



The President's Daily Brief

March 1, 1975

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~~Top Secret~~ 25X1

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exemption category 5B(1),(2),(3)
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FOR THE PRESIDENT ONLY

March 1, 1975

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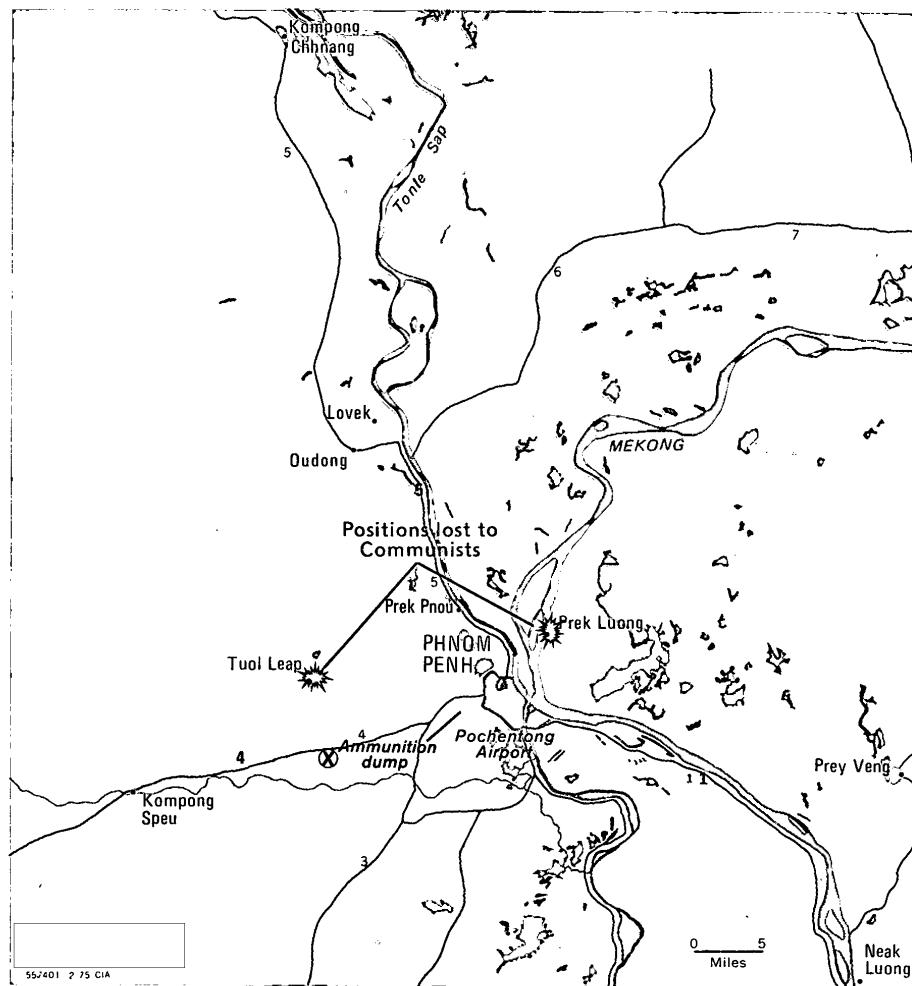
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Vietnam: North Vietnamese infiltration into South Vietnam continued moderately heavy during the past month. (Page 5)

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FOR THE PRESIDENT ONLY

CAMBODIA: Phnom Penh Area



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FOR THE PRESIDENT ONLY

CAMBODIA

The capture of Tuol Leap by the Khmer communists yesterday gives them control of approaches to both the ammunition dump at Kantouk and the airfield at Poherentong. Units of the Cambodian army's 1st and 2nd divisions are reinforcing troops in the area in an effort to retake Tuol Leap.

Government forces northeast of Phnom Penh have abandoned Prek Luong and have evacuated some 300 troops to the capital. This places the communists much closer to Phnom Penh, and increased rocket attacks against the capital can be expected.

Southwest of Phnom Penh the situation appears to be holding. Elements of the 3rd Division are moving to reinforce some positions that have been maintained against repeated communist attacks since early this week.

Cambodian army clearing operations on Route 1 along the Mekong River have made little progress.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The growing climate of political turmoil in Portugal has spawned new reports of plotting among rightist military officers to overthrow the ruling Armed Forces Movement. There may be some substance to these reports, but we have no persuasive evidence that rightist groups could garner enough support within the country to make a takeover stick even if they were initially successful.

The leftist-dominated Armed Forces Movement is well entrenched, well armed, and willing to fight to maintain its supremacy. An unsuccessful coup attempt would provide an excellent opportunity for radicals within and outside the Movement to consolidate their power.

The only Portuguese military units that have shown signs of willingness to support a rightist coup effort are:

--A paratroop battalion in Tancos, 75 miles northeast of Lisbon, which is commanded by an officer who reportedly had participated in earlier plotting to restore former president Spinola to power.

--A commando regiment in Amadora, just outside Lisbon.

--Cavalry troops stationed at Santarem, about 40 miles northeast of the capital.

--Some personnel at the military academy in Lisbon.

[redacted] the various anti-regime plotters are determined to act before the election of a constituent assembly on April 12, even though most Portuguese believe the Communists will not do well at the ballot box. The recent declaration by the Armed Forces Movement that, in effect, perpetuates its power after the election may have made the election seem pointless to the rightist plotters and given momentum to their plans.

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FOR THE PRESIDENT ONLY

EGYPT-PALESTINIANS

Egyptian officials and information media this week launched a verbal counterattack on the Palestinians for their continued sniping at Egypt's Middle East policies and negotiating tactics.

President Sadat personally snubbed the Palestinians on Thursday by stating he was unwilling to receive a delegation that the PLO wanted to send to Cairo to resolve current differences. In a reference to the organization's inability to speak with one voice, Sadat said he would talk only with the PLO's entire governing executive committee.

Sadat's move was a direct response to a communiqué issued by the PLO on Wednesday, in which the Palestinians allege that Cairo is preparing to abandon their cause for the sake of limited territorial gains in the Sinai. Since Secretary Kissinger's most recent trip to the area, the Palestinians have repeatedly charged that present settlement efforts are a plot by the US and Israel to find a "partial solution" separating Egypt from Syria and the Palestinians.

Sadat's action is but one more step in his continuing effort to put his dealings with the Palestinians on a more formal basis. By doing so, he could spare himself some of the frustration of attempting to assuage Palestinian sensibilities on a day-to-day basis. Despite his statement on Thursday, Sadat really prefers to deal only with Arafat, who is among the more rational PLO leaders. Sadat has relegated dealings with lesser figures to Foreign Minister Fahmi.

Egyptian newspapers this week attacked the Palestinians, decrying the "hysteria of some who are called Arab revolutionaries." In somewhat defensive language, one editorial argued that the Arabs base their policy on UN resolutions, and that Egypt is simply working toward the implementation of those resolutions.

The Palestinians retaliated against Sadat yesterday by recalling to Beirut the Cairo representatives of the PLO. A Palestinian spokesman had said earlier that Yasir Arafat is not likely to make the visit to Egypt that had been expected soon.

FOR THE PRESIDENT ONLY

ISRAEL-LEBANON

The quiet situation prevailing along
the Lebanese-Israeli border appears to be
[redacted] agreement between
the two governments. [redacted]

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The Lebanese army's enforcement of the "truce"
rests on [redacted] arrangement worked out
with the Palestine Liberation Organization to help
restrain fedayeen cross-border operations against
Israel. Continuation of the situation thus depends
ultimately on the PLO's willingness and ability to
control its own and allied guerrilla forces. Only
one incident resulting from fedayeen infiltration
from southern Lebanon has been reported since the
"truce" went into effect on January 31.

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[redacted] Tel
Aviv agreed to limit retaliation for minor border
incidents in return for a Lebanese commitment to
control the fedayeen. [redacted]

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[redacted] Israel wants
to keep things cooled down, particularly in the
present pre-negotiation period.

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[redacted] Beirut and
Tel Aviv are anxious to avoid a repetition of the
violent incidents in January that culminated in a
major Israeli military operation to drive the feda-
yeen from the southern Lebanese village of Kafr
Shuba. Israel is said to be concerned that further
incidents might drive Lebanon to accept substantial
military aid from the Arab states.

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The Lebanese government has, in fact, been
under pressure both at home and from other Arab
states to improve its military forces in the wake
of the Kafr Shuba incident. Syria and Libya report-
edly have already provided the Lebanese with limited
numbers of SA-7 ground-to-air missiles, antiaircraft
guns, and some ammunition.

FOR THE PRESIDENT ONLY

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VIETNAM

North Vietnamese troop infiltration to South Vietnam continued at a moderately heavy rate during the past month, with approximately 22,000 men starting the trek south.

Hanoi's infiltration effort is running about a third higher than a year ago. During the first three months of the current dry season, the North Vietnamese concentrated on moving manpower to the provinces around Saigon and to the highlands.

For the first time since last summer, troops have also been sent in recent weeks to the north-central coast. As the dry season progresses, it is likely that Hanoi will slow its flow of troops to the southern areas and increase the numbers going to the northern provinces. Last year, Hanoi stopped sending troops to the highlands and the provinces around Saigon in April.

The new troops should reach their destinations during the next few weeks. They appear to be more than sufficient to replace communist losses and strengthen units in preparation for the next round of fighting.

FOR THE PRESIDENT ONLY

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NOTES

Canada has decided to give priority attention to renewing the North American air defense agreement. The government's decision came after our expression of concern over its delay in renewing the joint defense arrangement.

An official of the External Affairs Ministry has told one of our embassy officers that the renewal agreement had received departmental approval and had been sent to the cabinet for final review and consent. He was sure that the Canadian draft would be ready well before the US-Canadian meeting on the subject set for March 18. The Canadians favor renewal of the treaty before it expires on May 12. They want to alter it, however, to give them more control of their airspace, as well as of their forces during emergency alerts. They also want to extend the accord for five years rather than the present two.

* * *

The EC Council meets in Brussels on Monday and Tuesday, hoping to wrap up the details of Britain's ten-month renegotiation of its EC membership terms and to prepare for a meeting of the nine EC heads of government a week later.

Our embassy in London concludes from conversations with government and party leaders that, after the heads of government meeting, the Wilson government expects to announce its demands have been met and to recommend continued membership in the EC. Although EC agricultural policy has been a subject of prime British concern, London is probably prepared to live with the limited modifications already adopted. The chief British demands that remain unresolved concern the EC budget and the EC regional development fund. Agreement on these seems likely, perhaps with slight modifications.

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The President's Daily Brief

March 3, 1975

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FOR THE PRESIDENT ONLY

March 3, 1975

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Cambodia: Heavy fighting continues along the western approaches to Phnom Penh. (Page 1)

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Peru:

[Redacted]

(Page 3)

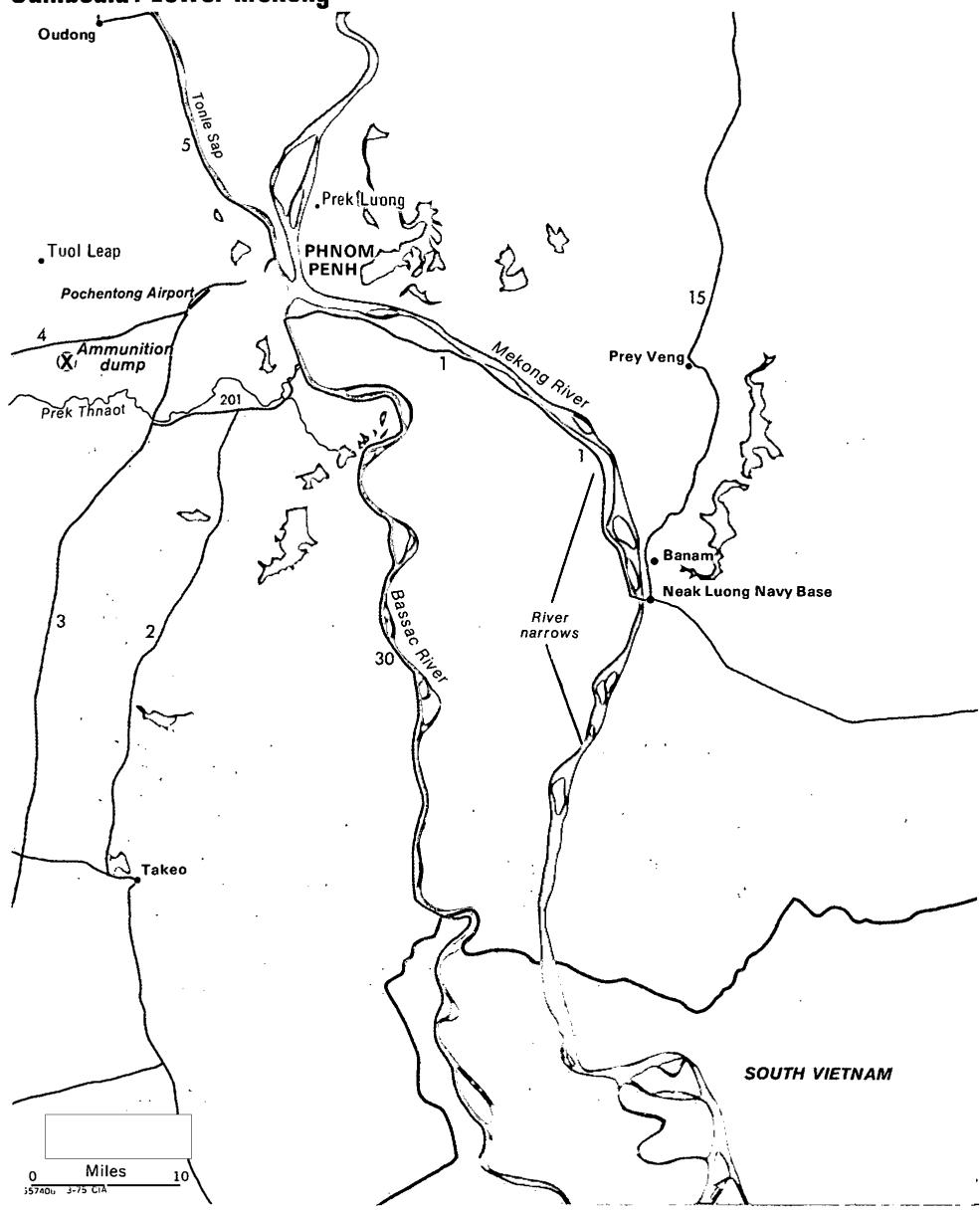
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Notes: Ethiopia; Lebanon; West Berlin (Pages 4 and 5)

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

Heavy fighting continues along the western approaches to Phnom Penh. Government forces that are attempting to retake Tuol Leap have encountered stiff resistance from a large, well-equipped communist force. The airfield at Pochentong continues under rocket attack.

Southwest of Phnom Penh, government reinforcements have reached a unit of the 3rd Division which had been encircled and under heavy pressure since last week. Operations to link up with another cut-off position have been suspended, but are scheduled to resume tomorrow. The relief of these positions should free some units of the 3rd Division for operations against communist units to the north of Route 4.

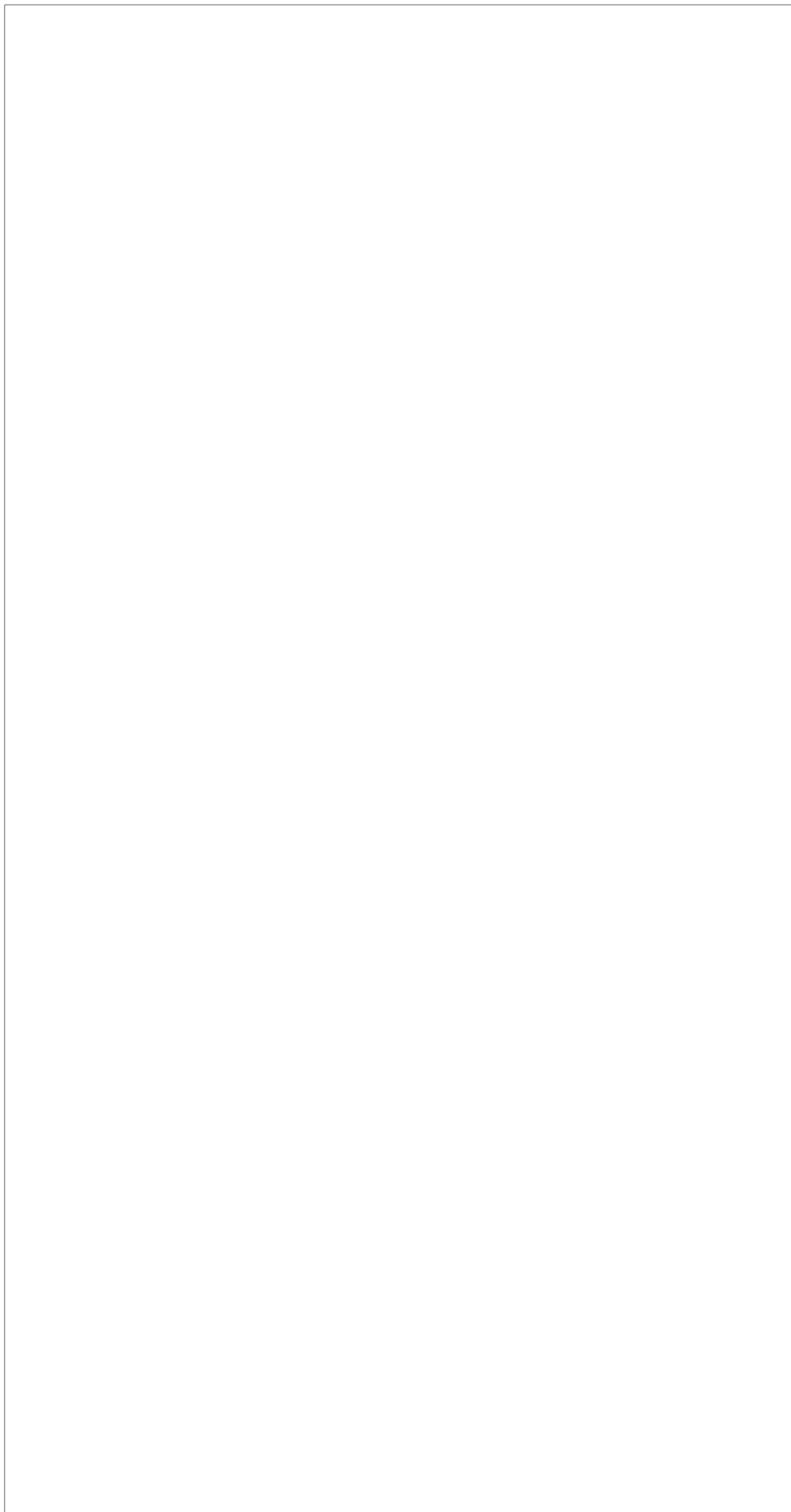
Communist attacks are expected to continue northeast of the capital. A naval resupply convoy reached two government posts in the area last night and replenished dwindling ammunition stocks.

Along the Mekong, communist attacks continue against Neak Luong and Banam. Government forces are continuing clearing operations on an island just north of Neak Luong but reportedly have abandoned a position to the southeast. This loss could hinder efforts to reinforce the remaining government position near the southern narrows, which has come under intensified enemy attack over the past few days.

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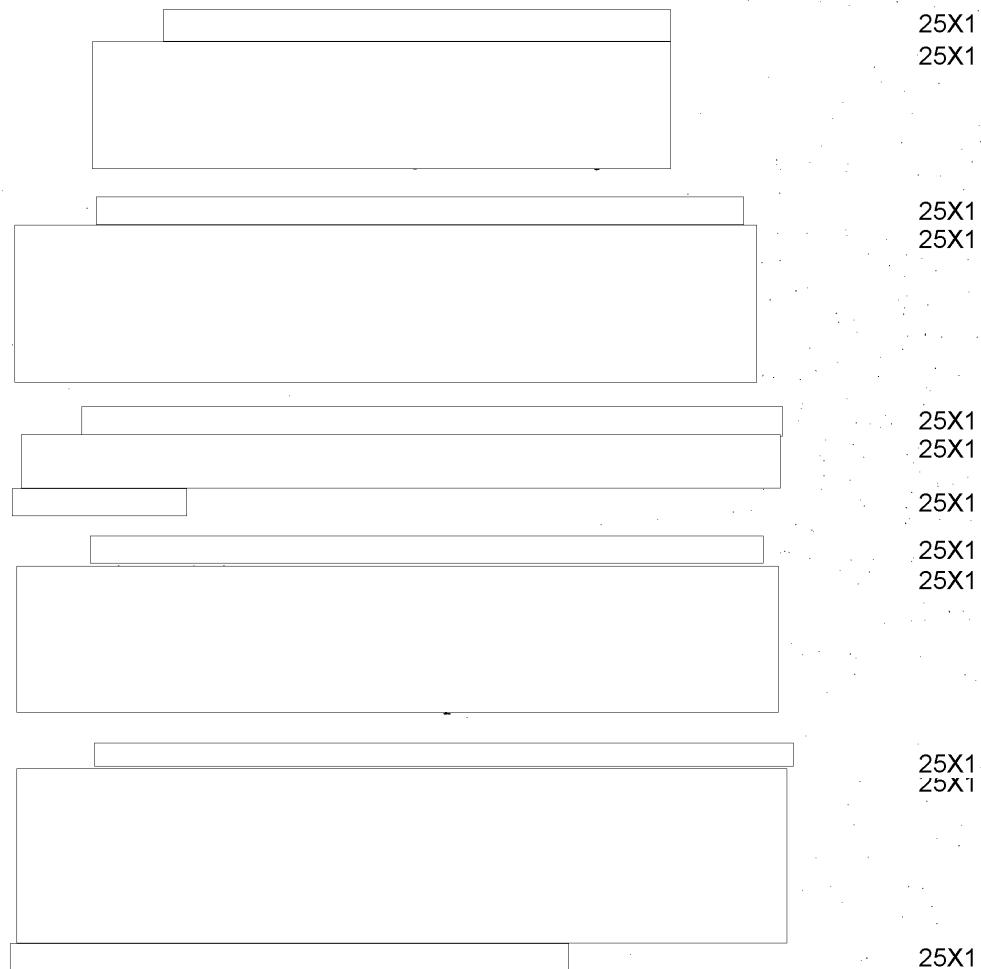
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NOTES

Ethiopia's ruling military council has adopted a more favorable attitude toward Sudanese President Numayri's peace proposal for Eritrea.

An authoritative Ethiopian source told a US embassy officer Friday that a government delegation will leave soon for Khartoum apparently to hold discussions with rebel representatives there. Prospects for productive negotiations, however, remain slim. The Ethiopians continue to insist that discussions must be within the framework of Ethiopian national unity. The rebels, for their part, continue to demand that the government first recognize Eritrea's right to independence before negotiations begin.

* * *

Clashes in several cities in southern Lebanon between army units and leftist and fedayeen forces continued over the weekend. A general strike called to protest the army's intervention has paralyzed the ports of Sidon and Tyre.

A demonstration in Sidon last week over fishing rights, which started the trouble, may have been a ruse by radical fedayeen and leftists to draw the army into conflict with the commandos and thereby embarrass the leadership of the more moderate Palestine Liberation Organization in its relations with the Lebanese government. Prime Minister Suleiman Jumblatt has been consulting [redacted] with PLO leaders and with Lebanese Socialist leader Jumblatt in the hope that they will be able to restrain the radicals. Both PLO leaders and Jumblatt will move carefully, however, lest they be identified with the government's position and alienate their generally anti-government supporters.

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FOR THE PRESIDENT ONLY

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West Berlin's Christian Democrats, whose candidate for mayor was kidnaped by terrorists last week, won a plurality of 44 percent in yesterday's election, but the Social Democrats may still be able to control the city's government.

Peter Lorenz, the Christian Democrats' mayoral candidate, is still captive and no new government will be formed until after negotiations with his abductors. Social Democratic Mayor Schuetz hopes to stay in power by forming a coalition with the Free Democrats. Together the two parties would have a ten-seat edge in the city's House of Representatives. Voter sympathy for Lorenz figured in the Social Democrats' setback, and Christian Democratic use of the law-and-order issue may hurt them seriously in four other state elections this spring.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

March 4, 1975

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FOR THE PRESIDENT ONLY

March 4, 1975

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Thailand: The vote of confidence on Seni Pramot's proposed coalition government is scheduled for Thursday. (Page 3)

Korea: Last week's incident off the west coast of Korea has again raised the issue of North Korean access to international waters south of the "Northern Limit Line." (Page 4)

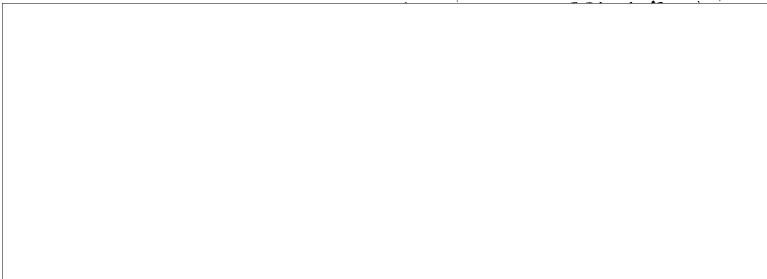
Notes: Israel; Lebanon; Portugal; Ethiopia
(Pages 5 and 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA - NORTH VIETNAM

Signs of tension in China's relations with North Vietnam appear to be on the upswing, in the wake of the increased fighting in South Vietnam. Hanoi has long held the view that Peking has been stingy in its aid to the war effort in the South, while Peking is concerned that Hanoi might, at China's expense, seek to expand its influence in all of Indochina.



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Peking's press coverage on increased fighting in South Vietnam has been remarkably reserved. The Chinese, as expected, have treated communist battle initiatives as "defensive," but Peking has paid little attention to the successes these actions have produced. Peking's publications continue to assert China's historic claims to sovereignty over the Paracel Islands, perhaps partly in response to reported North Vietnamese protests over the Chinese military action there in early 1974.

The current situation in Cambodia is almost certainly influencing Peking's wary attitude toward North Vietnam. As the Khmer communists, whose ties with Hanoi are apparently closer than those with Peking, draw nearer to a military victory in Cambodia, Chinese fears of North Vietnamese influence in Phnom Penh almost certainly grow. The Chinese also seem concerned about increased Soviet influence on the Khmer communists, both direct and indirect through Hanoi, in the event of an early communist victory.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

China apparently does not believe that the communists will win a quick victory in South Vietnam and apparently would prefer a continuation of the present situation. A quick victory, together with a communist take-over in Cambodia, would lead to serious problems for Peking. Chinese leaders surely recognize that the consequent absence of a strong US presence in Indochina would bring Peking into more direct and costly competition there with both North Vietnam and the Soviet Union.

At the same time, however, the Chinese are obviously interested in maintaining their equities with North Vietnam. The delivery in early February of eight MIG-19 fighters to Hanoi was probably a sop to North Vietnam's desire for additional military support. A Chinese military delegation arrived in Hanoi last week almost certainly to discuss the Cambodian situation with Vietnamese officials. The delegation is probably also intended to balance the visit to Hanoi last year of a high-level Soviet military group.

FOR THE PRESIDENT ONLY

THAILAND

The oft-postponed vote of confidence to decide the fate of Seni Pramot's proposed coalition government is now scheduled to take place on Thursday.

The vote promises to be close. As a member of the small political center, Seni apparently is looking to the left to ensure his victory. This might explain press reports that he will propose in his policy statement to the assembly on Thursday that all US forces be withdrawn from Thailand within 18 months. The socialists have indicated that they will not support a Seni government unless it sets a timetable for US withdrawal. This is a condition, however, that the Thai army and the political right may not be willing to accept if the situation in Indochina continues to deteriorate.

The conservative faction, meanwhile, believes it has the strength to defeat Seni if the vote of confidence is taken by secret ballot. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

KOREA

The incident off the west coast of Korea on February 26 has again raised the issue of North Korean access to international waters south of the seaward extension of the Demilitarized Zone--the UN Command's unilaterally declared "Northern Limit Line."

The appearance of eight North Korean fishing boats and two military escort craft in the area west of Inchon is not unprecedented, though a group this size is something new in recent years. Indeed, the group's size and the presence of escort craft suggest that Pyongyang planned the incursion to probe the limits of South Korean (and US) tolerance of North Korean activity in the seas west and south of the Northern Limit Line.

Pyongyang seeks to draw world attention to a situation in which its vessels are denied passage through international waters, hoping that South Korea and the US will show greater restraint in enforcing the Northern Limit Line--much as we have in the area of the west coast islands. In concrete terms, the North wants a share of valuable fisheries, guaranteed access for merchant ships to its growing port at Haeju, and a stronger claim to a share of seabed resources, including oil, in the Yellow Sea.

It is difficult to say whether the North will dispatch additional craft to the contested area during the current fishing season. If Pyongyang were convinced that new incursions would not lead to another military response and new ship losses, it would almost certainly continue to probe. The North Koreans thus may decide to see how the overall South Korean and US position develops in the aftermath of the latest incident before they make further moves.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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A cease-fire in southern Lebanon between the army and leftist and fedayeen forces went into effect late Sunday.

The agreement has stopped most of the fighting, at least temporarily, although there are still some clashes. A general strike also is still in effect in Sidon and Tyre. Palestine Liberation Army officers are convinced that radical fedayeen from the so-called "rejectionist" groups infiltrated Sidon during the fighting. The major fedayeen groups have remained on the sidelines, and their Beirut headquarters continue to counsel them to remain calm.

* * *

Portugal's moderate civilian politicians are cautiously optimistic that an acceptable compromise can be worked out with the Armed Forces Movement on the military's continuing role in Portuguese politics.

Their hopes may be premature, however, since only the first round of negotiations has been completed, and the Movement has yet to respond to the politicians' counterproposals. Should the Movement refuse to budge, the political parties might be unwilling to press their objections. The start of the campaign for the constituent assembly elections is tied to an agreement on the program. The beginning of the official campaign period has already been postponed from March 3 to March 20, and any further delay would probably mean a postponement of the elections, now scheduled for April 12.

FOR THE PRESIDENT ONLY

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Ethiopia's ruling military council took a major step toward its avowed goal of a socialist Ethiopia today by announcing the abolition of the country's feudal land-tenure system.

Private land holdings will be limited to about 25 acres, according to press reports. Preparations for the proclamation have been closely held. [redacted] [redacted] the council anticipates considerable unrest in rural areas as peasants move against large landowners.

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March 5, 1975

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Cambodia: Government troops continue to give ground northeast of Phnom Penh. (*Page 1*)

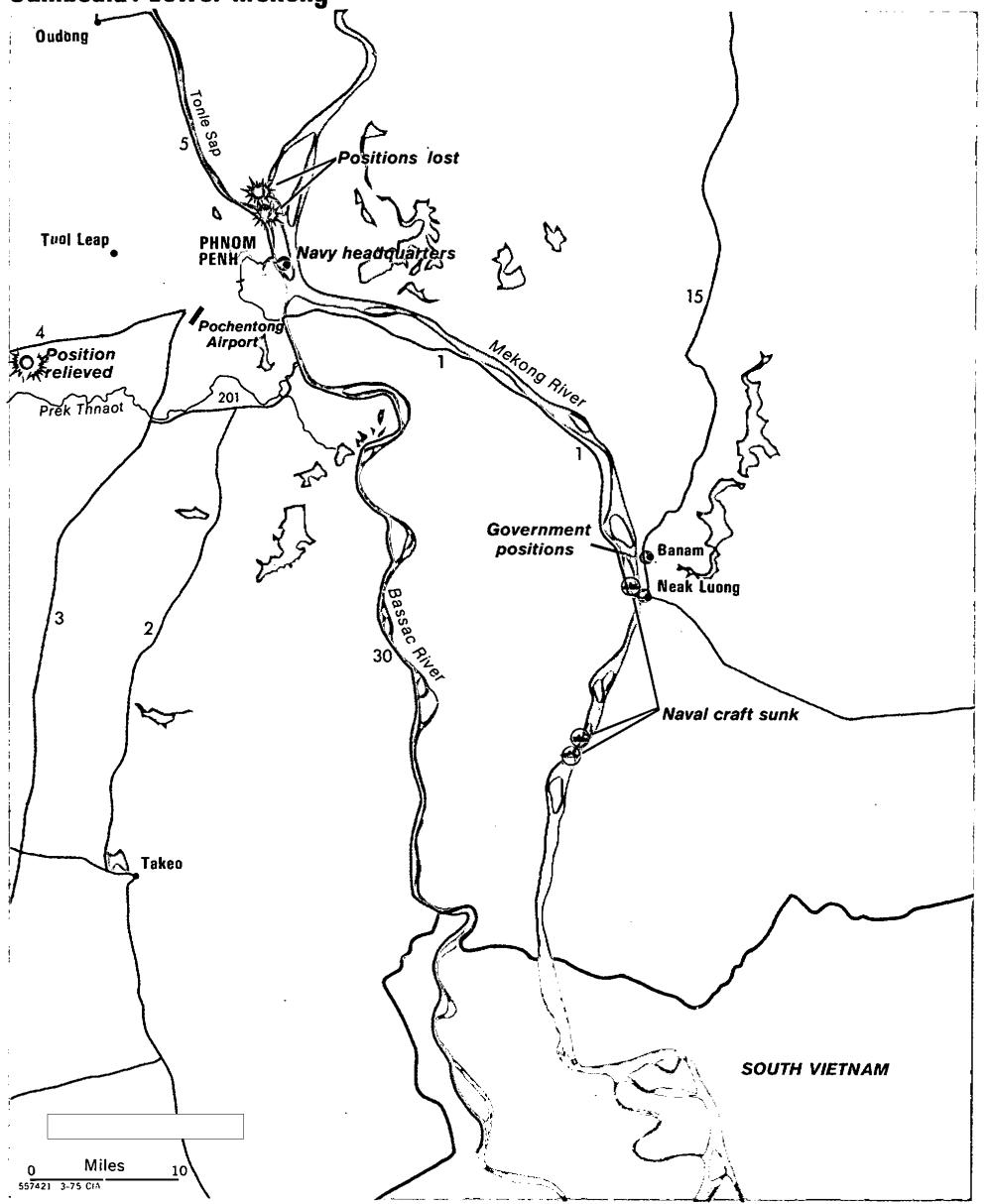
Palestinians-Egypt: Leaders of the PLO are moving cautiously to repair Palestinian-Egyptian relations. (*Page 2*)

Ethiopia: The land reform program will almost certainly lead to widespread rural unrest. (*Page 3*)

Notes: Israel; Peru; Turkey (*Pages 4 and 5*)

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

Government troops continue to give ground northeast of Phnom Penh, but relief forces have broken the communist encirclement near Route 4 and are assisting in an operation to retake the town of Tuol Leap.

Two government positions on the west bank of the Mekong have fallen so far this week, and the communists have begun to mortar the Cambodian navy's headquarters from newly won territory on the east bank. Farther south on the Mekong, the communists are keeping steady pressure on the navy's base at Neak Luong and have kept it cut off from the nearby town of Banam. The government lost two landing craft yesterday, and a patrol boat was sunk near Neak Luong.

Recent intercepted messages have reflected communist efforts to get into position so that they can fire artillery against Pochentong airport.

The communists are expecting fresh arms deliveries from Hanoi, and fragmentary intercepted messages suggest that the materiel should have already arrived. Prince Sihanouk claimed in a press interview last week that Hanoi had agreed to increase its deliveries in response to our airlift to Phnom Penh.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**PALESTINIANS-EGYPT**

Leaders of the Palestine Liberation Organization have been chastened by President Sadat's uncharacteristically strong reaction to the PLO policy statement of February 26 condemning step-by-step negotiations and are now moving cautiously to repair the damage to Palestinian-Egyptian relations.

The head of the PLO political department, Faruq Qaddumi, is soon to lead a Palestinian delegation to Cairo to meet with Egyptian Foreign Minister Fahmi. The group can be expected to minimize the importance of the offending PLO statement and argue that the Palestinians were condemning the US rather than Egypt.

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[redacted]

On Monday, a Palestinian radio broadcast from Cairo claimed both sides had agreed to "contain the crisis for the sake of Arab unity." Second-level Palestinian leaders have publicly called for a return to normal relations with Egypt. The Palestinians nevertheless continue to oppose another agreement between Egypt and Israel and are also continuing quiet efforts to marshal Arab support for their position.

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There is no indication that President Sadat, who will probably be meeting with Secretary Kissinger in Aswan when the Palestinians arrive, will meet with the delegation. Sadat has given no sign that he has backed down from his demands that the PLO either withdraw its policy statement or send the entire PLO executive committee to Egypt to iron out Palestinian-Egyptian differences. The Qaddumi visit, however, could clear the way for a subsequent meeting between Sadat and PLO Chairman Yasir Arafat, who has yet made no public comment on the contretemps.

Should the Egyptian efforts ultimately produce nothing for the Palestinians, and should the Palestinians be excluded from the negotiating process, Arafat would quickly revert to more militant tactics and endorse further fedayeen terrorism. The US embassy in Beirut considers that Arafat is keeping this option very much open.

FOR THE PRESIDENT ONLY

ETHIOPIA

The land reform program announced yesterday by the ruling military council will almost certainly lead to widespread rural unrest.

Powerful landowners, especially those already in armed opposition to the military regime, will oppose the land use edict, which restricts holdings to about 25 acres. In the northern provinces they may be joined by small farmers and peasants unwilling to see an end to communal ownership of tribal lands.

In the southern provinces, where the land tenure system has been characterized by absentee ownership and ownership of large estates by aristocrats, the government seems to be banking on peasant support to neutralize landowners who are political opponents of the council. Tribal differences between landowners and tenants in the south have long been the cause of animosity and hostility in that region.

The council yesterday also announced a major reshuffle in the civilian cabinet, apparently in an effort to improve administrative effectiveness. The changes removed several ministers who were appointed to serve under executed former prime minister Endalkatchew. Mikael Imru, another former prime minister who was serving as information minister, has now become political adviser to the chairman of the council.

In Eritrea Province, government forces and rebels have engaged in numerous firefights during the past three days. [redacted]

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FOR THE PRESIDENT ONLY

NOTES

The rightist Likud bloc is planning protest demonstrations in Israel during the Secretary's visit to the Middle East.

These protests--directed primarily against any further Israeli concessions without getting a formal peace agreement from Egypt--are likely to marshal substantial public support. The bloc's criticisms of US policy parallel broader popular concern that the Rabin government may be forced to concede "something for nothing" to Egypt. Prime Minister Rabin's immediate problem, however, is not Likud, but the conservatives within his cabinet, principally Defense Minister Peres. According to the latest embassy assessment, Peres is sticking to a hardline position and even casting doubt on the worth of any Egyptian non-belligerency declaration that might be attained in return for Israeli withdrawal from the Sinai oilfields and passes.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Turkish prime minister - designate Sadi Irmak's announced intention to form a "national coalition" of the country's two largest political parties appears to have been dashed.

Justice Party leader Suleyman Demirel said yesterday that his party will not participate in the coalition. Irmak will probably continue to negotiate with other parties in the hope that he can form a coalition including former prime minister Ecevit's Republican Peoples Party, the Democratic Party, and a few independents. Should Irmak fail to break the political impasse, he could continue as caretaker for the time being. President Koruturk's prestige is clearly on the line, however, and there are rumors that if a new government is not formed by March 6, he might resign.

FOR THE PRESIDENT ONLY

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March 6, 1975

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South Vietnam: The upsurge in fighting in the central highlands suggests that the North Vietnamese have started their spring campaign in that area. (Page 2)

Cyprus: An anti-American campaign in the Greek Cypriot press could inspire further violence against US personnel and facilities. (Page 3)

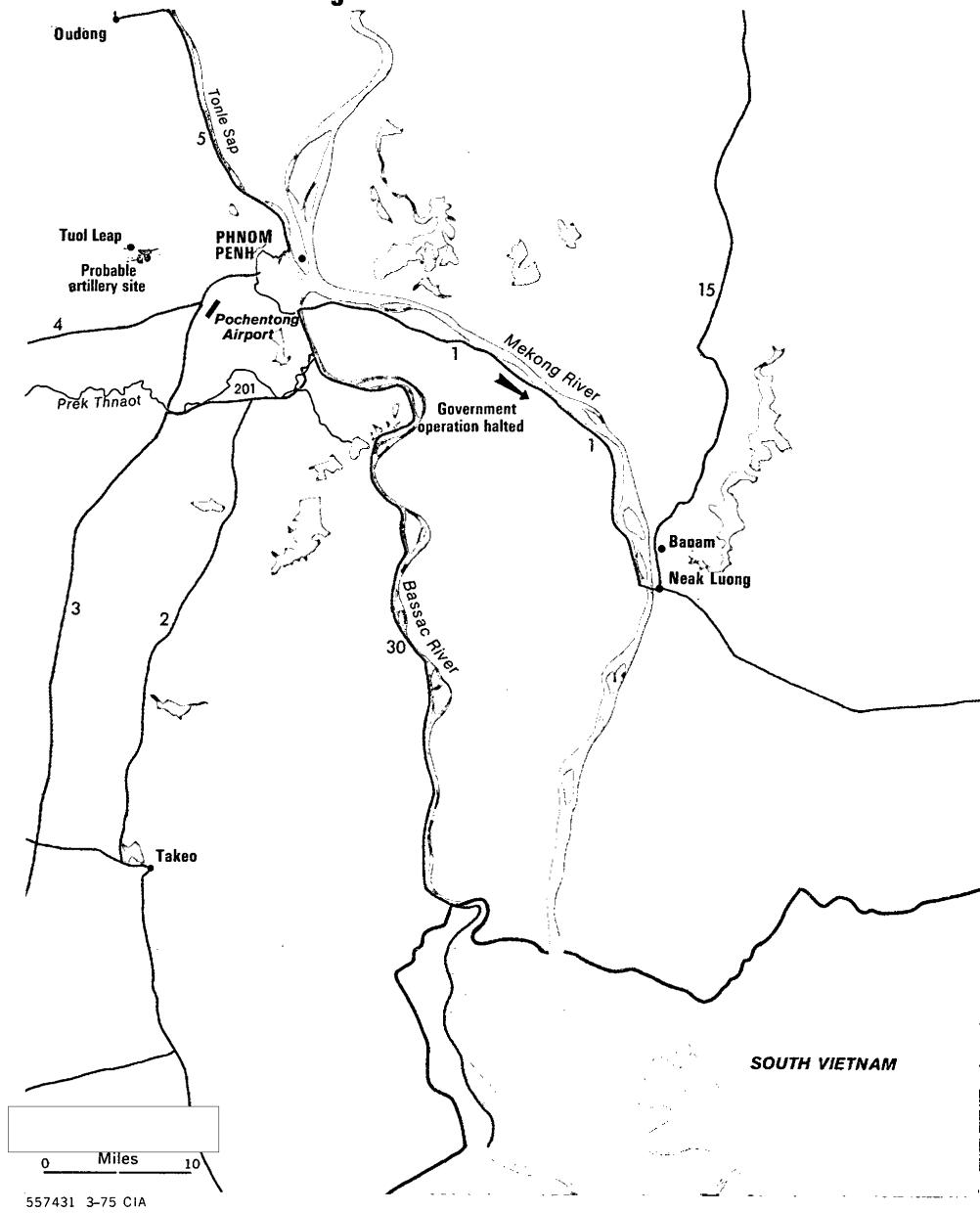
Israel-Fedayeen: The fedayeen raid on Tel Aviv yesterday should have no adverse effects on the coming Egyptian-Israeli negotiations, but could have serious repercussions in Lebanon.
(Page 4)

Syria: President Assad continues his efforts to pressure Egypt to link a Sinai accord with progress on the Syrian front and on the Palestinian question. (Page 5)

Notes: Israel; Kuwait; OPEC; USSR-Indochina; South Korea - France (Pages 6 and 7)

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



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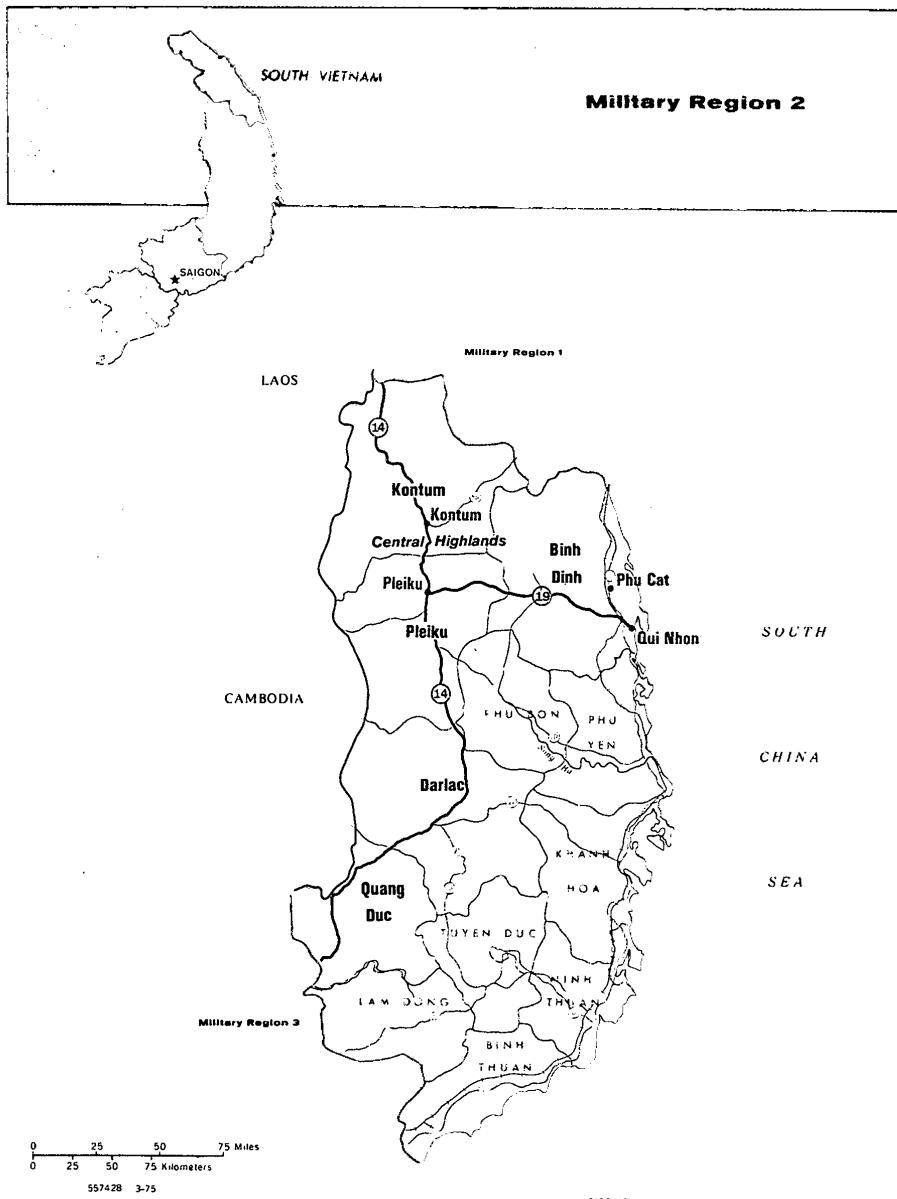
CAMBODIA

Airlift operations at Pochentong airfield resumed this morning following a temporary suspension yesterday.

A US civilian DC-8 cargo plane involved in the resupply of Phnom Penh was damaged yesterday, reportedly by 105-mm. howitzer fire. The artillery fire apparently came from the Tuol Leap area north of Route 4, where a government operation is planned for today. The range and accuracy of 105-mm. artillery pose a greater threat to Pochentong than do rocket attacks.

Along the Mekong River, government forces have reopened a secondary road that links Banam and Neak Luong. Communist pressure increased on the west bank of the river opposite Neak Luong, where government troops have recovered two of four positions. Farther north, the government task force trying to push down Route 1 toward Neak Luong has been instructed to halt operations. Supporting artillery and armored units have been withdrawn from the Route 1 front to help in the defense of Phnom Penh.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The upsurge in fighting in the central highlands suggests that the North Vietnamese have started their spring campaign in that area.

Communist units have attacked and overrun several outposts in Kontum and Pleiku provinces and have cut strategic Highway 19, which links the highlands to the coast. The communists have also shelled two of the government's important airbases at Pleiku and Phu Cat in Binh Dinh Province.

Increased attacks have been reported in the northern provinces and north of Saigon, but these could be in response to expanded South Vietnamese military operations.

Communist planning apparently involves gradually increased pressure against the two highland capitals of Pleiku and Kontum. The government's principal task is to reopen the highway between Pleiku City and Qui Nhon, so as to avoid the difficulties of airlifting supplies into the highlands to hold the two capitals.

Even with the highway open, the South Vietnamese could face a difficult situation in the highlands. Kontum City appears especially vulnerable. It is the last remaining stronghold in Kontum Province and depends upon Highway 14 from Pleiku City for resupply. The communists can easily cut this road, and the city's small airfield would have difficulty handling the number of flights needed to resupply the garrison by air.

The communists currently have four divisions which could be committed to the fighting in the highlands and along the coast. South Vietnamese forces in the region consist of two infantry divisions and ranger units. In terms of manpower and firepower they are as strong as the North Vietnamese forces, but with limited resupply capabilities and a large area to defend, these units will be under pressure if the communists decide to launch heavy and sustained attacks.

FOR THE PRESIDENT ONLY

CYPRUS

An inflammatory anti-American campaign that began last week in the Greek Cypriot press could bring acts of violence against US personnel and facilities.

The campaign, which the US embassy in Nicosia believes is inspired by President Makarios, began after four US airmen assigned to a British base were detained temporarily by Greek Cypriot authorities. Press accusations followed that the US was using Cyprus as a base for espionage and was working against Greek Cypriot interests at the UN. Charges of US complicity in the Turkish invasion of Cyprus last summer have also been revived.

The embassy speculates that Makarios is orchestrating the campaign in order to deflect the frustration of Greek Cypriots away from himself, now that it has become apparent that he has failed to force Turkish concessions. The campaign has been effective among refugees and students; many of them are joining radical leftist Vassos Lyssarides' party, which supports Makarios and has been the most vocal critic of the US.

Alternatively, the embassy speculates that the campaign may be intended to condition Greek Cypriots to a change of policy toward the Soviet Union. This would involve risks, however, because the Greek government and at least some of the Greek Cypriot right would undoubtedly oppose such a move. The remnants of the EOKA-B terrorist organization, which participated in the coup against Makarios last July, might react violently.

It is doubtful that Makarios would turn to the Soviet Union, however, until the outcome of the current Security Council debate on Cyprus is clear. He would also want to receive firm assurances of support from Moscow before taking any steps that might lead to an enhanced role for the Soviets on Cyprus.

The Soviets would like to exploit Makarios' predicament to obtain a greater role for themselves in any future Cyprus settlement, but they have thus far moved cautiously, in part to avoid antagonizing the Turks.

FOR THE PRESIDENT ONLY

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ISRAEL-FEDAYEEN

The seaborne fedayeen raid on Tel Aviv should have no adverse effect on the coming Israeli-Egyptian negotiations.

The attack, for which various Palestinian groups are claiming credit, apparently was launched from southern Lebanon. It almost certainly will embroil the already shaken Sulh government in further controversy over Lebanese-fedayeen relations and will probably worsen relations between Palestine Liberation Organization chairman Yasir Arafat and President Sadat.

Given the spectacular nature of the fedayeen attack, pressure may build in Tel Aviv for a swift retaliatory strike against fedayeen bases along the southern Lebanese coast. [redacted]

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[redacted]
The Israelis are unlikely to feel bound by the truce they concluded with Lebanon last month, in which they agreed to limit their retaliation against minor border incidents.

Tel Aviv may stay its hand because of Secretary Kissinger's coming visit and perhaps because of the apparently deteriorating political situation in Beirut. The resignation yesterday of a cabinet minister who demanded the dismissal of Lebanon's army commander for his handling of the recent incident in Sidon could provoke a cabinet crisis. According to press accounts, there were also gunfights and explosions yesterday during a demonstration held in Beirut to demand withdrawal of the fedayeen and support for the army.

Prime Minister Rabin can be expected to use the latest terrorist incident to press his argument that it would be "a great mistake" for Israel to negotiate with the PLO, even if the Palestinian group indicated a readiness to accept the existence of Israel. Israeli hardliners will point to the raid as proof that the PLO will never accept Israel and that any sign of moderation by the Arabs is a chimera.

