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The President's Daily Brief

May 1, 1975

5

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FOR THE PRESIDENT ONLY

May 1, 1975

Table of Contents

Vietnam: The communists have appealed to former government troops to turn in their weapons and have encouraged civil servants to stay at their jobs. (Page 1)

Syria-Israel:

(Page 2)

25X1

25X1

Turkey-Greece: The Turkish government has decided on some basic objectives in view of the potential for confrontation with Greece. (Page 3)

Loas: The Lao communists are rolling out the red carpet for King Savang, who is visiting the communist-controlled zone. (Page 5)

Notes: Spain; USSR-PLO (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

VIETNAM

The communists have appealed to former government troops in Saigon to turn in their weapons and have encouraged civil servants to stay at their jobs. At the same time, the communists have warned that looters found in possession of "state property" will be shot, and they have imposed a six-to-six night-time curfew.

Intercepted communist messages indicate that South Vietnamese troops offered little last-minute resistance following the official surrender announcement yesterday. Large numbers of government soldiers waved white flags, and officers were waiting at the entrances to military compounds for the arrival of the North Vietnamese. There were also references in the messages to government personnel throwing down their weapons and removing their uniforms.



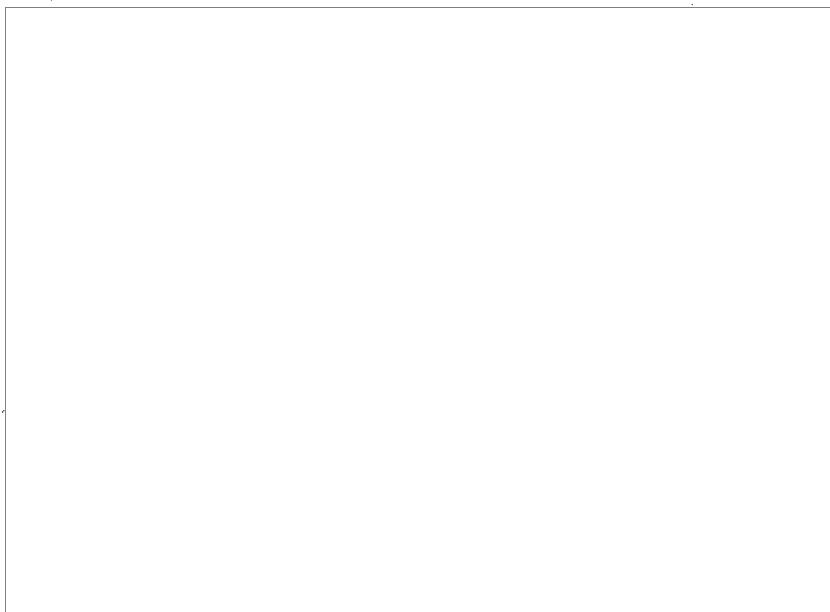
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SYRIA-ISRAEL



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2

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TURKEY-GREECE

The Turkish government has reportedly decided that, in view of the potential for a confrontation with Greece at some time, Turkey's basic objectives should be:

--restoration of US military aid,

--stabilization of Turkey's internal political and economic situation, and

--agreement with Greece on a bi-regional system for Cyprus that would stabilize the Turkish Cypriot sector.

The Turkish government apparently has concluded that the military buildup on the Greek islands does not constitute a serious threat. The Turks see the buildup as preparation for eventual declaration of a 12-mile limit around the Aegean islands, protection of the Greek claim to mineral rights on the continental shelf, and possibly a contingency move for the support of Greek Cypriots in the event of further Turkish military action on Cyprus.

Turkey so far seems to have had fewer problems in coping with the US aid cutoff than it had anticipated.

[redacted] that it was relatively easy to obtain spare parts for naval equipment from third countries, but that Turkey had to pay almost twice as much for them as it had paid the US. The admiral said that if aid should be restored before the end of June, Ankara probably would not retaliate against US facilities.

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The problem of obtaining spare parts may ease further. NATO representatives of Belgium, the Netherlands, West Germany, and the United Kingdom have tentatively expressed willingness to provide them.

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Greece is augmenting its armed forces by call-
ing up reserves and increasing its draft call. [redacted]

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[redacted] that the
armed forces are to be increased by 22,000, bringing
Greek military strength by mid-May to about
180,000. The additional men will be used to fill
out mainland forces whose numbers have been reduced
by the transfer of personnel to the islands. We
estimate that some 16,000 troops have been sent to
eastern Aegean islands since last summer.

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LAOS

The Lao communists are rolling out the red carpet for King Savang, who is making an unprecedented week-long official visit to Sam Neua and other areas in the communist-controlled zone. The King's 22-member party includes the Queen, other members of the royal family, and a number of senior officials of the coalition government.

The most important figures in the Lao communist movement, including shadowy Central Committee chairman Kaysone Phomvihan and his deputy, Nouhak Phoumsavan, were on hand to greet the King on his arrival in Sam Neua on Monday.

Prince Souphanouvong, who invited the King to visit the area and who is in overall charge of festivities, delivered a welcoming address that was reported to be strongly nationalistic and conciliatory in tone. The speech apparently contained no polemical tirades against non-communist Lao politicians and military leaders. The communists are giving widespread and highly favorable coverage to the King's visit in their propaganda broadcasts.

The opening phase of the royal visit suggests that both the King and his hosts are trying to make this occasion a significant step toward national reconciliation. While it is still too early to tell if the visit will have any impact on the festering situation at Sala Phou Khoun, no significant military action has been reported there since Monday afternoon.

The major beneficiary of the King's visit will almost certainly be Souphanouvong. By closely identifying himself with the King, Souphanouvong stands to strengthen his credentials as a Lao nationalist and his claim to be Prime Minister Souvanna Phouma's logical successor.

FOR THE PRESIDENT ONLY

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NOTES

The Spanish government, although relieved by the strong showing of the Portuguese moderates, remains suspicious of Lisbon's policies. Madrid probably will not be much influenced by the Portuguese election results as far as Spain's domestic situation is concerned.

Political commentators and opposition politicians in Spain are arguing, however, that if "under-developed Portugal" can have a non-violent, honest election that resulted in a non-extremist majority, then no one should fear free elections in Spain. A high Spanish Foreign Ministry official told a US embassy officer that the election outcome would permit consideration of a number of Spanish-Portuguese issues that had been held up pending the election. He even thought a meeting of the two foreign ministers might be held in June.

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The USSR gave the Palestine Liberation Organization delegation headed by Yasir Arafat a cool welcome on Monday.

Arafat's arrival was not preceded by a press buildup, and he was greeted by lower ranking officials than on his previous visit last November. The Soviet attitude toward Palestinian representation at the Geneva peace conference, in fact, may be at the root of Moscow's current troubles with the Arabs.

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[Redacted] The Soviets apparently would be willing to put off discussion of the Palestinian representation question until after the conference begins.

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Notation
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The President's Daily Brief

May 2, 1975

4

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May 2, 1975

Table of Contents

Vietnam: The new administration in Saigon has issued directives concerning security, weapons collection, and public property. (Page 1)

China: Peking has marked the communist take-over of Saigon with congratulatory comment, but some statements suggest that the Chinese have reservations about the growth of North Vietnamese power. (Page 2)

USSR-Israel: Moscow is making a fresh effort to develop contacts with Israel. (Page 3)

Saudi Arabia: Riyadh has drastically reduced new purchases of sterling-denominated assets and made a further deep cut in oil production. (Page 5)

Notes: Laos; Portugal (Page 7)

FOR THE PRESIDENT ONLY

VIETNAM

The new "revolutionary administration" in Saigon issued three directives on May 1 concerning security, weapons collection, and public property. Like earlier communique's broadcast from captured cities and provinces, the new directives promise that there will be no retribution against those who cooperate, but they threaten "severe punishment" against those who do not.

Foreign property and diplomatic residences are to be protected, with communist soldiers ordered to maintain order around these areas. [redacted]

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A separate communique from the Provisional Revolutionary Government's Foreign Ministry, headquartered in the former presidential palace, instructed all South Vietnamese missions and embassies abroad to "remain at their posts and await new orders." Most of these diplomatic staffs, however, have already requested asylum in the US or other countries.

The communists, according to press reports, state that they have completed the "liberation" of South Vietnam by seizing four holdout provinces in the delta and disbanding four divisions of the South Vietnamese army. Intercepted messages, however, indicate that some pockets of resistance remain. According to a May 1 message, resistance was continuing around Tan Son Nhut air base.

CHINA

China has marked the Vietnamese communist take-over of Saigon with an outpouring of congratulatory comment. The statements suggest, however, that Peking has reservations about the growth of North Vietnamese power.

Mao Tse-tung and Premier Chou En-lai sent a message of congratulations to PRG and North Vietnamese leaders, which was delivered personally by Vice Premier Teng Hsiao-ping to Vietnamese communist embassies in Peking. People's Daily also carried an editorial on the take-over on May 1.

The two statements praised the PRG, but gave only a minimal nod to Hanoi's role. The editorial, in fact, was addressed to the people and army of South Vietnam and mentioned North Vietnam's help only once. Both statements implied that China hopes for an eventual unification of Vietnam, but the leadership message also spoke of a "democratic and national revolution" in the South still to occur; this suggests that Peking would prefer that unification not take place any time soon.

People's Daily referred to Moscow as expansionist and ambitious--certainly an indication of Chinese concern over postwar Soviet role in the region. Both statements expressed hope for a "free and independent" Vietnam.

US "imperialism and aggression" were portrayed as defeated by the Vietnamese, hence no longer a threat to the region. An NCNA dispatch on US evacuation from Saigon, in fact, gave favorable treatment to Secretary Kissinger's remarks that the US would consider a new Asian policy in consultation with other Asian states and that Washington would carefully avoid overcommitment.

There is other evidence that Peking hopes Washington will concentrate on areas such as Europe and Japan and that the Chinese are worried that, in the wake of Vietnam, the US will and ability to act will be sapped by domestic controversies.

USSR-ISRAEL

Moscow is making a fresh effort to develop contacts with Israel.

Since the meeting in early April of two Soviet emissaries and Israel's top leaders, Moscow has suggested a wide-ranging agenda for talks in London between a Soviet scholar on the Middle East and an Israeli representative. The proposed agenda for the London meeting suggests that, at least in this venue, Moscow is not making any false claims to evenhandedness in the Arab-Israeli dispute, but that it is seeking to show its flexibility on terms for a Middle East settlement.

The Soviets are suggesting, for example, that if the Israelis promise to withdraw from occupied territories and acknowledge the right of the Palestinians to their own state, implementation of these promises could be delayed. The Soviets also suggested, as did Foreign Minister Gromyko publicly on April 23, that Moscow would be willing to "guarantee" Israel's existence as a state.

The agenda also includes the highly sensitive issue of Soviet Jews. The Soviets call for Tel Aviv to quit using "Zionist interests" in the world to pressure Moscow on the treatment of Soviet Jews. They did not say what they would do in return, expecting no doubt that Israel would make its own demands on this issue in due course.

It is doubtful, however, that Moscow views these contacts as the main arena for its dialogue with Israel. For one thing, the Soviets have entree to top Israeli policy-making circles through such contacts as the reported mission to Tel Aviv in April and through discussions in Washington between ambassadors Dobrynin and Dinitz.

The unofficial contacts do, however, give the Soviets a way to float trial balloons and to create an appearance of a continuing exchange with Israel

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on substantive issues. The Soviets may hope that this will encourage Israel to participate at Geneva and add to Moscow's image as Middle East intermediary.

Tel Aviv remains suspicious of Soviet intentions and of the Soviet's ability and intention to deliver on any promises. The Israelis have shown no sign that they are persuaded that Moscow's pro-Arab Middle East policy has undergone a fundamental change. Nevertheless, from the Israeli government's point of view, the contacts in and of themselves are useful if only to remind Washington that Tel Aviv could establish non-US channels for a dialogue with the Arabs.

SAUDI ARABIA

Saudi Arabia has drastically reduced new purchases of sterling-denominated assets during the past two months in favor of assets in continental European, Canadian, and Japanese currencies. The change probably reflects a pessimistic assessment of sterling's prospects by the new Saudi financial leadership and will make it more difficult for the UK to finance its payments deficit.

With the deaths of Anwar Ali--who headed the Saudi Arabian Monetary Agency for 15 years--and King Faysal, Saudi financial leadership passed to a group of young and less conservative technocrats centered around Prince Fahd. They are moving to change the composition of Saudi holdings, which at the end of 1974 were 80 percent dollar-denominated, 10 percent in sterling, and 10 percent in other currencies.

In March, the Monetary Agency acquired \$65 million worth of West German marks, Swiss francs, Japanese yen, and Canadian dollars. During April these purchases more than doubled, reaching \$130 million--or over 10 percent of all new investment.

Increasing diversification is expected to continue with new investments widely spread among currencies. Any concentration in major continental currencies would probably result in the imposition of controls by West European governments that are unwilling to see their currencies appreciate.

Saudi Arabia stopped accepting sterling payments from oil companies in December and now has halted the purchase of sterling-denominated assets. No new sterling purchases have been noted since early March. So far the Saudis have not tried to sell any of \$2 billion of assets they hold in sterling.

Riyadh's move will make it more difficult for the UK to finance its estimated \$6-billion current account deficit this year. Last year, some \$6 billion of new OPEC investment in the UK covered roughly two thirds of the British deficit. Saudi

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Arabia alone put about \$1.5 billion into sterling assets. With less of this effortless deficit financing, London will be forced to borrow more in private capital markets. London borrowed more than \$2 billion last year, but private lenders have become decidedly more cautious about lending to the UK.

News of the Saudi shift

[redacted] may result in a reexamination of investment policies by other OPEC investors. Private Western bankers may see the change as an indication that the UK's credit worthiness is going to deteriorate further.

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Saudi Arabia's willingness to take a further deep cut in its oil production last month indicates the new leadership plans to continue the late King Faysal's policy of strong support for OPEC.

In April, Saudi output fell below 6 million barrels per day, down at least 600,000 barrels per day from March levels. The cut has resulted from Aramco's decision to reduce its floating oil stocks rather than from a decline in consumption. It represents a 35-percent drop in Saudi output from last October's peak of 8.8 million barrels per day. If the companies continue their policy of reducing oil stocks, as now seems likely, some further cut in Saudi production can be expected through August. Several other OPEC states, hard pressed for more oil revenues, are now trying to increase their oil output. If they succeed, Saudi output is likely to be cut even further.

NOTES

Yesterday's well-organized and strongly anti-rightist demonstration in the Laotian capital is a good indication of the Pathet Lao's capability to muster large-scale support on their behalf and can only further damage the morale of the non-communists in the government coalition.

[redacted] com-
munist victories in South Vietnam and Cambodia have already caused despair among the non-communists. Key civilian and military leaders have concluded that the refusal of the US Congress to provide emergency assistance to South Vietnam and Cambodia means that the non-communist side in Laos can no longer depend on help from Washington either. As a result, many prominent non-communists reluctantly are beginning to believe that an eventual Pathet Lao "victory" in Laos is inevitable and some are making long-range plans to leave the country.

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Yesterday's May Day celebration in Portugal brought an upsurge in party rivalry, as the Communists sought to offset the moderate parties' election victory last week.

The Communist-dominated labor confederation sponsored a large rally in Lisbon, in which they refused to allow the center-left Popular Democrats--second after the Socialists in the election--to participate. At the rally, Communists and Socialists engaged in a shouting match that interrupted a speech by Prime Minister Goncalves. May Day also marked the promulgation of a law, approved earlier, which places Portuguese labor under a single, confederation--the Communist-dominated Intersindical.

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The President's Daily Brief

May 3, 1975

5

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FOR THE PRESIDENT ONLY

May 3, 1975

Table of Contents

Portugal: Verbal attacks between Socialists and Communists have escalated even further, raising political tensions to a level where the Armed Forces Movement may feel compelled to intervene. (Page 1)

South Vietnam: The communists continue to give priority to detaining officers of the defeated government and to securing control over existing agencies and organizations. (Page 2)

USSR: The Soviets continue to be relatively restrained in their treatment of the communist victory in South Vietnam. (Page 4)

USSR: The Soviet Ministry of Defense apparently is planning its strategic program on the basis of the 2,400-launcher ceiling agreed to at Vladivostok. (Page 5)

Bahrain: Prospects for formalizing renewal of the US navy stationing accord in the near future now appear uncertain. (Page 6)

South Korea: President Pak is citing an increased threat of attack from the North as justification for cracking down harder on his domestic political opposition. (Page 7)

Notes: PLO - USSR; Iran - Latin America (Page 9)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Political tension has reached a serious level in Lisbon, where the Socialist and Communist parties have stepped up their verbal attacks on one another. The Armed Forces Movement may feel compelled to intervene.

After trading charges with the Communists throughout the day yesterday over the disruptions at the May Day celebration, the Socialists staged a mass protest demonstration last night. The crowd, which military police estimated at 50-60,000 and which included some supporters of the center-left Popular Democratic Party, marched through the streets of Lisbon chanting "Socialism yes, dictatorship no."

Troops of the Portuguese internal security force kept a close watch on the demonstrators throughout the evening. Socialist Party leader Soares and Justice Minister Zenha addressed the crowd, which began to disperse around midnight without serious incident.

Earlier in the day, Mario Soares was summoned to meet with Prime Minister Goncalves and President Costa Gomes, reportedly to discuss the incidents of the day before and the increasingly virulent exchanges between the Socialists and Communists. The "inner" cabinet--the Prime Minister, three military ministers, and the chiefs of the four coalition parties who serve as ministers without portfolio--also met in emergency session.

The leaders of the Armed Forces Movement place a premium on cooperation among the parties, but might be tempted to use the current discord to reduce the role of the parties in the government even further. The proposal to form a new party to collaborate with the Armed Forces Movement--first raised by Admiral Rosa Coutinho before the recent election--might also surface again.

FOR THE PRESIDENT ONLY

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SOUTH VIETNAM

The communists in South Vietnam continue to give first priority to detaining officers of the defeated government and securing control over existing agencies and organizations.

According to an intercepted North Vietnamese message, the communist General Staff has directed that its units should arrest all officers of field-grade rank and higher, dissolve the defeated units, and send home the junior officers and enlisted men. Press reporting indicates that at least some captured officers are being held in "re-education camps" for indoctrination leading to communist-style rehabilitation and eventual release for employment in new jobs.

Former government administrators are subject to arrest as "country sellers," but the communists apparently want to keep government agencies intact, presumably in order to maintain essential services while they establish more pervasive control over the people. Great stress is being put on maintaining order and preventing plundering by occupying forces.

Although labor leader Tran Quoc Buu, who has escaped the country, is labeled a traitor, the unions that belonged to his confederation will apparently be used by the communists as mechanisms for gaining control over organized labor in Saigon. Existing unions are instructed to continue vocational activities, but they will be supervised by the communists' "General Federation of Free Trade Unions." Members of Buu's defunct confederation have been given 24 hours to report to communist authorities, who presumably will exploit their knowledge of the unions to bring them rapidly under firm control.

In its first major action toward a Southeast Asian neighbor since gaining control over all of Vietnam, Hanoi is leaning heavily on Thailand to return US-supplied military hardware taken to Thai bases by fleeing South Vietnamese. Claiming that

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

this materiel belongs to the South Vietnamese people and therefore to the new communist administration, a Nhan Dan editorial warns: "The Vietnamese people can postpone considering other problems created by the Thai military dictatorial regime. However, they will never give up consideration of the present issue."

Nine South Korean embassy personnel and about 130 Korean civilians failed to make their escape from Saigon when the embassy closed there. Because of South Korea's role earlier in the war, it is feared that at least some of these people may be apprehended and dealt with harshly. Seoul is asking for help from third countries, including France, Sweden, and Japan.

FOR THE PRESIDENT ONLY

USSR

The Soviets continue to be relatively restrained in their treatment of the communist victory in South Vietnam and appear to be looking for a lead from Hanoi before taking a clear-cut position on some of the crucial issues.

In a congratulatory message to North Vietnamese leader Le Duan on May 1, party chief Brezhnev referred to the installation in Saigon of an "administration," making no mention of the Provisional Revolutionary Government in this context. This suggests that Moscow thinks that Hanoi would now just as soon deemphasize the governmental aspects of the PRG. A congratulatory message from the Soviet leadership to the PRG leaders, also delivered on May 1, wishes them success in implementing their "national aspirations," but pledges Soviet support for the "South Vietnamese patriots," rather than the PRG per se.

The Brezhnev message to Le Duan included a paragraph regarding the tasks and problems now facing Hanoi. This may be one way of suggesting that the North Vietnamese submerge whatever inclinations they might have to become more adventuresome elsewhere in the region. Cited among the "numerous difficulties" facing Hanoi were the "actions by external forces hostile to the Vietnamese people's national interests." In using the term "external forces," when he might have used "imperialist forces," Brezhnev clearly meant to put China on the list of those Hanoi should worry about.

Concern that the Chinese may stand to benefit from the US withdrawal may be one reason for Moscow's decision to refrain from direct criticism of Washington. Moscow may even be trying to float the idea that the US and the USSR have some shared interests in Indochina and Southeast Asia that could be explored further.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

The Soviet Ministry of Defense apparently is planning its strategic program on the basis of the 2,400-launcher ceiling agreed at Vladivostok. This would imply a Soviet assumption that a formal SALT agreement embodying this figure is likely.

The Ministry of Defense has been required to justify to the Soviet State Planning Committee, or some other higher authority, planned expenditures for armaments and capital construction which appear to be in dispute.

To defend his budget request for the 1976-1980 five-year plan, Defense Minister Grechko, [redacted]

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[redacted] to draw together information on recent increases in Western arms budgets, specifically those of the US, West Germany, and the United Kingdom. He proposed to cite the Western figures to buttress his case that the Soviet military must receive adequate funding if it is to "surpass" Western efforts and to avoid falling behind technologically. In addition, Grechko asked that selected data on the cost of Soviet systems be presented. He may have wished to show that newer generation Soviet systems are far more costly than their predecessors.

Grechko particularly wanted 3 to 5 billion rubles to be included in the budget to offset possible "failures" vis-a-vis the US. The reference to "failures" is obscure, but Grechko mentioned such US systems as the Trident submarine and may be concerned about the Soviets' ability to match or counter them. He may be seeking to hedge against technical failures or, possibly, a failure at SALT to achieve the restraints they want on US programs.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

BAHRAIN

The government of Bahrain is hesitant about formalizing renewal of the US navy stationing accord because of stiff parliamentary opposition, and prospects for an early conclusion of the agreement now appear uncertain. The Bahrainis earlier had given repeated assurances that the arrangement would be concluded shortly.

The foreign minister expects within the next month a sense-of-the-assembly motion--likely to be adopted overwhelmingly by parliament--calling for an end to the US naval presence. He said that the resolution does not have the force of law and that the government is determined to adhere to the stationing agreement. He added, however, that after the assembly's summer recess, the opposition may try to pass legislation terminating the accord. Such a move would raise questions as to the assembly's authority over foreign policy, a matter on which the constitution is unclear.

Negotiations to renew the accord--originally signed in 1971 and terminated by Bahrain during the October 1973 war--were completed a month ago. According to the foreign minister, the cabinet is trying to decide whether to adhere formally to the stationing agreement before or after the anticipated assembly debate. The government fears that a parliamentary wrangle over the stationing accord could produce a public airing of the issue of a US naval presence that would embarrass the ruling family.

FOR THE PRESIDENT ONLY

SOUTH KOREA

President Pak is citing an increased threat of attack from the North as justification for cracking down harder on his domestic political opposition.

Over the past several weeks the Pak government has executed eight political prisoners held since early last year; sent troops to occupy one major university and closed down others; passed an "anti-slander" law curbing political dissent; arrested or otherwise intimidated a number of its more active political opponents; and expelled from the country an American missionary who had been critical of the regime.

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This kind of approach to domestic dissent reflects in part Pak's disappointment with the fruits of the conciliatory tactics he tried during the winter months--the staged national referendum on his stewardship and the release of some 150 prisoners. These gestures did take some of the steam out of the anti-Pak movement for a time, but opposition politicians soon began to speak out vigorously once again, and university students went ahead with their traditional spring demonstrations.

Pak's inclination to get tough was reinforced by developments in Indochina and by the recent trip of Kim Il-song to Peking. Pak claims that these events will inevitably result in a greater threat of attack from the North. He is, in general, dramatizing the danger to justify suppression of criticism. In a major address on April 29 aimed at instilling confidence in the South Korean people, however, Pak also emphasized that the northern threat should not be overestimated.

Pak is aware that he will have to pay a price for the domestic crackdown in terms of diminished support in the US, where his policies on human rights have been sharply criticized. Pak seems,

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FOR THE PRESIDENT ONLY

nevertheless, to have consciously reached the decision that stricter discipline--demanded by national security--has a greater priority than the need to satisfy the US public and Congress. He appears to have concluded that he will never be able to fully satisfy his critics in the US and that to attempt it would undermine his positions.

* * *

Pak is also thinking hard about his longer term military situation. He has stated his firm determination to develop a Korean missile production capability within the next three to five years. While recognizing the financial burden such a program would place on his country, Pak made it clear--to our ambassador earlier this week--that he was looking ahead to the day when US forces would be withdrawn from South Korea.

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Seoul is also looking to the US for assistance to achieve self-sufficiency in missile-related technology, but Pak pointed out to the ambassador that he would seek help from third countries if US aid could not be obtained. Seoul reportedly is ready to conclude an agreement with a French firm for a propellant plant if a similar US facility cannot be obtained.

FOR THE PRESIDENT ONLY

NOTES

PLO chief Arafat, who was originally slated to leave for Czechoslovakia yesterday, will now stay in the USSR until Sunday.

His extensive discussions with Soviet Foreign Minister Gromyko have apparently left substantial areas of disagreement between Moscow and the Palestinians.

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One line of speculation is that recognition of Israel's existence is at the heart of the discussions. If true, this may mean that the Soviets are trying to get some commitment from Arafat that might reduce Israeli resistance to Palestinian representation at Geneva.

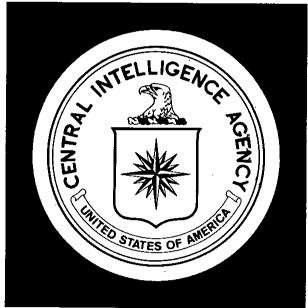
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The Shah of Iran will begin a visit to Venezuela and Mexico on Monday before arriving in the US on May 15.

The Shah is seeking through personal diplomacy and bilateral arrangements to broaden Iran's political and economic ties to Latin America. He has singled out Venezuela and Mexico because they are oil producers. He and Venezuelan President Perez are both interested in closer cooperation within OPEC to keep prices up and to balance the Arabs in the organization. The Shah's main interest in visiting Mexico is probably to learn Mexico's plans for developing and marketing its oil. He probably will also try to persuade the Mexicans to join OPEC; Mexico has rebuffed similar attempts by Venezuela and other OPEC countries. Iran is not neglecting other Latin countries. The establishment of diplomatic relations with Cuba, Jamaica, and Panama in February and with Colombia in April brings to 14 the number of Latin American governments having political ties with Iran.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

May 5, 1975

6

~~Top Secret~~ 25X1

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FOR THE PRESIDENT ONLY

May 5, 1975

Table of Contents

Cambodia: We present a first-hand account of the communist occupation of Phnom Penh and the foreigners' journey to the Thai border.
(Page 1)

South Vietnam: The communists have set up a committee to oversee the occupation of Saigon and are taking further steps to restore normalcy. (Page 3)

Notes: Cyprus, West Germany (Page 4)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

The following first-hand account of the communist occupation of Phnom Penh and the foreigners' trek to the Thai border was related to US officials in Thailand by Americans who were among some 300 foreigners deported from Cambodia over the weekend. All those in the first group of deportees have agreed not to publicize their experiences until over 200 foreigners still in communist hands have reached safety.

Young members of the communist underground apparently were the first communist personnel to surface in Phnom Penh on April 17, the day of the capital's surrender. They armed students from stocks of abandoned or surrendered Cambodian army weapons. They were relatively permissive toward foreigners, but as the day proceeded and insurgent veterans moved into the city, the communist mood became hostile.

Late on April 17, the communists ordered Westerners to leave the Hotel Phnom which the Red Cross and United Nations had declared a neutral zone. These persons joined those who had already sought refuge at the French embassy compound. Eventually some 1,200 people--including numbers of Cambodians who came in over the walls--gathered in the compound. The French consul refused entry to Cambodian army officers.

The consul won the first skirmish to maintain French sovereignty over the compound by insisting that under international law the ground was French soil and by observing that Paris had already recognized the new regime. He lost the battle later in the day, however, when communist troops returned to state that according to their theorists a revolutionary situation was not subject to international law and that the new leadership had not recognized the conventions the consul had cited. The communists later confiscated the embassy's transmitter and insisted on the return of Cambodian nationals--a demand on which the consul had to yield.

Sirik Matak, a former senior statesman, was among those Cambodians who gave themselves up; he is reported to have walked to the gate and told the

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

communists, "I am ready to answer for my crimes." Although not specifically mentioned as having been in the compound, former prime minister Long Boret, former minister of information Thong Tim Huong, and Lon Non, the former president's brother, were listed as among those known to be in communist hands. According to two intercepts, the communists are still searching for former minister of interior Hou Hong and former deputy prime minister Hang Thun Hak.

For the entire period that the foreigners were detained, the Americans had high praise for the French consul and for an official from the French school in Phnom Penh who had taught one of the communists guarding the compound. The communists provided food and water for the detainees.

The communists initially had trouble restoring electricity to the city and in operating the water system.

Trek to the Border

The trip to Thailand in open trucks began early on April 30--the day officials at the border were expecting the convoy to arrive. The 250-mile journey to the town of Poipet took three days with the trucks under way for 16 to 18 hours a day. The convoy did not run out of fuel but took an extremely circuitous route. Although initial reports indicated that two persons died en route, the American who provided the most detailed account of the trip knew only that one baby had succumbed.

Local units stopped the trucks once claiming that they were looking for Americans, but the communist in charge of the convoy told them that only Frenchmen were aboard. On another occasion a communist guard told an American not to speak English, explaining that local residents were hostile.

* * *

The order for the overland evacuation came from the Khmer Communist Party Central Committee and was therefore a calculated move rather than the act of confused second-echelon officials. The more internationally attuned Prince Sihanouk--who may return to Cambodia this week--is probably dismayed at the type of diplomacy now being practiced in Phnom Penh.

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The communists announced over the weekend the formation of an 11-man "military management committee," headed by Viet Cong General Tran Van Tra, to oversee the occupation of Saigon.

The committee reportedly met yesterday with a number of senior officials of the former government all of whom were "allowed to return freely to their families."

Other steps taken by the communists intended to restore normalcy to Saigon include:

--A call for all Saigon municipal employees to return to work; 1,500 had reportedly done so on May 1.

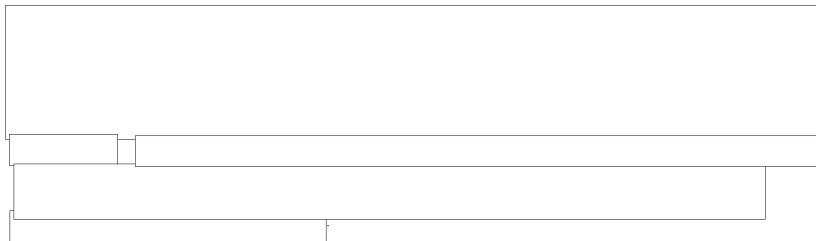
--The publication yesterday of the first edition of the new newspaper Saigon Liberated Daily.

--Announcement of the first Viet Cong flights into Tan Son Nhut.

--Resumption of programs on Saigon television.

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--Announcement of registration procedures for former government military personnel.



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The communists continue to press for the return of US-supplied aircraft and ships used by escaping South Vietnamese. The Viet Cong have sent formal notes to Thailand, Singapore, Malaysia, and the Philippines demanding the return of the equipment. Hanoi has zeroed in on the Thai, saying that a "correct attitude would constitute an important contribution to the normalization of Thai-Vietnamese relations."

FOR THE PRESIDENT ONLY

NOTES

The first round of talks in Vienna between Greek and Turkish Cypriots ended on Saturday without a breakthrough on any major issue. This round may have set the stage, however, for a narrowing of differences in later talks.

Greek Cypriot negotiator Clerides and Turkish negotiator Denktash agreed to set up a joint committee to consider the powers of the central and regional governments in a future federation. [redacted]

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[redacted] the Turkish side would be more flexible on territorial concessions and on the return of refugees if the Greek side would accept a weak central government. The talks are scheduled to resume in Vienna on June 5.

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* * *

In West Germany yesterday, Chancellor Schmidt's coalition parties won modest victories in two state elections regarded as key tests of public attitudes toward national party leaders and their policies.

In North Rhine - Westphalia, the Social Democratic - Free Democratic coalition retains a majority in the state legislature and control of the state's five votes in the Bundesrat, the upper house of the federal parliament. In the Saarland, the race ended in a photo finish, ending the Christian Democratic control that had existed since the end of World War II. Each side now has an equal number of seats in the state legislature. The Saarland has three votes in the Bundesrat, and the Schmidt government would have a majority in that house for the first time if the coalition parties form the state government.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 6, 1975

5

~~Top Secret~~ 25X1

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declassification schedule of E.O. 11652
exempted category, SB(1)(2),
declared and approved by _____ of
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FOR THE PRESIDENT ONLY

May 6, 1975

Table of Contents

<u>Thailand:</u> Informal [redacted] arrangements with the US regarding the US military presence are beginning to unravel. (Page 1)	25X1
<u>Australia:</u> [redacted] (Page 2)	25X1
<u>China:</u> The reappearance last month of Chairman Mao Tse-tung does little to clarify the Chair- man's relations with the rest of the Chinese leadership. (Page 5)	
<u>USSR-Libya:</u> Premier Kosygin apparently will pay a five-day visit to Libya later this month. Libya began receiving MIG-23 fighters on May 4. (Page 7)	
<u>Notes:</u> Italy; USSR-Vietnam; USSR-China; Cuba (Pages 8 and 9)	

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

Informal [redacted] arrangements between Thailand and the US regarding the US military presence are beginning to unravel. Factors behind this breakdown include:

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--A belief that a US military presence is no longer in Thailand's interests because of the expansion of communist influence in Indochina.

--A growing sense of Thai nationalism.

--Popular mistrust of agreements reached by the discredited former Thai military regime.

The Thai government, nevertheless, remains willing to cooperate with the US on security matters if it can avoid being held publicly accountable.

The Thai are anxious to play down publicly the extent of their cooperation with the US during the Vietnam war in order to put themselves on the best possible terms with the emerging communist governments in Cambodia and Vietnam. Thai officials, moreover, were dismayed that Thai-based US aircraft were not committed to stem communist advances in Indochina. They have reluctantly concluded that US security commitments to Thailand are no longer credible.

[redacted]

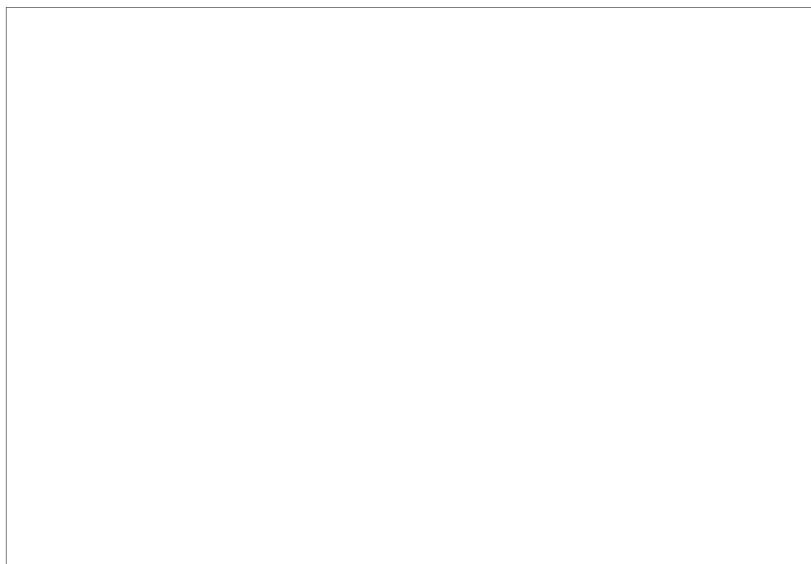
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[redacted]
agreements reached with the Thai prior to the collapse of military rule in Thailand-- regardless of their merits or legality--now may be called in question in ways that will make them unenforceable. Thai students will be quick to protest what they regard as US special privileges and immunities from Thai law. Government officials, who might otherwise defend agreements with the US, tend to be intimidated by threats from politically active youth.

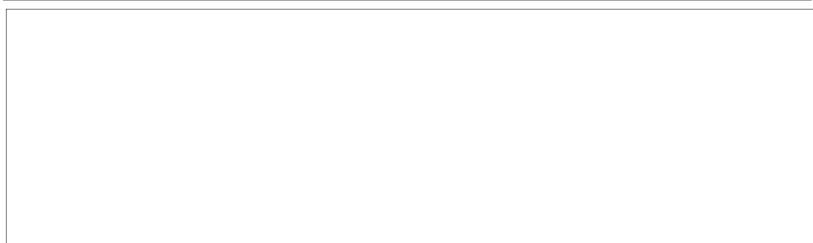
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FOR THE PRESIDENT ONLY

AUSTRALIA



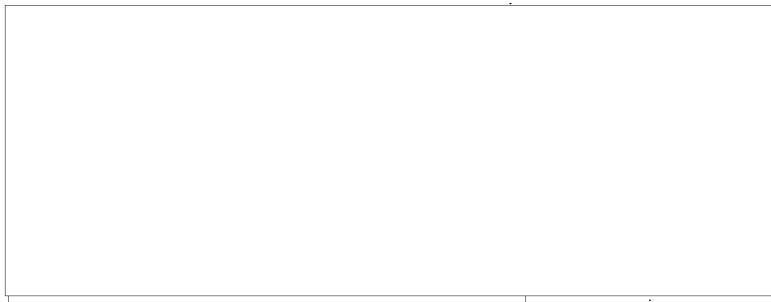
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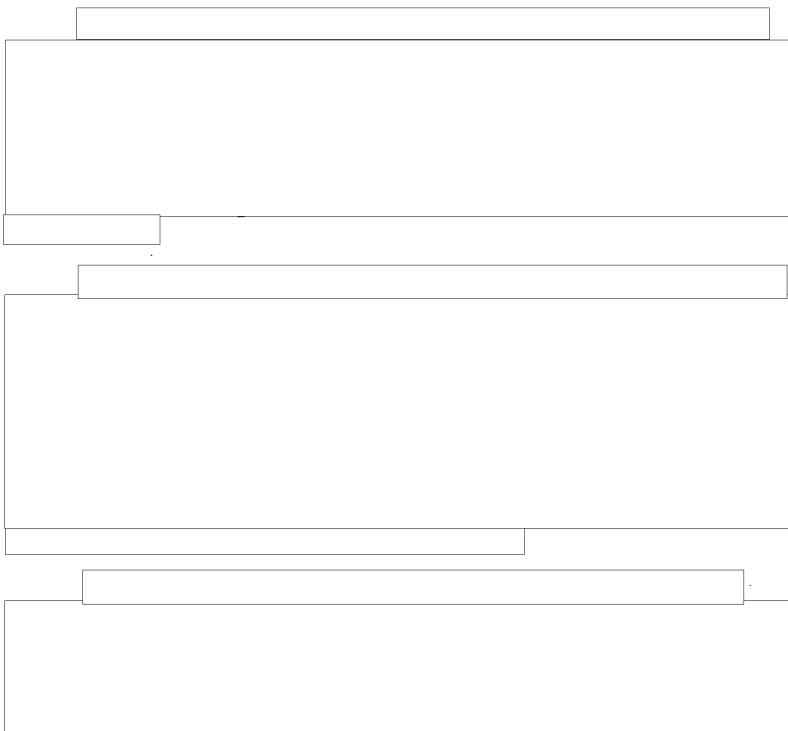


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Foreign Investment

The Whitlam government is determined to increase domestic control over Australia's mineral resources. It has tightened controls on foreign investment, increased taxes on mining, and pressed for more domestic processing of ores. These policies, combined with currency changes that have made investment more expensive for foreigners, have caused a dramatic decline in direct investment by foreigners--approximately one third of which comes from the US. In 1973-74, foreign investment averaged \$600 million, compared with \$1.4 billion annually from 1968 to 1972.

Continued discouragement of foreign investment in the mining industry ultimately will have a major impact on world mineral supplies. For example, Australia has accounted for nearly half of the increase in world output of iron ore and bauxite since 1968.

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FOR THE PRESIDENT ONLY

Exploration and development of oil and gas reserves have all but stopped. Canberra has refused to join the International Energy Agency because it feels Australia would not benefit from an oil-sharing arrangement; it thus is unwilling either to make a commitment toward conservation or to meet requirements for stocks.

At the same time, Canberra has participated in forming producer groups for bauxite and iron ore. Although it believes these organizations can strengthen the hand of raw material exporting countries, Australia has been a moderating influence.

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FOR THE PRESIDENT ONLY

CHINA

The reappearance last month of Chairman Mao Tse-tung, who has been out of public sight since mid-January, does little to clarify the Chairman's relations with the rest of the Chinese leadership.

Mao returned to Peking in April for the first time since last June, primarily to meet with visiting North Korean President Kim Il-song. Official Chinese accounts of the meeting failed to specify, however, that the meetings took place in Peking; this raises the possibility that the Chairman will soon return to the provinces.

Indications of mutual recriminations between Mao and important elements of the Chinese leadership continue to surface. Some of the criticism of the Chairman within China may occur with fairly high-level acquiescence. Limited public criticism of Mao in Kwangtung Province has gone unpunished.

[redacted] 25X1

by Lin Piao to describe Mao in 1971.

[redacted] 25X1

a much-reported rumor that China's regional military commanders, many of whom were targets of last year's anti-Confucius campaign, had refused to meet with Mao last summer [redacted]

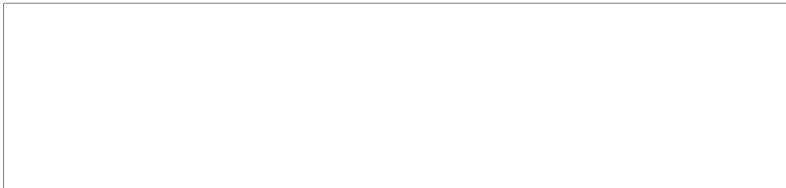
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FOR THE PRESIDENT ONLY



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[redacted] the
Chairman's imprimatur was obviously needed to provide proper weight to the discussions with the North Korean President. The current criticism of Mao is nevertheless unprecedented, and goes well beyond the rather furtive criticism that surfaced in 1960-61 after the failures of the Great Leap Forward.

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USSR-LIBYA

Premier Kosygin apparently will pay a five-day visit to Libya later this month. He will be accompanied by Foreign Trade Minister Patolichev, who may seek agreement on how the Libyans, with their declining oil income, will pay for such arms purchases as the advanced MIG-23 fighters that they began receiving on May 4.

Despite the USSR's arms shipments, its relations with Libya are marked by mutual distrust and conflicting approaches to the Arab-Israeli question. Kosygin, when bringing the Libyans up to date on Soviet efforts to reconvene the Geneva conference, will probably try to blunt Libyan attacks on the idea of Arab discussions with Israel. The Soviets may also hope to make Cairo uneasy by demonstrating that the USSR has options in the Arab world, including an opening with Egypt's most vocal Arab critic. The Libyans, who have been urging Moscow to send a high-level visitor, will be especially pleased to see Kosygin at a time when Libyan-Egyptian relations have been deteriorating.

Kosygin's visit will take place about a year after Libyan Prime Minister Jallud visited Moscow to discuss a \$250-million arms accord that was wrapped up late last year. The MIG-23s now being delivered under that accord will not immediately improve Libyan air defense capabilities. Libyan air crews have a poor record even on less-sophisticated equipment.

FOR THE PRESIDENT ONLY

NOTES

Your coming visit to Italy has drawn veiled criticism from Italian Communist leader Enrico Berlinguer.

On Saturday, Berlinguer asserted that the dominant Christian Democrats would try to use the visit to enhance their image on the eve of the nationwide regional and local elections scheduled for June 15. The Christian Democrats are expected to lose some ground to the left in those contests. Militant leftists may stage demonstrations against the visit, but the Communists will probably not take the lead in organizing anti-US protests. As part of their strategy for achieving a direct voice in the national government, the Communists recently have been signaling in various ways their willingness to accept Italy's security ties with the US. Berlinguer has also taken steps--such as his criticism of the Portuguese Communists--to underline his party's claim that it is not subservient to Moscow.

* * *

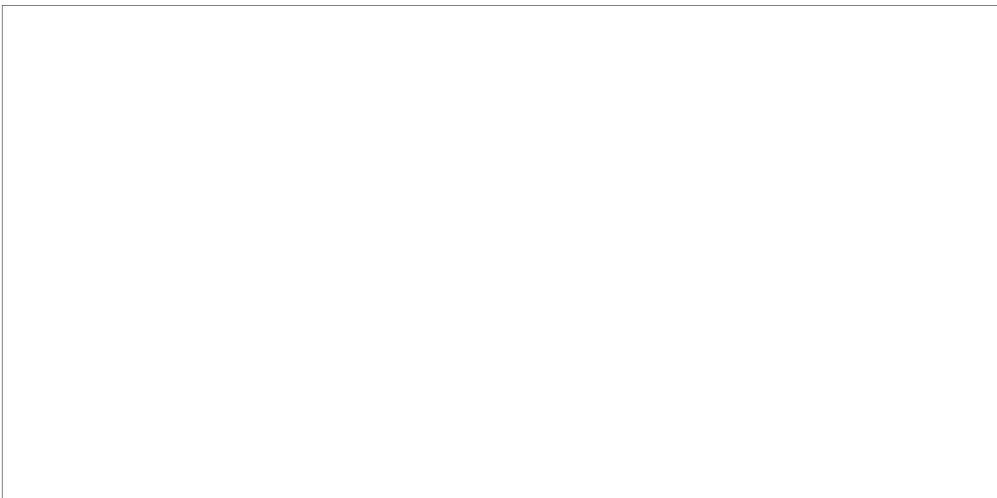
The USSR is increasing civilian aid shipments to Vietnam.

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Tass announced yesterday that two Soviet ships have arrived in Da Nang with rice and diesel fuel--the initial delivery of promised humanitarian assistance to South Vietnam. The rapidity of the Soviet response is a clear indication of the USSR's interest in strengthening its relationship with the Vietnamese communists, particularly vis-a-vis China.

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The chief Soviet negotiator at the Sino-Soviet border talks, Leonid Illichev, has returned home after three months of apparently fruitless discussions in Peking.

The negotiations appear to have foundered once again on Peking's demand that the USSR acknowledge that the border areas claimed by the Chinese are "disputed territories," and withdraw Soviet security forces from them before demarcation of the frontier can be discussed.

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* * *

Cuba is reorganizing its ministry of foreign affairs, apparently to prepare for eventual reconciliation with the US.

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A new department will be created late this summer to deal with North American affairs. It will be headed by one Jose Raul Viera Linares, a capable official who was partly educated in the US and served for six years with the Cuban UN mission in New York. The Cubans are still thinking of normalization of relations in long-range terms, however, and probably do not envision the resumption of ties prior to 1976 at the earliest.

