laos and asked that the cable be communicated to all UN members.

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A similar note of protest was delivered by the Laotian ambassador in London to the Soviet ambassador there who refused to accept it on the ground that the USSR does not recognize the Boun Oum government. Hanoi radio reports that Prince Souphannouvong, head of the Communist-front Neo Lao Hak Sat party, has issued another invitation for "Premier" Souvanna Phouma, now in Cambodia to return to Laos.

Khrushchev, speaking at a Cuban embassy reception on 2 January, repeated the call for a new meeting of the countries which took part in the 1954 Geneva conference and for reactivation of the International Control Commission in Laos. He warned that "the dangerous hotbed of fire which has started" must be "extinguished in time."

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SINGAPORE - MALAYA

Malayan officials are now considering a merger with Singapore and British Borneo Territories, whereas previously they had been opposed to anything but the most limited cooperation with Singapore. Singapore's recent anti-Communist measures probably have contributed to the growth of a more sympathetic attitude among Federation officials. Malaya has entered into discussions with Singapore looking toward a common market, and cooperation has been established in several areas such as tourism.

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Malaya is launching an ambitious rural development program under the personal direction of the Deputy Prime Minister--who confidentially told the US Embassy that he is sure the present coalition government will lose the next election if the program should fail, because the basic problem of racial harmony is still the greatest danger for Malaya's future, and rural development is essential for Malaya. Requests for US experts have stumbled over the issue of their being granted diplomatic immunity. The US Embassy comments that the US should cease insisting on diplomatic immunity and grant such future Malayan requests for experts under the Colombo Plan. (ICA Summary, 28 Dec., C; [REDACTED])

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