FOR THE PRESIDENT ONLY

SYRIA

President Asad's interview in yesterday's Washington Post is a continuation of his efforts to pressure Egypt into linking a Sinai accord with progress on the Syrian front and on the Palestinian question.

Asad refused to attack President Sadat directly for adhering to our negotiating strategy, but his comments seemed designed to cast Sadat in unfavorable light in the Arab world if Egypt moves to sign a separate agreement with Israel.

Asad's own position was a reiteration of his willingness to negotiate another disengagement agreement on the Golan Heights. He insisted, however, that it would have to be within the context of a general interim accord on all three fronts-- Sinai, Golan Heights, and the West Bank. He characterized a separate Egyptian-Israeli agreement as a step that might "block peace." Asad did not reject the possibility that he may boycott the Geneva talks if they are reconvened after only a Sinai agreement.

On Golan Heights negotiations, Asad insisted again that Syria was interested only in discussing an Israeli pullback all along the present disengagement line. We continue to believe, however, that he would probably settle for whatever he could get, even if it amounts to only a symbolic withdrawal of a few kilometers.

Asad's strong pitch for the US to recognize the PLO as the "sole representative of Palestinian people" may have been calculated in part to embarrass the Egyptians, who have recently been having their troubles with fedayeen leaders. He also may have wanted to strengthen his domestic position by posturing as the Palestinians' chief Arab supporter.

FOR THE PRESIDENT ONLY

NOTES

The Israelis regard the next round of negotiations for a second Egyptian-Israeli agreement as a major test of Prime Minister Rabin's leadership.

Rabin's success depends to a great extent on his ability to get support for his negotiating position from conservative members of the cabinet. Defense Minister Peres, in particular, has shown little public flexibility on negotiations with Egypt. The Prime Minister therefore will be hard pressed to find an agreement acceptable to everyone. Our embassy believes that the government, with the support of small leftist parties outside the coalition, will be able to obtain parliamentary approval for an agreement even if a minor cabinet split occurs.

* * *

The Kuwaiti oil minister announced yesterday in Algiers that his country has taken 100-percent ownership of the oil and gas industry, effective immediately.

Kuwait had planned to increase its 60-percent share to 100-percent ownership sometime before 1979, but the government has faced pressure from the National Assembly for immediate action. The key issues for British Petroleum and Gulf Oil representatives, who have been asked to negotiate arrangements next week for the take-over, are whether they will continue to have preferential access to crude supplies, what and how they will pay for the oil they buy, and what they will receive by way of compensation.

* * *

OPEC members accounted for about one third of the record \$33 billion pledged as either bilateral or multilateral economic aid to developing countries in 1974.

Egypt, Syria, and Pakistan, by receiving the largest share of the oil producers' aid, have emerged as the leading recipients of total economic assistance. Other developing countries benefited very little from the aid increase. After allocations made to Egypt, Syria, and Pakistan, only about \$3.5 billion of OPEC aid was left to be divided among the other 46 countries. We expect this high level of assistance to continue this year, but Muslim nations will receive the largest share.

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FOR THE PRESIDENT ONLY

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Soviet Deputy Foreign Minister Firyubin is in Indochina, presumably to sound out the North Vietnamese on their military intentions in South Vietnam during the present dry season and to discuss the Cambodian problem. He arrived in Laos on March 5 after a visit to Hanoi.

Until recently the Soviets had been openly urging negotiations and stating that a military solution in Cambodia was not possible. Now they find themselves in the position of having diplomatic relations with the Lon Nol government, weak ties with the Khmer Communists, and little prospect of working with Sihanouk, who has been dependent on Peking. Moscow probably wants to develop closer ties with the Khmer Communists. Firyubin may caution both the North Vietnamese and the Khmer Communists to avoid punitive actions in Cambodia that would evoke a sharp public reaction in Southeast Asia and elsewhere.

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South Korea

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Cambodia: Fairly heavy shelling failed to halt the US airlift. Several diplomatic missions are preparing to evacuate their personnel from Phnom Penh. (Page 4)

Iraq-Iran: The Shah of Iran and Iraqi strongman Saddam Husayn signed an agreement yesterday that ostensibly resolves the conflict between their countries. (Page 5)

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PORUGAL

The US embassy in Lisbon believes that stabilizing political elements have come into play in Portugal in recent weeks. They are beginning to provide a sense of direction and hope to the formerly inchoate and disjointed moderate forces. Military moderates are reacting to international criticism and to excesses both within and outside the government; leaders of the Armed Forces Movement are increasingly aware that they are dealing with complicated issues and that there are no simple solutions; non-communist political parties are emerging as an independent force. Encouraging as these factors are, however, they are still only stirrings compared to the well-directed and vigorous communist offensive.

The turning point in the strengthening of the moderate forces was the fight over the unitary labor law which divided the socialists from the communists and finally brought about President Costa Gomes' announcement of an election date. Subsequent developments include:

- the emergence of an economic program which contains an immediate role for the private sector;
- the assumption of greater powers by the seven-man junta at the expense of the Movement's more radical Coordinating Committee;
- the steady momentum of the election process despite communist delaying tactics;
- the increasing confidence of the moderate parties that an acceptable compromise can be reached with the Movement on the military's future role in government.

The embassy notes that there is now a greater sense of equilibrium in Portugal. The political campaign, however, combined with economic uncertainty and labor and student unrest will bring further stress to the Portuguese scene.

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FOR THE PRESIDENT ONLY

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The embassy sees the most immediate dangers as an attempted coup by the right and a rising campaign of violence from the extreme left. The embassy judges the latter to be the greater danger of the two.

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ISRAEL-EGYPT-PLO

Israel seems anxious not to let the incident of the fedayeen raid on Tel Aviv cloud the atmosphere for negotiations with Egypt.

The Israelis have taken pains to refute the terrorists' cover story that the seaborne raid was launched from Egypt and Defense Minister Peres said that the crew of the raiders' mother ship, seized yesterday by the Israeli navy, confessed that they had come from Beirut.

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Cairo's commentary on the raid has been restrained. A spokesman for President Sadat confined himself to noting that the incident highlights "the current explosive situation" and points up the need for a meaningful disengagement.

The Palestine Liberation Organization has taken responsibility for the raid, which our embassy in Beirut believes must have been cleared by the top PLO leadership. Palestinian broadcasts have claimed that the raiders' target was the US embassy in Tel Aviv and that the attack was designed to thwart Secretary Kissinger's "conspiratorial efforts" to disrupt Arab unity.

Aside from the efforts of both Tel Aviv and Cairo to play down any negative impact the raid might have on their negotiations, the significance of the incident appears to be its testimony to the serious strain in Egyptian-PLO relations. By dramatizing their frustration with Sadat, the Palestinians probably hope to encourage other Arab leaders to push him to insist more strongly that the US cannot afford to ignore indefinitely the PLO's claims. They successfully used a variant of this tactic to reduce Sadat's room for maneuver at the Arab summit in Rabat last year.

FOR THE PRESIDENT ONLY

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CAMBODIA

Fairly heavy communist rocket and artillery shelling throughout the day yesterday failed to interrupt the US airlift into Pochehtong airfield.

Several diplomatic missions--including those of South Vietnam, Thailand, South Korea, the UK, Australia, and West Germany--are in any case preparing to evacuate their personnel from Phnom Penh.

Elsewhere, about 1,000 government troops pulled out of a key outpost guarding the Mekong River base at Neak Luong. According to an intercepted message the communists have surrounded another nearby outpost and are preparing a "final" attack.

FOR THE PRESIDENT ONLY

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IRAN-IRAQ

The Shah of Iran and Iraqi strongman Saddam Husayn signed an agreement yesterday that purportedly resolves the conflict that has led to numerous armed border clashes between their countries during the past year. The differences between the two leaders were substantial, and the agreement may be chiefly a hollow response to pressures for accommodation from important Arab leaders rather than a substantial understanding. Certainly the language pertaining to violation of the agreement does not augur well for its durability.

The two sides reportedly agree to:

- define their river boundaries according to a mid-channel principle;
- exercise strict border control and prevent infiltration of subversives;
- demarcate their land frontiers according to agreed procedures;
- regard violation of any part of their accord as a violation of the entire agreement.

The mid-channel principle is a major Iraqi concession. The border control clause implies yielding on Iran's part since it seems to prohibit further Iranian military aid to the Iraqi Kurds. The Kurdish rebels are almost wholly dependent on Iranian support. It seems unlikely that the Shah would abandon them without securing in return a pledge that Iraq would halt or at least delay resumption of major military action against them. The Kurdish issue--crucial to Iraq--may be the subject of a secret agreement.

If a meaningful accord has been reached, presumably it would soon be reflected in a relaxation of military tensions along the Iran-Iraq border. At present, Iran is bolstering Kurdish forces in anticipation of a new Iraqi offensive. Iraq appears to be preparing for such an offensive and in making ready for it, is receiving new Soviet military equipment.

FOR THE PRESIDENT ONLY

THAILAND

Seni Pramot and his proposed coalition cabinet--defeated in a confidence vote in the National Assembly yesterday--presumably will remain in a caretaker capacity until a new government can be formed.

Seni's policy statement, which called for the withdrawal of all US forces within 18 months, was not the issue that brought him down. The political right, which enjoys considerable support from the military elite, finds Seni unacceptable because of his long opposition to military rule. The left, which Seni had hoped to court with his demand for a US withdrawal, reportedly did not trust him to carry through on his "radical" promises and so decided to vote against him.

The initiative now shifts to the conservative bloc which, together with the political center, controls the bulk of the assembly seats. [redacted]

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[redacted] Seni's more conservative brother Khukrit--who is more acceptable to Thailand's vested interests--will be given the first opportunity to form a new center-right coalition. A respected journalist and former assembly speaker, Khukrit enjoys the support of army commander Krit Siwara and several other key generals.

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The conservatives, nevertheless, will probably find it difficult to put together a viable coalition since they must contend with the ambitions of many of the 22 parties elected to the assembly. In an effort to forestall a popular outcry against Seni's defeat, the conservatives may even try to outdo the moderate assemblymen by demanding an accelerated US withdrawal. For example, conservative spokesman and party leader Praman has said that he thinks US forces should be withdrawn within one year.

Negotiations on selection of the key cabinet portfolios may drag on for several weeks. Khukrit [redacted] would insist on placing several of his more moderate colleagues in the cabinet and that he would not serve as a figurehead in a right-wing government.

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FOR THE PRESIDENT ONLY

MIDDLE EAST

*Rising congestion at ill equipped
and poorly managed Middle Eastern ports
is severely hampering delivery of the
swelling volume of imports to the area.*

Imports piled up at docks and storage areas have forced ships to wait two weeks at Abu Dhabi, three weeks at Bahrain, four weeks at Saudi Arabian ports, and two months at Basra before berthing or offloading into smaller craft. This congestion has made a shambles out of shipping schedules. Shipping charges have risen dramatically.

Overland transport between Europe and the Middle East is faring no better. Hundreds of laden freight cars are stranded between Europe and the Middle East because the rail systems of Iran, Iraq, Syria, and Lebanon cannot handle the traffic. Bulgaria and Greece have refused new rail traffic since November. The USSR and Turkey are now limiting transit--Western shippers are being limited to 80 freight cars a day through to the Middle East. Trucks are also backing up at key border points.

FOR THE PRESIDENT ONLY

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NOTES

OPEC chiefs of state ended their summit meeting yesterday in Algiers without agreeing on a strategy for the coming conference of consumers and producers.

The OPEC leaders endorsed a noncommittal declaration of principles, accepting only 14 of 48 propositions submitted by Algeria. They gave general approval to a five-year stabilization of the price of oil and endorsed the principle of indexing oil prices to imports by OPEC members. They left to expert committees the task of devising how such a scheme would work. The OPEC leaders decided to shelve one Algerian proposal to press for reform of the international trade and monetary system and another to commit oil producers to specific steps to ease the burden of oil prices on the developing countries. The moderate oil producers apparently want to ensure that Algeria does not emerge as the spokesman for OPEC at coming consumer-producer meetings.

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Peru



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FOR THE PRESIDENT ONLY

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China has postponed, and may cancel, its remaining contracts for US cotton.

Earlier this week, China canceled contracts for about 233,000 bales--over 50 percent of the US cotton currently scheduled for delivery. These were in addition to contracts totaling about 33,000 bales that were canceled in late December or early January. In canceling the contracts, the Chinese agreed to pay the suppliers the difference between the contract price and the current lower market price. Export markets for China's finished textile products have been depressed for some time. Consequently, Peking began reducing cotton imports in late 1974.

FOR THE PRESIDENT ONLY

Table I
Estimated Communist Military and Economic Assistance
to North Vietnam

						Million Current US\$ ^a
MILITARY						
Total Military Assistance	1970	1971	1972	1973	1974^b	
	205	315	750	330	400	
Military Equipment and Materiel	140	240	565	230	275	
Air Defense Equipment	20	85	310	100	55	
Ground Forces Equipment	45	80	110	40	45	
Ammunition	70	60	130	85	170 ^c	
Other	5	15	15	5	5	
Military Transportation Equipment <i>(Trucks, helicopters, transports)</i>	20	15	30	35	25	
Other Military-related Support^d <i>(Delivery and packaging costs, spare parts, POL for the military, technical assistance and training, medical supplies)</i>	45	60	155	65	100	
ECONOMIC						
Total Economic Assistance	735	755	465	670	1,295	
Commodity Shipments^e	635	645	360	540	1,145	
Food	65	60	80	170	420	
Fertilizer	10	15	5	5	25	
Petroleum	10	10	5	15	55	
Machinery, Transport Equipment, & Metal Products	240	175	125	165	345	
Other	310	385	145	185	300	
Technical Assistance <i>(Includes cost of foreign technicians in NVN and NVN trainees abroad)</i>	100	110	105	130	150	
Total of estimated communist goods and services provided to North Vietnam	940	1,070	1,215	1,000	1,695	
Less — North Vietnamese exports to communist countries ^f	50	50	30	80	125	
Total estimated communist aid to North Vietnam	890	1,020	1,185	920	1,570	

^a Because of rounding, individual figures do not always add to the totals in this table.

^b The data for 1974 are preliminary.

^c Although ammunition supplied to North Vietnam in 1974 constituted an estimated 40 percent of its military aid, the data regarding probable ammunition costs per ton are admittedly "soft." Therefore, if the price estimates are off by, say, 10 percent, the total value for ammunition alone could fluctuate by some US \$17 million.

^d The lack of hard information on the items included under "Other military-related support" makes these estimates subject to a wider margin of error than exists for other categories of military assistance to North Vietnam.

^e For economic goods, the cost of transportation is included in the cost of the goods as shown in the table. (For military goods, delivery and packaging costs are included under "Other military-related support.")

^f Since North Vietnamese exports in these years paid for some of North Vietnam's imports, they have been subtracted to derive the estimates of Communist aid to North Vietnam.

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COMMUNIST MILITARY AND ECONOMIC AID TO NORTH VIETNAM,
1970-1974

We present the major conclusions drawn from recent interagency analyses of Communist military and economic aid to North Vietnam.

Communist aid to North Vietnam from 1970 to 1974 is estimated at \$5.6 billion. Total Communist military and economic aid in 1974 was higher (in current dollars) than in any previous year, as shown in Table I.

--The high level of military deliveries in 1972 replaced North Vietnamese combat losses in that year.

--The cessation of US air attacks in North Vietnam at the beginning of 1973 and the decline in combat activity in the South in 1973 resulted in decreases in air defense equipment assistance and in the amount of ammunition and ground forces equipment provided to Hanoi.

--In 1974, the delivery of ammunition to Hanoi markedly increased and reached a level as high as that of 1972, although deliveries of ground forces equipment continued at relatively low levels.

--At the levels of military aid shown, North Vietnam's military capabilities in the South have increased, demonstrating that NVA capabilities are not exclusively aid-driven-- particularly when the aid flows of only one or two years are considered.

Economic aid to North Vietnam during 1970-1974 amounted to about \$3.6 billion, rising from almost \$700 million in 1970 to nearly \$1.2 billion in 1974.

--Economic aid was reduced to nearly \$400 million in 1972 with the closure of North Vietnamese ports, but with their reopening rose in 1973 and reached a record level in 1974. The economic aid increase in 1974 was further

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spurred by typhoons which damaged the 1973 North Vietnamese autumn rice harvest, the inflation of dollar values in 1974, and the increased pace of North Vietnamese reconstruction in 1974.

--China became the leading supplier of economic aid for the first time in 1973.

The estimates of military and economic aid to North Vietnam are not equivalent to--and hence not comparable with--US aid to South Vietnam.

--On the matter of accuracy, our information on North Vietnam has always been incomplete, although coverage on civilian imports is substantially better than for military aid. The drawdown of the US presence in Southeast Asia has further limited [redacted] so that current information on North Vietnam is less comprehensive than it was formerly.

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In particular, on the question of Communist military aid, our information base is very spotty. Hence we know we are seeing only part of the picture on military aid, and our estimates for the part we cannot see have a wide margin of error.

--Military aid to North Vietnam is focused on materiel required for the type of military action undertaken by the Communist forces in South Vietnam--i.e., selected attacks from redoubt areas at times and places of their choice.

US military aid to South Vietnam supports a different military mission--i.e., defense of scattered communities, large agricultural areas, and lines of communication, plus reaction and reinforcement of local forces after Communist attack. As the total forces for the different missions differ in size, so do their requirements for assistance.

Throughout the war, South Vietnam's forces have been roughly twice the size of North Vietnam's forces in the South, primarily because the missions of South Vietnam's forces--protecting population and holding territory--have required a much larger and widely dispersed military structure.

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Table II Comparisons of Major Categories of Communist Military Aid to North Vietnam and US Aid to South Vietnam^a

	<i>In Million US \$</i>	
	Communist Military Aid Delivered to North Vietnam CY 1974	US Military Aid So Far Appropriated to South Vietnam FY 1975
Total Military Aid^b	400 (100%)	700 (100%)
Military Equipment and Materiel	275 (69%)	268 (38%)
Air Defense Equipment	55 (14%)	— (negl.)
Ground Forces Equipment	45 (11%)	— (negl.)
Ammunition	170 (43%)	268 (38%)
Other	5 (1%)	— (negl.)
Military Transportation Equipment	25 (6%)	— (negl.)
Delivery Costs	20 (5%)	74 (11%)
Other Military-Related Support <i>(including spare parts, POL for the military, technical assistance and training, medical supplies, and miscellaneous costs)</i>	80 (20%)	358 (51%)

^aThe figures on Communist aid to North Vietnam (some of which are soft estimates) are not readily comparable with US aid appropriations for South Vietnam. Also, the data on Communist aid is kept on a calendar year basis while US aid appropriations are keyed to a Fiscal Year cycle. The above table, however, gives a rough indication of the way the two aid packages break out in CY 1974 for Communist aid and FY 1975 for US aid.

^bOne reason for the wide disparity is a charge against the US aid account for administrative expenses for the DAO in South Vietnam which has no known counterpart on the Communist side. There are also other items for which no counterparts on the Communist side are available, such as offshore maintenance servicing of military equipment, and construction.

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--The GVN has therefore also required a combat air force and an ability to redeploy forces rapidly by ground and air transport. Thus, the types of equipment supplied to South Vietnam by the US have been more sophisticated and therefore more expensive than those required by Hanoi. South Vietnam also requires considerably more logistic support.

--In addition, shipping, overhead, and other support costs of military aid to the GVN are substantially more than support costs of Communist aid to North Vietnam because of the greater distance involved and other factors. (See Table II.)

--On the economic aid side, much firmer data are available on the amount of goods delivered, although there is a lack of information on quality and appropriate price data, as well as on the number of technicians and academic trainees.

It should also be noted that, in the final analysis, what is significant is not so much the level of military assistance but the relative balance of forces on the battlefield in South Vietnam. North Vietnamese forces in South Vietnam, supported by record stockpiles of military supplies, are stronger today than they have ever been.

The Communists are expected to sharply increase the tempo of the fighting in the next few months. Given the present military balance in the South, the GVN's forces will not be decisively defeated during the current dry season. At currently appropriated levels of US military assistance, however, the level of combat that we anticipate in the next few months will place the Communists in a position of significant advantage over the South Vietnamese forces in subsequent fighting.

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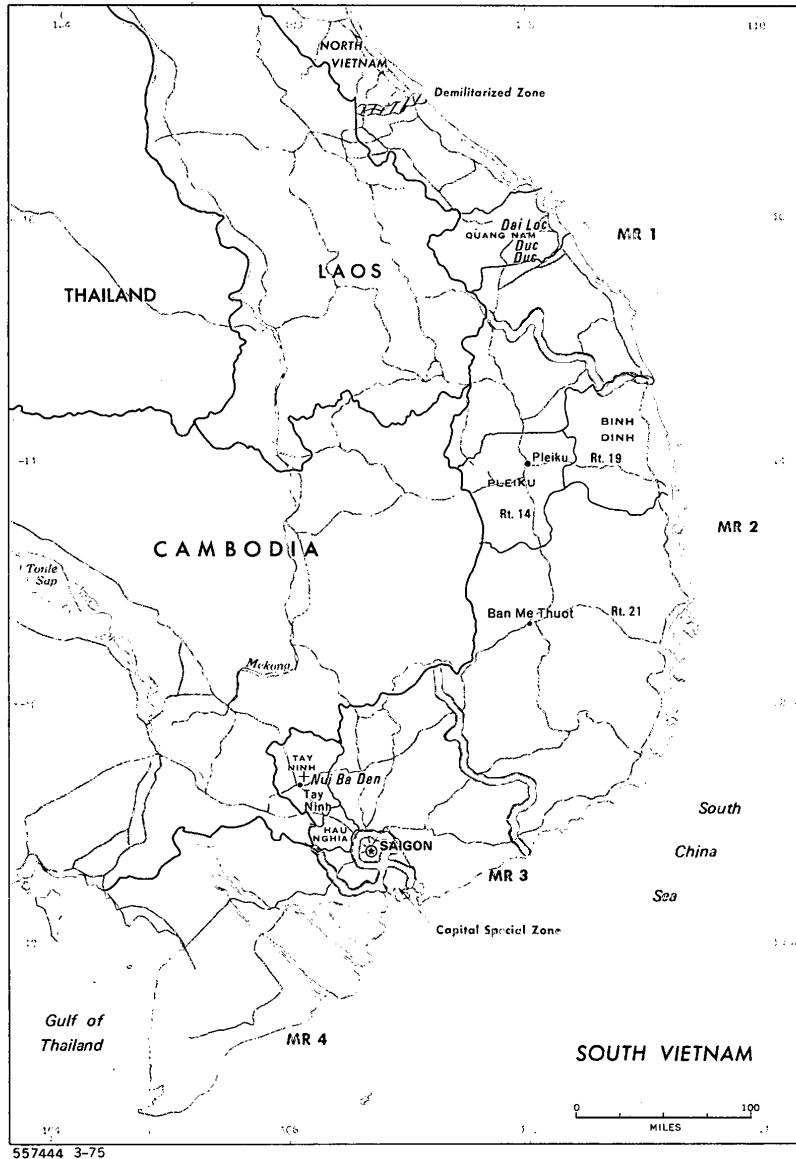
Egypt: An interagency intelligence memorandum assesses gaps in Egypt's military inventory and their effect on its ability to wage war.
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FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Heavy fighting continues in the central highlands with indications that intensified combat will soon break out in other sections of the country. Government forces in Quang Nam Province have come under strong artillery attack, and units have been forced to pull back from lowland areas in Duc Duc and Dai Loc districts.

Government counterattacks are under way at both ends of Route 19 in Pleiku and Binh Dinh provinces. Some positions apparently have been retaken, but the road remains interdicted at several points, and the government has encountered intense North Vietnamese resistance near some of the strategic mountain passes. Government commanders estimate that it could take them as long as a month to resecure the highway.

Communist forces have also cut Route 14 south of Pleiku City and Route 21 leading in from the coast to the southern highlands capital of Ban Me Thuot. South Vietnamese counterattacks are under way along these routes, but this communist action has isolated Pleiku City from resupply by land.

Senior South Vietnamese officials are predicting that a new round of fighting is about to begin in the provinces around Saigon and in the delta. The government is trying to recapture strategic Nui Ba Den (Black Virgin) Mountain in Tay Ninh Province before communist attacks begin. So far, resistance to the government's operation has been light.

South Vietnam [redacted] believes the level of renewed fighting will be well below that of last December because most of the communist units are understrength. [redacted] optimistic that South Vietnamese forces can contain the attacks and possibly deal the communists some setbacks.

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FOR THE PRESIDENT ONLY

TURKEY

The Turkish military is becoming increasingly concerned about the government crisis; it may be considering direct intervention to break the deadlock that has blocked formation of a government for nearly six months.

Turkish military units [redacted] have been on various forms of stand-by or alert status since February 28, with most indications being that this has been related to domestic problems.

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The extent of the alert and the reasons for it are being tightly held by the military high command. Among the possibilities being speculated about in Ankara are:

--Reaction to Greek military unrest, including the buildup of Greek forces on islands off Turkey's coast.

--The threat of renewed violence between rival political and religious factions.

--Concern over growing unrest among junior officers and noncommissioned officers.

--The possibility of President Koruturk's resigning and the military's taking over the reins of government.

Adding to the anxiety in Ankara is prime minister - designate Irmak [redacted] has so far been unsuccessful in his efforts to form a coalition government. Irmak may try a new approach next week, but his initial idea of a broad national coalition has clearly failed. The Democratic Party apparently turned down the idea of joining a coalition with Ecevit's Republican People's Party under the independent Irmak.

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Armed forces officers [redacted] the political parties have betrayed the nation, with many holding the view that parliament should be dissolved and new elections called. [redacted]

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FOR THE PRESIDENT ONLY

Ecevit apparently is aware that a continued government stalemate could precipitate a military coup, and his party is urgently working to form a coalition with the Democratic Party.

Republican People's Party strategists reportedly believe that, if Irmak fails to form a government, the President will turn to Ecevit again. These strategists also believe the threat of military intervention may be sufficient to force the Democrats to swallow their objections to an election this summer and join a coalition.

The military may, in fact, be trying to create just this kind of fear among politicians in the hope of breaking the impasse. If no break comes, or if the President resigns, the military may see little choice but to step in and force new elections. This could even be done while retaining the Irmak government in its caretaker role.

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IRAN-IRAQ

Iran yesterday began withdrawing the military units it had sent into Iraq in support of rebellious Iraqi Kurds. The withdrawal apparently results from an agreement reached by the Shah and Iraqi strongman Saddam Husayn in Algiers on Thursday.

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[redacted] Iranian mortar, artillery, and air defense units had been operating inside northern Iraq since last summer. They played a critical role in halting an Iraqi offensive last fall.

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[redacted] The withdrawal of Iranian forces from Iraq suggests the Shah has given Baghdad a free hand to pursue its military solution to the Kurdish problem to a conclusion in return for Iraq's acceptance of the Iranian position on border demarcation.

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The Shah probably concluded that support of military resistance by the Kurdish forces was no longer a realistic policy. The Kurds, pushed back toward the Iranian border last fall, have not been able to regain any of their lost territory during the winter. Their failure left the Iraqi army in a good position to renew its offensive this spring and faced the Shah with the prospect of an even larger Iranian intervention if the Kurdish position was to be preserved.

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EGYPT

The following paragraphs present the major conclusions of an interagency intelligence memorandum on "Gaps in Egypt's Military Inventory and the Effects on its Wartime Capabilities."

Egypt's overall military capabilities today are somewhat less than prior to the October war.

--The army is nearly up to its prewar armored strength, but shortages of certain major military equipment still exist.

--Egypt has about only 70 percent of its pre-war aircraft inventory.

Vis-a-vis Israel, Egypt's armed forces are weaker than in October 1973 because of the significant increase in Israeli inventories and capabilities. Thus, Egypt probably would have to rely on joint military action with Syria to a greater degree than in the October war.

Despite shortages, Egypt's armed forces are estimated to be capable of a strong defense against an Israeli attack or of mounting a major offensive of short duration in the Sinai. There is little information on Egypt's stockpiles of ammunition and spare parts, but Cairo probably could not sustain major military action without additional Soviet resupply.

Recent deliveries of Soviet aircraft and other military equipment--believed to be under prewar contracts--have not been sufficient to restore Egypt's war losses. The prospects for the full-scale resumption of Soviet military aid to Egypt are uncertain, but President Sadat will feel less need for such aid if he can negotiate a satisfactory new disengagement agreement with Israel.

As an alternative to renewed Soviet aid, Egypt's purchases of Western arms will improve its capabilities gradually over several years, but not for the near term. During this period, Egypt will continue to be dependent on Soviet and East European supplies of spares and ammunition to maintain its current level of combat readiness.

FOR THE PRESIDENT ONLY

LIBYA

During 1974 Libya cut oil prices in order to compete with Persian Gulf suppliers, but the cuts were too late and too little to offset falling tanker rates and reduced demand for low-sulfur crude. Now, for the first time in many years, Tripoli is having trouble making ends meet.

Libyan oil production fell sharply from 2 million barrels per day in January 1974 to 1 million barrels per day in December. Late in the year revenues began to lag behind current expenditures, and Tripoli drew down its foreign exchange reserves by more than \$200 million during November and December.

Although oil revenues remain depressed, the Libyans show no sign of restraining foreign exchange expenditures. The newly released 1975 development budget calls for a 50-percent increase in expenditures--the largest ever scheduled by the Qadhafi government. Large arms purchases are on the books, and there are no indications that Qadhafi's erratic aid program will be modified.

Libyan efforts remain focused on increasing oil sales. Following reductions of low-sulfur crude and freight premiums on January 1, the government further cut prices on lower grade crude oils in February. Moreover, the Libyan National Oil Company has been shaving prices of its independently produced oil even below prices charged to the oil companies.

[redacted] the
Libyans reportedly are offering reduced prices, extended credit terms, and even balance-of-payments loans to obtain long-term oil purchases and industrial and agricultural cooperation.

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Package oil deals and price shaving have enabled the National Oil Company to raise its independent production significantly since the third quarter of 1974, but total production has been fairly constant. The oil companies that market almost 90 percent of Libyan output maintain that large price reductions will be necessary to boost sales.

FOR THE PRESIDENT ONLY

WORLD GRAIN OUTLOOK

The world grain situation has eased slightly in the last three months, more so for wheat than for corn. We still forecast 1974/75 grain production (excluding rice) at 6 percent below 1973/74, but prices have fallen because of a sharp decline in grain fed to livestock in the US. This has released enough grain so far to meet foreign buying, which has been running ahead of estimates made three months ago.

Total worldwide grain consumption will not decline as much as production, however, so that stocks of major producers are expected to fall by over 20 million tons--mostly in the US--to a new low of about 85 million tons by mid-1975.

Wheat

World import demand for wheat is estimated at 65.3 million tons for 1974/75, up 1.3 million tons from our December estimate and 3.4 million tons above exports in 1973/74. Larger import demands of Brazil, South Asia, Mexico, and northern Africa have more than offset the highly publicized cancellations in recent weeks by the USSR and China. The largest share of the Chinese cancellations pertain to wheat shipments from the 1975 harvest.

We estimate world wheat production in 1974/75 to be down by over 20 million tons, or 5.6 percent. Production declines in Argentina, Australia, Canada, India, and the USSR were not offset by bumper harvests in Europe and the US.

Wheat available for export may reach 67.6 million tons--some 2.3 million tons above import demand--if the US and Canada draw down stocks to minimum acceptable levels. This estimate--3.6 million tons higher than our December estimate--is a result of smaller quantities of wheat being fed to livestock in the EC and an increase in the US crop. Australia will also have larger quantities available for export than a year ago.

(continued)

FOR THE PRESIDENT ONLY

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Foreign demand for US wheat and flour is forecast at 31.2 million tons--200,000 tons above our December estimate and 100,000 tons above 1973/74 exports. This quantity can be exported, but stocks would be drawn down to a record low of under 5.6 million tons, approaching minimum pipeline requirements.

Corn

We estimate world import demand for corn in 1974/75 at 41.8 million tons--14 percent more than forecast in December and about the same as in 1973/74. The increase is due primarily to less feeding of wheat to livestock in the EC, prompted by lower import prices for US corn and crop shortfalls in other West European countries and Mexico. This higher level of demand can be met only if US stocks are drawn down to minimum pipeline requirements and US domestic use continues to decline.

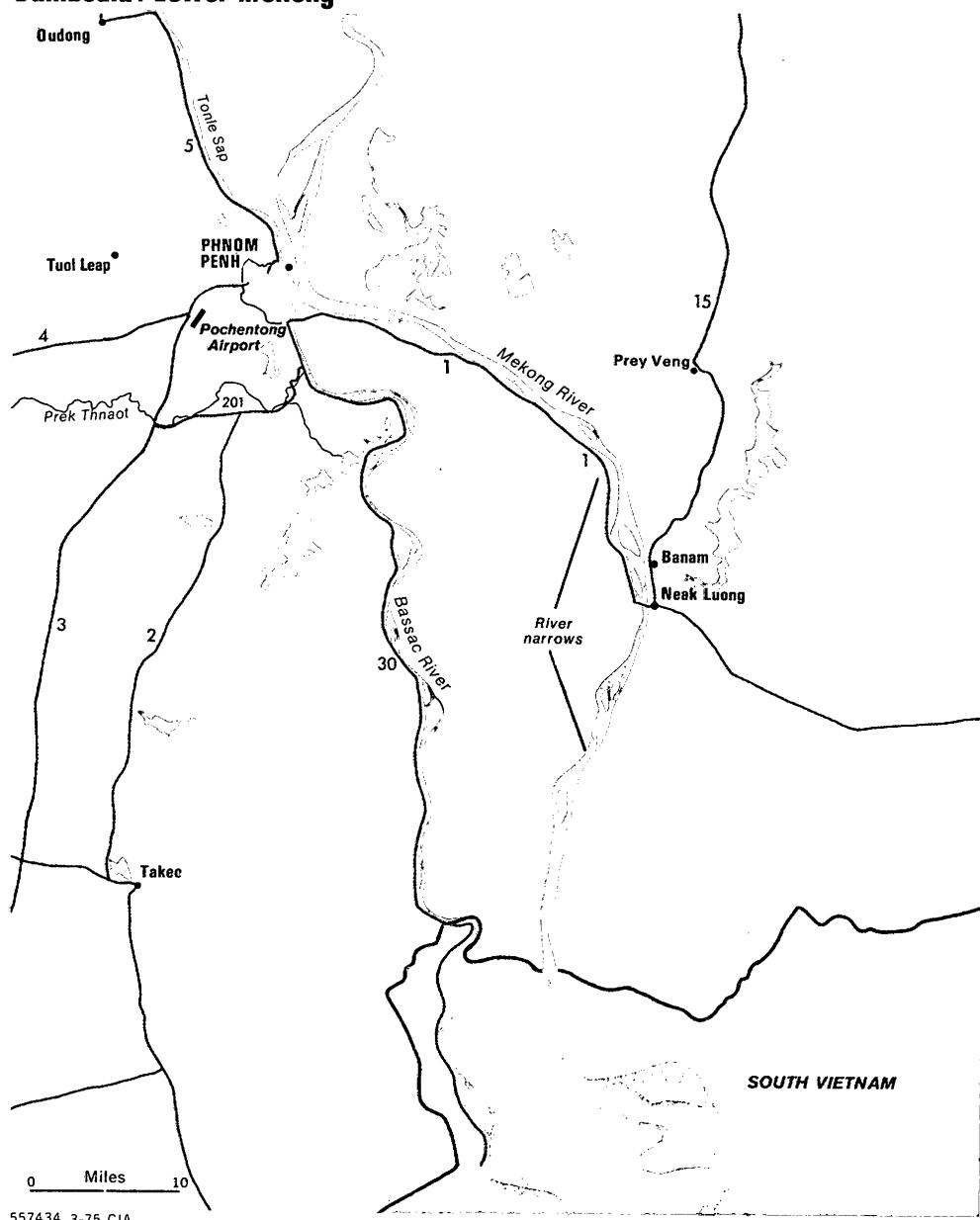
We estimate export demand for US corn at 28.2 million tons, up 4.7 million tons from three months ago. This level of exports is contingent upon a 19-percent drop in US consumption. The increase is the result of foreign buying to take advantage of falling US corn prices, which have dropped 25 percent since mid-December.

Continuing Uncertainties

Current demand for US grain exports could change as a result of the following:

- Transport or port problems plaguing grain shipments from Canada, Argentina, and South Africa.
- The North African drought, which could raise wheat import requirements above current projections.
- The amount of corn substituted for wheat in livestock feeding in the EC.
- The extent of the decrease in US grain feeding.
- Resumption of Soviet corn purchases to take advantage of lower prices.

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

NOTES

Airlift operations in Cambodia continued at Phnom Penh's Pochentong airport on Friday, despite sporadic Communist rocket and artillery attacks. No further damage to aircraft or facilities occurred.

The government force trying to retake the town of Tuol Leap and eliminate insurgent artillery and rocket positions in the area has bogged down in the face of stiff resistance. Fighting in other areas around the capital was relatively heavy but inconclusive.

* * *

The Soviet embassy in Washington has agreed to US-proposed language for use at the European security conference in Geneva that says national borders "can be changed, in accordance with international law, by peaceful means and by agreement."

West Germany has pushed hard for such a clause and is urging other Western participants at the conference to endorse the formula quickly before the Soviets change their minds. Bonn's concern is justified. Yesterday, the Soviet delegation submitted an apparently non-substantive wording change. In addition, East and West must still decide exactly where the formula will be placed in the text. The Soviets continue to be intransigent on other outstanding issues. Last week they even reopened several science and technology items that Western countries had thought were settled.

(continued)

FOR THE PRESIDENT ONLY

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On Tuesday the Polish Politburo gave "important priority" to expanding economic relations with the US by implementing economic and scientific-technical agreements signed during party leader Gierek's visit to the US last fall.

A Foreign Ministry official recently said Warsaw had concluded that the disappointing lags in implementing the agreements with the US were largely the fault of Poland. Polish officials have indicated that they have plans to increase trade with the US despite Poland's ballooning hard currency debt with the West. Warsaw not only will increase its industrial purchases, but also will buy more agricultural products because of bad winter weather. To facilitate expanded trade, Poland is seeking to eliminate long-standing bilateral problems by such moves as agreeing to redeem pre - World War II Polish government bonds.

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

A major shake-up in the Cambodian military command structure is in the offing, and an unstable political situation could result.

Within a few days, President Lon Nol will downgrade the position of the armed forces commander in chief, in effect demoting senior Cambodian army General Sosthene Fernandez. A civilian-led defense ministry will apparently be given increased powers over the armed forces.

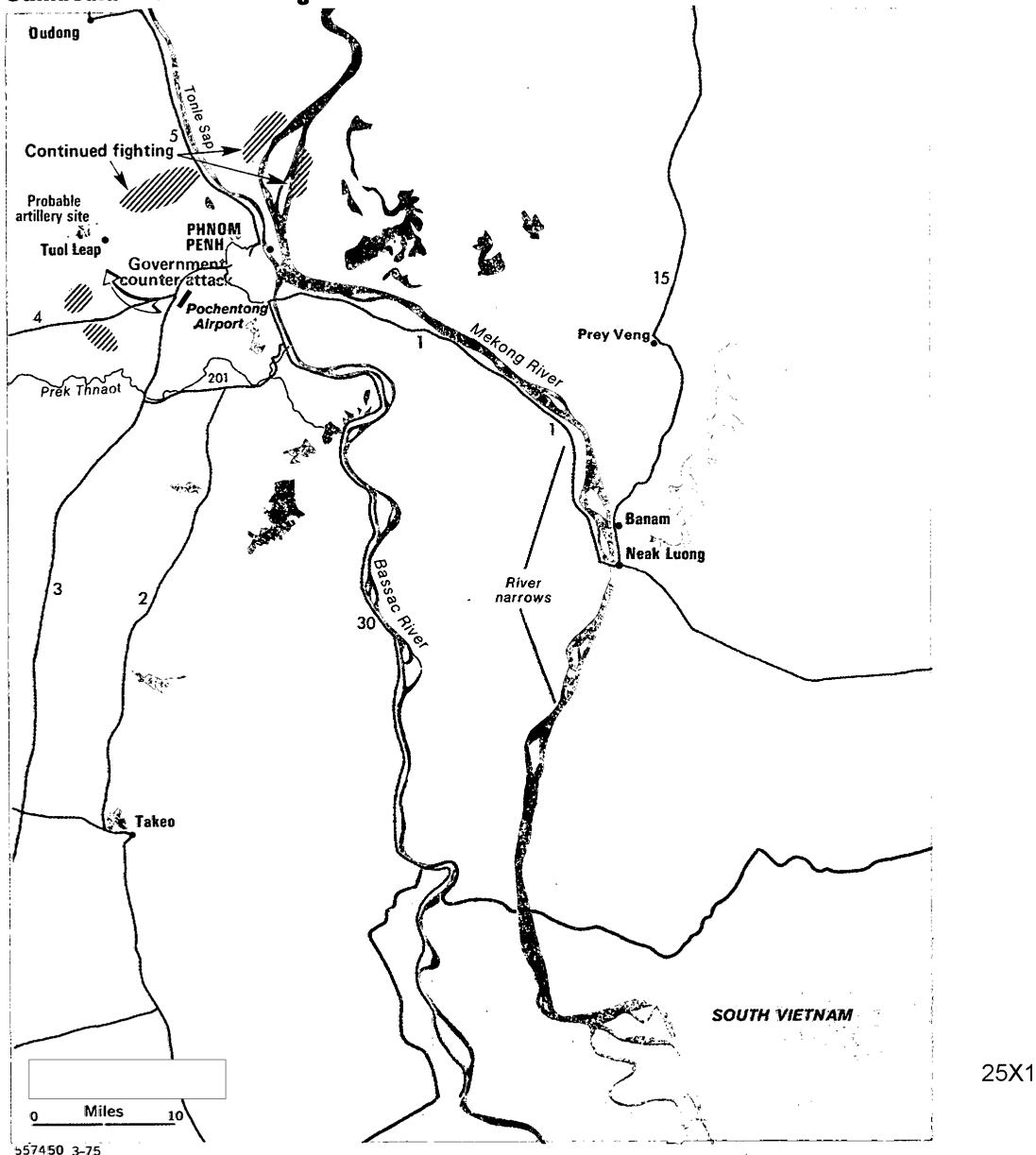
In implementing these changes, Lon Nol is clearly responding to pressure from Prime Minister Long Boret, who on Friday announced his intention to resign if Fernandez were not replaced and civilian control over the military not increased. Boret has the backing of the Senate and the National Assembly, which last week passed resolutions demanding increased powers for the civilian government.

Ambassador Dean has met with both Boret and Lon Nol in an attempt to convince them that even minor governmental changes in Phnom Penh could destroy the facade of unity in the top leadership and adversely affect the US Congressional vote on supplemental aid for Cambodia. Boret on Saturday appeared persuaded that the changes should be postponed until after the aid vote. Yesterday, however, Lon Nol said he would proceed with the shake-up, repeating Boret's earlier argument that a change in military leadership is necessary to boost the sagging morale of the armed forces.

Lon Nol said that Boret would not go through the formal process of dissolving the present government to reshuffle his cabinet. Instead, cabinet changes would be in the nature of behind-the-scenes "adjustments," the most important of which will probably be the appointment of roving ambassador Sak Sutsakhan as defense minister with widely expanded powers.

Although Fernandez may try to fight his demolition, he has come to symbolize the inadequacies of the government's military performance. There is a groundswell in favor of his departure in both civilian and military circles.

Cambodia: Lower Mekong



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FOR THE PRESIDENT ONLY

Fernandez may resign rather than accept a less powerful post. If he does, a period of intense infighting may follow as other senior officers jockey for dominance in the new command structure. Navy commander Admiral Vong Sarendy, for example, wants the top military position and has the support of Lon Non, Lon Nol's controversial younger brother. Lon Non, moreover, is trying to undercut Long Boret because of his own ambition to be prime minister.

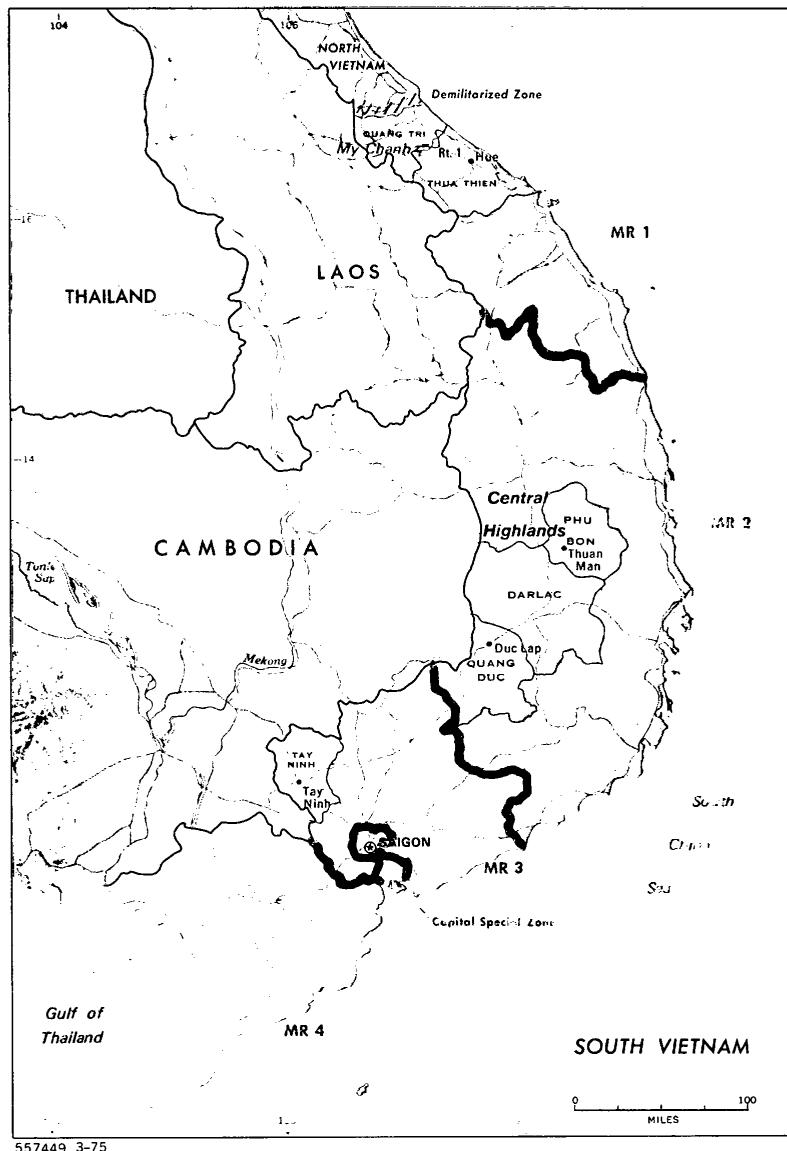
The planned command shake-up runs broader risks. As the battlefield situation has deteriorated, an increasing number of influential Cambodians has decided that some way must be found to break the impasse on a settlement before the government's military position crumbles completely. These Cambodians might seize on any confusion resulting from the planned changes to try to force even more dramatic changes--such as the departure of the current top leadership--in the hope of bringing an early end to the fighting.

Tactical Situation

The airlift to Phnom Penh of ammunition, rice, and fuel continued at scheduled levels over the weekend despite sporadic communist rocket and artillery attacks against Pochentong airport.

The government operation to retake the town of Tuol Leap and to eliminate insurgent rocket and artillery positions in the airport area remains stalled. Having met stiff resistance to his head-on attacks during the first four days of the operation, the local government commander has attempted a flanking maneuver, but this too is meeting heavy opposition. The communists, however, are having to use their artillery to hold off these government ground attacks, and this may be limiting their shelling of Pochentong.

In the capital area, government forces have fought off a brief insurgent penetration of the defense line near Route 5 north of the city, but fighting in the area continues. Hard though inconclusive fighting continues around the government navy base at Neak Luong and at the nearby river town of Banam.



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The communists opened new battle-fronts in the central highlands and in northern Military Region 1 over the weekend, and early this morning North Vietnamese troops fought their way into Ban Me Thuot, capital of Darlac Province. The government fears that the main thrust of the renewed communist campaign will be directed at poorly defended positions in the southern tier of highland provinces.

North Vietnamese forces on Saturday attacked and overran the remote district town of Thuan Man in Phu Bon Province, and they are exerting pressure on a second district town--Duc Lap in Quang Duc Province.

South Vietnamese commanders have speculated that, following the interdiction of the government's main overland supply lines, the communists would turn southward to improve their access from the highlands to Military Region 3 and the provinces around Saigon. The recent upsurge in activity in the border area of Quang Duc suggests that such a strategy may be unfolding.

In the northern provinces, communist forces have increased attacks against government positions in Quang Tri and Thua Thien provinces. The communists have overrun at least 15 hamlets and have interdicted Route 1 north of Hue at the My Chanh River. Field reports indicate that in most instances, the government's local militia broke and ran, permitting the Viet Cong local forces easy access to the low-land areas.

Farther south, North Vietnamese main forces are responsible for renewed attacks against the government's marine, airborne, and 1st Infantry divisions. Details of the fighting are sketchy, but the South Vietnamese reportedly have been forced out of one position on high ground southeast of Hue.

Fighting elsewhere in the country was light, although some increase in communist harassing attacks was reported in Tay Ninh Province. Government commanders continue to predict that the communists will resume combat in the southern half of the country within the week.

FOR THE PRESIDENT ONLY

PORtUGAL

Prospects for a peaceful election next month were dimmed last Friday when extreme leftists attempted to stop a meeting of the center-left Popular Democratic Party in a working-class stronghold.

Shooting broke out when police in Setubal, 15 miles south of Lisbon, tried to clear the demonstrators. The US embassy reports that three persons were killed, the first deaths since active party campaigning began several weeks ago. Troops had to be brought in from Lisbon to free police who were trapped in their headquarters by the protesting leftists. The military has now assumed control of public security in Setubal.

Previous left-wing violence had been aimed at the parties to the right of center--the Social Democratic Center and the Christian Democratic Party. It is only recently that the largely middle-class Popular Democratic Party, a member of the three-party coalition, has been attacked.

The unwillingness or inability of the provisional government to control the extreme left and to prevent violence is frightening moderate parties, and has already hampered Social Democratic Center campaigning.

The Popular Democrats fear that the incident will be used by leftist military officers to postpone or cancel the April 12 election on the grounds that public order cannot be maintained.

FOR THE PRESIDENT ONLY

NOTES

The members of the International Energy Agency agreed last week to consider a plan that would provide multilateral encouragement to oil-importing states to develop alternate energy sources to imported oil.

This small step moved these oil-importing states closer to the common stand the US has insisted is a prerequisite to a meeting with the oil-producing states. The plan must now be reviewed by agency's 18 member states--and indirectly by France, which is not a member--before the agency's governing board returns to Paris next week. At that time, the board will probably adopt the plan and give formal blessing to the preparatory meeting of oil producers and importers that President Giscard has called for April 7.

* * *

The agreement last Thursday between the leaders of Iran and Iraq is endangered by a surprise attack launched on Saturday by Iraqi forces against the Kurdish rebels.

The attack came after most of the Iranian troops supporting the Kurds had been withdrawn to Iran in accordance with the agreement. The Shah regards the Iraqi offensive as a violation of the agreement, but he apparently is not yet aware that Iraqi strongman Saddam Husayn personally ordered the attack.

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CAMBODIA

President Lon Nol has begun to implement his plans for a shake-up in the military command structure. Late yesterday he abolished the post of armed forces commander in chief, held by General Sosthene Fernandez, and appointed roving ambassador General Sak Sutsakhan as chief of the armed forces general staff, now the top military post. The moves are designed to make the military more responsive to civilian control.

Fernandez has been asked to stay on, at least temporarily, as one of Sutsakhan's assistants, but he will almost certainly resign soon.

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Prime Minister Long Boret is already considering Fernandez as ambassador to Manila.

Boret is also preparing for cabinet changes, which will probably include naming Sutsakhan to the post of defense minister.