Top Secret



The President's Daily Brief

May 7, 1975

6

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exemption Category 5B(1)(2)(3)
decided by the Director or his/her designee
of the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 7, 1975

Table of Contents

Laos: Fighting has resumed in the Sala Phou Khoun area. (Page 1)

United Kingdom: Prime Minister Wilson is strongly committed to good relations with the US. (Page 4)

UK-EC: Britain's relationship with Europe will reach a conclusive stage on June 5 with the referendum on British membership in the EC. (Page 8)

New Zealand: Prime Minister Rowling will plead his case for greater export opportunities during his visit here. (Page 10)

China: Foreign Minister Chiao has taken a positive view of the US world position. (Page 12)

Iran - Iraq - Persian Gulf: Iran is studying a proposal for a collective security pact made by Iraqi leader Saddam. (Page 14)

Portugal: Tensions between the Socialist and Communist parties appear to have subsided. (Page 16)

Panama: Panamanian leaders are seeking new support for their position on the canal treaty negotiations. (Page 17)

Notes: Australia (Page 19)

25X1

FOR THE PRESIDENT ONLY

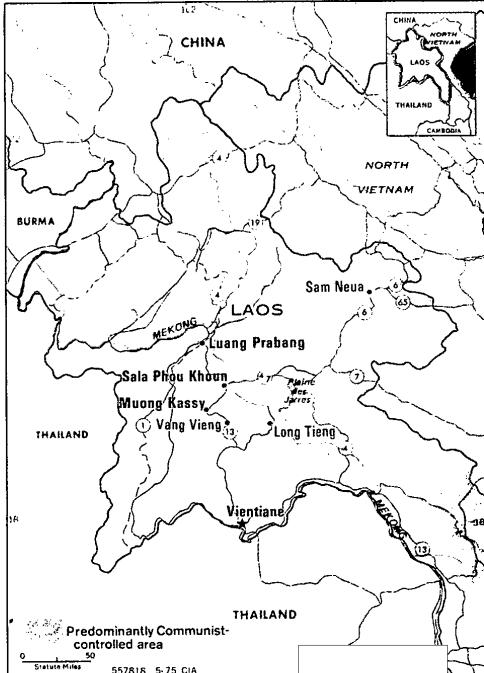
FOR THE PRESIDENT ONLY

LAOS

Military activity has resumed in the Sala Phou Khoun area of northern Laos after nearly a week's lull. This development will further demoralize the leadership of the non-communist side, which is already convinced that the Pathet Lao--emboldened by communist victories in South Vietnam and Cambodia--have decided to adopt a much more militant posture in Laos. A number of senior non-communist political and military leaders yesterday reportedly sent a memorandum to Prime Minister Souvanna Phouma offering to resign or retire.

[redacted] Pathet Lao forces supported by ten light tanks yesterday launched new attacks against non-communist positions in and around the Sala Phou Khoun crossroads. The non-communists are believed to have abandoned most if not all of their positions along routes 7 and 13 guarding the approaches to Sala Phou Khoun, as well as the strategic road junction itself.

After reaching Sala Phou Khoun, the Pathet Lao reportedly split their forces. A force perhaps as large as two infantry battalions, accompanied by four tanks, was dispatched south along Route 13 toward the town of Muong Kassy, which--like Sala Phou Khoun--was in non-communist hands at the time of the cease-fire in February 1973. An unknown number of infantry troops supported by six tanks headed north along Route 13. Reports this morning indicate this Pathet Lao force has reached Muong Kassy and surrounded the town.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

There is no confirmation [redacted] that some North Vietnamese forces are supporting the Pathet Lao. Moreover, bad weather has prevented [redacted] confirming the presence of tanks in the area. 25X1
[redacted] 25X1

The Royal Lao Army thus far has not resisted these Pathet Lao attacks, their leaders preferring instead to seek a political solution. [redacted] 25X1
[redacted] 25X1

[redacted] the army should fall back and not attempt to resist Pathet Lao advances. The Pathet Lao thus are moving their forces unopposed. [redacted] 25X1

[redacted] the North Vietnamese ambassador in Vientiane to counsel the Pathet Lao to exercise restraint. 25X1
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The military action, which has been intermittent since April 14, has produced side effects. Route 13, the only overland link between Vientiane and Luang Prabang, has been closed, thereby seriously aggravating the economic situation in the royal capital. Food, fuel, water, and other consumer items, the bulk of which are normally delivered to Luang Prabang by truck, reportedly are in short supply, and prices of available commodities have skyrocketed.

* * *

[redacted] the brother of Prince Boun Oum na Champassak--the titular leader of southern Lao rightists--was killed Monday in Vientiane by a plastic charge tossed at his car. Two other Lao also died in the incident. 25X1

Rumors have been making the rounds in Vientiane the past few days that Pathet Lao headquarters in Sam Neua has issued a directive calling for the elimination of rightist and other non-communist leaders by assassination or other means. Although there is no evidence the Pathet Lao were responsible for the plastic charge, the non-communist leaders will almost certainly draw that conclusion and interpret the action as a warning that a similar fate may well be in store for them.

[redacted] 25X1

FOR THE PRESIDENT ONLY

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The Soviet Union has reaffirmed its support for the Laotian coalition government. Moscow may be sending Hanoi a message that it does not want a military solution in Laos, while indicating to a broader audience that it will not be responsible if such a solution comes in the future.

On Monday, Soviet President Podgorny greeted a Laotian delegation headed by a right-leaning neutralist who is deputy chairman of the Joint National Political Coalition Council. Podgorny expressed confidence that strong Soviet-Lao ties are in the best interest of all peoples of Southeast Asia.

The meeting seems to be part of a continuing Soviet effort to project the idea that Moscow neither anticipates nor wants a resumption of the Laotian war. In Vientiane, Soviet Ambassador Vdovine told the US envoy yesterday that the recent fighting near Sala Phou Khoun did not signify any significant impending change in the Laotian situation and reiterated Moscow's support for the coalition. Soviet media have continued to praise the coalition's progress toward reconciling the opposing forces.

FOR THE PRESIDENT ONLY

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UNITED KINGDOM

Prime Minister Wilson returned to office early last year with a strong new commitment to the importance of good relations with the US. The British are well aware that their impact on world affairs has diminished, and they believe they must make their influence felt by participating in multilateral organizations, such as the EC, NATO, the Commonwealth, and the UN. In recent months, however, the government has been preoccupied with domestic concerns--the referendum on EC membership and the economy--and has paid less attention to foreign policy issues.

Relations with the US

Recent events in Indochina rekindled debate in Britain over the kind of relationship that should exist between the US and the UK as well as between the US and Europe. Government leaders have said little publicly about the meaning of Indochinese events for US-European relations; their private remarks do not convey any doubts about US reliability. Most moderate, pro-American members of the Labor Party have welcomed the US disengagement from Indochina,

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[redacted] no one in the Labor Party or in serious politics questions the US commitment to Europe. Political commentators, while drawing a distinction between US commitments to Indochina and to Europe, profess to see a growing skepticism in US attitudes about the world, an adversary relationship between the executive and legislative branches, a lack of clear leadership in Congress, and a loss of American self-confidence.

Concerning Atlantic relations, the British now are optimistic because they see an emerging generation of European leaders who take an Atlantic rather than a single-mindedly pro-European point of view. The British are hoping that in the future the European-Atlantic dialogue will be better balanced than in the past, and that trust will grow so deep

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

that the relationship can tolerate differences between the US and the Europeans without leading to unproductive recriminations. [redacted]

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[redacted] Callaghan intends to concentrate on trying to put the US-European dialogue on a firmer footing after the referendum, assuming the British electorate opts to stay in the EC.

CSCE

In an interview last month, Callaghan said that Britain has exerted considerable influence on developments at the European security conference in Geneva. Trying to be both flexible and firm, the British nevertheless are not overhasty--they are willing to "sit in Geneva till Christmas if necessary." Their tolerance of outrageous Soviet tactics has been limited, and they have stood up to the Soviets skillfully on some key issues. They have also taken the lead in urging the Western allies to make significant concessions on some issues for the sake of momentum.

NATO

NATO still has strong government and public support in the UK, despite the Labor government's intention to cut defense expenditures over the next decade. This support could dwindle if the alliance appears to be weakening and if East-West tensions appear to be easing. The British want to maintain good relations with the other NATO countries, and, although they did not modify their plans to reduce defense spending as a result of consultations with the allies, they did agree--at US request--to maintain their sovereign base areas on Cyprus and their air force facility at Masirah off the Arabian peninsula. The British will continue to participate in the Mediterranean on-call force.

Commonwealth

The British interest in improving relations between the producers and consumers of raw materials was highlighted at the Commonwealth conference, which ended yesterday. The British viewed the conference as an ideal forum because it includes an economic cross section of the world and because the

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

moderate orientation of its membership would make the grouping more receptive to proposals by a developed country than would a larger meeting of the developing countries. The British wanted to use the conference to prepare for further international discussions prior to the UN special session on raw materials this September. At the conference, however, Wilson's six-point plan, aimed primarily at reaching an equilibrium between producers and consumers, received a mixed reaction.

The British regard the recent preparatory conference of energy producers and consumers as a diplomatic defeat for the West because the developing nations did not accept the view that there is a community of interest between rich and poor consumers. In London's view, part of the reason for the failure was haste, and a second conference should be held only after careful and lengthy preparation. The British believe that the conference was helpful to the extent that it revealed the tough behavior of the producer countries and the developing consumer nations and demonstrated the inadequate consultation procedures of the developed consumers, especially among the EC.

UN

The British believe that the UN is not fulfilling the role for which it was established. Callaghan recently said that all nations must work to strengthen the UN and to avoid the confusion and confrontation that has afflicted the organization for some time, and that no single group should be allowed to ride roughshod over others.

Domestic Problems

British leaders have been preoccupied with the referendum on EC membership scheduled for June 5 and with domestic economic problems, including the highest inflation rate in Europe and rising unemployment. The bitterness and divisiveness that the EC issue has aroused in the Labor Party will not be soon forgotten. (This issue is examined in more detail in the succeeding article.) Regardless of the outcome of the referendum, Wilson may come under considerable pressure for his pro-EC position at the party conference this fall and

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

at the annual election for party leader. There is little prospect for his ouster, barring a "no" vote in the referendum, largely because there is no agreement on a successor.

The issue most likely to cause a confrontation between the Labor Party organization and the Prime Minister is the British economy. It has been hit by accelerating inflation triggered by rising wages, which the unions do not appear willing to curb, a decline in production, a fall in exports, the largest balance-of-payments deficit in the world, and a decline in the value of sterling. The government in its recent budget tried to tackle inflation by increasing taxes. The trade unions fear the tax increases will aggravate a worsening employment picture, and they worry that the government's next move will be a strict clampdown on wages if prices continue to soar.

With little room left for maneuver, London is counting on a rise in foreign demand to lift the British economy out of its current straits.

The recent US tax cut was welcomed by London as laying the groundwork for a vigorous expansion in the world economy.

Britain's payments problems will continue to be severe. Though the trade gap has narrowed considerably since the first of the year, private capital inflows have continued to fall. The Saudis have stopped accumulating sterling altogether. Fears that the Labor government will not be able to resolve Britain's economic problems are widespread, and the pound has been under steady pressure for the past month. Sterling is in for a rough summer, and if the EC referendum goes against continued membership, a payments crisis could develop.

FOR THE PRESIDENT ONLY

UK-EC

Britain's relationship with Europe, one of the major questions that has pre-occupied postwar Western Europe, will reach a conclusive stage on June 5 with Britain's first-ever national referendum. The British, including the governing Labor Party, have been and are deeply and acrimoniously divided over this issue. A "no" vote on EC membership could bring down the Labor government and lead to a further deterioration in the UK's economic situation.

The Wilson government has for almost a year been engaged in a "renegotiation" of the terms of Britain's entry into the European Community in January 1973--almost entirely as a result of a strategy aimed at maintaining party unity. In March, Wilson announced that the renegotiation had been successful, the government recommended continued membership, and Parliament approved the government's position by a large majority. In fact, British demands were fairly modest and a favorable outcome of the negotiations was never seriously questioned given the dominant interest, on both sides, in keeping Britain in. The renegotiation process, however, probably has had little impact on the voter, and, hence, the outcome of the referendum outcome is uncertain.

The prospect at the moment is that a scant majority of the electorate will favor remaining in the EC. But developments before the vote--abrupt changes in food prices or adverse developments regarding sterling--could produce additional votes against continued membership. The government will be making every effort to avoid anything that could have such an impact, and it would gratefully welcome an affirmative decision to start the process of healing internal political divisions. A decisive affirmative vote would probably remove "Europe" as a perennial domestic issue fairly soon.

If the electorate should vote to leave the EC, the Conservative, Liberal, and nearly half of the Laborite members of Parliament might vote to retain membership anyway. A referendum vote against the EC would, however, likely lead Prime Minister Wilson--who is on record that the people's decision will be binding on his government--to resign and call national elections.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Withdrawal from the EC would open a probably lengthy and certainly difficult period during which the UK would have to arrange alternative trade and other economic relationships. While it would no doubt eventually reach some accommodation with the EC--its major trading partner--in the form of a modified free-trade agreement, Britain's economy would suffer seriously during the interim. The domestic economic situation would be further harmed over the long run because Britain would no longer be compelled to modernize its industry, and its international competitive position would worsen. Such an economic decline would in turn diminish Britain's international importance.

Movement toward further European political and economic integration, already slow, would also be set back, and the EC's own policies would probably become less outward looking and more protectionist--to the disadvantage of all its trading partners.

The UK shares the US outlook on most major international issues, both political and economic, and has forcefully advanced these in EC forums. To some extent, British membership has given the US a "friend in court" who has veto power and is privy to all critical EC deliberations. Because EC political consultations--including periodic heads-of-government meetings--have become increasingly significant, the continued UK presence in the EC has become all the more important to the US.

FOR THE PRESIDENT ONLY

NEW ZEALAND

Prime Minister Rowling will plead his case for greater export opportunities in the US during his visit here this week.

New Zealand's total export earnings actually fell last year because overseas demand for beef and wool plummeted. The government has been forced to make up the deficit by borrowing heavily abroad. The Prime Minister undoubtedly is concerned most about the market for the country's large number of beef cattle. He will probably seek to increase the US voluntary quota, which already permits New Zealand to ship at least 5 percent more beef this year than last.

New Zealand's advocacy of a South Pacific nuclear-free zone is the only strain in relations with the US. Rowling's adoption of former prime minister Kirk's pet project is partly an effort to cash in on Kirk's widespread appeal. It also makes good politics to cater to the very real popular fears in New Zealand over nuclear pollution; these remain strong even though the French have ended atmospheric testing in the nearby South Pacific.

Rowling has not been persuaded that the possible impediment of the free movement of US nuclear-powered vessels could lessen the protection afforded New Zealand under the ANZUS pact. The New Zealanders have not brought themselves to make a distinction between nuclear weaponry and nuclear propulsion. [redacted]

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Wellington, for example, has been more averse than Canberra to considering port calls by US nuclear-powered ships. It has also stalled on US requests that it take over the management of a naval stores basin and fuel depot [redacted]

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FOR THE PRESIDENT ONLY

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The New Zealand Laborites	25X1
	25X1
appear	25X1
to feel that to facilitate US access to [redacted]	25X1
naval facilities would run counter to their view	
[redacted]	25X1

Some of New Zealand's show of independence may stem from a feeling of being unnoticed. The New Zealanders have seen that Australia's more nationalistic stance has at least brought it greater US attention.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA

Chinese Foreign Minister Chiao Kuan-hua has taken a positive view of the US world position in the wake of communist victories in Indochina, denying both that Sino-US relations would suffer as a consequence of developments in Vietnam and Cambodia and that Washington had lost its will to play a leading, active role in world affairs.

[redacted]
[redacted]
[redacted]

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Chiao [redacted] addressed [redacted] the question of the US' ability and "will" to protect its international interests and project its power abroad. He claimed that Washington demonstrated "the most stubborn will" over a long period in Vietnam and that US difficulties stemmed from the fact it was overextended in Southeast Asia, not that it lacked the will to pursue its foreign policy aims.

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Chiao indicated that he expected the US, now freed from Vietnam burdens, to play an active and "more positive role" in the Pacific, in large part, he implied, as a counterweight to Soviet power.

Chiao's view that Washington would now be able to concentrate on areas more important to it--in particular Europe and the Middle East--had been expressed earlier by lesser Chinese officials.

[redacted]
[redacted]

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FOR THE PRESIDENT ONLY

[redacted] a right-wing reaction to Vietnam in the US might affect relations between China and the US. He added that in Peking's view, there is a "strong possibility" that your visit to Peking this year "will not be as productive as we would wish."

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All this indicates that Peking is still sorting out the implications of recent developments in Indochina for its own interests. [redacted]

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[redacted] Peking has neither abandoned hope for further movement in Sino-US relations nor written off Washington as a counterweight to Moscow. His hint that the US should continue to play an active role in the Pacific is especially significant in this regard.

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[redacted] Peking hopes to continue along paths charted over the past several years, but over the next several months the Chinese almost certainly will be looking for clearer indications of how the outcome in Indochina in fact affects US policy.

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FOR THE PRESIDENT ONLY

IRAN - IRAQ - PERSIAN GULF

Iran is studying a proposal for a Persian Gulf collective security pact put forward by Iraqi leader Saddam Husayn Tikriti during Saddam's recent visit to Tehran.

The Shah has told Ambassador Helms that Baghdad's proposal would provide for common action to meet both "local" and "external" threats. The Shah believes it may reflect an Iraqi willingness to withdraw "somewhat" from Soviet influence, and that it offers some guarantee that Iraq would not move forcibly to secure its demands for territorial concessions from Kuwait.

The Shah has long regarded the conservative Arab states in the Gulf as ripe for radical subversion, and tried unsuccessfully to foster a regional security arrangement that excluded--indeed, was largely aimed against--the leftist regime in Iraq. The Shah's scheme foundered on traditional Arab-Persian rivalry and distrust, and on the reluctance of conservative Arab leaders to antagonize Baghdad by joining non-Arab Iran in such an arrangement. Sponsorship of a security pact by the Baghdad regime itself, the comprehensive accord headed by the Shah and Saddam Husayn in Algiers last March, and the leadership change in Saudi Arabia seem to have lessened many of these problems.

If a Gulf-wide pact is to be arranged, it probably would include a mutual nonaggression pledge, an agreement to consult on Gulf problems, and some formula expressing the common interest of Gulf states in excluding foreign powers from interfering in the area's affairs.

Noninterference by foreign powers has been a common theme in the public statements of Iranian and Iraqi leaders since the signature of the Algiers accord. A possible trade-off between the Shah and Saddam Husayn might be a promise by Baghdad to limit the Soviet navy's access to Iraqi ports in return for Iranian pressure on Bahrain to terminate the small US naval presence there.

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FOR THE PRESIDENT ONLY

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The Shah has justified the presence of the US Navy Middle East Force only as a counter to Soviet naval activity in the Gulf. It would be difficult for him to push the Iraqis to exclude the Soviets without also supporting exclusion of the US.

The Shah would consider he had gained by such a trade-off, partly because it would leave the Iranian navy the most powerful in the area.

Iraq's motives in proposing a Gulf security pact are less clear. Baghdad may see a broader security pact as a means of obtaining a nonaggression pact with Iran. Iraq, moreover, is trying to project an image of a powerful, yet responsible Gulf Arab state.

Saddam Husayn may also hope to trade Iraqi cooperation on Gulf security for Iranian or Saudi help in securing territorial concessions from Kuwait. Baghdad continues to press Kuwait to cede two islands flanking the approaches to Iraq's port of Umm Qasr.

A Gulf security pact would have implications for the Dhofar rebellion in Oman. Iraq--along with South Yemen--has provided money, arms, training, and leadership to the guerrillas. [redacted]

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[redacted] Saddam Husayn has agreed to end this support for the rebels, who in any case, are faring badly. A winding down of the rebellion would also allow Sultan Qabus to push his long-range policy of reducing Oman's dependence on the British [redacted]

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The Saudi attitude on a security pact would be critical in determining how the smaller Arab Gulf states--particularly Qatar and Bahrain--react to any proposals. The leaders of Qatar and Bahrain generally remain skeptical about Iraqi intentions in the Gulf. The Amir of Qatar recently told a US official that he had no illusions about Baghdad ending its subversion against Gulf states.

FOR THE PRESIDENT ONLY

PORUGAL

Tensions between the Portuguese Socialist and Communist parties appear to have subsided following an agreement by party leaders to cooperate in the coalition government and to defend the reforms made since the military assumed power last year.

Representatives of the two parties, including Socialist leader Mario Soares and Communist chief Alvaro Cunhal, met Monday at Communist Party headquarters to discuss their differences. Both Cunhal and Soares have recognized the need for cooperation, but previous attempts to resolve their differences have broken down when they found themselves at odds on policy issues. Cunhal told reporters he hoped that progress toward greater cooperation could be made in future talks, which were called for in a communiqué issued at the conclusion of the meeting.

The Communists' desire for closer cooperation with the Socialists probably reflects the belief of some party members that they have lost some influence with the Armed Forces Movement, particularly since the elections showed the Socialists, not the Communists, to be the party of the "people." The Communists may also face widening rifts within party ranks between older, Moscow-oriented leaders and younger members who prefer to operate along the lines of the more nationalistic West European Communist parties.

There have been indications in recent days that Soares would also welcome a cessation of hostilities and would prefer to follow a softer line toward both the Communists and the Armed Forces Movement. He has been forced to take a harder stance, however, by party militants who fear that if the Socialists do not press their advantage now, they will lose the benefit of their electoral victory.

The agreement between the two parties was probably strongly encouraged by the Armed Forces Movement, which has repeatedly emphasized the importance of unified support for its policies. Soares was called in by military leaders to discuss party difficulties last Friday, and Cunhal had a two-hour session with President Costa Gomes on Monday.

FOR THE PRESIDENT ONLY

PANAMA

Panamanian leaders, sensing that a critical point is at hand in the canal treaty negotiations, believe that the outcome might turn on having world opinion on their side. Top government officials are engaging in shuttle diplomacy in quest of new support.

Foreign Minister Tack has set the pace for the campaign to secure new pledges of foreign support. During the last several weeks he has visited six South American capitals, and he is now in Washington to present Panama's case at the OAS General Assembly. Chief of State General Torrijos personally handled discussions in three Central American countries. Panamanian missions eventually will go to all the remaining Latin American countries, as well as to any international meetings where expressions of support might be garnered.

The Panamanians are effectively using the theme that ending the US "colonial" presence in Panama is an objective that all Latin countries should share, and that the US handling of the canal treaty negotiations will be an important test of the sincerity of Washington's desire for a new relationship with the region.

General Torrijos believes that only by keeping up direct and indirect pressure can he convince the US government that it should give high priority to reaching a new relationship with Panama on the canal issue. During the past two months, the Panamanian campaign for international support has been given new impetus by the need to counter mounting opposition by certain groups in the US to any change in the canal situation. The Panamanians are chiefly concerned about what they consider a campaign by some US legislators and residents of the Canal Zone to sabotage the negotiations. In addition, they fear that events elsewhere may divert US attention from the canal question or, still worse, lead to a hardening of the US negotiating position or even to a decision to abandon the negotiations on the grounds that the US public would not now tolerate giving up control over the canal.

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FOR THE PRESIDENT ONLY

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While still firmly committed to completing the treaty negotiations, Panamanian officials now are seriously considering the implications of a stalemate or breakdown and what they can do to lessen the chances that this will take place. Recent statements that Panama cannot budge on its demands for a relatively short-term treaty and other key objectives probably are meant to reinforce Torrijos' stand that he will not sacrifice principles in order to improve the chances of getting US ratification of a treaty.

FOR THE PRESIDENT ONLY

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Numerous import restrictions adopted by Australia since January have helped cut into import levels and substantially improved the trade balance.

Even though foreign demand for Australia's exports remained weak, the fall in imports--about 6 percent in volume terms--led to a \$400-million trade surplus in the first quarter, compared to a nearly balanced trade account the preceding quarter. Canberra has nonetheless continued to impose new import restrictions. Two weeks ago, tariff rates on television components were raised from 35 percent to 45 percent; the US is a major supplier of these components.

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The President's Daily Brief

May 8, 1975

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FOR THE PRESIDENT ONLY

May 8, 1975

Table of Contents

Laos: Prime Minister Souvanna Phouma is attempting to defuse the crises that threaten to topple the 13-month-old coalition government.
(Page 1)

Vietnam: A major speech yesterday by General Tran Van Tra failed to provide any specific information about the composition or form of the new Saigon government. (Page 3)

North Vietnam - Thailand: North Vietnam has offered to explore the question of establishing diplomatic relations with Thailand. (Page 5)

Singapore: Prime Minister Lee Kuan Yew hopes to gain assurances that the US will maintain its security commitments in Southeast Asia.
(Page 6)

Somalia - Saudi Arabia: Saudi Crown Prince Fahd upbraided Somali President Siad during his visit to Riyadh about "the bases and facilities" Somalia has made available to Moscow. (Page 8)

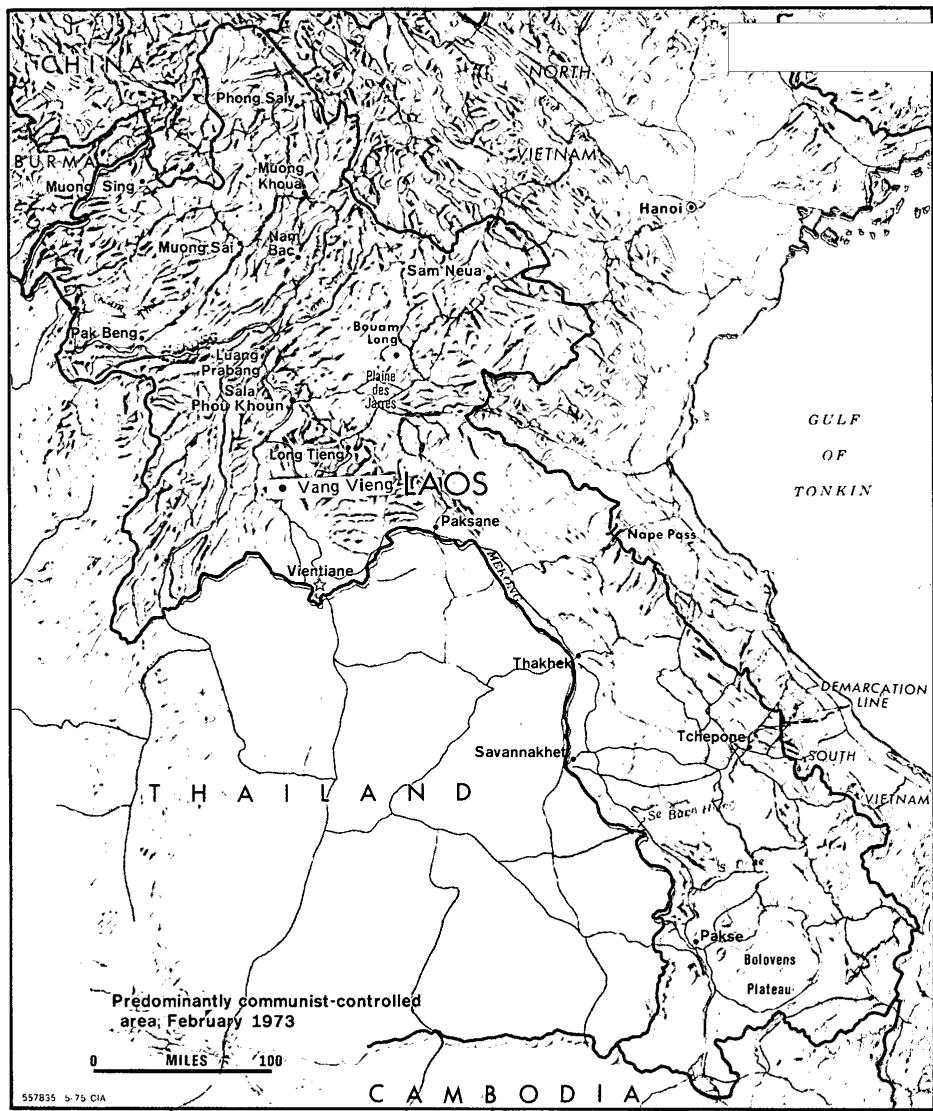
OAS: A long list of grievances against the US is sure to be aired at the OAS General Assembly opening today in Washington. (Page 9)

Notes: USSR; Burma (Page 11)

Annex: Assessment of Insurgency in Thailand

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

LAOS

Prime Minister Souvanna Phouma is attempting to defuse the military, political, and economic crises that are threatening to topple Laos' 13-month-old coalition government.

In a special meeting yesterday of the entire coalition cabinet, Souvanna appealed to Pathet Lao Deputy Prime Minister Phoumi Vongvichit to cooperate with him in issuing a joint communiqué calling for an end to the three-week-old fighting in the Sala Phou Khoun area of northern Laos. Under the terms of the communiqué, both sides would hold their present positions until a peace-keeping team from the coalition's Joint Central Commission arrived in the area to mediate the conflict.

Phoumi agreed to sign the communiqué, but he indicated that he would have to ask communist headquarters in Sam Neua to issue formal orders for a military standdown by Pathet Lao units in the field.

The Pathet Lao are firmly in control of the strategic Sala Phou Khoun road junction, and yesterday encountered virtually no opposition in occupying the town of Muong Kassv, some 20 miles to the south.

[redacted] communist troops have pushed farther south along Route 13 and have attacked Vang Vieng. In contrast to his earlier instructions, Souvanna [redacted] ordered the non-communist forces to make a stand at the town and has sent reinforcements.

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Phoumi also agreed to Souvanna's request that joint communiqués be issued proscribing any further political demonstrations anywhere in the country and calling for an end to the civil unrest over economic issues in the city of Pakse in southern Laos.

The conciliatory approach taken by Phoumi at the cabinet meeting is not a guarantee that higher level Pathet Lao authorities will be willing to go along with the agreements he has made with Souvanna. Nor have the sagging spirits of the non-communists been buoyed by Phoumi's apparent reasonableness.

[redacted] the mood of non-communist ministers following the meeting as one of depression, defeatism, and hopelessness. Conservatives in the non-communist leadership

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FOR THE PRESIDENT ONLY

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continue to assess the political situation as moving irreversibly toward complete Pathet Lao control of the government. [redacted] Defense Minister Sisouk na Champassak, Finance Minister Ngon Sananikone, and other prominent conservatives are planning to resign from the coalition and leave Laos.

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Nor has Souvanna given the rightists, who he believes are largely to blame for the deteriorating situation, any cause for encouragement. He recently castigated them for not following his orders to avoid antagonizing the Pathet Lao. Souvanna singled out Sisouk for especially severe criticism, charging that the defense minister's failure to control the actions of Royal Lao Army generals Vang Pao and Thonglith actually sparked the fighting in northern Laos.

Souvanna has ordered Sisouk to relieve both generals from their respective commands in the north and, additionally, to "retire" Lao army strongman General Kouprasith Abhay and other senior rightist officers.

FOR THE PRESIDENT ONLY

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VIETNAM

A major speech yesterday by General Tran Van Tra at public ceremonies in Saigon failed to provide any specific information about the composition or form of the new Saigon government. No well-known communist official other than Tra appeared at the ceremonies.

Tra commanded communist military forces in the south and is believed largely responsible for orchestrating the recent offensive. He spoke as chairman of the "Saigon - Gia Dinh Military Committee," but he indicated that he was speaking for the Provisional Revolutionary Government (PRG) when he congratulated the "people" for their recent victory.

The members of Tra's committee are all from the communists' southern military command structure and are little known to the non-communist South Vietnamese. Although it has been a week since the liberation of Saigon, there have been no public statements by any of the other leaders of the various communist political and military front organizations. Hanoi, moreover, has yet to publish in its official media anything more than congratulatory remarks on the recent victory. The Vietnamese may be withholding important announcements until the celebration of Ho Chi Minh's birthday on May 19.

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The communists' intention to establish a nominally separate government in the south indicates that Hanoi is content to move with deliberation toward formal reunification. North Vietnam may

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FOR THE PRESIDENT ONLY

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intend to continue using the international standing of the PRG to establish the legitimacy of the communists' southern regime. Once this is accomplished, Hanoi might then be willing to stage a plebiscite or use some other device to legitimize reunification. This would allow Hanoi to claim that reunification has been sought and accepted by the southerners and is not merely the consequence of conquest.

FOR THE PRESIDENT ONLY

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NORTH VIETNAM - THAILAND

North Vietnam has offered to explore the question of establishing diplomatic relations with Thailand, with discussions to begin in Bangkok as early as May 11.

Hanoi's ambassador in Vientiane, who made the offer, at the same time pressed Bangkok's envoy for the return of South Vietnamese aircraft to the new government in Saigon. He stressed that the return of the aircraft would assist in promoting improved relations between Bangkok and the new government in Saigon.

The speed of Hanoi's response to friendly overtures from Bangkok will almost certainly come as a surprise to the Thai, who have been pessimistic in recent months over prospects for any early rapprochement with Hanoi. Earlier this week the Thai cabinet gave Foreign Minister Chatchai Chunhawan a green light to normalize relations with Hanoi at such time as he deems appropriate

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[redacted] The cabinet decision was apparently made prior to Hanoi's approach.

The timing of Hanoi's approach is probably intended in part to take advantage of Bangkok's predicament over the disposition of the remaining South Vietnamese aircraft. Some Thai officials want to respond positively in the hope of establishing diplomatic relations soon. Others, principally in the military, are disturbed by the prospect of providing North Vietnam weapons that could someday be used against Thailand. [redacted] army commander Krit Sivara will attempt to block any precipitous move by the government to return the aircraft, particularly helicopters, to the Vietnamese communists.

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Prime Minister Khukrit's government is also concerned, in the face of US claims of ownership, that returning the aircraft to the communists could seriously damage US-Thai relations. The Foreign Ministry may try to stall for time by bringing up with Hanoi such long-standing issues as the repatriation of some 50,000 Vietnamese refugees who have lived in Thailand for the past 30 years. In the end, however, Khukrit may make a token effort to accommodate Hanoi's wishes by agreeing to turn over at least some of the South Vietnamese aircraft that have not been removed from Thailand.

FOR THE PRESIDENT ONLY

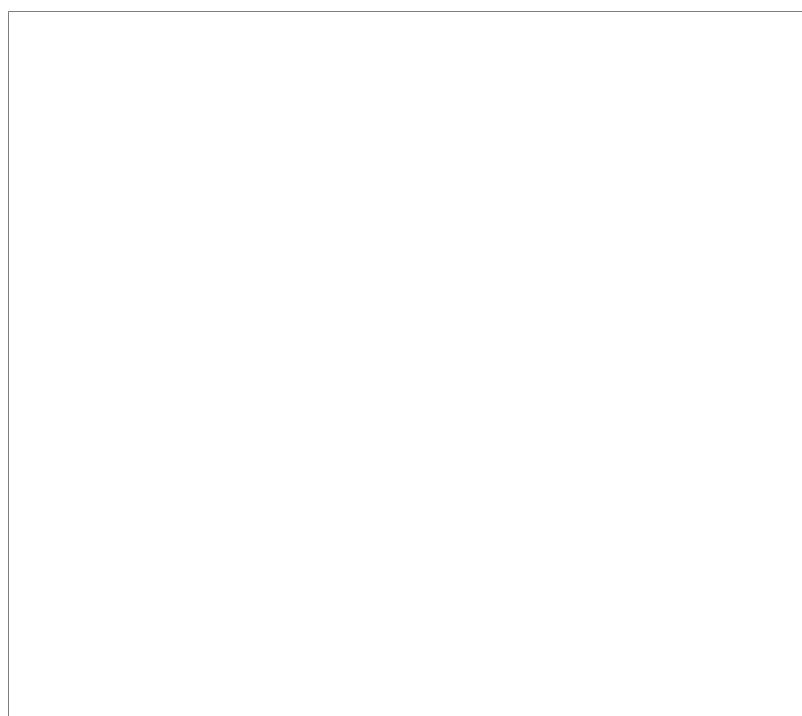
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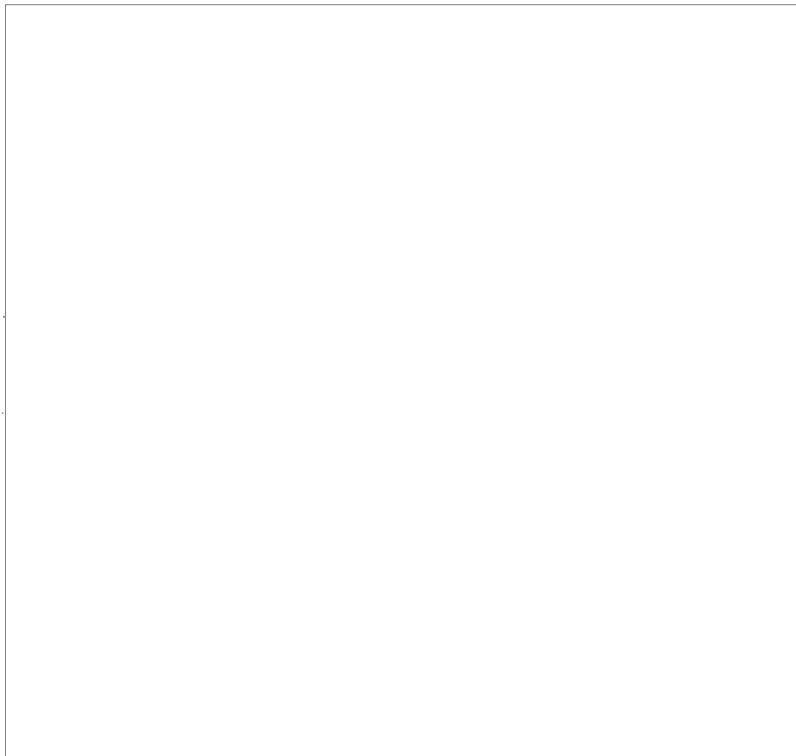
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SOMALIA - SAUDI ARABIA

US officials have learned that Saudi Crown Prince Fahd upbraided Somali President Siad, during the latter's visit to Riyadh, about "the bases and facilities" Somalia has made available to Moscow. Siad is reported to have repeatedly denied the existence of Soviet facilities and to have invited Fahd to send a delegation to make an inspection. Fahd said he intends to take the Somali leader up on the offer. Fahd offered financial aid to the Somalis, but indicated that it will not be forthcoming until Riyadh is convinced that it will not be used for purposes contrary to Saudi interests.

The joint communiqué that concluded the visit, which took place from May 3 to 5, reflects the pressure the Saudis exerted on the Somali President. The two governments described the Red Sea and Gulf of Aden as an "Arab lake," the defense of which is the duty of the "Arab nation alone." The communiqué added that the region should be "devoid of foreign forces." The Somalis will claim, of course, that this points a finger not at the Soviet Union but at continued French rule in the French Territory of the Afars and Issas--formerly French Somaliland.

Siad agreed that both sides would preserve spiritual values, and that all government actions should be in line with the dictates of Islamic law. The Saudis have not liked Siad's frequent references to "scientific socialism" as the basis of Somali policy and have regarded some of his actions in recent months as inimical to Islamic principles.

The Saudis, for their part, went along with Mogadiscio's position about the need for the unity of all Somalis. This refers to the long-standing claim by Mogadiscio to territory in Ethiopia, Kenya, and the French colonial territory inhabited by ethnic Somalis.

Siad's primary purpose in making the trip was to overcome Riyadh's opposition to the Arab League summit meeting scheduled for late June in Mogadiscio. It is doubtful that he succeeded. The Somali President went to Baghdad on May 6 and was in Damascus yesterday.

FOR THE PRESIDENT ONLY

OAS

A long list of grievances against the US is sure to be aired at the OAS General Assembly opening today in Washington. Yesterday, the Peruvian embassy brought together a number of Latin American foreign ministers for preparatory talks aimed at keeping alive the consensus strategy that has recently pitted the Latin Americans against the US in international forums.

During the first few days of the assembly, the foreign ministers will be free to raise topics of their own choice. Panama, for example, has gone to great effort to engineer a Latin American statement of support on the canal issue. Some countries will probably want to hammer again at the question of sanctions against Cuba.

The actual agenda is burdened with complex issues, several of them relating to the theme of a new international economic order. Other topics that may require prolonged and possibly heated debate include the US Trade Reform Act, the effects of high oil prices, the concept of collective economic security, and the election of a new secretary general.

Whether the conference bogs down in the heavy schedule or focuses on the major issues will depend on the effectiveness of those delegations which want the OAS to become a working entity. The small countries in particular value the OAS highly for the security protection, humanitarian functions, and development programs it offers.

The more important nations have varying opinions about its utility. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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[redacted] With the breakdown of the hemispheric dialogue, a number of nations see the OAS as the only enduring pan-American forum available and would be reluctant to see it collapse.

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A new sense of self-esteem and solidarity among Latin American governments is enhanced by the loss of US stature in their eyes, partly over events in Southeast Asia and partly over the US failure to follow through on the "new dialogue." An ambivalence still obtains, however, because many governments still prefer to see a strong US, clearly benevolent toward Latin America.

FOR THE PRESIDENT ONLY

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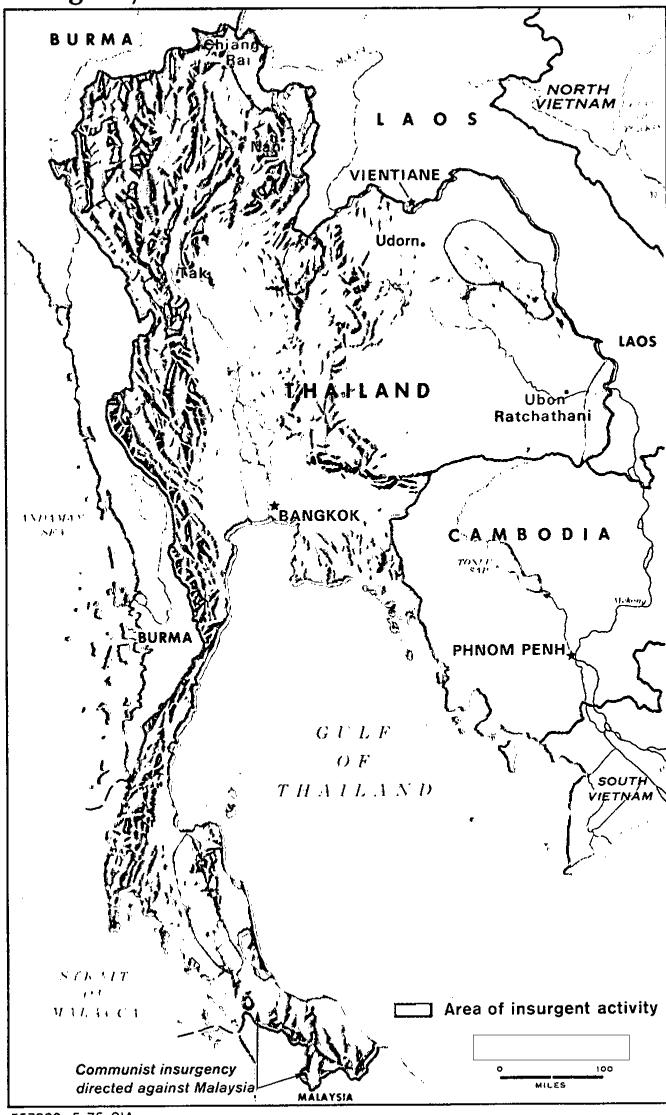
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Burmese President Ne Win appears generally unshaken by recent events in Indochina and optimistic about his country's internal situation and his own political strength.

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[redacted] Ne
Win expressed confidence that his army can deal successfully with Burma's numerous insurgent groups and that the country's chronic economic problems can be overcome. Ne Win's buoyant mood probably stems in part from growing confidence that Burmese military operations in the northeast will not prompt a reaction from Peking. Government forces have made recent gains against the communists both in the northeast and in central Burma. The army probably can make further inroads on communist territory, but it does not have the capability to wipe out the insurgents.

Insurgency in Thailand



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FOR THE PRESIDENT ONLY

ASSESSMENT OF INSURGENCY IN THAILAND

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An immediate Thai reaction to communist victories in Cambodia and Vietnam has been apprehension that North Vietnam will increase its support of the Thai communist insurgents. Actually such a prospect seems unlikely any time soon. The insurgency, despite ten years of growth, is still relatively small and limited largely to the periphery of Thailand and its society.

The Thai communist movement has expanded during the past decade from a handful of individuals to some 8,000 insurgents scattered principally in three areas of the country--the northeast, the north, and the far south.

In the northeast the insurgency has achieved a higher level of political organization than elsewhere in Thailand. Some 3,000 insurgents have begun to erode Bangkok's political control in remote villages near the Lao border. Their numbers have increased only gradually, but their military capabilities have improved significantly as a result of better leadership and training and the introduction of modern arms from North Vietnam and China.

The communists in the northeast are supported locally more out of fear of retribution than because of popular hostility toward the government in Bangkok. Although the communist political base is vulnerable to government civic action programs, Bangkok has not made an effort to develop a permanent presence in these remote villages.

In the north the communists have a strong military situation but a weak political base among the local hill tribes. The basic strength of the insurgency in the north rests on natural geographic advantages. The government in effect concedes control of mountain strongholds to the communists and concentrates on preventing insurgent expansion into the lowlands. Because the main obstacle to insurgent influence among the ethnic Thai living in the lowlands is their prejudice against the hill tribes, the communists are reported to be shifting some of their ethnic Thai leaders from the northeast to the north in an effort to increase their appeal among the lowlanders.

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In the south the insurgent movement is isolated from the main area of communist interest in the north and northeast, and the insurgents have neither capable leadership, money, nor a reliable supply of armaments. Although numbering over a thousand, they pose no more of a threat to the government than do the numerous bandits and Muslim separatists who operate a little farther to the south along the Kra Peninsula.

The View from Bangkok

The government's desire for rapprochement with Hanoi and Peking is certain to influence its attitude toward the insurgency. Important elements in the Foreign Ministry and the military, believing that the insurgency is principally a product of Thailand's identification with US policies in Indochina, have long tended to play down the reality of the threat. This view, almost certainly shared by Foreign Minister Chatchai Chunhawan, holds that Hanoi and Peking have supported the insurgency largely in retaliation for Bangkok's allowing US aircraft to be based in Thailand. In addition, many influential persons outside the government simply believe that the insurgency was deliberately exaggerated by the former military regime in order to justify martial law and large military budgets.

It is therefore unlikely that Prime Minister Khukrit's government will place a higher priority on counterinsurgency programs than did its predecessors. Indeed, student charges that the government committed atrocities against the civilian population during counterinsurgency operations in 1972 have led officials to ease up on military responses. Sensitive to what is still a live political issue, army planners are recommending greater emphasis on civic action.

The unwieldy nature of the Khukrit coalition may make it difficult to reach a consensus on government strategy for dealing with the insurgency. For the moment at least, it would appear that the path of least resistance for Thai politicians will be to look to diplomacy to ameliorate the problem.

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FOR THE PRESIDENT ONLY

External Support

External support unquestionably has played an important role in advancing the insurgent movement to its present status, and will be vital to its future growth. Improved tactics and firepower in recent years are a direct reflection of Chinese and North Vietnamese training programs and arms shipments. While there is insufficient evidence to estimate the current magnitude of external assistance, the insurgents in the north and north-east appear to be adequately supplied.

Political Appeal

The most important factor in the longer term growth of the insurgent movement, however, is not its arms supply but the extent of its political appeal. There is no issue in Thailand today that would prompt large numbers of Thai to take up arms against their government.

--The communists have been undercut on two issues that have long dominated their propaganda: the US military presence and Thai military rule. An elected government now holds office in Bangkok, and the US presence is dwindling.

--The economy is strong and growing.

--The new government is proving more responsive than its predecessors to the needs of the rural population; recently, it prodded the National Assembly to pass a bill that will pump millions of dollars into local development projects.

--Bangkok is also working on a land reform bill that should open up new land to displaced farmers.

Another factor that seriously limits the insurgents' political appeal is their open identification with Peking. Mao badges and "little red books" have become de rigueur within the insurgent groups, and members make no secret of the fact that they receive training in North Vietnam, China, or Laos. It is common knowledge among educated Thai that the Thai communist radiobroadcasts emanate from Kunming, China.

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FOR THE PRESIDENT ONLY

The Thai communist leadership's embrace of Maoist revolutionary strategy and the tone of recent propaganda broadcasts seem to rule out for the foreseeable future any shift in strategy from armed insurgency to "united front" political tactics in the cities. Indeed, recent communist victories in Indochina have probably strengthened the convictions of party hard-liners, who decided over 20 years ago to take their struggle into the countryside.

But the situation is not without possibilities for the insurgents, especially if the government continues to neglect the problem. The success or failure of Thailand's current experiment with parliamentary democracy could be one crucial factor. A military coup against an elected government that has not had a fair chance to prove its worth might quickly radicalize large numbers of well-educated civilians and government officials who support the concept of representative government, and in this situation some of the nation's youth would see the communists as the only realistic alternative to a military regime. Such developments would provide the insurgent movement with the type of person it badly needs to attract in order to expand its membership and widen its appeal in areas that count more heavily than the outlying parts of the country where it now subsists.

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The President's Daily Brief

May 9, 1975

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FOR THE PRESIDENT ONLY

May 9, 1975

Table of Contents

Thailand: Thailand is moving rapidly to put its relations with Asian communist regimes on new footings. (Page 1)

Laos: The US charge in Vientiane believes a communist takeover of the government could occur in a matter of days and without the use of more than token force. (Page 2)

Greece-Turkey: The Turkish general staff blames the US aid cutoff for the lack of progress on a Cyprus settlement and on an agreement on the Aegean. (Page 4)

USSR: Soviet leader Brezhnev's speech at VE-Day celebrations yesterday was, as appropriate to the occasion, heavy on oratory and light on substance. (Page 6)

Portugal: The agreement made Tuesday between the Communists and Socialists is coming unstuck. (Page 7)

Cuba: Castro has not softened his terms for negotiations with the US. (Page 8)

Notes: Syria-Iraq; Lebanon; Philippines (Page 9)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

Bangkok is moving rapidly to put its relations with Asian communist regimes on new footings.