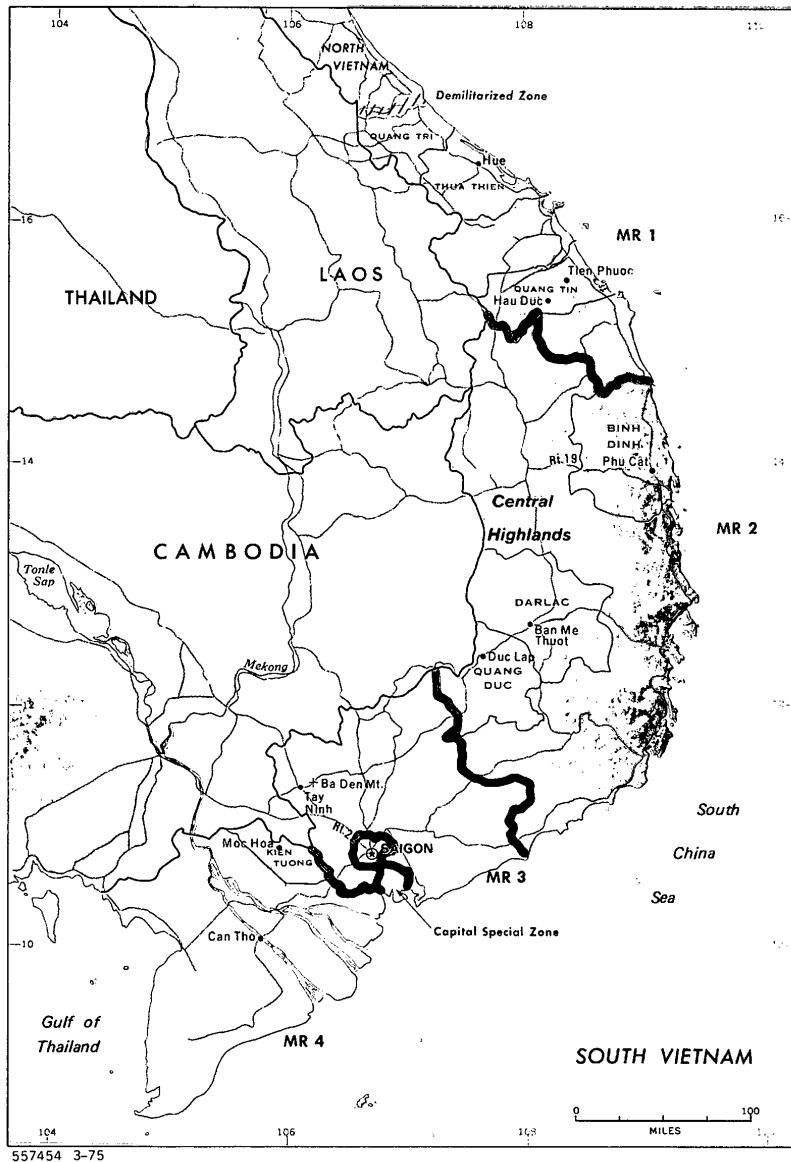
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On the military side, the communists launched one of their biggest rocket attacks against Pocheutong airport yesterday, but only a few artillery rounds landed near the airport. One domestic airliner was destroyed, but the US airlift continued without interruption.

The government operation to retake the town of Tuol Leap and to push the communists out of range of Pocheutong remains stalled, but government operations on Route 5 north of Phnom Penh are gaining momentum. In the countryside, the communists reportedly raided several villages on the outskirts of the far northwestern city of Battambang.

British military aircraft are scheduled to evacuate diplomatic personnel of several nations from Phnom Penh today; large numbers of foreign nationals have already left quietly this week.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Communist forces are maintaining heavy pressure against government positions in the northern provinces and central highlands. South Vietnamese commanders believe they can hold Ban Me Thuot, capital of Darlac Province, if they can keep the city's airfields open and get in reinforcements.

North Vietnamese forces have overrun the district capital of Duc Lap in Quang Duc Province. Heavy shellings and ground attacks have closed the government's important airfield at Phu Cat in Binh Dinh Province, and stiff communist resistance continues along Route 19.

In the northern provinces, North Vietnamese forces have overrun the district capitals of Hau Duc and Tien Phuoc in Quang Tin Province. Action continues in Quang Tri and Thua Thien provinces. Recently captured prisoners claim that the North Vietnamese 325th Division moved south in early March from Quang Tri to Thua Thien Province. If such a move has taken place, the North Vietnamese would be in a considerably stronger position to increase pressure against government positions in the area, including the former imperial capital of Hue.

In the provinces around Saigon, South Vietnamese forces maintain the initiative, although North Vietnamese units have cut Route 22 south of Tay Ninh City. The government has placed a token force atop strategic Ba Den Mountain, and [redacted] [redacted] the position can be held if supply corridors up the mountainside are secured.

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The South Vietnamese have information that elements of two North Vietnamese divisions in the delta have moved close to Moc Hoa, the capital of Kien Tuong Province, and Can Tho, the government's regional headquarters for Military Region 4. The South Vietnamese anticipate heavy artillery and sapper attacks against Moc Hoa, possibly by the end of the week, followed by ground assaults. Much the same strategy is visualized for Can Tho, although communist forces are believed too weak to stage a frontal assault on the city.

FOR THE PRESIDENT ONLY

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CYPRUS

The tenuous truce between pro- and anti-Makarios factions within the Greek Cypriot community appears to have been broken by the attempted assassination Sunday of a high government official and an explosion last week at the Limassol offices of the Church of Cyprus.

Relations between the factions began to deteriorate late last month following the Greek government's discovery of a plot against it by supporters of the former junta. Pro-Makarios groups in Cyprus charged that the conspiracy was also aimed at the overthrow of the Makarios government, and called for more arrests and a purge of junta collaborators from the bureaucracy and the national guard.

Makarios had previously been conciliatory toward the far right, apparently to maintain a common front in the face of the Turkish threat. This tactic also allowed Makarios to bide his time before moving against his opponents. The latest acts of violence, coupled with pressure from his supporters for action against extreme rightists in the government and the remaining EOKA-B terrorists, will probably persuade him to take some punitive measures against the far right.

Such action could spark renewed clashes between government forces and the well-armed, hard-core remnants of EOKA-B. The terrorists are particularly strong in the Limassol area, but do not appear now to have the means or the popular support to mount a successful challenge to the government.

FOR THE PRESIDENT ONLY

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ISRAEL-SYRIA

Israeli official and public reaction to President Asad's declaration on Saturday that Syria is ready to establish joint political and military commands with the Palestine Liberation Organization has been predictably negative.

In his speech at a Baath Party rally, Asad stated that Syria endorses a single Syrian-Palestinian political leadership and a single Syrian-Palestinian military command to strengthen the Palestinian forces. Damascus has not elaborated on the proposal.

In a press conference on Sunday, Asad said Arafat welcomed the offer. He said if the PLO command decides to accept it, Syria is ready to implement the plan immediately.

Asad's proposal may have a positive side. Institutionalizing Syrian support for the PLO through joint commands could give the Palestinians needed reassurance that their cause will not be abandoned. It could also provide the means for including Palestinian representatives in the Syrian delegation to the Geneva conference when it is resumed.

The Israelis have been adamant in their refusal to deal directly with the PLO, but have said that they would meet with the Palestinians as part of another delegation. Queried on this point, Asad replied that the Syrian offer might provide such an opportunity, but he noted that it might also prevent the Syrian side from attending the conference. Such a decision would rest with the joint command.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ABU DHABI

*Abu Dhabi is one Arab oil producer
that faces financial problems this year.*

To stimulate demand for its premium-quality low-sulfur oil, the Abu Dhabi government has--with OPEC's blessing--reduced oil prices by about 55 cents per barrel in hope of resuming normal production. Because of surplus oil supplies, the oil majors operating in the emirate have cut production by 40 percent from the December 1974 level to little more than 750,000 barrels per day.

Even with increased production, however, Abu Dhabi probably will have to curb some of the free spending engaged in last year when revenues totaled some \$3.5 billion. Abu Dhabi's financial experts are concerned that sufficient oil revenues will not be received this year to meet foreign economic aid, internal development, and recurrent budgetary expenditures.

Aid commitments this year apparently are programmed to exceed the \$1.4-billion total in 1974. These funds probably will be disbursed slowly to assure that at least \$2 billion--an equivalent amount to 1974--will be available for domestic development and recurrent expenditures. Abu Dhabi also faces growing demands from the other members of the United Arab Emirates for an increased share of development funds.

The uncertainty of oil revenues will encourage the Abu Dhabi Investment Board to continue favoring highly liquid securities. The government's bilateral assistance program may be combined with equity investments in industrial projects in the developing countries, much in the fashion of Kuwait and Iran.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

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Khukrit Pramot has been designated to form a Thai government and believes he will have a cabinet ready within a week.

 Khukrit has reached agreement on allocation of key cabinet positions with leaders of the political right. He must still come to terms with a handful of small parties in order to have a parliamentary majority. The students and media have not protested the parliamentary defeat last week of Seni Pramot, perhaps realizing that Seni's brother, Khukrit, represents the last chance for a political moderate of national prominence to head the government.

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* * *

Jewish emigration from the USSR totaled 1,038 last month, which matches the January rate but is well below the pace set during the first two months of 1974.

The decline in emigration this year reflects uncertainty--promoted by the Soviets--about conditions in Israel, the expense of application, and the usual harassment of applicants. There apparently has been no change in the rate of outright government refusals. The number of Jews emigrating from Moscow is, however, up somewhat. Soviet authorities may calculate that by letting well-educated, articulate Muscovites leave, they will reduce activist agitation in the capital and negative publicity in the West.

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Cambodia: Flights of DC-8 aircraft into Pocheontong airport were reportedly resumed this morning after being interrupted yesterday by artillery and rocket attacks. (Page 5)

South Vietnam: Communist attacks are spreading.
(Page 6)

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PORUGAL

Radicals in the Armed Forces Movement and extreme leftist political groups are moving rapidly to exploit the unsuccessful coup attempt staged by rightist officers yesterday.

The abortive uprising apparently included only units from Tancos air base--some 60 miles northeast of Lisbon--and some units of the national guard. The move, led by rightist officers, was poorly organized, and the attack on the headquarters of an artillery unit near Lisbon airport failed to attract additional support.

Within three hours of the first shot, Armed Forces Movement spokesmen began announcing on Lisbon radio that the situation was under control. Some of their early statements indicated that the Movement was prepared to capitalize on the episode, saying that now the "revolution" can move ahead without impediments.

In a speech to the nation last night, President Costa Gomes denounced the coup attempt as a "reactionary adventure" and linked the plotters to economic sabotage and, by implication, to the political unrest that was manifested in the violence in Setubal last weekend.

Costa Gomes also provided a list of 26 officers, headed by conservative former president Spinola, who were allegedly involved in the attempt. General Spinola is reported to have fled to Spain and to have asked for asylum in Brazil. [redacted]

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[redacted] rightist exiles there planned to cross into Portugal to support the uprising.

Large crowds of leftist demonstrators roamed the streets of Lisbon and some of Portugal's other major cities last night in response to broadcast appeals to show their support for the Armed Forces Movement. In Lisbon and Oporto the offices of the conservative and moderate political parties were ransacked.

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FOR THE PRESIDENT ONLY

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Large crowds also conducted orderly demonstrations in front of the US embassy in Lisbon where, after some early uncertainty, security forces provided adequate protection. [redacted]

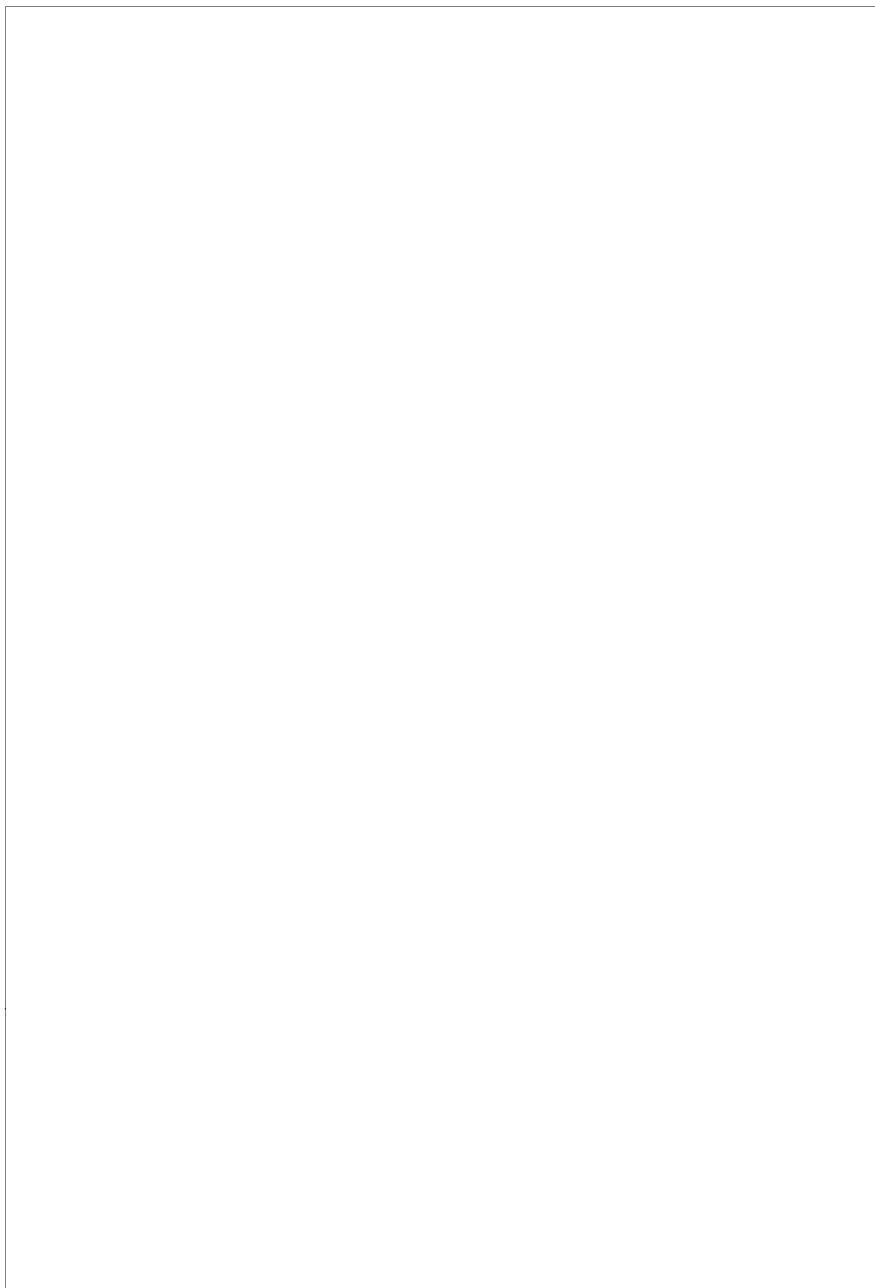
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A sharp turn to the left by the government could become evident soon. The rightist attempt to dislodge radical leaders might also be used to justify postponement of the election scheduled for April 12.

In any event, moderate officers and civilian politicians who were beginning to reassert themselves are likely now to draw back from any criticism of the Movement's leadership for fear of being attacked as reactionaries.

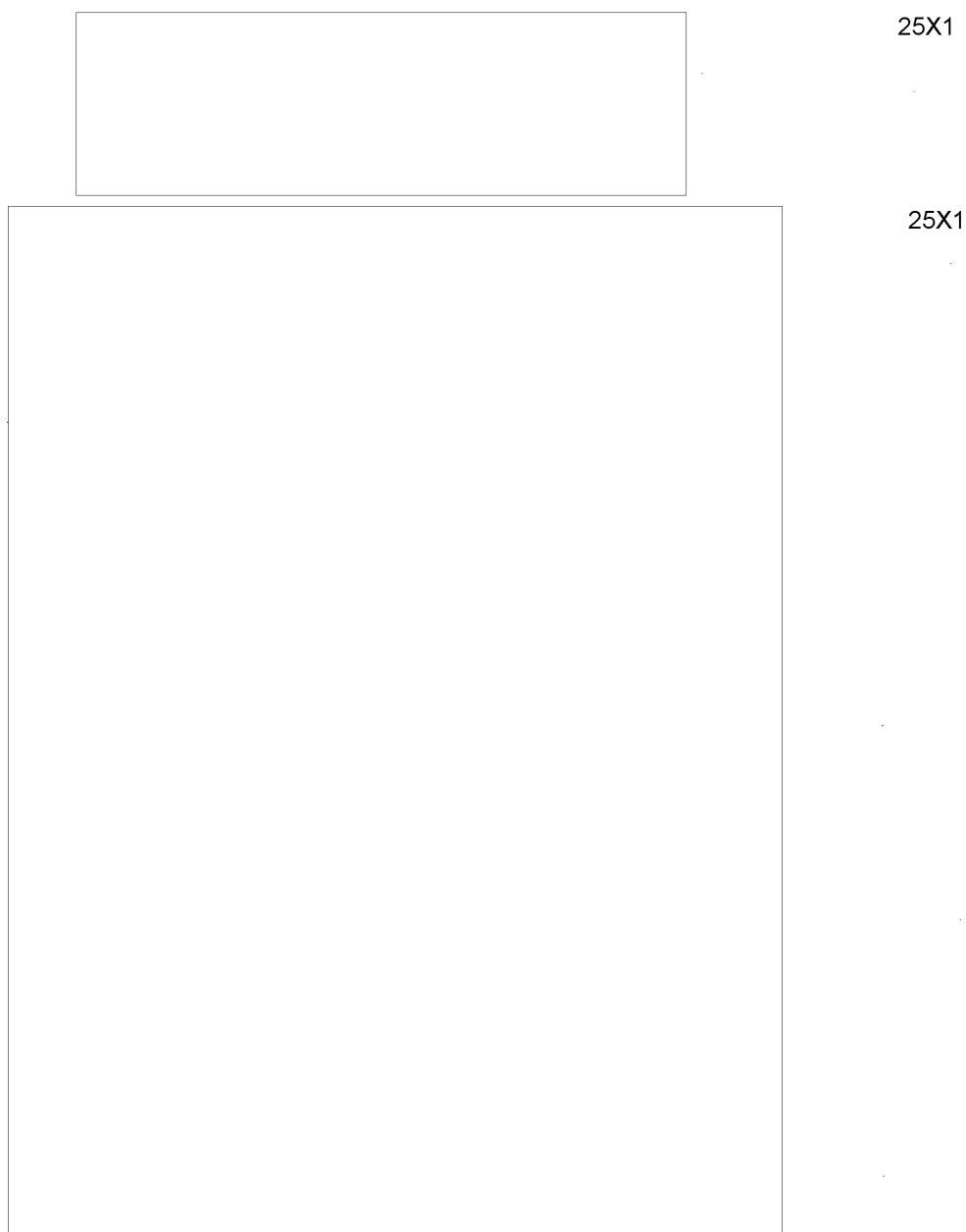
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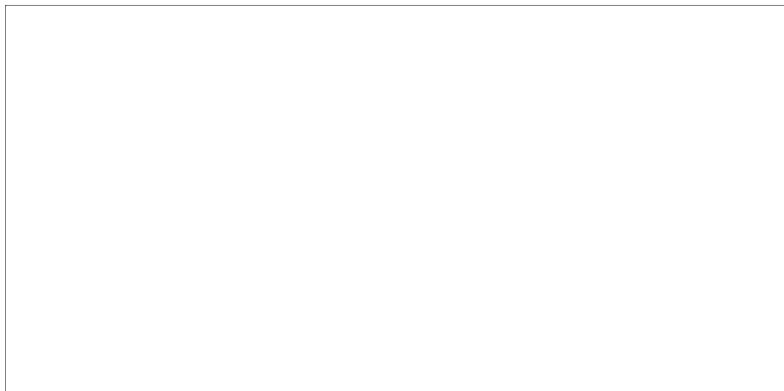
EGYPT-ISRAEL



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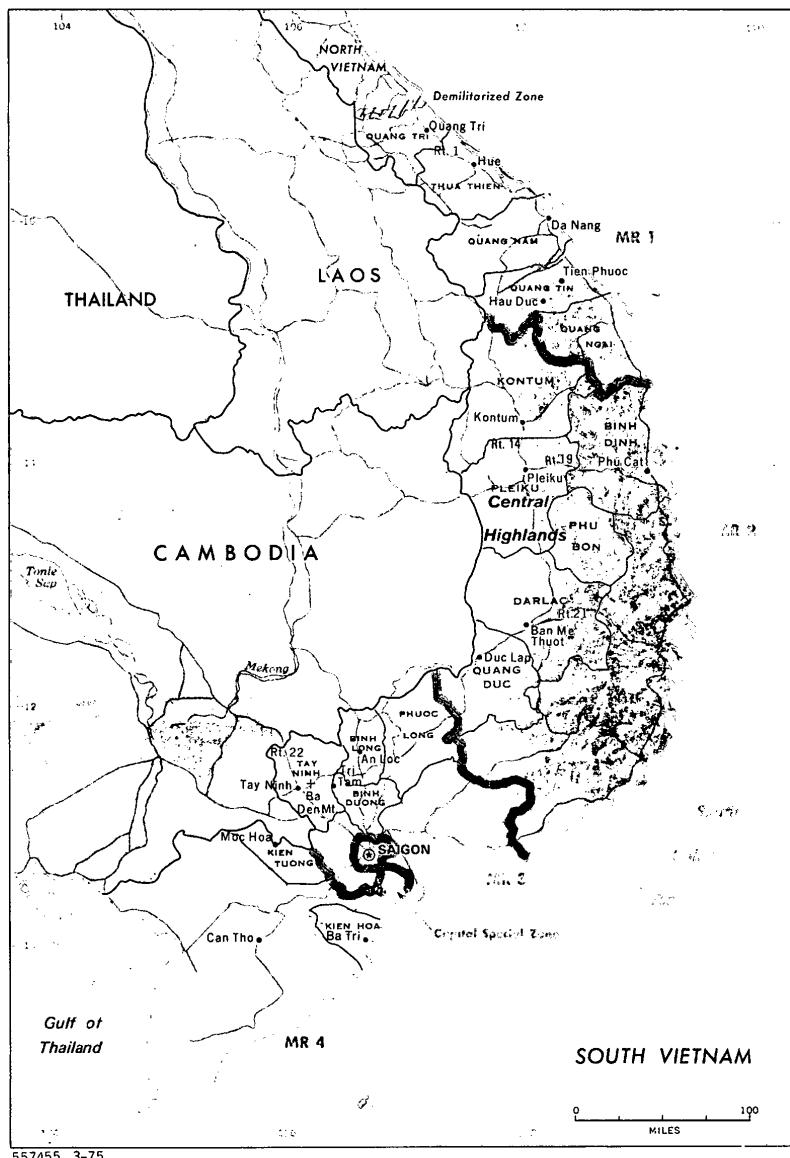
CAMBODIA

US charter airlines flying DC-8 aircraft halted flights to Pochehtong airport at mid-afternoon yesterday, following intensified communist artillery and rocket attacks. According to press reports, the flights resumed this morning.

Airlift operations by the smaller C-130 aircraft--which have been delivering all ammunition and some fuel--apparently had not been interrupted.

The operation to retake the town of Tuol Leap and push the communists out of rocket and artillery range of the airport made little progress yesterday for the sixth straight day. Ambassador Dean met with President Lon Nol yesterday and received promises that increased efforts would be made to retake Tuol Leap. It may be several days, however, before any new plans materialize.

FOR THE PRESIDENT ONLY



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SOUTH VIETNAM

The communists' dry-season campaign is beginning to spread southward. Strong pressure continues on government positions in the central highlands and northern provinces.

Tri Tam, a town in western Binh Duong Province, has been hit by infantry, armor, and artillery and is reported in communist hands early this morning. Sporadic fighting around Tay Ninh City is expected to become more intense. Communist military activity in the delta increased substantially yesterday, and heavy attacks are expected there soon. In addition to widespread shellings, a number of ground attacks have occurred, particularly around the provincial capital of Moc Hoa and near Ba Tri in Kien Hoa Province.

Fighting continues at Ban Me Thuot in the central highlands. Three South Vietnamese ranger battalions have reinforced the defenders, but the situation is precarious. The major land routes into the city are still cut, and both airfields are now in communist hands. South Vietnamese officers believe that units from the North Vietnamese 10th and 320th divisions, as well as an independent regiment, are involved, and that Ban Me Thuot is the main communist target in Military Region 2.

Communist forces control some high ground along Route 14 leading into Kontum. Local commanders are not expecting strong attacks against the city, but many civilian residents are leaving for the relative safety of Pleiku City.

The heaviest fighting in the northern provinces is taking place to the west and south of Hue. In Quang Tri Province, where two district capitals were lost on Monday, government forces are regrouping in anticipation of further attacks.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Ethiopian government forces and rebels continue to engage in scattered clashes.

A sizable government force is continuing sweep operations about ten miles north of Asmara, and fighting, with air support for government troops, has been reported in western Eritrea. In Shoa Province, where Addis Ababa is located, dissidents from the Galla tribe reportedly staged raids recently along each of the three main roads leading west and north from the capital. The Sudanese seem confident that the government and the Eritreans will eventually accept President Numayri's proposal for peace talks. A Sudanese foreign ministry official told the US ambassador yesterday that both sides had shown some interest in exploring Numayri's offer.

* * *

The murder of J. M. Kariuki, an outspoken critic of Kenya's President Jomo Kenyatta, will sharply increase political tension, already high because of a series of still-unresolved bombings in Nairobi that resulted in 27 deaths.

Kariuki was a leading figure among the Nyeri clan of the Kikuyu tribe. The Nyeri resent the fact that Kenyatta's Kiambu clan has received greater benefits from the political system. Kariuki's murder may lead to disorder and violence, because members of other tribes considered him a champion of the ordinary Kenyan.

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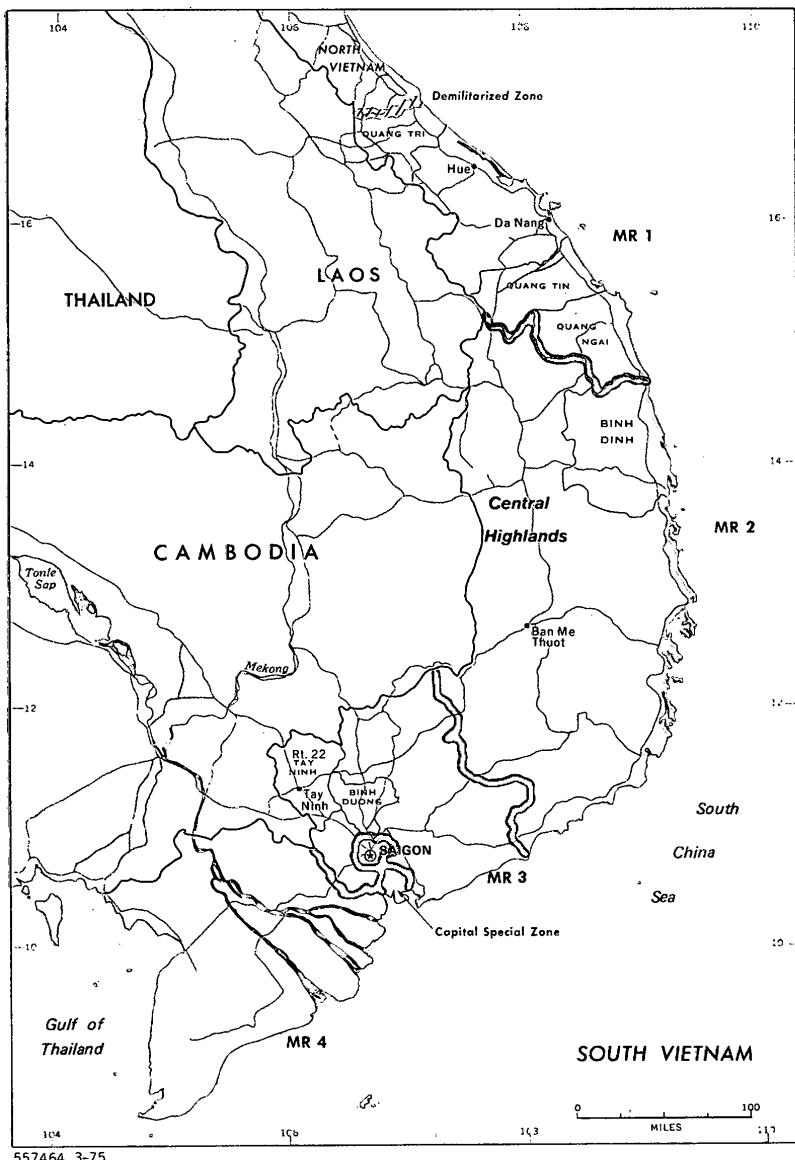
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FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The South Vietnamese are moving to counter the communist military campaign.

The government has counterattacked west of Hue and regained most of the ground lost during the past few days. Heavy fighting has developed in coastal Binh Dinh Province as a result of similar government attacks.

Ban Me Thuot has been reinforced, more troops have been promised, and President Thieu has issued orders to the regional commander to hold the town "at all costs." Saigon has directed the air force to provide "maximum support" to the highland battle-front.

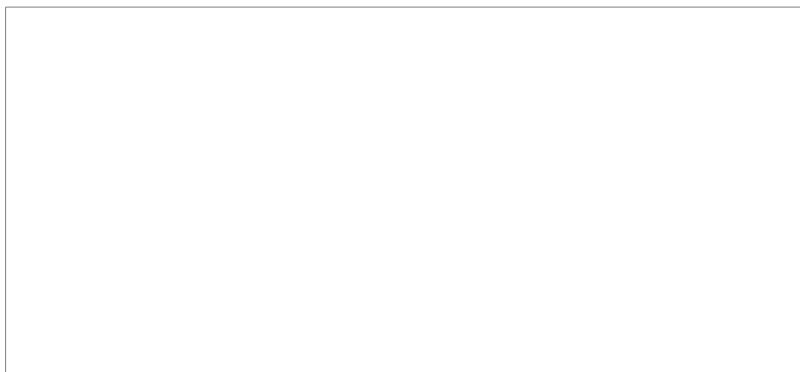
The commander of Military Region 3, meanwhile, is moving his forces to block communist advances in southern Tay Ninh and western Binh Duong provinces. He is also consolidating units of the division responsible for the defense of Tay Ninh City and is moving other units to reopen Route 22, the route linking Saigon and Tay Ninh that has been cut for several days.

Faced with mounting and widespread communist military pressure, President Thieu has ordered the return of the airborne division from the northern provinces to Saigon, presumably as a reserve that could be deployed to critical areas around the capital. If such a move takes place, the balance of forces in Military Region 1 will shift to the communists' favor. If the airborne division returns to Saigon, the northern regional commander plans to concentrate his remaining forces for the defense of Hue and Da Nang, leaving Quang Tri, Quang Tin, and Quang Ngai provinces vulnerable.

FOR THE PRESIDENT ONLY

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SYRIA-ISRAEL



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PORtUGAL

The Armed Forces Movement, apparently now under firm leftist control, yesterday announced the steps it will take in response to Tuesday's abortive coup.

The decisions announced by the Movement include:

--Formal announcement of Movement control over Portuguese politics. This probably spells an end to any serious negotiations between the military and political parties toward sharing power.

--Assignment of the Movement's political role to a new executive body, to be called the Council of Revolution.

--Confirmation that the national election will be held as scheduled on April 12.

--Support for Prime Minister Goncalves' reshuffle of the cabinet so that the government can take a "firmer and better defined line in keeping with the program of the Armed Forces Movement."

The Movement has also drawn up lists of command changes and of persons to be arrested in connection with the coup attempt. Several of Spinola's intimates have been added to the list of 26 officers already charged with conspiratorial activity by President Costa Gomes. Spinola and other officers who fled to Spain have been dismissed from the service.

A commission has been set up to investigate the coup attempt, and the Movement campaign to "educate the public" about the Movement's goals is to be intensified. The military service councils, in which moderates had assumed control after elections last week, have been abolished.

The election on April 12 will probably be less significant than if the coup attempt had not taken place. The military now has no intention of giving up any political power. In addition, the offices of the moderate parties suffered heavy damage from roving mobs of extreme leftists Tuesday night.

A few demonstrations continued in Lisbon yesterday, including one at the US embassy. The government, however, has repudiated a suggestion by General Otelo Carvalho, commander of the Lisbon military region, that Ambassador Carlucci go home. Portuguese marines are now stationed outside the embassy.

FOR THE PRESIDENT ONLY

IRAN-IRAQ

*Kurdish rebel leaders have asked the
Shah of Iran to intercede with Iraq to
arrange a cease-fire.*

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The Kurds are said to have offered to stop fighting [redacted] if Iraqi forces would do the same. The collapse of Kurdish military resistance was a matter of time once the Shah agreed in the Iraqi-Iranian accord signed on March 6 to end Iranian military support.

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Baghdad may not agree to an immediate cease-fire; it may insist on unconditional surrender of the rebels now that Iraqi forces have the upper hand. The situation may be further complicated by the decision of some rebels to fight on even without the authority of the Kurdish leadership.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH KOREA



FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Airlift operations in Cambodia were halted this morning after communist rockets set off a fire in an ammunition holding area at Phnom Penh's Pochentong airport.

Only a few artillery rounds landed near the airfield yesterday. The government operation to re-take the town of Tuol Leap--six miles northwest of Pochentong--made slight gains yesterday. Command problems still hinder its execution.

* * *

Greeks and Turks on Cyprus have agreed to return to the bargaining table after the UN Security Council yesterday adopted by consensus a resolution acceptable to both sides.

The resolution finessed the long impasse over the role to be played by Secretary General Waldheim by, in effect, leaving the determination of the scope of his role up to the Cypriots. The site for the resumed talks is still in question. The Security Council president noted that the consensus of the Council favored New York, but Turkish resistance probably will mean that any negotiations will be conducted in Nicosia.

* * *

During his second round of talks with party leaders, Sadi Irmak ran into the same difficulties that stymied his effort to form a new Turkish government last week.

Party leaders continue to reject a coalition of Turkey's two major parties--the Justice Party and the Republican People's Party--or a right-wing coalition. There is a slim chance that Irmak may be able to put together a coalition by grouping Bulent Ecevit's Republican People's Party and the conservative Democratic Party. Military leaders continue to exert pressure on the government to end the political stalemate, now in its sixth month. A "precautionary" alert is still in effect, although the military appears willing to give Irmak every chance to form a government.

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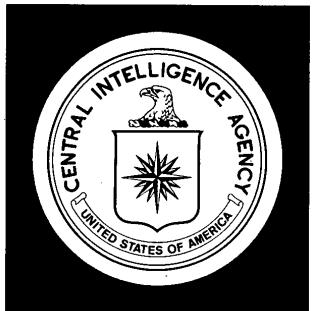
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Ethiopian government forces yesterday reportedly captured Tadessa Biru, the leader of an anti-government group of Galla--the country's largest tribe.

Tadessa and his followers have been organizing insurrections in the provinces and have recently attacked police stations to obtain weapons. The arrest of Tadessa, the dissidents' most important and able leader, will set back Galla efforts to oust the ruling military council. At the same time, however, numerous other tribal groups also are sponsoring uprisings in the countryside.

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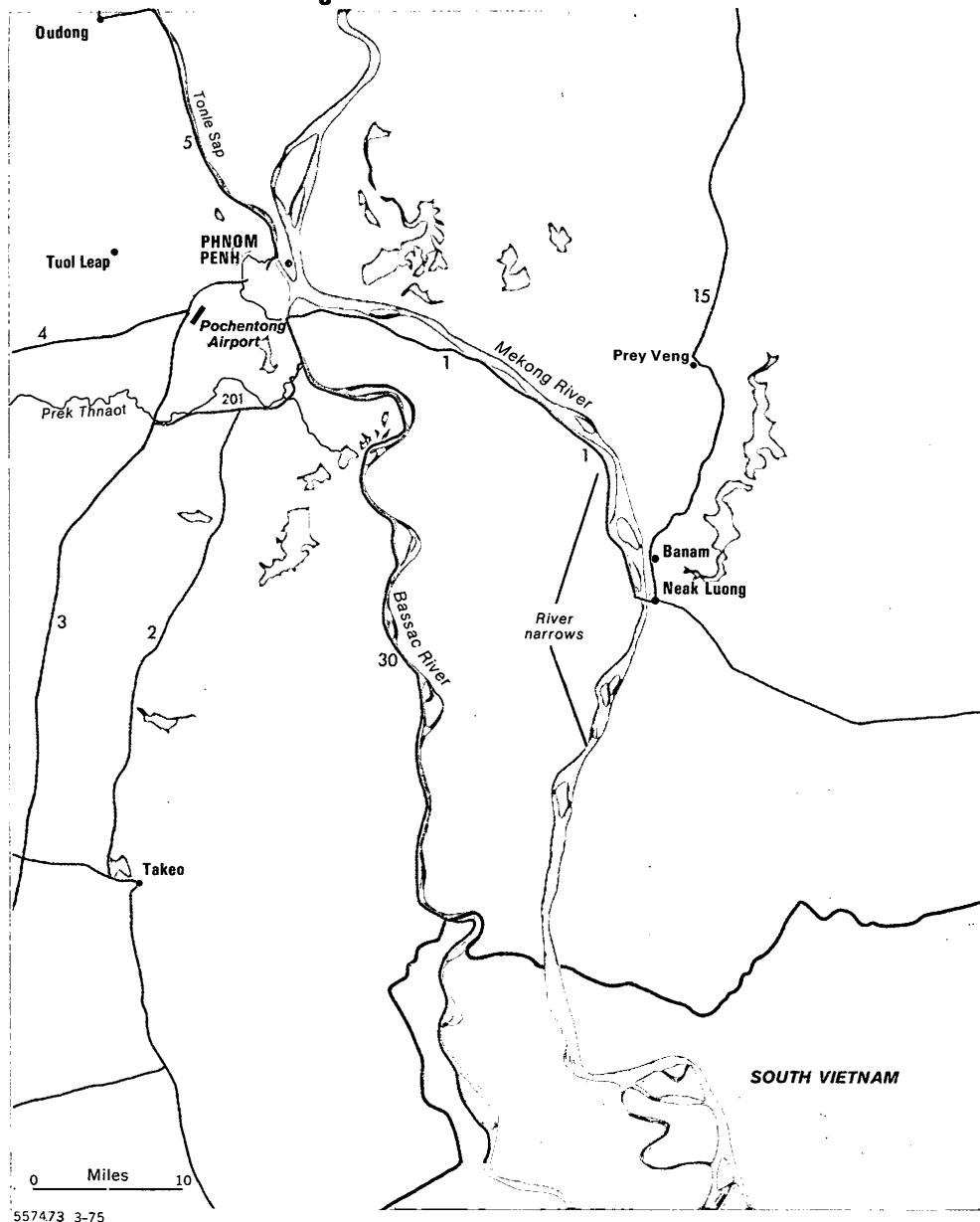
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FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

A 12-battalion government task force began moving into position yesterday for a renewed effort to retake Tuol Leap. Initial reports this morning indicate it is making limited progress.

Government aircraft and artillery have been softening up the area for the past two days. Thus far, however, the government ground thrust and the increased air and artillery strikes have failed to halt insurgent shelling of Pochentong Airport. The destruction of a small ammunition dump on the civilian side of the airfield yesterday slightly damaged the airport tower and halted the airlift. Flights from Saigon resumed this morning.

The Australian government yesterday announced that it will close its embassy in Phnom Penh. Australian aircraft will evacuate all diplomatic personnel and some Australian civilians to Bangkok on Saturday. Singapore yesterday ordered its diplomats to evacuate. Israel is the only other nation thus far to have pulled out of Phnom Penh. A number of embassies are operating with skeleton staffs.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA-CAMBODIA

Chinese propaganda on the Cambodian fighting this year, although not voluminous, shows that Peking is trying to retain all possible points of leverage in a postwar Cambodia, almost certainly in order to counter both North Vietnamese influence and the possibility of a future Soviet position there.

The Chinese may still be trying to catch up with a situation that has moved considerably faster over the past few months than they had anticipated. During the first years of the war, the Chinese viewed Prince Sihanouk as the most promising channel of influence in Cambodia after the fighting ended. They clearly recognize now, however, that Sihanouk's influence over developments there has sharply diminished along with the chances for a compromise settlement in which Sihanouk would play a key balancing role.

Chinese unwillingness to abandon Sihanouk completely suggests, however, that Peking is not fully confident of the strength and reliability of its relatively new links with the Khmer communists. In a step aimed at improving these ties, Peking signed a military aid agreement with insurgent leader Khieu Samphan last year. Efforts toward this end will undoubtedly continue.

Peking's sensitivities to the question of its influence in Cambodia may also explain--at least in part--the current visit of a high-level military delegation to Hanoi. Although purely bilateral Sino-Vietnamese issues are being discussed, the situation in Cambodia almost certainly has been included on the agenda.

The Chinese may have urged on the North Vietnamese a postwar role for Sihanouk more substantial than that of a titular head of state. Neither the North Vietnamese nor the Khmer Communists would welcome such suggestions.

FOR THE PRESIDENT ONLY

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USSR

L. S. Semeyko, specialist in strategy at Moscow's USA Institute, has suggested to US officials that the USSR could reduce the aggregate ceilings on its strategic weapons by as much as 30 percent in the aftermath of a SALT II agreement.

The Soviet specialist went on to say, however, that reductions beyond this could not be made without reference to the nuclear forces of China, the UK, and France and that negotiations on the reductions could begin immediately following signing of a SALT II agreement.

Semeyko's propositions go far beyond the official Soviet position, which makes no reference to percentage of reductions, envisions reductions only after 1980, and is heavily hedged with statements about the need for reducing nuclear weapons in third countries, as well as in US forward-based systems.

Members of the USA Institute do not hold policy-making positions, nor do their views necessarily reflect those of the leadership. In the past, opinions offered by institute members have not become official Soviet positions. The institute does appear to have a significant advisory role, however, and the ideas of its members may be representative of at least one school of informed opinion.

Semeyko made his comments last week in two conversations with US officials involved in arms limitation negotiations. On the second occasion, two other members of the USA Institute were present. All three seemed to be making a special effort to demonstrate Soviet interest in additional progress on arms control. For example, Semeyko observed that the USSR would not reach its allowed MIRV ceiling of 1,320 until well into the ten-year SALT II treaty, and could therefore accept a reduction in the MIRV ceiling without having to dismantle existing systems.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The Soviet specialist also raised the subject of mobile ICBMs, asserting that the USSR is less interested in them than the US. He quoted the commander of the strategic rocket forces to the effect that the USSR does not intend to build mobile ICBMs. When pressed on the discrepancy between this position and the Soviet stance at SALT I, Semeyko replied, "Maybe our position has changed."

We have evidence that the Soviets are developing a mobile ICBM.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

A lengthened variant of the D-class ballistic-missile submarine was launched at the Severodvinsk shipyard early this year.

[redacted] the submarine, which is now being fitted out, is [redacted] about 50 feet longer than the standard D-class. The extra length was added in the missile bay area.

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[redacted] the submarine is believed to be designed to carry at least 16 SS-N-8 missiles. The standard D-class carries 12 of these missiles, which have a 4,200-mile range.

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Based on the number of hull sections seen at the construction hall [redacted] we estimate the Soviets will build another eight or nine of the lengthened submarines.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-CSCE

The Soviets' push for a speedy conclusion to the European security conference appears to be having an effect on the West Europeans.

General Secretary Brezhnev has sent letters to leaders of major Western countries proposing a summit-level meeting on June 30 as a finale to the conference. This is the first time the Soviets have suggested a specific date, and the timing suggests that they would like to have the security conference out of the way before Brezhnev visits the US.

Several of the participants at the EC summit meeting in Dublin this week expressed the view that the West should take advantage of Brezhnev's personal commitment to detente.

The West Europeans are not prepared at this time, however, to pay an exorbitant price to bring the conference to an end. While they are willing to study where further concessions might be made, the statement approved by the Nine favors a conclusion of the conference "at an early date and at the highest level" only if "balanced and satisfactory results" on all agenda items are achieved.

FOR THE PRESIDENT ONLY

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PORtUGAL

Attacks by extreme leftists have brought conservative political parties to near total disarray. Non-communist parties of the left are also increasingly discouraged by the actions of the military and the extremist violence.

While the roundup of military officers and civilians alleged to have been involved in the coup attempt continued yesterday, President Costa Gomes told the nation in a televised speech that the core of opposition to the new political-social conditions still exists. He said that a thorough investigation is under way which would uncover "the enemy of the people and the Armed Forces Movement."

The conservative Social Democratic Center and the Christian Democratic parties may be outlawed. Yesterday, a Christian Democratic leader was accused of complicity in the coup attempt on Tuesday; many of the party's leaders are reported to have fled to Spain. The hopes of the moderate leftist parties of recouping some of their losses by taking part in the constituent assembly election next month appear increasingly futile in view of the increasing dominance of leftists in the government and the growing extremist violence.

Socialist Foreign Minister Soares has confided to Ambassador Carlucci that the effect of giving broader powers to the military is to push the political parties outside the power spectrum. He said the parties now had to determine whether it was worthwhile participating in the political process.

[redacted] the Portuguese Democratic Movement, a communist front, will join the government when the cabinet is reshuffled.

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Several members of Portugal's leading banking and industrial families have been arrested. Prominent businessmen in recent months have been detained for short periods, but the arrests this time may presage more serious intervention in the private sector. The most extreme of the far left parties is [redacted] planning terrorist actions against wealthy Portuguese [redacted]

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Spain, anticipating a request from the Portuguese government for the extradition of former president Spinola, is increasingly embarrassed by Spinola's presence. Spain would welcome an offer from a third country to grant asylum to the former general. The Brazilian foreign ministry has denied reports that Spinola had requested asylum there.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Heavy fighting continues in all four military regions of South Vietnam.

Government counterattacks are spurring sharp fighting in the northernmost provinces; the most severe battles are near Hue. Reinforcements are continuing to arrive around Ban Me Thuot, in preparation for an attempt to force the communists out of the provincial capital. Government forces have made little progress in reopening the roads linking the highlands with the coast.

* * *

The Iraqi government and the rebel Kurds apparently agreed to a cease-fire yesterday morning.

According to Baghdad radio, the truce will lapse at the end of the month and Iraqi forces will resume their offensive, presumably against any remaining Kurds who have not surrendered or sought refuge in Iran. The Iraqis had earlier offered amnesty to those Kurdish tribesmen who would surrender before April 1. On Wednesday, however, the Iraqi Baath Party newspaper stated that the only solution to the Kurdish rebellion was "final liquidation."

* * *

In a possible prelude to revaluation, the Saudi Arabian Monetary Agency yesterday sharply limited trading in the riyal.

Bankers generally believe the government will revalue the riyal, which is tied to the dollar, to alleviate inflationary pressures at home. A revalued riyal would have no direct bearing on oil prices, since those prices are primarily quoted in dollars rather than the currency of the exporting country. A decision to revalue, particularly if the riyal were linked with the special drawing rights of the International Monetary Fund, could provide support for those OPEC members who wish to quote oil prices in terms of a "basket" of currencies.

(continued)

FOR THE PRESIDENT ONLY

* * *

Turkish President Koruturk has asked Bulent Ecevit, chairman of the Republican People's Party, to return home from a European tour, rousing speculation that Ecevit will be asked to form a government.

Koruturk's summons to Ecevit follows Prime Minister Irmak's decision to abandon his effort to form a coalition government. Koruturk will meet today with senior politicians. Ecevit returns home tomorrow.

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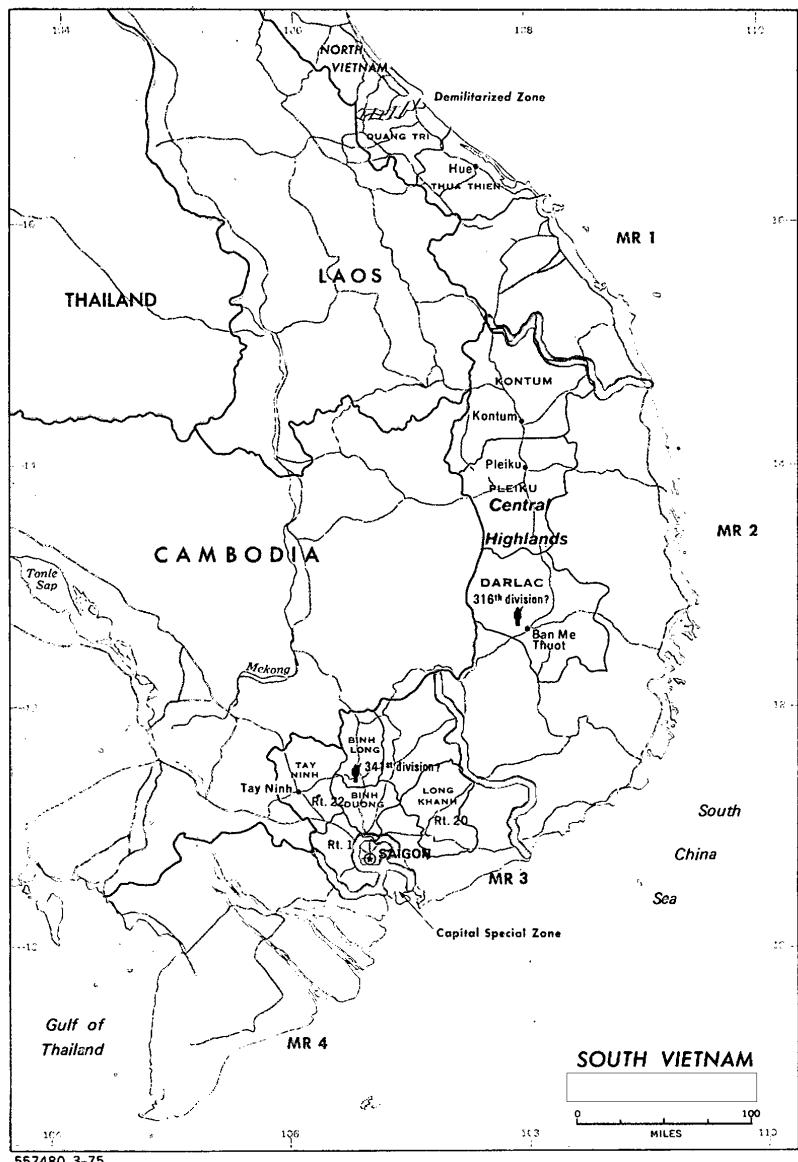
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25X1

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

South Vietnamese President Thieu has decided to make an all-out stand in the highlands at Ban Me Thuot and has ordered the commander of the military region to withdraw his troops from Kontum and Pleiku provinces, so they can be used in the battle for the town.

[redacted] the regional commander, Major General Phan Van Phu, met with Thieu yesterday and failed in his attempt to persuade the president to send more reinforcements to the central highlands. The president told Phu that the recapture of Ban Me Thuot was the single most important objective in Military Region 2. Thieu reportedly ordered General Phu to begin withdrawing his forces from Pleiku and Kontum provinces today and to complete the relocation by next Monday. An Air America C-47 was scheduled to evacuate all Americans from Kontum and Pleiku early this morning.

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Details of the tactical situation at Ban Me Thuot are sketchy, but [redacted] the communists now occupy large portions of the town.

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25X1

[redacted] large numbers of South Vietnamese troops have been taken prisoner, as have the province chief and a regimental commander. [redacted]

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25X1

[redacted] large numbers of civilians have been "freed," suggesting the civilians have been moved away from the fighting into communist-held areas.

25X1

Government troops have taken up positions on the edge of the town, and reinforcements are moving toward Ban Me Thuot. South Vietnamese military officials in Saigon say several thousand rangers were airlifted to the highlands yesterday. The rangers reportedly were pulled from a government operation north of Saigon, pointing up the difficult choices now confronting the South Vietnamese.

Fighting also continues northeast of Saigon. In Tay Ninh Province, the communists have opened a new front along Route 1, which runs between the provincial capital and Saigon. Units of the North Vietnamese 5th Division have overrun two government outposts along the highway.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

These attacks, in conjunction with pressure on South Vietnamese units east of the district, appear designed to isolate Tay Ninh City further. [redacted] the attacks were supported by tanks and heavy artillery.

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The communists may be moving additional combat units into central and southern South Vietnam.

25X1

[redacted] elements of two North Vietnamese reserve divisions--the 316th and the 341st--arrived recently in central and southern South Vietnam.

Prisoners who claim they are from the 316th were captured near Ban Me Thuot a few days ago. Others, claiming to be from the 341st, were picked up in Binh Long Province yesterday.

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They claim that their regiment left North Vietnam in mid-February and arrived in Binh Long just a few days ago. Earlier evidence suggested that at least part of the 341st was moving into northern South Vietnam.