Yesterday, the day after the arrival in Bangkok of a North Korean diplomatic mission, the Thai government announced its recognition of the Pyongyang regime. Bangkok's ties with Seoul will not be broken, but Pyongyang will probably press Bangkok to remove its last token representation from the UN Command in Korea. In the past two years, Pyongyang has made steady diplomatic gains in Southeast Asia by establishing relations with Malaysia, Australia, and Laos, and it is now courting the Philippines.

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There is evidence that recognition of China is in the offing.

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The Thai are also prepared to extend recognition to Hanoi if the North Vietnamese are willing. Negotiations aimed at formalizing relations, however, may take some time. The Thai cabinet [redacted] directed the foreign minister to establish relations with Hanoi "at such time as he deems appropriate." In the past Hanoi has insisted that all US forces in Thailand be withdrawn before formal ties could be established. Hanoi has hinted, however, that assurances from the Thai that US forces will not be used against Indochina will meet this condition.

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FOR THE PRESIDENT ONLY

LAOS

Judging from a conversation yesterday with Prime Minister Souvanna Phouma and against the background of the nearly total collapse of non-communist will and morale, the US chargé in Vientiane has concluded that Souvanna no longer considers the non-communist side to be a factor in the present coalition. In the chargé's view, a communist takeover of the government could occur in a matter of days and without the use of more than token force.

In talking with the chargé, Souvanna expressed concern only over the country's economic and financial difficulties and made a pitch for increased US economic assistance. He displayed optimism over the political and military situations--espousing Lao communist views completely--and placing particular blame for current "problems" on rightist Defense Minister Sisouk na Champassak and General Vang Pao. Souvanna appeared ready to dismiss Sisouk from the cabinet. He has already ordered the firing of Vang Pao and a number of other general officers.

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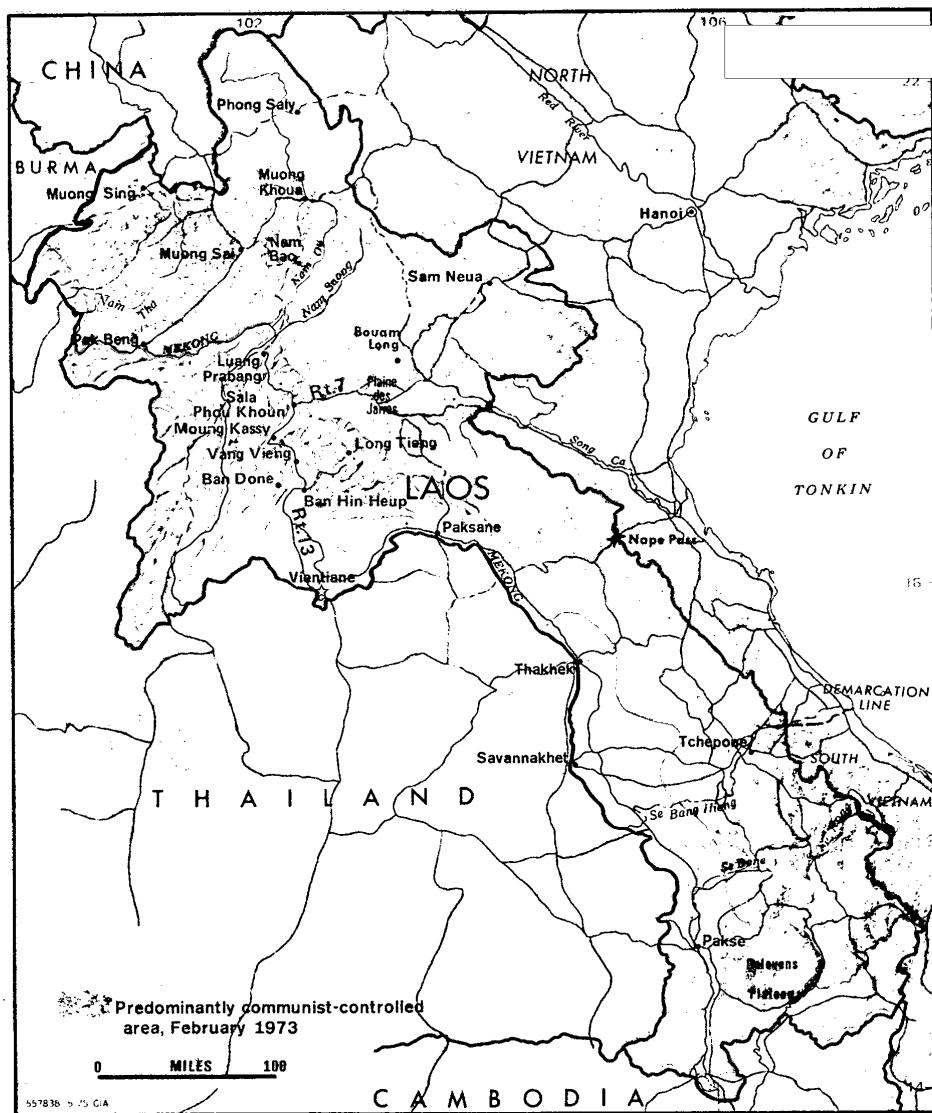
In the event of a communist takeover, Souvanna could well remain in office and the facade of a coalition government could continue. Any replacements among cabinet officers and military region commanders, however, would almost certainly be subservient to the Lao communists.

Despite an agreement by the communists on Wednesday to call for an end to political demonstrations, they ordered one to be staged against the US embassy last night. A hostile crowd of approximately 1,500 hurled rocks at the embassy in Vientiane. Speakers sounded anti-US themes, denouncing CIA and AID. Placards called for the removal of a number of rightist cabinet ministers. Some demonstrators attempted to force the gate to the embassy

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FOR THE PRESIDENT ONLY

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but were repelled by police. No US mission personnel were injured. After a short time the crowd moved on to the national stadium for a rally.

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Although the Lao communist leadership in Vientiane has signed a joint communiqué with Souvanna, calling for an end to the recent fighting in northern Laos, communist headquarters at Sam Neua appears in no hurry to issue cease-fire orders to its troops.

Lao communist forces are continuing to push south from the Sala Phou Khoun - Muong Kassy area along Route 13. Contrary to earlier reports, they apparently elected to bypass rather than attack the town of Vang Vieng which remains in non-communist hands. Vang Vieng has been effectively isolated, however, by communist attacks farther south against the towns of Ban Done and Ban Hin Heup.

By consolidating their control over the 75-mile stretch of Route 13 between Sala Phou Khoun and Ban Hin Heup, the communist are now in a good position to interdict the only overland resupply route to General Vang Pao's headquarters at Long Tieng. Indeed, there is mounting evidence that the removal of Vang Pao, the demobilization of his Meo tribal forces, and the complete neutralization of both military regions in northern Laos may be the Lao communists' primary objectives in the current round of fighting.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE-TURKEY

The Turkish general staff blames the US aid cutoff for the lack of progress toward a Cyprus settlement and an agreement with Greece on the Aegean.

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[redacted] officials have decided that no significant concessions will be made on Cyprus until the Aegean problem is resolved.

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The Turkish general staff apparently assumes that the Greeks are waiting for the cutoff in US aid to force Ankara to adopt a softer line. The general staff had earlier taken a "wait and see" approach to the US aid cutoff, but now that Turkey has a legitimate government, military leaders are recommending retaliatory moves against US military facilities if aid is not resumed.

Earlier Turkish threats to retaliate against US facilities have been postponed as the Turks clung to the belief that the arms embargo would be lifted. Ankara may continue to follow this line officially, but there is [redacted] skepticism among top officials that arms deliveries will be resumed at any early date.

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The Turkish approach toward Greece will be tested on May 18 when foreign ministers of the two countries are scheduled to meet in Geneva to discuss their claims in the Aegean and other points of friction. They are to talk over the texts that will be submitted to the International Court of Justice on their conflicting claims to mineral rights on the Aegean continental shelf.

(continued)

FOR THE PRESIDENT ONLY

Greek Foreign Minister Bitsios is prepared to discuss but is not empowered to negotiate the Cyprus issue. He told the US embassy that he had no intention of substituting himself for Greek Cypriot negotiator Clerides. Bitsios expressed concern that the Turkish Cypriot referendum on the new Turkish Cypriot constitution will be held the same day he is due to meet the Turkish foreign minister, a fact which could adversely affect the atmosphere for the talks.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

Soviet leader Brezhnev's speech yesterday at the VE-Day celebrations was, as appropriate to the occasion, heavy on oratory and light on substance.

One notable thought to emerge in Brezhnev's speech is his suggestion that the European security conference could serve as an example for other parts of the world. This, however, may only be Moscow's way of kicking off another effort to stimulate interest in an Asian collective security scheme--a concept the Soviets have been pushing for some time.

Brezhnev expressed the Soviet Union's hope for better relations with the US, but avoided subjects such as the coming summit meeting in Washington. He called for "concrete agreements" to reduce arms, but did not mention the recently adjourned SALT talks.

Picking up on a theme recently enunciated by Defense Minister Grechko, Brezhnev cited the allied cooperation during World War II as relevant to the more complicated task of preventing another "worldwide disaster." Brezhnev did not, however, repeat Grechko's explicit reference to "political and military cooperation." [redacted]

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[redacted] the speech did not include the assertion that detente is "gaining strength," [redacted]

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The speech's rhetoric was colored by the communist victory in Vietnam. Brezhnev said, for example, that it was "high time that those whom this concerns" recognize that the suppression of liberation movements is doomed to fail. He said also, however, that elimination of the Vietnam "hotbed" creates conditions for a better international atmosphere and better relations between the Soviet Union and the US.

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FOR THE PRESIDENT ONLY

PORUGAL

The cooperation agreement between Portuguese Communists and Socialists announced on Tuesday is already coming apart.

The Communists have now charged the Socialists with trying to use the election results to create divisions among military leaders and within the labor movement. The Communist charge is in response to Socialist Party leader Soares' warning on Wednesday that if the two parties are to work together, the Communists must loosen their control of organized labor, the press, and local governments.

Soares specifically called for union and municipal elections and urged the government to investigate bias in the media. The Socialists fear the Communists will try to use their influence with radical military officers to change the provisions in a draft labor law that call for union elections. The text of the law has not yet been released, which could indicate that the issue has not been finally resolved.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CUBA

Cuba still insists on the termination of the US economic denial program as a prerequisite to any negotiations with Washington. An official press release published in Havana yesterday emphasized this point, probably to offset foreign journalists' misleading accounts of Fidel Castro's press conference Wednesday night. Other portions of the release, however, underscored Cuba's interest in improving Cuban-US relations.

One quote attributed to Castro, for example, appears to be a direct affirmative response indicating a willingness to recognize and accept "a mutuality of obligation."

Castro's implication that the negotiation of an agreement against hijacking in early 1973 was a valuable "gesture" toward rapprochement is not borne out by the facts. At that time he warned against just such a misinterpretation of the agreement. Castro's suggestion that his gesture on hijacking might be repaid now by a lifting of the prohibition on the export of foods and medicines to Cuba was probably made with the current OAS meeting in mind. He may expect the US either to press for a lifting of the OAS sanctions or to act unilaterally to permit limited exports, thereby undercutting an OAS policy the US had been instrumental in formulating.

Castro will not be rushed into negotiations. Although he regards a reconciliation with the US as inevitable, his statements at the press conference indicate that he sees the process as a drawn-out affair, involving careful and complex maneuvering for positions advantage. He is under no pressure for a quick solution and instead appears to be trying to generate pressure on the US through the press and public opinion.

FOR THE PRESIDENT ONLY

NOTES

Syria has moved surface-to-air missiles to the vicinity of the Euphrates Dam, presumably in case Iraq attempts to attack the dam because of the dispute between the two countries over the downstream distribution of the river water.

Damascus has been building up its forces near the dam for several weeks. The missile equipment at the dam may formerly have been positioned near Damascus; if so, the Syrians have reduced their missile defenses along the front with Israel by over 10 percent.

* * *

Lebanese Prime Minister Rashid Suleh is likely to resign today.

Half of his 18-man cabinet has either resigned or threatened to resign in criticism of the way he handled disturbances in Beirut and Sidon over the past few months. President Franjiyah apparently has been willing to see Suleh replaced for some time; Franjiyah has probably been looking for a more assertive prime minister who could better control the fedayeen and would be less hesitant in dealing with the country's continuing security problems.

* * *

Philippine President Marcos hopes to make an official visit to Peking this summer, perhaps as early as next month, to participate personally in establishing diplomatic relations.

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The President's Daily Brief

May 10, 1975

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Exempt from general
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FOR THE PRESIDENT ONLY

May 10, 1975

Table of Contents

Laos: Prime Minister Souvanna is no longer in control of events. (Page 1)

Saudi Arabia: Saudi holdings of US government securities and longer term private assets have almost doubled since the beginning of the year. (Page 3)

Portugal: The strong showing of the moderates in the constituent assembly elections has had a dramatic impact on politics. (Page 4)

North Vietnam: Procurement and distribution problems are causing local food shortages. (Page 6)

Notes: Canada; USSR (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

The ugly, large-scale demonstration against the US embassy in Vientiane yesterday and continuing disturbances in the southern rightist stronghold of Pakse--actions clearly inspired by the Lao communists--demonstrate that Prime Minister Souvanna Phouma is no longer in control of events in Laos. His order of May 7--issued on behalf of the coalition cabinet--banning any further civil disorders throughout the country is being ignored.

Souvanna [redacted] expressed grave concern over the anti-American protest in the Lao capital and worked hard to head it off, but without success. On Thursday afternoon he appealed directly to the demonstration's organizers to call off their protest or at least to re-route their line of march away from the US embassy, but the organizers categorically refused.

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Once the demonstration was under way, Souvanna contacted communist Deputy Prime Minister Phoumi Vongvichit. Souvanna told Phoumi that the actions against the embassy--particularly the pulling down of the American flag--were completely "unacceptable" and that the US would view this as a serious provocation. He urged Phoumi to bring the protest to a halt, but Phoumi--disclaiming any knowledge of the matter--offered little help.

The US chargé has protested to both Souvanna and Phoumi, particularly about the inadequate police protection afforded American personnel and installations in Vientiane. In his conversation with Phoumi, the chargé asked whether the coalition government supported the demonstrators' demand for an end to the US presence in Laos. Phoumi apologized for the incident at the embassy and told the chargé that there was "no reason" to leave since everything would soon calm down. He explicitly affirmed that the communists were prepared to continue to work "within the framework of the 1973 Vientiane peace agreements" and that US economic and military assistance would continue to be welcomed, providing the aid was equally distributed to the two sides.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Phoumi seemed to be implying that the communists expect to maintain the coalition government facade after they consolidate political power in Vientiane. That moment drew closer yesterday when five prominent and influential rightist cabinet members, including Defense Minister Sisouk na Champassak and Finance Minister Ngon Sananikone, reportedly submitted their resignations. All had been prime targets of recent communist-instigated demonstrations.

Sisouk has reportedly sought refuge in Thailand, where he will shortly be joined by Prince Boun Oum and other members of the southern rightist Champassak clan. Ngon is said to be on his way to Paris. An exodus of wealthy Lao, Chinese, and Vietnamese residents of Vientiane is also under way, and the Australian embassy has ordered the evacuation of dependents and nonessential personnel.

An uneasy calm returned to Vientiane late yesterday, but most shops remained closed and more demonstrations were reported to be planned for the weekend, which is a three-day Lao holiday. The US embassy plans to close down during this period.

* * *

Although no significant new fighting has been reported in northern Laos, the Royal Lao Army [redacted] considers the situation there to be [redacted] hopeless. [redacted] the anti-rightist demonstrations in Pakse and other areas of southern Laos during the past week have effectively neutralized the non-communist position there as well. [redacted] a number of senior officers--including Lao army strongman General Kouprasith Abhay and Vang Pao--have decided to resign.

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FOR THE PRESIDENT ONLY

SAUDI ARABIA

Saudi Arabia's holdings of US government securities and longer term private assets have almost doubled since the beginning of the year. Since January, the Saudi Arabian monetary agency, now under new and more active financial leadership, has channeled almost \$2.1 billion into such investments. These purchases equal about half of Saudi Arabia's surplus oil revenues earned so far this year.

The Saudis have purchased \$1.7 billion worth of US government securities since the beginning of the year, bringing the total of such holdings to over \$3.8 billion. Over 25 percent have maturities of three years or more. Most of these securities have been acquired through the Federal Reserve Bank of New York, but substantial purchases have been channeled through commercial banks.

Saudi acquisitions of long-term US private assets--primarily equities and corporate bonds--are small but have increased even more rapidly than purchases of US government issues. Over \$700 million has now been placed or firmly committed in such investments compared with only \$320 million on January 1.

The bulk of these investments is being placed in US corporate bonds. The Saudis [redacted] have earmarked \$800 million for investment in private US bonds. So far, these funds are being used to buy top quality issues with maturities of eight to ten years.

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The Saudis are also giving increased attention to the US stock market. So far this year, the Saudi agency has increased its equity investment accounts by at least \$140 million. The Saudis apparently plan to limit equity acquisitions to 5 percent of the stock of any company and bond purchases to an even smaller share of any new issues.

FOR THE PRESIDENT ONLY

PORUGAL

The US embassy in Lisbon reports that the strong showing by moderate political parties in the constituent assembly election on April 25 has had a considerable impact on the political scene. While retaining their positions of influence, the Communists and the radicals in the Armed Forces Movement are clearly on the defensive.

The embassy sees the following changes in the political equation:

--President Costa Gomes has recovered from the dangerously exposed position he was in immediately after the coup attempt on March 11 and can be expected to reinforce moderates in the Armed Forces Movement and the government. His role as an undeclared supporter of the Socialist Party has become clear since the election.

--Prime Minister Goncalves, who depends for support on the Communists and radicals in the Movement, appears more vulnerable now than at any time since he took office last July.

--Admiral Rosa Coutinho appears more and more to be seeking one of the top jobs. He is active, outspoken, and exudes confidence; but his ideology, allies, and goals remain a mystery.

--The Communist Party has overextended itself and is now exposed as having limited popular support. It is seeking a way to regain the offensive and is capable of some dangerous and destabilizing moves.

--The Socialist Party is moving faster than it had planned to assert its newly found popular strength. Large Socialist street demonstrations last week have reportedly chastened the Communists and the radicals in the Movement who had thought only their side controlled the streets.

(continued)

FOR THE PRESIDENT ONLY

--Radicals in the Armed Forces Movement are faced with the choice of risking a major move soon to eliminate the Socialists or face the erosion in their own power.

--Moderates in the Movement are beginning to assert themselves and may be willing to challenge radical domination of the Revolutionary Council, the government's policy-making body. They hope to make allies of the fence-sitters, the ideologically uncommitted, and the opportunists.

FOR THE PRESIDENT ONLY

NORTH VIETNAM

Procurement and distribution problems are causing local food shortages in North Vietnam, even though production last year of about 4.5 million tons of rice was 10 to 15 percent better than the disappointing 1973 harvest.

According to intercepted messages, ineffectual grain procurement is causing shortages in traditional food-deficit areas. One message reported that procurement of rice and corn from the 1974 autumn harvest was still some 20 percent below target by mid-February. Others indicated that the share of subsidiary grains in the rice ration has risen because of shortages of rice in government hands. Local shortages and related problems typically occur just prior to the May-June harvest.

Hanoi is trying to improve its control over agriculture.

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the need to improve procurement of the spring crop to avoid the "unfavorable situation" that occurred with the 1974 autumn crop. [redacted] implementation of a ban on free trade in grain in an effort to end the diversion of grain from official channels to the free market.

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FOR THE PRESIDENT ONLY

NOTES

Canadian Prime Minister Trudeau has accepted an invitation to visit Cuba and has agreed to open negotiations on establishing regular air service between the two countries.

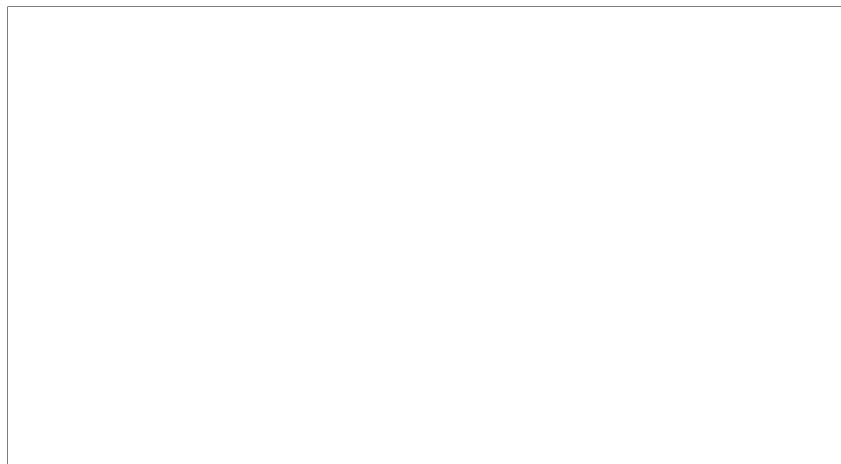
Canada believes economic advantages would follow from improved relations with the Castro government.

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The President's Daily Brief

May 12, 1975

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FOR THE PRESIDENT ONLY

May 12, 1975

Table of Contents

Laos: Vientiane remained generally quiet but tense over the Constitution Day weekend. (Page 1)

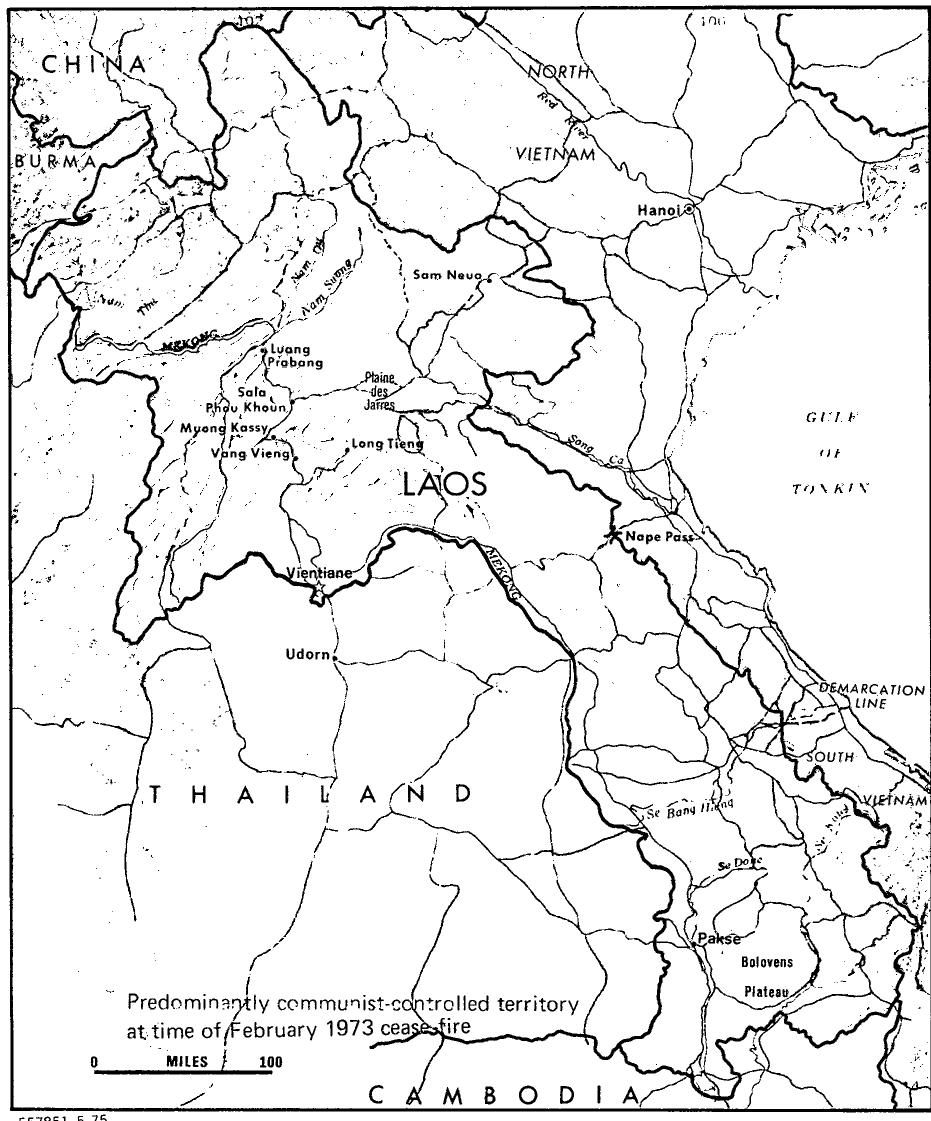
Vietnam: Communist forces are continuing to encounter isolated pockets of resistance. (Page 4)

Saudi Arabia - South Korea: Riyadh has reportedly agreed in principle to loan Seoul \$500 million. (Page 5)

Venezuela: The Venezuelan congress is likely to begin formal debate this week on the government's bill to nationalize the petroleum industry. (Page 6)

Note: Dominican Republic. (Page 7)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

LAOS

Vientiane remained generally quiet but tense over the Constitution Day weekend. No further anti-American or anti-rightist street demonstrations were reported, but there were widespread fears that the rightist military leaders still left in the country might be planning a coup attempt.

The Pathet Lao are especially worried. Communist Deputy Prime Minister Phoumi Vongvichit believes that Royal Lao Army tanks and artillery--under the direction of General Kouprasith Abhay and "the Sananikones"--are located north of Vientiane and plan to move against the city. US observers in Vientiane report there is no hard evidence to support Phoumi's fears.

The US embassy does believe, however, that one or more desperate officers could lead some kind of terrorist action against Pathet Lao officials in Vientiane. Given the near collapse of Royal Lao Army will and morale, and the growing number of defections to the Pathet Lao, any such effort would almost certainly be short-lived and futile. Nevertheless, innocent Lao as well as Americans and other foreigners could easily be endangered.

The US country team judges, however, that the situation in Vientiane and elsewhere in Laos, except at the southern city of Pakse where civil unrest continues, while volatile, does not require implementation of emergency evacuation measures. Thirteen dependents and nonessential US personnel stationed in Pakse have been flown to Vientiane and Udorn, Thailand.

Almost all of the most important rightist military and political leaders, including Kouprasith and the Sananikones, have left Laos. Those rightist leaders remaining include generals Vang Pao, Thao Ly, and Chao Sinh--three of the most effective combat leaders of the Royal Lao Army. Army commander in chief General Bounpone Markthepharaks is also still in Vientiane, but has little taste for bloodletting and has told Prime Minister Souvanna Phouma of his intention to resign.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Vang Pao has acceded to Souvanna's request that he resign his command in northern Laos. Over the weekend, he sent about 100 of his followers and their families by air from Long Tieng to Udorn. The evacuation of key Meo tribal leaders, senior officers, and dependents is expected to continue.

Vang Pao has reportedly accepted the rapid collapse of the non-communist political and military leadership in Laos with remarkable calm. Nevertheless, ousted rightist finance minister Ngon Sananikone recently told the US chargé that Vang Pao (as well as Chao Sinh and General Etam, the Royal Lao Army psychological warfare chief) intended to wage guerrilla warfare against the Pathet Lao.

Vang Pao reportedly remains at his headquarters at Long Tieng. He has refused Royal Lao Army orders to relocate the T-28 tactical aircraft based there.

* * *

Meanwhile, in his Constitution Day address in Vientiane yesterday to an audience mainly of Pathet Lao members of the coalition government, but also including Lao King Savang and the foreign diplomatic corps, Souvanna virtually conceded political victory to the Lao communists. He told the assemblage that a "new situation" had unexpectedly and abruptly appeared in Laos and the rest of Indochina and that, as a result, "it was necessary to yield to the evidence and prepare for the future in accordance with the march of history."

Otherwise, Souvanna's speech was generally optimistic, with considerable emphasis on the importance of the Lao constitution and its durability since 1947. He cited the King's recent visit to Pathet Lao headquarters at Sam Neua and his reception there as an event of "historic significance" for national reconciliation and unification.

Souvanna made no mention of a cabinet reshuffle during his speech, but later in the day he issued an official order appointing Pathet Lao Deputy Defense Minister Khammouane Boupha as acting defense minister. Boupha is now in command of all armed forces throughout Laos, even though Souvanna--in the same order--asked Royal Lao Army commander Bounpone and air force chief Bouathong to remain.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

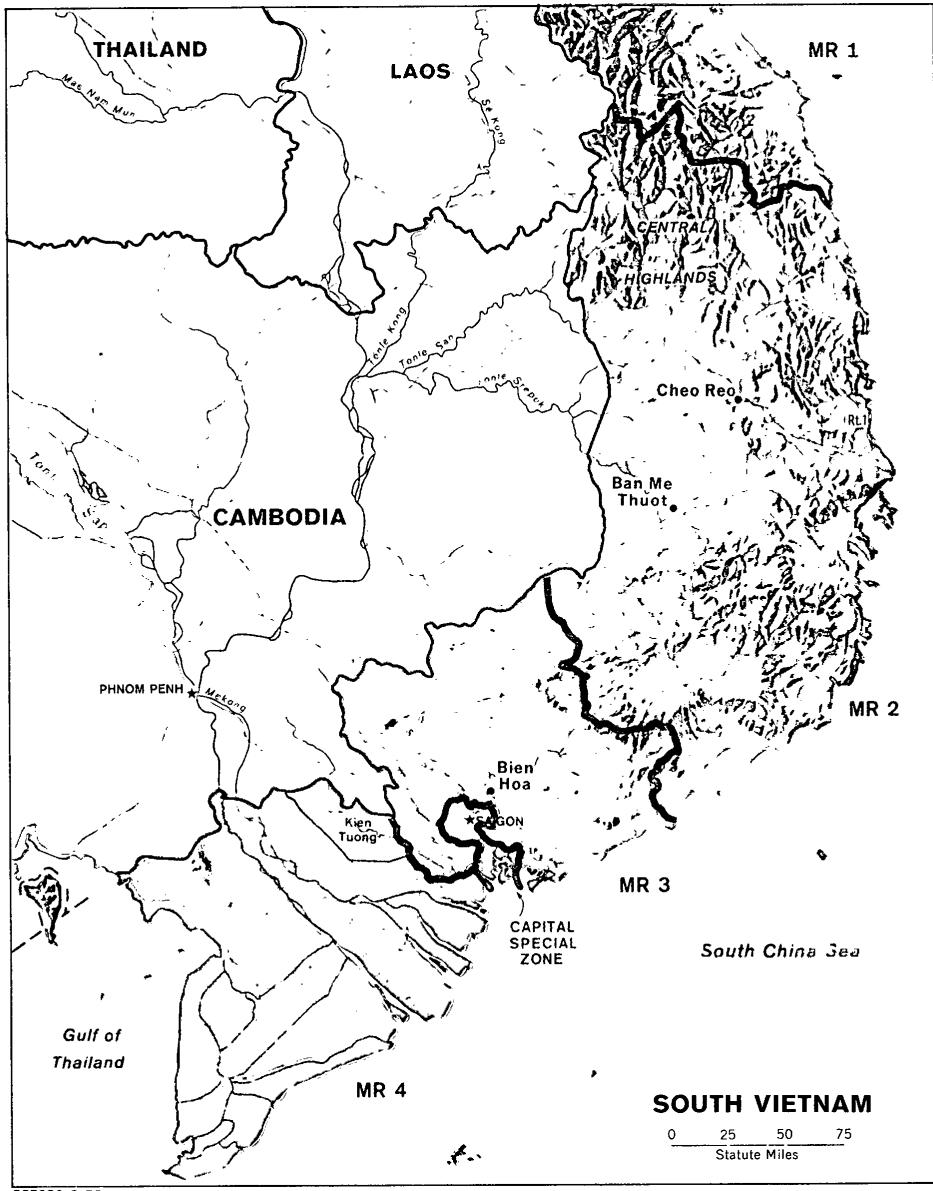
According to press reports, Boupha's first official act was to forbid the movement of troops or equipment without his orders and to demand all units to declare their loyalty to the coalition government. Several units, including a garrison vital to artillery, armor, and logistic operations, reportedly have complied.

Boupha's appointment could set a precedent for Pathet Lao officials replacing all of the ousted rightist cabinet ministers.

[redacted] two days prior to Boupha's selection--Souvanna asked communist Deputy Prime Minister Phoumi Vongvichit to determine whom the Pathet Lao leadership in Sam Neua wanted to replace the departed conservatives.

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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

VIETNAM

Communist forces are continuing to encounter isolated pockets of resistance.

An intercepted communist message lists the Ban Me Thuot area, the northern part of Military Region 1, and various small areas along Route 1 as places where resistance has not been eliminated. The resisting forces, besides ambushing vehicles, have obtained North Vietnamese uniforms and are said to be using them in "sabotage" missions, causing the populace to be suspicious of the North Vietnamese forces.

Another message disclosed a clash in Kien Tuong Province in the northern delta on May 6. Communist forces claim to have eventually destroyed the resisting unit, which was apparently made up of at least remnants of a South Vietnamese regional forces battalion.

Meanwhile, preparations are under way to move South Vietnamese prisoners of war into central areas, according to yet another intercepted message. Prisoners from as far north as Chao Reo in the central highlands are to be moved into a camp near Bien Hoa. At the camp they are to be segregated into groups of enlisted men and noncommissioned officers, and officers and "tyrants." The prisoners are to undergo "re-education."

FOR THE PRESIDENT ONLY

SAUDI ARABIA - SOUTH KOREA

Riyadh has reportedly agreed in principle to loan Seoul \$500 million.

South Korea has been actively seeking foreign funds to finance a current-account deficit that may reach \$2.4 billion this year. Negotiations for the loan took place during South Korean Prime Minister Kim's visit to Saudi Arabia in early May.

Preliminary arrangements call for \$200 million in medium-term, low-interest bank loans and \$300 million in project loans. The \$200 million is likely to be used to bolster South Korea's official holdings of foreign exchange, although the military is reportedly lobbying to use the funds for arms purchases. Use of the project loans will require joint agreement by the two governments.

Korean economic experts will visit Riyadh, probably early this summer, to negotiate details of the loans.

FOR THE PRESIDENT ONLY

VENEZUELA

The Venezuelan congress is likely to begin formal debate later this week on the government's bill to nationalize the petroleum industry. Nationalization of the \$1.5 billion industry is not in question; debate will focus on the role of private oil companies after nationalization.

The administration has the political strength to push the bill through congress quickly, but President Perez is stressing the desirability of achieving national consensus and seems willing to compromise with the opposition on some key sections of the bill. He will insist, however, on being given flexibility to work out arrangements with the companies.

Congressional debate will be keyed to the domestic audience and will be strongly nationalistic. Most of the small leftist opposition political parties oppose any role for the companies after nationalization, but the largest opposition party, the Social Christian Party of former president Caldera, may be moving toward the administration's position.

Most Venezuelans now accept the need for foreign assistance to operate the industry. Government officials are talking of getting company assistance in such areas as international marketing, the selection and purchase of equipment and supplies, and technological research.

Talks between the administration and company officials are to resume after congressional debate concludes in several weeks. The government will then announce its arrangement for compensation.

The final congressional vote may not come until early July. Perez may chose either Independence Day, July 5th, or Simon Bolivar's birthday, July 24th, to announce the nationalization.

FOR THE PRESIDENT ONLY

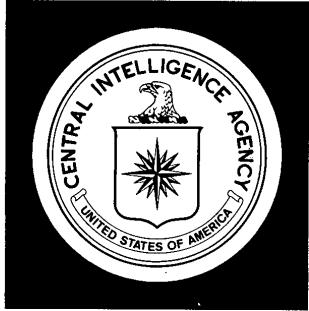
NOTE

The resignations of the four top Dominican Republic military officers on Saturday poses no immediate threat to President Balaguer.

The armed forces secretary of state and the chiefs of staff of the three services resigned in protest over Balaguer's appointment last week of his strong supporter General Neit Nivar as national police chief. The four former military chiefs apparently expected their resignations would cause the President to rescind Nivar's appointment. Balaguer's decisive reaction appears to have caught them by surprise. It is not clear whether Balaguer deliberately set out to precipitate the resignations, but he periodically pits competing power groups against one another in order to strengthen his position.

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The President's Daily Brief

May 13, 1975

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FOR THE PRESIDENT ONLY

May 13, 1975

Table of Contents

Laos: Prime Minister Souvanna continues to urge his countrymen to remain calm. (Page 1)

Thailand: The Thai National Security Council reached several key foreign policy decisions at a meeting last Friday. (Page 3)

Iran: We present the précis of a National Intelligence Estimate on Iran. (Page 5)

NATO: The defense ministers of nine European members of NATO want to discuss military procurement and standardization of equipment. (Page 9)

Note: Cambodia (Page 10)

At Annex we discuss the emerging foreign policy of the new Cambodian leadership.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

Prime Minister Souvanna yesterday asked his countrymen in a national radio address to remain calm despite the changes over the past week which have given the communists virtual political and military control of Laos. He asked for their continued allegiance to the coalition government.

Describing the present situation as "not serious," Souvanna reassured his audience that the government has not changed its role and policies. He said the government would continue to apply firmly the principles of the 1973 Laotian peace accords.

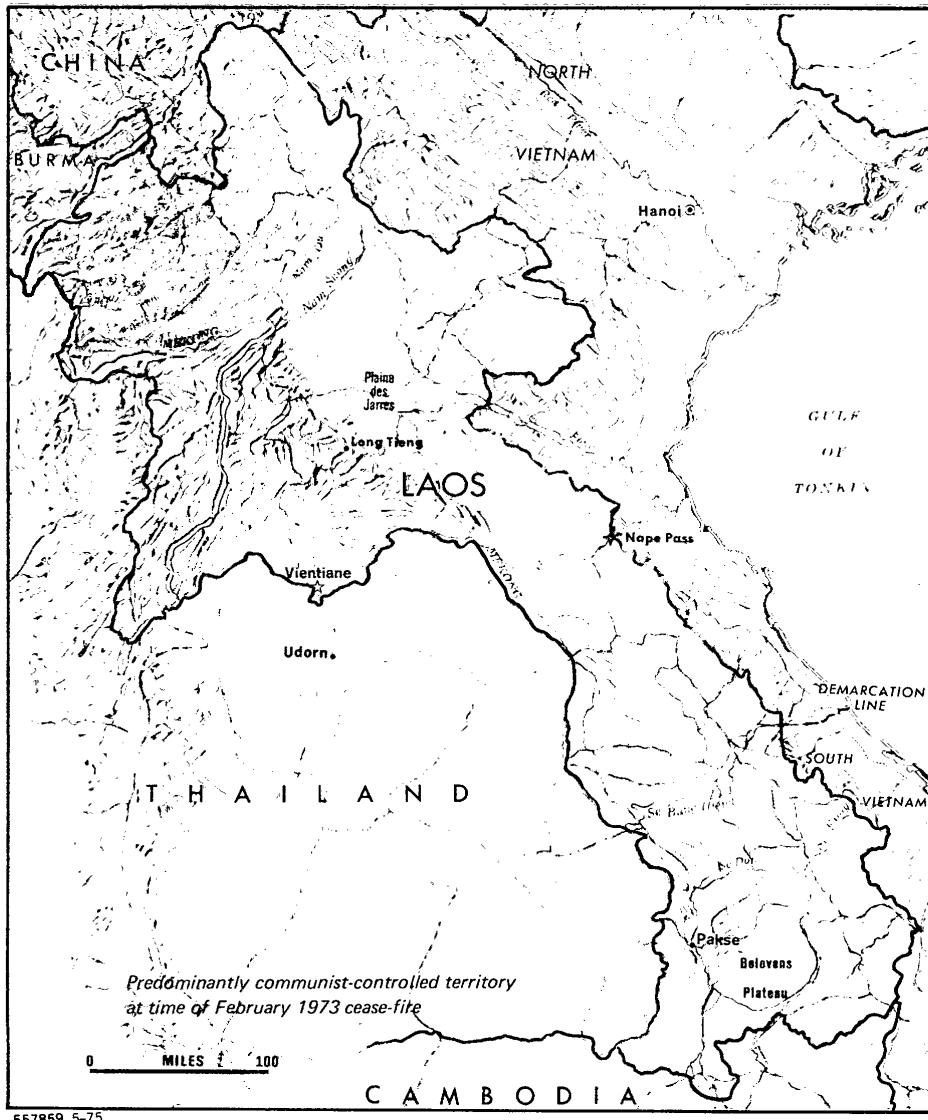
The new acting defense minister, General Khammouane Bouphapheng--technically a "patriotic neutralist" but in reality a Pathet Lao backer--took a tough stand during several addresses he made over the radio network yesterday. Bouphapheng lashed out at the US and its conservative Laotian "stooges." He claimed that all of Laos' present difficulties had been caused by "American imperialists and extreme right-wingers," who have set out to destroy the 1973 peace accords, the coalition government, and the Lao economy.

The US chargé has registered a strong protest, as he did after last week's attack on the embassy, with Pathet Lao Deputy Prime Minister Phoumi Vongvichit over Bouphapheng's statements. He told Phoumi that it was one thing for a newspaper to criticize Americans, but a very different matter when such public criticism came from a "responsible" cabinet minister.

Phoumi played down the incident and promised to rein in Bouphapheng as well as the Pathet Lao's Minister of Information, Souk Vongsak. Phoumi also used the occasion to reaffirm the Pathet Lao's determination to maintain the coalition government and its present policy and to have "good relations" with all "friendly" countries.

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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

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According to a late report, Vang Pao submitted his resignation from the Lao armed forces to Prime Minister Souvanna this morning. Pathet Lao troops last week cut his only overland resupply route, effectively isolating the Meo tribal enclave, and communist forces are reportedly advancing toward Long Tieng.

Acting Defense Minister Boupha insists that Vang Pao represents a potential threat to the coalition government and that he and Meo tribesmen in northern Laos must be "destroyed."

* * *

Civil unrest, inspired by the Pathet Lao, continues in Pakse and is threatening to spread to Savannakhet and other non-communist controlled urban areas in southern Laos. At last report, several thousand demonstrators--calling themselves the "Pakse Liberation Movement"--had blocked all commerce into and out of Pakse and had seized a number of southern rightist provincial governors. In addition to demanding the ouster of these and other rightist officials and a resolution of local economic problems, the protestors are clamoring for the "neutralization" of all of south Laos.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

The Thai National Security Council chaired by Prime Minister Khukrit reached several key foreign policy decisions at a meeting last Friday.

[redacted] 25X1

[redacted] stall the Vietnamese communists on the return of South Vietnamese aircraft. 25X1

[redacted] send Foreign Minister Chatchai to Peking and to set September as the deadline for the establishment of diplomatic relations with China. 25X1

[redacted] arrange for a visit by Khukrit to the US. 25X1

[redacted] not to take any initiatives at the annual foreign ministers' conference of the Association of Southeast Asian Nations (ASEAN). 25X1

In the clearest signal to date of Thailand's intention to maintain good relations with the US, the Prime Minister [redacted] would travel to the US at an unspecified date to confirm to you Thailand's "close and lasting" friendship and to seek better US understanding of Thailand's current difficulties. [redacted] 25X1

[redacted] hoped to convince the US of the increased importance of its support to Thailand at this time. 25X1

The meeting was, in effect, the most comprehensive review of foreign policy since Khukrit took office less than two months ago. It is clear that Khukrit and other members of the Council have slowed Foreign Minister Chatchai's attempts to accommodate Asian communist regimes. Chatchai pressed vigorously for "immediate" recognition of China, but settled for a date no later than the September session of the UN General Assembly meeting in New York.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

[Redacted] 25X1

Chatchai has recently spoken out in favor of a neutral Southeast Asia, a theme that the Malaysians are likely to push.

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[Redacted] 25X1

* * *

At the ASEAN meeting, which opens in Malaysia today, the other member states--Singapore, Indonesia, and the Philippines--are unlikely to go much beyond their earlier endorsement in principle of the Malaysian proposal for a Southeast Asian neutral zone. Nor are the foreign ministers likely to progress very far in their efforts to devise a common policy to deal with recent communist successes in Indochina. At Thailand's suggestion, the five agreed recently on recognition of the new regime in Phnom Penh. Malaysia then went ahead on its own to recognize the Provisional Revolutionary Government in Saigon.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

IRAN

Following is the précis of a National Intelligence Estimate approved by the US Intelligence Board on May 9, 1976.

We see little prospect during the next few years for a serious challenge to the Shah's authoritarian control over Iran's internal affairs and programs. Nevertheless, the Shah's monopoly of decision-making and his trend toward greater repression of opposition will incur certain political costs:

--Growing alienation and dissent, including terrorism, on occasion with anti-US overtones.

--Limited bureaucratic and governmental effectiveness in implementing the Shah's ambitious objectives.

--The stifling of political institutions which could maintain stability after the Shah's demise.

The Shah is unlikely to change his course materially; hence strains within Iranian society seem destined to grow as other sectors of life modernize and the pressure for political participation becomes more insistent. In the event of the Shah's early death, competition for power could lead to serious instability.

In the short run, Iran will be able to obtain the finances necessary to accomplish the Shah's dramatic economic development objectives but will be constrained by:

--An inadequate agricultural base.

--Serious shortages of skilled and semi-skilled labor.

--Port and transportation bottlenecks.

As a result, we anticipate a slowdown in the rapid pace of Iran's economic expansion over the next few years. In the longer run, if oil revenues

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do not rise significantly there will be current account deficits due to increased expenditures in military, industrial, and agricultural products. Even so, Iran will provide opportunities for significant economic gains for the US in investment and trade.

By the end of this decade, Iran will have acquired a formidable military arsenal capable of projecting significant ground and air forces into the Arabian Peninsula and South Asia, and a blue water navy capable of routine operations in the Indian Ocean. Iranian combat effectiveness, however, will remain limited by lack of training and the ability to maintain sophisticated equipment.

Foreign support, particularly from American technicians, will remain essential to Iran's military establishment for many years. The Shah is not likely to seek nuclear weapons in the near future, but he will probably attempt to acquire the necessary technology.

The Shah is likely to grow increasingly assertive in his foreign policies. He would risk confrontation with the Arabs, the West or even the Soviet Union in order to assert Persian primacy in the Gulf or to maintain what he considers a sufficiently high level of oil revenues.

Although he will remain suspicious of Soviet intentions and will continue to rely on the US as the ultimate deterrent to the USSR, the Shah believes he has taken out insurance in the form of economic and political ties and that he can deal effectively with the Soviet Union on his own under foreseeable circumstances.

Iran will be prepared to deploy forces unilateral in order to forestall a radical upset in the Gulf. There are also prospects for greater cooperation with Saudi Arabia's Prince Fahd and, following Iraq's recent regional overtures, for a reduction in Iraqi-Iranian hostility. Iran's relations with South Asia will remain limited over the short term; the Shah is likely to limit his financial backing for Pakistani arms purchases.

In the Middle East, the Shah will probably continue to expand his relations with Egypt, and it is becoming less likely that Iran would supply Israel with oil in the event of resumed hostilities.

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FOR THE PRESIDENT ONLY

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US-Iranian relations are likely to become more difficult in coming years. The Shah is seeking to remove both the US and Soviet military presence from the Persian Gulf and the Indian Ocean and to establish his own regional collective security arrangements in the Gulf; while he will tacitly approve of US naval operations in these waters as long as the USSR keeps naval vessels on station there, we cannot depend on him to provide access to Iranian facilities to support fleet units, and he will probably use his influence to end our use of Bahrain.

Specific problem areas include:

--The Shah's efforts to maximize oil prices and the buying power of oil.

--Arms procurement and the pressures that the Shah may levy to ensure his perceived military and security requirements are met.

--The growing number of Americans in Iran, expected to reach about 50,000 by 1978.

--Arab-Iranian rivalries forcing the US to choose sides.

--The question of safeguards for nuclear equipment and fuels.

The Shah's strategy in dealing with the US is likely to continue to be based on efforts to expand economic ties with the US to offset strains developing from his growing political independence. He provides important intelligence facilities for use against the USSR and would probably cooperate in facilitating US political initiatives in Middle Eastern diplomacy.

While over the short term, US and Iranian interests are likely to be largely compatible, we can no longer rely on the Shah to accommodate US interests in the increasing number of areas where his interests diverge from ours.

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FOR THE PRESIDENT ONLY

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While US-Iranian relations would come into question if the Shah should leave the scene, much of the relationship has become institutionalized to the point where it transcends the Shah.