It takes about three weeks to move from North Vietnam to the provinces from north of Saigon, and some parts of the 341st could have arrived in South Vietnam's Military Region 3.

The evidence on the 316th is less convincing. The prisoners the South Vietnamese hold could be personnel from the 316th Division sent to the 968th Division before the 968th moved from Laos into the central highlands in January. Nevertheless, there have been changes in the 316th [redacted] in recent weeks that do suggest that parts of the 316th are moving. Two reserve divisions--one in the highlands and the other in the area north of Saigon--could allow the communists to make gains in both areas.

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In any case, we have indications that other enemy units inside South Vietnam are showing signs of moving into areas that have not recently experienced heavy fighting--a suggestion the communists may hope to open a number of fronts to tie down and stretch thin Saigon's forces.

(continued)

FOR THE PRESIDENT ONLY

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[redacted] the
North Vietnamese 7th Division has moved into central
Long Khanh Province from the Binh Long - Binh Duong
area. The 7th could be moving into position to at-
tack government positions along Route 20, a vital
supply artery into the highlands.

In the northern part of the country, the North
Vietnamese 325th Division has apparently moved south
from Quang Tri to Thua Thien, and it now threatens
government positions west and south of Hue. The
move enhances communist combat capabilities in this
area, especially in view of the pending move to
Saigon of the South Vietnamese airborne division.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

The US mission in Phnom Penh is receiving numerous requests from Cambodians and foreigners alike for assistance in leaving the country. Cambodian civil air flights have been canceled, leaving US flights into Pochentong airport the only regular link with the outside world.

French aircraft are scheduled to arrive this weekend to evacuate French nationals in Phnom Penh. The Australians plan to move their entire embassy staff to Bangkok today. Saigon is attempting to arrange the evacuation of large numbers of ethnic Vietnamese refugees in the Phnom Penh area and is preparing to close the South Vietnamese consulate in the provincial capital of Battambang.

The preliminary US congressional votes on supplemental aid to Cambodia appear to have driven home to the leadership in Phnom Penh, perhaps for the first time, the possibility of early termination of US assistance and outright military defeat.

The flow of foreign nationals out of the country and, in particular, the evacuation of members of the relatively large and well-established French community is bound to weaken morale further. In a conversation with Ambassador Dean yesterday, the president of the Cambodian senate expressed his own discouragement over the growing signs of anxiety within diplomatic circles and over what he termed the hasty departure of the foreign community.

* * *

Communist fire against Pochentong airport was relatively light yesterday, with no significant damage reported. The Cambodian army clearing operation west of the airport has moved against stiff resistance to within about two miles of communist artillery and rocket positions around Tuol Leap.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Radicals in the Armed Forces Movement are continuing to consolidate their gains over the badly disorganized moderates.

At the first meeting of the newly created Revolutionary Council, which combines both executive and legislative functions, radicals pushed through legislation nationalizing all Portuguese banks except branches of foreign banks and agricultural credit institutions.

Further changes are expected in the government, including a shuffle of the cabinet. Rumors suggest the moderate Popular Democratic Party may be replaced in the government coalition by the Communist-front Popular Democratic Movement. There are also rumors that Socialist Party leader Soares will be eased out as foreign minister.

Ambassador Carlucci believes that the radicals in the Armed Forces Movement have scored massive, but perhaps not decisive, gains. Civilian political parties, with the possible exception of the Communists, have been severely weakened. The ambassador notes that while the Communists have been trying to establish a close cooperative relationship with the Movement, even they must now be concerned that the Movement will decide it no longer needs their support.

The ambassador believes the abortive coup has significantly increased the likelihood that Portugal will move toward overt military rule, based on populist and nationalist policies with heavy pro-communist overtones. The regime is likely to seek international support in the Third World, while deemphasizing its NATO ties.

As bleak as this scenario is, Ambassador Carlucci does not think the situation is irretrievable. Most Portuguese are still basically conservative and the bulk of the military officers have still not been radicalized. Spinola's departure has left President Costa Gomes without a rival for leadership of these centrist forces, and he may be able to begin to recoup some of the losses.

President Pinochet of Chile agreed to grant asylum to Spinola yesterday, after Brazil and Argentina refused to do so. Spinola will arrive in Chile during the weekend, according to Chilean Foreign Minister Caravajal.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

The presence of US forces has become a political football in the scramble to form a new parliamentary government, even though it was not a popular issue in the campaign for the general election last January.

Except for some members of the political left, no candidate or party in the election proposed a timetable for the total withdrawal of US forces. Indeed, politicians from the northeast, where the bulk of the bases are located, have many constituents who want the US forces to remain, primarily for economic reasons.

The inconclusive result of the general election is in part responsible for making the presence of the US military a live issue. A delicate balance of forces exists in the assembly, with no one party or faction having close to a majority of the seats. Prime minister - designates, such as Seni Pramot and his younger brother Khukrit, who is now the parliament's choice, find they must yield to the demands of splinter groups if they are to have a chance of winning a vote of confidence from the assembly on their proposed government platforms.

Once Seni broke the ice on the question by proposing that all US troops be withdrawn within 18 months, other politicians felt compelled to equal or outdo Seni's stand in order to avoid being labeled US lackeys by the Bangkok press and other pressure groups.

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The national assembly vote of confidence on Khukrit may occur next week.

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The sudden prominence of the US troop issue, however, is attributable to more than the vagaries of parliamentary politics. It also reflects the disillusionment of many Thai officials regarding the value of continuing a close relationship with the US. US Congressional restrictions on the use of US combat forces, combined with the continued deteriorating security situation in Indochina, have convinced many Thai that the US is no longer prepared to play an active role in Southeast Asia.

(continued)

FOR THE PRESIDENT ONLY

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Prospective foreign minister Chatchai, a spokesman for the political right, reportedly has said that the fall of a non-communist government in Cambodia would have a "deep and lasting influence on Thai policy." It would be interpreted, Chatchai said, as confirmation that the US does not intend to back its friends in Southeast Asia. Chatchai added that the best thing for Thailand in such circumstances would be to ask the US to leave quickly. Although this viewpoint enjoys wide sympathy within the Foreign Ministry, it is far from certain that it will become Thai policy in the near future. Indeed, there are officials in the government who would oppose such a move.

Even if the proponents of a slower pace of US troop withdrawals ultimately prevail, it seems clear that Thailand has embarked on an increasingly nationalistic foreign policy, regardless of who becomes prime minister.

FOR THE PRESIDENT ONLY

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IRAN-IRAQ

The cease-fire between government forces and the Kurds appears to be taking hold. The Iraqis have made clear, however, that their agreement to a cease-fire is not a first step to negotiations with the Kurds on a political settlement leading to eventual Kurdish autonomy.

Baghdad radio broadcast government statements yesterday that the cease-fire had been arranged only to give the rebels a chance to surrender unconditionally.

[redacted]

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Barzani told the Shah [redacted] that he wanted to continue the struggle. The Shah refused his request for more "infantry-type" weapons and told Barzani that he planned to observe the agreement with Iraq, "at least for a six-month trial period." [redacted] the Shah told Barzani that Iraq had promised to reciprocate the cease-fire, and Barzani then agreed to it also.

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[redacted] the Shah told Barzani that several governments--presumably Egypt and Algeria--had pressed him, before he went to Algiers for the OPEC meeting, to help end the civil war in Iraq. These governments indicated, the Shah said, that this would result in a change in Baghdad's "political stance"--implying a moderation of Iraq's radical policies.

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PANAMA

General Torrijos is marshaling foreign support for Panama's position as the canal treaty negotiations enter a critical phase. He is concerned both about key negotiating issues such as the duration of a new treaty and the chances for US ratification if there is an agreement on the draft.

Next weekend Torrijos will host a meeting with the presidents of Colombia, Costa Rica, and Venezuela. At the suggestion of Venezuelan President Perez, the three chiefs of state already intend to send you personal expressions of support for Panama's case, and Torrijos expects them to sign a declaration affirming Panama's claim to sovereignty over the canal. Panamanian officials have said that the campaign for support will be extended to other Latin American countries and eventually to all Third World nations.

Although Torrijos believes that foreign support for his treaty stand is useful, the main effort to sell a new pact must be directed at the Panamanians and the US. Panamanian officials [redacted] recognize that there are certain basic elements the US must have in any treaty, but they feel they must constantly reassure the Panamanian people that Panama's interests are being zealously protected in the negotiations. This difference between [redacted] positions may in part explain the recent Panamanian press criticism of Secretary Kissinger's speech of March 1 in Houston in which he touched on US aspirations in the negotiations.

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Torrijos is genuinely concerned about the implications of the resolution sponsored by Senator Thurmond earlier this month reasserting US sovereignty and rights over the canal. He has already started a campaign aimed to show the US public that a new treaty would benefit both sides.

FOR THE PRESIDENT ONLY

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VENEZUELA-MEXICO

Presidents Perez and Echeverria will jointly announce the creation of a new Latin American Economic System during Perez' five-day visit to Mexico beginning on Monday.

Co-sponsored by Mexico and Venezuela, this proposed economic organization is the latest symptom of the growing desire of Latin American and Caribbean nations to use their collective weight to persuade the US to be more generous in its policies and to follow up the "new dialogue" with specific actions. Even the new economic system's joint sponsors are not clear, however, on what the objectives of the organization really are, and not all Latin American governments see a need for it. Most, nevertheless, will accept the invitation to join.

Perez is also likely to call again for a meeting of Latin American presidents this year. The purpose of such a conclave would be to consider means to accelerate regional economic integration, as well as to give Perez another stage on which to assert leadership in Latin America.

On the surface, the two presidents demonstrate remarkable unanimity of purpose. Both are committed to achieving regional unity in economic affairs and seem to be working together toward that goal. On the other hand, each is pursuing his own activist foreign policy, and they are becoming rivals for influence in the hemisphere and in the Third World.

FOR THE PRESIDENT ONLY

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NOTE

Cuba's effort in recent months to expand its commercial ties has brought Havana in touch with foreign subsidiaries of US companies, and has raised serious questions over extraterritorial applications of US laws against commercial relations with Cuba.

Havana currently wants to buy \$300,000 worth of rubber flooring material from a US subsidiary in Spain. The company has balked at the deal because of the US regulations, but the Cuban purchasing agency has threatened to bring the company's resistance to the attention of the Spanish government. In view of rapidly expanding Spanish-Cuban trade, Madrid may well exert pressure on the company to agree to the contract. As Cuba's commercial contacts expand, conflicts in several Western countries are likely if US subsidiaries fail to respond to the desires of the host governments to do business.

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exemption category 5B(1),(2),(3)
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Saudi Arabia: Revaluation of the currency will not have any direct bearing on oil prices. (Page 1)

Notes: Cambodia; USSR; Argentina; Portugal (Pages 2 and 3)

At Annex we present an interagency intelligence memorandum on The Situation in South Vietnam.

FOR THE PRESIDENT ONLY

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SAUDI ARABIA

The Saudis' upward revaluation of their currency by more than 2 percent on Saturday will not have any direct bearing on oil prices, which are quoted mainly in dollars.

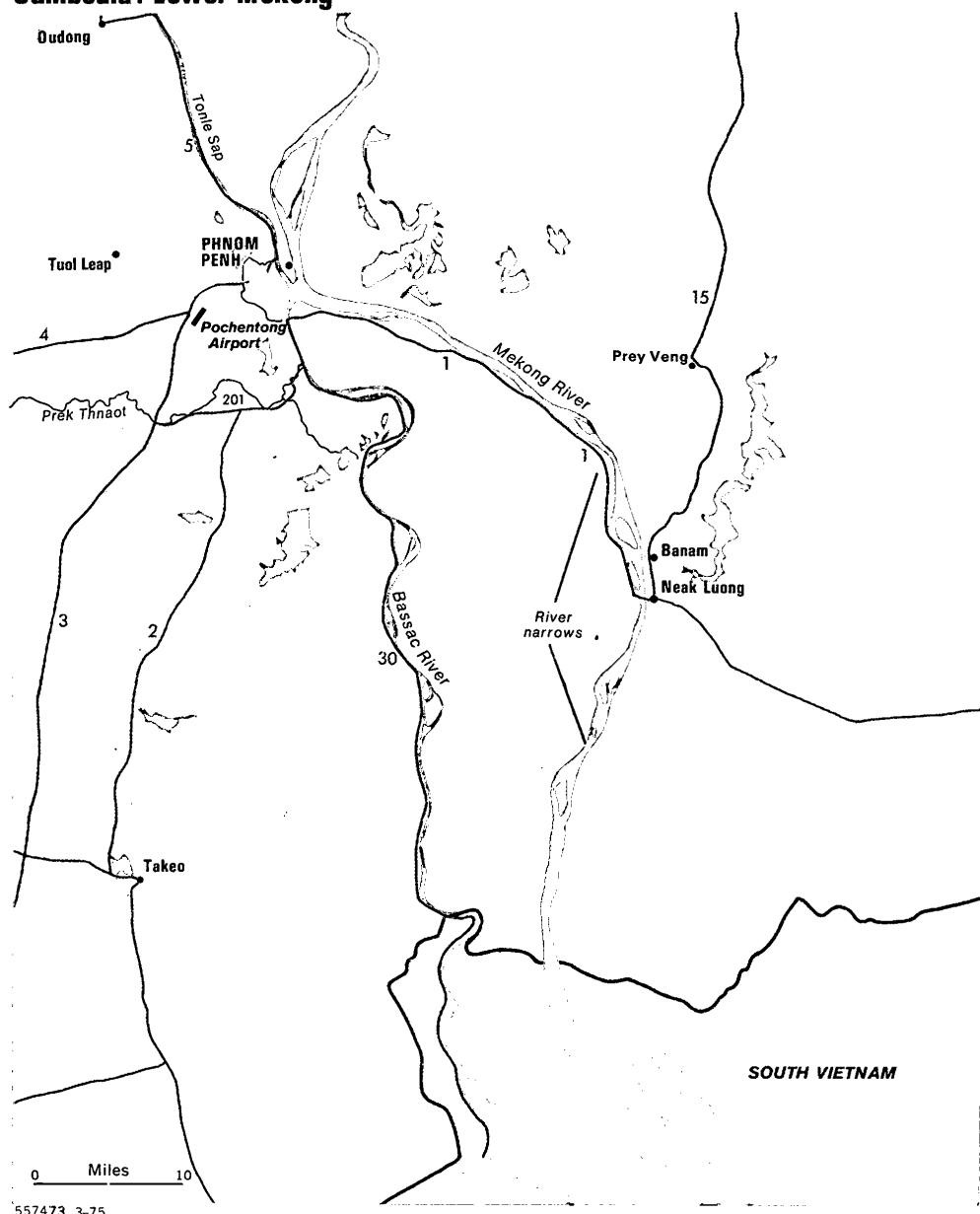
The revaluation and the announcement that the rate would be adjusted periodically, to reflect changes in the dollar's rate vis-a-vis the International Monetary Fund's Special Drawing Rights, apparently stem from concern over the domestic inflationary impact of the dollar's decline. By severing their currency's ties to the dollar and linking it to the Special Drawing Rights, which are valued on the basis of 16 currencies, the Saudis hope to ensure that any further decline of the dollar will have less effect on the cost of goods imported from Europe. Iran made a similar move last month for the same reason.

It is possible that other OPEC countries will soon make similar decisions. Qatar may decide to link its currency to the Special Drawing Rights rather than the dollar as part of its own decision on Saturday to revalue. Coupled with the Saudi and Iranian decisions, this would put added pressure on other OPEC states in the area to follow suit.

Although none of these decisions will have any direct bearing on oil prices, it is possible that the positions of OPEC members, who want to return to a system of adjusting the dollar price of oil to reflect changes in the dollar's value relative to other major currencies, will be strengthened. This type of system was used prior to the 1973 oil embargo to help insulate the value of OPEC's oil receipts from the effects of exchange rate movements.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

NOTES

Cambodian army units located northeast of the recaptured town of Tuol Leap have been forced to withdraw.

Some other units committed to the Tuol Leap operation, however, are expected to reinforce and help stabilize these units in the face of this new threat. At Neak Luong the situation is continuing to deteriorate. The insurgents reportedly have entered a portion of the town and have occupied part of the airstrip. They now control the west bank of the Mekong River from the South Vietnamese border to about eight miles from Phnom Penh. Meanwhile, rocket and artillery attacks against Pochentong airport have decreased, and US airlift operations are continuing on schedule.

* * *

Soviet General Secretary Brezhnev arrived in Budapest yesterday for the opening of the Hungarian Communist Party Congress today.

It is Brezhnev's first trip abroad since his visit to Paris in early December. Most East European states are expected to be represented at the congress by their top party leaders. Romania and Yugoslavia, however, will send lesser ranking officials.

* * *

Argentine President Peron's political position has weakened during the past two months.

There are growing signs of strain within the Justicialist coalition that brought the Peronists to power. In addition, a recent survey of army and navy officers has disclosed widespread dissatisfaction with the failure of Mrs. Peron's government to improve the country's economic situation and deal a decisive blow to terrorism. The consensus among the officers is that Argentina would be better off with another president, as long as the military had a hand in the selection. This attitude is a major shift from the military's view just a few months ago that there was no alternative to Mrs. Peron.

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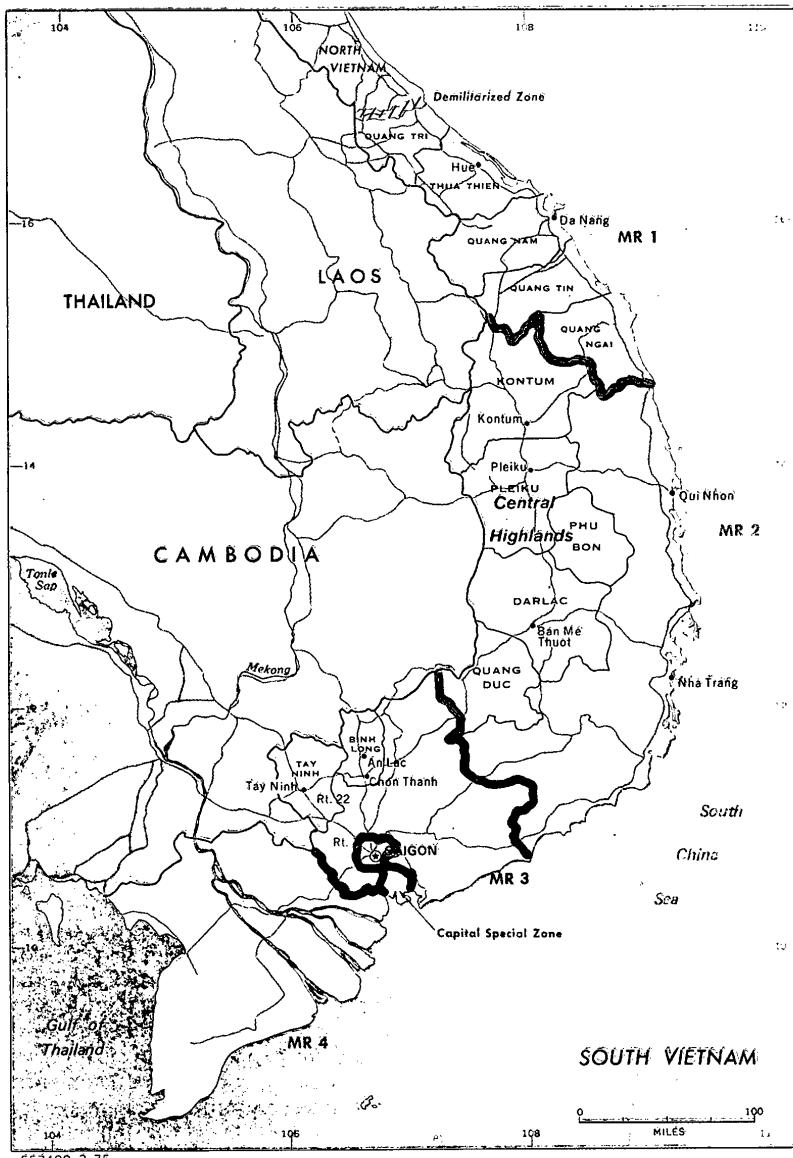
FOR THE PRESIDENT ONLY

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The leftist-dominated Portuguese government has extended its control over the nation's financial sector, following up its nationalization of the banking system with the takeover of the major insurance companies.

The nationalization of banking and the insurance companies is a major blow to the oligarchy that has dominated Portugal's economic life and will give the government a strong hand in directing business and industry. The government also announced over the weekend that it is considering a request from a Portuguese transport company to give the Soviet merchant fleet use of refueling facilities on the island of Madeira. General Spinola, meanwhile, was finally given asylum in Brazil on Saturday.



FOR THE PRESIDENT ONLY

THE SITUATION IN SOUTH VIETNAM

At the beginning of the communist dry season campaign last December, the intelligence community concluded that Hanoi was prepared to increase military action in the South sharply, possibly including the commitment of part of its strategic forces in order to change the political and military balance in the South. We also concluded that the North probably would not launch an all-out offensive this spring using all or most of its strategic reserve, except in response to a major opportunity to achieve a quick victory. In the recent pattern of events in Indochina and in the US, particularly the US debates and actions on the question of aid, the North Vietnamese appear to have sensed just such an opportunity.

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Recent developments make it clear that the North Vietnamese already have increased their military activity and that Hanoi's leaders have decided to step up the level of military pressure even further in the weeks and months immediately ahead.

--During the past few months recruitment and training have been sharply accelerated in the North while large numbers of replacement troops continue to infiltrate to the South.

--In-country communist units have been shifting into areas which previously have seen little combat.

--Major elements of two North Vietnamese strategic reserve divisions have arrived in the South.

--Communist propaganda has been taking an increasingly strident line regarding "US impotence" in Indochina.

Saigon's Response

Faced with stepped-up communist military action and the prospect of further escalation, President Thieu has decided in the past few days to adopt a new military posture.

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Heretofore, Saigon's approach to the war has been to contest the communists in most areas, launching preemptive attacks whenever possible and generally trying to regain lost territory.

Under the new concept, the government is withdrawing its forces from major portions of northern and central South Vietnam and now plans to concentrate them in the southern half of the country and around the large population centers along the north-central coast. The objective is to retain control over as much of the heavily populated and economically important areas of the country as possible, at the cost of virtually writing off the remainder.

The major country-wide communist attacks that have occurred since early March and the declining prospects for US military assistance are the principal factors contributing to Saigon's decision to reorder its priorities and change its military strategy. In recent weeks the South Vietnamese have been expending very large quantities of munitions in an attempt to meet the communists head-on, and President Thieu appears to have decided that they cannot continue to do so without seriously jeopardizing the government's ability to cope with the communists over the longer term.

President Thieu's decision, in short, appears based on a recognition that--given the government's deteriorating logistic situation--the costs and risks of trying to defend all areas of the country would probably be prohibitive now. In Thieu's mind, a drastic consolidation of units and supplies appears to offer the best hope of containing communist attacks this dry season and of buying the additional time to prepare for another North Vietnamese campaign in 1976.

President Thieu late last week met with the commanders of Military Regions 1, 2, and 3 to discuss his strategy and provide guidelines on how he wanted them to use their forces in support of his program. In the case of MR 1, the President turned down Lieutenant General Ngo Quang Truong's request to keep the Airborne Division at Da Nang and ordered him to proceed with the transfer of the division to Saigon. One of the division's three brigades will go to Saigon early this week, and the others are scheduled to move by the end of the month. (They will be replaced by a newly formed and incompletely trained Marine brigade, possibly augmented by rangers, from MR 3.)

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President Thieu stated that Da Nang must be held at all costs but acknowledged that other positions in the northern provinces would have to be given up.

General Truong has already issued orders for government troops to withdraw from two district towns in central Quang Ngai Province. He also plans to shift some of his remaining forces. Two brigades of the Marine Division will be transferred from north of Hue to the Da Nang area to replace the airborne troops. A substantially weaker force, including the newly activated Marine brigade and ranger group from MR 3, will be assigned the task of defending the northern approaches to Hue. The 1st Infantry Division will remain deployed to the west and south of Hue.

These redeployments will seriously weaken the government's position in MR 1, outside Da Nang, especially in view of recent shifts by North Vietnamese divisions in the Quang Tri - Thua Thien area. Large-scale communist attacks in this area are almost certain, and General Truong believes Quang Tri Province will be lost. He is also not optimistic about his chances for holding Hue, and we share his view.

In MR 2, Thieu's strategy concedes most of the central highlands to the communists. President Thieu has told the regional commander, Major General Phan Van Phu, that the recapture of Ban Me Thuot--the capital of Darlac Province occupied by the communists last week--was the single most important military objective in the region.

General Phu has been ordered to concentrate his military resources on accomplishing this task and to move his forces out of Kontum and Pleiku for the effort. The evacuation is already in progress. When it is completed, Kontum and Pleiku provinces will, in effect, be abandoned.

Although President Thieu's decision can be explained in terms of military expediency, it nonetheless risks a psychological unraveling within the South Vietnamese army that could seriously complicate an orderly consolidation of the government's military position.

--The permanent relocation of some South Vietnamese units away from their traditional areas of operation could impact sharply on the fighting esprit of soldiers in these units.

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--The withdrawal from Kontum and Pleiku provinces is already causing serious morale problems among government troops there.

--We expect this is likely to be the case in other areas of the country as the scope and nature of Saigon's plans become known.

--The government still plans to have regional and territorial forces continue to defend some remote and expendable areas, but these irregulars cannot be expected to fight without close support from main force units.

--President Thieu's military judgment is already being seriously questioned within the South Vietnamese military establishment. General Truong, the MR 1 commander, for example, has termed the decision to transfer the Airborne Division to Saigon "irrational."

What Now?

President Thieu's decision to move to a defensive fallback position appears to put earlier communist military goals for 1975 in easy reach. It will also give Hanoi a wider range of opportunities and confront it with new decisions. We believe that Hanoi will move quickly to exploit Saigon's new vulnerability in the northern provinces.

According to a recently captured prisoner from the North Vietnamese 324B Division, the communists already had been planning for a major move against Hue this dry season. Hanoi now has a far more realistic and less costly opportunity to take the city. The communists still have a large reserve of five combat infantry divisions north of the demilitarized zone, and we believe that if necessary Hanoi will commit some of this force to achieve the city's capture.

The North Vietnamese will probably choose to bypass the strong government defenses around Da Nang, but they should be able to make significant gains in southern MR 1, including large parts of Quang Nam, Quang Tin, and Quang Ngai provinces. In the central highlands of MR 2, the North Vietnamese will soon occupy Pleiku and Kontum cities and should have little difficulty in establishing control over the inland portions of the whole northern half of the region.

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FOR THE PRESIDENT ONLY

The South Vietnamese clearly intend to make an all out effort at Ban Me Thuot. They are now assembling a large combat force to send back into Darlac Province to retake the town, which North Vietnamese troops now largely occupy. In the immediate area there may be the equivalent of two communist infantry divisions--possibly including elements of the North Vietnamese 316th Division from the strategic reserve.

Government troops have taken up positions on the eastern edge of Ban Me Thuot, and reinforcements are moving toward the town. The government will begin its counterattack with the 23rd Division and two ranger groups, supported by airstrikes, tanks, and artillery.

We believe that General Phu's estimate that the town can be retaken in about three weeks is overly optimistic, particularly in light of increasingly constrained mobility of the South Vietnamese armed forces. The battle probably will be costly for both sides and apparently not decisive.

Hanoi may view the developing battle for Ban Me Thuot as a good opportunity to inflict a crippling blow on the South Vietnamese army--not only weakening its physical capabilities but, even more, jarring its morale and self-confidence. To achieve this objective, Hanoi may be prepared to commit substantial new forces to the fight.

In any case, further substantial communist inroads are likely in Darlac and Phu Bon provinces, and the government's position in Quang Duc Province will probably be untenable. In May, the weather begins to deteriorate and this should slow the fighting in this area.

The coming fighting in the South Vietnamese heartland of MRs 3 and 4 will provide the most critical test for President Thieu's fallback strategy and also shed light on the extent to which Hanoi is now prepared to push its military campaign. The communists can be expected to apply intermittent pressure in the delta and seize some additional territory in the outlying reaches of MR 3. Saigon is already preparing to abandon An Loc, the isolated and vulnerable capital of Binh Long Province, and Chon Thanh--its only two enclaves in Binh Long Province.

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[redacted] the principal communist objective in MR 3 this year is Tay Ninh Province, an area which Saigon clearly does not consider expendable. Thus far, the communist effort has been directed at isolating Tay Ninh Province from resupply and reinforcement. The communists, supported by tanks and heavy artillery, have mounted large scale attacks on government positions along Routes 1 and 22 in the southern part of the province and have also kept heavy pressure on South Vietnamese outposts on the eastern and western borders of Tay Ninh.

Saigon has indicated that it will fight hard to hold on to Tay Ninh City and its surrounding area, and the communists thus far have refrained from making a frontal assault. The government appears to have the advantage in troop strength and firepower in this area and the arrival of the Airborne Division from MR 1 will add to this edge.

Time is also a factor in this area. In another two months or so deteriorating weather conditions in MR 3 will begin to limit large scale military operations. If the communists choose to make an all-out effort to break the back of the government's strong defensive position in MR 3, they will have to make a quick decision to bring additional reinforcements into the area.

As indicated above, President Thieu's new strategy and the likely consequences of fighting this spring will give the communists substantial territorial gains. In addition, there will clearly be some expansion of the population under communist control in South Vietnam as a result of this spring's campaign. The North Vietnamese and Viet Cong now have meaningful control over about 1 million of South Vietnam's total population--roughly 22 million. Even allowing for a substantial flow of refugees to the government side, the territorial gains which the communists are likely to make in the next few months could easily double the number of people under their control.

Economic Impact

Although Saigon's new posture will have serious economic consequences, these should be manageable--at least in the short term. Most of the territory which will be lost, though potentially important to economic development, has not provided significant resources to other areas of South Vietnam for some time.

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The most immediate problem will be a sharp rise in the number of refugees, many of whom will have to be supported from public funds and stocks. The size of this problem depends on how much territory the government loses along its moderately populated northern coastline. After a good rice harvest, the government has large food supplies that can be moved quickly to the deficit areas; and even with urban income depressed, traditional family sharing and private charity will provide considerable support.

More important than the direct economic consequences in MRs 1 and 2, however, will be the psychological impact on businessmen and consumers in government strongholds farther south. The absence of large-scale commodity or currency speculation in 1972 was an important plus for Saigon. Although the markets have reflected no significant response to military reverses so far this year, it is too soon to predict how they will behave in coming weeks. Prices for key goods and black market exchange rates, however, will be important indices of popular confidence in the weeks to come.

The Outlook

The leaders in North Vietnam will view Thieu's moves as a clear sign of weakness. They may decide to follow a conservative course and digest the substantial gains afforded by the South Vietnamese fallback strategy without running the risks inherent in a strike for total victory.

Hanoi, however, may decide that very heavy pressure now--particularly if Cambodia collapses or if the US Congress curtails or cuts off further aid to South Vietnam--would deal the army's and the government's confidence and will to resist an irreparably shattering blow.

Our net judgment of the most likely course of events over the next several months hinges on psychological imponderables. A mood of defeatism in South Vietnam--produced by government reverses, communist gains, dwindling supplies, South Vietnamese perceptions of US behavior, or any combination of such factors--could become infectious and rapidly self-confirming.

We believe that there is a good chance that South Vietnam, its government, and its army can avoid this kind of attitudinal collapse unless the South Vietnamese see a major change in US assistance policies. Barring such a psychological collapse,

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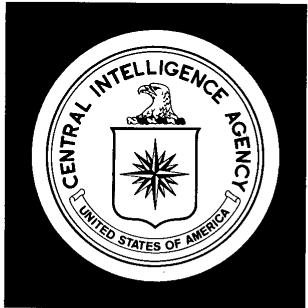
FOR THE PRESIDENT ONLY

we believe that the government will survive the communist dry season campaign still in control of most of the heavily populated and economically important areas of the country, essentially the southern third of South Vietnam and portions of the north central coast, including the major cities of Da Nang, Qui Nhon, and Nha Trang. This will be at a heavy cost in supplies and materiel so that the communists will be in an even stronger position for subsequent fighting than we estimated last December.

At best, the results of this year's campaign are bound to contribute to popular frustration and war weariness within government areas and will fuel public and private criticism of Thieu. For the time being, we see little prospect of new negotiations between the government and the communists. The communist military and political position in the South will have been substantially strengthened, and Hanoi will have more reason than ever to stick to its demand that Thieu step aside and allow the formation of a coalition government before the fighting can stop.

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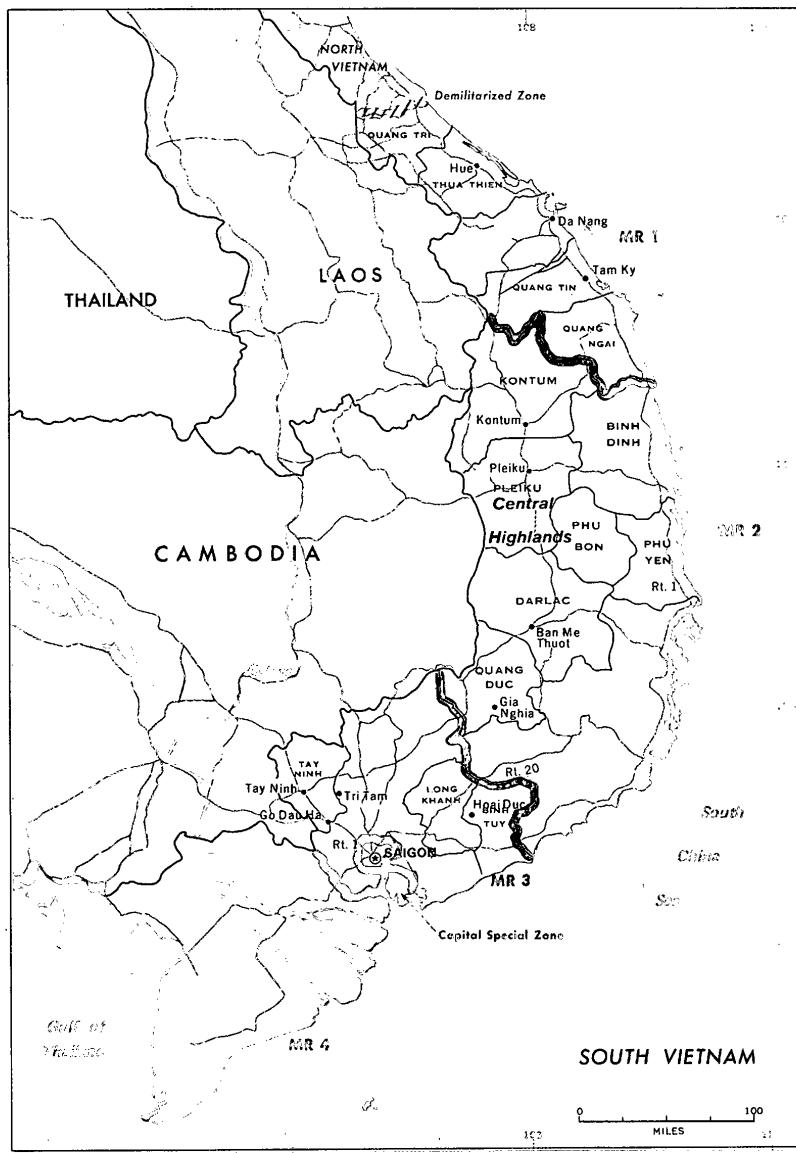
Cambodia: Representatives from the Malaysian, Indonesian, and Philippine embassies in Phnom Penh have told Ambassador Dean that Lon Nol must step down if there is going to be any chance for a peaceful settlement. (Page 3)

PLO-Syria: The PLO has welcomed President Assad's recent offer to establish joint political and military commands. (Page 5) 25X1

Egypt-Syria: [redacted] 25X1
[redacted] 225X1
[redacted] (Page 7) 25X1

Notes: Cyprus; Bangladesh; France (Page 8)

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SOUTH VIETNAM

Communist forces are making a substantial impact in the early stages of their offensive as the government makes major defensive redeployments.

The last South Vietnamese Marine brigade has withdrawn from Quang Tri Province. As of late yesterday, most of the government administrative apparatus had departed and the bulk of the population is fleeing to the relative safety of Hue and Da Nang.

Small actions flared around Hue, but the most significant fighting in the Military Region 1 occurred in Quang Tin and Quang Ngai provinces. Communist forces kept pressure on government forces just west of Tam Ky, overrunning several key outposts. In Quang Ngai Province, they blocked Route 1, cutting the province off from Da Nang, and they also seized a number of government outposts near the capitals of those western districts that the government is preparing to abandon.

The situation in the western highlands is deteriorating rapidly. Only one ranger unit has been left to help the territorial forces fight a holding action at Kontum. The military units in Pleiku have either been evacuated or left to fend for themselves, and the Pleiku airfield was closed late yesterday. The South Vietnamese 23rd Division, ordered to recapture Ban Me Thuot, is being pushed eastward into the mountains. The road to the coast is still blocked and attempts are under way to rescue some of the 23rd's remnants by helicopter. In Quang Duc Province, government units are under attack in each district, and the provincial capital, Gia Nghia, may soon come under strong pressure.

Along the central coast, elements of the North Vietnamese 3rd Division are attacking the South Vietnamese 22nd Division in Binh Dinh Province. Route 1 was cut briefly in Phu Yen Province, and both major roads between the coast and the highlands remain blocked by communist forces.

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FOR THE PRESIDENT ONLY

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Closer to Saigon, the communists have attacked a 20-mile stretch of Route 20 in Long Khanh Province, effectively cutting the last road link between the capital and the highlands. Tank-led attacks reportedly overran a district capital in Long Khanh. The district town of Hoai Duc in neighboring Binh Tuy has also come under new attacks.

An important South Vietnamese outpost less than five miles east of Tay Ninh City was lost yesterday as communist units, probably from the 9th Division, moved west from Tri Tam district town, which they took earlier. Freshly reinforced government troops are attempting to push the communists back west of Go Dau Ha, but have encouraged stiff resistance.

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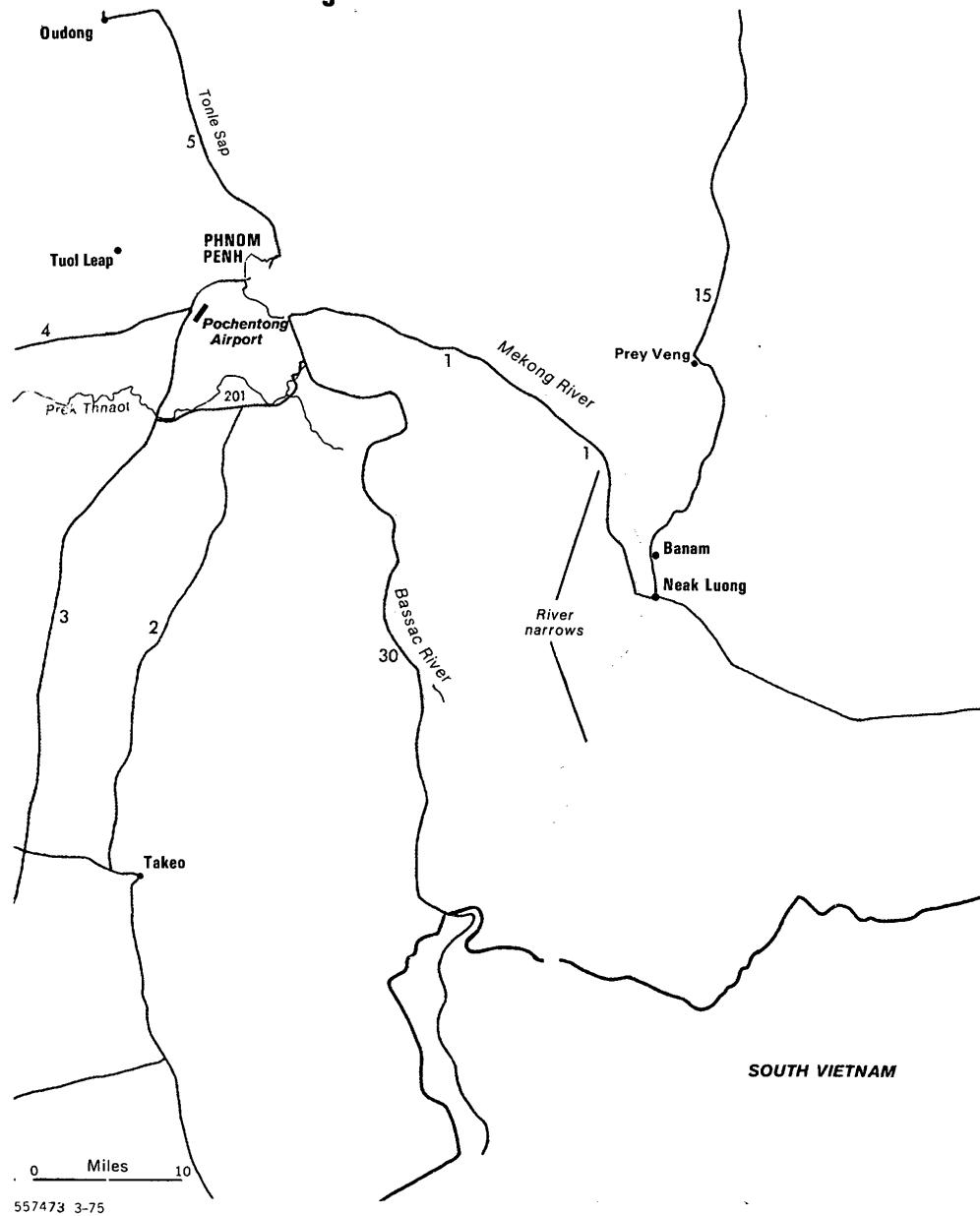
Large numbers of refugees have begun moving from areas abandoned by South Vietnamese military forces in the northern provinces and central highlands. In Quang Tri and Thua Thien provinces, people are moving toward Hue, but will probably eventually move on to Da Nang when they discover the limited defense the government plans for the former imperial capital.

In Southern Military Region 1, many people have begun to move toward the coast; they too will probably try to find safety near Da Nang.

In the central highlands, large numbers of people have begun moving out of Kontum, Pleiku, Phu Bon, Quang Duc, and Darlac provinces. It is likely, however, that the communists will try to stop the mass exodus of civilians, although no attempts have yet been made.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



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FOR THE PRESIDENT ONLY

CAMBODIA

In the past week, representatives from the Malaysian, Indonesian, and Philippine embassies have called on Ambassador Dean to stress their belief that President Lon Nol must step aside if there is to be any chance for a peaceful settlement of the Cambodian conflict.

Cambodian government forces, according to preliminary reports, last night evacuated the navy base at Neak Luong, but still hold the town.

The diplomats, as well as others from the embassies of Singapore, Thailand, and Japan, have expressed similar views in private meetings with Prime Minister Long Boret. The Malaysian chargé told Dean that his actions and those of his colleagues were self-initiated and were not the result of formal instructions from their respective governments.

Dean reported yesterday that such pressures are finding their mark. Despite the Khmer communists' continued hard line toward any compromises whatsoever, increasing numbers of influential and knowledgeable Cambodians are openly criticizing Lon Nol for his alleged inflexibility toward negotiations and are expressing the hope that he will voluntarily step aside to open the way for a peaceful settlement. Moreover, many of these Cambodians are apparently following the US Congressional debate on supplemental aid for Cambodia and have received the impression that US legislators would be more willing to vote additional aid if Lon Nol were to step down.

Prime Minister Long Boret, for his part, reportedly has been meeting with a number of civilian and military leaders to discuss ways of persuading Lon Nol to retire. This group has apparently not decided on a course of action other than to invite Lon Non, President Lon Nol's younger brother, to their meetings. The group expects Lon Non to inform the president of the growing sentiment for his departure and hopes that Lon Nol will voluntarily step down.

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There is no evidence of any organized plan to remove Lon Nol forcibly. Long Boret, in fact, specifically discounted the threat of a coup by younger officers, citing the combination of US disapproval and the possibility of resistance from loyal units as sufficient deterrents. The growing Asian dis-enchantment with Lon Nol, however, is sure to embolden Lon Nol's critics.

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The navy base at Neak Luong had been the target of steady shelling for several days and reportedly was burning when abandoned. The base was on an island just off the town of Neak Luong; personnel and vessels from the base have joined government defenders in Neak Luong, which is being hit by heavy communist shelling. The government had halted supply operations to Neak Luong and the nearby town of Banam, following the loss of three navy vessels in a convoy bound for Neak Luong over the weekend.

Khmer communist units in the Phnom Penh area are continuing to launch intermittent rocket attacks against Pochehtong airport, but no artillery fire has hit near the airfield since government forces reoccupied the town of Tuol Leap on Saturday. The Cambodian army task force at Tuol Leap is scheduled to begin moving today against suspected rocket positions just northeast of the town. Light and inconclusive fighting continues on other battlefronts around the capital.

FOR THE PRESIDENT ONLY

PLO-SYRIA

The executive committee of the Palestine Liberation Organization has "wholeheartedly welcomed" Syrian President Asad's offer on March 8 to establish joint Syrian-Palestinian political and military commands.

Asad's proposal stemmed primarily from his fear that Egyptian President Sadat is preparing to conclude an agreement with Israel that will not include guarantees of further progress on the Golan front. Asad is also concerned that Sadat, in seeking a comprehensive settlement, might commit Egypt to renounce its military option. The Syrian president sought by his offer to underscore his country's commitment to the Palestinian cause and, by implication, to cast doubt on Egypt's.

Damascus apparently has no concrete idea of the form a cooperative arrangement with the PLO should take. Asad told his audience that he was simply indicating the lengths to which Syria would go in defending the Palestinians.

The warm reaction given the Syrian proposal by PLO leaders reflects a lack of viable options more than genuine enthusiasm for closer association with Damascus. At a time when PLO-Egyptian relations are strained, Arafat cannot afford to offend the Syrians.

Fedayeen leaders are always suspicious of Syrian motives, and are likely to drag out--perhaps indefinitely--preparations for implementing the Syrian proposals. Palestinian broadcasts have said that the PLO's central committee will meet this week to discuss the offer prior to entering into "detailed discussions" with the Syrians. Any understanding finally reached with Damascus would probably be referred to the Palestinian parliament, the Palestine National Council, which would have to be convoked for the purpose.

The chief danger in the Syrian proposal, in Palestinian eyes, is that it could pave the way for an attempt by Damascus to seize control of the PLO. Arafat and his associates also worry that any closer association with the Damascus government would deny them the policy leeway they now enjoy, and could result in Syrian army control of fedayeen operations outside Syria.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Despite these reservations, the PLO will want to keep the prospect of association with Syria alive. To the relatively moderate leaders of the PLO, including Arafat, even a fictional Palestinian-Syrian alliance would strengthen the Palestinians' bargaining position with Egypt, Israel, and the US. It would also enable them to better endure any showdown with the more radical Palestinian "rejectionist" groups, many of whose members are already being detained by the Syrians.

To Arafat, Asad's proposal probably seems one way of getting around Israel's refusal to negotiate with the PLO by including PLO representatives in a Syrian delegation to the Geneva talks when they resume. Asad acknowledged publicly on March 9 that his offer might provide such an opportunity, although he pointed out that such an association could just as easily keep Syria away from Geneva.

Asad may also hope that the joint command concept will provide a framework for resolving the dispute between the PLO and Jordan, and eventually bring Amman into closer military arrangements with Syria. The Jordanians remain suspicious of both the Palestinians and the Syrians, however, and have so far indicated no interest in such a scheme or in becoming more actively involved in general peace negotiations.

Israeli officials have publicly expressed "grave concern" that the Syrian proposal will "not add to the success" of Secretary Kissinger's current mission. The Israeli press has flatly labeled Asad's move an effort to foil the political talks.

In Egypt, there has been no official comment on the Syrian proposal. In an effort not to be outdone, however, the government has put out the word through unnamed "responsible sources" that Egypt would have no objection to participating in a unified Arab delegation at the Geneva conference. This Egyptian proposal was clearly made without enthusiasm. Cairo's primary concern at this time is to counter Arab charges that Egypt is negotiating unilaterally.

US officials in Beirut have observed an intensification of contact between Soviet and PLO officials that may be related to the Syrian proposal. Neither side has given any clear indication that the consultations concern the "joint-command" concept, but several knowledgeable observers have told US officials that the subject has been discussed extensively and that the Soviets are favorable to the idea.

FOR THE PRESIDENT ONLY

EGYPT-SYRIA

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[redacted]

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Such exercises in Egypt are often followed in a few days by large-scale operational exercises involving mobilization. This occurred last summer and just prior to the 1973 war. The exercises may be the final steps in the implementation of President Sadat's order to the Egyptian armed forces to be ready for action by the end of March.

The Syrian alert may be related to Cairo's measures. Training by Syrian air and ground force units has been at a high level since the beginning of the year.

[redacted]
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Tel Aviv, meanwhile, has publicly noted that Cairo and Damascus may be preparing for some limited military activity to get the political negotiations moving.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

The resumption of the intercommunal negotiations on a Cyprus settlement may be delayed following disagreement between Greek and Turkish Cypriots over the venue and the composition of the delegations.

The Greek Cypriots prefer to hold the talks in New York, where they believe it will be easier for UN Secretary General Waldheim to play a substantial role. The Turkish Cypriots oppose any major role for Waldheim and fear that talks in New York would be subjected to pro-Greek pressures. The Turkish Cypriot plan to replace Rauf Denktash as their negotiator will further complicate efforts to get the talks started. This move is apparently designed to support Denktash's contention that as president of the newly proclaimed "Federated Turkish State of Cyprus" he is an equal to President Makarios and can no longer negotiate with Glafkos Clerides.

* * *

Discontent with Bangladesh President Mujibur Rahman's rule is resurfacing, despite his attempts to generate popular support for his new authoritarian presidential system.

[redacted]

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Military officers displeased with Mujib have been plotting almost continuously for about a year. Current plotting seems to have been motivated by concern that Mujib soon may try to tighten his personal control of the armed forces.

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* * *

The French again have offered to lower the Mirage price in a bid to win the fighter competition with the US.

The Mirage F-1E now costs about \$5.2 million; with the reported reductions the cost would drop to about \$4.6 million. This figure would compare favorably with the most austere version of the F-16, which would cost \$4.5 million.

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[redacted]
[redacted] there is still a good chance that the entire four-nation consortium will purchase the US-built F-16 if the Dutch resist the Belgian defense minister's urging.

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FOR THE PRESIDENT ONLY

Top Secret



E. W. P.

The President's Daily Brief

March 19, 1975

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FOR THE PRESIDENT ONLY

March 19, 1975

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

President Lon Nol may be seriously considering leaving the country at the behest of his closest political supporters.

Prime Minister Long Boret called on Lon Nol Monday to inform him that a number of Asian diplomats in Phnom Penh believe that Lon Nol's departure would improve the chances for a favorable US Congressional vote on supplemental aid for Cambodia. [redacted]

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Socio-Republican leaders--with the exception of Lon Nol's younger brother Lon Non--met late on Monday and unanimously agreed to advise that both Lon Nol and Lon Non go abroad. The party leaders were planning to meet with Lon Nol late yesterday and tell him that it would not be necessary for him to resign, but that he should depart and leave the affairs of state in the hands of the new cabinet Long Boret is forming.