Power would rest at least initially on a military-bureaucratic coalition, but they would come under increasing pressure and we cannot now foresee the nature of the regime which will ultimately succeed the Shah. But even a more extreme regime probably would not immediately seek to restructure the present relationship in drastic ways given the Iranians' view of their interests and the importance of the US connection.

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NATO

The defense ministers of nine European members of NATO agreed last week to seek talks with the US to get a better balance in the programs for military procurement and standardization of equipment.

UK Defense Minister Mason suggested that the Eurogroup might propose that the West Europeans purchase \$5 billion of US equipment in return for an agreement by the US to purchase \$2.5 billion of materiel produced in Europe.

The target figures will not be mentioned in the letter Mason intends to write to Secretary Schlesinger to signal the European initiative. The Europeans hope to discuss their offer when NATO's defense ministers meet later this month.

The Europeans believe that they must sell equipment to the US in order to maintain a stable and technologically advanced European arms industry. They also believe that NATO's efforts to standardize equipment will be greatly aided if the US buys European.

The defense ministers also agreed that the Eurogroup--an informal group of European members of NATO, excepting France--should invite France to participate in the procurement and standardization projects being carried out under the group's auspices.

[redacted] French cooperation will be sought by promising that the Eurogroup will buy French military equipment if France joins one of the Eurogroup's affiliated organizations.

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Previous Eurogroup efforts to obtain France's cooperation have failed. It would be a major policy change for President Giscard to alter France's attitude. At a minimum, Paris would be likely to require the Eurogroup states to make firm large-scale commitments to buy French military equipment.

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NOTE

The US ship Mayaguez, seized by Cambodian communist forces yesterday in the Gulf of Thailand, is maintaining an almost stationary position some 30 miles west of the Cambodian port of Kompong Som.

Phnom Penh has made no mention of the ship seizure. Thai Prime Minister Khukrit Pramot reportedly said today that his government would bar the US from using bases in Thailand to recover the ship.

FOR THE PRESIDENT ONLY

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CAMBODIA'S FOREIGN POLICY

The new authorities in Cambodia are clearly preoccupied with consolidating their control domestically, and it is doubtful whether any comprehensive foreign policy has been formulated. Authoritative statements have referred in a general way to a "neutral and nonaligned" foreign policy. The massive changes in Cambodian society undertaken by the new leadership and the equally massive problems that may ensue will probably cause considerable time to pass before the country emerges from its shell. Some overall trends are, nevertheless, discernible. The most important of these relate to the current state of play between Phnom Penh and its wartime allies in Hanoi and Peking and provide important clues to Cambodia's future alignment.

In the three weeks since the Khmer communist takeover, Peking has moved rapidly to involve itself in Cambodia. Chinese representatives had arrived in Phnom Penh by late April [redacted]

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The scope of Chinese assistance will probably be substantial. Propaganda statements from Phnom Penh have stressed the need for economic self-sufficiency and have particularly emphasized agricultural development, but the new regime will need substantial assistance--250,000 tons of rice alone between now and August--to overcome immediate supply shortages. The new leadership will also be solely dependent on outside technical assistance in its efforts to get the country's small industrial sector operating again. China is likely to play an important role in both these areas.

A Phnom Penh radio broadcast on May 10 gives a good insight into current Cambodian priorities in international relations. The broadcast praises China for "sincere support and mutual respect," noting that Cambodian solidarity with China is "strong, developing, and flourishing." In contrast,

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the Vietnamese are lumped together with the Laotians and North Koreans as "other" close comrades in arms in a comparatively brief passage. The Soviet Union is not mentioned at all.

For the near term, Peking may well have close to a monopoly as a source of foreign assistance to Cambodia. The image the new authorities have acquired, through foreign publicity about executions and through the recent expulsion of foreigners from the country, will probably give pause to governments which might otherwise have been as eager to extend aid as they were to extend recognition. In this regard, the humiliating deportation last week of seven Soviet nationals--Moscow's entire representation in Phnom Penh--may lead Moscow to reconsider the feasibility of the offer of reconstruction aid it made to Prince Sihanouk in March.

Even if the Soviets and others choose to overlook the callous and ruthless front the Cambodians have turned to the world, there is some doubt whether any of their aid offers would be immediately accepted. The Khmer communists' failure to respond to many unilateral declarations of recognition has made it clear that they are not ready to make it easy for any government that waited until the eleventh hour to withdraw recognition from the former regime.

The Khmer communists probably do not plan to exclude Moscow permanently from the country, but they are unlikely to open the door to Moscow any time soon--almost certainly not before they are more certain how their relations with Hanoi are likely to shape up.

If the Chinese are in good position to capitalize on the current situation in Cambodia and to increase their stock and influence with the new leadership there, the Vietnamese communists are not. Indeed, Hanoi is probably deeply disturbed by the initial "foreign policy" statements from Phnom Penh. Khmer communist prohibitions against foreign military bases in Cambodia and the emphasis on the country's "territorial integrity" serve notice that the Vietnamese communists' freedom of movement in eastern Cambodia is a thing of the past. Although Hanoi's tactical need for the bases in any event ended with the fall of Saigon, several recent intercepted messages from local Cambodian commanders along the eastern border reveal an aggressive attitude toward the Vietnamese; one official has even

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FOR THE PRESIDENT ONLY

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been ordered to tell "the Viet Cong to leave immediately." Hanoi seems to have gotten the message: an intercepted North Vietnamese army message of May 7 indicated that the Vietnamese are shutting down their logistics operations in northeastern Cambodia, stating that this was "an urgent matter."

The decision to dismantle the logistics facilities was an easy one for Hanoi to make on purely military grounds, but it does remove a potential source of leverage for the North Vietnamese, and they may have initially been reluctant to move so quickly on the matter.

Given the fractious nature of its Cambodian connection for the past several years, Hanoi probably foresaw problems with an increasingly nationalistic and independent Khmer communist leadership once the fighting and the insurgents' dependence on Vietnamese arms deliveries ended. It must be taken aback, however, by the suddenness with which the new regime is asserting itself. Hanoi probably recognizes that, at least for the moment, it is in a poor position to compete for influence in Cambodia.

An early test for Vietnamese policy toward Cambodia may be in the offing: a recent intercepted message disclosed that Khmer communist forces have been ordered to seize at least two offshore islands long claimed by both the Vietnamese and Cambodians. The seizure of a US merchant ship in this area yesterday suggests that the occupation may already have taken place. The former governments in Phnom Penh and Saigon clashed over oil exploration rights in this same area last fall. The intercepted message disclosed that the new authorities in Cambodia know of the oil potential in the area and that Cambodian troops are under orders to "be prepared to fight diligently."

Even at this early stage, this must be gratifying to Peking, which has displayed concern over the possibility of dominant Vietnamese influence in Cambodia and that Moscow might obtain a role there. Peking's wartime policy was to hedge its bets by both continuing its support for Prince Sihanouk and strengthening its ties with the leadership within Cambodia. With the new leaders in Phnom Penh apparently receptive to Chinese initiatives even before Sihanouk's return, this approach thus far seems to be paying off handsomely.

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Top Secret



The President's Daily Brief

May 14, 1975

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Exempt from general
declassification schedule of E.O. 11652
exclusion category 5(B)(1)(2), (3)
designated by the Director of Central Intelligence

FOR THE PRESIDENT ONLY

LATE ITEM

Laotian student demonstrators occupied the USAID office in Savannakhet this morning, capturing three US citizens whom they are holding at the governor's office. Demonstrators also vandalized the USAID office in the royal capital of Luang Prabang this morning.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

May 14, 1975

Table of Contents

Cambodia: The crewmen of the Mayaguez may have been moved to the mainland. (Page 1)

Netherlands: [redacted] 25X1
(Page 2) 25X1

South Korea: President Pak yesterday issued a sweeping new emergency decree. (Page 5)

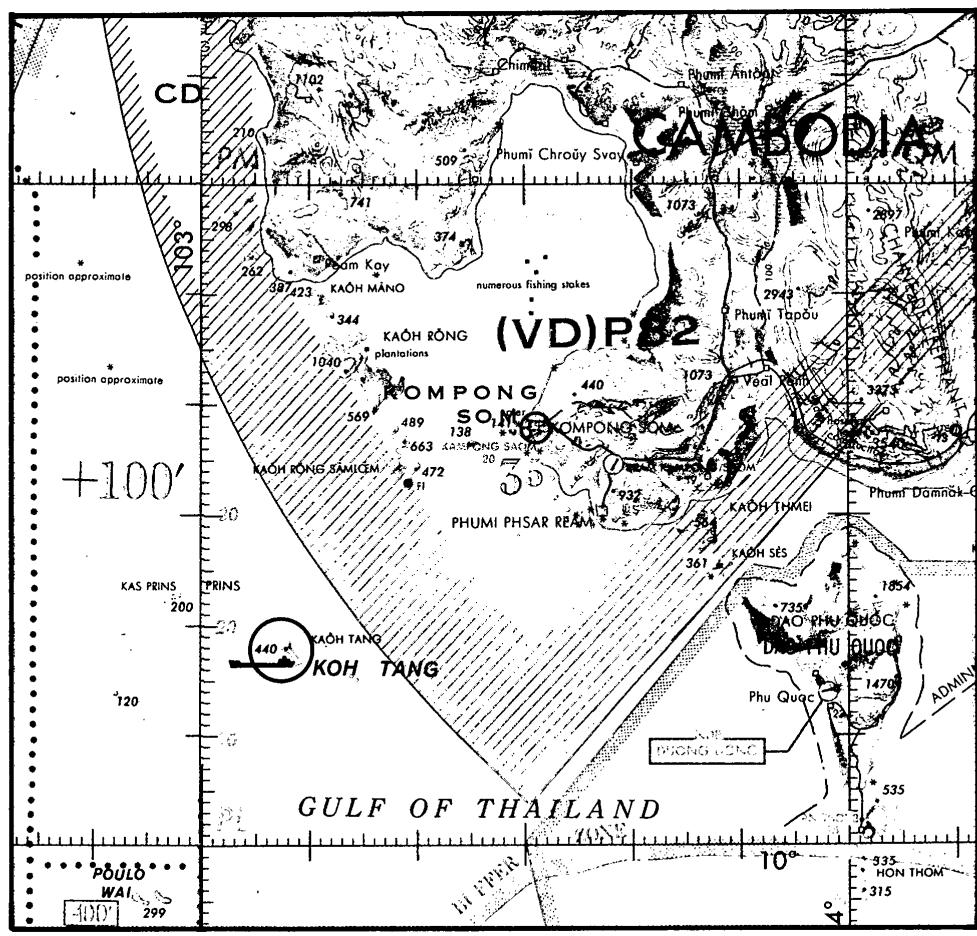
Laos: The communists are rapidly assuming control of all coalition government activities. (Page 6)

China-Vietnam: Peking's relations with Hanoi have been further strained by incidents in the Spratly and Paracel islands, which both countries claim. (Page 7)

Palestinians: Palestinian leaders are questioning the extent of Soviet backing. (Page 8)

Notes: USSR; Greece-Turkey; Cyprus; Israel (Pages 10 and 11)

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

CAMBODIA

The Mayaguez is still anchored near Koh Tang Island, some 30 miles from the port of Kompong Som. Most of the crewmen were apparently transferred to the island early yesterday, and at least some of them now appear to have been moved to the mainland.

The number of communist patrol boats in the area has increased to more than two dozen. Several have been sunk or damaged by US aircraft. The US planes continue being shot at by small arms from the patrol boats and from Koh Tang Island.

In the first public Chinese response to the incident, Vice Premier Teng Hsiao-ping told newsment in Paris that "there is nothing China could do" should the US elect to use force to free the ship and the crewmen. Teng said he is unaware of any Chinese mediatory role.

Moscow, in a Tass dispatch yesterday, noted the movement of the US naval task force toward the Gulf of Thailand. It added that the Mayaguez, "according to some reports, was engaged in intelligence activities."

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NETHERLANDS

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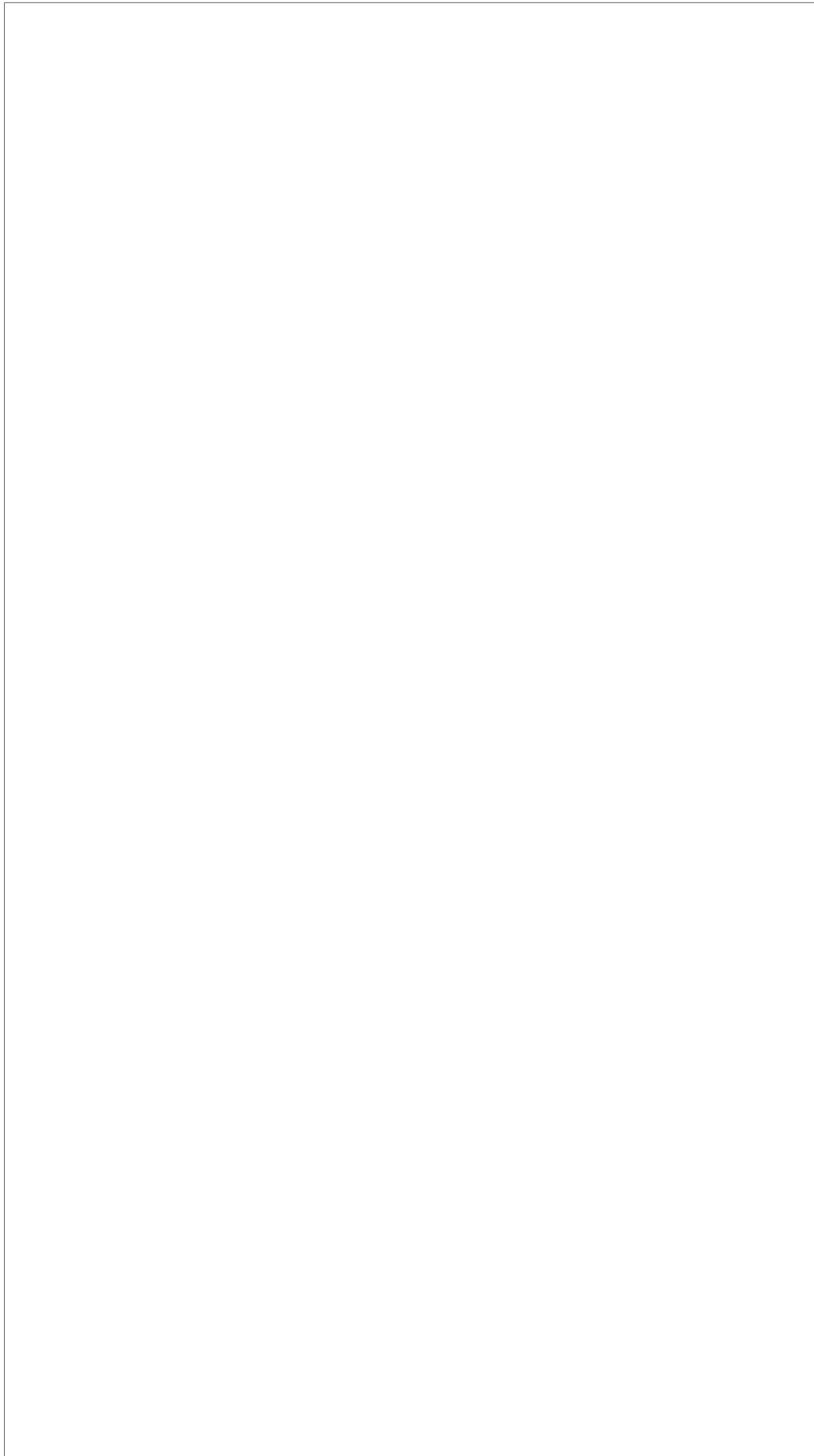
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SOUTH KOREA

President Pak yesterday issued a sweeping new emergency decree that bans any criticism of the authoritarian 1972 constitution, the spreading of "false rumors," student political activity, and any statement against the new decree itself. Pak has apparently concluded that it is more important for him to maintain strong defenses against his domestic opponents in the South and the enemy in the North, than to satisfy critics of his policies, including those in the US.

The decree is in line with a recent trend toward tougher domestic controls by the Pak government. Pak's most vocal opponents have been closing ranks in support of the regime in order to avoid giving a wrong signal to the North in the wake of events in Indochina and North Korean President Kim Il-song's visit to Peking.

Moreover, Pak's adversaries fear imprisonment, need time to regroup and assess US reactions, and do not want to appear irresponsible in the face of uncertainty about Pyongyang's intentions. Over time, however, these new repressive measures are certain to stir more debate and more protest.

FOR THE PRESIDENT ONLY

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LAOS

The communists are rapidly assuming control over all coalition government activities. Royal Lao Army units [redacted] are offering no resistance to orders from the acting communist defense minister, General Khammouane Boupha.

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Communist officials in Vientiane are attempting to regulate the country's commercial activities and the movements of foreigners. The tone of their regulations is harsh and, in the US embassy's judgment, the regulations probably are the "ominous" beginning of more stringent controls yet to come.

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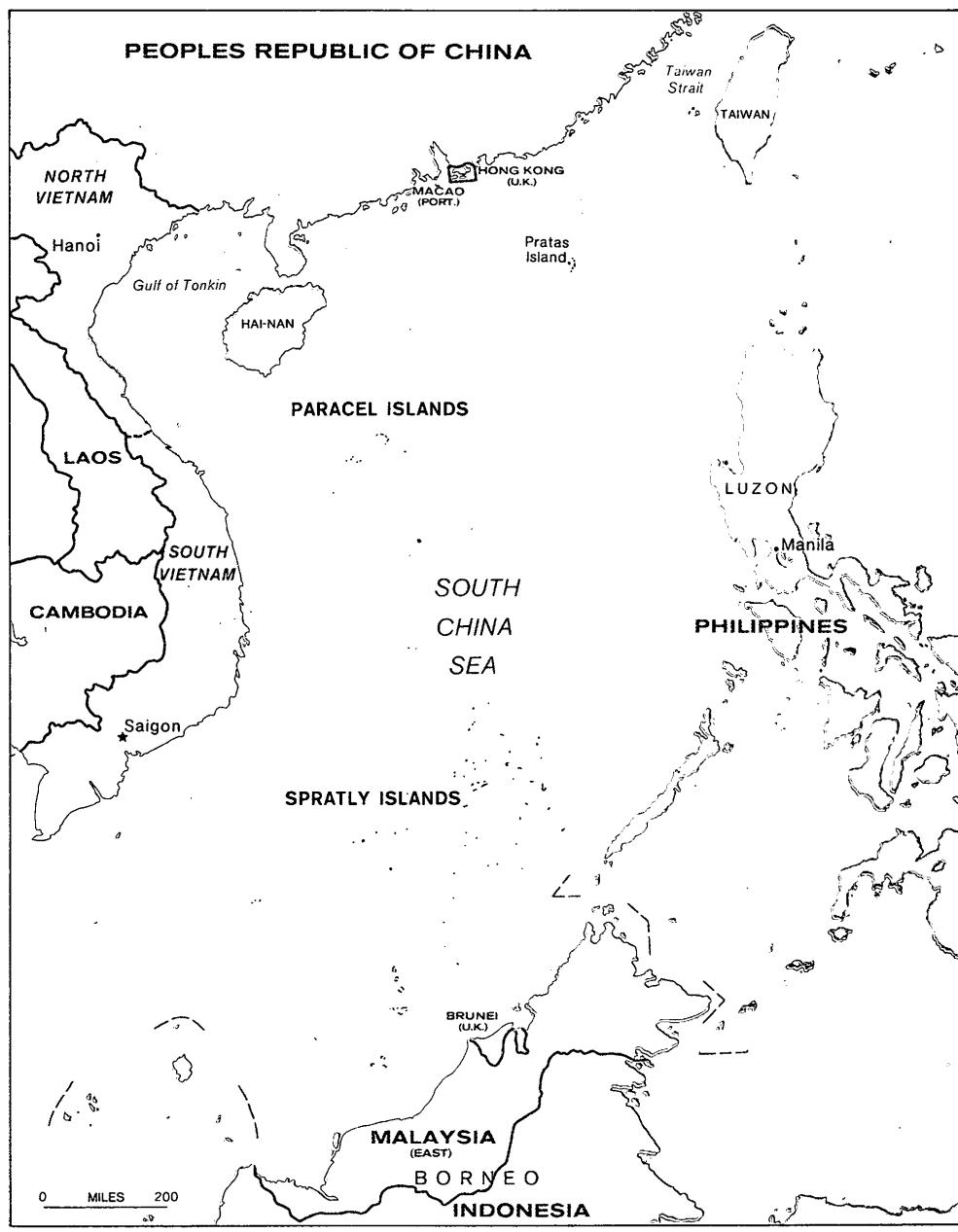
General Vang Pao flew to exile in Thailand early today. Yesterday, he refused efforts by a delegation of the International Control Commission to persuade him to go to Vientiane for a meeting with Souvanna and Khammouane Boupha. He said, however, that he would not offer further resistance to the government.

* * *

Communist-inspired civil unrest in the southern rightist stronghold of Pakse has apparently ended, and the coalition government has agreed to virtually all of the protesters' demands. Those demands included the designation of southern Laos as a "neutralized" area under the direct administration of the coalition and the ouster of nearly two dozen senior rightist officials.

The situation in the Mekong River city of Savannakhet--another rightist stronghold--remains tense and could easily deteriorate into a situation similar to that in Pakse.

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CHINA-VIETNAM

Peking's relations with Hanoi have been further strained by recent incidents in the Spratly and Paracel islands, which both countries claim.

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China has remained silent about the Vietnamese communists' seizure from South Vietnam in mid-April of six of the Spratly Islands.

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[redacted]

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the Spratlys [redacted] are located beyond the effective range of Chinese air cover. We see no sign that China plans to contest militarily the Vietnamese occupation of the six Spratly islands, but it is clear that Peking is as irritated by that action as Hanoi was by the Chinese occupation of the Paracels in January 1974.

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[redacted]

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Other islands in the Spratly group are garrisoned by Philippine and Nationalist Chinese troops. So far, they have not been challenged. The Philippines and Nationalist China also claim the Paracels.

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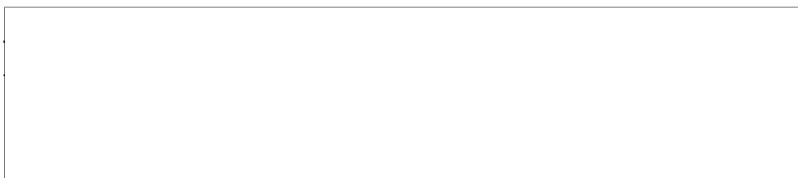
FOR THE PRESIDENT ONLY

PALESTINIANS

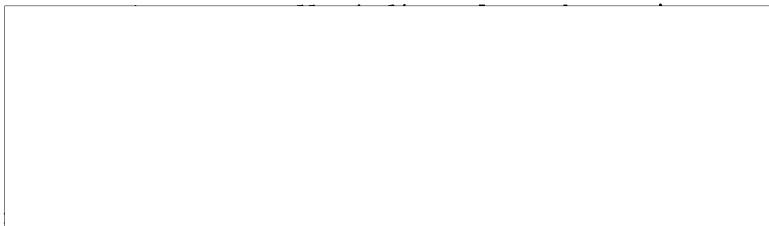
The meager results of Yasir Arafat's recent trip to Moscow have prompted some Palestinian leaders to question the extent of Soviet backing for the Palestine Liberation Organization. The Palestinians are particularly concerned over Moscow's attempts to elicit from them some recognition of Israel in return for an invitation to the Geneva talks.

The Palestinians suspect that the Soviets may be working with the US to minimize their role at Geneva. The purpose, the Palestinians think, would be to satisfy the demands of Egypt and Syria without forcing the Israelis to boycott the next session of talks.

In the communiqué issued at the end of his Moscow visit, Arafat in effect acknowledged that the Palestinians would go to Geneva if invited to participate "on an equal footing" with the other parties. This statement implies willingness to negotiate with Israel, and represents--in Palestinian eyes--a significant concession.



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FOR THE PRESIDENT ONLY

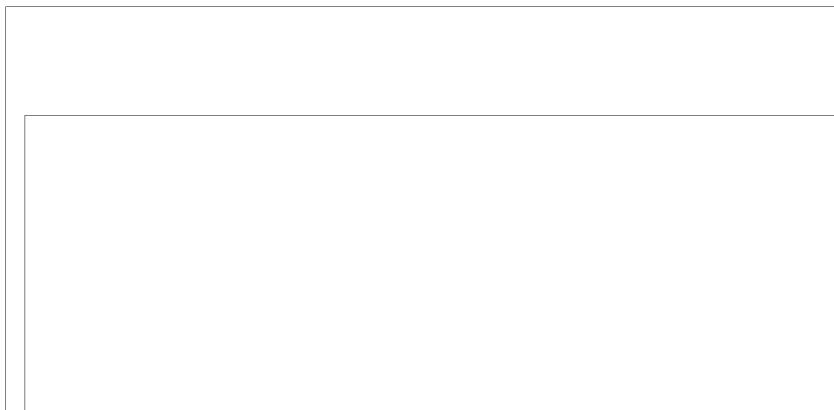
FOR THE PRESIDENT ONLY

In an attempt to minimize the damage to Arafat's reputation and draw attention away from the embarrassing lack of concrete accomplishments, PLO spokesmen and information media are describing Arafat's visit to the USSR as the "most successful ever." Pro-fedayeen newspapers in Beirut claim that the long-delayed opening of the PLO office in Moscow will take place in two weeks, and allege that the Soviets promised a variety of unspecified economic, military, and political assistance to the Palestinians.

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NOTES



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The possibility of an incident in the Aegean has risen once again.

The Greeks are concerned that Turkey will again violate the airspace over the eastern Aegean islands



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Prospects for an early solution to the Cyprus problem have turned dim again. Deliberations in Nicosia on the powers and functions of the proposed federal government got off to a poor start.

Turkish Cypriot negotiator Denktash boycotted the opening session on Monday. His delegation was not prepared to discuss substantive issues at the meeting and committed itself only to "try" to have some tentative proposals ready for today's session. Lack of progress in the Nicosia talks will hamper the second round of Cyprus discussions in Vienna under the aegis of UN Secretary General Waldheim.

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The President's Daily Brief

May 15, 1975

6

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Exempt from general
declassification requirements of E.O. 14176
exemption category 5(b) (1)(D)(3)
declassified only on approval of
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FOR THE PRESIDENT ONLY

May 15, 1975

Table of Contents

Laos: The Pathet Lao are encouraging increasingly hostile street demonstrations against US government installations and personnel. (Page 1)

Iran:

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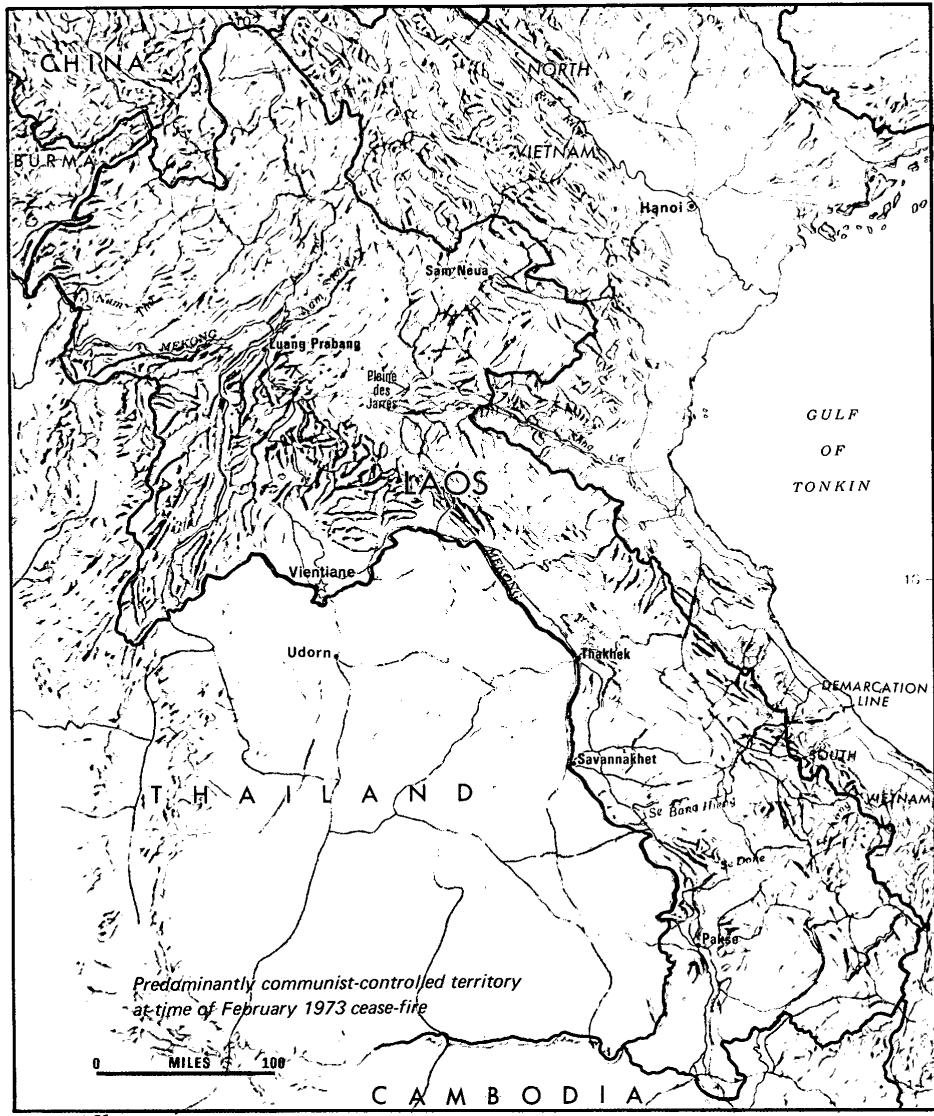
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25X1

CSCE: Most delegations at the European Security conference believe that the next few weeks in Geneva will be crucial. (Page 6)

Notes: France; Israel-Lebanon (Page 8)

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

LAOS

The Pathet Lao are encouraging student activists, political opportunists, war veterans, and labor organizations to mount increasingly hostile street demonstrations against US government installations and personnel in Vientiane and other major urban areas.

The Pathet Lao's minimum objective appears to be the elimination of USAID and other American organizations from provincial Laos. If the statements of communist Deputy Prime Minister Phoumi Vongvichit are to be believed, however, the Pathet Lao may be willing to tolerate--at least for the moment--a reduced US official presence in Vientiane. They also appear willing, and in some cases even anxious, to receive unconditional US assistance, provided such aid is channeled directly to the coalition government now effectively under their control.

The demonstrations against USAID facilities in Luang Prabang have ended, but are continuing in Savannakhet. Student agitators in Savannakhet have occupied the USAID compound and are still holding hostage three of its American employees and the area's rightist provincial governor. According to a late report, the Americans are being well treated and are in phone contact with USAID officials. The students are demanding that the coalition government send a delegation to remedy their grievances, which are a carbon copy of those recently espoused by the so-called "People's Liberation Movement" in the southern rightist stronghold of Pakse. Aside from the ouster of USAID, these demands include:

--"Neutralization" of Savannakhet and the rest of the central Laotian panhandle provinces and their direct administration by the coalition government.

--Removal from office of most civilian and military rightist officials, and the formal ouster of Prince Boun Oum na Champassak as inspector general of the Kingdom.

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FOR THE PRESIDENT ONLY

--Freedom of movement and commerce between non-communist and Pathet Lao zones in central and southern Laos.

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No Americans have been seized during the demonstrations in Luang Prabang, but the USAID compound there has been thoroughly vandalized and a number of local business establishments looted. All official US personnel and their dependents were safely evacuated by air from the royal capital to Vientiane late yesterday.

Demonstrations began last night in Thakhek--still another southern rightist bastion--and others are scheduled over the next several days in Vientiane.

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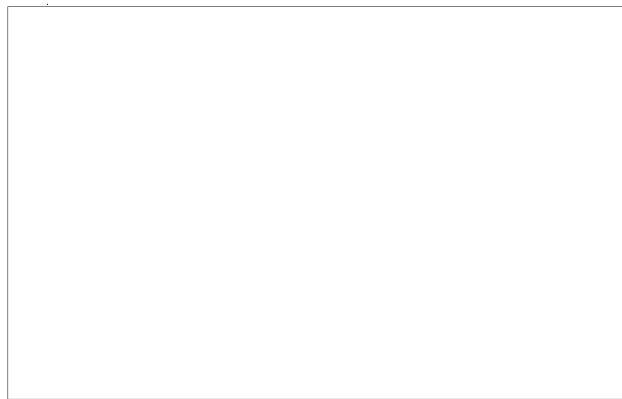
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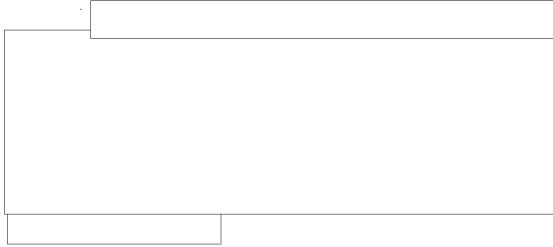
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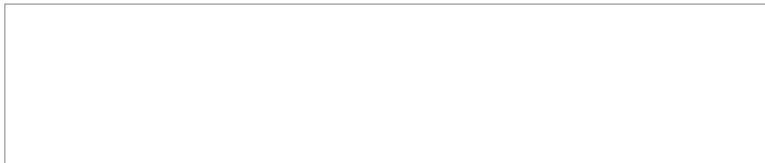


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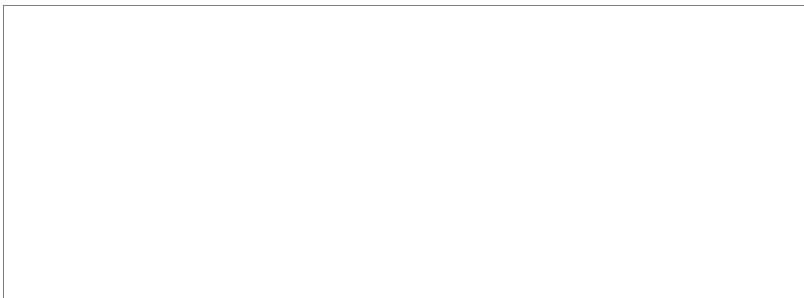
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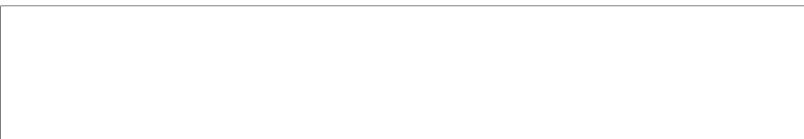
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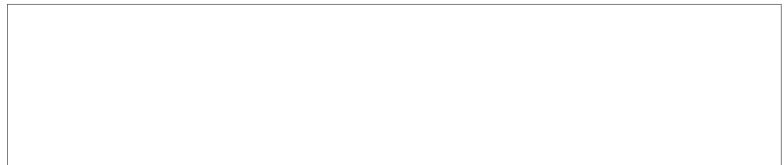


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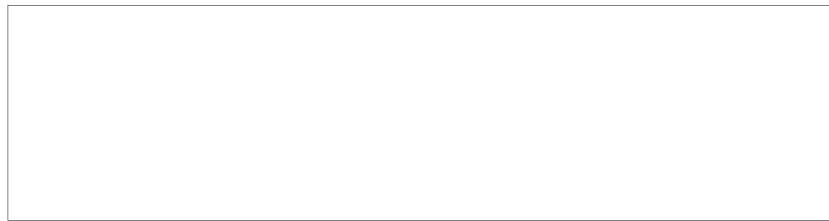
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CSCE

Most delegations at the European security conference believe that the next few weeks in Geneva will be crucial. The pace of the conference has increased perceptibly, some issues have been settled, and a working group has begun planning for a final summit-level meeting. Nevertheless, if the conference is to conclude this summer--as the Soviet and virtually all other delegations hope--many issues will have to be resolved in a relatively short time.

While Soviet negotiators recently have shown flexibility on some matters, they have stalled on others and even reopened debate on several issues considered settled months ago. Basically, the Soviets apparently are counting on the Western participants to give in and stop trying to wring concessions. The West European delegations are having difficulty matching the determination and resolve of the Soviet Union.

The Soviets recently accepted a French compromise proposal that ended a long deadlock concerning the declaration of principles that the conference has been formulating as a guide to international relations. The conference has yet to reach agreement, however, on the wording of a "saving clause" implying that the rights and responsibilities of the US, UK, France, and the USSR in Germany and Berlin are not affected by the conference's decisions. Many of the neutral delegations read the present draft as an affirmation of the "Brezhnev doctrine" on intervention in Eastern Europe.

Soviet negotiators have also shown some flexibility on one of the major military-related "confidence-building measures," but only after the Western and neutral delegations made an important concession to Moscow. The Soviets said that they could accept the Western idea of providing advance notice about national and multinational military maneuvers, if the notification were voluntary.

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FOR THE PRESIDENT ONLY

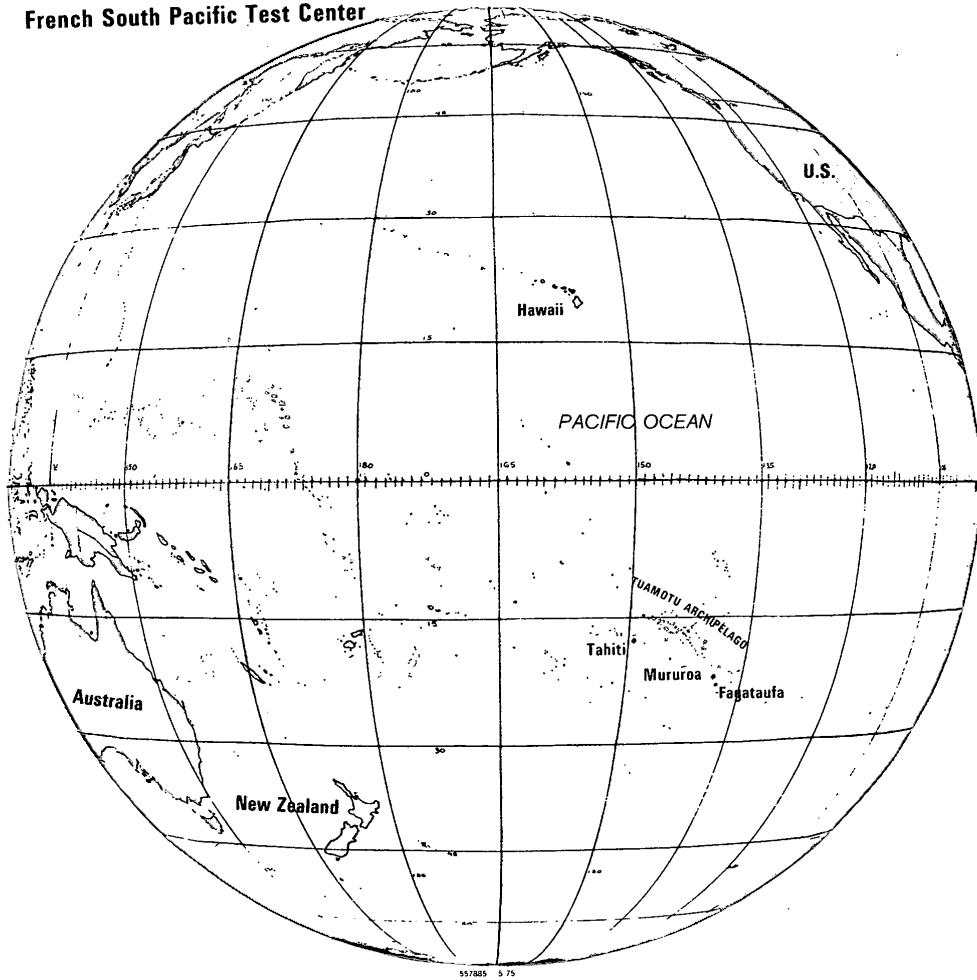
FOR THE PRESIDENT ONLY

The Soviets have continued to stall on matters concerned with the freer movement of people and ideas. Western negotiators now intend to present a single text covering all such topics. They argue that such an initiative now would put maximum pressure on the Soviets to come to reasonable terms. The Soviets' attitude on this subject, however, is such that they may well continue to stall.

The question of follow-on machinery to the conference also remains to be resolved. The Soviet side says it wants a post-conference consultative committee with a broad mandate to discuss issues affecting security and cooperation in Europe. The committee would have a permanent secretariat, one of the more objectionable features of the proposal as far as the West is concerned. There is some reason to believe that the Soviets--perhaps worried by the great opportunity a standing mechanism would give to the Romanians and other bloc members to needle Moscow--eventually will settle for something less permanent.

The Western delegations formally support a Danish proposal that calls for senior officials to meet three years after the conference ends to assess the results and decide whether further meetings are needed. The West Europeans, however, are sharply split on the issue. The Dutch, Belgians, and French advocate as little follow-on activity as possible, while the British and now even the Danes are prepared to accept relatively frequent meetings of experts and senior officials. Other NATO members continue to support the formal Danish proposal. On this issue, as on many others, the NATO allies are hoping that the US will take the lead.

French South Pacific Test Center



FOR THE PRESIDENT ONLY

NOTES

France is expected to conduct its first underground nuclear test in the South Pacific before the end of the month.

[Redacted]
The French issued a "notice to mariners" in February warning ships and planes to stay outside a 42-mile danger zone surrounding the Mururoa and Fagataufa atolls through the end of the year. Only one or two tests, both underground, are expected this year.

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Israel's military activity in southern Lebanon over the past three days appears aimed as much at the Lebanese as at the fedayeen.

Harassment of Israeli reconnaissance patrols by Lebanese mortar fire last week apparently was the principal cause of the recent Israeli actions, which included raids into villages and the taking of prisoners. The approach of today's anniversary of the Arab attacks at the time of Israeli independence in 1948--often the occasion for fedayeen terrorist incidents--was probably another factor. Israeli units routinely patrol inside Lebanon's southern border, but had not entered villages or taken captives since the major clashes with fedayeen and Lebanese army units last January. No casualties have been reported from this week's activities, and Israel announced yesterday that it had released some of the villagers taken during the raids.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

May 16, 1975

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Top Secret 25X1

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exemption category, 5b(1), (2), (4)
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FOR THE PRESIDENT ONLY

May 16, 1975

Table of Contents

Mayaguez Incident: World reaction is reviewed.
(Page 1)

Laos: Most major urban areas were reported quiet
yesterday. (Page 3)

[redacted] Spain [redacted] [redacted] 25X1
[redacted] visit to Spain may be
ill-advised. (Page 4) 25X1

MBFR: The sixth round of the force reduction nego-
tiations opens today in Vienna. (Page 5)

France-NATO: [redacted] 25X1
[redacted] (Page 7) 25X1

USSR-China-Taiwan: The Soviets [redacted] would like
to establish economic and trade relations with
Taiwan. (Page 9) 25X1

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FOR THE PRESIDENT ONLY

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MAYAGUEZ INCIDENT

World reaction to the recovery of the Mayaguez ranges from condemnation by China and North Vietnam to approval by South Korea and Taiwan. Reaction in the UK and West Germany has been generally favorable, and coverage in Soviet media has been essentially factual.

Chinese Vice Premier Li Hsien-nien has labeled the US action to recover the Mayaguez "an outright act of piracy" that should be condemned by world opinion. Speaking at a reception given by Vietnamese representatives in Peking, Li said the Mayaguez incident "showed that the US had not learned from its defeats in Indochina." He portrayed the incident as arising from the intrusion of a US ship into Cambodian territorial waters. Li's comments, the first authoritative statement from Peking, came after the military action had been completed.

The foreign ministry in Hanoi issued an official statement describing the Mayaguez as a "reconnaissance ship" and condemning its recovery as a "serious act of war." The North Vietnamese pledged support for Cambodia's "right to defend its territory, airspace, and territorial waters"--a statement that may come back to haunt Hanoi, given Phnom Penh's recent assertion of its rights to disputed offshore islands. The new government in Saigon, though it has not commented yet, can be expected to parrot Hanoi's line.

Soviet media have given the incident extensive, but essentially factual, coverage. Cambodian charges and US denials that the Mayaguez was engaged in espionage activity have both been reported. Radio Moscow noted Thai protests, as well as criticism in the US, but has offered no editorial comment of its own. The East Europeans have been somewhat out in front of Moscow in their criticism of US actions; the East Germans have used the most pejorative language.

(continued)

FOR THE PRESIDENT ONLY

Public reaction in Britain and West Germany has been generally favorable; French press comment has been mixed. The French left has condemned the action as "shameful," while the right--still rankled by Cambodian handling of the refugees in the French embassy--has been basically favorable. Swedish newspapers have been almost unanimous in their criticism of Washington's use of force.

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In Copenhagen, Foreign Minister Anderson was noncommittal after receiving the US embassy's presentation on the Mayaguez incident.

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A spokesman for the Japanese foreign ministry implied approval for the action, telling newsmen that ships in "open waters must not be subject to seizure." The spokesman said Tokyo viewed the American action as "limited."

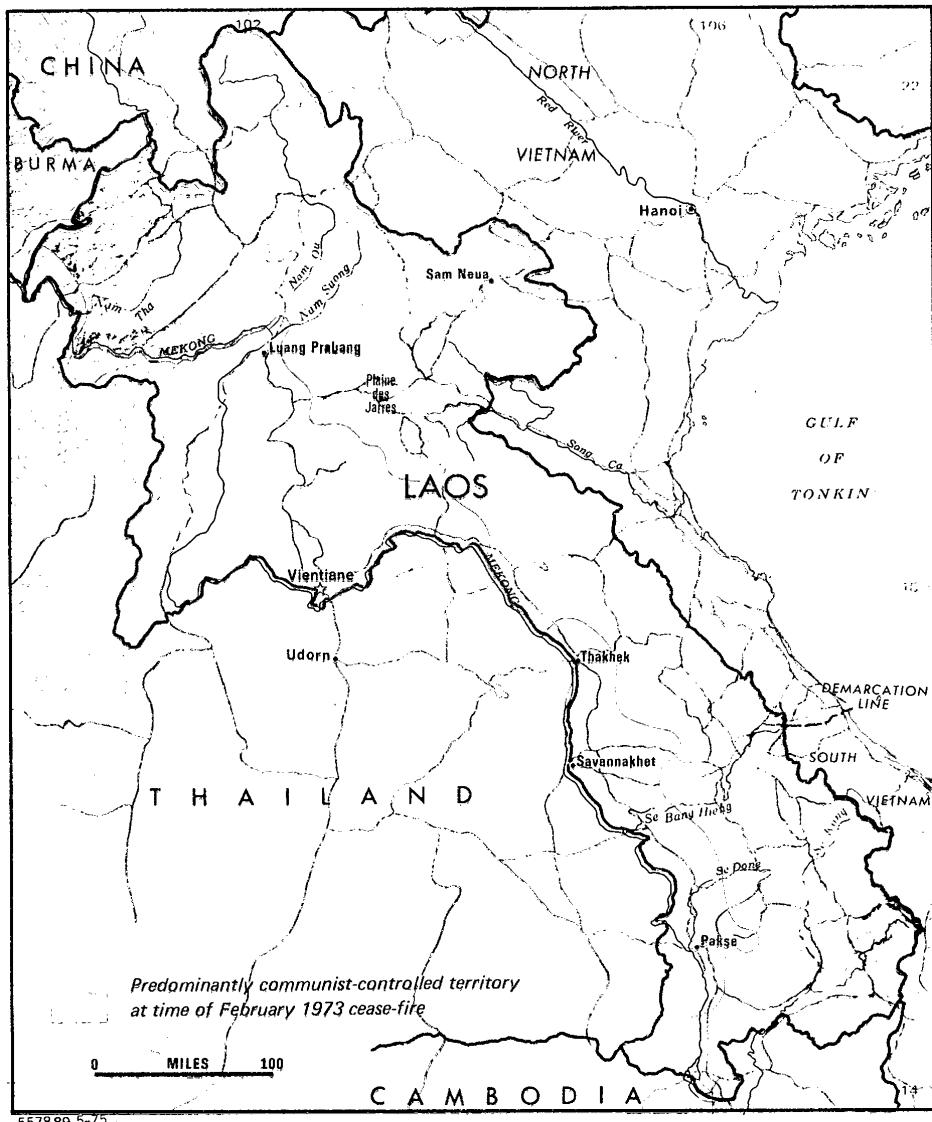
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Official and unofficial comment from South Korea and Taiwan has been predictably favorable. Despite the strong Thai reaction, a communiqué issued on the completion of a meeting of foreign ministers of the Association of Southeast Asian Nations--Thailand, the Philippines, Indonesia, Malaysia, and Singapore--made no mention whatsoever of the Mayaguez incident.