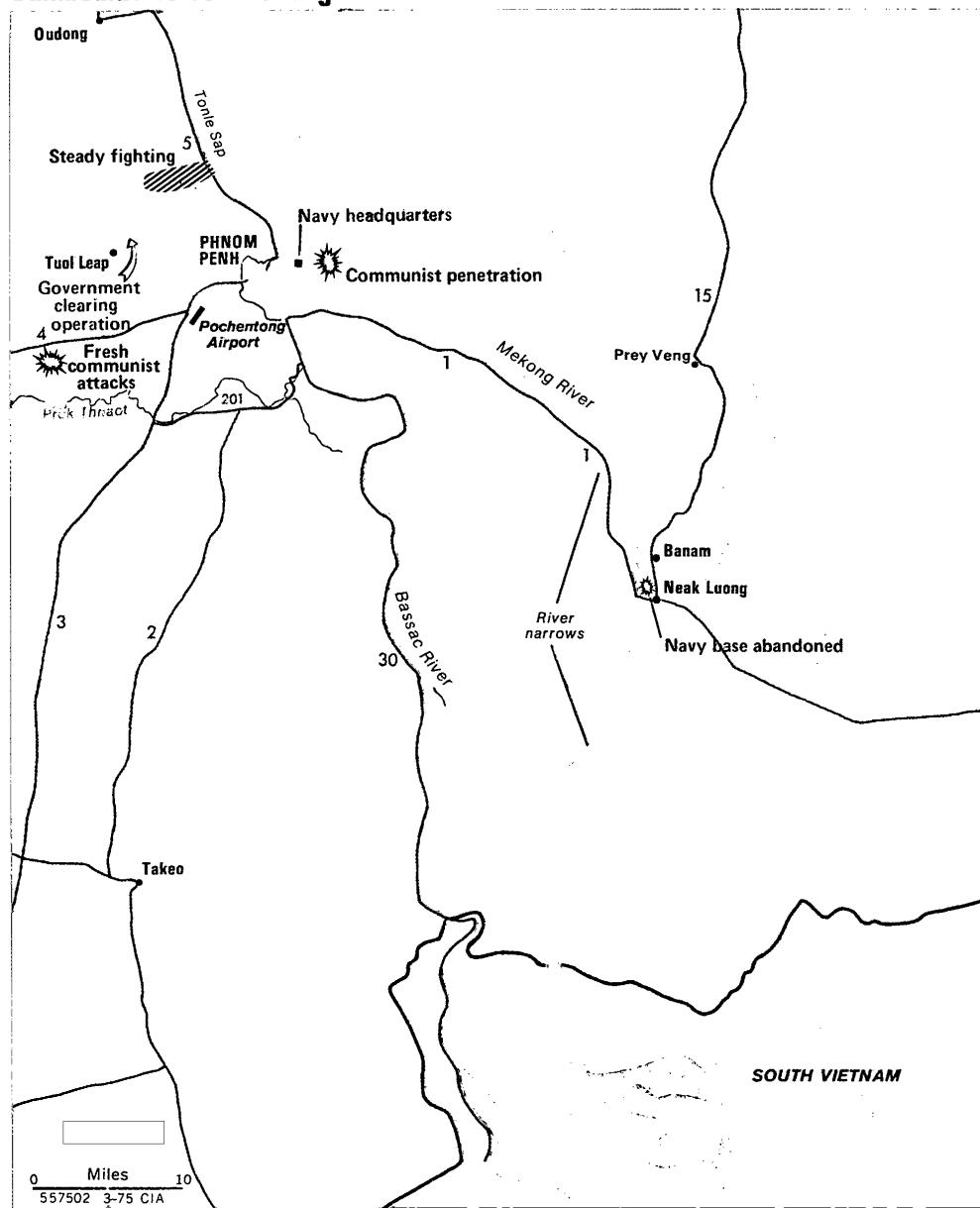
Long Boret and a Socio-Republican representative met separately with Ambassador Dean and his Deputy Chief of Mission on Monday and Tuesday to elicit US reaction to these developments. Both US officials were non-committal, stressing that the Cambodians themselves were responsible for their internal political affairs. Ambassador Dean doubts that there is any comprehensive plan behind these efforts to encourage the President's departure, but only a hope that this would result in a favorable vote on supplemental aid and buy the government time in which to try to arrange a compromise settlement with the communists.

Under present circumstances, it seems almost certain that the insurgents would read Lon Nol's departure as a sign of political unraveling in Phnom Penh, and that they would continue to press their military campaign until the government is forced to accept a settlement on communist terms.

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FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



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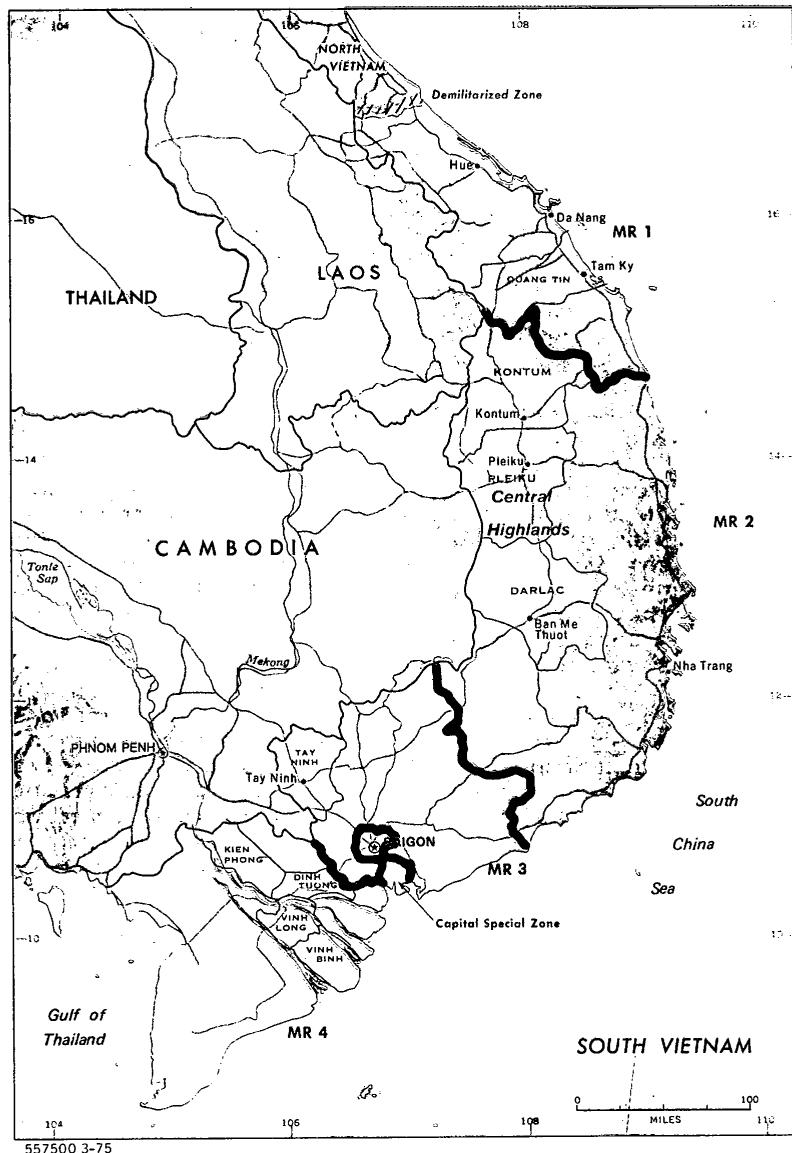
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The government operation to eliminate Khmer communist rocket-firing positions near the town of Tuol Leap is making some progress, despite logistic and coordination problems. Rocket attacks against Pochentong airport are less frequent, probably because insurgent crews have to keep moving to avoid government units and air strikes. The communists have launched fresh attacks against government positions near Route 4 west of the airport and are keeping steady pressure on Phnom Penh's northern defenses, apparently in an effort to divert government forces from the Tuol Leap operation.

Along the Mekong River near the capital, a communist penetration of an area directly opposite the city's waterfront has forced the postponement of government plans to push insurgent mortar and recoilless rifle crews out of range of the main navy headquarters.

Farther south on the river, the government enclave around Neak Luong and the nearby town of Banam remain targets of intense communist shelling. Neak Luong is packed with some 30,000 refugees, and civilian casualties are mounting. The navy lost three patrol boats when the navy base just off Neak Luong was abandoned late Monday night. Thirteen navy vessels and all personnel from the base and a nearby island safely reached government lines.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Heavy fighting continues, with the communists increasing their attacks along the north-central coast and on the approaches to Saigon. A potentially critical situation is developing in the northern provinces of Military Region 1, where the government is speeding the withdrawal of the airborne division. Only two battalions of marines are scheduled to replace the airborne forces.

The departure of the full airborne division has upset the regional commander's plans to reinforce Quang Tin Province; he no longer can augment the forces in that province and expects it to fall to the communists. North Vietnamese units have increased pressure on Tam Ky, the provincial capital.

[redacted] Saigon will not send additional munitions to the region--at least for the time being--fearing that the munitions would fall into communist hands.

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The airborne division's 3rd Brigade, which was in the process of moving to Saigon, will now be diverted to Military Region 2. The remnants of the government units that had fought at Ban Me Thuot in Darlac Province, including the 23rd Division and ranger units, are having a tough time making their way out. Even if the 23rd Division can regroup along the coast, it will not be an effective combat unit for some time. President Thieu has abandoned plans to recapture Ban Me Thuot.

The communists apparently captured all nine Americans, including American missionaries and an official of the US Agency for International Development, who were in Ban Me Thuot when it fell. A Viet Cong radiobroadcast alluded to the Americans on March 16. It maintained that "foreigners, including honest Americans, will be well treated and released if they are captured, but this treatment will not be given to US military advisers. They are special cases because they have violated the Paris Agreement."

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The withdrawal of civilians and military personnel from Kontum and Pleiku provinces is continuing. As of late yesterday, an estimated 200,000 had left Kontum and Pleiku cities. Although the communists have cut the highway the refugees are using, the North Vietnamese are allowing the people to move out of the area. An intercept indicates, however, that the communists are moving into position to attack a South Vietnamese military convoy retreating from the highlands.

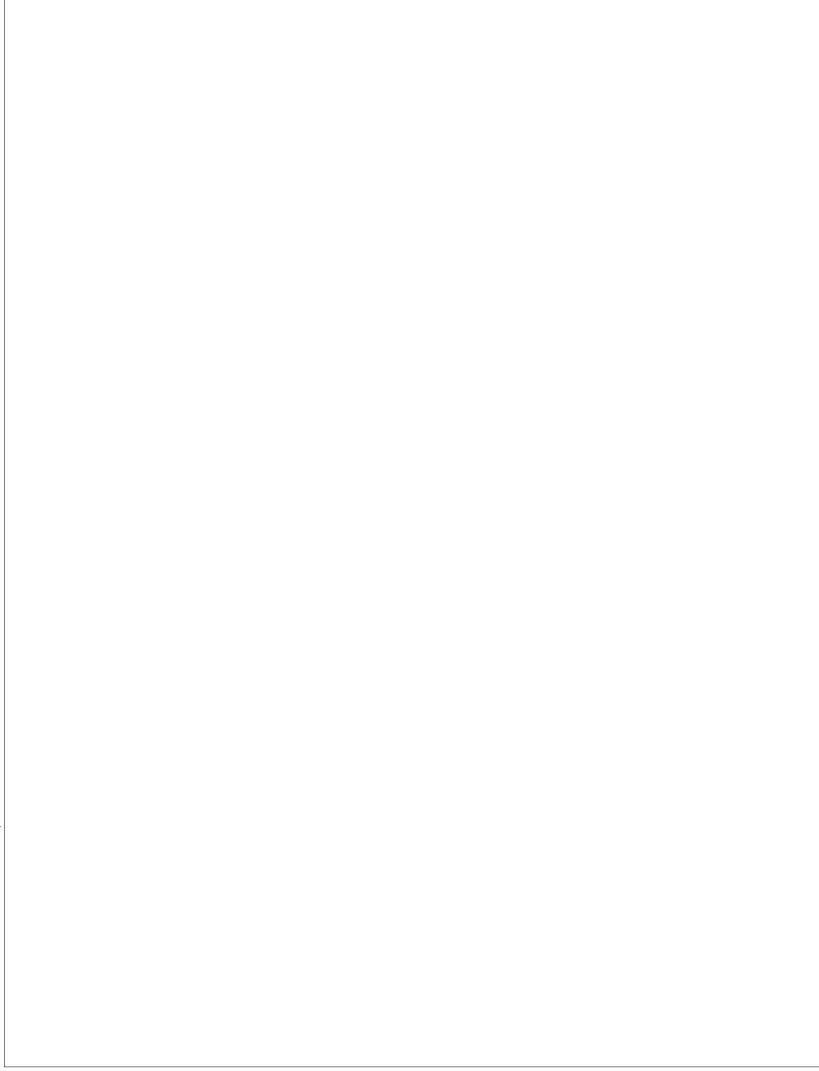
In Military Region 3, there is heavy fighting in Tay Ninh Province, but there have been no significant losses since Monday, when a key outpost east of Tay Ninh City fell. Most South Vietnamese regulars in the area have fought well thus far. Regional forces, however, have abandoned a number of remote outposts in the face of communist tanks.

In the delta, a major new battle appears to be shaping up near the border of Kien Phong and Dinh Tuong provinces. A North Vietnamese division is concentrated in this area, and the government is moving to challenge it.

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USSR

General Secretary Brezhnev, speaking at the Hungarian party congress in Budapest yesterday, presented a sober, positive reiteration of Soviet foreign policy positions. Brezhnev said the USSR is giving "most serious attention" to consolidating relations with the US; otherwise he said relatively little about bilateral matters. He made no mention of you or of his coming trip to the US.

Brezhnev devoted considerable attention to European matters--no surprise given the venue of the speech. He referred to progress at CSCE and to the prospect of its "summit-level" wind-up in the coming months. He did not mention June 30--a date he proposed for the summit finale in letters to Western leaders earlier this month. Brezhnev did indicate that with CSCE out of the way, greater attention could be given to "military detente." He referred to the MBFR talks in Vienna and the Vladivostok agreements on strategic arms limitation. In this context he spoke of the "gradual reduction," as well as limitation, of armed forces and armaments. He observed this is not a matter that could be decided "overnight."

For his East European audience, Brezhnev referred positively to the contributions of the Warsaw Pact and CEMA, alleging that the East has done a better job than the West in promoting economic growth and stability at a time of worldwide economic trouble. At the same time, he admitted that Eastern Europe and the USSR would have to coordinate economic planning more effectively in order to meet the problems raised by higher prices for energy.

On the "crisis of capitalism," Brezhnev picked up the theme that the West's economic woes have strengthened the hand of reactionary elements, and hence, are a source of potential trouble for the USSR. He gave a nod to the importance of stepping up the ideological struggle around the globe.

Brezhnev hewed close to the standard Soviet line on the Middle East. He made no reference to Secretary Kissinger's current round of negotiations.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

He referred to the importance of resuming negotiations in Geneva, satisfying the rights of the Palestinians--including the creation of their own "state entity"--and ensuring the existence of "all" states, by which he means Israel as well as the Arab nations, in the Middle East.

The Soviet party chief did not mention China directly, and made only passing references to problems in Asia.

Brezhnev seemed in good health. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Portugal's newly created Revolutionary Council yesterday banned political activity by the center-right Christian Democratic Party and two far-left groups until after the election scheduled for April 12. The leader of the Christian Democratic Party has been accused of complicity in the coup attempt of March 11. At least one of the two leftist groups has frequently criticized both the Armed Forces Movement and the Communist Party and is expected to continue political violence.

The moderately conservative Social Democratic Center was not included in the ban. The loss of its records during extremist attacks on party offices following the attempted coup, however, will make it difficult for it to organize an effective election campaign.

Vitor Alves, a minister without portfolio, told a US embassy source yesterday that an announcement is imminent that the election will be postponed. This lends substance to rumors that the balloting may be put off until April 25, the first anniversary of the overthrow of the Caetano regime.

The cabinet shuffle that was authorized on March 12 has still not materialized. The delay suggests Prime Minister Goncalves is having difficulty finding suitable candidates or in obtaining agreement for his recommended changes.

Continuing rumors of a marked shift to the left are somewhat supported by Goncalves' statement last week that he would bring members of the Portuguese Democratic Movement--a communist front--into the government. Communist Secretary General Cunhal has recently attacked the center-left Popular Democratic Party. He claims that the Popular Democrats, by engaging in reactionary propaganda, have abandoned their position as a member of the democratic coalition government.

FOR THE PRESIDENT ONLY

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UK

The white paper [redacted] outlining the results of the year-long defense review maintains Britain's position as a major force within NATO, while meeting some of the demands of the ruling Labor Party's left-wing for defense cuts.

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The defense review in effect:

- Retains all essential equipment programs.
- Maintains Britain's contribution to NATO's central region.
- Reduces Britain's ability to operate in and reinforce NATO's flanks.
- Increases slightly in real terms expenditures in fiscal 1975 and 1976.
- Postpones projected "savings" until after 1980, well beyond the term of the current Labor government.

The government is not expected to have much difficulty getting parliamentary approval for its defense plans. Left-wing Laborites, however, will continue to press for further cuts. This, however, would probably mean additional unemployment.

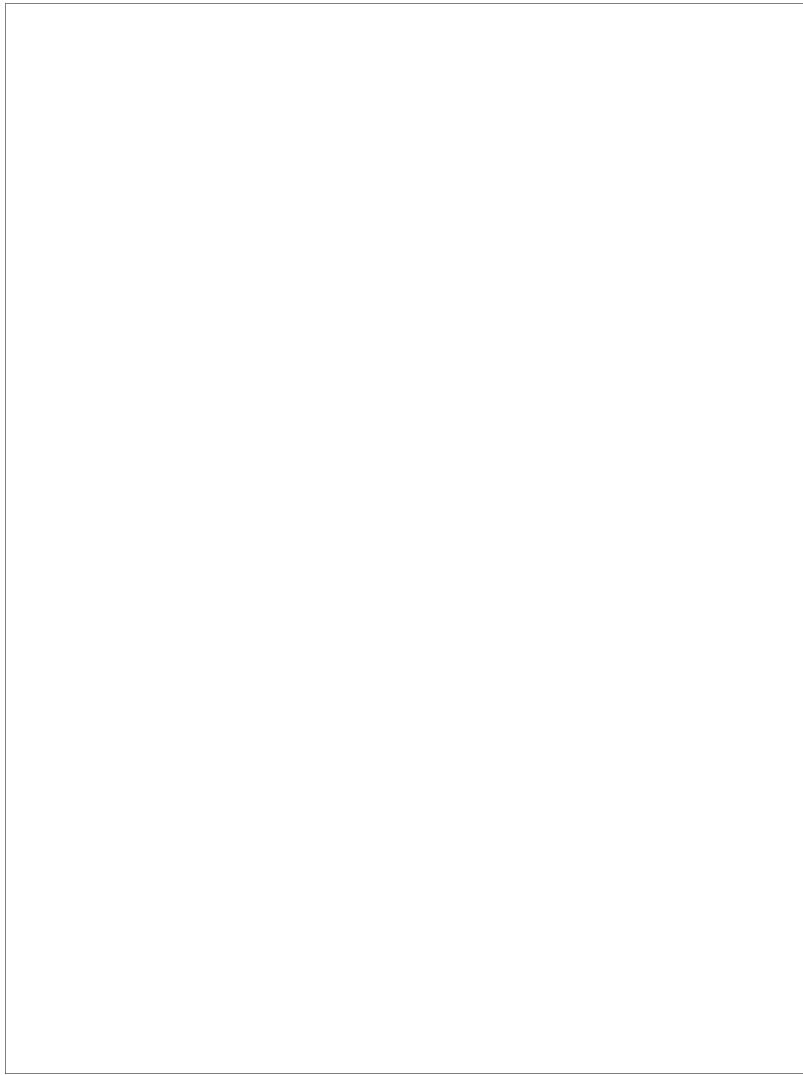
Britain's NATO allies, which have been examining the defense review for the past several months, have accepted the British proposals, although with some reservations.

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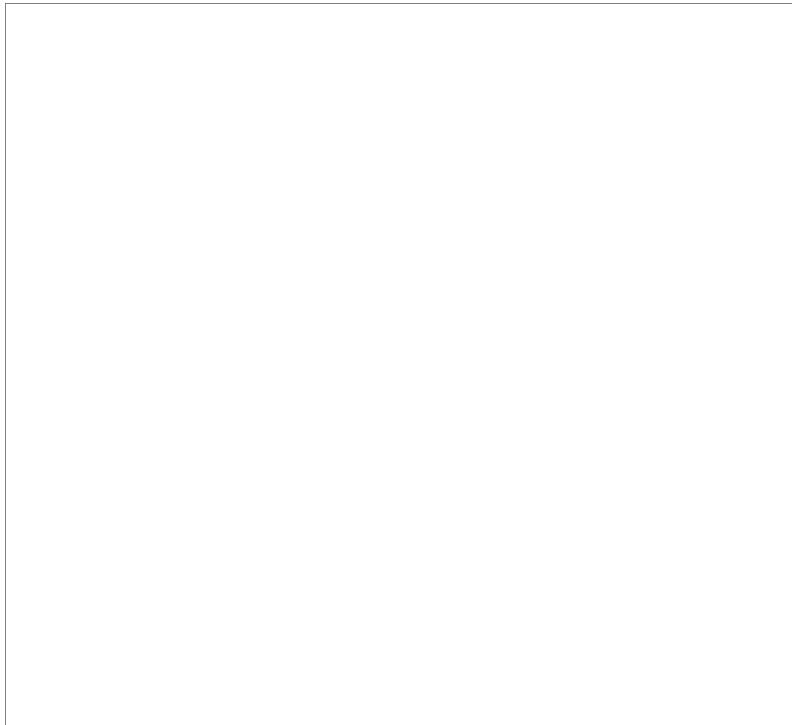
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CANADA

Prime Minister Trudeau has returned from a relatively unproductive 17-day tour of West European capitals to a domestic scene characterized by growing labor unrest, inflationary wage settlements, charges of corruption touching his own Liberal Party, and criticism of his failure to reach definitive arrangements in Europe. During his tour, the Prime Minister emphasized Canada's desire to balance its dependence on the US with a "contractual" relationship with the European Community.

In The Hague, Bonn, Rome, London, and Dublin, Trudeau found polite listeners but no firm commitments. The Europeans apparently are waiting for the Canadians to define what they want in a "contractual" relationship.

The EC is considering three alternative approaches to the Canadian request: a commercial agreement, an agreement establishing a framework for industrial cooperation, or postponement of negotiations with Canada until the current multilateral trade negotiations in Geneva are concluded.

An obstacle to an agreement with the EC is Canada's desire to become an exporter of finished products rather than to remain a supplier of raw materials. The EC countries prefer to tap Canada's mineral and timber resources and to market their own finished products.

In West Germany, the Netherlands, and Italy, Trudeau urged the prompt ratification of the nuclear Non-Proliferation Treaty. Ottawa is anxious to sell Canadian nuclear power reactors in these markets. After India used material from a Canadian-supplied reactor to explode a nuclear device last year, Canada has insisted that no nuclear deals can be made with any nation that has not ratified the Non-Proliferation Treaty and agreed to additional bilateral safeguards arrangements.

Italian officials assured Trudeau that their ratification of the treaty was progressing rapidly and would soon be presented to parliament. West Germany and the Netherlands indicated they were waiting for the Italians to ratify the treaty before concluding their own ratification process.

FOR THE PRESIDENT ONLY

NOTES

The NATO allies have decided to answer Soviet party chief Brezhnev's letter of last week by telling him that they will agree to conclude the European Security Conference with a summit meeting this summer only if outstanding issues are resolved first.

NATO members on Monday also discussed whether they should hold a Western summit to discuss the security conference before the end of the conference itself. The allies believe that a Western summit could be used to counter any public impression that the security conference represents a final solution to East-West problems. They also believe, however, that a Western summit might have the effect of giving too much emphasis to Western concessions, thus increasing the problems they will have justifying conference results to their publics. On balance, the representatives felt that the disadvantages outweighed the advantages.

* * *

Herbert Chitepo, the prominent Rhodesian insurgent leader who was killed yesterday in a bomb explosion outside his home in Lusaka, Zambia, may have been a victim of feuding within the African nationalist movement.

Intense rivalry has persisted among the nationalist groups since they merged last December, and [redacted] serious feuding [redacted] has been taking place in Zambia among supporters of the former Zimbabwe African National Union, of which Chitepo was a major leader. Prime Minister Ian Smith will point to Chitepo's death as an example of the dissension among the nationalists that prevents progress toward a negotiated settlement in Rhodesia.

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The President's Daily Brief

March 20, 1975

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FOR THE PRESIDENT ONLY

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[redacted] 25X1
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China - Nationalist China: China has announced that it will grant amnesty to nearly 300 imprisoned Nationalist "war criminals"; the move is probably designed to signal Peking's desire for a negotiated settlement of the Taiwan matter. (Page 6)

USSR: [redacted] the Soviets 25X1
are moving ahead with their SS-19 ICBM program.
(Page 7)

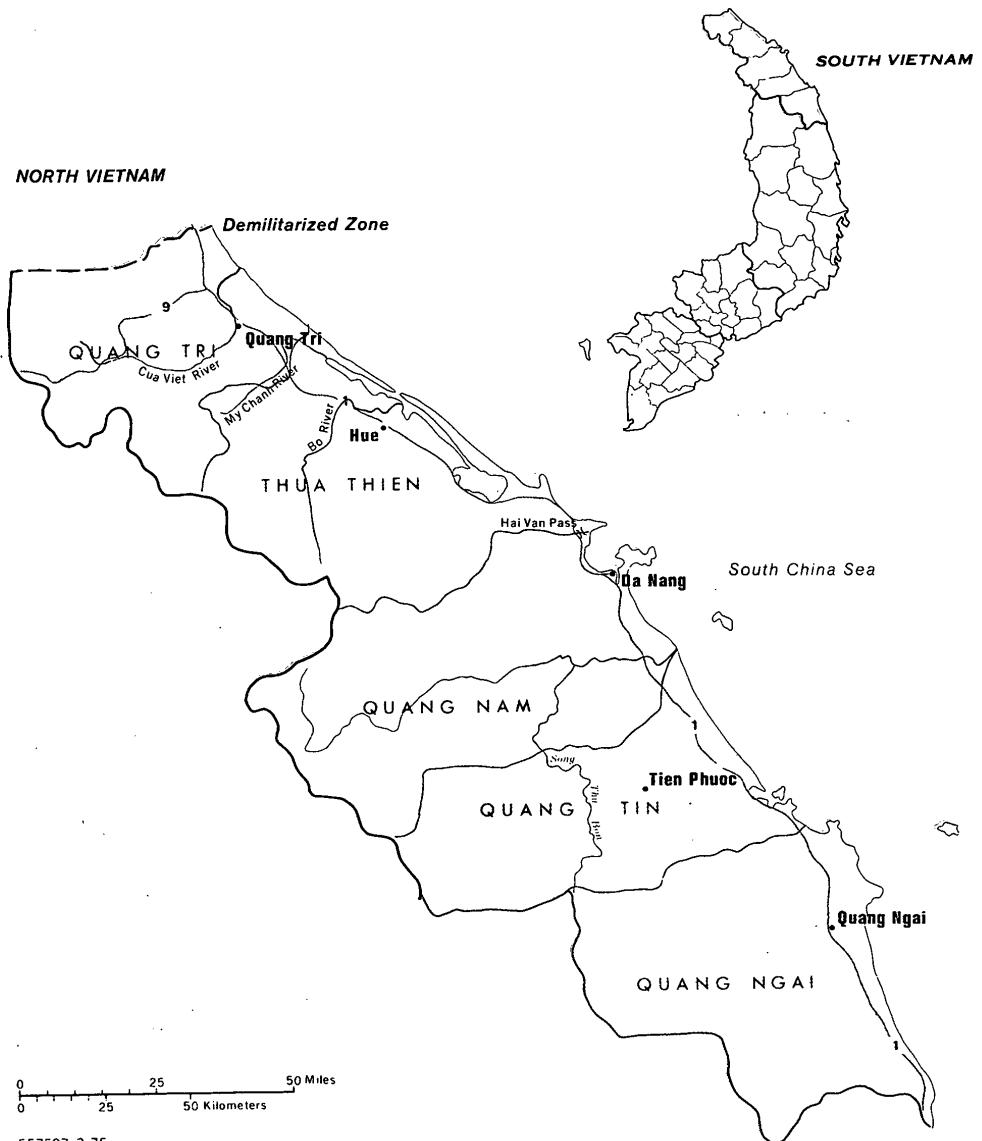
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FOR THE PRESIDENT ONLY

Military Region 1



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FOR THE PRESIDENT ONLY

VIETNAM

The government has abandoned Quang Tri Province, following a series of communist attacks.

A large North Vietnamese force, supported by tanks, yesterday attacked government outposts along Route 1 in eastern Quang Tri Province. The region commander had pulled out most of his regulars the previous day, and South Vietnamese regional forces reportedly gave up their positions after offering only token resistance. The local commander hopes to rally his troops and make a stand at the My Chanh River, which separates Quang Tri and Thua Thien provinces. The government built extensive defenses in this area after the cease-fire in 1973.

The region commander has also ordered the evacuation of civilians from the province. Except for a few thousand civilians who have relatives living in communist-held areas, the evacuation was nearly completed by Wednesday evening. Most of the refugees are going to Hue.

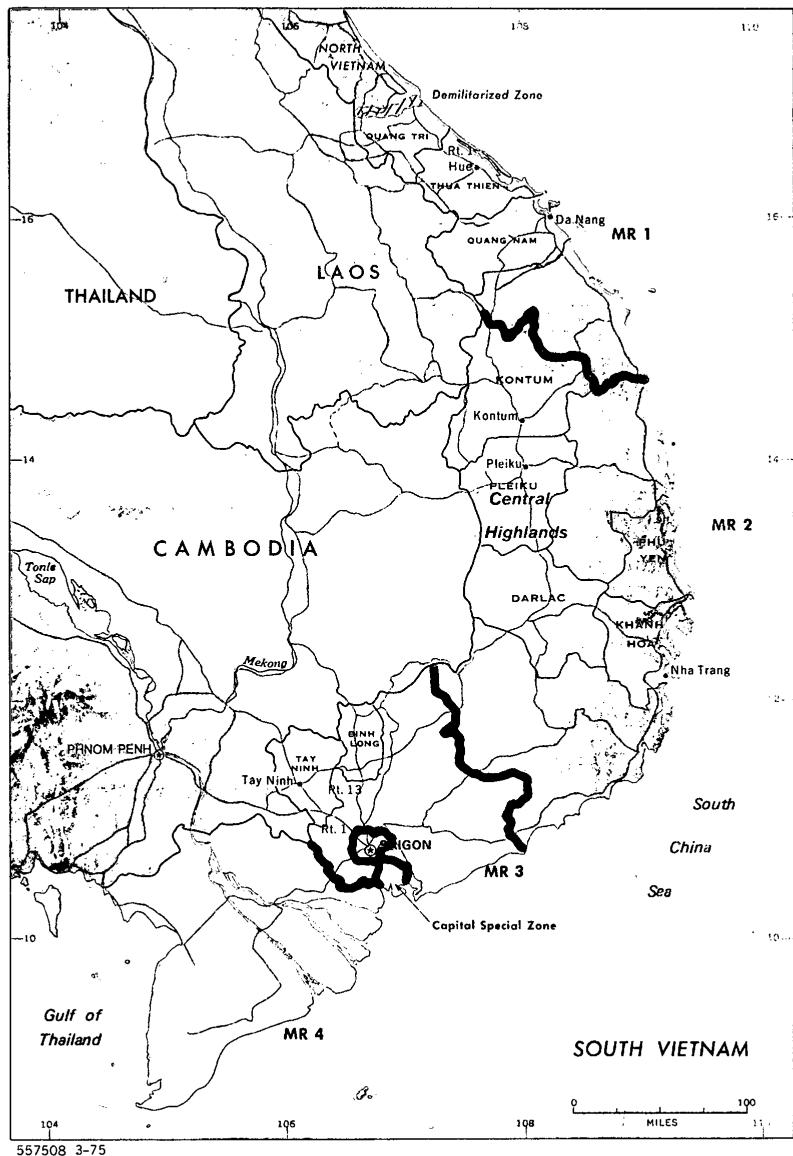
The government is realigning its remaining forces in Thua Thien and Quang Nam provinces. A ranger group, supported by tanks and artillery, holds positions just south of the My Chanh River. The South Vietnamese 1st Division is located on the high ground along Route 1 between the Bo River and Hai Van Pass, and the one remaining marine brigade in Thua Thien Province occupies defenses just south of Hue.

The region commander already had shifted several of his marine brigades south for the defense of Da Nang and the lowlands of eastern Quang Nam Province. Preliminary reporting indicates the South Vietnamese are now moving much of their heavy artillery and armor from Hue to Da Nang.

The loss of this firepower will make it difficult to defend Hue. The communists have more than two full divisions supported by armor, artillery, and air defense units in the area. Recent reporting clearly indicates the North Vietnamese plan to attack the city this month. They began intermittent shelling of the city late yesterday.

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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

In the central highlands, a government military convoy from Kontum and Pleiku cities has reached a river in Phu Yen Province, but is having difficulty crossing because a bridge is out. So far, the column has not been harassed by communist forces, but there are reports that North Vietnamese units are moving into position to attack. Remnants of the South Vietnamese 23rd Division have reached western Khanh Hoa Province, but it is not yet clear how much of the division will get out of Darlac Province. An airborne brigade, which was to have been brought in from Military Region 1, will be moved into western Khanh Hoa to hold a strategic mountain pass and prevent the communists from moving into the lowlands.

North of Saigon, government troops are proceeding with the evacuation of Binh Long Province. Several units and a dozen 105-mm. howitzers were to be flown out by today, and other units will attempt to move south on Route 13. South Vietnamese units have made little progress in their drive to push enemy troops away from Route 1 in the southern part of the province. A recent rallier has reported that communist units, including the 3rd and 5th divisions, have been ordered to capture Tay Ninh City during the current offensive. So far, the communists have not made a frontal assault on the city.

* * *

Although the communists initially did not block the flight of refugees from the highlands and other areas being evacuated by government forces, they now seem to be threatening to prevent the civilian population's exodus. The Viet Cong's Liberation Radio has issued an appeal to "compatriots" in the central highlands to stay in their homelands and "build a new life." The communists regularly make such appeals to encourage defections to their side, but this is the first such broadcast since the government began withdrawing from the central highlands. Although it specifically cites only the current exodus from the central highlands, it presumably applies countrywide.

The broadcast also requested "compatriots" to coordinate their actions with members of the "people's army" to be ready to "cope with Thieu's trick of compelling people to evacuate." This means that members of the Viet Cong's political apparatus will work with North Vietnamese main-force units to try to prevent further widespread movement of people out of the new communist "liberated" areas.

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FOR THE PRESIDENT ONLY

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[redacted]
the President outlined the basic motives behind his decision and what he hoped these moves would gain.

[redacted] Thieu said the decision had been forced upon him by the drastic alteration in the military balance in the South. He maintained that since the signing of the Paris Agreements, the North Vietnamese had infiltrated such large numbers of men into South Vietnam that his forces were now outmanned in Military Regions 1 through 3. Moreover, because the US had not replaced the government's weapons losses on a one-for-one basis, as permitted by the Paris Accords, his forces are now outgunned in these three regions. Thus, he maintained, the "defense of the nation must be reorganized along new lines" and that to continue efforts to defend the entire country would result in "unavoidable and great losses of territory" and troops.

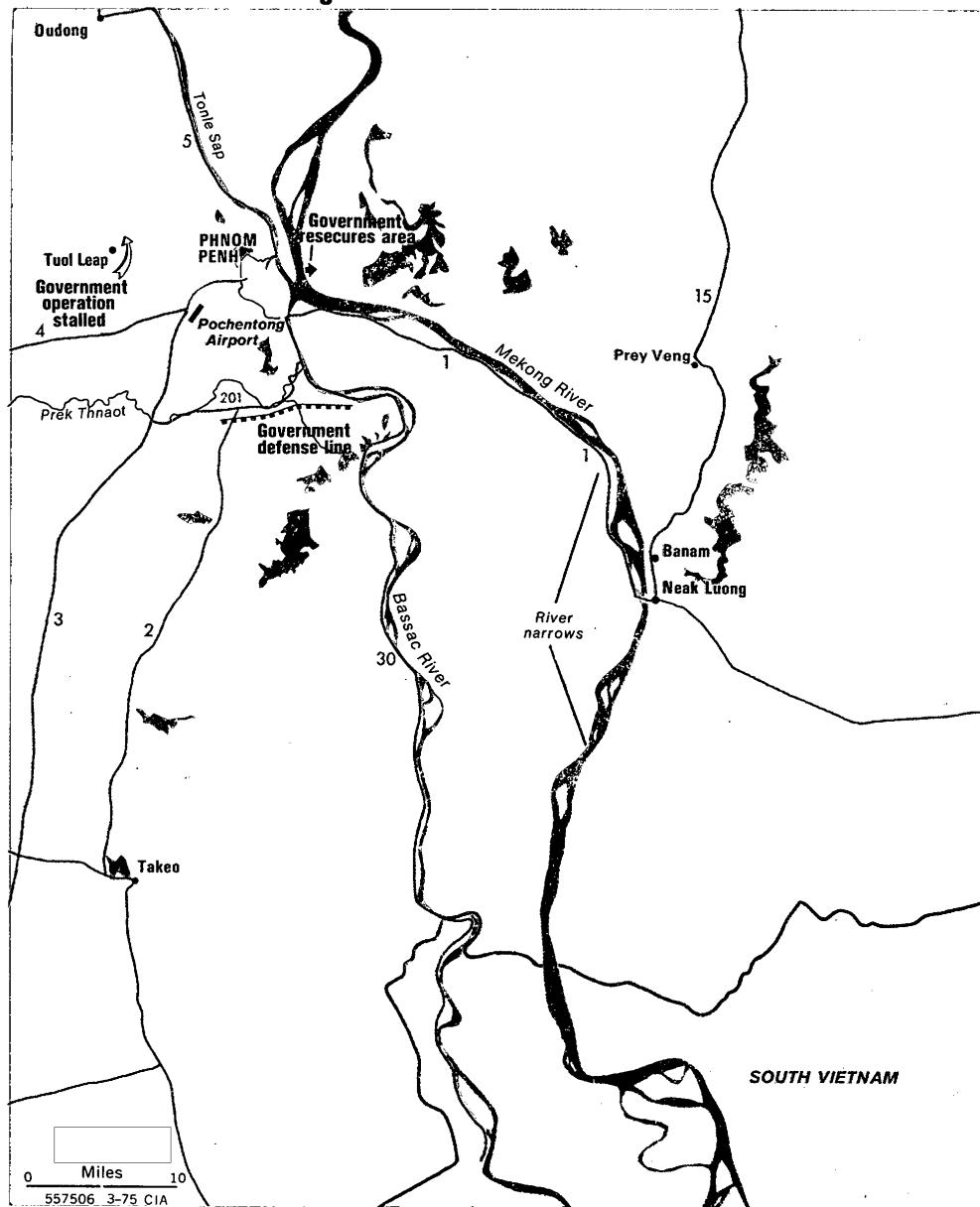
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In an apparent effort to justify his actions and give hope to his supporters, Thieu argued that in 1976 the US would have "an elected president with resulting prestige" and that this would make it "possible for aid to be increased." Thieu said he did not expect a "miracle" during the next two years of the present administration and he believes that his reorganization scheme will trade ground for time.

Thieu also talked about the possibility that the North Vietnamese would be willing to enter into "real peace talks" after they had captured several provinces. He assumed that they would probably try to demand the establishment of a coalition government and that the US might try to pressure him to accept such an arrangement. He indicated that such US pressure was applied on him during the preliminary negotiations in 1972 on the Paris Accords, but that as long as he is president he will "let arms and legs be cut off" but he would never accept the "suicidal solution" of a coalition government.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



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FOR THE PRESIDENT ONLY

CAMBODIA

Neak Luong continues under heavy pressure, but ground action around Phnom Penh remains inconclusive.

Khmer communist gunners continue to pound the neighboring Mekong River towns of Neak Luong and Banam with artillery, mortar, and recoilless rifle fire. An ammunition dump at Neak Luong was hit and exploded yesterday. The navy now plans to withdraw all vessels from Neak Luong as soon as the barricade across the river to the northeast can be destroyed. The navy's departure could be a major blow to the morale of government defenders at both towns.

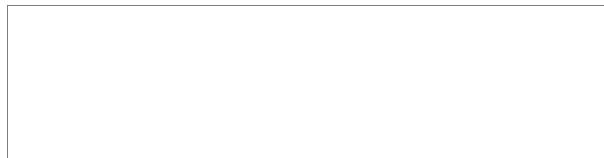
In the Phnom Penh area yesterday, government clearing operations northeast of Tuol Leap lost momentum. Nine rockets landed at Pochentong airport--three struck Cambodian air force facilities, damaging one aircraft. The fighting is inconclusive on most other fronts around the city, except along the Mekong where some government units forced the insurgents to withdraw from an area directly opposite the Phnom Penh waterfront.

Several recent intercepted messages indicate that the communists are shifting units from the Mekong front to Phnom Penh's southeastern defenses. The communists presumably hope to force the government to withdraw troops from the more active battlefronts in the north in order to reinforce the southeastern approaches to the city.

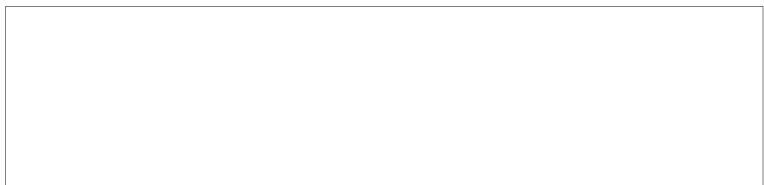
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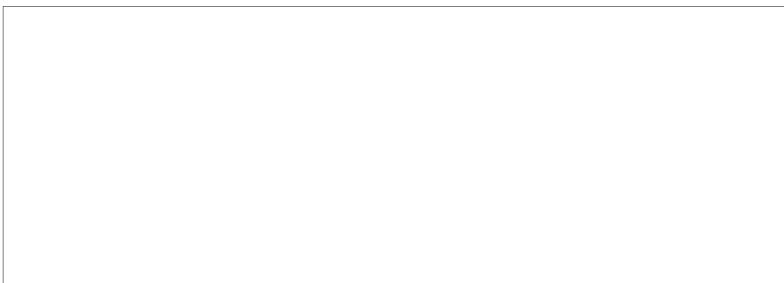
MEXICO



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CHINA - NATIONALIST CHINA

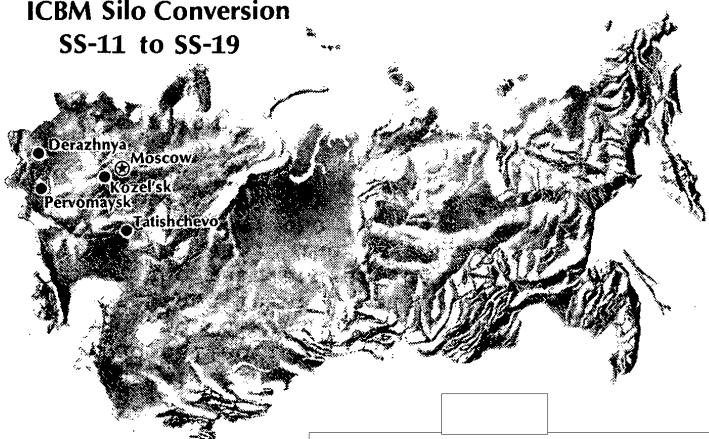
China announced yesterday that it would grant amnesty to nearly 300 Nationalist "war criminals" currently in custody. The move seems clearly designed to emphasize Peking's plans for Taiwan's peaceful reunification with the mainland. The announcement was probably also intended to underscore to the US China's desire for a negotiated settlement of the Taiwan matter.

The Chinese have been emphasizing their conciliatory policy toward the bulk of Taiwan's population for some time. At ceremonies last month commemorating the anniversary of the 1947 uprising on Taiwan, the principal speaker noted that on Taiwan "the patriots are many and the traitors are few," and called for increased contact between the mainland and Taiwan. For the past few years, Peking has urged Taiwan residents to visit relatives on the mainland and has guaranteed their safe return to Taiwan. The obvious message is that, with a few exceptions, the mainlanders now on Taiwan will be well treated after the "liberation" of the island.

According to the Chinese announcement, the pardoned "war criminals" are chiefly Nationalist military men, but also include Nationalist government officials and "secret agents." Peking has not released any names, but has said that the "war criminals" would be presented at a banquet, presumably soon. Peking also announced that those pardoned would be given the choice of remaining in China with full citizenship rights or returning to Taiwan.

There is little likelihood that Nationalist China will respond to Peking's action.

**ICBM Silo Conversion
SS-11 to SS-19**



557510 3-75 CIA

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FOR THE PRESIDENT ONLY

USSR

[redacted] the Soviets are moving ahead with their SS-19 ICBM program. Conversion of SS-11 silos to house the SS-19 has started at the Kozelsk missile complex--the third complex at which conversion for this missile has been undertaken.

The SS-19, which carries six MIRVs, became operational late last year with the completion of the first launch group of ten silos at Derazhnya. Since then, the Soviets have completed at least two other groups at the Derazhnya and Pervomaysk missile complexes and have installed missiles in them. A fourth group probably has been completed,

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Silo conversion is now in progress at five launch groups at the three complexes, and the Soviets are expected to start converting silos for the SS-19 at the Tatishchevo complex soon.

At the four complexes there are in all 410 silos that may eventually house the SS-19. Included in this total are 60 new SS-19 silos started before the signing of the SALT Interim Agreement and completed in early 1974. An improved variant of the SS-11 is installed in these silos.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

Khukrit Pramot's coalition government, which won a vote of confidence in the National Assembly yesterday, is likely to be unstable.

The new government is conservative and most of its members, including Prime Minister Khukrit, are basically sympathetic to maintaining close ties with the US. Foreign Minister Chatchai may, however, be an irritant in Thai-US relations because of his own political ambitions.

Khukrit recently stated that he favored a one-year timetable for withdrawal of US forces, but this was a tactical move to meet pressures from members of the National Assembly and the press. He has also stated that it would be difficult, given the political climate in Thailand, to undo a recent cabinet decision revoking the tin mining concession of a joint US-Dutch firm. The decision was made by his brother's interim government last week to placate the political left.

Khukrit is reported to believe that his government may not last more than six months. The government depends on the cooperation of seven political parties, most of which are politically more conservative than Khukrit. The conservatives offered Khukrit the prime ministership--even though they do not entirely trust him--in order to attract parliamentary support from the political center and left.

Khukrit's cabinet is representative of Thailand's vested interests. It is composed largely of businessmen and retired police and military officials. The conservatism of most of the cabinet is clearly out of step with Khukrit's more liberal views. Strains are likely to be aggravated by Khukrit's arrogant manner. Cabinet members such as Deputy Prime Minister and Minister of Defense Praman, who owns much of Thailand's textile industry, may prove less responsive than was the Sanya caretaker government to demands for social, economic, and political reforms. The new government could, therefore, become an early target of attack by student activists, intellectuals, and the press.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FRANCE-NATO

France reportedly is looking for ways to increase cooperation with NATO.

President Giscard has approved "limited, but important," collaboration with the Alliance's integrated military command, which France left in 1966.

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Giscard has authorized [redacted] talks in an effort to determine the wartime role French forces would have in Germany within the framework of the NATO integrated command. [redacted]

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Giscard is known to have a more open attitude toward cooperation with NATO than his predecessors, but he clearly is not prepared to move toward actual re-entry of French forces into the Alliance's integrated command. Giscard's government, however, has lately been showing interest in several NATO activities. [redacted]

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Paris

25X1

[redacted] is studying ways of tying its communications system into the NATO network. The French NATO representative has said that he wants to participate in SHAPEX 75, an Alliance exercise on organizational problems.

FOR THE PRESIDENT ONLY

NOTE

Turkish President Koruturk yesterday designated Justice Party leader Suleyman Demirel to try to form a government.

Demirel's center-right Nationalist Front, which consists of four parties, is just six votes short of a majority in Parliament, and Demirel may be able to pick up additional support from dissident members of the Democratic Party. Koruturk had been reluctant to name Demirel, in part because he believes that the inclusion of two irresponsible, extreme rightist parties would soon lead to a breakdown of the government. The presence of these parties in the government might also arouse leftists to violence. This would in turn create more uneasiness among the military, who ousted Demirel in 1971 and have remained strongly opposed to him.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

March 21, 1975

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FOR THE PRESIDENT ONLY

March 21, 1975

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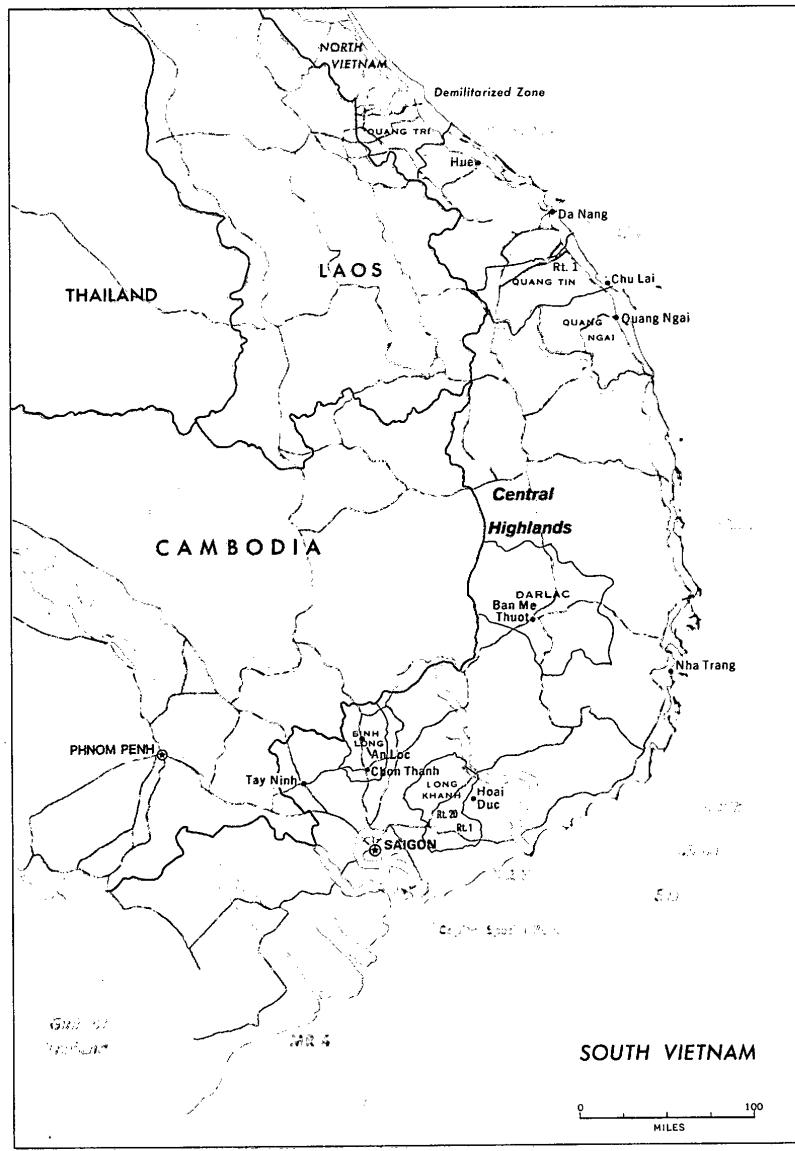
Cambodia: The Khmer communists intensified their rocket attacks against the downtown section of Phnom Penh yesterday. (Page 3)

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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The government is consolidating its defensive position on the Hue battle-front and, contrary to press reports, does not plan to abandon the city without a fight. A flurry of communist attacks south of Hue late yesterday probably will result in heavy fighting as the South Vietnamese try to keep Route 1 open to Da Nang.

The regional commander has ordered the return of heavy artillery to the Hue area and has stopped the withdrawal of armored units and ammunition. Stragglers from Quang Tri Province, along with ranger and armored units, have been incorporated into the My Chanh River defense line. The marines and the 1st Division remain deployed to the west and south of the imperial capital.

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[redacted] the government's strategy for the northern provinces now calls for the establishment of four enclaves at Da Nang, Hue, Chu Lai, and Quang Ngai City. As communist pressure increases, both Chu Lai and Quang Ngai are to be surrendered, if necessary, before Hue.

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Reinforcements have arrived in Quang Tin Province, and although communist pressure continues there and in Quang Ngai Province, the government thus far has been able and willing to stand and fight. The South Vietnamese have also reopened Route 1, which links those two provinces with Da Nang.

Farther south, the government has withdrawn its forces from An Loc and Chon Thanh, in effect leaving Binh Long Province to the communists. Northeast of Saigon, the communists have overrun the district capital of Hoai Duc. Government forces along Route 20 in Long Khanh Province were routed on Wednesday, and that road and Route 1 in the area remain cut.

An additional communist division may be active in the Ban Me Thuot area of Darlac Province. Intercepted communications of this unit suggest that it

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

is the North Vietnamese 316th Division--one of Hanoi's strategic reserve divisions that reportedly has moved south to the central highlands. Communist prisoners captured near Ban Me Thuot claimed they were from the 316th.