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Of the Arab nations, only Algeria has weighed in heavily with invective against Washington. Cuban commentary has been relatively mild, while Paraguayan and Uruguayan officials have expressed satisfaction with the outcome of the incident. The rest of Latin America has yet to make itself heard.



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FOR THE PRESIDENT ONLY

LAOS

With the exception of Thakhek, most major urban areas in the non-communist zone as well as the "neutralized" twin capitals of Vientiane and Luang Prabang were reported quiet yesterday.

In Thakhek, a rightist stronghold along the Mekong in north-central Laos, an estimated 500 Pathet Lao - inspired students, soldiers, policemen, and low-level civil servants assembled yesterday at the USAID compound. The protesters demanded action on the area's serious economic problems as well as the ouster of a number of local rightist officials. The atmosphere in Thakhek was reported as relaxed, but more radical student agitators apparently are on their way to Thakhek from nearby Savannakhet.

The situation in Savannakhet has stabilized, at least temporarily, following several days of anti-rightist and anti-American demonstrations. The coalition government has formally apologized to the US for the protesters' occupation of the USAID compound and for the detention of three American officials. The three hostages were released late yesterday and allowed to return to their private residences in the city. The coalition government has dispatched a joint peace-keeping delegation to Savannakhet to negotiate the protesters' grievances.

* * *

The coalition cabinet met on May 14 amid considerable speculation that replacements for a number of recently ousted rightist ministers would be announced.

Action on the cabinet reshuffle, however, was deferred to next week at the earliest.

FOR THE PRESIDENT ONLY

[redacted] SPAIN [redacted]

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[redacted] your visit to Spain may be ill-advised. [redacted] 25X1
 doubt that Franco can be encouraged to introduce democratic changes. Other [redacted] 25X1
 [redacted] leaders [redacted] have reservations about the efficacy of the visit. 25X1
 (Similar doubts were expressed [redacted] 25X1
 [redacted] when Presidents Eisenhower and Nixon visited Spain.) 25X1

[redacted] you 25X1
 will be talking to a "dying regime" when you visit Madrid. [redacted] 25X1
 [redacted] any bilateral agreement reached during the visit might easily be overturned by a post-Franco government. 25X1

[redacted]
 [redacted] the situation in Spain is too complex and fraught with unknowns to hope for even gradual democratic changes simply by encouraging Franco to make them. 25X1

[redacted]
 [redacted] your visit, [redacted] will 25X1
 be a boost for Franco. The very cool reaction [redacted] 25X1
 [redacted] to the US proposal that NATO consider establishing closer ties with Spain reflects a still widespread feeling that Franco Spain is a pariah [redacted] 25X1

In Spain itself, press reaction to the visit generally reflects the varied opinions about the desirability of having US bases in the country. Some commentators view the visit as a reaffirmation of the country's importance to the US because of Spain's strategic position; others imply more directly that the visit should strengthen Madrid's position in renegotiating the base rights agreement.

FOR THE PRESIDENT ONLY

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MBFR

The sixth round of the force reduction negotiations opens today in Vienna. The major question, for the Allies as well as the Soviet Union, is whether the US will offer to withdraw US nuclear warheads and delivery systems in return for the Soviet Union's withdrawing armored forces--the so-called Option III.

All the NATO Allies were informed in April that the US was studying the matter. They probably expect the US formally to propose that this option be utilized in an effort to break the deadlock in Vienna.

[redacted] West Germans [redacted]

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[redacted] remain interested in using such an offer to obtain East European acceptance of the West's common-ceiling proposal to bring Eastern and Western ground forces in Central Europe to approximately the same size.

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[redacted] West Germans are also concerned that if the US offers to withdraw nuclear elements, the Soviets would insist that other Western participants withdraw or reduce their aircraft and missiles. [redacted] Bonn presumably will insist on a thorough discussion of this issue within NATO. A lengthy review by NATO officials would make it impossible to offer the nuclear trade-off during this round.

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The Soviets and their allies have insisted from the beginning of the talks that aircraft and nuclear weapons be included in any force reduction agreement. [redacted]

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[redacted] the Soviets expected the US to propose a discussion of the reduction of nuclear missiles some time during this round. The Soviets, in any case, anticipate lengthy talks on this topic and reportedly doubt that any agreement on reducing nuclear weapons can be concluded by the end of the fall round of talks.

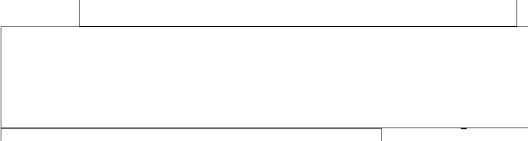
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Moscow is hopeful, however, that the fall round will result in some general agreement on ground forces reductions. In this context, the Soviets probably believe that the West eventually will accept their proposal for a "first-step" agreement in which both sides would reduce by about 20,000 men.

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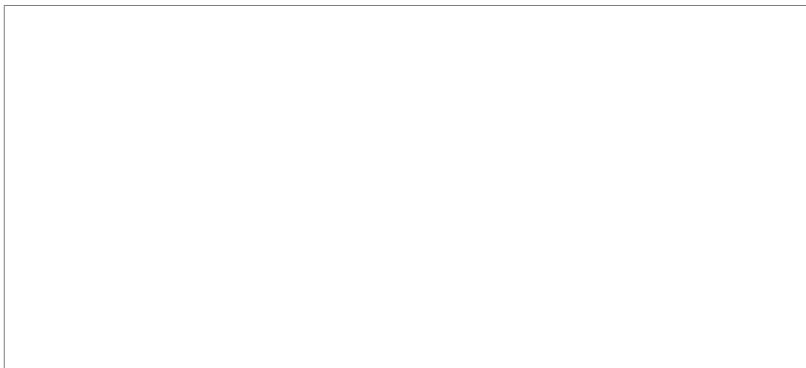
FRANCE-NATO

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USSR-CHINA-TAIWAN

*The Soviets [redacted] would like
to establish economic and trade rela-
tions with Taiwan. [redacted]*

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The Nationalists are sensitive to complications that any dealing with the Soviets could raise for their relations with the US, but they also appreciate the anxiety contact with Moscow causes Peking. This anxiety has probably been compounded in the wake of the death of Chiang Kai-shek. The Chinese communists have long suspected that Premier Chiang Ching-kuo is less adamantly anti-Soviet than his father.

The Soviets may think that the Nationalists will be more responsive to their probes in light of your coming visit to Peking, but it is unlikely that [redacted] Soviet overture will lead very far. While both parties share an interest in worrying Peking, neither sees much utility in closer mutual relations. The Soviets recognize that significant ties with Taipei would preclude improvement of relations with Peking, even after the death of Mao Tse-tung. Chiang Ching-kuo, who would face opposition from the old guard of the Koumintang if he were to pursue an "opening" to Moscow, seems to believe that any serious attempt to explore a meaningful relationship would risk an adverse US reaction with only doubtful gains in Moscow.

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The President's Daily Brief

May 17, 1975

5

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the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 17, 1975

Table of Contents

Laos: The Pathet Lao reportedly are planning to foment large-scale demonstrations in Vientiane over the weekend against both the US and rightist remnants of the coalition government.
(Page 1)

Thailand-US: Despite highly emotional demands for reprisals, the Thai government is moving cautiously to preserve its ties with the US.
(Page 3)

Vietnam: Victory celebrations in Saigon have provided a few clues as to Hanoi's plans for the South. (Page 5)

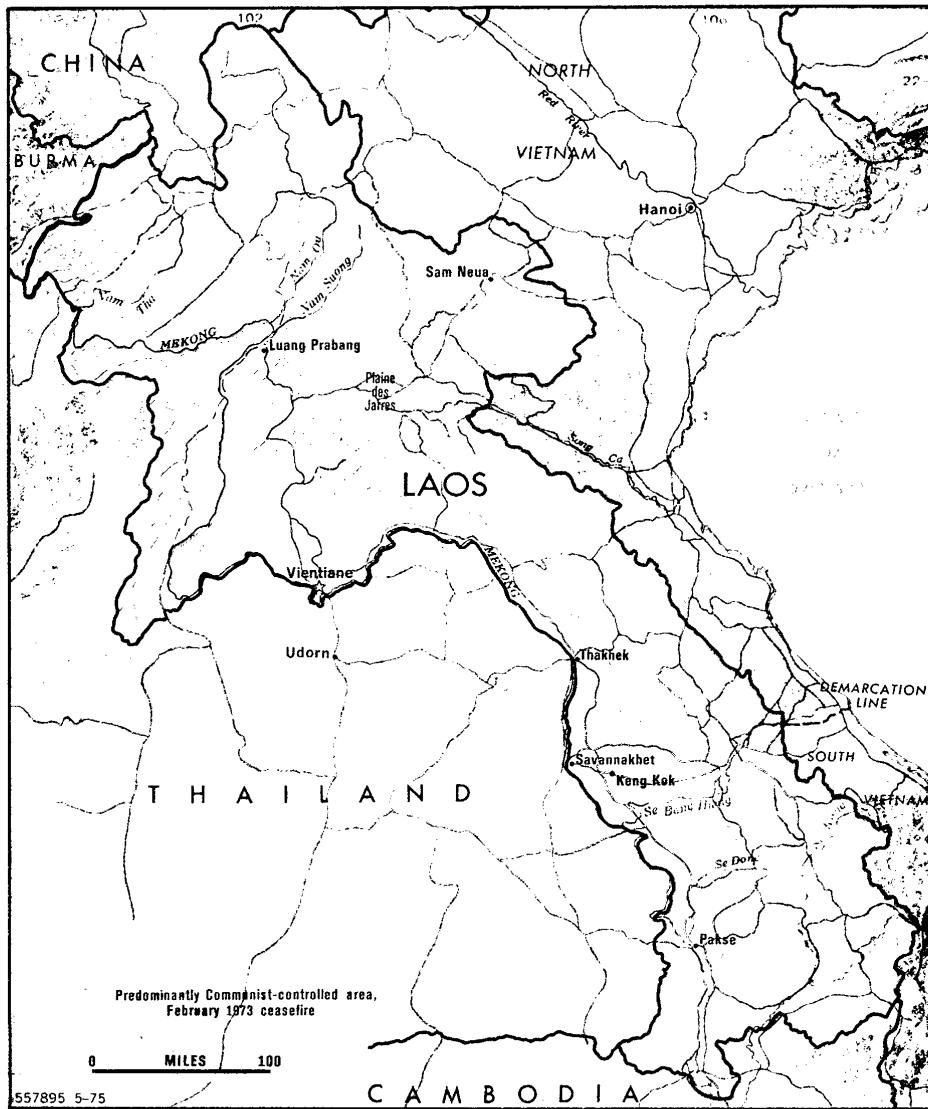
Saudi Arabia: The Saudis have sharply cut their estimate of oil production [redacted] over the next five years. (Page 7) 25X1
[redacted] 25X1X1

Nationalist China: [redacted] 25X1
[redacted] (Page 8) 25X1

Portugal: The new unitary labor law has encouraged the Socialists to challenge the Communists for control of the labor confederation. (Page 10)

Notes: Syria-Iraq; Romania (Page 11)

At Annex [redacted] Israeli and Arab concern over what each perceives as ominous moves by the other. 25X1



FOR THE PRESIDENT ONLY

LAOS

The Pathet Lao reportedly are planning to foment large-scale demonstrations in Vientiane over the weekend against both the US and rightist remnants of the coalition government. The protests may culminate in a "mass rally" on Monday--Ho Chi Minh's birthday.

A senior Pathet Lao coalition official has been attempting to persuade a number of non-communist groups to participate in the demonstrations. He has made a strong pitch to leaders of the progressive neutralist "Young Idea's Party," the most active non-communist political party in Laos. The party is particularly influential outside urban areas. The Pathet Lao official has promised to assist with transportation and funds in order to get the party to bring large numbers of villagers into Vientiane for the rallies.

The Pathet Lao are also agitating among students, war veterans, low-level civil servants, and other non-communist urbanites. [redacted] 25X1 in addition to spreading "demonstration money" around to potential participants, some 100 Pathet Lao plain-clothes cadre will be on hand to "monitor" the activities of the protesters.

At the same time, the Pathet Lao are strengthening their security forces in the Lao capital. [redacted]

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[redacted] transport aircraft earlier this week ferried some 140 Pathet Lao combat troops from the Plaine des Jarres in northern Laos to Vientiane.

Vientiane was generally calm yesterday, except for an orderly Pathet Lao - inspired demonstration by several hundred officers and men of the non-communist Royal Lao Air Force at the capital's suburban airport. The demonstrators demanded the ouster of the air force's rightist commander, General Bouathong, and a number of other senior conservative officers.

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FOR THE PRESIDENT ONLY

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Little information is available on the situation in major non-communist urban areas outside of Vientiane. An uneasy calm apparently prevails in the royal capital of Luang Prabang and in the southern city of Pakse. The situation in Thakhek, troubled by anti-rightist demonstrations since May 15, is unknown.

In Savannakhet, the three USAID officials seized by demonstrators on May 14 remain under "house arrest" in their private residences. Neutralist Interior Minister Pheng Phongsavan and his Pathet Lao coalition deputy were scheduled to fly to Savannakhet yesterday to negotiate the protesters' demands and to secure the Americans' release. The demonstration at Vientiane's airport prevented their departure, which is now set for today.

Meanwhile, civil disturbances were reported for the first time yesterday in yet another rightist center, the district town of Kengkok, some 20 miles east of Savannakhet.

FOR THE PRESIDENT ONLY

THAILAND-US

Despite highly emotional demands for reprisals by the Bangkok press and various pressure groups, the Khukrit government is moving cautiously to try to preserve its ties with the US.

In a press conference on May 16, Prime Minister Khukrit announced that Thailand was:

--presenting a protest note to Washington expressing "disquiet" that the US had acted with "contempt" toward a friend.

--recalling the Thai ambassador to the US for consultations.

--undertaking a review of all existing agreements it has with the US.

The announcement clearly reflects an effort by Khukrit to minimize the impact of the Mayaguez incident on US-Thai relations. Khukrit had been under public pressure to expel a senior US official, refuse the credentials of newly-arrived US Ambassador Whitehouse, or order the immediate withdrawal of all US forces in Thailand.

Khukrit told reporters that in the review of US-Thai agreements, consideration will be given to strengthening Thai government control over US activities at air bases in Thailand as well as to expediting the withdrawal of the remaining US forces. Khukrit implied, however, that his government would not be stampeded into making a rash decision; he said that a US force withdrawal could not be completed quickly, and that the "convenience" of both the US and Thailand must be considered. In an earlier statement, Foreign Minister Chatchai said that any review of US-Thai relations "must be done in a friendly manner."

Khukrit's announcement will buy time for him to assess the public mood before deciding what additional steps may be necessary to protect his political position. Bangkok is outwardly calm, and demonstrations yesterday were confined to two small,

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peaceful protests in front of the US embassy. Student leaders are promising a large rally today, but the turnout may be far less than they would like because the universities are on vacation.

[redacted] the Thai foreign ministry is recommending that Khukrit travel to the US soon to discuss the future of US-Thai relations [redacted]. The ministry interprets recent US official statements and the handling of the Mayaguez incident as indications that Washington no longer values its relationship with Thailand and believes that direct talks with US leaders are the only effective way to get a clear reading of US intentions. While not ruling out the suggestion, Khukrit indicated that it would be difficult for him to leave Thailand at this time.

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VIETNAM

Victory celebrations under way in Saigon have provided a few clues as to Hanoi's political plans for the South.

Pham Hung, a member of the North Vietnamese Politburo and Hanoi's senior official in the South since he assumed command of COSVN in 1967, was listed first among the southern dignitaries welcoming a North Vietnamese delegation to the ceremonies. He was identified as a member of the central committee of the Vietnam Workers' Party, "secretary of the South Vietnam party organization," and "political commissar of the South Vietnam PLAF Command."

This is the first time in several years that Hung has been identified publicly. There had been some speculation that he had either been killed or had fallen out of favor with the Hanoi regime. He probably still retains his other hat as North Vietnam's first deputy premier, and his appearance in Saigon indicates that Hanoi intends to keep direct control over the southern party, government, and military apparatus.

Behind Hung, Nguyen Huu Tho--who gave the keynote address--emerges as the next man in the lineup as head of the National Front for the Liberation of South Vietnam. Tho apparently will continue to head the Front--or something closely resembling it--and probably will be in charge of forming the administrative apparatus.

Huynh Tan Phat, president of the Provisional Revolutionary Government (PRG), also delivered a major address; this suggests that the PRG will remain in business for the time being and serve as the "legal" entity with which foreign governments will establish diplomatic relations. In this regard, communist spokesmen at the ceremonies welcomed immediate recognition of the PRG by foreign capitals. Nguyen Huu Tho in fact stated that diplomatic relations between the PRG and the US would be acceptable, but added that the US would have to "fulfill its obligations under the Paris Agreement." This formulation probably means the communists would demand certain tough conditions, including the provision of US economic assistance.

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FOR THE PRESIDENT ONLY

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The communists thus appear to be on a "two-governments, one-policy" track. Remarks at the ceremonies suggest that Vietnam already is considered one country but that, prior to official reunification, Hanoi is thinking of an interim period to secure firm administrative and political control in the South. North Vietnamese party chief Le Duan, for example, called on the South to develop "a sound and progressive national culture," and also stated that cadre in the North should "step up socialist construction," while people in the South should "unite and build a splendid democratic national regime."

Ceremonies celebrating the victory in South Vietnam will continue in Saigon and Hanoi through Saturday. On Monday, May 19, the communists will celebrate the birthday of Ho Chi Minh, and it is possible that during those festivities additional information will be provided on the new government in the South.

FOR THE PRESIDENT ONLY

SAUDI ARABIA

Saudi Arabia has sharply cut its estimate of oil production [redacted]

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[redacted] over the next five years.

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The Central Planning Organization now concludes that only 2.7 million barrels per day will be required--a 1.8-million barrel per day drop from the previous estimate. [redacted] this new Saudi figure is a good estimate of what the Saudis will need to produce.

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Actual Saudi production during the next five years, however, will almost certainly be higher. [redacted]

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[redacted]
Saudi production has already fallen to 5.7 million barrels per day, down from 9.1 million barrels per day last October. Most other OPEC states are now trying to increase output, and the Saudis may take some small additional cuts this summer to accommodate them. Large cuts--as might seem justified by the Central Planning Organization's study--are extremely unlikely.

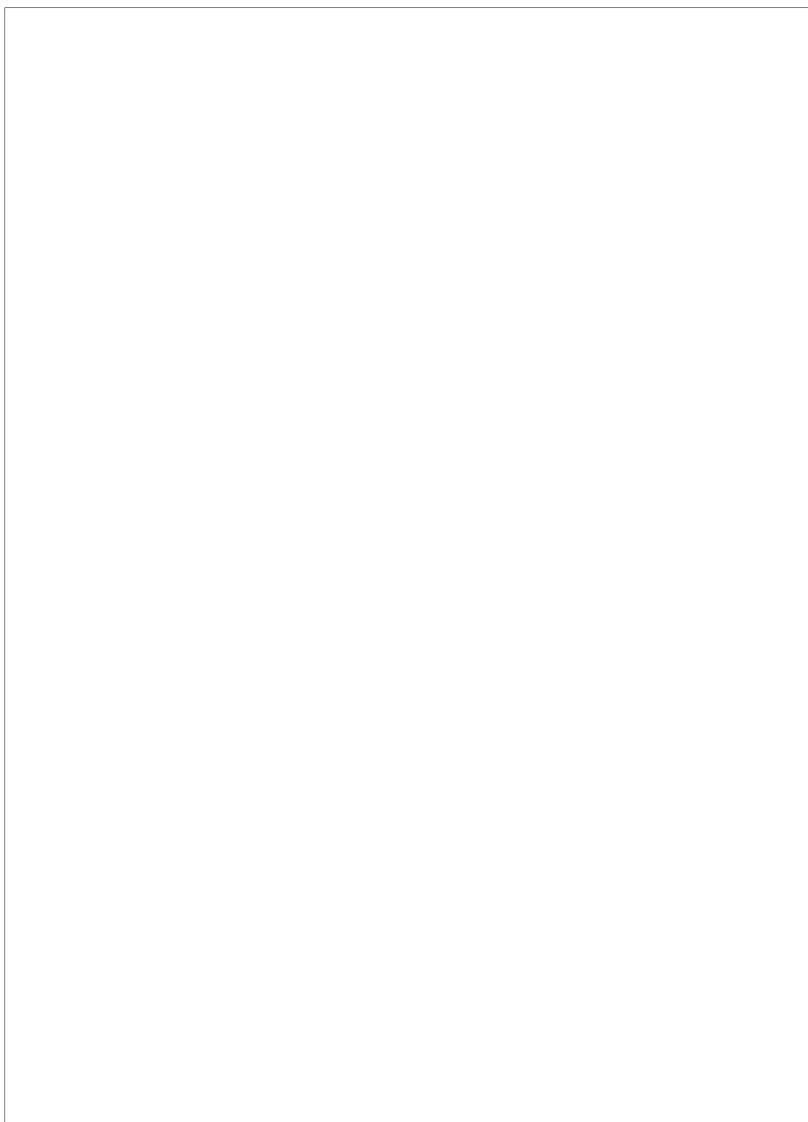
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NATIONALIST CHINA

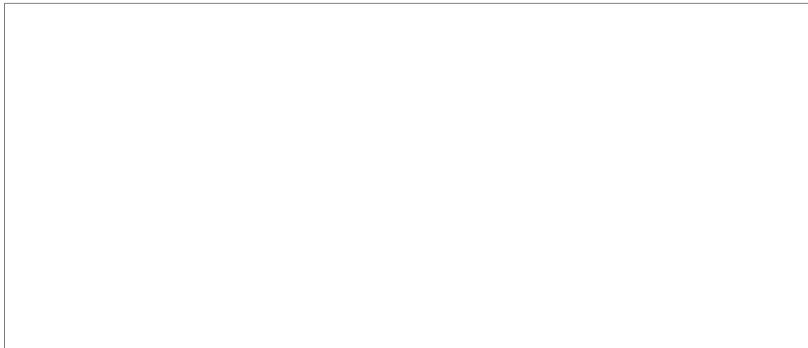


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PORtUGAL

The long-awaited Portuguese unitary labor law was officially published this week and has encouraged the Socialists, who believe that they will be able to challenge the Communists' control of the newly legalized labor confederation.

Instead of assuring the Communists de facto control of labor, the new law gives the Socialists the opportunity to gain some leadership positions.

[redacted] the Socialists believe they have made substantial inroads into several unions and may be able to mount a serious challenge to the Communists.

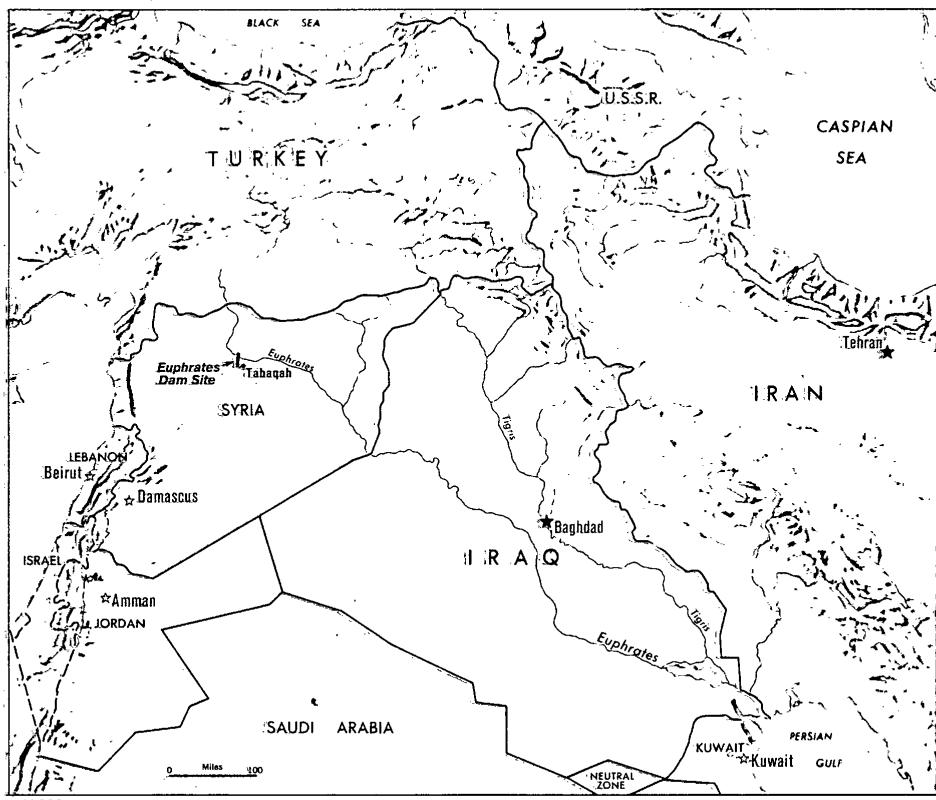
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To carry out their plans in the labor sector, however, the Socialists will have to overcome serious organizational difficulties. The party has long been a loose confederation of differing factions, causing Socialist leader Soares serious problems in simply trying to keep Marxists and social democratic elements from coming to blows.

At the Socialist Party congress last December party militants pushed the party to the left. They have also forced Soares to abandon his policy of restraint following the Socialist victory in the constituent assembly elections last month. Embassy sources report that Socialist Party militants will attempt to remove more moderate Soares supporters from the party leadership in the national secretariat elections scheduled to be held this weekend. Soares' own position is in little danger, however, because of his personal popularity.

Meanwhile, air force pilots are disgruntled following the replacement this week of General Mendes Dias as chief of staff. They feel they have been wronged by General Morais da Silva, the new chief of staff, and by President Costa Gomes who singled them out as obstacles to "the revolutionary process." [redacted]

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FOR THE PRESIDENT ONLY

NOTES

[redacted] Syria continues
to restrict the flow of water from the Tabaqah Dam
on the Euphrates River and [redacted] it has made prepara-
tions to defend the dam should the Iraqis decide to
attack.

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[redacted]
[redacted] Syrian armored brigade, some 20 multiple roc-
ket launchers, and an SA-6 site, plus several target
acquisition radars, all are positioned close to the
dam. Iraq has recently increased its flights along
the river near the Syrian border.

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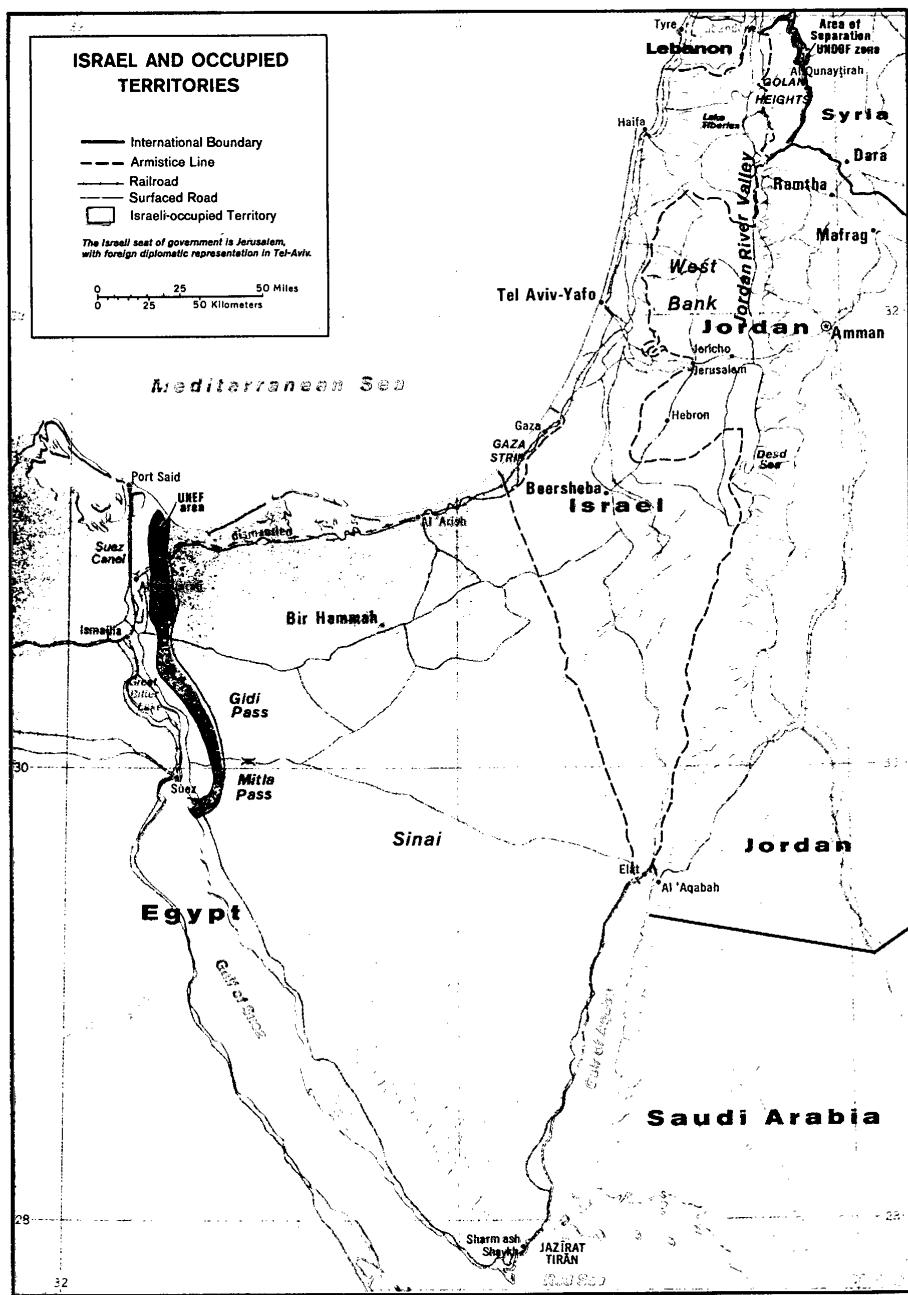
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Romania's Foreign Minister Macovescu Thursday
privately expressed Bucharest's understanding of the
US decision to retrieve the Mayaguez and its crew
from the Cambodians.

Macovescu told the US ambassador of his "great admiration" for Washington's conduct of its affairs in Indochina in recent weeks. Macovescu's comments, while probably sincere, were also intended to counterbalance Bucharest's lip-service to Warsaw Pact solidarity earlier this week.

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ISRAEL - ARAB STATES

The Israelis and the Arabs are voicing concern over what each perceives as ominous moves by the other. The Egyptians are apprehensive about Israeli military maneuvers in the Sinai. Israeli Defense Minister Peres has been pointing with alarm to Jordanian army movements and indications of Jordanian military cooperation with Syria. The evidence does not support a conclusion that either side is about to initiate hostilities.

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[redacted] some military activity has taken place recently within Israel and Jordan that could be viewed as threatening.

[redacted] King Husayn and President Asad reached an understanding in early April for both military and political cooperation. This understanding, [redacted] was followed [redacted] by meetings [redacted] on air force cooperation and regarding air defense, employment of ground forces [redacted]. Formal agreements reportedly only await the approval of the two countries' political leadership.

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[redacted]

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[redacted]

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FOR THE PRESIDENT ONLY

[redacted] Jordan has increased the state of readiness of its forces and re-positioned them. Among the measures [redacted] are:

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25X1

--Movement of Jordanian infantry units from the Syrian front to forward positions on the Israeli front.

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--Movement of Jordanian artillery to army formations in forward positions and the turning toward Israel of a few batteries that had been facing Syria.

--Increase in Jordanian engineering activities in forward positions and the improvement of fortifications in the Jordan Valley.

--Forward deployment of two armored battalions [redacted] to an area between the battle positions of the two Jordanian infantry divisions in the Jordan Valley.

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[redacted]

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[redacted]

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[redacted]

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[redacted]

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[redacted] the Israelis have taken steps this week to improve their security [redacted]
[redacted] aimed at countering the possibility of terrorist attacks during Israel's independence day activities.
Some Israeli reservists were recalled [redacted]
probably for a short period and clearly not on a large scale [redacted] Regular troops rather than border police are patrolling Israeli beaches, a precaution to prevent terrorist landings.

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25X1

[redacted]

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[redacted]

The Egyptians, too, are apprehensive. Much of Cairo's nervousness probably stems from recent public reports [redacted] that claim the Israelis have recalled reservists, that they are closing roads on the occupied-West Bank, and that they are massing troops on the borders with Jordan and Syria in preparation for another war.

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[redacted]

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[redacted]

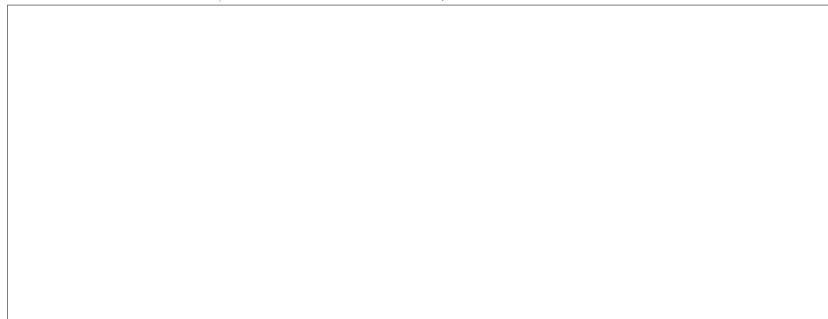
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Top Secret



The President's Daily Brief

May 19, 1975

5

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FOR THE PRESIDENT ONLY

May 19, 1975

Table of Contents

Laos: Communist-inspired demonstrations against the US and the remaining rightists reportedly are scheduled this week. (Page 1)

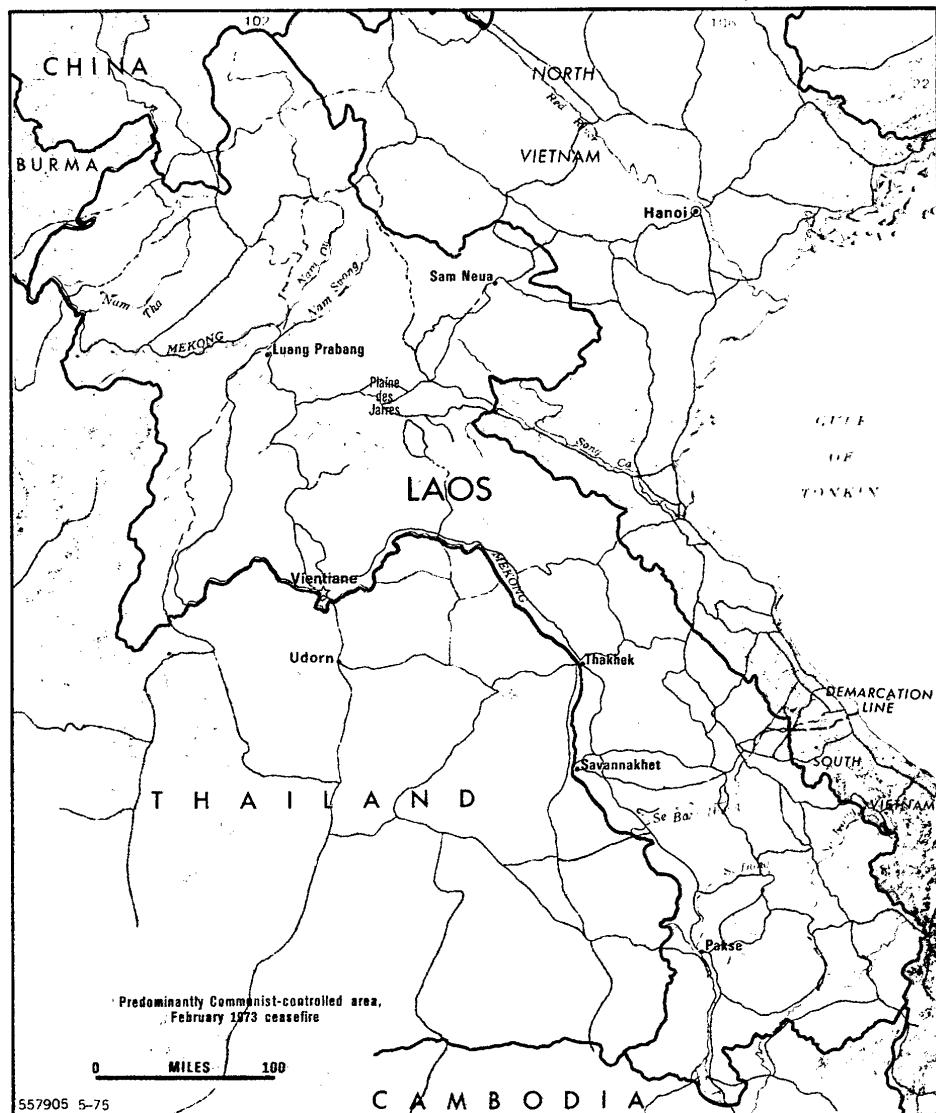
Cambodia: Phnom Penh has alleged that the US landing on Koh Tang occurred after the crew of the Mayaguez had been returned. (Page 3)

Portugal: Rumors continue to circulate in Lisbon that radical members of the Armed Forces Movement may attempt to purge moderates from the Revolutionary Council. (Page 4)

Egypt-Fedayeen: A leading Egyptian columnist, who reflects President Sadat's own frustrations with the Palestine Liberation organization, has called for the PLO to exclude itself from the Geneva conference. (Page 5)

Notes: Thailand, Syria, Romania. (Page 7)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY**LAOS**

No major demonstrations occurred in Vientiane over the weekend.

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25X1

[redacted] communist-inspired demonstrators and "mass rallies" against the US and the rightists are scheduled this week in Vientiane.

[redacted] the protests will begin today--Ho Chi Minh's birthday--with a march on the USAID housing compound in the capital's suburbs. The demonstrators are reportedly prepared to occupy the compound and turn its contents over to the coalition government.

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[redacted] Lao communists plan to zero in on neutralist members of the coalition government as well. Demonstrations calling for the ouster of neutralist Interior Minister Pheng Phongsavan are reported to be on the drawing boards. Until the recent collapse of the non-communist side of the coalition, Pheng was considered a leading candidate to succeed Souvanna Phouma as prime minister. The demonstrators will demand that Pheng be replaced by his deputy, communist minister Deuane Sonnarath.

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The situation at Savannakhet has not changed significantly. Three AID officials and their families remain under a loose form of "voluntary house arrest."

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Negotiations between the demonstrators and representatives of the coalition cabinet for release of the detainees were scheduled to begin last Friday, but the two cabinet ministers involved--Interior Minister Pheng and his deputy Deuane--have not left Vientiane. Deuane is reluctant to go to Savannakhet.

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

In Thakhek, meanwhile, demonstrations by several hundred students, soldiers, policemen, civil servants, and unemployed laborers are continuing. The protests, apparently non-violent, are directed against the AID compound and the local public works office. [redacted] the disturbances have not yet generated large-scale participation or support among the local population or nearby villagers. This non-participation may be due primarily to rice planting under way throughout the Thakhek area.

25X1

In the far south, communist troops have entered the former rightist stronghold of Pakse in force. Prime Minister Souvanna Phouma had earlier requested that no more than two platoons of Lao communists enter the town, but one account has between 400 and 500 communist troops and three tanks in Pakse as of this morning.

Pheng has ordered Royal Lao Army General Soutchay, nominally commander of the southern provinces, to cooperate with the communists and so far there are no reports of resistance.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

Phnom Penh has issued several statements in the aftermath of the Mayaguez affair alleging that the US bombing missions against mainland facilities and the landings on Koh Tang Island had occurred after the ship's crew had been returned.

Prince Sihanouk--who earlier had refused to comment on the incident--told journalists in Peking yesterday that he fully supported Phnom Penh's handling of the affair and quoted from a cable of congratulations he had sent to Deputy Prime Minister Khieu Samphan on Saturday. Sihanouk made his comments before leaving by train for a "good-will" visit to North Korea.

Sihanouk as much as admitted during an interview on Saturday that the leadership in Phnom Penh is deliberately delaying his return when he told a Japanese correspondent that he had been "advised" to postpone his departure for Cambodia until public facilities in Phnom Penh had been repaired. On May 12, Sihanouk turned down a request for an interview with a French journalist saying he was "not in a position to speak" for the new Cambodian authorities and that "my service to the national resistance movement ended with the liberation of Phnom Penh." Although Sihanouk is obviously finding his long wait humiliating, there is still every sign that he will return as soon as he gets the green light from Phnom Penh.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Rumors continue to circulate in Lisbon that radical officers in the Armed Forces Movement, having forced the resignation of the air force chief of staff last week, will move soon to purge additional moderates from the ruling Revolutionary Council.

25X1

The radicals may make their move today during the armed forces general assembly meeting. [redacted]

25X1

[redacted]
For the radicals to succeed [redacted] they must be able to exercise considerable control over the votes of the 240-member assembly. Although the assembly is probably more left-wing than its predecessor, which was restructured after the March coup attempt, the radicals will have a difficult time undercutting the widespread support Costa Gomes enjoys within the armed forces.

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Costa Gomes usually has remained neutral in political disputes and has managed to emerge unscathed from past power struggles. He may have become less acceptable to radicals, however, by making statements that were widely interpreted as being pro-Socialist after the constituent assembly elections. [redacted]

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Costa Gomes reportedly is aware of a possible move against him and may be planning some defensive tactics of his own.

Members of a left-wing army unit, in a broadcast over national radio yesterday, announced that they had discovered a major counter-revolutionary plot and urged all military units to join in a man-hunt. The communiqué did not name any of the so-called plotters, but posters identified two of them as a director of the Social Democratic Center party and a Supreme Court judge. The announcement followed a left-wing demonstration in front of the US embassy. A military spokesman refused to confirm or deny reports that the armed forces have been placed on full alert.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-FEDAYEEN

A leading Egyptian columnist, Ihsan Abd al-Quddus, on May 16 urged the Palestine Liberation Organization to exclude itself from the Geneva conference in order to avoid giving the US and the Soviets an "excuse" to stop their efforts to achieve a peace settlement. Many of the views expressed in his column do not coincide with President Sadat's, but Quddus is close to the President, and some of his ideas clearly reflect Sadat's frustrations with the PLO.

Quddus claims that the US and the USSR have despaired of ever reconciling the Arab and the Israeli positions and have therefore resolved to freeze the status quo. Both powers, he asserts, are determined to guarantee Israel's existence within its 1967 borders and look on the PLO's refusal to grant this recognition as an excuse to avoid convening the Geneva conference.

While stating his sympathy with the PLO's position, Quddus called on the organization to accept a formula that could resolve the impasse but would effectively exclude the PLO from negotiations. He urged that Jordan, Syria, or the Arab League be permitted to speak for the PLO at Geneva, on the understanding that West Bank territory regained through these negotiations would be turned over to the Palestinians.

Although Quddus' column places the "blame" for the current stalemate over the Palestinian issue on the superpowers, the implication of his remarks is that the PLO, rather than the superpowers or Israel, must accommodate and compromise.

During his visit to four Arab states last week, Sadat made little effort to hide his dissatisfaction with the PLO's indecisiveness on whether and under what representational formula it would attend the Geneva conference. Asked during a press conference in Kuwait how he would resolve the issue, Sadat replied somewhat perversely that the question might better be asked of the Palestinians themselves--who, he indicated, have not yet even decided whether to go to Geneva.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

At a later press conference in Jordan, Sadat referred to his fruitless efforts last year to resolve the Palestinian representation issue and, without saying so directly, implied that the PLO's rejection of his proposals last year has prolonged the impasse until the present.

Sadat undoubtedly tried again during his trip to gain Arab support for a formula that would obscure the PLO presence at Geneva. He also met with PLO Chairman Yasir Arafat yesterday in Damascus, but there is no indication that he succeeded with the PLO.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Thai Foreign Minister Chatchai has expressed satisfaction with the US note on the use of Thai bases during the Mayaguez incident. Chatchai told reporters in Bangkok that he considers the note "a formal apology" because it reaffirms US respect for Thai sovereignty and indicates that such use of Thai bases will not recur. Radio broadcasts from Bangkok have also described the note as an "apology."

Student-led demonstrations at the US embassy remained peaceful over the weekend. Several thousand protesters gathered outside the embassy on Saturday but the crowd had dwindled to a handful by this morning. Before the US note was delivered, student leaders had called colleagues in the countryside to join the protest and Thai trade union representatives had discussed plans for disrupting American-owned businesses and official installations.

* * *

Syria's ambassador to the UN has told some of his colleagues that he is confident Damascus will authorize a two-month renewal of the UN Disengagement Observer Force mandate on the Golan Heights.

The mandate expires on May 31, and UN Security Council officials expect a council debate on the issue early next week. Although Syria has not officially signaled its intentions, we expect Damascus to extend the mandate until July 24 to coincide with Egypt's extension on the Sinai front. The statement of Syria's UN ambassador follows rumors over the past several weeks that Syria favors aligning its policy on this issue with Egypt's.

* * *

The Romanians may be interested in buying additional long-range Boeing 707s.

They will begin talks this week on the purchase of five aircraft. Romania already has three 707s, the only US-made aircraft owned by a Warsaw Pact country. Bucharest may be expanding its airline because of its success with long-range charters to New York. The Romanians' interest may also reflect their belief that a purchase now would influence Congressional consideration of the US-Romanian trade agreement.

Top Secret



The President's Daily Brief

May 20, 1975

5



~~Top Secret~~

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
determined only on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 20, 1975

Table of Contents

Laos: Communist Deputy Prime Minister Phoumi Vongvichit seems to be advocating a "go-slow" approach to the communist-inspired protest demonstrations sweeping the country. (Page 1)

North Korea: Pyongyang has reopened its campaign for direct talks with the US on Korean military issues. (Page 3)

Lebanon: President Franjiyah and PLO chairman Arafat have reached an agreement to try to reduce clashes between fedayeen and right-wing Christian political parties. (Page 4)

25X1

(Page 5)

Greece-Turkey: The foreign ministers of the two countries have concluded unproductive talks on their conflicting claims to the mineral resources of the Aegean. (Page 6)

Notes: China (CSS-X-4); China (nuclear); Portugal (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

Communist Deputy Prime Minister Phoumi Vongvichit seems to be advocating a "go-slow" approach to the communist-inspired protest demonstrations that have been sweeping Vientiane and other major non-communist urban areas.

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[redacted] Phoumi [redacted] is generally acknowledged to be relatively moderate and more a nationalist than doctrinaire communist-- [redacted] the May 9 demonstration against the US embassy "went too far." Actions such as ripping down the American flag, [redacted] "alienate people." [redacted]

[redacted] the protest movement must not set off mass panic and "counterprotests."

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On the issue of the American presence in Laos, [redacted] the US embassy to continue to exercise the usual diplomatic functions, but its role in Lao affairs must be reduced to that played by "other missions." [redacted]

[redacted] the Lao communists "could not afford" to have US economic and military assistance terminated until Laos was "self-sufficient" because aid from other sources is inadequate. In the interim, all assistance agreements "with conditions" would have to be abrogated.

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Phoumi [redacted] intends to renegotiate the 1951 aid agreement with the US as soon as possible and, while negotiations are under way, students and other activist groups should resume demonstrations to "soften up the opposition."