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

Khmer communist units east of Phnom Penh intensified their rocket attacks against the downtown section of the capital yesterday. Six rockets struck near the US embassy; a recent intercept indicated that the embassy is a priority target.

Rocket fire against Pochentong Airport remained relatively light. Government units attempting to penetrate the "rocket belt" northeast of Tuol Leap, however, again registered little progress.

South Vietnamese military aircraft are scheduled to evacuate most personnel from the South Vietnamese embassy today. A staff of 12, including a chargé, will remain. The Philippine ambassador and his staff left on Tuesday.

Southeast of the capital, government defenders in the beleaguered enclave stretching from Neak Luong to Banam came under heavy ground attack early today. Initial reports are sketchy, but numerous fires appear to have broken out between the two towns. This suggests that the communists may once again have isolated Banam from Neak Luong.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND-CAMBODIA

The new government in Bangkok has expressed reservations about the US airlift of ammunition to Cambodia from Thailand.

Prime Minister Khukrit has announced that he will negotiate "soon" with the US about continuation of the airlift and the presence of US forces in Thailand. He agreed with an earlier statement by Defense Minister Praman that the transit of weapons to Cambodia must, "in principle," be prohibited, but added that the shipment of food and medicines should continue.

Thai officials are clearly alarmed by the deteriorating military situation in Cambodia and may have concluded that it is only a matter of time before Phnom Penh collapses. If so, Khukrit's statement may be a first step toward ending Thai-based military support for the Lon Nol government.

In this regard, Khukrit [redacted] could accept a communist government in Cambodia. He said his government would recognize any successor to Lon Nol and believes that even a leftist regime would seek extensive trade with Thailand.

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Khukrit's purpose in taking the line he did at his press conference is probably twofold: to preempt any charges by domestic critics that his conservative government will follow the policies of the now-discredited Thanom military regime, and to signal Thailand's communist neighbors that Bangkok is moving away from its previous close association with US policy in Indochina.

The government has not yet approached the US embassy to discuss the airlift, and the statements of both Khukrit and Praman suggest some room for flexibility in the Thai position. Having made their point for domestic consumption, Thai officials may be inclined to look the other way at a continuation of the airlift.

FOR THE PRESIDENT ONLY

CYPRUS

Both Ankara and Athens are showing signs of flexibility on the Cyprus problem. Ambassador Macomber reports that, following consultations with Secretary Kissinger, many Turkish leaders seem convinced of the need to begin meaningful negotiations. This is contingent, however, on the formation of a new government and concrete steps toward the resumption of US military aid.

Turkey has made it clear that the question of a bizonal federation is nonnegotiable and that only such matters as the power of the federal government and the size of the Turkish Cypriot zone are open to discussion. The Turks also want assurances that President Makarios will not be allowed to torpedo the negotiations.

The Greek government has hinted that it may be willing to accept a bizonal solution, provided the federal government is given meaningful powers and the size of the Turkish Cypriot zone is substantially reduced. Prime Minister Karamanlis and Greek Cypriot negotiator Clerides argued for such a fallback position in discussions with Makarios in Athens late last year, but apparently failed to persuade the archbishop. Makarios has insisted on a multiregional federation in which the Turkish Cypriots would control approximately 18 percent of the island's land area--roughly equivalent to the Turkish proportion of the population.

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Makarios will probably continue to favor a tougher position than that approved by Athens. His options have steadily diminished, however, in view of his failure to secure strong UN support and the apparent unwillingness of the Soviet Union to give the Greek Cypriots anything more than verbal support.

FOR THE PRESIDENT ONLY

NOTE

Cuba has been dipping into its military oil reserves in order to relieve an acute fuel shortage.

A similar shortage occurred in 1967 when increased consumption outstripped a rise in Soviet deliveries. Havana's relations with Moscow were at their nadir then, however, and the Soviets appeared to be using oil as leverage to bring the Cubans into line with Soviet policy. Relations between the two countries are warmer now, but the Soviets seem anxious for Cuba to look for oil sources nearby. Moscow, in fact, might be controlling the oil flow to force Castro to give more serious consideration to increasing oil imports from Mexico and making similar purchases in Venezuela.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

March 22, 1975

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FOR THE PRESIDENT ONLY

March 22, 1975

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

President Lon Nol has decided to leave Phnom Penh "in the near future,"

[redacted] Lon Nol reached the decision following discussions with Prime Minister Long Boret on Wednesday and Thursday when Boret revealed that the Japanese government had offered to invite Lon Nol to Japan. Lon Nol apparently intends to accept the offer, but he will not depart until he receives a formal letter of invitation.

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Lon Nol does not intend to resign, but presidential functions will be taken over by a close confidant, Saukam Koy. As president of the Senate, Saukam Koy is constitutionally empowered to assume executive responsibility in the president's absence.

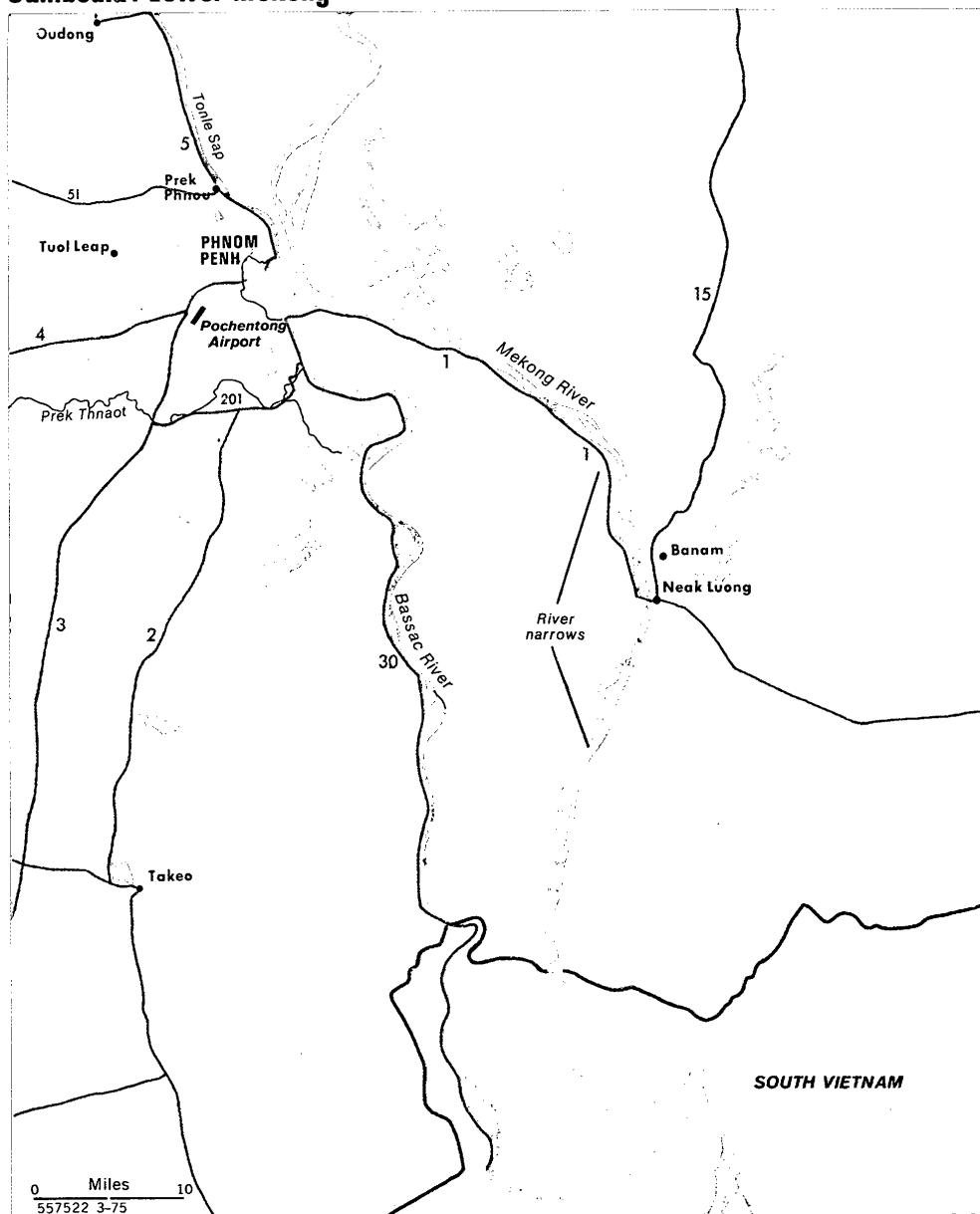
The government yesterday announced the completion of the cabinet shuffle. The only major change was the naming of Armed Forces Chief of Staff Sak Sutsakhan as defense minister. Widely respected as an elder statesman, General Sutsakhan was also named deputy prime minister. This move is apparently designed to emphasize both his civilian role and the government's increased control over the military establishment. Other new cabinet appointments are significant only in that several ministers close to Lon Nol have been replaced by individuals aligned more with Long Boret.

The new cabinet, however, is still dominated by Lon Nol's Socio-Republican Party. The Democrats and Republicans--the two minority parties--refused to participate, although Republican Party strongman Sirik Matak apparently remains as a member of the executive council, the top policy-making body. With the resignation of Sosthene Fernandez, now en route to France, Matak, Boret, and Lon Nol are the three active government leaders with whom the communists have refused any dealings whatsoever.

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FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

* * *

The US airlift was suspended late yesterday after communist rockets seriously damaged two US cargo planes at Pochentong airport. Preliminary reports indicate that the crews escaped without injury. An attempt was made to resume the airlift a few hours later, but another rocket hit the airport, wounding a number of persons.

Along the Mekong River, government forces have responded well to renewed communist pressure at Neak Luong. Government troops have repulsed attacking insurgent forces east of the town, reportedly killing 50 communists. Intercepted messages indicate that the insurgents are planning to shift additional forces from the west bank of the Mekong to participate in attacks against Neak Luong.

Insurgent activity near Prek Phnou, north of Phnom Penh, currently is the most serious threat to the capital. Government operations in that area are making little progress.

East of Phnom Penh, the insurgents continue to infiltrate government defenses at night, forcing the Cambodians to conduct clearing operations the next day. This activity is gradually depleting government forces in the area even though both sides are holding their ground.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

The Soviets have reacted to news stories regarding US efforts to salvage a Soviet submarine in the Pacific by overflying the area where they believe the submarine sank in 1968.

The overflight yesterday [redacted] clearly was in reaction to the press reports because Soviet [redacted] flights over the Pacific normally cover transit lanes for US aircraft carriers. We expect further flights of this nature.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Military exercises and training activity in Israel and Egypt during the past week are intended to bolster each side's negotiating position and enhance its ability to launch or withstand an attack if negotiations fail. Syrian forces too are likely to have increased their readiness.

The Israelis apparently conducted a large-scale exercise in the northern Sinai from March 16 to 19.

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[redacted] Thursday
that he saw no overt signs that Israeli military forces had increased their readiness or that any reservists had been mobilized. He did say, however, that the British defense attaché had reported some indications that at least some selective call-ups were under way.

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Egyptian navy and commando forces have been participating in an exercise for the past several days and some reservists may have been recalled to duty. The air force also has taken precautions-- perhaps in reaction to Israeli activity.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY



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We have no information [redacted] to confirm the movement of Syrian forces closer to the front. We believe, however, that the Syrian forces have increased their readiness, but not to the point that would invite an Israeli preemptive attack.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PALESTINIANS

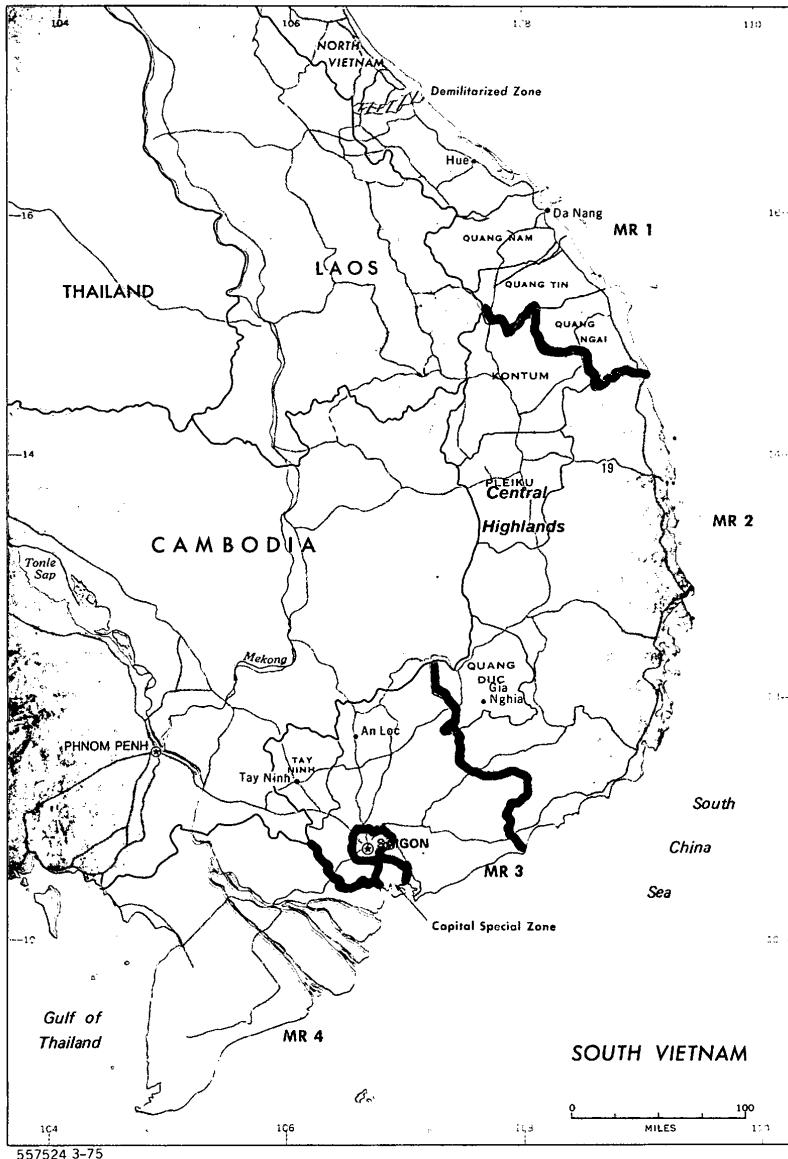
Yasir Arafat and other moderate leaders of the Palestine Liberation Organization appear to be moving cautiously toward a public acceptance of Israel. By using second-level spokesmen and vague language, they are attempting to make the minimum concessions necessary to win the Palestinians a role in negotiations without alienating their many skeptical and more militant colleagues.

This week the PLO representative in London, Said Hammami, wrote in a news magazine that some form of "mutually acceptable coexistence" might in time be developed between Israel and a Palestinian state. Hammami suggested that if current efforts toward a settlement should result in the establishment of some kind of Palestinian entity, the PLO could then pursue its "dream" of a secular (i.e., non-Zionist) Palestine by evolutionary means.

The Palestinians' willingness to recognize formally and to live peacefully with Israel is still only implicit in Hammami's statement. The Israelis will be unmoved by it, and will refuse to negotiate with the Palestinians until they explicitly recognize Israel's right to exist and forswear terrorist attacks on Israel.

[redacted] 25X1
a comprehensive Middle East settlement is impossible without a settlement of the Palestinian problem. This consideration, however, has not been enough to prompt Israel to modify its conditions for dealing with the PLO. [redacted] 25X1
the PLO must do more than "inform us through foreign newsmen that it recognizes the existence of Israel."

Although Arafat reportedly approved Hammami's statement, he is unlikely to defend it publicly or make any more explicit concessions unless he receives something substantial from Israel in return. The PLO's governing executive committee looks on the Hammami statement and those like it made by PLO officials in Beirut as trial balloons to which the organization's prestige should not be attached.



557524 3-75

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The control of territory in various parts of South Vietnam continues to change hands.

Quang Duc has been added to the growing list of provinces ceded to the communists. Government forces have withdrawn from the provincial capital of Gia Nghia, reportedly without obtaining approval from higher authority. This gives the North Vietnamese control of all the provinces north of Tay Ninh that border on Cambodia.

Regional commanders in the central provinces now believe that the South Vietnamese 23rd Division no longer exists as a fighting unit and at least a year will be required to rebuild it. Thus far, few of the stragglers from the highland provinces have been regrouped into viable fighting units. The 22nd Division continues to be an effective force, but it has stopped trying to open Route 19. A sizable number of people who have fled Kontum and Pleiku provinces are trapped along this road.

The military situation remains grave in the northern provinces, but the South Vietnamese have had some successes there in the past few days. Government units have cleared some lowland areas in Quang Nam, Quang Tin, and Quang Ngai provinces in an attempt to push the communists back from highways being used for refugee evacuation.

Closer to Saigon, the evacuation of South Vietnamese forces from An Loc is nearly completed. There has been virtually no communist reaction to this move. The commander of the provinces ringing the capital is continuing to maneuver his forces to counter the increasing number of communist initiatives in the region.

FOR THE PRESIDENT ONLY

TURKEY

Ankara [] will delay for at least another month any retaliation for the halt in US military assistance, but pressures are growing for at least a token gesture against the US.

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As a result of Secretary Kissinger's visit to Ankara in mid-March, Foreign Minister Esenbel reportedly is hopeful that some steps will be taken to restore the aid program by the end of April.

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Undoubtedly intending to impress the US with the gravity of the situation and to exert pressure for a restoration of aid, Esenbel took a similar line in a conversation with Ambassador Macomber on March 19. Esenbel said he was deeply disturbed by the postponement of congressional legislation to restore US military assistance to Turkey. He tried to correct what he said was a false impression that Turkey was being "softened up" and that the danger of retaliation against the US was passing. The foreign minister emphasized that the only reason retaliation had not been taken in recent days was the confidence the Turkish leadership had in US assurances that the cutoff legislation would be reversed.

Esenbel said that former prime minister Ecevit had warned that Washington was becoming too complacent and recommended choosing a US installation. Esenbel said that he had resisted the suggestion, but he is convinced that the forces favoring such retaliation cannot be held off much longer.

The Turkish General Staff, although concerned and angered by the arms embargo, has decided against shutting down US bases as a response. The senior officers--and President Koruturk--[] remain fundamentally opposed to closing the US bases or withdrawing Turkey from NATO. The General Staff is aware that its short-term problems of acquiring critical spare parts and its longer term plans for modernization of the Turkish armed forces cannot be met by any other source except the US. Even though West German military aid is about to be restored, it is viewed as insufficient. []

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[] the Turkish government will act on the basis of the decisions of the Turkish General Staff and the President, not on the public statements of either the foreign minister or the prime minister, both of whom have hinted at retaliation.

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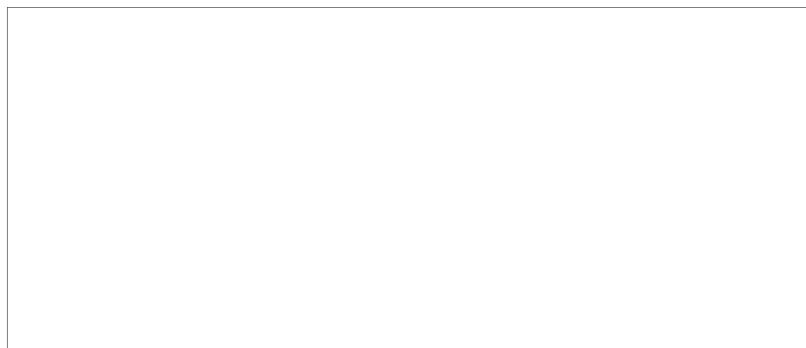
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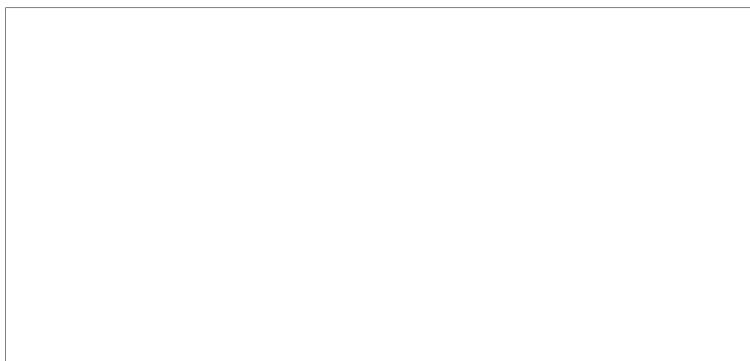
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTE

The Revolutionary Council in Portugal announced after a meeting that ended early this morning that it would expand its membership to include four leading moderates.

The Council also voted to allow any of its members to be expelled by a vote of the 200-man assembly of the Armed Forces Movement. This could allow the more moderate mainstream of the military to gain greater influence. These actions may be largely cosmetic, but they may presage a less leftist cabinet than some moderates in Portugal have feared. A new cabinet is expected to be named next week.

Top Secret



The President's Daily Brief

March 24, 1975

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FOR THE PRESIDENT ONLY

March 24, 1975

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Israel and Egypt, as might be expected, are blaming each other for the collapse of the latest round of negotiations.

The Israelis, in their statements, tried to leave open the faint possibility that the US's step-by-step approach might be revived, but Egyptian Foreign Minister Fahmi stated flatly that this approach has come to an end. He said that Cairo now plans to consult with the Arab states and the Palestine Liberation Organization, and then request a resumption of the Geneva peace conference.

Fahmi avoided blaming the US for the diplomatic stalemate, saying that "it is abundantly clear by now that Dr. Kissinger tried very hard to succeed." Yesterday he said that US-Egyptian relations will continue on an amicable course. A commentary in the semi-official Cairo daily al-Ahram, however, blamed Washington for not pressuring Israel enough.

Cairo radio announced yesterday that Fahmi would make an important speech today at the Arab League foreign ministers' meeting in Cairo. President Sadat is expected to address his nation later this week; Prime Minister Rabin will make a formal statement to the Knesset today.

The Israeli cabinet has received widespread popular support. Spokesmen for liberal and conservative political parties alike praised its stand as the only proper response under the circumstances.

Syria has not yet reacted. President Asad reportedly met last night with Palestine Liberation Organization chairman Arafat to discuss the situation.

A PLO spokesman, obviously elated by the breakdown of the talks, said it should serve to unify the Arabs and implied that the only answer to the Israeli stand is force.

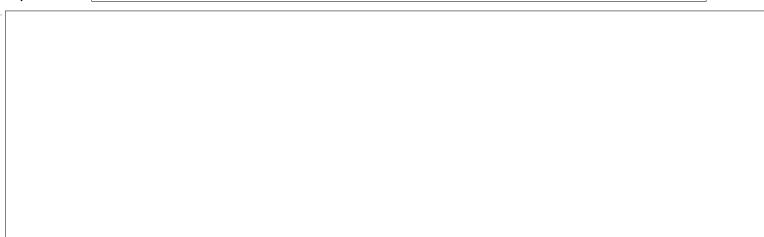
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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The incident between fedayeen and Israeli forces reportedly occurred when a platoon-size Israeli force crossed the Lebanese border. The Israelis report five terrorists were killed; fedayeen forces have been placed on alert in anticipation of further Israeli attacks. At the time of the clash, Israeli aircraft were conducting flights over Lebanon and the Golan Heights. There was no apparent reaction by Syrian aircraft.

25X1

Egyptian military preparations for the past three months and that they amount to an "early warning" of possible military action. [redacted] it is not clear whether these preparations have been coordinated with diplomatic moves or were undertaken as a contingency should diplomatic talks fail. [redacted] preparations could be strictly precautionary [redacted]

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Israel began a "limited response" to Egyptian actions on Friday. These include the mobilization of some reservists and the increase of troop strength in the Sinai by about 1,000 men. [redacted] Israel had "no offensive intentions," [redacted] would not break the cease-fire, and had no desire to escalate or dramatize military activity.

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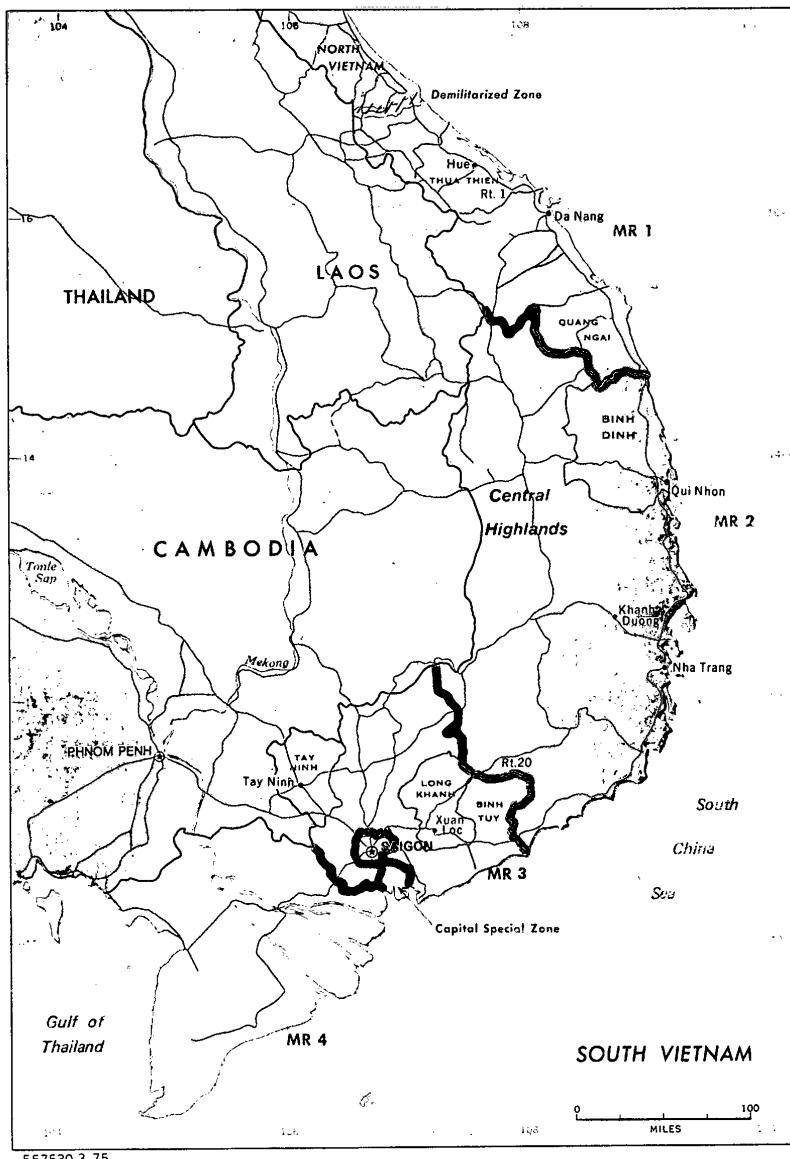
[redacted] there was no evidence of any Syrian military moves, [redacted] Syria would not stand by if Egypt should initiate military action. [redacted] Damascus might undertake some limited action, such as an assault on Mount Hermon or the occupation of the UN buffer zone.

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FOR THE PRESIDENT ONLY



557530 3-75

FOR THE PRESIDENT ONLY**SOUTH VIETNAM**

The South Vietnamese position in the northern provinces is rapidly deteriorating. The defense line north of Hue is crumbling, and the Communists have cut Route 1 south of the city; an assault appears imminent. To the south, North Vietnamese troops today overran Tam Ky, the capital of Quang Tin Province.

Pressure is building around major cities of the central coast. Ground attacks and shellings near Qui Nhon may dictate the movement of South Vietnamese units from outlying northern districts in Binh Dinh Province to strengthen Qui Nhon's defenses.

The Communists are also pushing out of the mountains northwest of Nha Trang. A tank-led Communist force is in a good position to outflank a South Vietnamese airborne brigade and move directly toward Nha Trang.

Pressure has increased on Tay Ninh. With the prospect of three Communist divisions converging on the province, some senior government commanders are now questioning the wisdom of defending Tay Ninh.

To the northeast of Saigon, Communist forces continue to expand their holdings along Route 20 which links Saigon with the southern highlands.

[redacted] the Joint General Staff was uninformed about President Thieu's plans to withdraw from the highlands and from north of Hue. Staff officers privately express lack of confidence in Thieu, and General Truong, commander of Military Region 1 and probably the best South Vietnamese battlefield commander, has criticized Thieu's decision as "basically wrong."

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Some officers are privately speculating that the best course would be for Thieu to step aside as a move toward a political solution. Prime Minister Khiem has privately observed, however, that there is no indication that the North Vietnamese are willing to compromise or even to consider negotiating.

As criticism grows against President Thieu, anti-Americanism threatens to reach serious proportions. Many South Vietnamese, who have long cooperated with Americans, believe that insufficient US material support was a key factor in last week's events.

FOR THE PRESIDENT ONLY

THAILAND-CAMBODIA

Thai Prime Minister Khukrit Pramot, contrary to his public stand of two days ago, has secretly decided to permit the continuation of ammunition flights to Cambodia from Thailand. Army commander Krit Siwara, [redacted]

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[redacted] confirmed that it is government policy to continue the flights but to "confuse" the issue in public statements.

Khukrit reportedly agreed to let the flights continue after being told by his advisers that Phnom Penh would probably fall if the flights were terminated. [redacted] Khukrit overrode the views of his defense and foreign ministers, who urged a halt to the flights during a meeting of the national security council on Friday. The Prime Minister instructed the council "not to think" about the ammunition shipments and to avoid any speculation or comment on the subject.

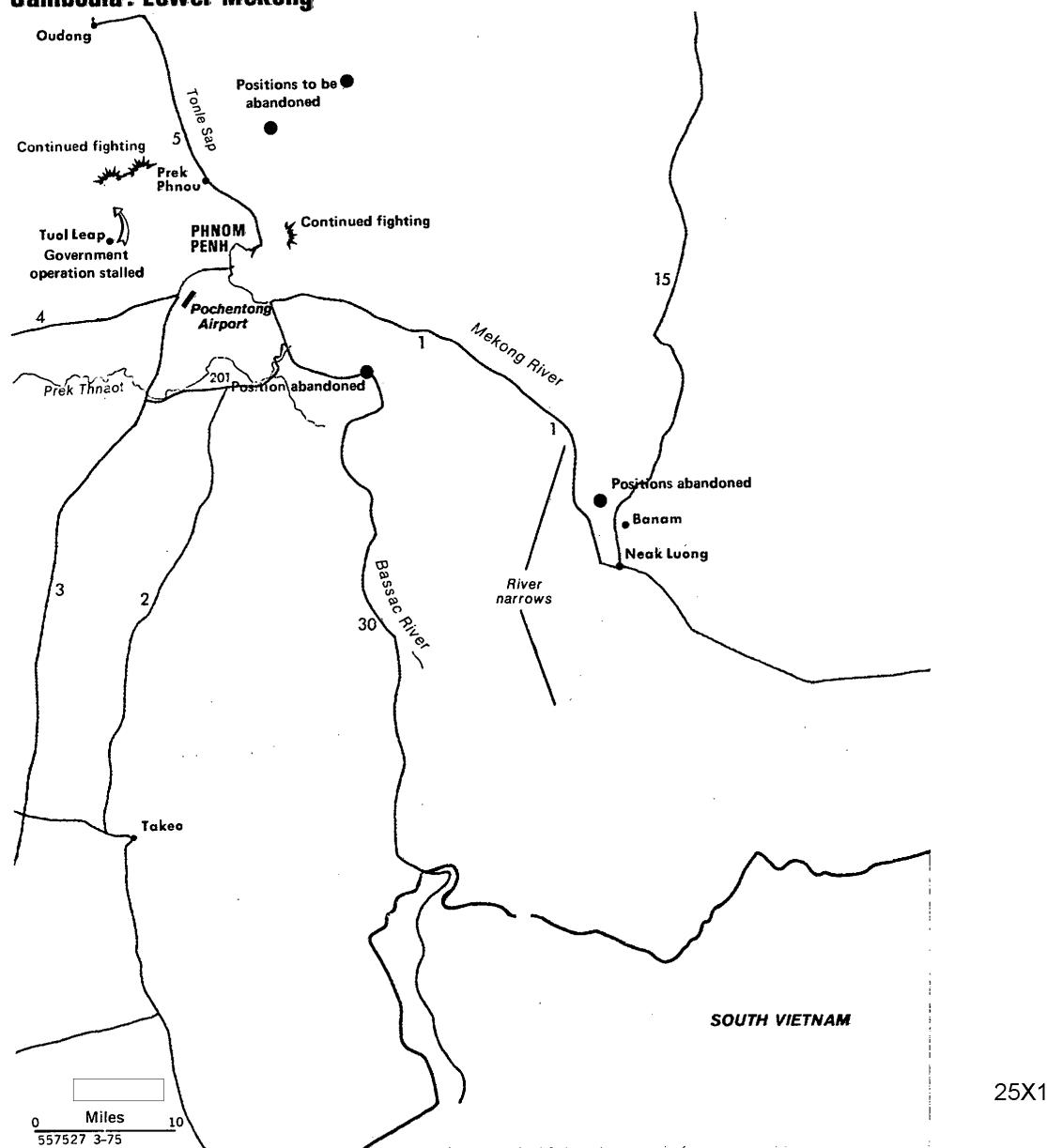
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Khukrit's strategy could quickly unravel. Khukrit's political opponents or Bangkok's free-wheeling press may well choose to make an issue of the flights. The ministers of defense and foreign affairs are both key leaders of the right wing with political ambitions of their own. They could leak the council's deliberations to the press in an effort to dissociate themselves from the decision and to embarrass Khukrit. The defense minister, for example, told reporters Saturday that "he will not allow" the US to continue the airlift. A broadcast from Hanoi over the weekend has aroused anxieties by attacking the new government for its "indecisive" attitude toward the arms shipments.

Should public pressures continue to build and if Khukrit should perceive it to be in his political interest, he is quite capable of reversing himself on the ammunition flights.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

Rockets struck facilities on the military side of Phnom Penh's Pocheutong airport again yesterday, but airlift operations resumed today.

Government operations against suspected rocket-launching sites northwest of the airport remain stalled. The local commander has diverted some units back to Tuol Leap, where Communist attacks have forced his troops to abandon a number of positions. North of Phnom Penh, units of the Cambodian army's 7th Division are still under heavy pressure and are cut off from government lines around Prek Phnou.

The sea-saw battle continues on the east bank of the Mekong River where Communist forces over the weekend again penetrated an area directly opposite Phnom Penh's waterfront. Recent intercepted messages have shown a build-up of insurgent forces along the Bassac. On the lower Mekong, the government enclave at Neak Luong remains the target of heavy shelling.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

WESTERN EUROPE - PORTUGAL - USSR

West European leaders are increasingly concerned over developments in Portugal. Willy Brandt, leader of the West German Social Democratic Party, plans to discuss the situation with you this week. NATO chiefs of mission met yesterday in Brussels, and NATO ambassadors held talks yesterday in Lisbon and will meet again after the new Portuguese cabinet is formed.

[redacted]
an emissary of Portuguese Socialist Party [redacted]

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asked
Brandt to:

--tell his Soviet contacts that the USSR should rein in the Portuguese Communists;

--describe the Portuguese situation to US leaders during Brandt's visit to Washington and impress upon them that Portuguese Socialists count on US assistance; and

--take any action that Brandt believes would help non-Communist forces in Portugal.

West German Chancellor Schmidt on Friday evening told the Soviet ambassador to Bonn that any nation which had influence in Portugal should use it to prevent chaos in Lisbon. He did not allude to any connection between events in Portugal and detente. The West German government would like the NATO allies to make similar representations to local Soviet ambassadors.

The West Germans also took the lead in the NATO chiefs of mission meeting. The West German representative said his government had asked the Irish president of the EC to have that body make a collective representation in Lisbon expressing the community's concern. Bonn thinks this should be followed by bilateral approaches by EC and NATO members. The Portuguese should be told that their alliance with the West would be adversely affected by the suppression of pluralistic democracy.

The Italians have already called in the Soviet ambassador to discuss Portugal. Most of the allies seem reluctant, however, to follow West Germany's lead until they hear how the US plans to approach this problem. The NATO chiefs of mission will meet again today.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The new cabinet that is likely to be announced early this week will almost certainly be in accord with the radical views of Prime Minister Goncalves. The Communist-dominated Democratic Movement, which has the status of a separate party, is expected to join the three-party coalition of Socialists, Communists, and Popular Democrats. It is widely rumored that each party will be given equal representation and that each party leader will be appointed minister without portfolio.

Socialist Party leader Mario Soares reportedly opposes this scheme. He prefers to remain foreign minister and is also arguing to keep on the Socialist justice minister. Perhaps to bring additional pressure on the Socialists to agree to his plans, Goncalves consulted over the weekend with the leaders of two other left-wing parties that are known to have close associations with the Communists.

Whatever the final makeup of the cabinet, the real power in Portugal will be exercised by the newly established revolutionary council, which acts as the executive body of the Armed Forces Movement. Four new members of the council, who hold relatively moderate political views, will not participate fully as long as they hold their current jobs. One of these individuals is expected to be Portugal's next ambassador to the UN, a post that would remove him from a position of influence.

The revolutionary council has assigned itself the task of implementing the "necessary structural reforms" of the economy. This will presumably enable the council to set aside the moderate, three-year economic program that was approved with much difficulty only a few months ago.

The campaign for electing a constituent assembly, scheduled for April 25, continues, but moderate parties are in disarray. The Social Democratic

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FOR THE PRESIDENT ONLY

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Party, the only center-right party left in the election, has announced it will stay in the campaign even though intimidation has reached the point that party leaders no longer sleep at home.

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The Portuguese military also seems to be in a state of disarray since the abortive coup of March 11. [redacted] that discipline within the ranks is practically non-existent, partly because the chain of command has been so disrupted. A highly placed member of the army staff reports that there is not a single unit which, if called upon, can be counted on to respond.

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A military spokesman for the government, meanwhile, has stated that the "Portuguese Liberation Army," a right-wing guerrilla organization based in Spain, may have been involved in the abortive coup earlier this month. No direct accusation against the Spanish government was made and the government moved to squash rumors that the US had any connection with this rightist organization. In Madrid, Foreign Ministry officials reiterated the Franco government's stated policy of non-interference in Portuguese affairs. The leftist press, nevertheless, is likely to allege CIA involvement.

FOR THE PRESIDENT ONLY

INTERNATIONAL OIL DEVELOPMENTS

The economic performance of the major industrial countries will be the single most critical factor determining oil demand in non-Communist countries over the next three years. Industrial production is falling in nearly all these countries, but recovery generally is expected to begin by the end of the year.

Barring petrodollar recycling difficulties, we expect production in major industrial countries to rise by about 4 percent next year and 7 percent in 1977, as the recovery gains momentum. This growth--combined with continuing importer reaction to high oil prices and the impact of any policy decisions to suppress oil demand--will determine the demand for oil from members of the Organization of Petroleum Exporting Countries.

The pattern of oil import demand this year will be significantly different from that in years past. Importers will enter the spring with full stocks. Import demand will slump sharply during the second and third quarters--to only about 25 million barrels a day, compared with about 27 million barrels a day this past February. It will then rise sharply to about 29 million barrels a day during the fourth quarter. Demand for OPEC oil during 1975 as a whole will be down about 8 percent.

Economic recovery will cause demand for OPEC oil to increase above the 1975 level. Demand for OPEC oil should grow by about 2 percent, or by 600,000 barrels a day in 1976. More rapid economic growth will cause OPEC sales to increase by a further 7 percent, or by 1.8 million barrels a day in 1977. OPEC's export volume, however, will still be lower in 1977 than it was in 1973.

Had it not been for the Saudi production cut-back, the next few months would have been somewhat difficult for OPEC because of declining importer demand. The Saudi action has largely eliminated the threatened surplus. As fall approaches, OPEC's task will shift from one of informally allocating production cuts to determining in the same informal way the members' share of the production increases that are certain to occur.

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FOR THE PRESIDENT ONLY

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We do not see this new issue of determining the share of increased demand as a problem for the cartel. We believe that large OPEC producers will meet less of the new demand from their own production and will tacitly allow those countries that need more revenue to raise oil production.

During 1975-77, OPEC countries collectively will accumulate surplus funds averaging \$60 billion a year. Only Algeria, Ecuador, Indonesia, Venezuela, and perhaps Libya will have current account deficits. Other OPEC members will continue to accumulate large surpluses. By the end of 1977, OPEC states will have accumulated a total investable surplus of about \$265 billion. We see no particular stress on the cartel through 1977, so long as Saudi Arabia continues generally to support OPEC pricing policy.

Beyond 1977, the situation is much less certain, but OPEC exports clearly will slump sharply by 1980--probably to only about 22 to 24 million barrels a day. At this level, only Saudi Arabia and Kuwait will have sizable surplus earnings, and the cartel would be under substantial stress. Pressures will be strong on OPEC countries collectively to boost the real price of oil substantially and on some members to try to raise output. The outcome will be heavily influenced by political developments both within and outside the cartel.

Top Secret



The President's Daily Brief

March 25, 1975

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Exempt from general
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declassified only on approval of
the Director of Central Intelligence

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March 25, 1975

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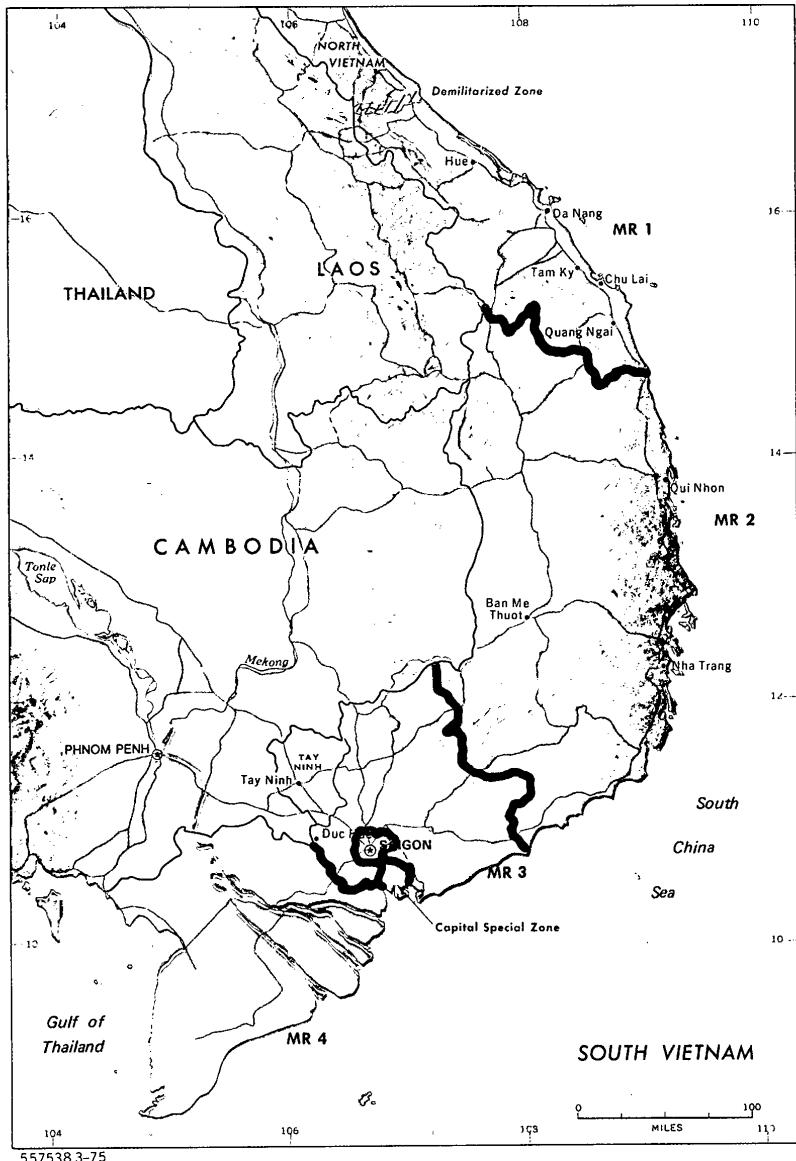
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FOR THE PRESIDENT ONLY



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SOUTH VIETNAM

The military situation in the northern provinces continues to deteriorate rapidly, and the government's ability to make a strong defense at Da Nang appears increasingly questionable. This morning, the US embassy in Saigon ordered the evacuation of some American personnel from the city. Three of the government's infantry divisions are trying to fight their way out of communist traps to reach Da Nang.

The 1st Division is moving from Hue, while the 2nd and 3rd divisions are battling toward the airfield at Chu Lai from the cities of Tam Ky and Quang Ngai, respectively. Many of these divisions' units have taken heavy casualties and others are reported in a serious state of disarray.

The principal government unit now guarding Da Nang is the marine division. There are reliable indications that President Thieu may shortly order its withdrawal to shore up government defenses along the central coast. If the marine division is removed, the defense of Da Nang probably will collapse.

An equally serious problem confronting the city is the large number of refugees. The latest government estimates place the number at close to a million; thousands more jam the roadways from all directions. Centers have been set up in the open in Da Nang to try to cope with minimum needs. Plans are being made to evacuate as many refugees as possible to points farther south to relieve the burden they impose on the defense of Da Nang.

In the central provinces, government forces must regroup if they are to protect coastal cities, such as Qui Nhon and Nha Trang. The South Vietnamese are trying to break communist roadblocks that are preventing remnants of government forces from reaching the coast. The heaviest fighting continues to be concentrated south of Tay Ninh City, where control of the major highways is being contested. The fighting has resulted in heavy casualties on both sides. Some senior officers in Saigon now appear to have serious doubts about an all-out stand in Tay Ninh Province.

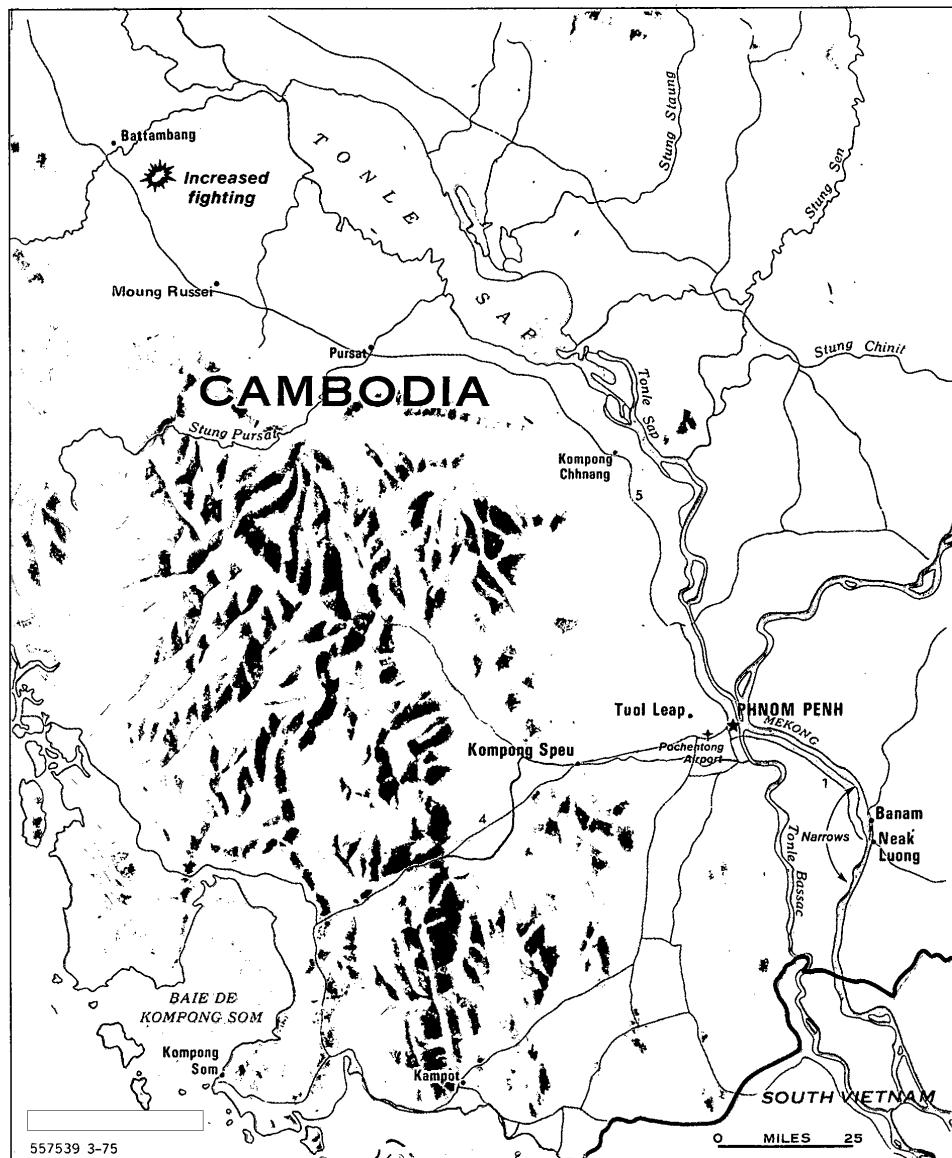
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FOR THE PRESIDENT ONLY

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Yesterday, Saigon itself was put on more of a war footing. With the re-establishment of the Capital Military District, its new commander, General Nguyen Van Minh, controls a 15-mile circle of defenses around the capital. Minh is a better commander of ground forces than was his predecessor, a navy vice admiral.

The lack of clear orders from Saigon reportedly is affecting government forces and causing unnecessary losses of territory. Military leaders in the delta provinces are expressing anxiety about which areas President Thieu may consider expendable. One commander claimed that the recent fall of Duc Hue District, to the west of Saigon, was a direct result of uncertainty about whether the district would eventually be declared expendable; some troops refused to fight.



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FOR THE PRESIDENT ONLY

CAMBODIA

The US airlift into Phnom Penh's Pochehtong Airport continued without interruption yesterday. Rockets again fell near military facilities on the southeastern side of the airfield, where most airlift cargo is unloaded.

The rocket attacks are not likely to end soon. Government units near the "rocket belt" continue to mark time while parts of the task force try to regain positions south of Tuol Leap that were lost over the weekend. Other nearby communist units have increased attacks near Route 4, and the highway remains closed between Phnom Penh and the provincial capital of Kompong Speu.

Analysis of recent intercepts indicates that the communists have committed all their reserves north and west of the capital to battlefronts in these areas.

Government defenders at Banam and Neak Luong held their ground yesterday. In the far northwest, however, insurgent forces are edging closer to Battambang City, and local government commanders are bracing for possible attacks against the city and the nearby air force base.

* * *

The Japanese government has decided not to extend a formal invitation to Cambodian President Lon Nol to visit Japan, so Lon Nol's departure from Phnom Penh may consequently be delayed. Prime Minister Long Boret told Ambassador Dean over the weekend that Tokyo--citing "security problems" and possible adverse domestic press reaction--had vetoed the offer of a formal invitation made by the Japanese ambassador in Phnom Penh last week. As of Saturday, Boret had not yet informed Lon Nol of the Japanese refusal and was apparently still trying to work out some arrangement to allow for Lon Nol's "honorable departure."

Lon Nol has gone so far as to sign a statement of his willingness to leave and to ask that funds be set aside for his use while abroad. He appears sold on the idea of visiting some Asian country. Boret claims that he "vaguely" raised the possibility of Lon Nol's going to Hawaii for medical treatment, but that the President did not appear interested. In relating these latest developments to Ambassador Dean, Boret stressed the need to arrange a graceful exit for Lon Nol.

FOR THE PRESIDENT ONLY

MIDDLE EAST

The future of US-Israeli relations appears to be Tel Aviv's principal pre-occupation at the moment. [redacted]

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[redacted] *the government's first task is to ensure that relations with Washington remain satisfactory.*

The Israeli press reports that Tel Aviv will launch a major campaign in the US to explain its position to the American public. It speculates that Prime Minister Rabin or Foreign Minister Alon will ask to visit Washington to "clarify questions that might harm US-Israeli relations." Israel's ambassador to Washington cut short his stay in Tel Aviv and flew to New York yesterday to brief hurriedly assembled American Jewish leaders and reportedly to enlist their help in the information campaign.

Rabin told a special session of the Knesset yesterday that cooperation with Washington remains a cornerstone of Israeli foreign policy, but added that Israel must "clarify" its position on the negotiations with Egypt. The Knesset, by a vote of 92 to 4, passed a resolution blaming Egypt for the "suspension" of the talks.