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[redacted] the situation in the coalition administration in the wake of the recent rightist resignations [redacted]

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[redacted] would be "im-prudent" to demand the ouster of too many bureaucrats now because the communists do not have enough trained personnel to replace them. [redacted]

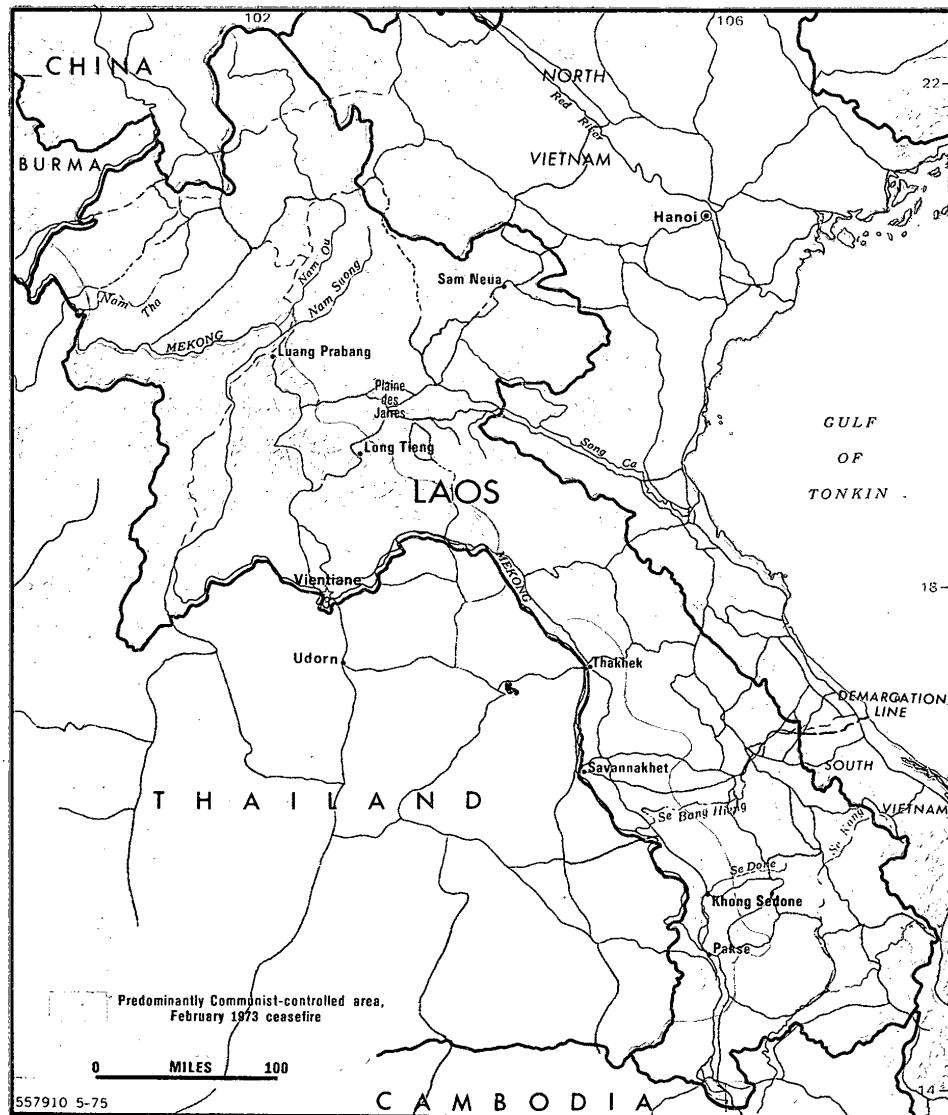
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[redacted] the "tasks" ahead include the establishment of a new national assembly, a new permanent cabinet, and a possible expansion of the Joint National Political Council.

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(continued)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

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[redacted]

Sanan Soutichak, a member of the Lao communist central committee, has been urging stronger and more violent action by demonstrators against non-communists of all stripes and, particularly, against the US. He has reportedly decided that the communists must move quickly to establish total political control or risk losing valuable momentum. His views may well reflect those of Lao communist leaders in Sam Neua.

* * *

Lao communist troops may be planning to follow yesterday's occupation of Pakse with similar moves against other former rightist strongholds in southern and central Laos.

[redacted] communist forces are moving toward Savannakhet, and have already arrived in several smaller towns in the Lao panhandle. A recent intercepted message indicates that, at least in south Laos, the North Vietnamese are prepared to provide the necessary logistic support for whatever military moves the Lao communists have planned.

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In northern Laos, communist and pro-communist neutralist forces have apparently occupied a number of positions in the Long Tieng area which were formerly defended by General Vang Pao and his Meo tribesmen. The communists have also closed the only overland route out of Long Tieng, apparently in an effort to block a major migration by the Meo southward to the Thai border.

* * *

[redacted] at Savannakhet [redacted] demonstrators had seized two of the 12 Americans previously held under loose house arrest. US chargé Chapman has informed senior Lao officials in Vientiane of the development and is hopeful that Interior Minister Pheng Phongsavan and his deputy will travel to Savannakhet today to negotiate with the demonstrators.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NORTH KOREA

Pyongyang has apparently reopened its campaign to secure direct talks with the US on Korean military issues.

In two very unusual contacts last week, North Korean officials asked American diplomats at the UN and in Kinshasa bold questions about US plans for the post-Vietnam era in Asia and made the standard demand for withdrawal of US troops from South Korea.

There was a round of similar "diplomatic" approaches last fall. North Korea had earlier tried to engage the US government in bilateral dealings by sending letters addressed to the US Congress, one in 1973 and another in 1974--both delivered via the Romanians. Pyongyang has also taken occasional soundings of Romanian and Indonesian willingness to act as intermediaries in secret talks.

North Korea is probably desiring to probe US willingness to go over the heads of the South Koreans in dealing with the North. Direct Pyongyang-Washington talks, under most foreseeable circumstances, would be a psychological blow to a South Korea already shaken by events in Indochina.

Pyongyang probably also reasons that contact with the US--or even publicized attempts at contact--would enhance its carefully cultivated image of reasonableness prior to consideration of the Korean issue in the UN General Assembly this fall.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LEBANON

Lebanese President Franjiyah and Palestine Liberation Organization chairman Arafat on May 14 reached agreement on measures to reduce the likelihood of clashes between the fedayeen and militia of the right-wing Christian political parties.

This accord is designed to supplement the April 16 cease-fire that ended four days of fighting in Beirut. Reportedly reached in an "atmosphere of understanding," it will reinforce the recent inclination of the Lebanese army and the major fedayeen groups to stay out of disputes started by the Christian militia and radical fedayeen. The agreement will not, however, effectively restrain the parties primarily responsible for the disturbances last month. Franjiyah has only limited control over the Phalangists; Arafat still less over the fedayeen "rejectionists."

Although there have been no significant violations of the cease-fire, the situation is tense and violence could recur at any time. The government security forces--never strong--are now impotent as a result of Prime Minister Sulh's embittered resignation late last week. In his resignation speech, Sulh blamed the Phalangists for the recent fighting and called for an expanded Muslim role in government, a dilution of the power of the army's predominantly Christian officer corps, and full Lebanese support of the Palestinians, whatever the consequences.

Sulh's endorsement of these long-time Muslim and leftist goals increases the chances for renewed fighting between Christians and Muslims. His demands will not prompt Franjiyah to make any basic changes in Lebanon's delicately balanced system of government, but will make it more difficult for the president to find an able prime minister.

FOR THE PRESIDENT ONLY

USSR



25X1

[redacted] nine
variable-sweep wing Backfire bombers at Poltava,
an operational Long Range Aviation base in the
southwestern USSR. The plane is now in series pro-
duction, and more than half of those to be produced--
an estimated 400 aircraft by 1985--will go to air
force units. The balance will be assigned to naval
aviation.

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The aircraft is the first new Soviet bomber
in more than a decade. [redacted]

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[redacted] De-
pending on armament and flight profile, the Back-
fire has an estimated combat radius of over 3,000
miles. From Poltava, it could strike anywhere in
Europe or the Middle East.

The Backfire can carry bombs, air-to-surface
missiles, or both. Its improved capability for
low-altitude penetration gives it a better chance
of delivering these weapons than the older TU-16
and TU-22 intermediate range bombers, some of which
it is expected to replace. During a bombing exer-
cise last week over East Germany, the aircraft flew
under 1,000 feet during a tactical run.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE-TURKEY

The Greek and Turkish foreign ministers concluded three days of talks in Rome yesterday with a noncommittal communiqué stating that "in an atmosphere of good will" they had made a first study of the text to be submitted to the International Court of Justice on their conflicting claims to mineral resources in the Aegean.

The Turkish foreign minister later announced that a summit meeting had been arranged between Greek Prime Minister Karamanlis and Turkish Prime Minister Demirel, which will take place during the NATO meetings in Brussels at the end of the month.

The initial stages of the talks did not go well. Greek Deputy Foreign Minister Stavropoulos told the US embassy that the Turks staked out their maximum bargaining position on both Cyprus and the Aegean. The Greeks could not tell if this was a negotiating tactic to be followed by concessions or whether the Turks planned to hold closely to their opening position in the belief that they were negotiating from strength, and had the alternative of military action to attain their objectives if bilateral negotiations broke down.

Despite the overall lack of progress at the talks, the Turks argued for an optimistic "flamboyant" communiqué. The Greeks believe this was an attempt to influence the debate then underway in the US Senate on the Turkish military aid cutoff.

FOR THE PRESIDENT ONLY

*Second Stage of CSS-X-4
At Wu-chai Launch Site*

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FOR THE PRESIDENT ONLY

NOTES

The Chinese may soon be able to launch their 7,000-nautical-mile CSS-X-4 ICBM from a silo.

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the recently completed developmental silo at Wu-chai was in the final phases of facility check-out. A test from the Wu-chai silo in the near future would involve some risk. The CSS-X-4 apparently has failed in all but the first of its six test flights from the surface launch site at Shuang-cheng-tzu. As a space launch vehicle, the CSS-X-4 could place about 5,000 pounds into a near-earth orbit.

* * *

The Chinese have resumed preparations for nuclear testing at the Lop Nor atmospheric test site and the nearby underground test area in northwest China.

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preparation of the atmospheric test site apparently in the mid-to-late stages of construction. The Chinese should be ready to conduct a test by midyear. This test will be of a low-yield device emplaced in a building, thus giving more precise performance data than is possible in an air drop test. Preparations for the underground test are under way at the tunnel where the Chinese conducted their only underground test in 1969. The next test probably will not occur before late this year.

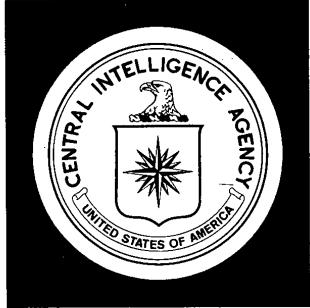
* * *

The Portuguese Armed Forces Movement's 240-man general assembly met yesterday to consider proposals that would preclude political parties from playing any meaningful role. The proposals call for establishing "direct links between the military and the people."

One report presented to the assembly discounted the result of the constituent assembly election and warned that the election increased dissension and jeopardized the "alliance of the people and the Armed Forces Movement." It suggests these ties can be renewed through residents' and workers' committees. The report apparently focuses its criticism on the Socialist Party. Socialist Party leaders Soares and Zinha drove to the assembly meeting last night and demanded to speak with members of the Revolutionary Council.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 21, 1975

5

~~Top Secret~~ 25X1

Exempt from general
declassification schedule of E.O. 14176
exemption category 3(d)(1)(J)
declassified only upon request of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 21, 1975

Table of Contents

Laos: Communist-inspired demonstrations against the US erupted in Vientiane again last night. Elsewhere, the Pathet Lao continue to move rapidly to establish control over non-communist areas. (Page 1)

Arab States - Israel: Syria and Jordan have shifted some forces to improve their military posture at the southern end of the Golan Heights. (Page 5)

Thailand-Vietnam: A North Vietnamese delegation arrives in Bangkok today for talks on normalizing relations. (Page 7)

25X1

Israel: [redacted] (Page 8)

25X1

Notes: Recession; Portugal; Chile; Peru-Chile
(Pages 9 and 10)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

Communist-inspired demonstrations against the US erupted in Vientiane again last night. About 200 demonstrators entered the main AID and defense attaché compound before dawn today and sealed it off.

As of mid-morning in Vientiane, the demonstrators had also broken into the commissary and the US community center; some looting had occurred and several vehicles were damaged. The demonstrators had not entered the main offices where three US personnel--two Marines and a civilian--were holed up. Units of the capital's joint police force--consisting mostly of Pathet Lao--were outside the compound but made no effort to interfere.

The demonstrators' demands include:

--Abrogation of all "unequal" US-Lao agreements, particularly the 1951 aid agreement.

--Dissolution of the USAID organization.

--Departure of all American USAID employees within three days.

--Transfer of all USAID facilities and equipment to the coalition government.

Demonstrators also seized the USAID warehouse just outside the capital and some protesters stationed themselves at the entrance to the nearby American housing area. Americans were being allowed to enter and leave the housing area but vehicles were being checked. Police units were present but were not interfering. So far, there have been no incidents at the US embassy.

Senior Lao officials, in response to demarches by the US chargé, made no promises to halt the demonstrations but did offer assurances for the safety of US personnel. [redacted]
Foreign Minister Phoumi Vongvichit and Minister of Economy Soth Phetrasy knew the demonstrations were planned, but were caught off guard by their scope.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

* * *

The Pathet Lao continue to move rapidly to establish control over non-communist areas, despite their apparent willingness to maintain, at least for the time being, the trappings of a center-left coalition government in Vientiane.

Communist combat troops have now occupied virtually every important former rightist stronghold in central and southern Laos. No resistance from non-communist forces has been reported.

The North Vietnamese evidently will provide the Pathet Lao with whatever logistic support they need to consolidate military control. According to a message intercepted on May 19, the commander of Military Region 559--the senior North Vietnamese headquarters responsible for the movement of personnel and supplies to South Vietnam and Laos--directed one of his principal subordinate units operating along the infiltration corridor to furnish "unrestricted" assistance in transporting "supplies, weapons, and personnel" to the Pathet Lao in order to enable them to "strike in a timely manner" and "gain the advantage."

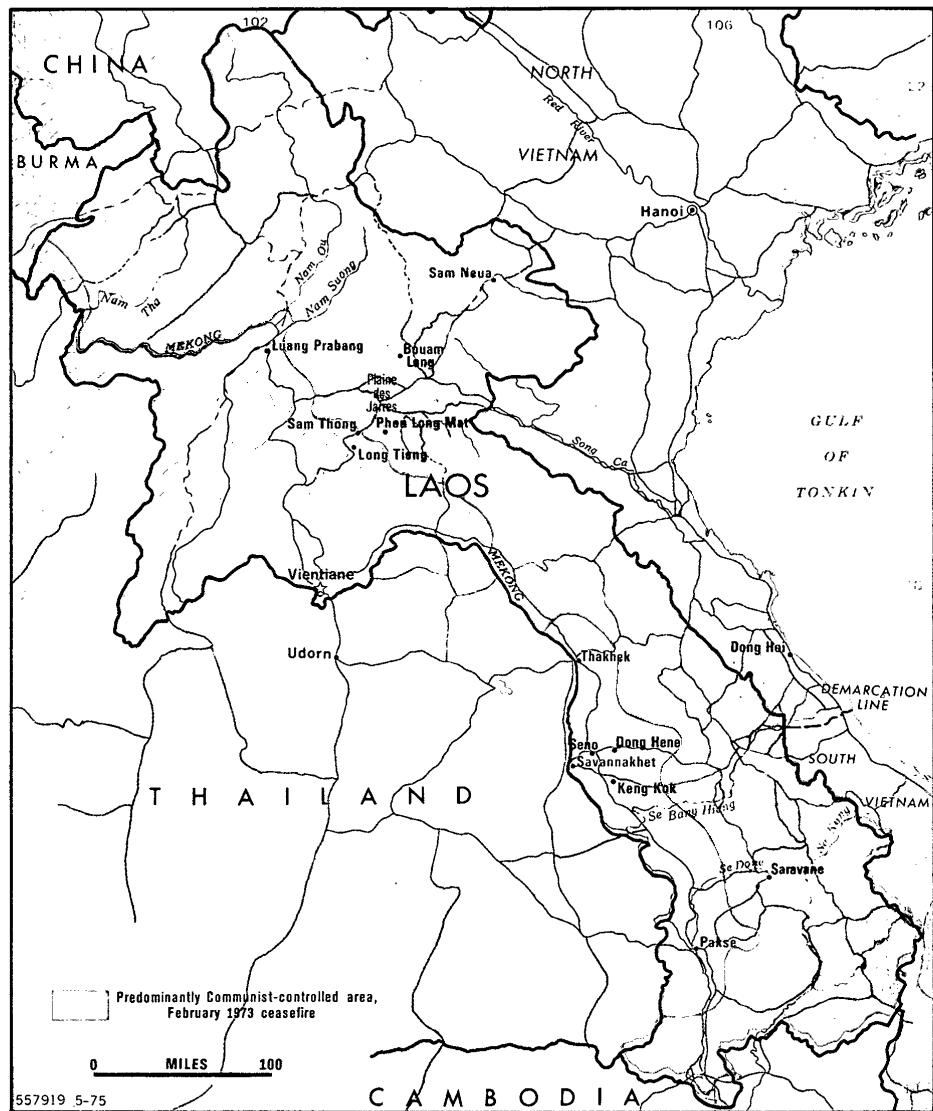
North Vietnamese helicopters made their first known flights to Saravane airfield in the southern Lao panhandle on May 19 and 20. The flights originated in North Vietnam (Hanoi and Dong Hoi) and may have carried high-level logistic officers into Laos.

A North Vietnamese infantry battalion has also been ordered to shift from the western highlands of South Vietnam into eastern Laos. There is no evidence that this or any other North Vietnamese combat force will be committed in support of the Lao communists. Indeed, the absence of any non-communist resistance suggests that such support will not be required.

At least 1,000 communist soldiers, accompanied by tanks and artillery, have reportedly moved into the city of Pakse. Farther north along the Mekong, an estimated three-to-four communist battalions yesterday occupied Savannakhet. Activist students and other communist-inspired demonstrators marshaled a large crowd to cheer the Pathet Lao's "triumphant" entry.

(continued)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

The fate of the two American USAID employees seized by Savannakhet demonstrators yesterday is unknown. The ten other Americans in the city are apparently safe but still under "voluntary" house arrest. Prime Minister Souvanna Phouma yesterday assured the US chargé that neutralist Interior Minister Pheng Phongsavan and his communist deputy, Deuane Sonnarath, would definitely go to Savannakhet today, now that "our troops" have secured the city. In the chargé's view, this slip of the tongue by Souvanna is the clearest evidence to date of his endorsement of recent communist actions. Pheng and Deuane's presence in Savannakhet should help appease the demonstrators and secure the release of all Americans.

Elsewhere in the Savannakhet area, Pathet Lao battalions have reportedly moved into the towns of Seno, Keng Kok, and Dong Hene. Lao communist forces are also said to have occupied the city of Thakhek, some 60 miles north of Savannakhet.

In northern Laos, communist and pro-communist neutralist forces are consolidating their control over virtually all key positions defended until recently by General Vang Pao and his Meo tribesmen. Communist forces apparently have entered Vang Pao's headquarters complex at Long Tieng, his enclave at Bouam Long northeast of the Plaine des Jarres, Sam Thong, and Phou Long Mat.

* * *

On the political scene in Vientiane, Prime Minister Souvanna convened an emergency meeting of the coalition cabinet earlier this week to select replacements for recently ousted rightists. In a surprise announcement, Souvanna named neutralist Interior Minister Pheng Phongsavan to replace Sisouna Champassak as minister of defense. This presumably means that "acting" communist Defense Minister Khammouane Boupha will return to his old number two spot at the ministry.

Noncontroversial non-communists were also named to replace Pheng at interior and to fill the remaining vacancies at finance, foreign affairs, and public works. Souvanna has, in addition, selected his nephew and personal physician as a tentative replacement for the rightist health minister, who is in Geneva.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Communist Deputy Prime Minister Phoumi Vong-vichit, whom Souvanna claims approved all of his selections, apparently made no effort to have Pathet Lao officials fill the vacant posts--all of which were allocated to the non-communists under the terms of the 1973 peace accords. This would appear to be another indication that the Pathet Lao are prepared, for now, to maintain the coalition facade.

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Souvanna also announced at the cabinet meeting that he had reached agreement with Phoumi to expand the membership of the coalition's Joint National Political Council from 42 to 72 delegates and to convert that body into a legislative replacement for the recently dissolved, rightist-dominated National Assembly. The additional delegates, according to the Prime Minister, will be evenly divided between the non-communists, the communists, and the so-called "qualified neutralists."

Transformation of the political council, which is chaired and dominated by communist leader Souphanouvong, into a legislative assembly has been a major goal of the Pathet Lao ever since they joined the coalition. With Souphanouvong riding herd over all delegates, the council will almost certainly become a rubber stamp Pathet Lao law-making body.

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Syria and Jordan have recently shifted some forces to improve their military posture at the southern end of the Golan Heights.

Syria's 1st Armored Division may have been shifted from its reserve area just south of Damascus to positions closer to the border with Jordan. []
 [] the Damascus-Dara road [] was closed to civilian traffic for at least 24 hours to permit the movement of troops southward. During an observation of the 1st Division's armor camps near Al Kiswah [] no Syrian combat units present.

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The Jordanians also appear to have strengthened their position opposite Israel in the critical northern border area.

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[] armored and infantry forces into the Jordan Valley area and [] new defensive positions []. An armored battalion has [] been added to each of the two Jordanian infantry divisions normally stationed along the occupied West Bank and along the northern sector of its border with Israel.

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[]
 []
 [] Jordan had reoriented forces away from Syria, stationed armor in the Jordan Valley for the first time in five years, and dispersed reserve units in the rear. [] Jordan's forces--like those of Egypt and Syria--are now in a position to launch an offensive without any significant further movement of forces.

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[]
 [] Some Israeli reservists were recalled to active duty earlier this month, but this action may have been a precaution against possible terrorist actions during independence celebrations last week.

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Syria also may have taken steps to strengthen its forces facing Iraq. [redacted]

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[redacted] 200 Syrian tank transporters carrying mostly tanks, but also some surface-to-air missile equipment [redacted] on the Hims-Palmyra road

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[redacted] The equipment may have been from the Syrian 3rd Armored Division normally stationed in the Damascus area. A shift of major elements of this unit to the north would significantly reduce Syria's only major armored reserve formation along the front with Israel.

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The Egyptians, meanwhile, are conducting a joint service exercise involving the air defense and air force, and probably army and commando units as well. The exercise began May 18 and should run through the 22nd. [redacted]

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[redacted] The Egyptians last held a major, service-wide communications exercise in late March and early April.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND-VIETNAM

A North Vietnamese delegation, headed by Vice Minister for Foreign Affairs Pham Hien, arrives in Bangkok today to hold talks on normalizing relations. A South Vietnamese communist delegation left Bangkok empty-handed yesterday after three days of talks.

Foreign Minister Chatchai apparently believes that the South Vietnamese were sent merely to assess the mood of the Thai government for the North Vietnamese.

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The North Vietnamese, anxious to exploit the recent strains in Thai-US relations, may arrive in Bangkok with unrealistically high expectations. Despite the Thai foreign ministry's strong desire to improve relations with North Vietnam, prospects for significant progress, such as the establishment of diplomatic relations, do not appear good now.

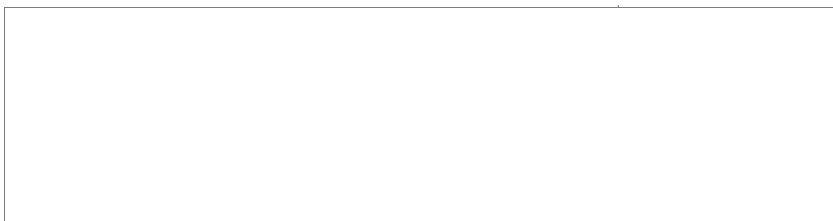
Perhaps with an eye toward North Vietnamese pressure on the US troop presence, Prime Minister Khukrit said in a press conference yesterday that a speed-up in the withdrawal of US forces from Thailand would pose more problems for Thailand than for the US. The Thai also expect that Hanoi will press hard for the return of all South Vietnamese aircraft and ships. Chatchai initially favored meeting this demand, but has been overruled by Prime Minister Khukrit and the senior military leadership.

Another obstacle to normalization of relations is that the Thai insist on repatriating Vietnamese refugees who have been living in northeast Thailand for some 30 years. An outbreak of anti-Vietnamese demonstrations in the northeast this past week was almost certainly inspired by government officials, who are determined to remind Hanoi of Bangkok's own conditions for improved relations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

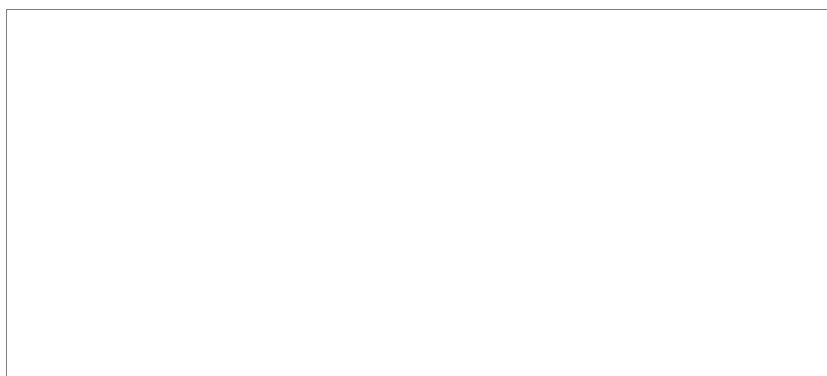
ISRAEL



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Although the worst of the recession is almost certainly over, we expect some further decline in production in the six major foreign economies.

Japan, France, and West Germany appear to be closest to bottoming out. At the other extreme, the British economy threatens to get worse before it gets better. Canada is still suffering from spill-over effects of the US downturn. Italy's prospects are the most uncertain: we expect a further moderate decline, but a steep dip is possible.

* * *

The Portuguese Armed Forces Movement--faced with mounting political problems--yesterday warned all parties, including the Communists, that they should align themselves with the Movement's policies.

Emphasizing its disapproval of continuing dissension between the Communists and the Socialists, the government yesterday closed down the Socialist paper which Communist printers had seized on Monday. Pending a decision by a special press tribunal, the paper will not resume publication. The armed forces general assembly has attributed civil unrest in Portugal to both "the forces of reaction and groups of leftist provocateurs." The general assembly also approved a statement deplored the "divisionist and counterrevolutionary nature" of the outlawed Reorganizing Movement of the Proletariat Party. On Monday night, members of the Reorganizing Movement reportedly beat up two Marine guards assigned to the US embassy.

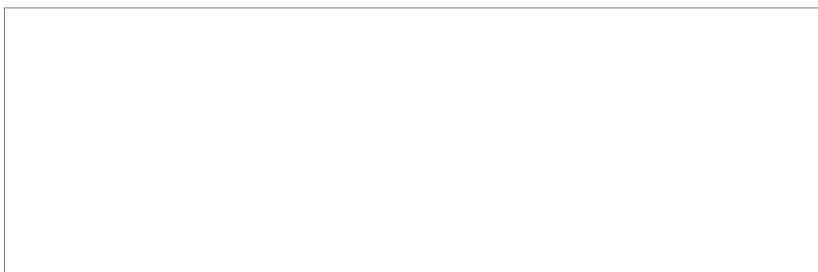
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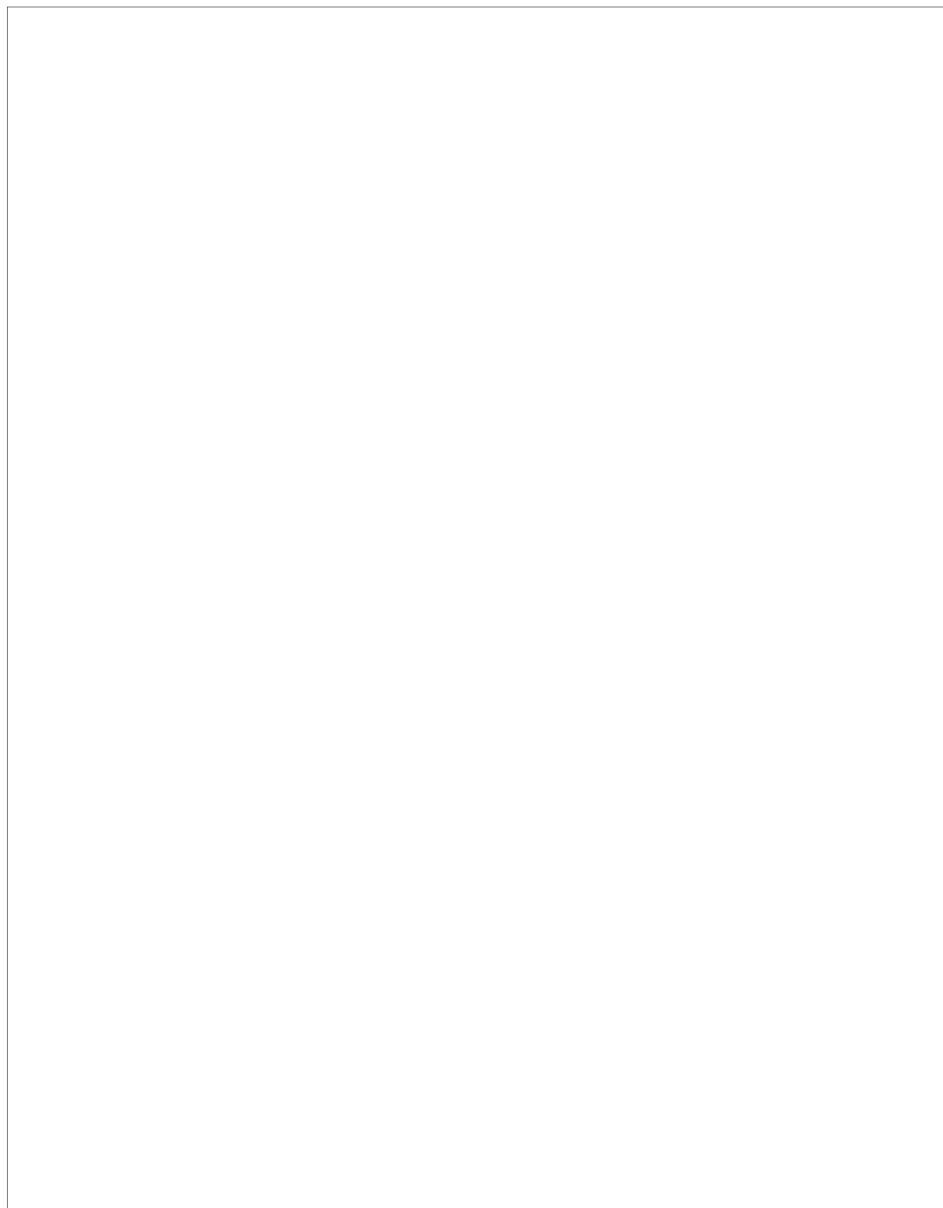
Chile.

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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

* * *

Peru continues to build up its military forces near the Chilean border.

[redacted] continued
construction of barracks, vehicle storage sheds, and other military support structures close to the border. Earlier this month, large numbers of trucks, armored personnel carriers, and French-made AMX tanks were

25X1

[redacted] 18 nautical miles from Chilean territory.
Also for the first time, Soviet-build T-55 tanks [redacted]

25X1

[redacted] in southern Peru. Two T-55 tanks and the gun barrels of 18 others protruding from a storage shed were noted. There is no other indication, however, that Peru might be planning military action against Chile in the immediate future. Chile, too, has been gradually augmenting its own military forces near the Peruvian border; [redacted]

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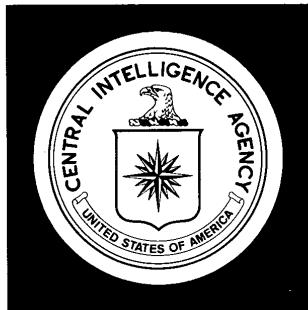
[redacted] increased numbers of aircraft, tanks, and armored personnel carriers stationed at facilities in the area.

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FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 22, 1975

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~~Top Secret~~^{25X1}

Exempt from general
declassification schedule of E.O. 14176
exemption category 3b (1)(2)(3)
declassified under authority of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 22, 1975

Table of Contents

OPEC: Oil is almost certain to increase in price during the fourth quarter this year. (Page 1)

Portugal: The Communists' attempt to take over a Socialist newspaper is continuing to agitate the tense political situation in Lisbon. (Page 2)

Turkey: [redacted] 25X1
[redacted] Secretary Kissinger's 25X1
visit this week. (Page 3)

Egypt: President Sadat's trip through several Arab countries has ended with the appearance of restored Arab solidarity, but, in fact, did little to move the Arabs closer to a unified approach to the Geneva peace conference. (Page 5)

France-NATO: President Giscard has accepted an invitation to attend the dinner to be held for national leaders participating in the NATO summit conference in Brussels on May 29 and 30. (Page 7)

Laos: Demonstrators reportedly began leaving the main AID compound in Vientiane this morning. (Page 8)

Notes: Iran; Panama; North Korea - Romania
(Pages 9 and 10)

At Annex [redacted] 25X1
[redacted] 25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

OPEC

*Oil is almost certain to increase
in price during the fourth quarter of
this year.*

If the size of the increase is not resolved at next month's OPEC meeting in Gabon, it undoubtedly will be at subsequent meetings in September. The Shah, a vigorous advocate of upward adjustments in oil prices, apparently has received agreements from Saudi Arabia and Venezuela to go along with the price hikes.

Saudi Arabia, which in the past has played a key role in limiting price increases, has indicated it would not oppose a moderate rise. Saudi officials claim, moreover, that increased hostility by the consuming countries might force Riyadh to agree to even higher prices.

We have no evidence that indicates the size of the price increases being contemplated by various OPEC members. Press speculation that the increase will be about \$2 per barrel does not appear to reflect the official position of any OPEC country. The Shah's claims--that the purchasing power of OPEC oil has declined by 35 percent since early 1974--would imply an OPEC price jump in the range of \$3.50 per barrel in order to catch up. This probably represents an upper limit for OPEC consideration; actual increases are likely to be substantially smaller.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

*The attempted Communist takeover of
a Socialist newspaper and the government's
subsequent closure of the paper are con-
tinuing to agitate the tense political
situation in Lisbon.*

Socialist Party leaders have declared their de-
termination to draw the line on this issue and ap-
pear prepared to oppose the Communists and pressure
the military vigorously to resolve the issue in
their favor.



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To emphasize public outrage over this issue,
the Socialists have called for a mass rally tonight
in Lisbon and other Portuguese cities. A party
leader told Ambassador Carlucci yesterday that the
Socialists hope to draw 100,000 or more to the Lisbon
rally, which they hope will be peaceful. The strain
of such a large rally on the security forces will
be severe, and if violence gets started, it could
get out of hand.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

[redacted]	25X1
[redacted]	25X1
[redacted] <i>Secretary</i> <i>Kissinger's visit to Ankara this week,</i>	25X1
[redacted]	25X1
[redacted]	25X1 25X1
[redacted]	25X1

The Turks will [redacted] try to show Secretary Kissinger that they are prepared to seek a peaceful solution to their problems with Greece. While they will take an initial hard line with the Greeks at Brussels, they have concessions in mind. These include a reduction in the area held by the Turks on Cyprus and agreement to allow 30,000 Greek Cypriots to return to the Turkish sector.

25X1

In return, Ankara will expect the Greek Cypriots to lift restrictions on the Turkish Cypriots in the Greek sector and to agree that an overall Turkish majority will be maintained in the areas of the Turkish sector to which Greek Cypriots are allowed to return. Reduction or withdrawal of Greek military forces from the Aegean islands will also figure in a settlement. Apparently, Ankara will try to link the Cyprus and Aegean questions in order to give the appearance of concessions being made on both sides.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

There is still a good deal of posturing going on. Athens has reacted "strongly" to an interview with Prime Minister Demirel published in Le Monde last Monday. Demirel took a hardline on Cyprus, but the Turks now claim that the article is some two weeks old and does not accurately reflect Demirel's current views. [redacted] the interview, [redacted] puts in doubt the scheduled meeting between Greek and Turkish prime ministers in Brussels. It remains likely that the meeting will take place.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**EGYPT**

President Sadat's week-long swing through Kuwait, Iraq, Jordan, and Syria ended last weekend with the appearance of restored Arab solidarity, but in fact did little to move the Arabs closer to a unified approach to the Geneva peace conference.

Sadat almost certainly did not resolve the problem of Palestine Liberation Organization representation at the conference. It is doubtful that he obtained either Palestinian acquiescence in, or Syrian support for, a formula that would permit other Arab delegations at Geneva to speak for the PLO. In fact, Sadat angered the Palestinians by publicly deriding those who refuse to recognize Israel. Terming the destruction of Israel a "myth," Sadat said at a Kuwait press conference that Israel is "an existing reality" whose 1967 borders cannot be touched.

This was the first time Sadat has so explicitly stated Egypt's recognition of Israel before an Arab audience. The statement outraged the Palestinian community in Kuwait, and reportedly prompted a demand that the PLO dissociate itself from Sadat.

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[redacted] In several public statements during his trip, Sadat even implied concern that the conference might never be convened because of the PLO's continued refusal to compromise on its conditions for attending.

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Little is known of Sadat's discussions in [redacted]
Syria [redacted]

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[redacted] Ambassador Murphy's negative assessment of the visit is not so sweeping, but he confirms that the Syrians underscored the distance separating them from Sadat. His sources say that Asad was pessimistic that the Arabs would derive

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(continued)

FOR THE PRESIDENT ONLY

anything positive from the Salzburg talks and re-served his option to criticize the whole approach if no forward motion results from US-Egyptian discussions.

Syria's decision to extend the UN observer force's mandate to November 30, conveyed to Secretary General Waldheim yesterday, in fact, is a deliberate move by Asad to divorce his diplomacy from that of Sadat.

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Asad's action will have the effect of reducing the threat of combined Arab military action against Israel, if no diplomatic progress has been made by the time the Egyptian disengagement agreement with Israel expires in July. It should help reduce the tension created by recent Syrian and Jordanian military redeployments along Israel's northern front.

The six-month extension will free Asad to pursue his quarrel against Iraq.

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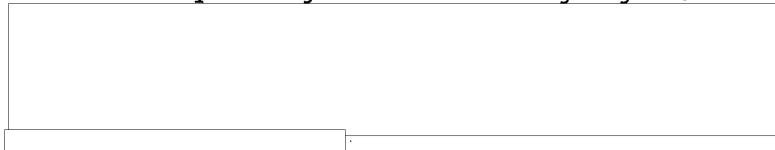
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FOR THE PRESIDENT ONLY

FRANCE-NATO

President Giscard announced yesterday that he had accepted the invitation of Belgian King Baudouin to attend the dinner to be held for the national leaders participating in the NATO summit in Brussels on May 29 and 30.

France will still be represented at the talks themselves by Foreign Minister Sauvagnargues.



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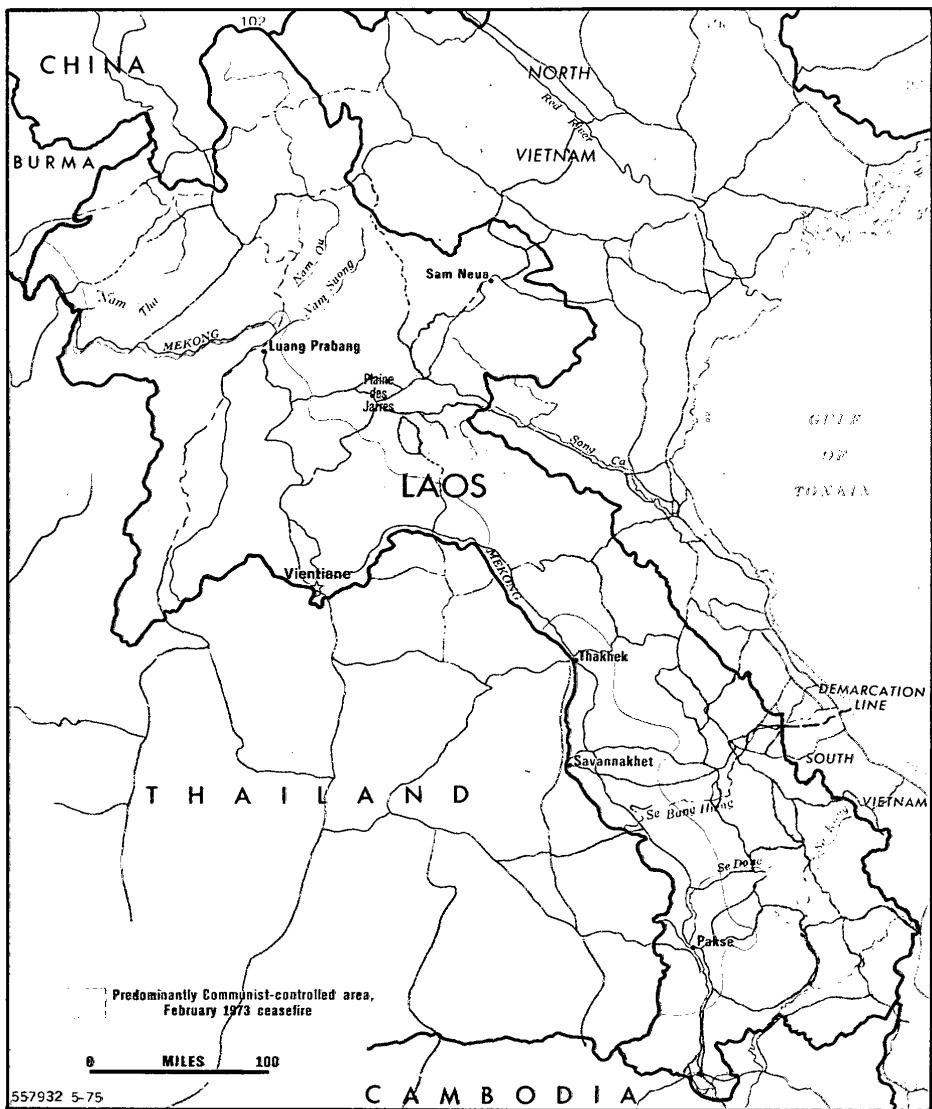
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By treating the NATO summit as "just another ministerial" meeting, Giscard will be able to assure domestic opponents of NATO that he remains unflinch- ing in his opposition to the summit. But by attend- ing the informal dinner himself, he will be able to reap the benefits of consulting directly with other national leaders.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

LAOS

Demonstrators reportedly began leaving the main AID compound in Vientiane this morning.

The demonstrators may be leaving in reaction to an announcement by coalition government spokesmen that AID offices in the provinces will be closed and that the AID organization will be "dissolved after negotiations are held." [redacted]

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[redacted]
[redacted]
[redacted]

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The release of the 12 Americans who have been held under "voluntary" house arrest by demonstrators in Savannakhet for nearly a week is expected shortly. Neutralist Interior Minister Pheng Phongsavan and his Pathet Lao deputy, Deuane Sonnarath, were scheduled to fly to Savannakhet yesterday. The Americans are to accompany Pheng and Deuane back to Vientiane.

The Pathet Lao are continuing to tighten their grip on the coalition government. Deuane Sonnarath and his communist colleague, Information Minister Souk Vongsak, have announced sweeping personnel changes in their respective ministries that effectively remove nearly a dozen non-communist officials from security, propaganda, and news media positions. Most will probably be replaced by Pathet Lao personnel or communist sympathizers.

The Pathet Lao, under the authority of Vientiane's joint police force, have also announced stringent new regulations governing domestic travel by Lao citizens and foreigners; all Chinese, Vietnamese, and Cambodians have been flatly prohibited from leaving the country.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

The assassination in Iran on Wednesday of two members of the US military advisory group was apparently the work of an extremist religious group, the People's Strugglers.

The attack apparently was designed to embarrass the regime on the day the Shah returned from his heavily publicized visit to the US. The People's Strugglers reflect the feelings of those conservative religious elements in Iran who deplore the growth of Western, non-Muslim influences and the diminished power of traditional religious leaders that has resulted from the Shah's program of land and social reform. They regard the Shah as a "tool of foreign interests," and they collaborate with radical Marxist groups. The terrorists have not generated public support, and the attack on the US citizens does not indicate a change in generally favorable public sentiments toward American military aid to Iran or Americans in general; the US community in Iran numbers 16,000.

* * *

The Panamanian government is seeking reassurances that the US still wants an early conclusion of a new canal treaty.

Although General Torrijos and President Lakas recently reaffirmed in public their faith in the outcome of the negotiations, they are planning a public relations and action campaign in case negotiations falter. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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*North Korean President Kim Il-song may try to
re-enlist Romania's good offices in communicating
with Washington during his current visit to Bucha-
rest.*

The Romanians have in the past assisted Pyongyang's efforts to engage the US in direct discussion of Korean military issues. On a personal level, the visit will reinforce the special rapport between Kim and Ceausescu. Romania is the socialist country most admired by North Korea. Kim reportedly is scheduled to go on to Yugoslavia and Algeria, visits which will probably focus on promoting North Korea's relations with the Third World in anticipation of the nonaligned conference in Peru this summer and UN General Assembly consideration of the Korean question this fall.

FOR THE PRESIDENT ONLY



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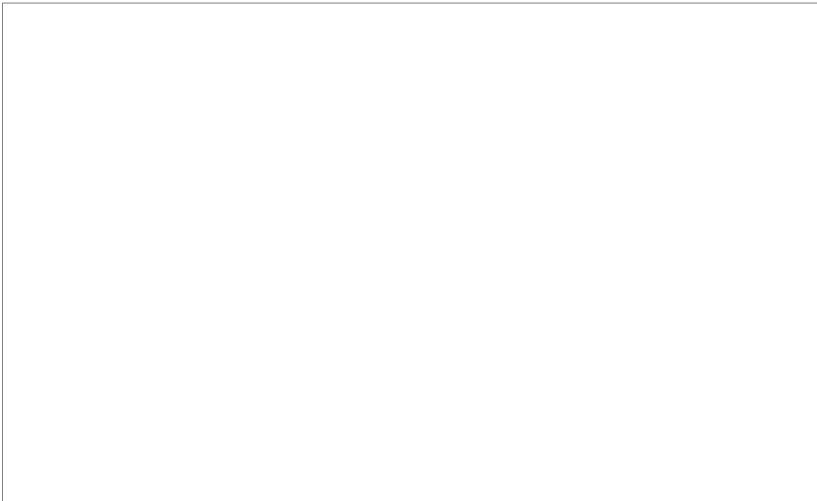
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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 23, 1975

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1), (2)(3)
decided by the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 23, 1975

Table of Contents

Laos: The planned anti-American rally in Vientiane ended this morning without major disturbances.
(Page 1)

Portugal: Military leaders, apparently concerned about the deteriorating political situation, issued a conciliatory statement early today. 25X1
(Page 3)

Notes: USSR [redacted]; USSR [redacted]; Czechoslovakia; 25X1
China-Cambodia. *(Pages 5 and 6)*

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

The anti-American rally at Vientiane's stadium ended without incident this morning. Communist Deputy Prime Minister Phoumi Vongvichit told the less-than-capacity crowd that negotiations with the US embassy had resulted in agreement to close down AID offices in the provinces, and that talks are under way to dissolve the AID organization in Vientiane. The overall tone of Phoumi's speech was moderate. One lesser speaker indulged in fiery anti-American oratory but failed to excite his audience.

Yesterday, Phoumi told the US chargé that the anti-American disturbances in Vientiane would be "easily resolved" if Washington would agree "in principle" to negotiate the dissolution of AID in Laos and the revision of the 1951 economic assistance agreement.

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The number of demonstrators occupying the main AID and defense attaché compound has dwindled from 300 to about 30. The AID warehouse on the northern outskirts of Vientiane is occupied by a small number of communist troops and student demonstrators. Armed communist soldiers entered two other AID warehouses in the capital yesterday, and, at last report, continue to occupy one of them.

Communist members of the capital's joint military security force blocked traffic entering and leaving the largest American residential housing compound in the northern suburbs of Vientiane. The compound houses some 143 families.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Broadcasts over the Lao national radio--now largely controlled by communists--took on an inflammatory anti-American tone yesterday. One broadcast reported that the withdrawal of police protection for all Americans was imminent, and another threatened the life of a senior US official.

The coalition government yesterday granted the US embassy permission to evacuate Americans who had been under house arrest in Savannakhet since May 14. They were flown to Udorn, Thailand. Now, the 900 or so Americans left in Laos are all in Vientiane.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The ruling Revolutionary Council, apparently concerned about the deteriorating political situation, called early today for national unity and said it would never permit a dictatorship. The Council appealed to all political parties to cooperate in view of the country's worsening economic situation.

The Council's pronouncement followed a day of tense political activities:

--Socialist leader Mario Soares in a press conference strongly criticized the Communist Party and the Armed Forces Movement and said his party would boycott government meetings until the Socialist newspaper is returned, until press freedom is restored, and until union and municipal elections are permitted.

--Tens of thousands of Socialist demonstrators attended rallies in Lisbon and several other cities in support of Soares.

--The Communists accused the Socialists of threatening the Portuguese system with their boycott.

The conciliatory nature of the Council's statement contrasts with its stand in recent days. The Armed Forces Movement yesterday took what could be the first step toward removing President Costa Gomes because of his sympathies for the Socialists. The military retirement age was lowered to 60; Costa Gomes is 62.

* * *

The man most frequently mentioned as a successor to Costa Gomes, Admiral Rosa Coutinho, has been tapped to accompany Prime Minister Goncalves and Foreign Minister Antunes to the NATO summit. Ambassador Carlucci learned of his inclusion in the Portuguese delegation from Goncalves during a discussion of issues that might come up at the summit.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Goncalves reaffirmed Portugal's intention to remain in NATO. He said Portugal's foreign policy is not designed to upset existing arrangements, although his government favors a relaxation of tensions between NATO and the Warsaw Pact.

On a matter more critical to the Portuguese, Goncalves asked Ambassador Carlucci if the US could intercede with President Mobutu of Zaire. He said Mobutu had broken his promise not to involve himself in Angola and was sending men and equipment to one of the liberation groups contending for power.

* * *

The Soviets continue to advise the Portuguese Communist Party to work closely with the Armed Forces Movement. [redacted]

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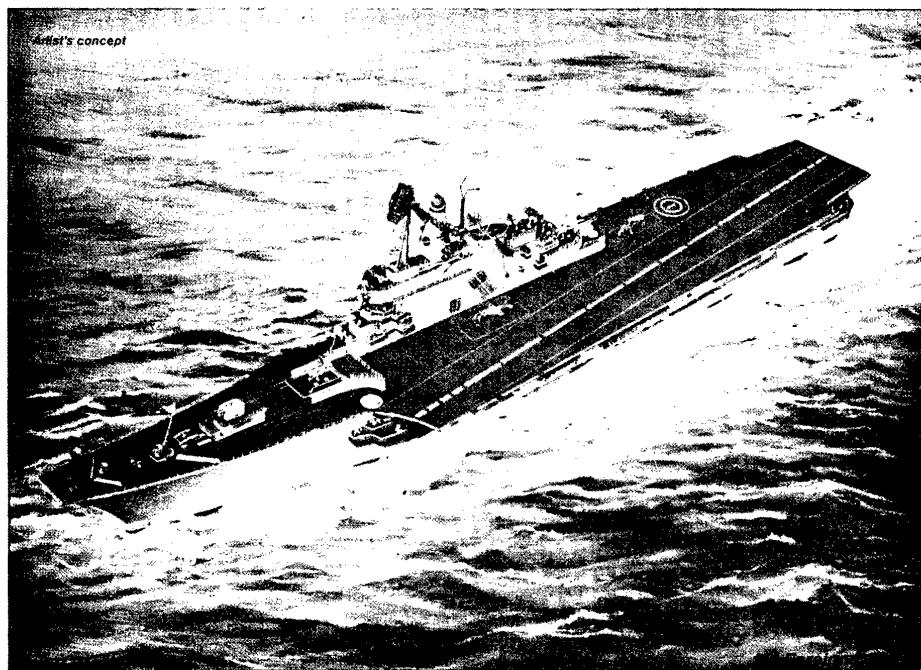
[redacted] who met with the entire Politburo of the Portuguese Communist Party in late April, has reportedly stated that all "progressive" and communist groups should do everything in their power to strengthen the position of the Movement. [redacted]

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[redacted] "rightist army elements" returning from Angola in November could create a dangerous turning point in the Portuguese situation.

FOR THE PRESIDENT ONLY

Kiev Carrier



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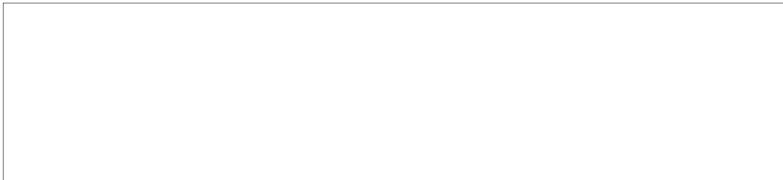
FOR THE PRESIDENT ONLY

NOTES

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Czechoslovakia will probably have a new president next week.

Prague announced yesterday that the party Central Committee will meet on Tuesday and that a special session of the parliament will follow on Wednesday. These tandem events indicate that the regime has finally decided to retire General Ludvik Svoboda, the aged and long ailing President. We believe that party boss Gustav Husak will be "elected" to the presidency and that he will remain in the top party post. He may, however, hold both jobs only until the party congress next spring. The change in presidents will not bring any change in Czechoslovak policy toward the US.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

May 24, 1975

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FOR THE PRESIDENT ONLY

May 24, 1975

Table of Contents

Laos-Thailand: Students and Pathet Lao troops continue to occupy several AID facilities in and around Vientiane. Large numbers of Meo tribesmen are reportedly insistent about following their former leader, General Vang Pao, to Thailand. (Page 1)

Lebanon: President Franjiyah's appointment of a military cabinet yesterday is aimed at reversing the deterioration in security conditions. (Page 3)

Portugal: The Socialist and Communist parties yesterday began separate talks with the ruling military council on efforts to save the political coalition from collapse. (Page 5)

[Redacted]

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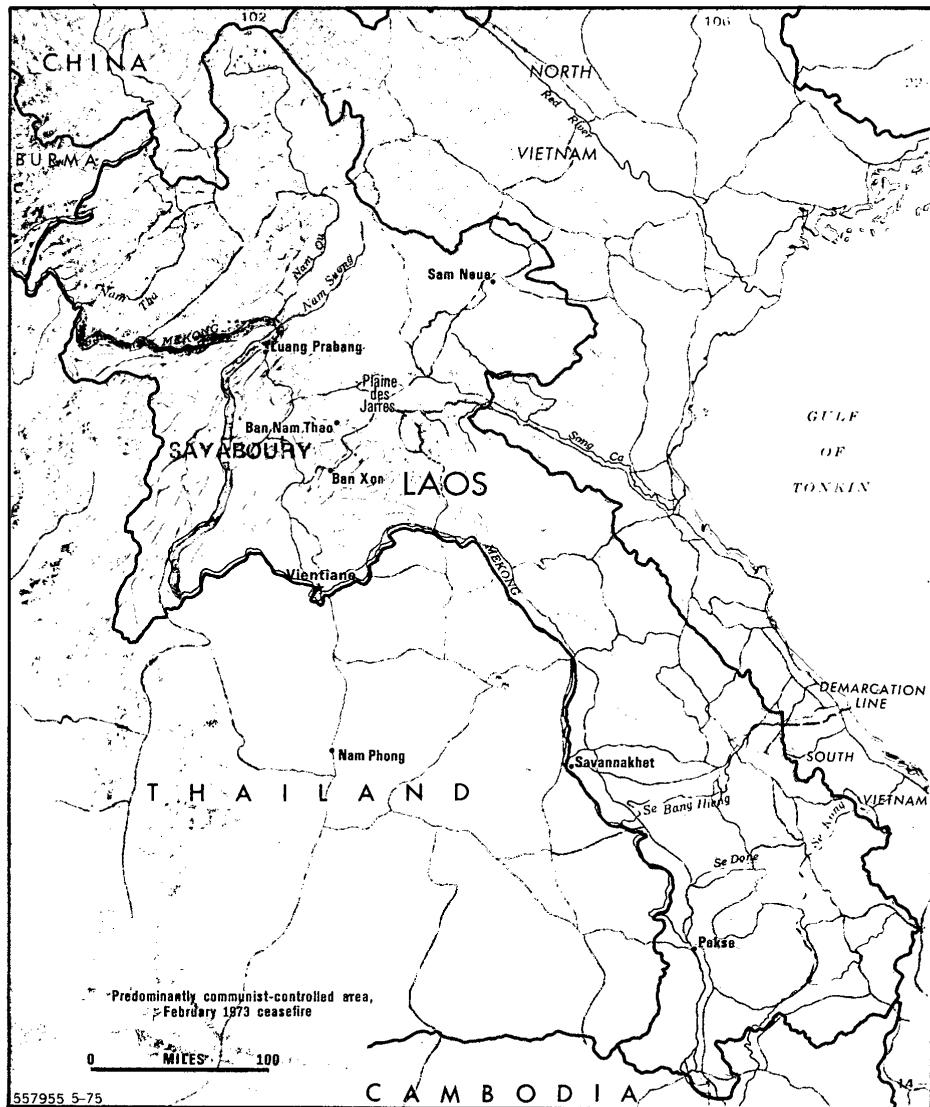
Notes: Thailand - China - North Vietnam; Portugal; China (Pages 7 and 8)

Annex: [Redacted] the Arabs may be [Redacted] preparing for a resumption of hostilities against Israel.

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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

LAOS-THAILAND

Students and Pathet Lao troops continue to occupy several AID facilities in and around Vientiane, and communist members of the city's joint military security force are still "guarding" the main entrance to a large American residential compound. The North Vietnamese reportedly are planning to fly some 70 foreign journalists from Saigon to Vientiane today, apparently to get maximum propaganda mileage from the withdrawal of American dependents and other non-essential personnel from Laos.

Some 150 to 200 demonstrators--many reportedly Lao employees of USAID--briefly blocked off the US embassy in Vientiane today. The occupation of the main AID compound by communist-inspired demonstrators has kept many local employees from drawing their pay and this apparently prompted the action at the embassy. At last report about 50 demonstrators remained outside the embassy.

At the insistence of the Lao communists, the coalition government's peace-keeping commission recently agreed that both sides could station combat troops, tanks, and antiaircraft artillery in Vientiane to safeguard the capital's "neutrality." For the non-communist Royal Lao Army, the agreement has no meaning since it is now a leaderless and ineffective force. For the communists, the agreement provides a convenient cover to occupy the city.

* * *

Some 6,000 Meo are moving from the Ban Nam Thao area westward toward Sayaboury Province in an effort to join General Vang Pao in northern Thailand. Another 5,000 Meo already in Sayaboury are also heading for the Thai border. According to unconfirmed reports, up to 50,000 additional Meo, who are armed and led by former guerrilla officers, have assembled at Ban Xon, a base formerly held by Vang Pao southwest of the Plaine des Jarres. They have announced that unless Vang Pao returns to northern Laos, they too will leave for Thailand.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Vang Pao has tried to discourage the migration, but now believes that he is powerless to stop the exodus.

The coalition government in Vientiane is also anxious to stop the Meo from leaving, fearing that their presence along the Thai-Lao border would represent a security threat to Laos. Phoumi Vongvichit, the communist deputy prime minister and foreign minister, has asked the Thai government to expel Vang Pao's forces as well as a group of rightist politicians and generals which, he claims, has set up a Lao government-in-exile in Bangkok.

The presence of prominent self-exiled Lao rightists in Thailand is an embarrassment to Bangkok, but we have no evidence to support Phoumi's allegation that a shadow regime has been formed in the Thai capital. The Thai would almost certainly not countenance such a move.

Thai Deputy Prime Minister and Defense Minister Praman announced yesterday that Bangkok has a "definite" policy of not allowing Lao refugees to remain in Thailand and that those "temporarily" in the north will be sent back when the situation in Laos "returns to normal." Thai Prime Minister Khukrit also told reporters in Bangkok yesterday that Thailand intends to maintain good relations with the Lao coalition, even if the communists gain complete control.

FOR THE PRESIDENT ONLY

LEBANON

President Franjiyah's appointment yesterday of a predominantly military cabinet was a dramatic attempt to end civil unrest in the country. He likely concluded that no combination of civilian politicians could deal effectively with the deteriorating security situation. Tensions have been rising steadily both between Christians and Muslims and within each group. Radical fedayeen are pushing hard to provoke a major clash that would bring about the destruction of the delicate political and religious compromises on which the Lebanese government is based.

The new prime minister, 76-year-old Brigadier General Nur al-Din Rifai, is known for his authoritarian views [redacted] Six of the eight members of his government are army officers who apparently will retain their military posts.

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Franjiyah's action will be applauded by right-wing groups, including the large Phalanges Party, which for four days has been engaged in armed clashes with radical fedayeen in a Beirut suburb. The conservative Christian parties have repeatedly called for more forceful action by the government and the armed forces in restricting the activities of Palestinian commandos in Lebanon.

Lebanese leftists and the fedayeen will see the new government as a threat to the continued presence of fedayeen forces in Lebanon. They will be especially upset with the appointment of the army commander in chief as defense minister. The leftists have called for his replacement since the outbreak of fighting between the army and the fedayeen in Sidon last February.

A tenuous cease-fire last night has suspended the fighting between radical fedayeen and the rightist Christian Phalanges Party. PLO Chairman Arafat [redacted] has attempted to restrain the more radical fedayeen, and has used Fatah forces in the refugee camps to help ensure observance of the cease-fire.

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

If the cease-fire collapses and the new government employs regular army troops in an attempt to force a halt to the fighting, even moderate fedayeen leaders will join the fighting.

[redacted] Arafat has endorsed contingency plans to commit Fatah and Saïqa forces to the fighting if the Lebanese army or the Phalangists attack the refugee camps.

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Both the Phalangists and the fedayeen have armed themselves heavily in recent weeks. The Phalangists import arms directly from Europe and receive more--secretly--from the Lebanese army. The fedayeen bring in arms directly from Syria, indirectly from Eastern Europe. Radical fedayeen groups reportedly have distributed arms to Lebanese leftists and bandits.

Agents of Iraq and Libya apparently have distributed considerable amounts of money and weapons to these same people in the hope that they can provoke a major clash between the fedayeen and the army.

Such a clash, in the extreme case, could prompt either Christian or Muslim political groups to seek full control of the government and to withdraw their support for the unwritten political and religious compromise--the 1943 National Covenant--on which the Lebanese government rests. Such a power struggle, in turn, could lead to still more prolonged fighting that would increase the chances that outside states, especially Syria, might intervene.

Damascus would not allow the fedayeen to be defeated militarily or to be driven out of Lebanon as they were from Jordan in 1971.

Any fundamental change in the delicately balanced governing system would be likely to bring to power a leftist, Muslim-dominated regime more sympathetic to the Palestinians.

The greatest potential danger to the major international powers of such fundamental changes in Lebanon is that Tel Aviv might interpret Syrian intervention in Lebanon's domestic affairs as an unacceptable threat to Israel's security and respond in a way that would lead to general hostilities in the Middle East. The Israelis have long been sensitive to any sign that Syria is moving troops or military equipment into Lebanon. They would feel equally threatened by the rise of a pro-Syrian regime in Beirut.

FOR THE PRESIDENT ONLY

PORtUGAL

Leaders of the Portuguese Communist and Socialist parties yesterday began separate talks with members of the ruling Revolutionary Council in an effort to save the political coalition from collapse.

Socialist leader Soares emerged after four hours with military leaders saying that only the future will show whether the meeting had been a success. The Council then began its session with the Communists. The Socialists are due to meet with the Council again next week. The Movement's general assembly may also consider the interparty conflict on Monday.

A settlement depends to a large extent on the Socialists, who have made the closing of their newspaper a test of the military's intentions toward representative government. The Socialists believe that if they do not challenge the government on this issue, their position will deteriorate to the benefit of the Communists. The Socialist challenge is supported by the Popular Democrats and some parties of the extreme left.

The Communists have warned that if the Socialists break up the government coalition there will be no need for the constituent assembly, now scheduled to convene on June 2. The Communist Party's most immediate need, however, is to maintain its influence with the Armed Forces Movement, and it will probably heed the Movement's wishes and negotiate with the Socialists. At the same time, Communist leader Cunhal is preparing for a possible ban on political party activity.

A moderate military officer has told the US embassy in Lisbon that the Movement is divided over the issue of political parties but that slightly more than half the members of the Revolutionary Council favor a multiparty solution. According to the officer, many Movement members resent the Communists' power play in taking over the newspaper.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Thai Prime Minister Khukrit reportedly wants to formalize Thailand's relationship with China before establishing relations with North Vietnam, apparently hoping thus to gain Peking's help in restricting North Vietnamese influence in Southeast Asia.

Senior Thai government officials, however, are concerned that Foreign Minister Chatchai, if presented with the opportunity during the current round of talks with the North Vietnamese, may upset this timetable and make a commitment that Bangkok would have trouble backing out of without offending Hanoi. Chatchai is not under Khukrit's firm control and may indeed be capable of committing the government without prior cabinet-level review.

* * *

Portugal is concerned about the activities of separatists in the Azores, some of whom plan to announce in the US a government-in-exile.

A reliable source has told the US embassy in Lisbon of the planned announcement, which apparently is authorized by the Azorean Liberation Front. Another source claiming to be a member of a separatist group in the Azores told the US consul there that the group's primary goal is to force Lisbon to hold a referendum on Azorean independence. Portugal has demonstrated its concern about the growth of separatist activity on the islands by setting up patrols and roadblocks this week in the capital of the main island. Portuguese ships have been unloading military supplies, including trucks and jeeps, suggesting that more security forces may be arriving soon.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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China will send a group of technicians to the US in June to visit several major manufacturers of telecommunications equipment.

This is the latest in a series of contacts Peking has made with US companies in this field. It has invited a group of US manufacturers, primarily representing telecommunications firms, to visit China in July. The Chinese are mainly interested in learning how to operate and maintain high-capacity systems such as those for microwave radio relay, coaxial cables, and communications satellites. They probably will require large-scale imports of equipment.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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ANNEX

THE QUESTION OF WAR OR PEACE IN THE MIDDLE EAST

A number of recent developments has made the prospect of war in the Middle East seem to recede. It is nonetheless possible that Egypt and Syria--and perhaps Jordan as well--are putting up an elaborate smokescreen of ostensible disagreements and distractions in order to hide preparations for a resumption of hostilities. What follows is an examination of the evidence that serious Arab planning for renewed warfare may be under way.

Egypt's decision to reopen the Suez Canal on June 5, its extension of the UN mandate in the Sinai Peninsula until late July, and President Sadat's expressions of sustained faith in US willingness and ability to continue mediatory efforts added to a feeling that the Egyptians have not yet despaired of negotiations.

Syria's decision to extend the UN mandate on the Golan Heights for a full six months, its willingness to be distracted to problems involving Iraq on its eastern border, and reports of persistent Syrian-Egyptian disagreements have reinforced the belief that Syria is not ready to open a one-front war and not able to persuade the Egyptians to fight on a second front.

[redacted]

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All of this tends to detract from the possibility that the Arabs are [redacted] proceeding with plans for a resumption of hostilities. Such planning, [redacted] would not be inconsistent with a continued desire to pursue negotiations, but it would be a token of greater readiness on the part of the Arabs for joint military action than we have heretofore given them credit.

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(continued)

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FOR THE PRESIDENT ONLY

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[redacted] after the breakdown in March of Egyptian-Israeli disengagement talks, President Sadat ordered preparations made for a resumption of warfare between May 20 and 24, but later postponed executing the plan in anticipation of a new US diplomatic initiative. [redacted]

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[redacted] The war would be fought on three fronts--the Sinai, Syria, and Jordan--and Iraqi and Saudi Arabian troops would allegedly join in. In the Sinai, the objective was to seize and hold the line of the Gidi and Mitla passes and to consolidate positions in the valley just east of the passes. [redacted]

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Coordination of this joint war planning was reportedly begun [redacted] during trips to several Arab countries, and Sadat followed up with President Asad at a meeting in Saudi Arabia [redacted]

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[redacted] to postpone the planned hostilities because of what [redacted] assumed was a new indication that the US would undertake a diplomatic initiative. [redacted]

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It was at this time that plans for your meeting with Sadat at Salzburg on June 1 were put into final shape, and Sadat may have decided to await the outcome of that meeting before going through with any offensive plans. [redacted] Sadat is convinced that military action must be undertaken at some point if diplomatic efforts fail.

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The War Option

It is not difficult to build a case for Egyptian willingness to resume hostilities, despite compelling reasons--of which the Egyptians themselves are not unaware--why military action would be distinctly disadvantageous.

(continued)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

--The Egyptians seem to have written off the hope that the Israelis intend, or can be easily pressured, to make the territorial concessions Egypt considers necessary for further progress toward a final settlement.

--The Egyptians are concerned that the US will slacken its efforts to achieve a solution-- either because of unwillingness to press Israel before the 1976 presidential election or because of an inability to resist US Congressional support for Israel. They will be disheartened by the letter sent to you this week by 76 US Senators urging continued aid to Israel.

--The Egyptians are visibly worried that the US has been engaged for two months in a policy reassessment that has as yet reached no conclusion, and they fear that the delay may signify no change in the US attitude toward Israel.

Sadat has made it clear in repeated public statements since March that he will ask at Salzburg for the answer to a question that goes to the heart of the US attitude, as the Egyptians interpret it, toward the Arab-Israeli dispute. He will ask whether the US commitment to Israel involves protection for Israel within its 1967 borders or within the occupied Arab territories.

Sadat has given no indication that he will be satisfied to leave Salzburg without an answer to this question. While he has said he will go to Geneva in any case, he has also said that if Geneva fails, war will be the Arabs' only recourse.

With little hope for success at Geneva, he may have come to equate repeated postponement of the conference with foreordained failure and taken this as a signal to review Egypt's war option.

Egypt and Syria

In this situation, it is entirely possible that Egypt and Syria have no serious disagreement and that they have indeed been involved in secret joint military planning for the last two months.

(continued)

FOR THE PRESIDENT ONLY

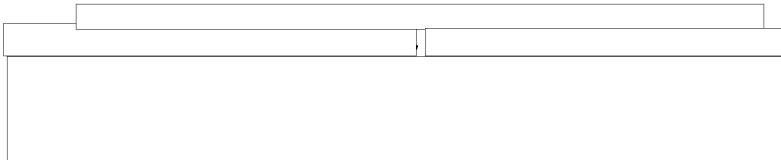
FOR THE PRESIDENT ONLY



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The reports of continued disagreement between Sadat and Asad that emerged from Damascus after Sadat's visit there last weekend could be attributed not to differences over negotiating strategy, as has been assumed, but to differences over the timing of planned military action.

Asad's cool reception of Sadat may have been simply because he wanted to stick with the original deadline of May 20-24 rather than go along with a decision to wait until after the Salzburg meeting.

A. Role for Jordan

To a much greater extent than was true in 1973, or even a few months ago, Jordan's role must now be taken into account in any discussion of military planning among the Arabs. Jordan's recent reinforcement of military units facing Israel, its increased cooperation with Syria over the last two months, and King Husayn's series of militant speeches to Jordanian troops last month all indicate that Jordan expects to be involved in any future round of hostilities.

Husayn has frequently expressed concern that, in the event of war, Israel would use northern Jordan to attack Syria. To the extent they offer us explanations at all, Jordan [redacted] justified their recent moves as defensive precautions against just such a contingency.

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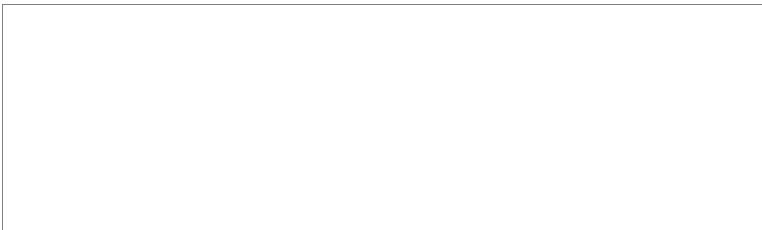
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

It is conceivable, however, that Jordan has been involved in offensive planning with Syria and Egypt, as was not the case in 1973, and that Sadat and Husayn discussed military strategy during Sadat's visit to Amman last weekend. It is more likely, in the worst case context, that Husayn is being roped in again under the guise of defensive contingency planning.

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Asad's last statement raises again the puzzling case of the one-sided Syrian-Iraqi dispute

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[redacted] Syria has cut the Euphrates water flow to Iraq, refused all terms for mediation of that problem, pushed the quarrel to the point of a break in relations, and ostentatiously moved large military forces toward Iraq, but permitted Iraqi trucks to transit Syria for the delivery of Soviet military goods consigned to Baghdad through Syrian ports.

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[redacted]

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One can wonder whether Syria's pursuit of the quarrel has not been an elaborate deception to build an assumption that Syria would not launch an offensive in the west while dealing with an enemy to the east.

Fixing One Point

It is not, however, necessary to credit the Arabs with complex deception schemes in order to conclude that they are preparing contingency offensive plans.

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(continued)

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Sadat planned and then postponed an offensive after disengagement talks broke down is consistent with other indications that he ordered the military to be ready for action if necessary on a given date and subsequently decided against a move for political reasons.

A postponement would demonstrate, in fact, that Sadat is not anxious to use the military option and welcomes diplomatic initiatives as a means of delaying a decision to fight and, more important, as a means of achieving progress in negotiations. The problem lies in fixing the point at which Sadat gives up hope in the diplomatic track and stops postponing his decision to go to war.

Although it is still uncertain when in 1973 the Egyptians and Syrians set October 6 as the kickoff date, there are many indications that the war was set originally for April, was postponed while the UN Security Council debated the Middle East question, was reset for June, and was put off again while the UN debate continued and the US-Soviet summit convened in Washington. But Sadat did ultimately despair of diplomacy and gave the go-ahead for war.

It is, in short, entirely possible that Sadat and his war minister have plans to reopen hostilities if the diplomatic option fails and that they have coordinated military strategy with the Syrians.

Sadat will be looking for hopeful signs at Salzburg. If he receives no satisfaction there, he would not necessarily open hostilities immediately, but the possibility cannot be ruled out that he would move soon after his return.

Top Secret



The President's Daily Brief

May 26, 1975

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~~Top Secret 25X1~~

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
decided only on approval of
the Director of Central Intelligence

26 May 1975

MEMORANDUM FOR: DDI, D/OCI and D/NIO

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SUBJECT : Revised Lebanon Item

1. I didn't hear until this morning when I was already at the White House that the briefing appointment had been rescheduled to 2 p.m. The delay gave us an opportunity to replace completely the Lebanon piece and late item.

2. The printed late item was removed altogether from the President's book, and I stapled the new typescript Lebanon article over the original (to preserve the map on the opposite side of the page). I also gave Brent Scowcroft a copy of the new piece.

3. The Director is aware of this rip-and-staple job.
[redacted] draft arrived just before the DCI's copy was to be taken to him, so I sent a copy of the draft along with a buck slip explaining that it was substantially what we would send the President in a revised late item.

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[redacted] 25X1

DDI

Late Item

LEBANON

Lebanese Prime Minister Rifai and members of his predominantly military cabinet resigned today. President Franjiyah accepted their resignations but asked them to stay in office until a new cabinet can be formed. Although Franjiyah is under intense pressure to install a new government quickly, this process has often taken as long as several weeks.

The President is likely to turn again to civilian politicians in his search for a new prime minister. His gamble with a military cabinet drew intense criticism from Lebanese leftist and Muslim leaders, and was strongly opposed by the Palestinians and Syrians. Franjiyah almost certainly hopes, however, that the brief experiment with a military cabinet will at least have frightened the politicians into being more assertive and responsible in dealing with the country's deteriorating security situation.

Syrian Foreign Minister Khaddam played an active role in the negotiations in Beirut that led to the resignation of Rifai. On his departure for Damascus today, he expressed confidence in President Franjiyah.

The most likely choice for prime minister is now Rashid Karami, a leftist member of parliament who served as prime minister on several occasions between 1955 and 1970. He would be acceptable to the Palestinians and to the Syrians, although not to the right-wing Christian Phalanges Party.

The scattered fighting last night in Beirut between Phalangists and radical fedayeen was the heaviest and most widespread of the current crisis. The US embassy estimates that 80 persons have been killed in the past week.

FOR THE PRESIDENT ONLY

LATE ITEM

Lebanese Prime Minister Rifai and members of his predominantly military cabinet submitted their resignations today, according to early press reports. It is possible that President Franjiyah will not accept their resignations; if he does, however, he will presumably turn again to civilian politicians in an effort to find someone to form a successor government. The President almost certainly hopes that the brief experiment with a military cabinet will convince the civilians that they should be more assertive in dealing with the country's deteriorating security situation.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

May 26, 1975

Table of Contents

Lebanon: Pressure on President Franjiyah and Prime Minister Rifai for the resignation of the new military government is intense. (Page 1)

Israel-Lebanon: Israeli and Lebanese military forces clashed yesterday. (Page 2)

Laos-Thailand: Harassment of Americans is increasing. (Page 3)

North Korea: We present the key judgments of a National Intelligence Estimate on "North Korean Military Capabilities and Intentions toward South Korea." (Page 5)

Japan: Japan [redacted] policy on international commodity agreements. (Page 7) 25X1

Notes: USSR; Thailand (Page 8)

Annex: We review Soviet programs to modify silos for their new ICBMs.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LEBANON

Lebanese President Franjiyah and Prime Minister Rifai are under considerable pressure for the resignation of the new military government. A number of Muslim political figures, including leaders of both the Sunni and Shia Muslim sects and of the Druze community, met on Saturday and demanded the Prime Minister's immediate resignation. Statements by opposition leaders were relatively moderate and appeared designed not to complicate the situation any more than necessary. The Prime Minister has defended the President's decision to form a military government and has indicated that he will make a further public statement today in reply to Muslim criticism.

Syrian Foreign Minister Khaddam and Syrian air force chief Jamil met with President Franjiyah on the evening of May 24. They probably delivered a message from Syrian President Asad protesting the composition of the present government. Lebanese leftist political leader Kamal Jumblatt, with whom Khaddam also talked, claims President Franjiyah told Khaddam he was ready to replace the military government if the civilian politicians can agree on a successor government willing to try to restore order.

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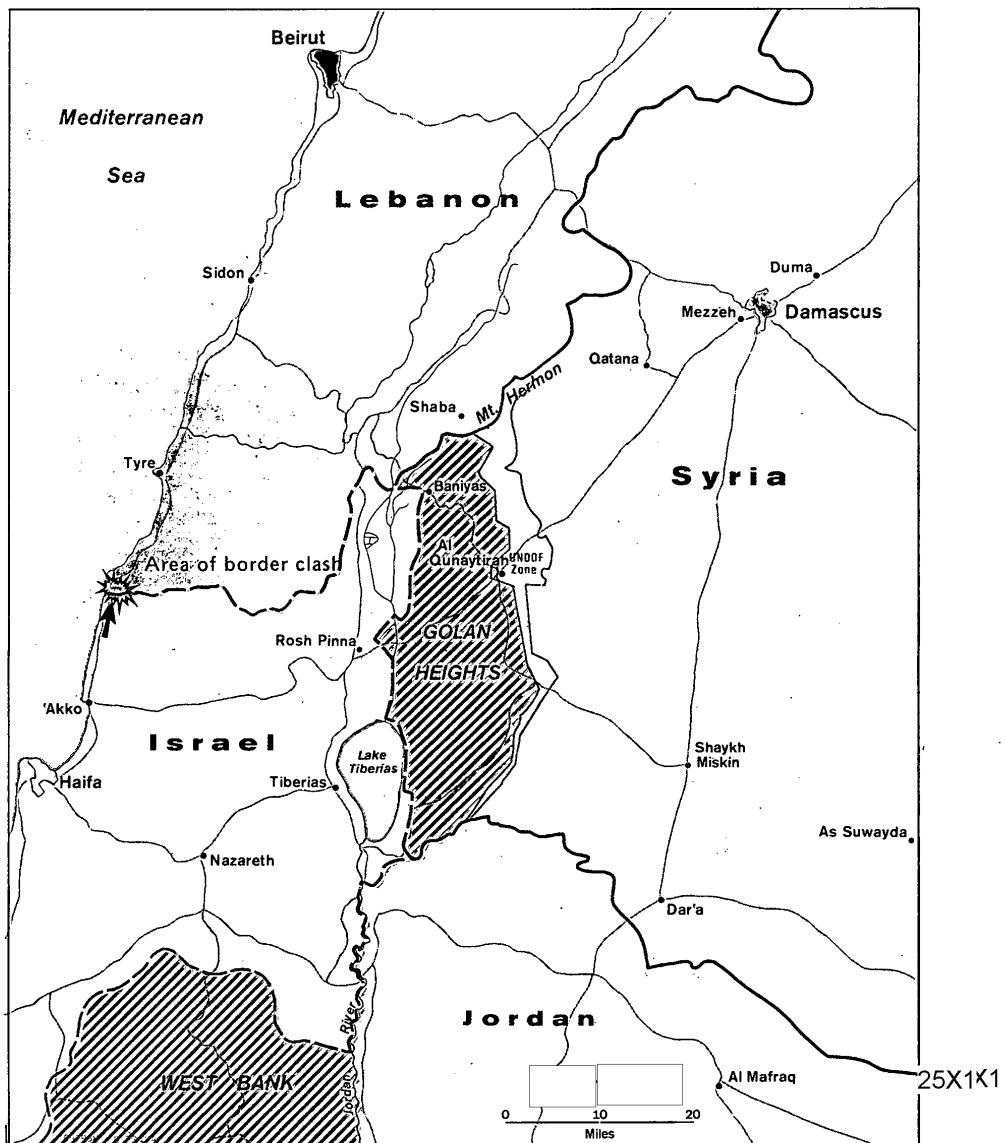
Scattered fighting continued yesterday. [redacted]

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[redacted] No area of Beirut is considered safe, and main avenues are barricaded. The US embassy estimates that 50 have been killed in the latest fighting.

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FOR THE PRESIDENT ONLY



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ISRAEL-LEBANON

Israeli and Lebanese military forces clashed yesterday near a border village some 15 miles southeast of Tyre. According to UN sources, the incident occurred when an Israeli patrol crossed the border in search of fedayeen and was fired on by Lebanese army units. Some members of the Israeli patrol reportedly were surrounded by Lebanese.

Israeli aircraft were active throughout the incident, providing air cover for the patrol and reconnaissance of the area. The Israelis bombed at least four Lebanese artillery batteries; two were said to have been destroyed.

UN forces eventually arranged a cease-fire, and the Israeli patrol was allowed to withdraw from Lebanon. At least seven Lebanese soldiers were reported killed and another eight missing. The Israelis suffered two dead and several wounded.

Lebanese forces have fired on Israeli patrols inside Lebanon in the past, but those incidents were minor. The scope of the clash yesterday appears to reflect Lebanese sensitivities arising from the current political situation in Beirut. Both sides apparently would prefer to avoid incidents of this size.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS-THAILAND

Harassment of Americans, obviously government inspired, is increasing, but no one has actually been harmed. The Lao National Radio has now announced that Pathet Lao troops will conduct an "inspection" of all American homes and installations tomorrow.

The minister of economy yesterday gave the US chargé a proposal for the return of the AID compound to US control. A meeting is planned this morning between embassy representatives and spokesmen for the government and students to discuss the proposed settlement.

Nearly 500 American dependents and other non-essential personnel left for Thailand by charter aircraft over the weekend, and more flights were scheduled. Some 348 Americans were still in Vientiane yesterday.

* * *

The Thai National Security Council, [redacted] has approved the following policy guidelines having to do with General Vang Pao and Meo refugees who have fled from Laos to Thailand:

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--Those Meo who are in no danger of reprisal from the communists will be encouraged to return to Laos.

--Efforts will be made to slow down or halt the flow of additional Meo from Laos.

--Meo who refuse to return will be resettled in Thailand if the US agrees to foot the bill and if the refugees are willing to resettle in several different areas rather than at one location.

--Vang Pao and other well-known Meo leaders will not be offered safehaven in Thailand at this time because of the "political situation" and must go elsewhere.

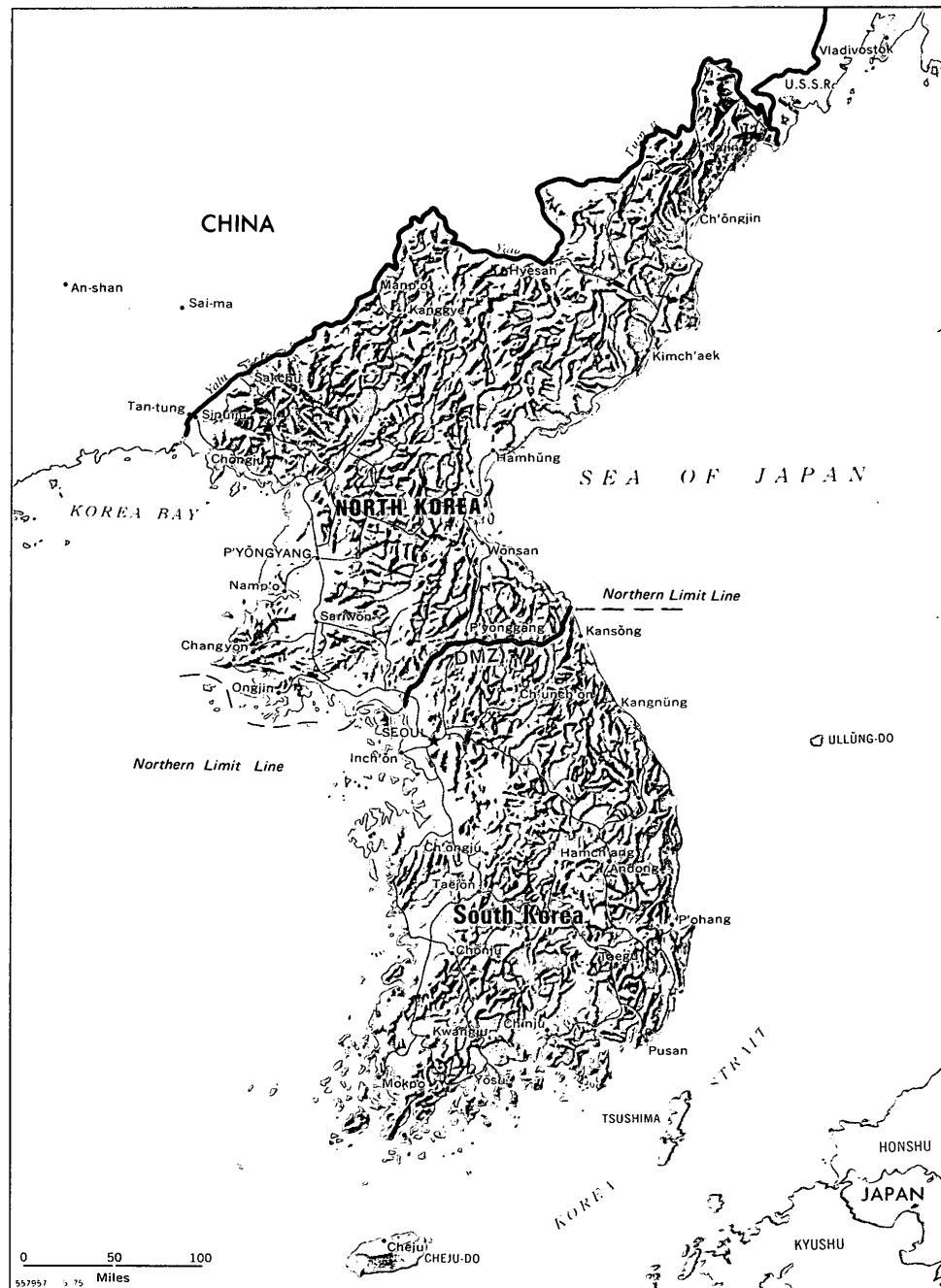
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The acceptance of these recommendations by Prime Minister Khukrit Pramot is by no means certain. He may will be influenced by Thai press attacks against Meo refugees and press speculation that the Thai army plans to support a Lao resistance movement.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

NORTH KOREA

Following are the key judgments of a National Intelligence Estimate on "North Korean Military Capabilities and Intentions toward South Korea" which was approved on May 22, 1975 by the US Intelligence Board. The estimate covers the period through the end of 1975.

The modernization and expansion of North Korea's armed forces in recent years have bolstered its defenses and given Pyongyang an improved and more flexible offensive capability. The North is developing this capability in order to achieve unification through military action should propitious circumstances arise. This intent has been particularly evident in the construction of tunnels in the DMZ, the development of an amphibious capability, and, more recently, in the forward positioning of armor concentrations.

The factors that have restrained Pyongyang from launching major hostilities continue to do so. These are the US-ROK Mutual Defense Treaty, the presence of US troops, the lack of an across-the-board superiority over ROK forces, especially if they are supported by US tactical air and naval elements, and the need for support from either Moscow or Peking in a sustained, large-scale conflict.

Recent events in Indochina have probably strengthened Kim's determination to press for removal of US forces. They may also have caused him to question the US commitment to South Korea, thereby increasing the attractiveness of limited acts of force to probe American resolve. But, at least until after the General Assembly vote on the Korean issue, political considerations seem likely to be more important to him than any military move that he believes would portray North Korea as responsible for disturbing the peace of the peninsula.*

*The Assistant Chief of Staff for Intelligence, Department of the Army, the Director of Naval Intelligence, Department of the Navy, and the Assistant Chief of Staff, Intelligence, Department of the Air Force believe that these political considerations will not preclude limited but deliberate acts of force designed to probe US and ROK resolve and that such acts are likely within the period of this estimate.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

With heightened tension on the peninsula, there is an increased prospect that small incidents, deliberate or otherwise, might escalate into conflict between naval vessels or even aircraft. This is especially likely in the waters around the Western Islands.

FOR THE PRESIDENT ONLY

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JAPAN

Japan [redacted] hopes to complete a review of its policy on international commodity agreements by July. The Japanese heretofore have generally opposed such agreements, preferring free market determination of raw material supplies and prices.

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The Ministry of Finance apparently opposes any form of commodity agreement because of the cost involved, but the ministries of foreign affairs, international trade and industry, and agriculture are willing to make some accommodations to the producing countries.

A consensus seems to be developing within the bureaucracy on several aspects of the subject:

--Agreements on a product-by-product basis are preferable to a general agreement on all commodities as proposed by the UK.

--Agreements on tropical agricultural products would be less objectionable than those on industrial raw materials such as copper.

--Payments from a multilateral agency such as the International Monetary Fund to producers whose export earnings fell below an agreed level are preferable to setting commodity floor prices.

--Negotiations should be held outside the UN or other forums dominated by the developing countries.

Consideration is being given to membership in the International Tin Council as a sign of cooperation with Malaysia, Indonesia, and other East Asian producers. Discussion is also under way on reaching a separate agreement on commodities with members of the Association of Southeast Asian Nations (Thailand, Indonesia, Philippines, Malaysia, Singapore) that could serve as a model for a larger agreement. These countries are not only vital to Tokyo's economic and political interests, but are more moderate in their demands for greater control over commodity markets. No approach has been made to this organization, however, and a decision in the near future is not likely.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

The Soviet Soyuz spacecraft, which was launched Saturday from Tyuratam, docked yesterday with the orbiting Salyut-4 space station.

The docking apparently proceeded without difficulty. If no problems develop, the two cosmonauts may remain aboard the space station for about four weeks.

* * *

Thai Prime Minister Khukrit is considering a reshuffle of his cabinet to reduce bickering within the government.

Personal animosities and competition for political influence have led to serious strains within the seven-party coalition. Khukrit has kept the two-month-old government in line chiefly by threatening to dissolve the National Assembly and call new elections--a prospect few parties either desire or can afford just now. A parliamentary challenge to Khukrit seems relatively unlikely at this time chiefly because his handling of the Mayaguez incident has so increased his prestige.

FOR THE PRESIDENT ONLY

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USSR

The Soviets are moving ahead in their programs to modify silos for their new ICBMs. Silos at all six SS-9 complexes are being converted for the SS-18, and three distinct programs are under way to modify SS-11 silos for deployment of new missiles. One SS-11 program entails relatively minor changes in preparation for deployment of the SS-11 Mod 2 or Mod 3. A second program consists of a complete rebuilding of the SS-11 silo for deployment of the SS-19. The third SS-11 program involves major modifications to the launch silo for installation of the SS-X-17, now nearing operational capability. Most, if not all, of the [] SS-11 silos deployed are expected to be modified before 1980.

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SS-9 Conversion Program

The SS-9 silo modifications take about 18 months to complete. They involve the removal of the old silo liner, headworks, and door and the installation of new, more survivable silo components for the SS-18. There are [] SS-9 silos []
 [] SS-18 silos []

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[] We anticipate that by 1982 all [] SS-9 silos will have been modified for the SS-18.

The Soviets have [] the liquid-propellant SS-18 missile.
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SS-11 Modification Program

Modernization for deployment of the SS-11 began in 1973.

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Until 1974 the program was confined to the easternmost SS-11 complexes. It then was expanded to the central and western USSR-- All silos have now been modernized.

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SS-19 Program

Silo conversion for the SS-19 began

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The modifications, which take about a year to complete, involve dismantling the SS-11 silo and constructing the SS-19 silo in the same excavation. SS-19 silo better able to withstand the effects of a nuclear blast.

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Four, and possibly five, groups of converted silos probably contain SS-19 missiles. In addition, there are other groups undergoing conversion

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The Soviets [redacted] intend to convert
the SS-11 silos [redacted] for the
SS-19. [redacted]

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[redacted] SS-11 silos [redacted] in
the SS-19 program, and it is estimated that all of
them will be converted for the SS-19 by mid-1979.

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In addition to the SS-19 silos created by con-
version of SS-11 silos, the Soviets have [redacted]
[redacted] the SS-19.

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[redacted] these [redacted] silos began in [redacted] 1970 (the SALT
ban on new silo construction did not take effect
until July 1972). The first of these reached opera-
tional status in late 1973. Probably because the
SS-19 was not then available for deployment, SS-11
missiles were installed as an interim

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225X1SS-X-17 Program

In [redacted] 1974, the Soviets began conversion
of SS-11 launchers [redacted] for the
SS-X-17. [redacted]

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[redacted] The silo modifica-
tions--which include reinforcing the silo wall,
building up the silo apron to lengthen the silo,
and installing a new plug-type door--will require
[redacted] months to complete.

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SS-X-17 program is limited to the [redacted] silos
[redacted] it probably could be completed in two or
three years.

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25X1Unmodified Complex

The Soviets [redacted] intend to convert the
SS-11 silos [redacted] for either the
SS-X-17 or SS-19. [redacted]

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[redacted] The Soviets have made similar expansions
[redacted] at [redacted] SS-11 complexes
before converting silos for the SS-X-17 or SS-19.

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Top Secret



The President's Daily Brief

May 27, 1975

5

~~Top Secret~~ 25X1

Exempt from general
declassification schedule of E.O. 11652
exemption category 3B(1),(2),(3)
determined by an analysis of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 27, 1975

Table of Contents

- Laos: Harassment of Americans is becoming more common and widespread. (Page 1)
- Portugal: The Armed Forces Movement plans to bypass party leaders and establish its own "alliance with the people." (Page 4)
- IEA-OECD: Ministerial meetings of the International Energy Agency and the Organization for Economic Cooperation and Development this week will be characterized by new unity. (Page 5)
- At Annex we discuss the numerous political and economic problems facing NATO.

FOR THE PRESIDENT ONLY

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LAOS

Harassment of Americans, clearly condoned and inspired by the communist-dominated coalition government, is becoming more common and widespread. Lao employees of the US mission and of American individuals are under strong pressure to quit their jobs or face reprisals. No Americans have been harmed thus far, but in the current climate, the possibility of incidents involving violence to US personnel remains high.

The Trans Air Protective Service--a civilian company which supplied security guards for US mission property and personnel--was taken over by communist troops on May 23, leaving the American community in Vientiane without protection. With assistance and direction from communist agitators, some 200 Lao security personnel and disgruntled employees of AID demonstrated Saturday in front of the US embassy over salary grievances. The protest was defused when the American management of the company agreed to meet the security guards' unrealistic demands for severance pay.

Although the most immediate result of the withdrawal of security protection for Americans is the danger posed by local housebreakers, whose activities are definitely on the upswing, communist-controlled Lao National Radio announced over the weekend that communist troops will conduct an "inspection" of all American homes and installations on May 27. The broadcasts also threatened that Americans who do not leave Laos "immediately" may be "punished."

Negotiations between US officials, coalition government representatives, and communist-inspired students and other demonstrators continued over the weekend in an effort to bring a halt to the week-long occupation of AID facilities in and around Vientiane. An agreement in principle was reached with Lao Prime Minister Souvanna Phouma, his communist deputy Phoumi Vongvichit, and communist Economics Minister Soth Phetrasy, that:

--the AID organization in Laos will be dissolved;

(continued)

FOR THE PRESIDENT ONLY

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--all American employees of AID will be withdrawn as soon as possible;

--AID equipment and facilities will be turned over to the Lao government, in accordance with the provisions of past agreements, by no later than the end of the current fiscal year.

US officials also agreed to pay the back salaries of all Lao AID employees as soon as the demonstrators permit access to the payrolls at the AID compound. As part of the agreement, the protesters are to disperse from the compound and the two US marine guards and one American civilian employee inside the compound's headquarters buildings are to be released.

The agreement, however, has not yet been accepted by the demonstrators. An estimated 30 protesters and some 15 Lao communist troops still occupy the main AID and defense attaché compound in Vientiane. Communist members of the capital's joint military security force still occupy several other AID facilities near the city and guard the entrance to a large American residential housing complex in the capital's northern suburbs.

Americans may leave the housing complex, but harassment there and at Vientiane's airport continues. Personal effects are subject to repeated "security" checks; private vehicles are being searched, and those vehicles without diplomatic or official plates are being impounded.

Nevertheless, nearly 600 American dependents and other nonessential personnel were evacuated by air to Thailand over the weekend. Approximately 280 US officials still remain in Vientiane.