In Cairo yesterday, Egyptian Foreign Minister Fahmi reiterated at the opening session of the Arab League foreign ministers' meeting that Israeli "arrogance" was to blame. He called for a concerted Arab effort to isolate Israel in the world community "like South Africa and Rhodesia."

In an initial Syrian reaction, Damascus radio, citing "official quarters," yesterday said that the convening of the Geneva conference as soon as possible is now the only alternative.

Soviet media reaction has been sparse and low-key. Pravda yesterday merely replayed excerpts of official US and Egyptian statements. Moscow's reticence probably indicates the Soviets have not

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yet sorted out the latest developments. A commentary in Arabic broadcast by Radio Moscow alleged, "The time spent in seeking partial solutions was lost." It added that the US has the "necessary driving forces," by stopping "trans-Atlantic assistance," to keep Israel from making "unacceptable demands." The commentary endorsed quickly reconvening the Geneva conference, maintaining that it "is capable of" achieving a solution. This idea was also included yesterday in the communiqué marking the end of French Prime Minister Chirac's visit to the USSR.

Egyptian and Israeli, and perhaps Syrian, armed forces remain on alert.

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USSR

The submarine salvage story was mentioned briefly last Friday by a member of the Soviet SALT delegation in Geneva to support Moscow's current negotiating position that the US is underestimating its technical intelligence capabilities.

In conversation with an American official, the Soviet delegate said that the reported ability of the US to locate a Soviet submarine at such depth and distance from the coast indicates the potential capability of "national technical means of verification."

The complete text of the conversation is not yet available, but it is evident that the Soviet's reference to the submarine recovery operation was made in a relaxed fashion. Given the specialized context in which his remarks were made, we doubt that they reflect any detailed guidance from Moscow. The fact that the subject was raised at all indicates there is no blanket prohibition on the Soviet side against discussing it.

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ITALY

The Italian Communist Party is on the defensive because of its failure to condemn the events in Portugal that led to the banning of the Portuguese Christian Democratic Party.

The Italian Communist Party had hoped that the conciliatory tone of its recently concluded national congress would undercut arguments of the Christian Democratic Party against Communist participation in the government. Communist Party leader Berlinguer emphasized at the congress that only a government coalition including the Communists would have the "force and authority" to deal with Italy's problems. He asserted that if included in the government, the Communists would not "bring up" the subject of Italian withdrawal from NATO.

The party's failure to criticize the role of the Communists in Portugal, however, has given the Christian Democrats a reason for refusing any concessions to the Italian Communists. The Christian Democrats are preparing to use the issue to test the claim of the Italian Communists to be an independent national party when local elections are held throughout the country in June.

During closing sessions of the Communists' congress, speakers seemed to be moving cautiously toward a more critical line about the Portuguese Communists. Berlinguer may yet decide to assume a posture of outright criticism.

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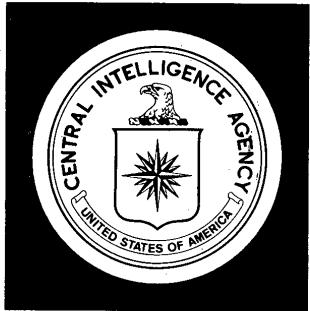
NOTE

The Sino-Soviet border negotiations evidently have made no progress since the return of chief Soviet negotiator Illichev to Peking in mid-February.

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the major obstacle to progress continues to be the Chinese demand that the USSR remove its forces from those areas designated as disputed by Peking and from areas contiguous to the disputed regions. Moscow has consistently rejected this precondition to formal negotiations, regarding it, in Brezhnev's words, as "absolutely unacceptable." Moscow evidently sees no possibilities for progress in the talks until this condition is removed, or at least drastically modified. The talks, in the meantime, are continuing on a twice-weekly basis with discussions focusing on minor points of contention.

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The President's Daily Brief

March 26, 1975

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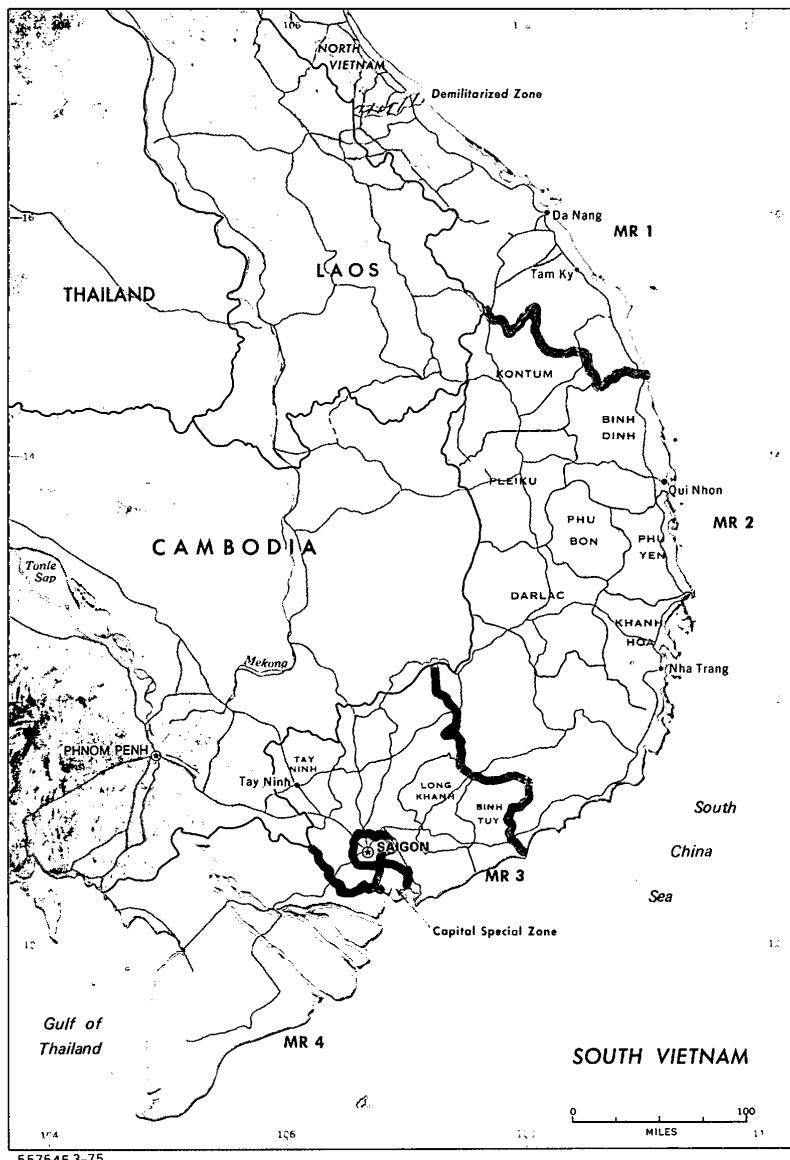
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SOUTH VIETNAM

Communist forces in the northern half of the country now seriously threaten not only Da Nang but important coastal cities farther south, including Qui Nhon and Nha Trang.

Regrouping its own forces has become as much a problem for Saigon as coping with communist pressure. Government commanders are trying to regain control of their units and organize them in defensive positions. Since the evacuation of the highlands began ten days ago, many of the country's territorial forces and some regular units have found themselves facing substantially superior enemy forces and have lost their will to fight.

The North Vietnamese have been reacting with uncharacteristic speed to the rapid pullback and collapse of South Vietnamese forces in the northern half of the country. North Vietnamese commanders have usually been conservative and slow to take advantage of unexpected battlefield developments. The restructuring of the communist military command and control apparatus, which has been going on for a year or so, may have contributed to an improved ability to respond quickly.

Communist commanders in the central provinces moved rapidly to deploy at least two regiments from Darlac to Phu Bon Province to head off the government column trying to reach the coast from Kontum and Pleiku provinces. In a well-coordinated and rapid movement, the communists have also placed at least one artillery and five infantry regiments in Khanh Hoa Province, where they pose a powerful threat to the city of Nha Trang. The North Vietnamese 320th Division, which was in the highlands last week, now has an advance unit in Phu Yen Province. Other communist units from the highlands may also be heading for Binh Dinh Province to reinforce the North Vietnamese 3rd Division in a move against Qui Nhon. South Vietnamese commanders there feel Qui Nhon City is the next major target.

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The communists are having problems in their multiple drives toward the coastal areas, however. One armored unit, for example [redacted] had to stop on the way to Tam Ky because of lack of fuel. The capture of equipment, ammunition, and fuel abandoned by government forces may alleviate some of these problems.

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The heaviest fighting continues northwest of Saigon, where South Vietnamese forces are holding blocking positions along the roads linking Tay Ninh with the capital.

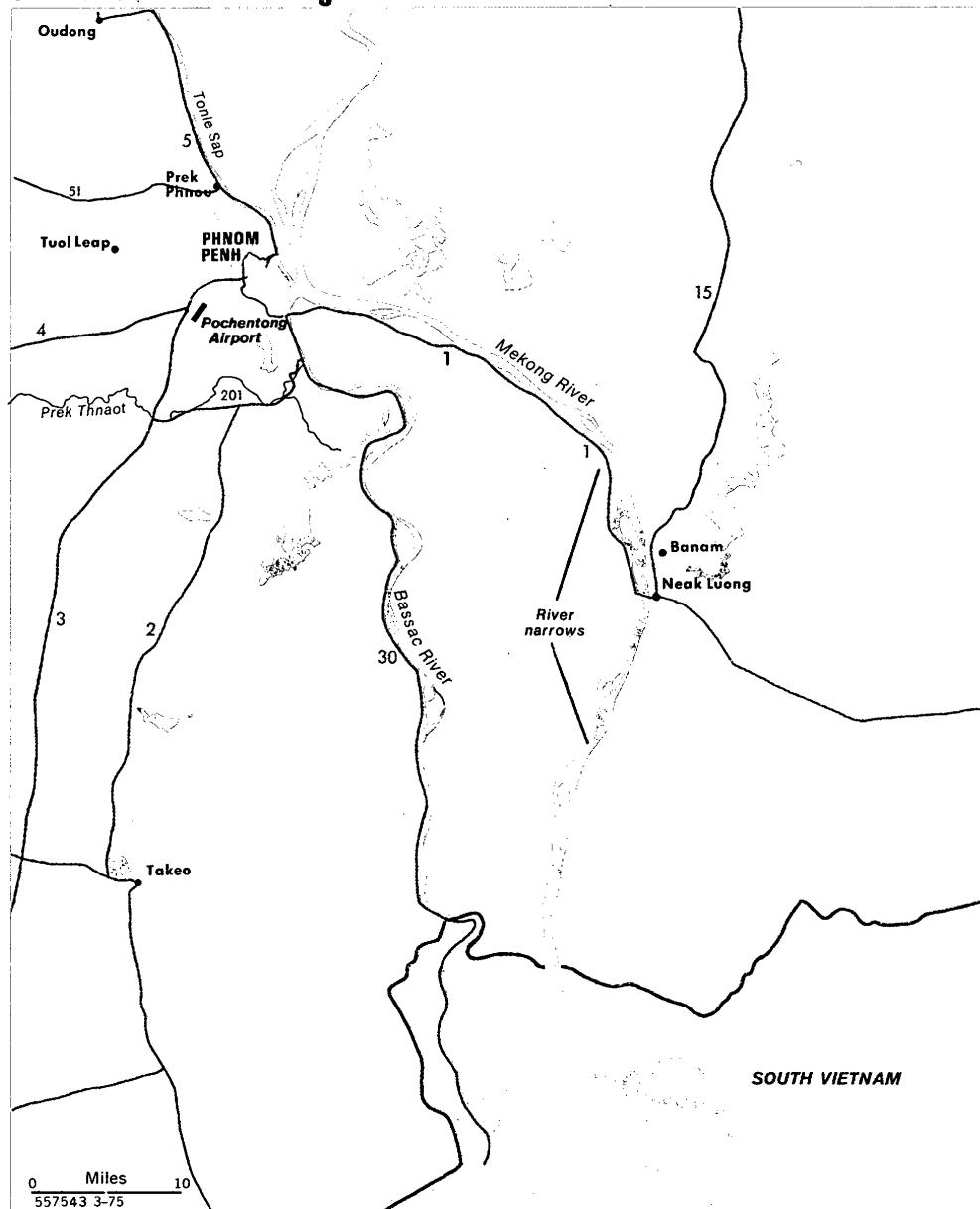
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The government is having considerable difficulty assisting the masses of refugees who clearly fear the communists and who are converging on Da Nang or trying to reach the protection of coastal cities. The government's presence in the rest of Military Region 1 has been removed so quickly and the influx of population into the Da Nang area has been so sudden and so massive that refugee totals there have mounted by the tens of thousands. People who fled originally to what they thought was the safety of Hue, within a day or so fled farther south to Da Nang. Plans are now under way to move as many as possible to Saigon.

Adequate rice stocks exist in Saigon and other urban areas to accommodate such large numbers of refugees, but, with roads closed in many areas and the population constantly shifting, it will be difficult to get food to where it is most needed.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



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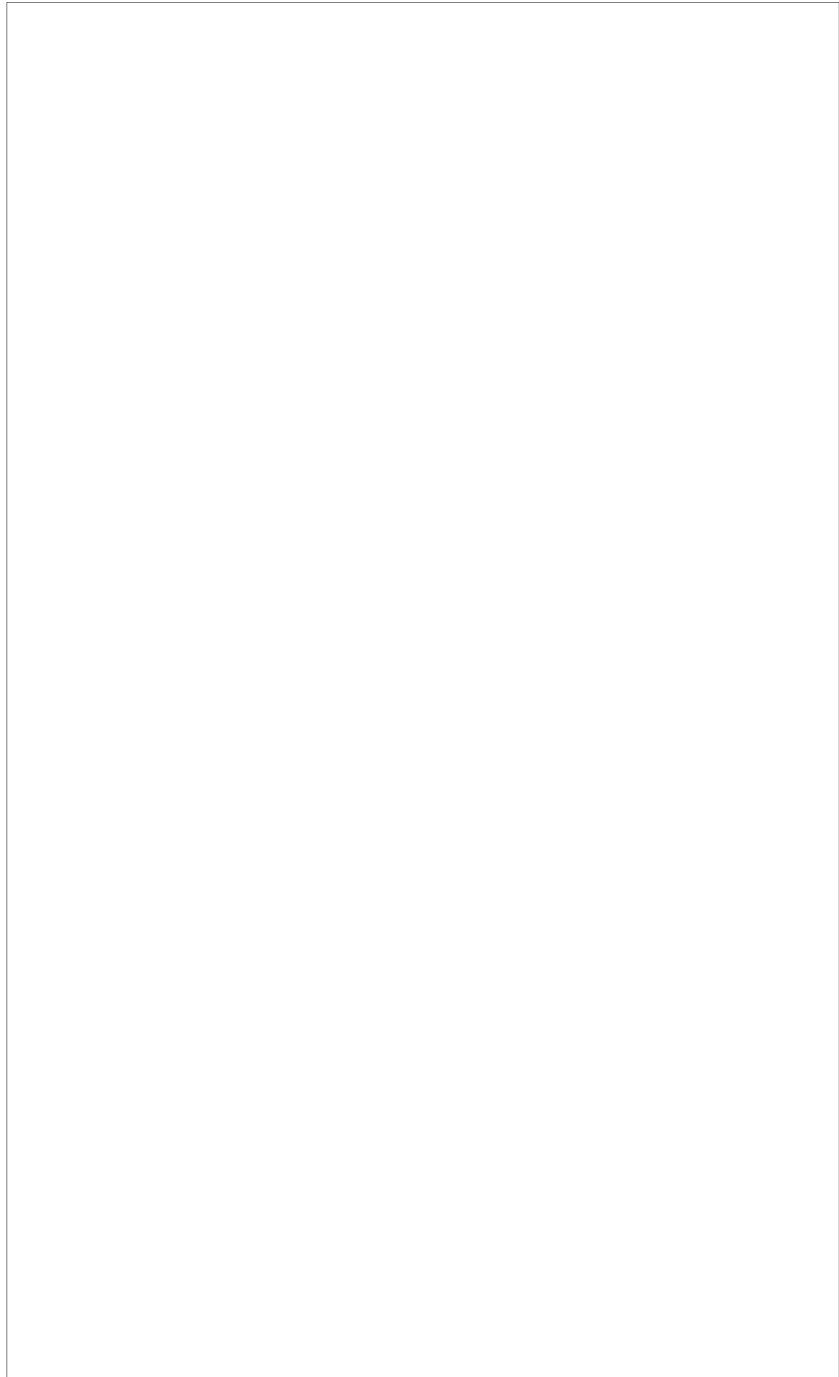
CAMBODIA

Khmer communist units yesterday again moved within artillery range of Pochehtong Airport by forcing government troops from the town of Tuol Leap. Government troops expect to counter-attack early today, but it took them two weeks to retake Tuol Leap when it was first occupied by the communists late last month.

Rocket fire against the airport was light and relatively ineffective yesterday, but 30 rockets hit downtown Phnom Penh. The rockets are being fired from a position on the east bank of the Mekong River which was deserted yesterday by two government battalions.

Farther south on the Mekong, communist ground units yesterday overran three positions near Neak Luong and are threatening to cut in half the government enclave which stretches north to Banam. Recent intercepted messages reveal that the communists are giving top priority to getting ammunition to the Neak Luong battlefield.

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SAUDI ARABIA

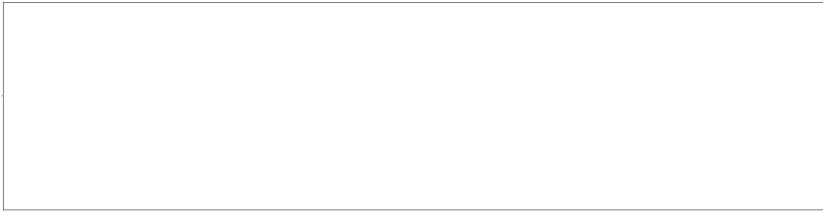
The accession of Crown Prince Khalid to the Saudi Arabian throne yesterday smoothly followed arrangements worked out by King Faysal several years ago. Shortly after Faysal was murdered, five senior members of the royal family--including Prince Fahd, who is expected to emerge as the country's strongman--met to ratify the succession agreement, which reportedly provided that Khalid would reign but Fahd would become the effective ruler.

Following his investiture, Khalid promptly named Fahd crown prince.

Jidda and Riyadh are calm. The national guard--the mission of which is to protect the royal family--is on alert, but there have been no unusual troop movements.

There is no information to suggest that the assassin had any accomplices. He is reported to have been under treatment in a mental hospital in Saudi Arabia at one time, and his father is reputedly an alcoholic. A brother was killed about ten years ago by Saudi police during a religious protest against the introduction of television to Saudi Arabia.

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It is not clear whether Fahd has been named prime minister. Some press reports have referred

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to him as "first deputy prime minister," the position Khalid held until he became king. Faysal had been his own prime minister, and Khalid may have followed that pattern.

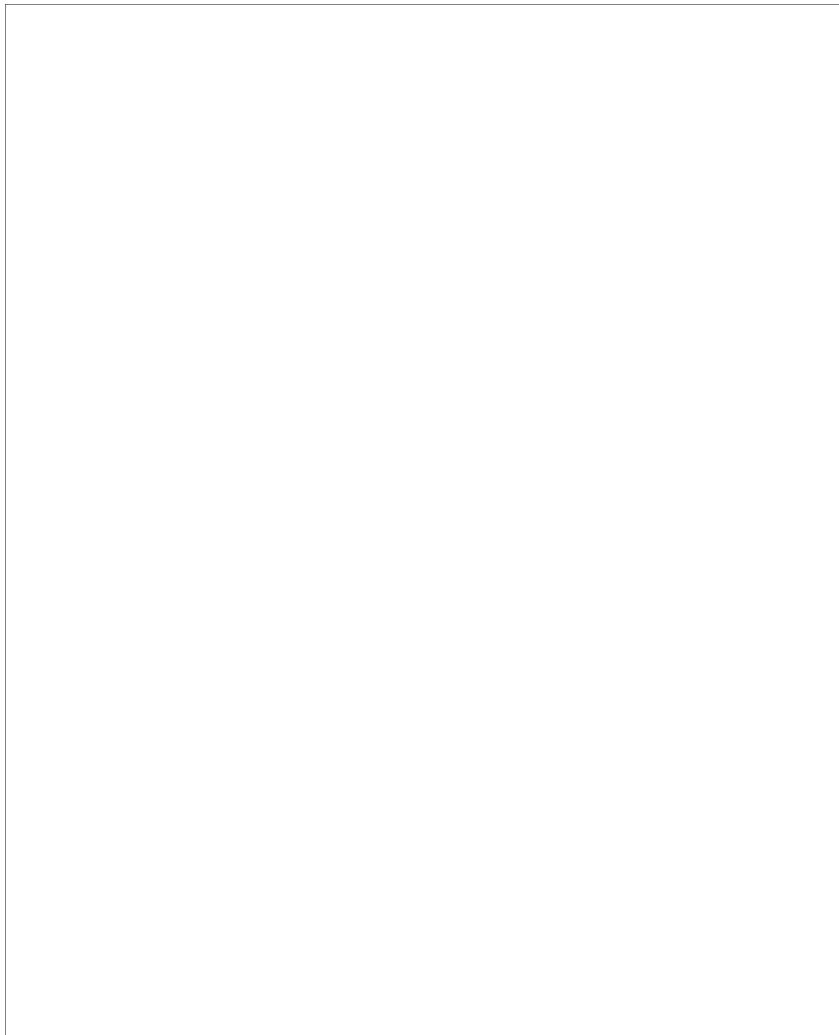
Faysal had character, style, and accomplishments [redacted] Faysal had an aura that gained respect, both at home and abroad. Both Khalid and Fahd are likely to be more accessible [redacted]
[redacted].

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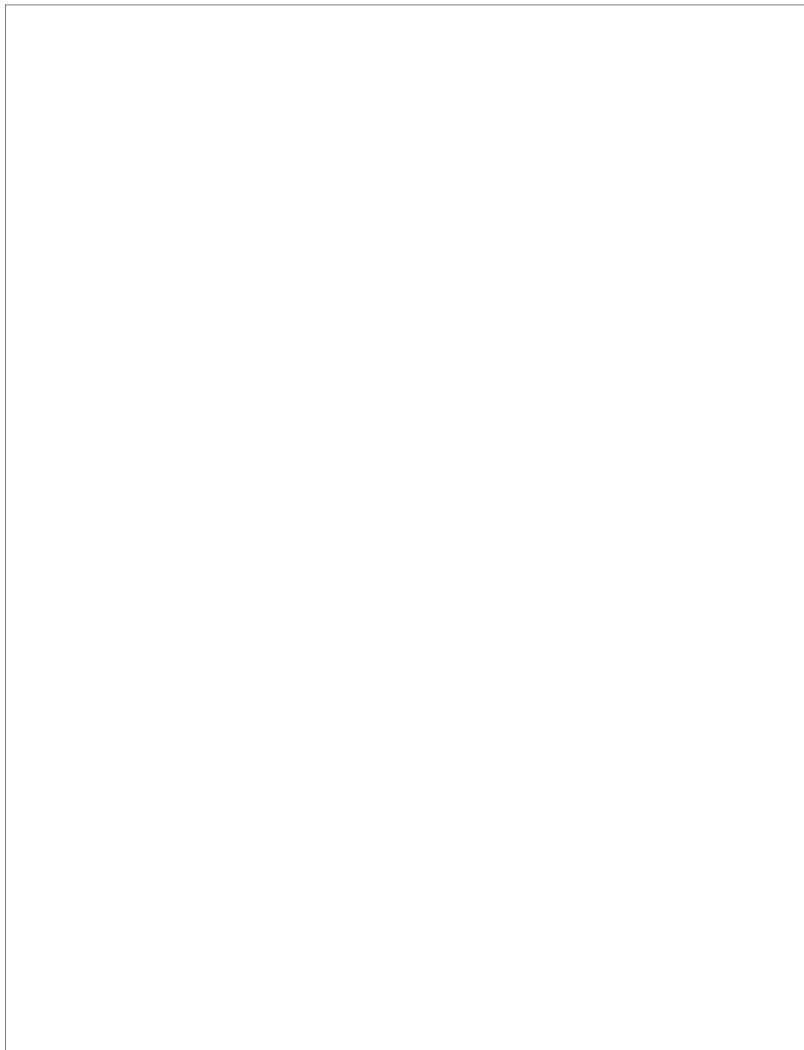
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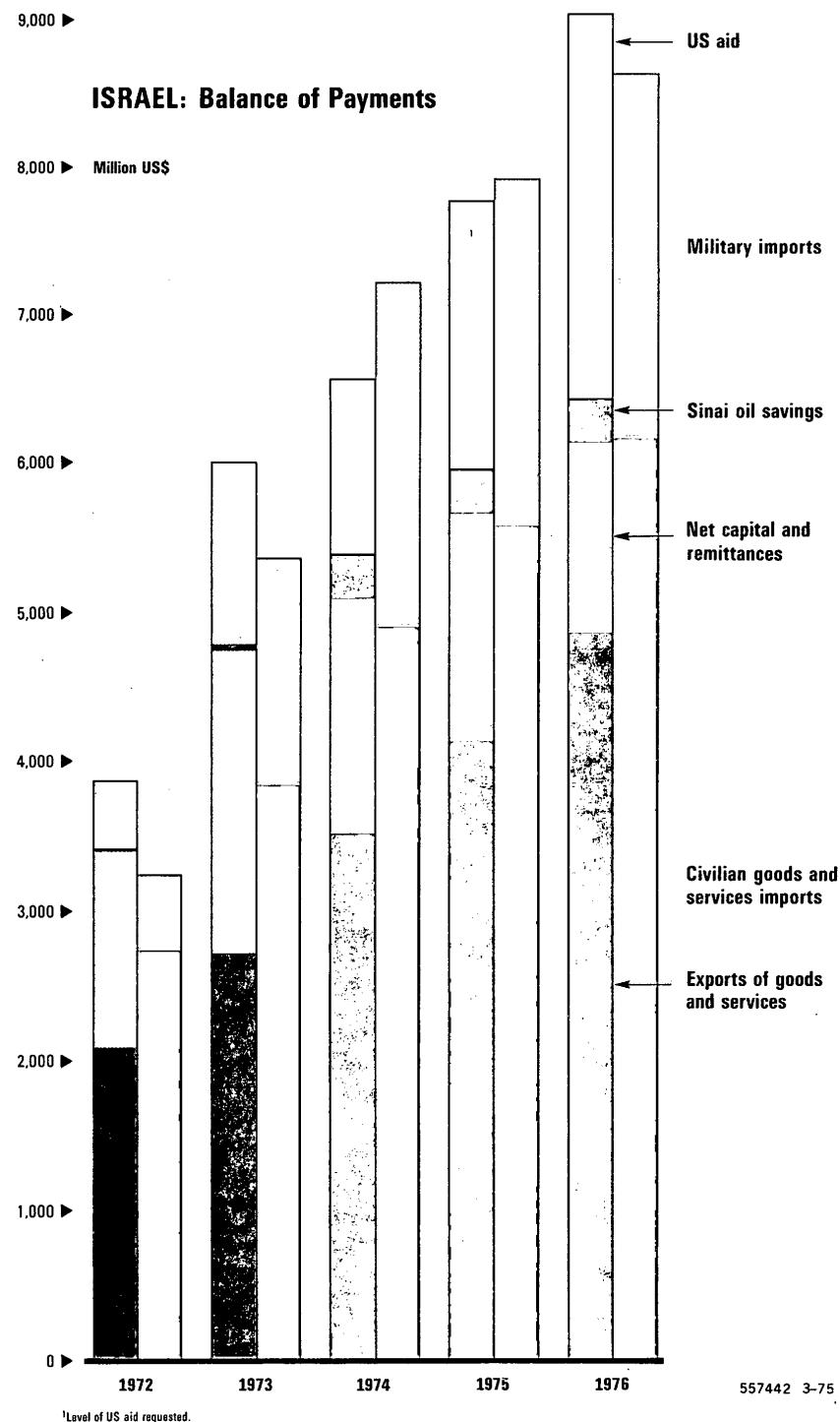
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¹Level of US aid requested.

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ISRAEL-US

Israel wants increased assistance from the United States to soften the impact of massive military spending. Tel Aviv has asked for \$1.8 billion in US aid this year--\$1.6 billion already is in train--and wants \$2.6 billion in 1976. The US had provided about \$400 million annually to Israel before the October war.

Military Costs

The bulk of US aid helps pay for military imports, which have jumped four-fold since the 1973 war to \$2.4 billion a year. Direct war losses were more than replaced by the end of 1974. Israeli defense plans call for an average military budget of \$4 billion a year through 1978 to augment and upgrade the military forces.

[redacted] by the end of 1975 Israel will have increased its inventory of artillery by 85 percent since before the 1973 war, tanks by 50 percent, armored personnel carriers by 25 percent, and combat aircraft by 20 percent.

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Budgeted defense expenditures in real terms have more than doubled in 1974-75 and are slated to jump more than 25 percent next year. The defense establishment is taking 40 percent of the budget and 30 percent of total resources available--gross national product plus the import surplus. Comparable numbers before the October war were 33 percent and 15 percent.

Impact on the Economy

Israel avoided severe belt-tightening in 1974 with increased US aid and a drawdown of foreign exchange reserves. Economic growth of 6 percent in real terms was not far below the rate of recent years. Industrial output--depressed during the war--recovered quickly, and private consumption grew nearly 10 percent.

The major dark spot in the economy was a dip in private investment. Inflation accelerated to an annual rate of 40 percent; its impact was not especially great because most Israeli workers received generous cost-of-living adjustments.

Tel Aviv is now calling for a moderate degree of belt-tightening. Anticipated real economic growth of 3 percent this year will be only one half

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the 1974 rate and only one third the immediate pre-war rate. Both public and private consumption will increase slowly. Overall investment again will contract, reflecting lower outlays for development and reductions of business inventories.

Role of US Aid

We believe that provision of all the aid Israel has requested for 1975-76 would:

--Allow Israel to maintain massive military imports of \$2.5 billion in 1975 and again in 1976.

--Leave room for a moderate but reduced growth in civilian imports.

--Add perhaps \$400 million to Tel Aviv's dwindling foreign exchange reserves in the two years.

Israel could avoid reduction in the pace of economic activity by accelerating civilian imports instead of accumulating reserves. Indeed, we believe Tel Aviv would not hold a rigid line on imports with a prospective foreign payments surplus in the two years combined. Public pressures already have caused the government to back away from recent austerity moves, and a record-breaking budget accompanied by a deficit of at least \$350 million was presented to the Knesset on February 24.

Israel is counting on increased US aid to help underwrite the increased import bill these economic policies will require. Provision of the full \$2.6 billion in aid requested for 1976 would permit Israel to pursue its military import program and achieve fairly rapid economic expansion. Provision of \$2 billion in aid would allow a large military buildup with moderate belt-tightening. Provision of \$1.6 billion--which is equal to the amount now in hand for 1975--would cause Israel to restrict imports.

Significant savings in nonmilitary imports cannot be accomplished without lowering output, employment, and real incomes. The government appears determined to fight any cutback in proposed military imports even though Israel's direct military losses have been replaced and its equipment inventories upgraded.

Israel contracted for \$2 billion worth of US arms in 1974, even though Tel Aviv had only \$1 billion in uncommitted aid to cover new military purchases. Israel has also been shopping in Europe, seeking to place additional large arms contracts.

FOR THE PRESIDENT ONLY

EGYPT

President Sadat's stock has gone up appreciably in much of the Arab world following the breakdown in disengagement negotiations. Egyptian spokesmen are capitalizing on Sadat's new popularity to solidify Egypt's position with the Arab states. The effect could be a hardening of Egypt's stance on dealings with Israel.

Arab press commentators have hailed Sadat's steadfastness in refusing to commit Egypt to a non-belligerency pledge with Israel, and [redacted] congratulatory telegrams have "flooded" in from Arab leaders. The well-wishers have praised Sadat for giving the lie to earlier Arab charges that he would sacrifice broad Arab interests in favor of negotiating an Egyptian settlement with Israel.

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The [redacted] favorable reaction has given Sadat and his advisers a sense of confidence, at least temporarily, to face [redacted] the critical decisions of war and peace in the coming weeks.

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Egyptian press and radio commentators have reflected this confidence, portraying the breakdown in the talks not as a failure but as a victory for the justice of the Arab cause and as proof of Israeli iniquity.

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The commentators call unanimously for a return to the Geneva conference, emphasizing less that Geneva will provide a forum for negotiations than that it will be another arena for political "confrontation" with Israel. All editorialists raise the threat of force as an alternative the Arabs are ready and able to use if the Israelis "procrastinate" further.

No Egyptian has outdone Foreign Minister Fahmi in emphasizing the firmness of Egypt's commitment to the Arab cause, its leadership of that cause, and its harsh denunciation of the Israeli positions.

(continued)

FOR THE PRESIDENT ONLY

During his emotional speech to the Arab League foreign ministers' meeting on Monday, Fahmi dwelled at length on the need for Arab solidarity in the aftermath of the breakdown in the talks. He concluded his speech with a call on the Arabs to join forces to isolate Israel from "the international community and at the United Nations and international organizations, like South Africa and Rhodesia."

Egypt's effort to cover its negotiating failure with expressions of a new solidarity with the Arabs risks locking it into uncompromising positions. The Arabs are likely soon to expect assertions of leadership on the basis of inflexible words to be given substance by the adoption of inflexible positions.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Portuguese Communists have strengthened their representation in the new government announced in Lisbon yesterday, although the two major non-communist parties are still represented in the cabinet.

The new 21-man cabinet is comprised of 13 civilians and 8 military officers. Four parties are represented: the Communist, Socialist, and Popular Democratic parties and the Portuguese Democratic Movement, a Communist-dominated organization that enters the government for the first time. An independent who is sympathetic to the Democratic Movement was named economic coordination minister, giving the Communists greater influence in economic decisions.

The leaders of the four political parties were named ministers without portfolio. Socialist leader Soares was replaced as foreign minister by Major Melo Antunes, a Marxist who has generally been associated with the moderate wing of the Armed Forces Movement. Antunes will probably give Portuguese foreign policy a stronger Third World flavor, but he is not likely to press for major changes in Portugal's ties to the West.

Despite the demotion of Soares, the moderates came through the shuffle with some pluses. Justice Minister Zenha, a Socialist who was rumored to be on the way out, stays on, and the Popular Democrats are still represented despite a concerted effort by the Communists to have them ousted.

A major loss for the moderates was the removal from the cabinet of Vitor Alves, a moderate member of the Armed Forces Movement who reportedly will be named ambassador to the UN.

Although civilians constitute a majority in the cabinet, military officers hold most key positions, including those of prime minister and foreign minister, as well as the labor, defense, internal administration, public services, and social communications portfolios. Prime Minister Goncalves said recently that the military will stay in the government for another three to five years.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

In a discussion with Ambassador Carlucci yesterday, President Costa Gomes suggested that events had taken Portugal further to the left than he had expected.

Costa Gomes emphasized, however, that Portugal does not plan to reduce its commitment to NATO and that once the African situation is settled, more Portuguese troops will be placed at the disposition of the alliance. He complained about Lisbon's exclusion from access to NATO's nuclear information.

The President blamed the recent violence in Portugal on communists and non-communists alike, and assured Ambassador Carlucci that the government is determined to hold the election next month on schedule.

FOR THE PRESIDENT ONLY

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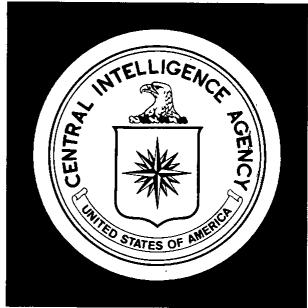
NOTE

A power struggle within Somalia's ruling hierarchy may have some effect on Soviet interests in the country.

According to our embassy in Mogadiscio, President Siad allegedly has confined Defense Minister Samantar, his longtime rival, to a military hospital and has arrested 20 of the more radical members of the Office of the Presidency for plotting against him. Samantar and the plotters have strong links to the Soviets and probably revealed their plan to the Soviet embassy. Siad was responsible for granting the Soviets military facilities in Somalia, however, and Moscow would be unlikely to assist in moves against him. Siad, for his part, probably would not do anything to jeopardize Soviet military assistance inasmuch as the Somali military is the mainstay of his regime.

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Top Secret



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Exempt from general
declassification schedule of E.O. 11652
exception category 5B(f)(2),(3)
decided by the Director of Central Intelligence

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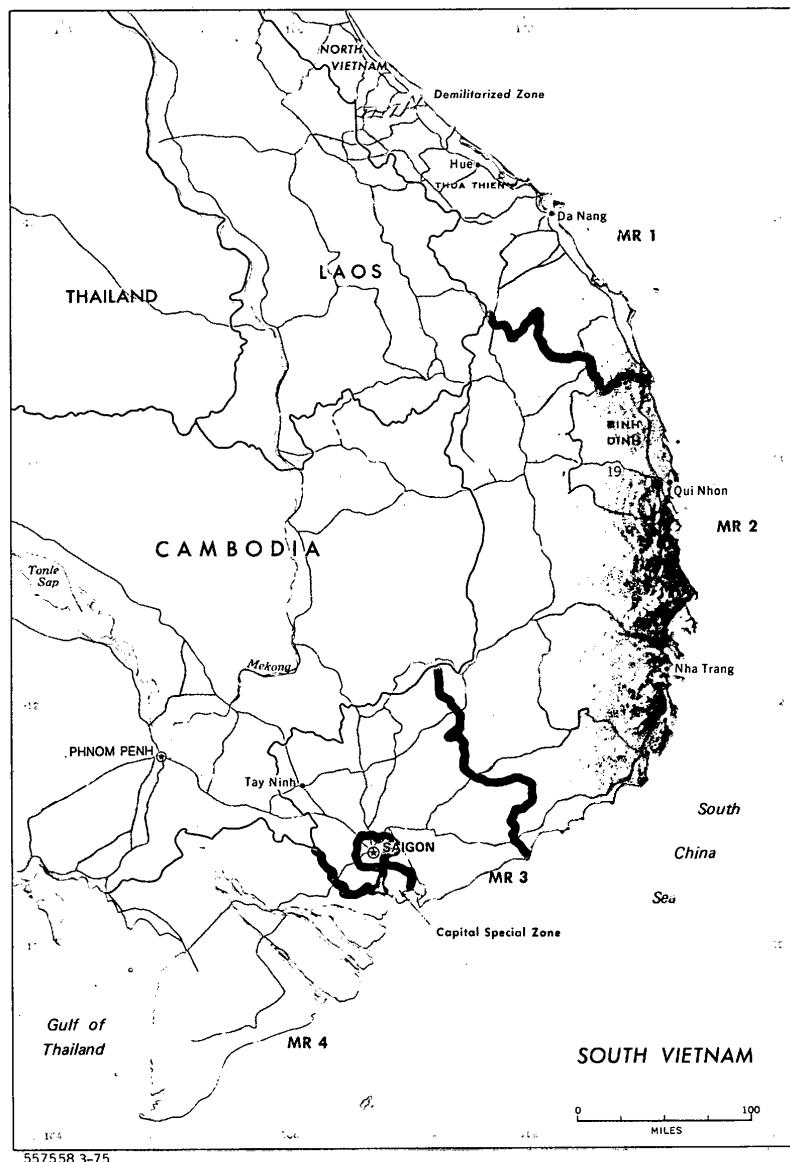
West Germany: Willy Brandt is paying his first visit to Washington since he resigned as chancellor in the wake of a spy scandal last May. (Page 8)

Portugal: Prime Minister Goncalves, speaking at the installation of the new cabinet yesterday, left no doubt that the government will continue to expand its control over private industry. (Page 10)

Middle East: The determination of Egypt and Syria to move peace negotiations to Geneva will force an early consideration of the Palestinian problem. (Page 11)

Note: USSR (Page 13)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Panic has taken over at Da Nang; the situation at the coastal enclaves of Qui Nhon and Nha Trang also continues to deteriorate.

All semblance of public order at Da Nang has disappeared. The airport has been closed because uncontrollable mobs are on the runways. Officials in the headquarters of the government's Military Region 1 command and the mayor's office have begun to burn documents and evacuate their offices. Senior military officers have left their posts and are trying in any way possible to evacuate with their families.

Yesterday, some 2,500 South Vietnamese Marines arrived in Da Nang from Hue and were immediately put in positions along the northern perimeter. The Marine Division and units of the 3rd Infantry Division are the only units in the area considered battleworthy. Most of the region's other regular combat units, including the 1st and 2nd divisions, are in disarray. As news spreads to the defense lines of the disintegration in Da Nang, all these units are likely to disband, leaving the city defenseless.

The North Vietnamese have enough strength near Da Nang to attack within a matter of hours. Two independent North Vietnamese regiments and the 304th Division are to the west. The 324B and the 325th divisions are in southern Thua Thien Province and could move against the city by the end of the week. With the earlier collapse of government units south of the city, the North Vietnamese 2nd Division also could be free to move north against Da Nang.

Given the situation at Da Nang, the communists will quickly realize that not all these forces are needed for an assault on the city. Several will then be free to move farther south to attack government forces defending the remaining coastal cities of Military Region 2.

The North Vietnamese 3rd Division began to drive toward Qui Nhon early yesterday with a series of attacks against the two regiments of the South Vietnamese 22nd Division which are defending the city's western approach. By day's end, both regiments were cut off. These units have seen fairly steady action along Route 19 and are probably tired.

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Binh Dinh's regional and popular forces are being rushed down from the outer districts to help defend the city, but this amounts to abandoning much of the nation's second most heavily populated province to the communists.

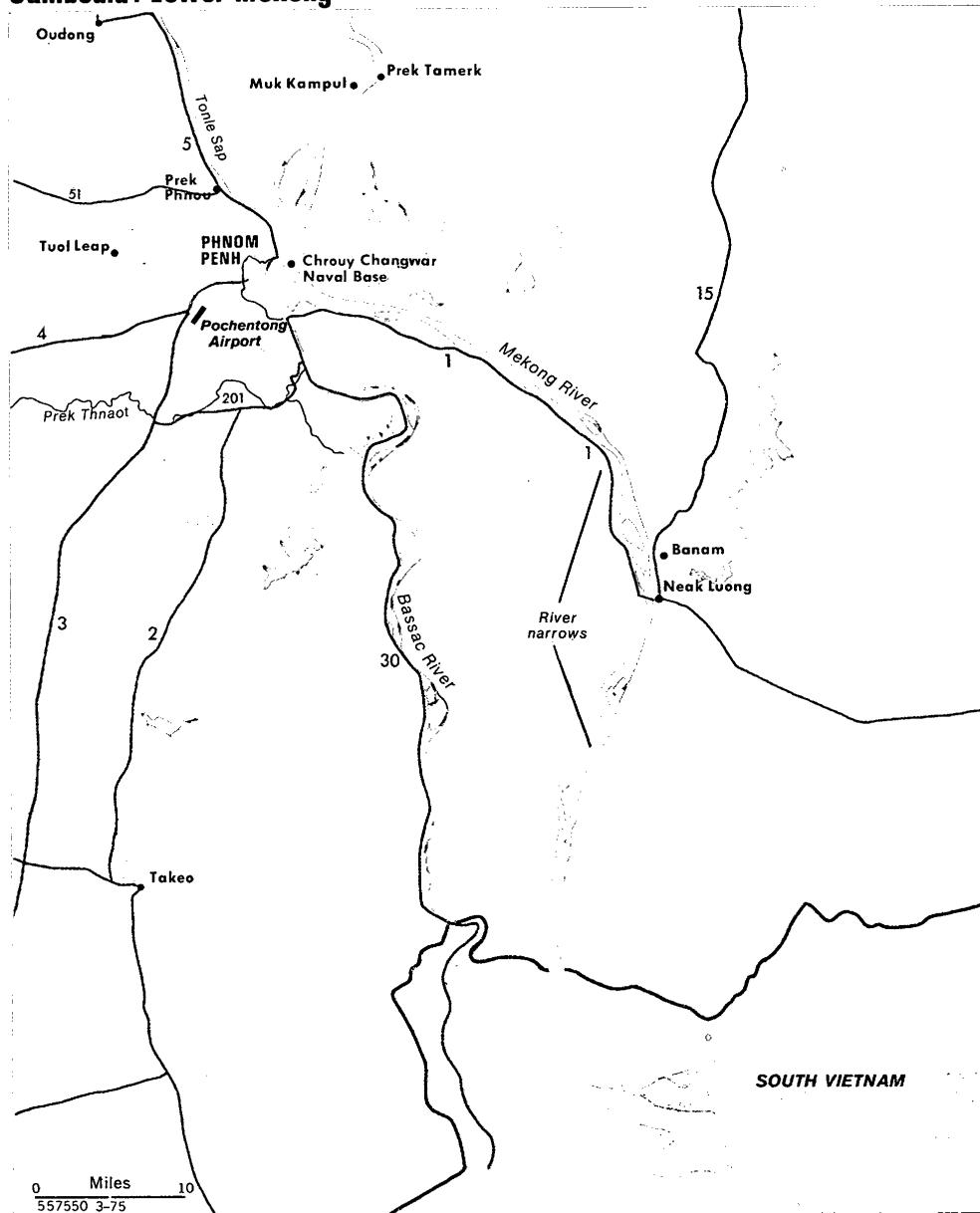
The situation at Nha Trang is similar. Communist forces moving out of the mountains are now in a position to bypass the airborne units tasked with blocking the communist advance. Nha Trang's defense now depends on territorial forces, the remnants of a regiment that was forced out of the westernmost district earlier this week, and 23rd Division stragglers from the highlands. Security problems are compounded by large numbers of refugees.

* * *

Press reports today of an attempted coup are incorrect. The government has arrested ten individuals associated with opposition press and political factions, but none are of national prominence or posed a threat to the Thieu government. The press reports were based on unfounded rumors.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

The Khmer communists have quickly capitalised on the reoccupation of Tuol Leap by again moving artillery within range of Phnom Penh's Pochentong Airport. Several 105-mm. howitzer rounds landed in the vicinity of the airfield yesterday, but did not interrupt US supply airlift operations. Cambodian army efforts to retake Tuol Leap have made only limited progress.

The insurgents have also extended their control over a stretch of the east bank of the Mekong northeast of Phnom Penh, forcing two government battalions to abandon positions opposite the Chrouy Changvar naval base. Farther north on the Mekong, the Cambodian navy evacuated 600 troops and 250 families from isolated riverside positions at Prek Tamerk and Muk Kampul.

Along the lower Mekong southeast of Phnom Penh, continued heavy insurgent shelling yesterday knocked out one of the 105-mm. howitzers defending the government's garrison at Neak Luong. Communist ground attacks were also reported northeast of the town. Neak Luong's 4,400 defenders, along with its large civilian and refugee population, continue to be supplied entirely by airdrop.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

The Soviet media, foreign or domestic, still have not mentioned the Glomar Explorer story, even though it has been broadcast in Russian to the USSR by the Voice of America and the BBC.

Thus far there appears to have been no concerted Soviet effort to question Americans on the Glomar Explorer story, and in the few instances that have been reported we can discern no pattern that would provide a clue as to the ultimate Soviet reaction.

--The Soviets have made no attempts to probe the story at the "working levels" of the Department of State.

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[Redacted]
Chargé Vorontsov had urged Moscow to make a strong protest to the White House. The timing, however, suggests that the official was not acting on the basis of high-level instructions from Moscow.

--Last Thursday, the Soviet navy attaché, attending a social function, asked a US navy officer whether the newspaper accounts were true; whether it was something the CIA had done; and whether the Pentagon was working on an official denial. The last question was put in a plaintive, almost beseeching tone.

--On Friday, A. N. Shchukin, a Soviet SALT delegate, briefly mentioned the Glomar Explorer in Geneva by way of supporting Soviet arguments regarding the capability of "national technical means of verification."

--On Monday, the chief press officer at the Soviet embassy told a UPI reporter of Soviet "distress that we were not able to inform the

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next of kin," and referred to "certain decencies in international law and behavior." He seemed to imply that the Soviets were weighing a request for the memorabilia of the crew and films of the burial.

--The UPI man was also told by an official of the Soviet writers' union that Soviet officials are "very sensitive" about the US failure to offer to return the bodies of the crew.

There has been no evidence of any unusual activity or new line from the Soviet leadership.

--Party chief Brezhnev left Budapest by train on the evening of March 19, the day after the story broke, and arrived in Moscow 36 hours later, following stopovers in Lvov and Kiev.

--Premier Kosygin, addressing a luncheon honoring French Prime Minister Chirac, made a positive reference to US-Soviet agreements on prevention of nuclear war and limitation of strategic weapons. Brezhnev had a three-hour session with Chirac on Monday, but the accounts from the French press corps suggest that the meeting was given over to routine business.

The episode does not appear to have affected bilateral relations.

--Soviet Foreign Ministry officials continue to show interest in planning joint observances of V-E day.

--The visit to Moscow early next month of a US commercial delegation headed by Secretary Simon appears to be on track.

--The Soviets turned down a request for a visit by the current National War College class, but they have said no to similar requests in the past.

Thus far, we are aware of only two possible Soviet military reactions to the Glomar Explorer story.

--On March 21, two TU-95 reconnaissance aircraft conducted an unusual mission in the vicinity of the lost submarine, which could, however, have been in support of a Yankee-class submarine patrol change of station.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

--Over the weekend, an ocean-going tug, configured for intelligence collection, was transiting north of the Hawaiian Islands after monitoring a US-allied naval exercise that ended on Friday.

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[redacted] it could either have been headed home or toward the vicinity where the submarine was lost.

--Other recent movements of Soviet intelligence collectors and oceanographic ships in the Pacific appear normal. Two Soviet fishery research ships are due shortly in Hawaii for a routine port call. Contrary to press speculation, their arrival is not related to the submarine story.

We assume the Soviets were taken by surprise when the story of the submarine recovery effort broke. The Soviet leadership will have many questions for the navy and the intelligence services about the validity of the press stories. It will take some time--probably more than the week that has passed--to sort out the answers, and we doubt the Soviets will ever be fully satisfied that they know the whole truth.

With the passage of time, the likelihood of a strong Soviet reaction is diminishing. Whatever their visceral feelings, the Soviet leaders have felt no compulsion to rush before the world with protests or denials. So far Soviet officials are conducting themselves as though they either have no instructions, or the instructions are to pursue "business as usual." The "no-comment" policy of the US has undoubtedly helped Moscow avoid public commentary.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SAUDI ARABIA

The change in leadership in Saudi Arabia will slow developments on the international oil scene for at least the next month, but probably will make little difference over the longer term.

Saudi decisions on important oil policy matters are likely to be postponed until after the 40-day mourning period for the dead King. These matters include the Saudi positions on the producer-consumer conference, the pricing of oil in currencies other than the dollar, and the indexing of oil prices to offset inflation.

Decisions by the Organization of Petroleum Exporting Countries on these and other matters are also likely to be delayed. The cartel rarely takes a position independent of the views of its largest producer.

Saudi Arabia under King Khalid will remain a strong supporter of OPEC but may not be as influential a member as previously. With the loss of Faysal's prestige as a political and religious leader in the Arab world, Saudi Arabia's influence will derive largely from its oil production and financial resources. At least initially, the new Saudi leadership will probably be somewhat reluctant to take on the OPEC majority as Faysal did, and Saudi Arabia's moderating influence on OPEC policies consequently may be somewhat diminished.

Saudi oil policy has been determined in recent years by the supreme petroleum council which has been chaired by Prince Fahd, now the Crown Prince. Since Fahd is expected to be the active element in Khalid's administration and since the composition of the council has not changed, Saudi oil policies promise to continue much as before.

The death of King Faysal probably will reduce the influence of Oil Minister Yamani and may bring about his dismissal. [redacted]

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[redacted]
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FOR THE PRESIDENT ONLY

WEST GERMANY

Willy Brandt, chairman of the ruling Social Democratic Party, is paying his first visit to Washington since he resigned as chancellor in the wake of a spy scandal last May. Brandt won the 1971 Nobel Peace Prize and led his party to electoral victory in November 1972. During the months immediately prior to his departure from government, however, public support for his party had declined and his own leadership had been increasingly ineffectual. The resignation was a deep shock for Brandt, and only recently have there been indications that he has succeeded in finding new outlets for his personal and political ambitions. His greatest interest continues to be foreign policy.

Last year, many West German politicians believed it only a matter of time before Brandt would relinquish party leadership. Such speculation has recently declined. Moreover, there have been signs of closer cooperation between him and Chancellor Schmidt as the party prepares for difficult state elections this spring and for federal elections next year.