* * *

The communists are consolidating their control of the coalition government. At last week's cabinet meeting, they abolished the national documentation center--Prime Minister Souvanna's personal intelligence service--and the so-called "Vientiane side coordinating committee"--the non-communists' primary political action organization.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

In addition, the communists have reportedly succeeded in removing nearly 90 percent of all senior and middle-echelon, Western-trained, non-communist bureaucrats from key positions in the ministries. Communist-inspired demonstrators in Vientiane yesterday demanded the ouster of the non-communist directors general of agriculture and public works. A similar purge of officers from the non-communist Royal Lao Army has been under way for several weeks.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The 240-man armed forces general assembly declared early this morning that the Movement would bypass political party leaders and establish its own alliance with organizations of the people. The communiqué issued after a divisive, 15-hour emergency meeting emphasized that political parties would not be abolished, a move that had been widely predicted by the Lisbon press.

The announcement did not give details about the "alliance with the people," but earlier reports have mentioned Cuban-style armed civilian militia and revolutionary defense committees linked directly to the military.

The Armed Forces Movement called on its Revolutionary Council to solve "firmly and rapidly" the conflict between the Socialist and Communist parties and made clear its unhappiness with the Socialists' boycott of the coalition cabinet. The criticism of the Socialists may strengthen the Communists' hand in the current dispute between the two parties.

The general assembly took the unusual step of reporting a unanimous vote of confidence in Prime Minister Goncalves. The demonstration of support for Goncalves will buttress his position as head of the radical faction of the Armed Forces Movement, the dominant faction since the abortive coup of March 11. There had been rumors that the assembly would attempt to oust moderate leaders from the Movement, but apparently no such action was taken.

While the general assembly met, 2,000 left-wing demonstrators in Lisbon protested against the CIA and NATO and, specifically, the opening of a NATO naval exercise off the Portuguese coast later this week. The Portuguese Communist Party also announced its intention to organize a mass demonstration of support for the Armed Forces Movement tomorrow.

EC foreign ministers, who met in Dublin yesterday, resolved to launch a major attempt to head off dangers of an economic breakdown in Portugal, provided Portugal stays democratic. Irish Foreign Minister Garret Fitzgerald will visit Lisbon on June 1 and 2 for political and economic talks with Portuguese leaders.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

IEA-OECD

A new unity will characterize the ministerial meetings of the International Energy Agency beginning today and of the Organization for Economic Cooperation and Development tomorrow and Thursday.

Although the importing nations continue to be interested in resuming talks with the oil exporters, most have shifted their priorities to the larger issues of trade in all raw materials and relations with the Third World. The IEA nevertheless is still not prepared to accept the demands of developing countries that talks on energy be formally tied to talks about all raw materials. Most IEA members simply feel that raw materials is the key question and that energy talks can wait.

The oil crisis, meanwhile, has sharpened the recognition of the OECD members--particularly the Europeans and Japanese--of their dependency on raw materials. The industrialized states have been looking for ways to assure themselves of long-range supplies and of steady prices. They are confronted by the rising expectations of developing states that export raw materials and look to the OPEC cartel as a model for their own behavior.

Some of the OECD members, in particular the EC Nine, have shown an increased willingness to give in to the developing states on rhetorical issues, such as canonizing the "Declaration for a New International Economic Order" and the "Charter of Economic Rights and Duties of States." This shift left the US isolated in its opposition to the final declaration of the UN Industrial Development Organization's conference in Lima last March.

The OECD members nevertheless are not prepared to accommodate all the economic demands of the developing states. At the Paris energy talks, for example, where concrete rather than rhetorical concessions were sought by the developing states, the industrialized countries did not break ranks with the US.

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FOR THE PRESIDENT ONLY

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The EC has been working on a new raw materials policy, which was considered by the EC ministers in Dublin yesterday. Community planning is still far from complete, but yesterday's session will have a strong influence on the OECD meeting.

The EC Commission recommended to the Council that the community move on three fronts to satisfy some of the developing countries' demands:

--Encourage further processing of raw materials in developing countries.

--Examine the possibility of commodity agreements on a case-by-case basis.

--Expand on a worldwide basis agreements to stabilize earnings of developing states from their exports of raw materials. The EC currently has such an agreement with 46 developing states in Africa, the Caribbean, and the Pacific, under the Lome convention.

Policy reviews are under way in European capitals. This means that the EC states will be no closer at this week's meetings to agreement on a final policy than are the other OECD states. Nevertheless, most Europeans believe as do the Japanese, that the OECD's policy must reflect a willingness to negotiate on basic issues with the developing states.

The OECD ministers will thus probably try to thrash out a rough outline of a common policy and leave the details to be worked out this summer.

FOR THE PRESIDENT ONLY

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NATO

For the West Europeans, several of whom had reservations about a NATO summit, the most important aspect of the meeting will be that your attendance will reaffirm the US commitment to the Alliance and to Europe. The summit will afford allied leaders the opportunity to discuss the numerous political and economic problems facing NATO--problems that, if left unresolved, could threaten the Alliance's cohesion.

The suggestion that the regular spring NATO ministerial meeting be made into a summit initially received a lukewarm reception from several of the allies. They had doubts that a summit, which might only emphasize NATO's problems, would be beneficial; only the British, West Germans, and Belgians endorsed the idea. The French continue to be the most skeptical. They see no value in the summit and have chosen to send their foreign minister rather than President Giscard or Prime Minister Chirac to the meeting. As you know, however, Giscard has agreed to attend the dinner to be hosted by Belgian King Baudouin on May 29.

The controversy that developed over the communiqué for the meeting suggests that some of the Europeans may still be inclined to avoid sensitive issues so as not to acknowledge Alliance weaknesses. The frankness with which the allies can be brought to discuss NATO's many problems will be the mark of the summit's success; it is the necessary prelude to finding solutions.

Problems on the Southern Flank

Greece has done very little to implement its decision of last August to withdraw from NATO's integrated military command, but Athens' relationship with NATO as a whole remains unresolved. It appears, moreover, that the Karamanlis government hopes to maintain this state of uncertainty for some time. Greek military leaders hope to be able to cooperate with NATO on many matters. At the same time, it is evident that the government hopes to be able to pick and choose among NATO obligations and derive the maximum military and political benefit from its association, at the least possible cost.

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The other NATO members have opted to deal cautiously with Athens in the hope of wooing the Greeks back into the fold. It will be difficult for several Alliance members to accept the Greek thesis that Athens should be permitted to participate only in those activities it desires.

Turkey, the NATO member most directly affected by Greece's actions, would have major reservations about approving selective Greek participation. Other allies will be concerned that the Greek example might be cited by still other NATO states to justify attempts at disassociation.

Meanwhile, despite its year-long dispute with Greece over the Aegean and Cyprus, and the US embargo on arms sales, Ankara retains a basically pro-Western foreign policy and commitment to NATO. Turkey has warned, however, that the arms embargo could force it to review its obligations should materiel shortages substantially reduce the effectiveness of its armed forces. Nationalistic pride is now coming to the fore, and it is likely that Prime Minister Demirel will feel himself increasingly vulnerable unless he directly addresses the issue of the embargo.

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[redacted] Demirel doubtless wishes to discuss the arms embargo issue at the summit.

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Italy's severe economic problems have weakened its ability to fulfill its military commitment to the Alliance. Military leaders are concerned that the armed forces will not only be unable to meet NATO standards but that they will not even be capable of fulfilling their basic mission of defending Italian territory.

As a result of the economic situation, the Italians have made significant reductions in the strength of their army. NATO-committed units are being maintained at levels far below NATO standards. Moreover, due to rising costs and domestic political pressure, fewer conscripts are being drafted, and the period of service for conscripts will soon be shortened. In addition, all services are short of equipment, spare parts, and ammunition.

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An imbalance between operating costs and capital expenditures is likely to continue over the next several years, forcing Italy to stretch out needed programs for modernizing equipment. Plans for restructuring the army and for cutting nonessential spending have been considered, but these plans could take several years to implement.

Portugal's removal of its authoritarian regime and its decision to divest itself of its African colonies was generally applauded by the NATO allies. As the new regime has moved to the left, however, the allies have become increasingly uneasy. The presence of communists in the Portuguese government prompted the Alliance to cut off the flow of nuclear information to Lisbon and to ease the Portuguese out of the Nuclear Planning Group.

Portuguese spokesmen have stressed that Lisbon will honor all its international obligations, including those to NATO, and the Portuguese have in fact carried on in a business-as-usual fashion. This does not mean that Portuguese participation in NATO is assured for the longer term. For the present, there are few signs that Lisbon's somewhat truncated role is causing them much discomfort. Nonetheless, over the coming months, the Portuguese will be asking themselves what advantages they derive from continued participation.

Lisbon may see advantages to remaining in NATO if Portuguese leaders perceive some allied sympathy for what they are attempting to accomplish. If, on the other hand, they see a prevailing attitude of hostility and suspicion, they are likely to reciprocate. In the latter case, Lisbon might prefer to avoid a precipitous withdrawal, but its membership in the Alliance might become little more than minimal.

The Economic Pinch

NATO's troubles are by no means confined to the political sphere. A recent study of the political and security implications of the world economic situation pointed out that the NATO countries face in varying degrees:

- economic stagnation, accompanied by a high level of unemployment;
- high rates of inflation;

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--balance-of-payments problems aggravated by the need to pay high oil prices; and

--dependence on outside suppliers for oil and, in Europe, for other strategic raw materials.

Economic pressures have already caused not only the Italians but also the British and Dutch to cut both their armed forces and military budgets. Should economic problems worsen, still other allied governments will find it difficult to resist domestic political pressures to reduce defense expenditures. Such retrenchments would be psychologically debilitating, hamper force-improvement programs, and even strain the ability of the West to maintain a unified position in the force reduction talks.

The Generation Gap

NATO's quarter century now spans a generation, and the younger opinion makers, political leaders, and voters in Europe have a different perspective on history and current events than their elders.

The younger people have few or no memories of World War II or of early postwar Europe, and many of them question the necessity to maintain large standing armies. Many also regard NATO as an anachronism and do not necessarily perceive the Soviet Union as a threat to Europe, especially in a period of detente.

The influence of the younger generation varies from country to country, but it is clear that European governments must take their views into account. Political pressures have already led to decisions by Denmark to reduce the period of time conscripts must serve, by Belgium to modify conscription laws, and by the Netherlands to reduce its armed forces. Some NATO observers are concerned that such decisions may establish dangerous precedents that will be cited by other governments when they are faced with demands to retrench.

Reviewing East-West Issues

The summit will focus on the European security conference and the force reduction talks. The Europeans will be deeply interested in hearing US views and in learning of US perceptions of the Soviet attitudes toward these talks.

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FOR THE PRESIDENT ONLY

The major question for the Europeans concerning the European security conference in Geneva is how hard they should push the Soviets to make compromises before the allies accept Moscow's proposal to conclude the conference this summer with a summit meeting. The Soviets apparently have revised their timetable for holding the summit meeting, but--unless Brezhnev's health problems make it impossible for him to attend--they probably will continue to push for a conclusion before August.

Although many of the Western delegations have grown weary of the conference and desire to end it, they still wish to obtain something, if only to justify attending a summit. In particular, the West Europeans hope to obtain some measures to facilitate the freer movement of people and ideas between East and West. It is on this issue that the Soviets have been most inflexible. In essence, the allies will be asking whether the US wants to wait out the Soviets on the issues of most interest to them, and if the US will support them in this endeavor.

The major question for the allies on the force reduction talks is whether the US will seek to end the stalemate in Vienna by recommending use of the so-called Option III--the offer to withdraw US nuclear warheads and delivery systems in return for the Soviet Union's withdrawing armored forces. All the NATO allies probably expect the US formally to propose the use of this option, and they will sound you out on this issue.

The British and West Germans have already commented on a US paper addressing the possible withdrawal of nuclear forces. The British have no objections in principle to making the nuclear offer, but both they and the West Germans do have some reservations.

Some of the other allies--the Netherlands for instance--believe the nuclear offer must be made, and the others, despite their reservations, will probably not oppose it. Several of the allies will probably insist on a thorough discussion within NATO on the implications of the offer.

The allies were briefed by Ambassador Johnson on May 7 on the current status of the Strategic Arms Limitation Talks, but the leaders might ask for your views on SALT and again express their concerns about the talks. In general, the Europeans

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

want the US to reject any Soviet attempt to discuss non-central or "forward-based systems," and to avoid measures that might restrict NATO's flexibility.

The Europeans will wish to exchange views on the Middle East. They will particularly be interested in Secretary Kissinger's recent discussions with Soviet Foreign Minister Gromyko and in learning the US assessment of the prospects for renewed peace negotiations.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 28, 1975

6

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Exempt from general
declassification schedule of E.O. 14176
exemption category 5B(1),(2),(3)
decided by the Director or his/her designee of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 28, 1975

Table of Contents

Laos: Agreement has been reached to end the week-long occupation of US facilities in Vientiane.
(Page 1)

China-US-USSR: Peking is stressing [redacted] that the US is the most important strategic counter-weight to Soviet power in Europe and Asia. 25X1
(Page 3)

Portugal: The Socialists are under pressure to back away from their challenge to the ruling Armed Forces Movement. 25X1
(Page 4)

Syria-Israel-Egypt: [redacted]
[redacted]
[redacted] 25X1
25;25X1
[redacted] 25X1

Egypt: [redacted]
[redacted] (Page 8) 25X1

Lebanon: President Franjiyah may designate his next choice for prime minister today. 25X1
(Page 9)

Notes: Zaire-Tanzania; Thailand - North Vietnam 25X1
(Page 10)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

The US chargé has reached an agreement with the communists to end the week-long occupation of the AID and defense attaché compound in Vientiane. US officials hope to reoccupy the compound today and release the two US marine guards and one American civilian who have been barricaded inside.

The official text of the agreement provides for:

--Withdrawal of most demonstrators from inside the compound, except for a small "protest committee"--ostensibly composed of Lao employees of AID--who are to continue "working in a normal manner."

--Stationing of students and "mixed police" outside the entrances to the compound to maintain "security" and to "observe."

--"Guarantees" by the "protesting group" not to threaten or physically harm Americans or other AID employees, regardless of nationality.

--Re-entry of essential American and third country national AID officials and employees into the compound to begin the termination of AID operations.

--Payment by Americans of the back wages of Lao employees of AID and agreement to keep them on the payroll until operations cease.

The agreement also formalizes the previously announced US intention to dissolve AID, to withdraw all of its American personnel, and to turn over all AID equipment and facilities to the Lao government (consistent with the terms of past assistance pacts) no later than June 30, 1975.

The chargé negotiated the agreement at considerable personal risk. He was forced to shuttle between the US embassy and the coalition's Economics Ministry for eleventh-hour dealings with Chief Minister Soth Phetrasy--a communist and the principal go-between with the demonstrators. Approximately 150 to 200 unruly student demonstrators, including a student "commando" unit, gathered outside the ministry and threatened that if no agreement on the AID

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FOR THE PRESIDENT ONLY

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compound was reached, they would destroy the chargé's car, hold him hostage, and move on to "destroy" another US government installation in Vientiane. Even after the agreement was concluded, student protesters threatened to kill the chargé and other US officials in the event that it subsequently unravels.

Looters remained on the rampage at the large US residential housing complex in the capital's northern suburbs and at Wattay airport, where the household effects of many departing Americans are stored temporarily. Communist "security guards" made no effort to intervene. The last Americans left the housing compound this morning.

The communists have strengthened their military contingents at both installations. At least one combat battalion is reported to be camped along the main runway at Wattay, and a number of 23-mm. and 37-mm. anti-aircraft artillery pieces now ring the airfield.

* * *

The local diplomatic corps in Vientiane has finally bestirred itself and joined the embassy in trying to pressure Lao communist Deputy Prime Minister Phoumi Vongvichit to call off, or at least moderate, the anti-American demonstrations. During the past few days, the Soviet, French, British, Australian, and Indian ambassadors have made representations to Phoumi.

According to several of his Western colleagues, Soviet Ambassador Vdovine cautioned Phoumi that the communist-dominated coalition was playing a dangerous game and that its actions were risking a break in relations with the US and every other Western country with an embassy in Vientiane.

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The Chinese, apparently on their own initiative, have also made known their concern.



FOR THE PRESIDENT ONLY

CHINA-US-USSR

*Peking is stressing [] that
the US is the most important strategic
counterweight to Soviet power in Europe
and Asia.*

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Senior Chinese officials have asserted that the US was overextended in Indochina and that its power to influence events elsewhere was thus diluted. Vice Premier Teng Hsiao-ping and Foreign Minister Chiao Kuan-hua have told Westerners that the US, freed from its Indochina burden, can now concentrate on more fundamental commitments in Europe and Japan.

During his mid-May visit to France, Teng stressed US-European partnership in countering Moscow's strategic aims in Europe. [] he called in public for increased European economic and political unity []

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The Chinese have been equally insistent on a continued strong US presence in Asia, especially because of their growing concern over the potential for Soviet gains in the region. The deadlock in Sino-Japanese negotiations over the hegemony clause of a peace treaty, which in part resulted from Soviet pressure on Tokyo, has fueled Peking's concern.

The Chinese also have expressed concern that Moscow's friendship with Hanoi, the death of Chiang Kai-shek, and the early withdrawal of remaining US forces from Taiwan might result in increased Soviet influence in the region. []

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Within days of the fall of Saigon, Chiao implied to a group of British journalists that Washington should play a more active role in East Asia as a counter to the Soviets. Senior Chinese spokesmen have subsequently reaffirmed this theme. In addition, a *People's Daily* editorial last week commenting on Mao's statement of May 20, 1970, which criticized US intervention in Cambodia, depicted problems stemming from US intervention in Asia as a matter of history and pointed to the USSR as a present source of regional trouble.

FOR THE PRESIDENT ONLY

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PORtUGAL

The armed forces general assembly's announcement on Monday that it will seek links with "popular organizations" is bringing increased pressure on the Socialists to back down from their challenge to the ruling Armed Forces Movement.

The details of the assembly proposal were to be ironed out by a working group, and debate within the military on this issue is probably not over; in any case, it will take considerable time to put the proposal into effect.

The Socialists, who are using the issue of the seizure of their newspaper, *República*, to test the Movement's commitment to democratic forms, may have overestimated the leverage they gained from their election victory last month. Even moderate officers appear to have gone along with blaming the Socialists for the current political situation. For some moderates such a position may be self-serving, but many probably genuinely believe the Socialists have pushed too fast and too hard.

The Socialists evidently do not like their choices--either back down, encouraging the Communists, or quit the government, leaving the field to the Communists. No decision, they said, will be made until another round of discussions is held with leading military men later this week. On the other hand, a favorable decision on the *República* issue may give them a way out.

Socialist leader Soares, meanwhile, has been in Paris seeking support from several West European Socialist parties. In an interview with *Le Monde*, Soares pointed to the contradiction between Brezhnev's policy of detente and the Stalinist attitude of the Portuguese Communists.

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FOR THE PRESIDENT ONLY

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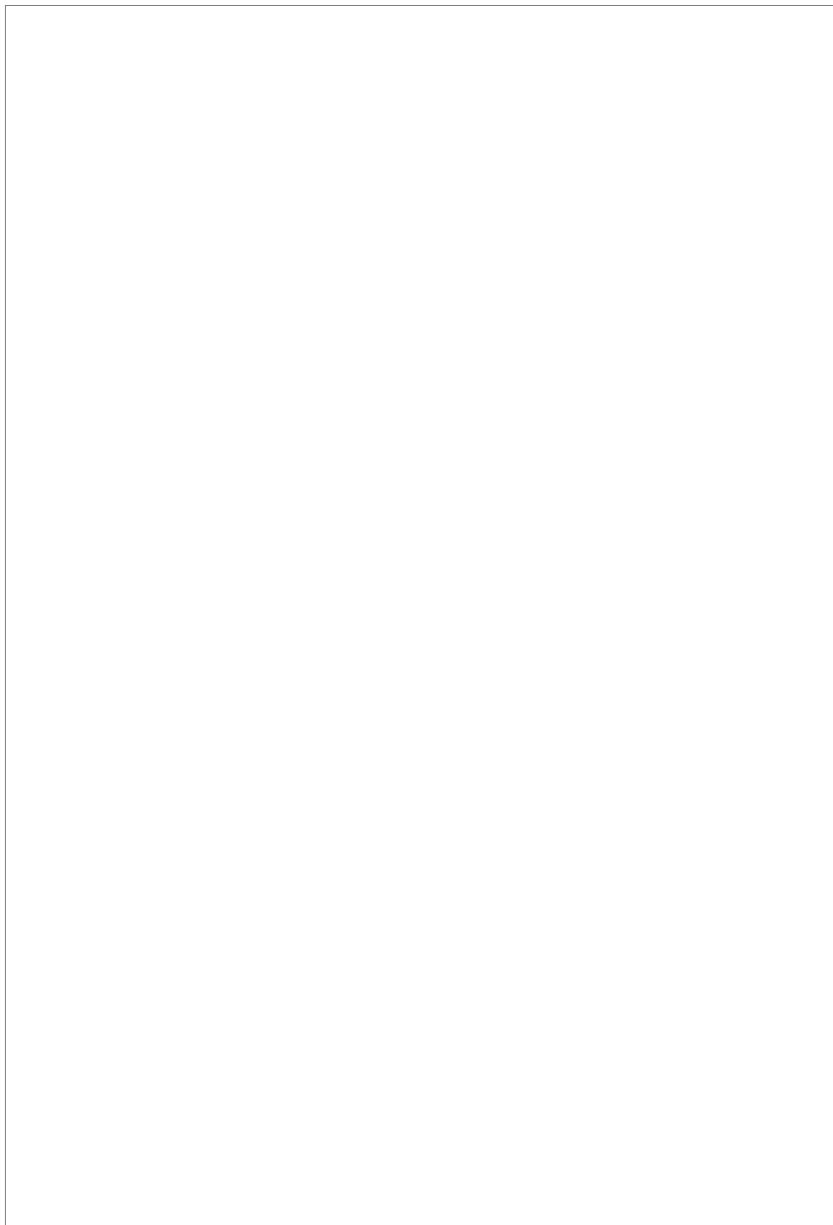
Soares confirmed that he had met with Spanish Communist leader Carrillo to discuss the "common problems of socialism and democracy." The Spanish Communists, along with the Italian Communists, have found that events in Portugal are hurting their own efforts to pose as responsible parties that can work within a democratic framework.

The Portuguese Communists have paid little heed to the problems they are causing other European Communists. The Communists are saying they are the vital link between the Armed Forces Movement and the people. They have called for a demonstration, which they describe as being in support of the Movement. The demonstration, set for today, will coincide with the beginning of shore leave in Lisbon for US and other NATO ship crews who have been on maneuvers off the Portuguese coast.

FOR THE PRESIDENT ONLY

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SYRIA-ISRAEL-EGYPT



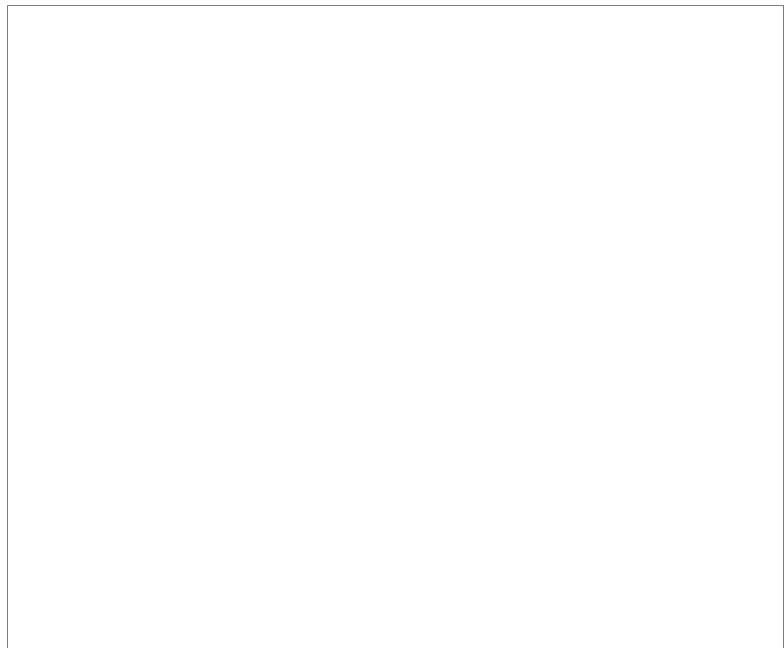
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FOR THE PRESIDENT ONLY

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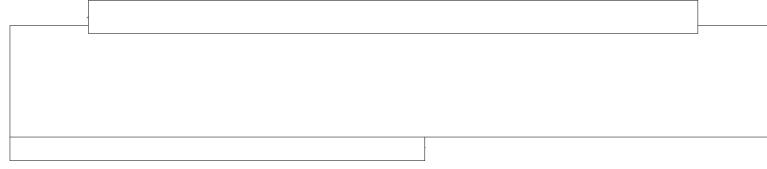
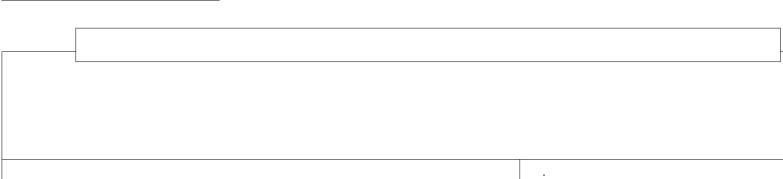
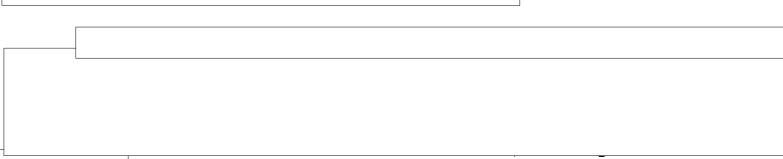
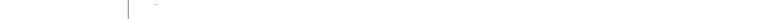


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FOR THE PRESIDENT ONLY

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EGYPT

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LEBANON

President Franjiyah yesterday completed consultations with leaders of the country's several political and religious factions in preparation for designating a new prime minister. According to press reports from Beirut, he may announce his choice this morning.

The new government may largely exclude members of parliament, according to the US embassy. Representatives of extremist right- and left-wing political parties presumably will be omitted in order to reduce partisan criticism.

The Phalangists would probably tolerate such a cabinet, pending evidence of its ability to restore civil order. Phalangist leaders are in a weak position to demand more; their preferred solution--the military cabinet--met with overwhelming opposition from all Muslim and even some Christian groups.

Lebanese leftists and the fedayeen would endorse such a cabinet if it were headed by a prime minister acceptable to them and to Syria. Sunni Muslim leader Rashid Karami, who is scheduled to meet with President Franjiyah today, is still the front runner and would meet these requirements.

Scattered small-arms fire continued in several parts of Beirut yesterday, but the city was quieter than at any time in the past week. Authorities claim to have arrested a number of snipers from far-left groups attempting to spark new violence, and have called on all government employees to return to work this morning. The general strike proclaimed by leftist groups last Saturday has been suspended.

FOR THE PRESIDENT ONLY

NOTES

The Zaire-based Popular Revolutionary Party, which was responsible for kidnaping three American students and a Dutch student in Tanzania last week, is one of several rebel groups operating in the rugged mountainous area of eastern Zaire bordering Lake Tanganyika.

The rebels are remnants of a variety of private armies, regional political organizations, and secessionist movements that flourished in the early years of Zaire's independence; some of them received some support from China, but none is believed to be so supported now. The kidnaping of the students is the first operation of its kind by the party or by any of these eastern rebel groups. The party's present leader is one Laurent Kabil[redacted]

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[redacted] The Zairian government's counterinsurgency capability in this area is poor.

* * *

[redacted] Thai Foreign Minister Chatchai [redacted] that Thailand and North Vietnam have agreed in principle to establish diplomatic relations.

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The North Vietnamese are reportedly ready to take the step if Chatchai goes to Hanoi for the signing and announcement. The Thai cabinet reportedly has agreed to Chatchai's trip, perhaps as early as next month.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

May 29, 1975

5

~~Top Secret 25X1~~

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declassified on authority of the
Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 29, 1975

Table of Contents

Laos: American officials yesterday reentered the AID and defense attaché compound in Vientiane. The communists may be having trouble consolidating their power. (Page 1)

USSR: The Soviets have offered significant concessions to the West at the Conference on Security and Cooperation in Europe. (Page 3)

Portugal: The Socialists emphasize that their attendance at a cabinet meeting yesterday does not mean they accept the extent of Communist influence in government. (Page 4)

Lebanon: President Franjiyah made a significant concession in designating Rashid Karami to form a new government. (Page 6)

Notes: Thailand-China; Italy (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

American officials yesterday reentered the AID and defense attaché compound in Vientiane without serious incident. The two US marine guards and one American civilian employee inside were unharmed. There are 182 official and 111 nonofficial American personnel still in the Lao capital.

The communists appear to be encountering serious difficulties in consolidating control over some former non-communist areas in northern and southern Laos. North Vietnam, however, is clearly prepared to assist the Lao communists with the logistic and combat support necessary to suppress any resistance. North Vietnamese regulars from the Plaine des Jarres have been committed to action in the area of General Vang Pao's former headquarters at Long Tieng.

According to intercepted messages, Lao communist and pro-communist neutralist forces "entered and seized" Long Tieng, Sam Thong, Bouam Long, and other former Meo strongholds in northern Laos on May 18 without any significant resistance. At least one battalion of Meo tribesmen joined the communists in their occupation efforts, and some 1,600 Meo villagers in Long Tieng agreed to "cooperate" with the Lao communists.

North Vietnamese messages intercepted on May 24, however, indicate that about 500 of Vang Pao's former Meo soldiers had reorganized themselves into three battalions and were "plotting to reoccupy Long Tieng." The messages add that the Pathet Lao had requested the North Vietnamese to bring "urgently" troops, tanks, and artillery into Long Tieng and Sam Thong, to suppress "the die-hard enemy soldiers," and to block the exodus of Meo refugees southward toward the Thai border.

Parts of the North Vietnamese 335th and 866th infantry regiments are participating in this operation, and Hanoi's 25th Engineer Battalion is clearing the way for armor and artillery convoys to enter Long Tieng.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

There are also reports that serious disturbances have broken out in Pakse, Savannakhet, and Thakhek-- three former rightist urban strongholds in southern and central Laos taken over by the Lao communists nearly two weeks ago. The reports are sketchy and confusing, but they seem to suggest major conflict and disagreement between communist troops and student demonstrators over administration of the respective towns. The communists are said to have arrested some demonstrators. Serious rice shortages may exist in all three areas, and this may be contributing to the problems.

The North Vietnamese 128th Infantry Group is closely monitoring the situation in the Thakhek area and making combat preparations. A message intercepted on Tuesday urged units of the 128th to "prepare to make unusually great sacrifices side by side with the Lao communists in their struggle to seize power in Laos."

There are indications in communications intelligence that Hanoi may have ordered the headquarters of the North Vietnamese 968th Division and one of its subordinate infantry regiments to return to southern Laos from South Vietnam, where they have spent the past five months. Both units were last located in April along the South Vietnamese coast in the area of Nha Trang.

If the 968th is going back to Laos, it could be used along with other North Vietnamese combat units already in the southern panhandle to support Lao communist consolidation efforts in Pakse, Savannakhet, and other areas along the Mekong.

FOR THE PRESIDENT ONLY

USSR

The Soviets yesterday offered several significant concessions intended to hasten the conclusion of the Conference on Security and Cooperation in Europe.

The Soviet concessions apparently were timed to influence the NATO summit meeting and to enhance the prospect for a summit-level conclusion to the security conference in July. During lunch with the heads of the US, UK, and French delegations, Deputy Foreign Minister Kovalev offered as a "gesture of goodwill" to accept a number of Western proposals in the area of human contacts and information, which has been the key hurdle to completion of the negotiations. He said the USSR would accept the Western text on international travel, thereby agreeing to the "freer movement" concept of facilitating wider travel.

Kovalev also accepted the Western text intended to prevent the expulsion of journalists engaged in legitimate professional activity; this step is a major Soviet concession on an issue many Western delegates had regarded as hopelessly deadlocked. He added that the USSR would meet the West halfway in terms of a commitment on the subject of family reunifications and would agree to a paragraph on international broadcasting that would not include a statement on national responsibility for such transmissions.

The NATO caucus yesterday afternoon at Geneva concluded that the Soviet delegation probably has been instructed to make further concessions, which may be proffered if the West presses for them with a united front. Negotiations on the Soviet proposals may commence tomorrow in Geneva.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORtUGAL

Socialist Party spokesmen have emphasized that Socialist attendance at a cabinet meeting yesterday does not mean that the Socialists are backing down from their threat to quit the government unless Communist influence is curbed.

A final decision is not expected until party members meet with Armed Forces Movement representatives later this week. The Socialists may have felt compelled to attend yesterday's meeting, which dealt with Angola, after party leader Soares complained last week that major government policies were being formulated without cabinet participation. Soares had cited Angola as one of the serious problems that had not been considered by the cabinet for several months.

The Socialists are encouraged by the decision of the press council that Communist printers were at fault in seizing the Socialist newspaper *República* nine days ago. Information Minister Jesuino told the Lisbon American club that the paper could reopen as soon as the Socialist management wanted.

Despite their defeat in the newspaper dispute, the Communists held a planned demonstration last night in support of the military government. About 10,000 people were addressed by military leaders including President Costa Gomes. Their presence gave the rally an official stamp and may have dealt a blow to the Socialists. The Socialist and Popular Democratic parties accused the Communists of trying to appear to be the only party backing the Movement and refused to take part. Extreme leftists held a demonstration in another part of the city to protest the arrival of eight NATO ships following maneuvers off the Portuguese coast. A crowd estimated at 600 to 1,500 marched on the US embassy, but were turned back by paratroopers.

Prime Minister Goncalves, meanwhile, left for the NATO summit meeting in Brussels after announcing his intention to convince Western leaders that Portugal will remain in NATO. Goncalves may be

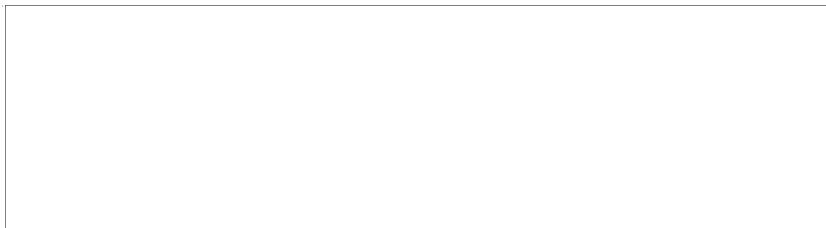
FOR THE PRESIDENT ONLY

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more receptive to NATO as the result of a favorable report made by navy chief of staff and Revolutionary Council member Admiral Azevedo, who returned from a NATO conference last week. Azevedo told journalists last week that Portugal did recognize that Communist participation in its government posed problems for NATO, especially on nuclear matters.

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LEBANON

President Franjiyah made a significant concession yesterday when he designated Rashid Karami, a powerful Sunni Muslim leader, to form a new government.

The two are long-time foes, and Karami, as a condition for serving as prime minister, no doubt demanded and probably was granted greater authority to choose his own cabinet and make policy than his weak predecessors were allowed. Karami has long charged that Muslims are underrepresented in Lebanon's government and has called for fundamental changes in the country's 30-year-old National Covenant, which provides for the distribution of political posts on the basis of what is now only the fiction of a Christian majority in the country's population.

Syria and the Palestinians will welcome Karami's appointment. He is an Arab nationalist and in 1969 gave up an effort to form a government to protest an attempt by former president Hilou to use force to control the fedayeen. Karami later became prime minister after the rights and responsibilities of Palestinians in Lebanon were spelled out in the Cairo Accord of November 1969.

The Phalangists, who have been engaged in a week of armed clashes with Lebanese leftists and radical fedayeen, have long opposed Karami. They nevertheless appear willing to give him a chance; Phalangist leader Jumayyil said yesterday that his party "seeks stability and supports a strong prime minister to ensure this."

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NOTES

Thailand's decision to formalize relations with North Vietnam, perhaps in the near future, may have accelerated plans for recognition of China.

[redacted] the Thai cabinet decided [redacted] to establish diplomatic relations with China by July 1. [redacted] the Thai national security council had recommended that recognition not be granted before September in order to allow the government time to iron out domestic problems, such as the provision of citizenship for Thailand's large overseas Chinese population. The government has already accepted the fact that it will have to sever diplomatic ties with Taipei before recognizing Peking. If Bangkok makes clear its intention to break ties with Taipei, Peking will be prepared to begin formal negotiations at an early date and will probably attempt to move the talks at a rapid pace.

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The campaign for Italy's nationwide regional and local elections on June 15 is in full swing, with debate centering on national political themes.

"Law and order" is generating the most heat. One of parliament's last acts before recessing last week was to pass a law intended to combat rising crime and political violence; none of the parties was satisfied with the final version. The elections are also focusing on the question of broader Communist participation in national policy-making. Christian Democrat leader Fanfani has given a firm "no" to this idea, while Communist chief Berlinguer still maintains that Italy's problems can be solved only by ending "discrimination" against his party, Italy's second largest. [redacted]

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The President's Daily Brief

May 30, 1975

5

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Exempt from general
declassification schedule of E.O. 11162
exemption category 3B(1),(2),(3)
declassified under authority of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

May 30, 1975

Table of Contents

Egypt: Our latest judgment is that President Sadat still is determined to demand clarification of US views on an Arab-Israeli settlement when he meets with you on Sunday. (Page 1)

Canada - South Korea: Ottawa has announced that it has given a loan to South Korea to finance the sale of a Canadian-produced nuclear reactor. (Page 2)

Notes: Egypt; Laos; Portugal; North Vietnam - Thailand; Lebanon; Ethiopia (Pages 3 and 4)

FOR THE PRESIDENT ONLY

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EGYPT

Our latest judgment is that President Sadat still is determined to demand clarification of US views on an Arab-Israeli settlement when he meets with you on Sunday. He is of course worried that the recent expression of support for Israel by 76 Senators might tie the administration's hands.

Sadat has said repeatedly that he is going to Salzburg to listen rather than to offer ideas of his own. His public position is that Egypt's stand is already on record and that the US, having undertaken a reassessment of its Middle East policy, must now enunciate an unambiguous position. Sadat is specifically seeking a clear statement of whether the US commitment to Israel is confined to protecting it within its 1967 borders or also extends to the occupied Arab territories.

Sadat's public utterances have become increasingly more demanding as the Salzburg meeting has neared. In an interview with an Austrian correspondent early this week, he specifically tied, for the first time, his willingness to enter another round of disengagement talks to the demand for a definitive statement of US policy. Asked if he would consent to another effort by Secretary Kissinger to mediate an interim agreement with Israel, Sadat replied that he would, if the US first made an "unequivocal statement, openly and before the world," on the shape of a final settlement.

Egyptian officials, probably including Sadat himself, were angered and disheartened by the letter sent to you last week by the Senators urging strong support and aid for Israel. Many Egyptians, particularly legislators who recently visited the US for extensive discussions with Congressmen, interpret the letter as totally negating their efforts to expand ties with the US and to present a moderate image of Egypt.

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CANADA - SOUTH KOREA

Ottawa announced on May 28 that it had granted South Korea a loan of \$380 million to finance the sale of a Canadian-produced nuclear power reactor. The sale, however, is still contingent upon agreement between the countries on bilateral safeguards arrangements.

There is little disagreement among Canadians on the purely commercial aspects of the reactor sale. Domestic opinion, however, has been uneasy about the possibility that Canada might be contributing to the proliferation of nuclear weapons, especially since India exploded a nuclear device last year using material from a Canadian-supplied reactor. Ottawa has insisted that future prospective purchasers must ratify the Non-Proliferation Treaty and accept bilateral safeguards arrangements covering materials produced by the reactor as well as the technology provided by Canada.

Although South Korea has now ratified the Non-Proliferation Treaty, finalization of the sale still depends on agreement covering bilateral safeguards, especially on the touchy issue of restricting the transfer of Canadian nuclear technology. The tenor of Ottawa's announcement concerning the loan to South Korea may mean that the Canadians feel such an agreement is near.

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NOTES

Egyptian army, commando, air defense, and air force units have been involved this week in a field exercise some 20 miles west of the Great Bitter Lake.

The 3rd Mechanized Infantry Division evidently was pulled back some 25 miles from its positions on the Suez front to take part in the exercise. Other elements of the Third Army--the 3rd Division's parent organization--also are involved. Air defense is being provided by an SA-6 brigade, and air support by planes from at least three airfields. The desert road from Cairo to Suez has been closed since May 24, probably to provide security for Egyptian troop movements related both to the exercise and to the reopening of the Suez Canal on June 5.

* * *

Tension in Laos has eased somewhat following the return of Americans to the AID and defense attaché compound.

Payment has been made to Lao employees of AID and the 900-man civilian guard force, which until recently had provided security for the US mission. Americans are being permitted to enter and leave the compound, but all US vehicles--even with diplomatic plates--are being stopped and searched. Lao Communists are turning their attention to negotiating future aid from the US, which they want to come unconditionally and directly to the coalition government they now dominate.

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Political activity in Portugal came to a standstill today as the population celebrated a religious holiday.

On Wednesday night, internal security troops cracked down on the extreme left-wing Reorganizing Movement of the Proletariat Party, closing party headquarters throughout the country and arresting at least 200 people. The Reorganizing Movement was officially banned by the government last month, but until now there had been no effort made to prevent party members from organizing demonstrations.

(continued)

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A joint communiqué yesterday concluding discussions in Bangkok between North Vietnam and Thailand indicates that several problems must still be ironed out before diplomatic relations between the two countries can be established.

The communiqué states that the Thai delegation has accepted an invitation to resume negotiations in Hanoi, but that a date has not yet been set. At the airport before his departure, North Vietnam's chief delegate would not elaborate on the details of the talks. He indicated, however, that formal relations with Bangkok might be established sometime within the next three months. His remarks suggest that the US military presence is still the main stumbling block to normal relations with Bangkok, but his reference to a three-month time frame indicates that the problem is not insurmountable.

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Lebanon's premier-designate Rashid Karami spent yesterday talking to political leaders about the formation of his cabinet.

According to late press reports, he will see President Franjiyah today to discuss his choices. The strong measures he has ordered against snipers have had some effect--Beirut yesterday had its quietest day in many weeks.

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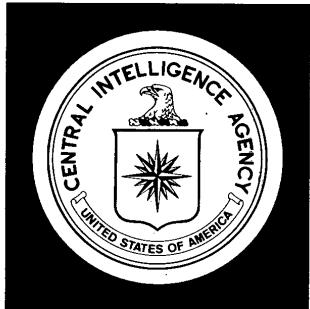
Ethiopian government forces in recent weeks have stepped up pressure against the rebels in Eritrea Province, raising the level of fighting there higher than it was in April.

Last week, government troops supported by air strikes launched a brigade-size operation north of Asmara that has resulted in heavy casualties on both sides. The sweep is designed to blunt a rebel offensive reportedly planned for June or July. Serious unrest continues in at least nine of Ethiopia's thirteen other provinces. None of this unrest--much of it led by local landlords opposed to land reform--is a direct threat to the military council, but security forces have in some instances suffered numerous casualties in fights with dissidents.

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The President's Daily Brief

May 31, 1975

5

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FOR THE PRESIDENT ONLY

May 31, 1975

Table of Contents

Portugal:

25X1

In Lisbon, the Socialists and Armed Forces Movement have reached a new agreement.
(Page 1)

Laos: Vientiane remains calm, at least on the surface. (Page 3)

Lebanon: There was some brief fighting yesterday, but the joint Lebanese-Palestinian patrols have been increasingly effective. (Page 4)

25X1

Italy:

(Page 5)

25X1

Notes: ILO-PLO; Panama; Australia (Page 6)

FOR THE PRESIDENT ONLY

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PORtUGAL

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In Lisbon, [redacted] the Socialists and the Armed Forces Movement have reached an agreement that appears to ease tension between them.

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[redacted]

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We have seen signs that separatist sentiment is on the rise in the Azores. [redacted]

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[redacted] Of the approximately 1,000 Portuguese army troops stationed in the islands, nearly all are Azorean natives. [redacted] these troops [redacted] might be joined by the roughly 600-man police and Fiscal Guard forces.

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Opposition would likely come from navy and air force units--numbering about 200 and 650, respectively--which are principally composed of mainland troops and officers. The air force contingent could be especially critical, for it controls Lajes airfield [redacted] which would be vital to reinforcing the islands quickly. The sailing time from Lisbon to the Azores is 60 hours.

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[Redacted]
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The agreement between the Socialists and the Armed Forces Movement was reached at a meeting in Lisbon last night. A statement issued by the Revolutionary Council said military leaders recognize "distortions" in Portugal's political structure and promise to correct them--a concession to the Socialists who have been demanding that the army curb the disproportionate influence of the Communist Party. The Socialists, in return, agreed to end their boycott of cabinet sessions.

No mention was made in the Revolutionary Council's statement of the closing of the Socialist daily newspaper Republica, the issue that triggered the Socialist boycott. Information Minister Jesuino had previously stated that the paper will be opened as soon as the Socialist management requests. Even if the government allows the paper to reopen, its editor is convinced Communist printers will forcibly prevent its being published.

The Socialists should take heart from the opening of the constituent assembly on Monday. The Socialists control nearly half the seats, and their candidate will probably be elected assembly president. The assembly will provide a public forum for the moderate political parties, even though the Armed Forces Movement will make certain the assembly stays well within acceptable limits.

FOR THE PRESIDENT ONLY

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LAOS

*Vientiane remains calm, at least
on the surface.*

American officials are going about their normal duties at the USAID and defense attaché compound, but--in contravention of the terms of an agreement concluded with Pathet Lao ministers and leftist student demonstrators earlier this week--some members of the capital's joint police force remain on patrol inside the compound. Most of these police are Pathet Lao.

The evacuation of American dependents and other nonessential personnel is continuing. As of May 30, some 153 official and 109 nonofficial American personnel were still in Vientiane. The US mission will be down to about 50 by the end of next week.

The Pathet Lao, meanwhile, are continuing to strengthen their troop position in Vientiane. According to officials of the [redacted] [redacted] there may now be more than 5,000 Lao communist troops in the capital, and their number appears to be increasing daily. In addition, there are reports that a Pathet Lao battalion, along with a dozen light tanks, is located on the capital's northern outskirts, and that still another battalion is situated near Vientiane's southeastern suburbs.

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LEBANON

Fighting--apparently initiated by extreme leftists--resumed briefly in Beirut yesterday. Overall, however, the joint Lebanese-Palestinian patrols have been increasingly effective in separating Phalangist and fedayeen forces.

Prime Minister - designate Karami, meanwhile, completed his formal consultations with political and religious leaders on Thursday. He is said to favor a broadly representative government composed of technocrats who are neither members of parliament nor closely identified with the country's major political parties. Such a group would enhance his personal power.

President Franjiyah reportedly wants an enlarged parliamentary cabinet drawn from all political factions. Such a body would be more likely to act as a check on Karami, thereby preserving greater authority for Franjiyah.

Socialist leader Jumblatt insists that no representatives of the Phalange be included in the new cabinet. He will probably back down if his own Progressive Socialist Party is offered strong representation.

These differences may delay formation of a government for several days.

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ITALY

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FOR THE PRESIDENT ONLY

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NOTES

The 60th conference of the International Labor Organization opening next week in Geneva may grant observer status to the Palestine Liberation Organization.

Much of the support for the Palestinians comes from an agreement reached last year between the Arab League and the Organization of African Unity to back the demands of national liberation movements for observer status in international organizations. Government, employers, and workers are represented separately within the national ILO delegations. Foreign delegations will be especially concerned over the reaction of the US workers' delegation--made up of AFL-CIO members--inasmuch as the foreigners are aware that the AFL-CIO has strongly opposed any acceptance of the PLO.

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Panamanian chief of state Torrijos has relieved Juan Tack as foreign minister, but Tack is to continue full-time as chief Panamanian negotiator on the canal treaty.

Top government officials have been apprehensive about the prospects for an early conclusion to the negotiations and the apparent strength of opposition in the US Senate to a new treaty. Torrijos probably acted to demonstrate the high priority his administration places on securing such a treaty and on its strong desire for the talks to resume. Jaime Arias, a prominent Panama City lawyer and canal negotiator, is in line to become foreign minister.

* * *

The expected resignation of Australia's moderate Defense Minister Lance Barnard will complicate the Labor government's already difficult parliamentary position.

The front-runner for the defense job appears to be left-winger William Morrison, now science minister. Although Morrison has questioned Australia's alliance with the US [redacted] Prime Minister Whitlam has defended them and is expected to assure their tenure.

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