Brandt still commands great respect for his work in improving Bonn's relations with Eastern Europe and for his role in the international social democratic movement. He has strong convictions about the importance of social democracy as a means of achieving social justice, unifying Western Europe, and as a force to combat communism in Europe. As a result, the West German Social Democrats have actively supported moderate socialist parties elsewhere in the world.

Of special concern to Brandt now are recent developments in Portugal. Under Brandt's leadership, the Social Democrats have contributed very substantial assistance--both technical and financial--to Mario Soares' Portuguese Socialist Party. Brandt has personally tried to persuade other West European leaders to support democratic forces in

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Portugal.

[redacted]
Brandt [redacted]

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attempted to convey to the Soviet leadership his concern about the aggressive behavior of the Portuguese Communist Party. Brandt indicated, however, that he had not been encouraged by the Soviet response.

Chancellor Schmidt [redacted] has also tried to get the Soviets to use what influence they have to restrain the Portuguese Communists.

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[redacted]
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Whether or not the Soviets could be brought to take steps to exert such a moderating influence is an open question. It is equally difficult to tell whether, if they did try, they could succeed at this point in getting the Portuguese Communists to modify their tactics in any significant way.

[redacted]
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- the situation in the Middle East and in the Mediterranean;
- developments in the European Community;
- problems of the world food shortage; and
- the supply of energy and raw materials.

[redacted]
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FOR THE PRESIDENT ONLY

PORTUGAL

Portuguese Prime Minister Goncalves, speaking at the installation of the new cabinet yesterday, left no doubt that the government will continue to expand its control over private industry.

The government will concentrate on consolidating its takeover of banks and insurance companies, but Goncalves indicated that other sectors of the economy will also be nationalized.

Each of the four parties in the coalition cabinet--the Socialists, Communists, Democratic Movement, and center-left Popular Democrats--received two cabinet posts. Each is represented by a minister without portfolio and one other post. Of the remaining five civilian ministers, three are described as moderate technocrats and two as sympathetic to the Communists or Democratic Movement. These two hold positions of considerable significance to the Communists--the ministries of economic coordination and agriculture.

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The military, which has eight posts, was apparently willing to give up its majority in the cabinet because the new all-military Revolutionary Council has assumed the legislative powers formerly held by the cabinet. The cabinet remains responsible for day-to-day administration and could regain some of its influence in the future.

FOR THE PRESIDENT ONLY

MIDDLE EAST

The current determination of Egypt and Syria to move peace negotiations to Geneva will force the Arabs, Israelis, and major powers to focus on the question of Palestinian participation in the talks. The Egyptians and Syrians have in the past threatened that they will not go back to Geneva without the Palestine Liberation Organization; the Israelis have long maintained that they will not negotiate with the PLO.

Israel has expressed a willingness to return to Geneva, but has shown no sign that it will deal with a PLO delegation. As an alternative to explicit PLO participation, Cairo and Damascus may propose that the Arabs form a single, joint delegation that would include representatives of the PLO. They would hope that this would provide a way around Israel's objections. Israel, the Arabs may point out, did not object to the inclusion of several Palestinians in the Jordanian delegation at the first session of the Geneva talks in December 1973.

The Israelis have, in fact, said that they would not check too closely the credentials of the Arab delegates at Geneva. Tel Aviv may be ready to accept the presence of PLO members who were integrated into the delegation of one of the Arab states or into a single Arab delegation.

Both the Israelis and the Arabs may in the end come to view a joint Arab-PLO delegation as the only way to forestall a total collapse of Middle East negotiations. Such a step would buy time for all parties, and would put off--perhaps indefinitely--what even the Arabs consider the undesirable and probably impossible task of distinguishing the Palestinian and Jordanian roles in negotiations.

Jordan would probably participate in such a delegation if urged to do so by Egypt and Syria. For the moment, however, King Husayn is staying on the sidelines in the hope that the Arab states will be forced to concede Jordan a major role in negotiations with Israel.

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FOR THE PRESIDENT ONLY

Leaders of the PLO, for their part, would accept an invitation to participate in a joint delegation, even though it would alienate radical fedayeen. The Palestinians promptly approved President Asad's recent offer of closer Syrian-Palestinian cooperation. Their action suggests that they were sufficiently disillusioned by Egypt's apparent readiness to proceed without them that they were willing to sacrifice a measure of their autonomy in return for a tangible demonstration of Syrian support. PLO leaders look on the proposed joint command--and would look on a joint delegation--as insurance that they will be included in any future moves toward a negotiated peace or in any preparations for renewed hostilities.

Despite their willingness to cooperate closely with Damascus, the Palestinians remain suspicious of Syria's motives. They are therefore pleased that step-by-step negotiations have collapsed, as this allows them to repair their strained relations with Egypt and look more closely at the Syrian offer. PLO leaders praised President Sadat's refusal to make greater concessions to Israel during the recent round of indirect talks, and upon the collapse of the talks, sent a high-ranking official to Cairo.

* * *

Thus far, Moscow is letting the Arab nations take the lead in calling for a resumption of the Middle East peace conference in Geneva. The Soviets have withheld direct, authoritative comment on the breakdown of Secretary Kissinger's negotiating efforts, although they see the collapse as supporting their position that Geneva is the only venue for achieving a settlement. They support Foreign Minister Fahmi's call for a return to Geneva, and their propaganda broadcasts to the Arab world are aimed at keeping events moving in that direction.

Not surprisingly, Soviet propaganda has placed the blame for the negotiating failure squarely on Israel. The Soviets have been relatively easy on the US, although they have made the point with the Arabs that Washington's support for Tel Aviv lies behind Israel's intransigence.

FOR THE PRESIDENT ONLY

NOTE

The Soviets evidently are preparing for more high-yield nuclear weapons tests in the western Arctic this year than in the past.

A threshold test ban treaty is scheduled to go into effect on March 31, 1976. Because this will limit test yields to 150 kilotons, Moscow is under pressure to complete its high-yield testing program. The Soviets may be planning at least four high-yield tests for their last Arctic test series. Weather conditions make it likely that all tests would take place between early summer and late fall.

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Cambodia: The US airlift was temporarily interrupted as communist gunners continue to fire artillery shells and rockets into Pochentong Airport. (Page 7)

Greece-Turkey: The Greek government's mild reaction last week to alleged Turkish violations of Greek airspace has now hardened to a point that could lead to an incident. (Page 8)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

We present here the major judgments from the latest estimate on the Middle East which was approved yesterday by the intelligence community.

Military readiness on both the Sinai and the Golan fronts is at an increased level in the aftermath of the breakdown in disengagement negotiations. In this situation, there is a substantial chance that either the Arabs or the Israelis will deliberately or by miscalculation resume hostilities at any time. Indeed, we have disturbing indications on the Egyptian front that raise the possibility of an Egyptian-initiated attack or an Israeli preemption within the next few days.

Barring this eventuality, we believe that if there is no negotiating progress by early summer, the odds are high that Egypt and Syria will open hostilities on both fronts and even higher that Israel will fail or refuse to distinguish between real and imagined provocations and will strike first.

If arrangements are well under way within the next few weeks, the Geneva conference could provide the opportunity for further discussion of serious issues and buy time against the renewal of hostilities. But we believe that unless the Arabs moderate their terms for attendance of the Palestine Liberation Organization, Israel is unlikely to go to Geneva. Even if the conference can be convened, the respite gained for serious negotiating will be brief--perhaps less than a month--and we have little optimism that significant progress can be made. The positions on both sides are very likely to harden in a Geneva forum.

Egypt will probably extend the UN mandate for a limited period if the Geneva conference is in session or a date for it has been set by late April when the mandate expires. Further extensions are less likely, however, and would probably be taken only in conjunction with Syria. For its

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part, Syria will probably renew the mandate on the Golan Heights only for a limited period and only if provision has been made for the PLO to attend the Geneva conference. Cancellation of the mandate could provoke an Israeli attack, but the Syrians can now count on Egyptian military support and both will run this risk in the absence of diplomatic movement by late May.

Egypt and Syria might urge Saudi Arabia to impose an oil embargo and/or production cut before they ventured to reopen hostilities. It is doubtful, however, that the Saudis would use the oil weapon except in the event of renewed warfare. A war would almost certainly overcome Saudi hesitation. The Saudis are not likely to employ price hikes or their financial power as political weapons.

Despite the suspension of the step-by-step negotiating process, we believe President Sadat will try to preserve what he can of Egyptian-US friendship and cooperation. But he is likely to come under heavy pressure both at home and from other Arabs to cool the relationship significantly.

This will not necessarily lead to a significant warming in relations with the Soviets. Some surface patching up of differences is likely to be attempted, especially if the Egyptians expect new fighting and anticipate a need for Soviet resupply, but the effect will be limited.

In the event of another war and barring a decisive defeat, Sadat will probably continue to look primarily to the US to mediate a settlement, attempting to remain independent of Soviet influence.

From the Soviet standpoint, the suspension of disengagement negotiations is a significant plus, but it is not without problems. The Soviets know that, if any progress is made at Geneva, the Arabs will tend to credit the US for Israeli concessions.

If, as seems likely, the Geneva conference is unable to narrow Arab-Israeli differences,

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the Soviets will be under some pressure from the Syrians and other Arabs to improve Egypt's capability for war. If war breaks out, the Soviets would resupply.

While the Soviets would probably prefer to avoid war, we do not expect that they would make a strong effort to deter the Arabs. Should a decisive Israeli victory loom, the likelihood of Soviet military intervention--probably initially in a defensive posture--is higher than in October 1973.

FOR THE PRESIDENT ONLY

EGYPT



FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**SOUTH VIETNAM**

The evacuation airlift continued yesterday, but civil order and military discipline in Da Nang have deteriorated drastically. Although Saigon reportedly has instructed the regional commander to give the highest priority to security of the airfield, troops that were defending the city reportedly have broken and are out of control.

Saigon is hurriedly formulating plans to redeploy the four South Vietnamese divisions that are besieged in the northern provinces. General Vien, the chairman of the Joint General Staff, does not believe Da Nang can be held and expects to move the Marines and one division to the Saigon area and relocate two other divisions to the central coast. General Vien believes that the North Vietnamese will rapidly send in-country units southward to exploit the disarray among government forces.

* * *

The collapse of the government's forces in the northern two thirds of South Vietnam has occurred with such speed that the full magnitude of the disaster has not yet registered in Saigon. Official suppression of the worst news has helped to keep the average man in the street only vaguely aware that the situation is serious.

President Thieu is apparently concerned over the announcement by former premier and vice president Ky that he was coming out of retirement to engage in political activity. The arrest hours later of a number of political figures amid press charges of coup plotting was probably intended as a warning to all potential coup plotters, including Ky and his friends.

There is currently no evidence of active plotting among those who actually have the capability to stage a coup--the senior military leadership. Indeed, there seems to be some recognition that any instability at this time could be very dangerous. Many senior officers, however, are deeply ashamed at the failure of the armed forces to protect civilians fleeing the communists, and they are bitter at Thieu over the collapse of so much of the military structure in the north. With this mood growing

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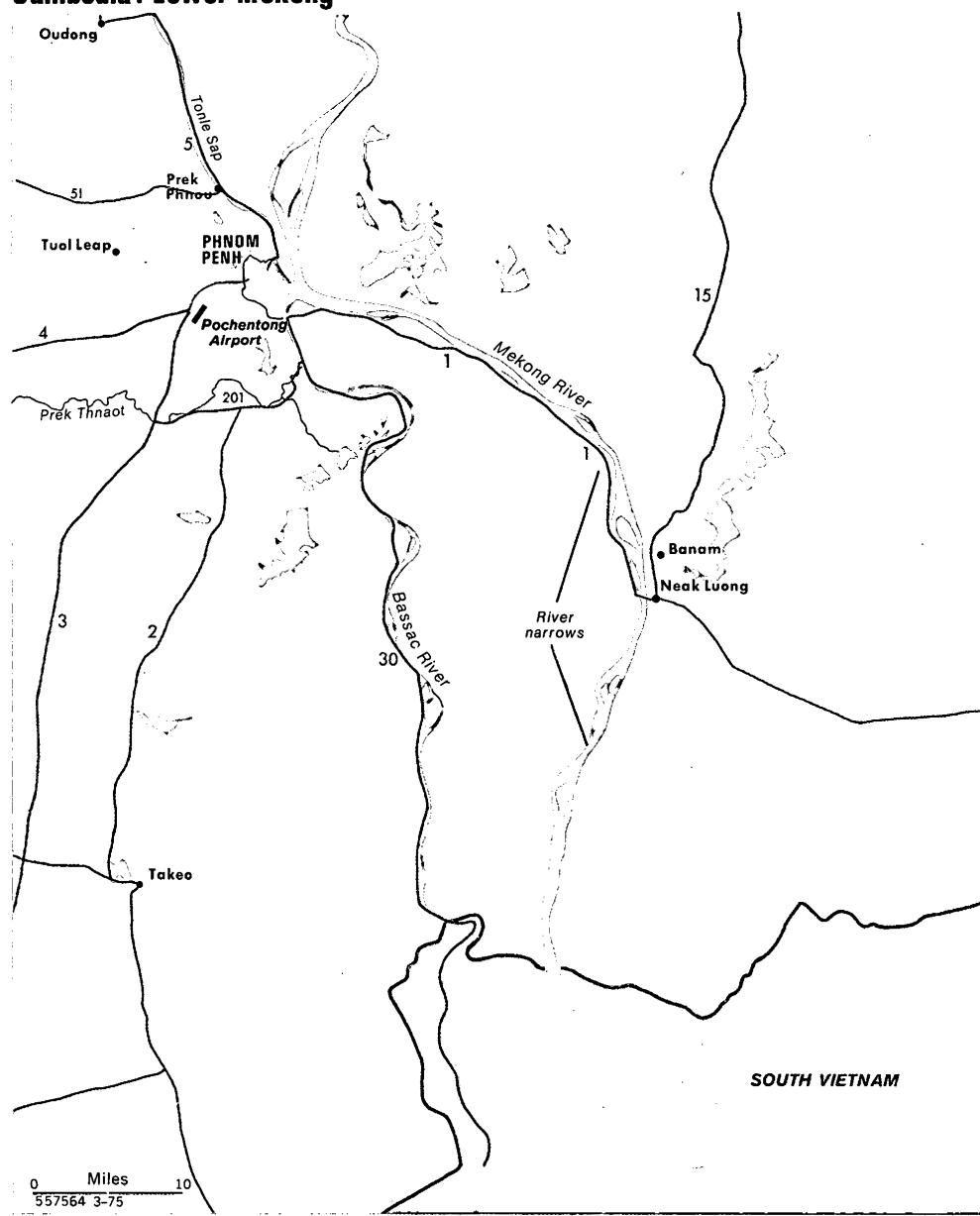
FOR THE PRESIDENT ONLY

among the military, it is probably only a matter of time before an attempt is made to organize a move to oust Thieu and replace him with a senior military leader.

As news of the government's losses spreads in the south, the popular mood in Saigon could turn ugly. The communists are trying to add to the discord by offering amnesty to those who take even limited steps toward accommodation with the Provisional Revolutionary Government.

FOR THE PRESIDENT ONLY

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

CAMBODIA

Khmer communist gunners are continuing to fire both artillery shells and rockets into Pochentong Airport, temporarily interrupting the US airlift. No US aircraft were at the airport when the shelling resumed early this morning.

[redacted] Cambodian army ground operations to reoccupy the Tuol Leap staging area northwest of the airfield are registering few gains against heavy resistance.

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Government forces at the isolated lower Mekong River enclave of Neak Luong have recaptured one of the three defensive positions northeast of the town that fell on March 25. There are strong indications, however, that a major communist assault against Neak Luong may be imminent. According to intercepted messages, insurgent forces plan to launch the attack tonight and hope to take the town within one week.

* * *

The Soviet Union is removing its remaining personnel from Phnom Penh. The Soviet embassy has been in caretaker status since 1973, when the USSR allowed Sihanouk's government in exile to open an office in Moscow. The Soviets did not, however, sever formal ties with the Lon Nol government and permitted Cambodia to maintain an embassy in Moscow.

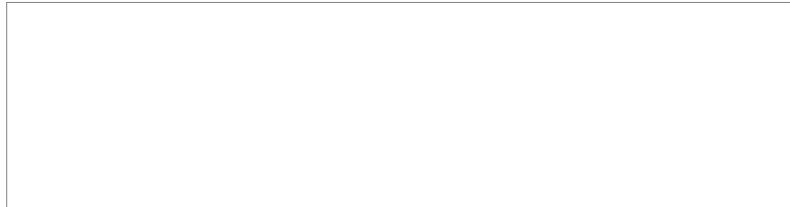
FOR THE PRESIDENT ONLY



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GREECE-TURKEY

The Greek government's mild reaction last week to alleged Turkish violations of Greek airspace has now hardened to a point that could lead to an incident.



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Missile units in Greece are reported to have been ordered to prepare to react [redacted] fighter aircraft have been moved to the island of Limnos. These are the first fighter aircraft to be sent to any of the Greek islands close to the Turkish mainland. Greek military leaders believe these moves are necessary to ensure that Ankara will not take the previous mild Greek diplomatic protests as a sign of weakness.

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There was another incident yesterday when Greek planes drove off Turkish aircraft that had briefly passed over Greek islands. The Greek foreign ministry is studying a detailed report from the defense ministry before proceeding with any diplomatic actions.

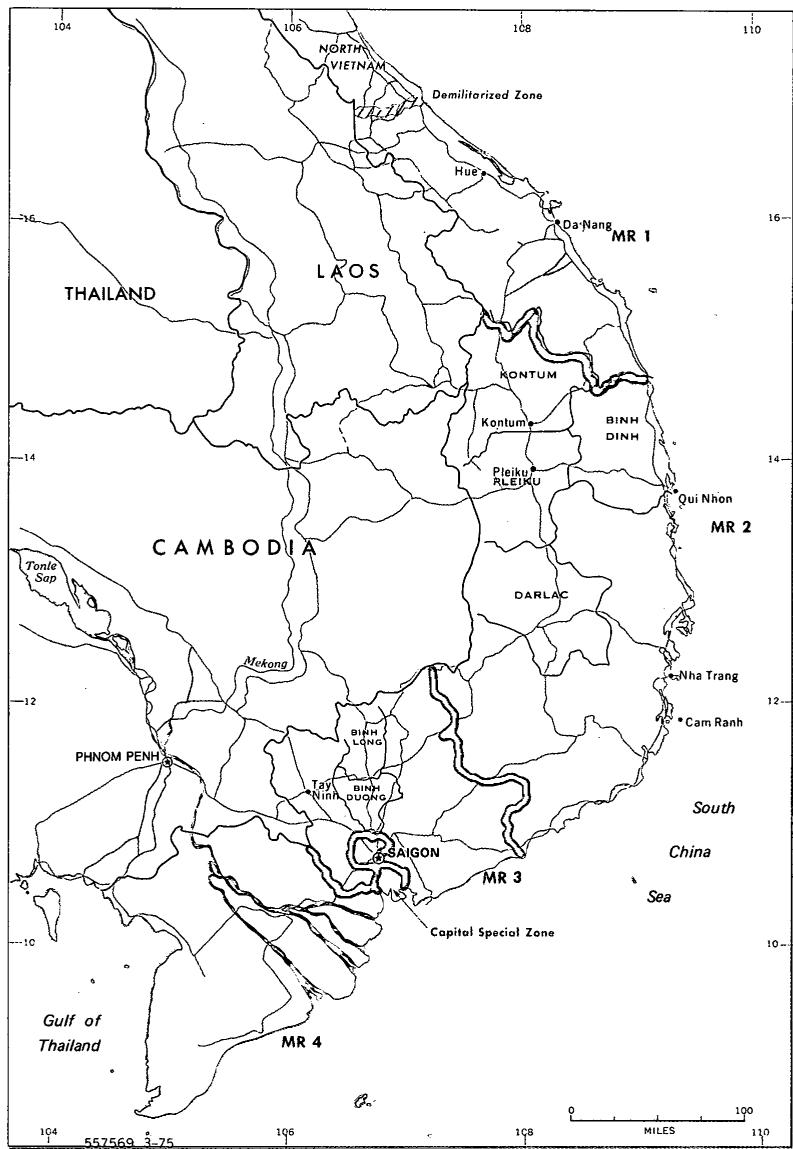
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NOTE

The US-USSR joint commercial commission will meet in Moscow on April 10 for the first time since the termination of the 1972 trade agreement at the turn of the year.

The Soviets will probably be more confident negotiators than in the past, acting on the conviction that their bargaining position vis-a-vis the US has improved considerably in recent months. They expect economic recession in the West to spur the US to seek Soviet orders, and anticipate that competition for the Soviet market from other Western countries will also stimulate American trade concessions. The Soviets remain keenly interested in expanded trade with the US, and continue to prefer the US as the source of most capital goods and technology.



FOR THE PRESIDENT ONLY

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VIETNAM

The situation in South Vietnam has rapidly deteriorated since President Thieu's decision in mid-March to shift to a strategy of military retrenchment. The following assessment of the situation and analysis of South Vietnam's prospects for this dry season was approved yesterday as a special estimate by the United States Intelligence Board.

I. THE MILITARY SITUATION

The Northern Coast

The situation is especially bleak in Military Region 1. The government has conceded virtually the whole region to the communists, and South Vietnamese forces are now moving to an enclave around Da Nang. The remnants of two of the four South Vietnamese divisions in Military Region 1 are scattered, and the communists are harassing them as they pull back toward Da Nang. It is questionable if the bulk of these troops will reach Da Nang, and the government will be hard pressed to defend the city without them. The communists, on the other hand, have two fresh divisions west of the city, and they are preparing to attack Da Nang. In addition, the North Vietnamese 320B Division--one of Hanoi's five remaining reserve divisions--is moving south.

The Central Coast

The government's military position in Military Region 2 has also deteriorated rapidly. The South Vietnamese have abandoned five highland provinces and large parts of several others, and government troops do not appear to be capable of standing up to the communists. The South Vietnamese 23rd Division and two ranger groups were badly mauled in the fighting in Darlac Province, and five of the six ranger groups withdrawing from Kontum and Pleiku are in disarray. Large quantities of munitions and fuel were abandoned at Kontum and Pleiku cities.

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Communist attacks on the retreating column destroyed or damaged hundreds of pieces of equipment, and South Vietnamese troops abandoned large amounts of hardware along the road--all of which was needed to defend the coastal lowlands.

The North Vietnamese are far stronger than the remaining government forces and are in a position to deal a decisive blow in this region. The government has just over one effective division in Military Region 2, compared to five North Vietnamese divisions; moreover, large numbers of replacements have arrived in the highlands from North Vietnam. Nha Trang, the military headquarters for the region, is lightly defended and probably will fall.

The South

The fighting has eased somewhat north of Saigon, but the situation remains serious. The government is in the process of withdrawing from Binh Long Province and has had losses in western Binh Duong Province. The communists have thus far avoided a frontal assault on Tay Ninh City, but several communist divisions and independent regiments are pressing against government troops from three sides. Since the city will be costly to support and defend and most of the population has already fled, serious consideration is being given to abandoning this provincial capital and drawing new defensive lines in the southeastern portion of the province. In addition, recent communist gains east of Saigon have forced the South Vietnamese region commander to divert some troops from the Tay Ninh front and Saigon, and this has limited his capabilities to launch a counterattack north and west of the capital.

In the delta, the situation is, for the moment, relatively stable. Many of the communist main force units suffered heavy losses in the fighting around the turn of the year, but they are now rebuilding. This stable situation, however, could quickly change should Saigon move any sizable forces from the delta to bolster the defenses of Military Region 3.

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II. THE IMPACT OF THIEU'S STRATEGY

Thieu decided to evacuate the highlands and concentrate his forces along the populated coast and around Saigon because he felt they were overextended, faced with a greatly superior North Vietnamese army force, and confronted with the prospect of dwindling US aid. He clearly hoped to take the communists by surprise, extracting his forces intact and ready to fight before the communists could react. Thieu probably also calculated that by making his decision secretly and presenting it to his senior military commanders as a fait accompli, he would forestall any coup plotting by them or a direct refusal to carry out his orders.

The result, however, was that Thieu took his own forces by surprise as much as he did the communists.

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Without any prior planning or clear indication of the limits of the withdrawal, the redeployments have been generally disorderly. In the northern two thirds of the country, most government forces are cut off from each other and seized with an evacuation mentality. Under these conditions, some units have refused to fight.

The senior military leadership clearly has been caught off balance by the direction which events have taken, and their reaction has been one of dismay and depression. These attitudes also are reflected through the ranks.

Grumbling against Thieu's leadership has grown in the wake of military reverses, but events have moved so rapidly that there has been little coup talk. It is widely recognized that a coup at this time would be disastrous.* But the situation is such that pressures for Thieu's resignation or forcible removal could quickly emerge.

*The South Vietnamese government move on March 27 to arrest "plotters" against the government was basically a warning to opposition elements; those involved did not represent any serious threat to Thieu.

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A source of disorder lies in the refugee problem which has caught the government ill-prepared to cope with the massive numbers of refugees generated in military regions 1 and 2. According to the latest estimates, there may now be upwards of a million displaced persons crowded into Da Nang awaiting evacuation to coastal Military Region 2. But the government has inadequate resources to accomplish this mass evacuation in a short period, and there is a serious risk of riots and fighting in the rush to evacuate. Moreover, those who are brought out may have to be moved again--thereby creating additional pressures on the government.

Apart from the reverses suffered in South Vietnam, there are external factors which could further undermine the South Vietnamese government. The collapse of Cambodia, for example, would bring added psychological pressure on Saigon. The continuing debate in the US on the question of US aid to South Vietnam is also an unsettling factor. Thieu probably assumes that he will have to rely on what he already has; but if the South Vietnamese in general come to believe that the US will not respond with additional assistance to meet the new situation, this will fuel defeatism.

III. PROSPECTS

The communists have the capability to exploit their gains, and we believe they will. In so doing, they will try to destroy the remaining government forces in military regions 1 and 2. At the moment, the situation in Da Nang is chaotic. Considering the forces that North Vietnam can bring to bear against Da Nang, the poor state of South Vietnamese armed forces defenses there, and the widespread panic in the city, its defenses could simply collapse. In any event, it will be lost within two weeks to a North Vietnamese attack, perhaps within a few days if the Marine division is removed from the city's defense. Thieu is already considering this move; his strategy has been to save his forces from being destroyed in overextended positions.

In Military Region 2, the thinly stretched government forces will be no match for the five North Vietnamese divisions. There are already

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indications that the communists are planning to attack several major population centers in the region. In the face of strong communist attacks, the South Vietnamese will be unable to maintain these enclaves.

In military regions 3 and 4, the government currently has a substantial edge in forces and is expected to maintain a strong defense line around the heavily populated and rice growing areas, but some retraction of defenses is probable. Tay Ninh City has been a major goal of the communists this dry season. The South Vietnamese have fought hard to hold the city thus far, and we believe they can continue to do so, although they may decide to abandon the city because of the risks and costs involved in defending it.

In sum, the South Vietnamese withdrawals amount to a major defeat. As matters now stand, Thieu is faced with:

--Reasserting effective control over his commanders.

--Extracting key force elements and equipment from military regions 1 and 2.

--Organizing a strong defense of the Saigon area and Military Region 4.

Communist momentum, however, will be hard to stop, and the North Vietnamese may be tempted to commit the remaining portion of their strategic reserve to exploit the situation. Even if they do so, we believe that the South Vietnamese government's military strength in the southern part of the country will enable it to survive the current dry season, although additional losses are certain.

Logistic factors, for example, would probably bar a quick assault on Saigon since the communists now lack supply stocks in forward positions in Military Region 3, and their prepositioning will be

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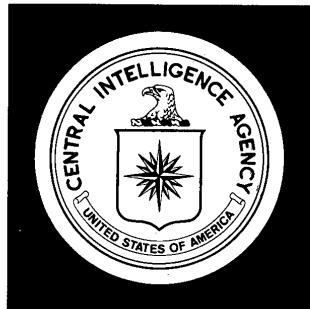
FOR THE PRESIDENT ONLY

time consuming. In addition, even the decision to commit the strategic reserve means that forces will have to be marshaled and deployed. In so doing, the communists will run into time and distance factors, and the complexities of assembling units and moving them over long lines of communications in an environment where rapid or orderly deployment is inhibited. Finally, the South Vietnamese forces in military regions 3 and 4--including the territorial forces--remain intact and able to give a good account of themselves.

Even so, the South Vietnamese government will probably be left with control over little more than the delta and Saigon and surrounding populated areas. It would thus face further communist pressure from a position substantially weaker than our previous estimates, with the result likely to be defeat by early 1976. The communists will keep up their military pressure to topple the South Vietnamese government by outright defeat, unless there have been political changes in Saigon that open the way to a new settlement on near-surrender terms.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

March 29, 1975

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Exempt from general
declassification schedule of E.O. 14176
exemption category: 5B(1),(2),(3)
decided under authority of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

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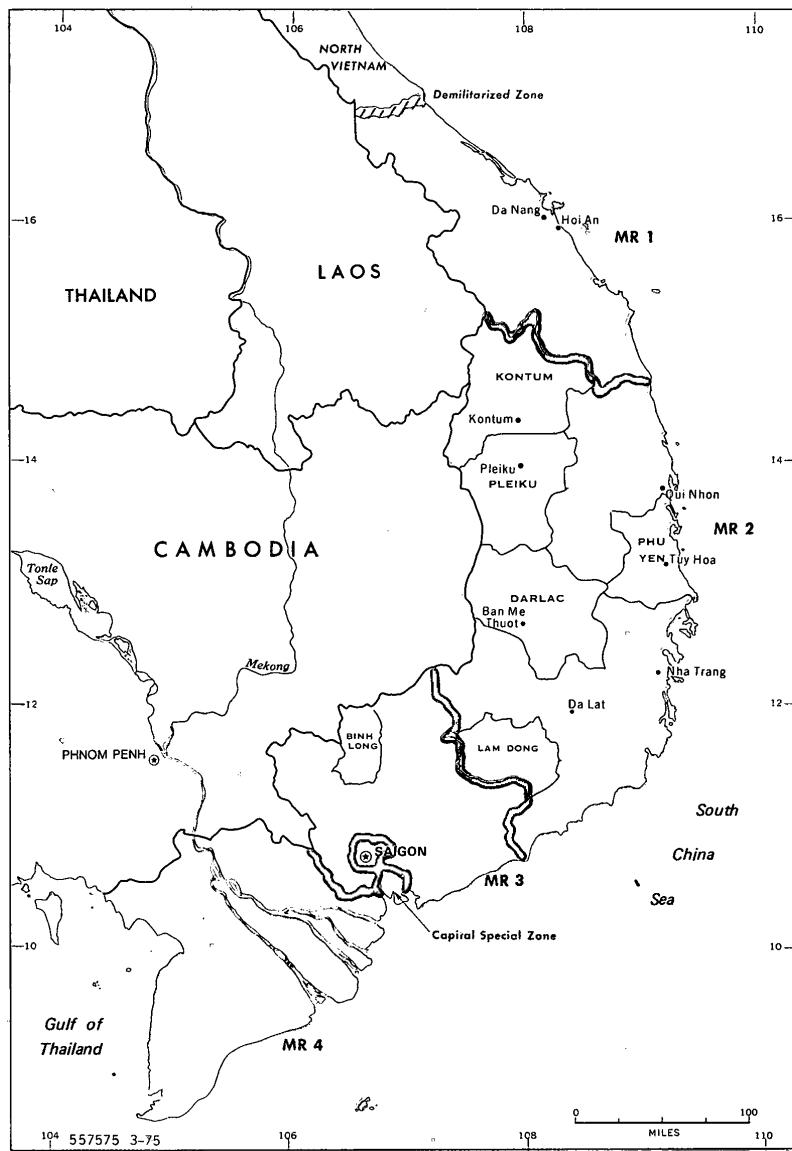
Syria: President Asad may visit Cairo this weekend in an effort to close ranks with Egypt and to chart a new course. (Page 7)

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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

VIETNAM

Da Nang in effect has fallen. General Truong, the regional commander, has abandoned his headquarters and is believed aboard a tugboat in the harbor.

The only South Vietnamese military remaining in Da Nang are Marine units, but they are trying to get to the beach to be evacuated. It is doubtful that any of these units can be rescued.

Early this morning, the North Vietnamese began a heavy artillery and rocket barrage against the airport. Many refugees crowding the runways were probably killed. The government was able to get some of its aircraft in the air, but many were destroyed.

Given the imminent arrival of North Vietnamese infantry units in the city, there is little chance that further evacuation of civilians can continue either by sea or air. All Americans have left the city, including the US consul general, who is aboard a tugboat in the harbor.

Communist forces are closing in on Qui Nhon City from the north; pressure is also increasing from the west. The situation in the coastal plain south to Nha Trang remains unclear. The Phu Yen Province chief stated yesterday that he had been ordered to hold the capital city of Tuy Hoa. As many as 60,000 persons from the convoy from Kontum and Pleiku have arrived in Tuy Hoa. Most of the town's shops have closed, however, and at least half of the population has fled south toward Nha Trang. There is a report that the communists have moved into the southern districts of the province, in which case Tuy Hoa may become another isolated government enclave.

The loss of the mountain province of Lam Dong yesterday brings the communists closer to Da Lat. The road from Da Lat to the coast remains open, however, and much of the populace has already fled along this route.

Military Region 1 commander Truong has agreed to relinquish command of the 4,000 troops of the South Vietnamese 2nd Division who were evacuated to an island off the northern coast. Senior officials in Saigon are concerned, however, that if they are moved precipitately into Military Region 3 without adequate psychological preparation and without their dependents, their discipline would disintegrate.

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FOR THE PRESIDENT ONLY

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Hanoi has apparently decided to commit a third strategic reserve division--the 320B--to the current offensive in South Vietnam. Recent direction-finding information discloses the southward move of the division headquarters and at least one of its regiments, but there is no indication of its specific destination. Earlier, two strategic reserve divisions--the 316th and 341st--were apparently sent to southern Military Region 2 and northern Military Region 3. The 316th Division probably participated in the take-over of Ban Me Thuot in Darlac Province. Recent direction-finding information has placed part of the 341st Division in Binh Long Province north of Saigon.

In addition to the commitment of three strategic reserve divisions, recent intercepts suggest that Hanoi may be moving additional artillery or antiaircraft forces--possibly as much as a full division--to the southern portion of South Vietnam.

* * *

The tone of current Vietnamese communist propaganda makes it certain that Hanoi now sees the clear possibility of a final unraveling of Saigon's position and is moving to encourage the political collapse of the Thieu government. Citing a fundamental change in the balance of power in the South, a North Vietnamese party newspaper editorial of March 21 gave prominence to the communist position that only the removal of Thieu could lead to negotiations and a "speedy settlement of South Vietnam's affairs."

In an effort to encourage high-level defections from the Thieu government, a Viet Cong statement broadcast to the South on March 26 promised that all generals and senior officials prepared to "implement the Paris Accords seriously" would be treated as members of the neutralist third force. The broadcast went on to declare that all military personnel and dependents who choose to remain in the "revolutionary zones" will be "welcomed" and that all officers who defect with their units will be allowed to keep their ranks and will be given "important jobs" by the "revolutionary side."

Given the confusion and mounting defeatism in many areas of the country, such appeals could become increasingly effective.

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CAMBODIA

Lon Nol reportedly has accepted an invitation to visit Indonesia.

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[redacted] he will leave Phnom Penh on Tuesday and [redacted] following a short stay in Jakarta he will go on to Taiwan

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If Lon Nol does not depart on schedule, civilian members of his government may try to force his hand. Deputy Prime Minister Pan Sothi and a number of other cabinet ministers planned to [redacted] [redacted] draft a petition asking Lon Nol to leave. If this petition fails to prompt any action, the cabinet plans to resign.

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[redacted] the cabinet ministers, [redacted] will presumably wait to see whether Lon Nol does indeed depart on Tuesday.

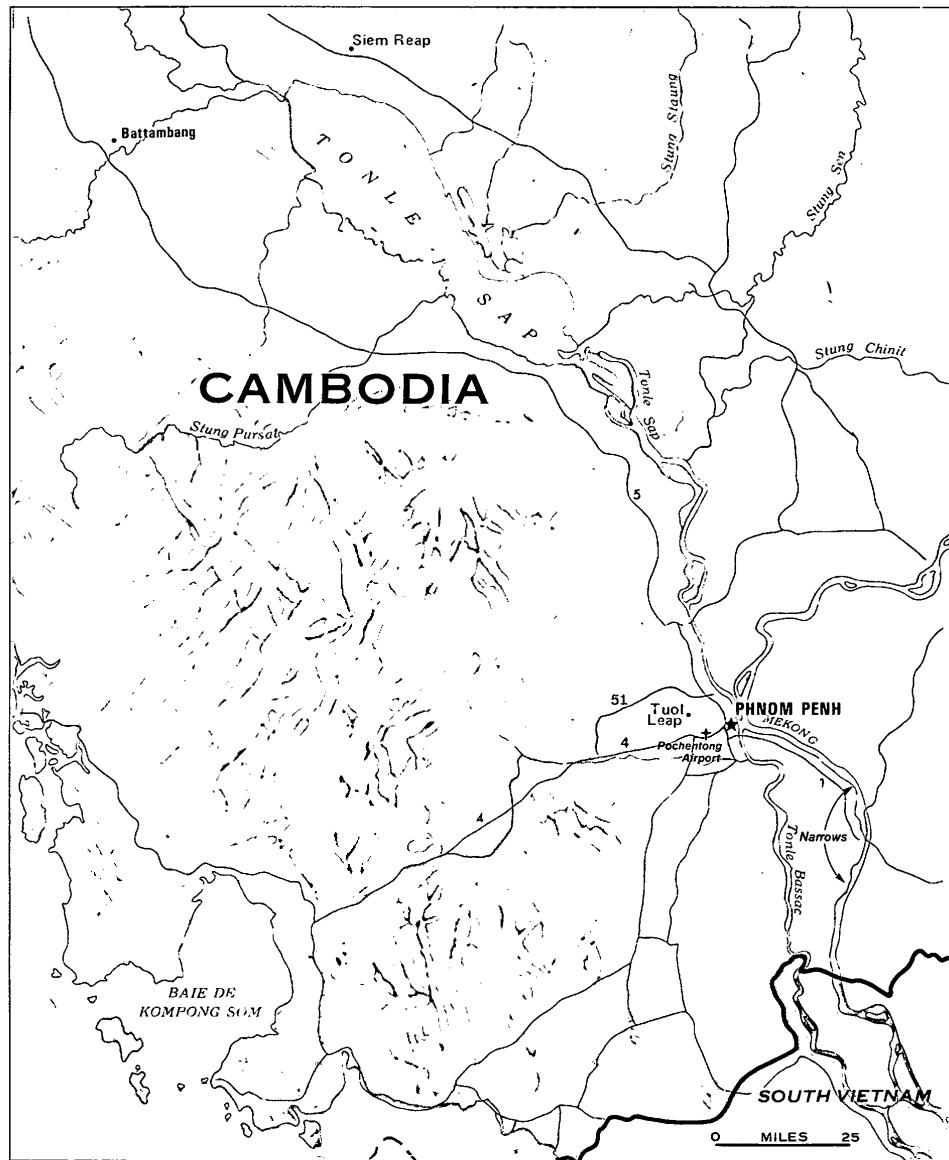
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Prince Sihanouk, meanwhile, appears to have closed the door on future dealings with any part of the present government in Phnom Penh following Lon Nol's departure. The Prince has released a list of 21 "war criminals" who would be put on trial following any communist take-over. The list includes all ministers in the newly reshuffled cabinet as well as Lon Nol's controversial younger brother Lon Non and Saukham Koy, who is constitutionally empowered to assume presidential functions in Lon Nol's absence. The 21 newly named "war criminals" join the list of seven active and retired government leaders whom the communists have said they will execute.

Sihanouk's latest announcement is in marked contrast to his claim in December that he might be able to find a place in his "government" for such key Phnom Penh leaders as Long Boret and Sirik Matak. Khmer communist leaders--who have steadfastly opposed any "compromises"--reportedly were furious over this gesture. For the past several weeks, Sihanouk has been hewing close to the communists' line in his public statements. This appears to reflect and substantiate Sihanouk's claim that he and the communists have reached agreement on his future role and that he will stay on as nominal chief of state following any communist take-over.

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FOR THE PRESIDENT ONLY

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The Soviets recognized Sihanouk's "government" as the legal government of Cambodia yesterday [redacted]

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[redacted] Moscow has moved only slowly toward Sihanouk, hoping until the recent downturn in Lon Nol's military fortunes for a negotiated solution in Cambodia similar to that in Laos.

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The US airlift into Pochentong Airport was resumed this morning, but unless government forces can push the communists out of range of the airfield, the airlift may have to be suspended again.

Government attempts to retake Tuol Leap have been unsuccessful, and army elements abandoned a position about four miles northwest of Phnom Penh on Thursday. The local commander stated that the withdrawal could cause the abandonment of other positions if they cannot be reinforced.

The communists are also making inroads around the provincial capital of Battambang, where army elements have withdrawn from four positions because of continued insurgent pressure.

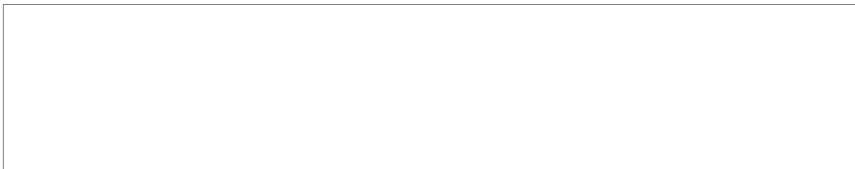
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ARAB STATES - ISRAEL

Both the Arabs and the Israelis continue to improve their military posture.

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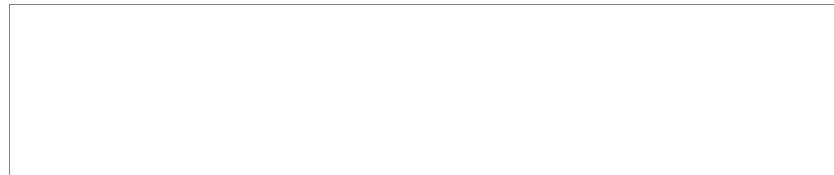
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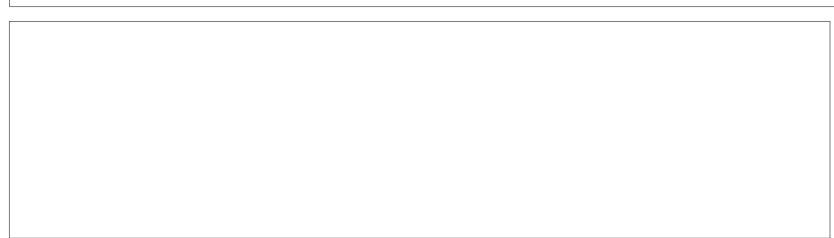
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The Egyptians have taken several measures this week to restrict the access of UN observer forces and foreign correspondents.

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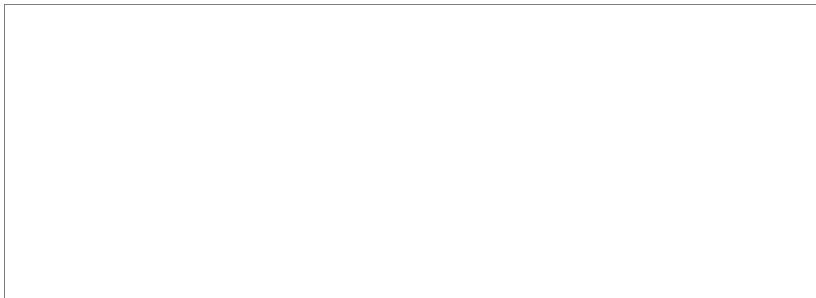
FOR THE PRESIDENT ONLY

--The military road between Cairo and Ismailia was closed to UN forces' traffic on Wednesday morning. The Egyptians told a UN officer that the road will be closed "for repairs" for one week.

--The UN headquarters in Egypt was also advised that the bridge over the canal at Suez City is closed to foreign correspondents, as is the area between the east bank of the canal and the UN buffer zone. The UN has not been informed how long the closures will be in effect.

--An exercise scheduled for Thursday using an Egyptian air force helicopter for medical evacuation of UN personnel in the buffer zone was canceled by Egyptian authorities. UN officers were to have been on board the helicopter and could have observed Egyptian forces along the flight path from the buffer zone to Abu Suweir airfield on the west bank.

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The French military attaché in Damascus, meanwhile, [redacted] that he saw no indications of unusual Syrian activity during a trip through southern Syria earlier this week.

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SYRIA

President Asad may visit Cairo this weekend in an effort to close ranks with Egypt and to chart a new course.

Apart from echoing Egypt's call for a resumption of the Geneva peace conference, Syria has said little officially about the suspension of the disengagement talks. Privately, Syria is said to be relieved, although it remains concerned over US reaction.

A correspondent of Le Monde says he was told by Syrian Foreign Minister Khaddam last week that the Syrians regard Egyptian President Sadat as an "Arab patriot" for refusing to agree to a nonbelligerency pledge with Israel. Khaddam said Syria would now follow Egypt's lead on the question of renewing the mandates of the UN peace-keeping forces. The mandate for the force in the Sinai expires on April 24, and the one for the force on the Golan Heights runs out at the end of May.

The correspondent said Syrian leaders are deeply worried, however, that the US will wash its hands of all peace efforts--an event they hope will not happen.

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USSR - MIDDLE EAST

The Soviet Union reportedly plans to send a 30-man contingent of Middle East experts to Geneva in early April in expectation of a resumption of the Middle East peace conference.

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Moscow, nevertheless, still seems to have some doubts about when, and if, the Geneva talks will resume. A foreign ministry Middle East expert told a US official on Wednesday that Arab positions have not yet been clarified, and that Moscow does not expect to know where things stand before mid-April.

Palestinian representation at Geneva is a troublesome question. The Soviet expert expressed his government's long-standing exasperation over disunity in PLO ranks, and claimed that the Soviets, who now publicly recognize Arafat's leadership, are not even able to confer with Arafat without members of his entourage present. An effort is apparently being made to schedule a visit to Moscow by Arafat in April. This would provide an opportunity to discuss the Palestinian representation issue.

Economic talks between the USSR and Egypt have been suspended. The Egyptian ambassador was scheduled to return to Moscow on Thursday, and the Soviets expect talks to resume by late April or early May. The main issues remaining are terms for Egyptian debt settlement and integration of Soviet-Egyptian joint projects into Moscow's new five-year plan. The Middle East expert told the US official that Brezhnev would probably not go to the Middle East before autumn.

FOR THE PRESIDENT ONLY

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NOTE

Senior non-communist political and military leaders in Laos are apprehensive over the rapidly deteriorating military situations in South Vietnam and Cambodia.

There is a widespread feeling that the Lao communists will become more convinced than ever that time and history are on their side, and that they will adopt an increasingly aggressive political posture within the coalition government. Most non-communists seem to believe, however, that there is no likelihood that the Pathet Lao would soon consider resuming hostilities. In what could be a step toward eventual recognition of the Viet Cong's Provisional Revolutionary Government and Sihanouk's Cambodian government in exile, Prime Minister Souvanna has formally requested both Saigon and Phnom Penh to reduce their representation in Vientiane to chargé level.

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CAMBODIA

The following memorandum on the security situation in the Phnom Penh area was prepared last night by CIA, DIA, and INR.

There does not appear to be an immediate danger of a general Cambodian government military collapse in the Phnom Penh area. The Khmer communists probably will continue their strategy of steady but widespread ground attacks and shelling while waiting until supply shortages and war-weariness break the government's ability or will to resist. We believe that government forces will, for the most part, be able to contain the communists along the capital's outer defenses for the next week or so. Nonetheless, the communists will continue rocket and artillery attacks against the city in general, and Pochentong Airport, the US mission, and American residences in particular.

At midweek, communist forces recaptured Tuol Leap and again moved within artillery range of Pochentong Airport. Howitzer fire on March 28 knocked out the primary military taxiway, forcing a suspension of the US airlift. The taxiway is repairable, but the recent pattern of artillery and rocket attacks indicates that the communists can now place accurate fire on vital facilities.

There is little hope that government forces will push communist artillery out of range of the airport on anything other than an intermittent basis. Thus, future communist shelling will limit the use of Pochentong. This does not necessarily mean, however, that Pochentong cannot be used for evacuation of personnel; unlike large jet aircraft, C-130s should be able to use the airstrip. The possibility of a direct hit on an aircraft always exists, but C-130s could load at dispersed and alternating areas to minimize the risk. There is a clear danger, however, that at any time communist shelling could make the airfield totally unusable by transport aircraft.

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On the other hand, we do not believe that the communists will be able to seize the airport in the next week or so. Communist ground forces are keeping steady pressure on government defenses west and north of Phnom Penh, but government units have been able to prevent any major communist gains by moving units from front to front. While this process and the government's steady battlefield losses have weakened the capital's outer defenses, the communists have not exploited their advantage. Indeed, there is some evidence that the communists themselves are stretched thin and may be unable to place much greater pressure on Phnom Penh at this time.

Political strains in Phnom Penh are also clearly greater now than at any time in the war. But most recent maneuvering appears directed toward the departure of Lon Nol in the hope that this will somehow lead to an early end to the fighting. Lon Nol apparently intends to go abroad soon, and his departure should temporarily reduce the potential for political disintegration. Should he delay much longer, however, other government leaders will probably try to force him out. The result would be a political crisis which might make it impossible for the government to continue to resist. The potential for serious unrest remains high. For example, a halt of the airlift of rice lasting more than a few days would bring rice stocks down to the level which precipitated widespread rioting and looting in 1972. Finally, a negative vote on the supplemental aid to Cambodia would lead to a quick unravelling of the government.

The effect of a US evacuation on the cohesion of the Cambodian government and on the military's will to fight would depend on a number of factors:

--A sudden large-scale and highly visible evacuation of US personnel, third-country nationals, and local US mission employees would be seen as a signal of approaching defeat.

--The evacuation of smaller numbers over a longer period of time would at least delay widespread panic.

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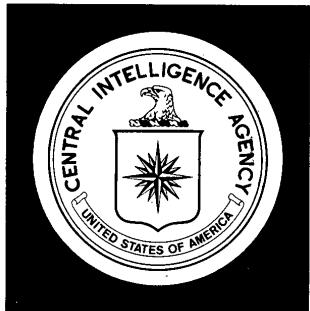
--An attempt to evacuate US personnel after a negative vote on supplemental assistance would quickly break military and government morale, and this would make an orderly evacuation exceedingly difficult, if not impossible.

The evacuation of senior government officials would signal the end of the war, and organized resistance by the military would quickly end.

The ability and willingness of government forces to provide security for evacuation operations is suspect. In any case, there is no assurance that any of the government's best troops will be available for such duty. Large numbers of evacuees at Pochentong Airport or at a Phnom Penh location--especially if members of the government elite were included--could easily lead to a breakdown in the discipline of Cambodian security forces and to mob hysteria. Evacuees might also become the targets of communist shelling and terrorist attacks, and this would only increase the risk of panic.

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The President's Daily Brief

March 31, 1975

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Exempt from general
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FOR THE PRESIDENT ONLY

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Egypt: President Sadat set forth a policy of surprising moderation on Saturday. (Page 6)

Suez Canal: The waterway will have less capacity than before, if it reopens as early as June. (Page 8)

Saudi Arabia: The new Saudi monarch will retain the titles of prime minister and foreign minister. (Page 9)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**SOUTH VIETNAM**

Political repercussions in Saigon are mounting. Sentiment for removing President Thieu is likely to escalate as the dimensions of the government collapse in the northern half of the country and the present communist threat sink in.

At the moment, Thieu's greatest strength appears to be the absence of a readily apparent alternate leadership within either the military or the political opposition. The President's position has nevertheless been seriously, and perhaps irreparably, damaged as a result of the decisions that set in train the massive and disorganized government retreats in the northern military regions. [redacted]

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[redacted] disclosed fairly widespread criticism of Thieu, especially from the more senior officers. Dissatisfaction is certain to be substantially higher among commanders and officers farther north.

Some fairly close associates of the President,

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[redacted] are deeply pessimistic over both the general military situation and Thieu's ability to remain in power. [redacted]

[redacted] Thieu must step down in favor of a new government prepared to reach a political solution with the communists.

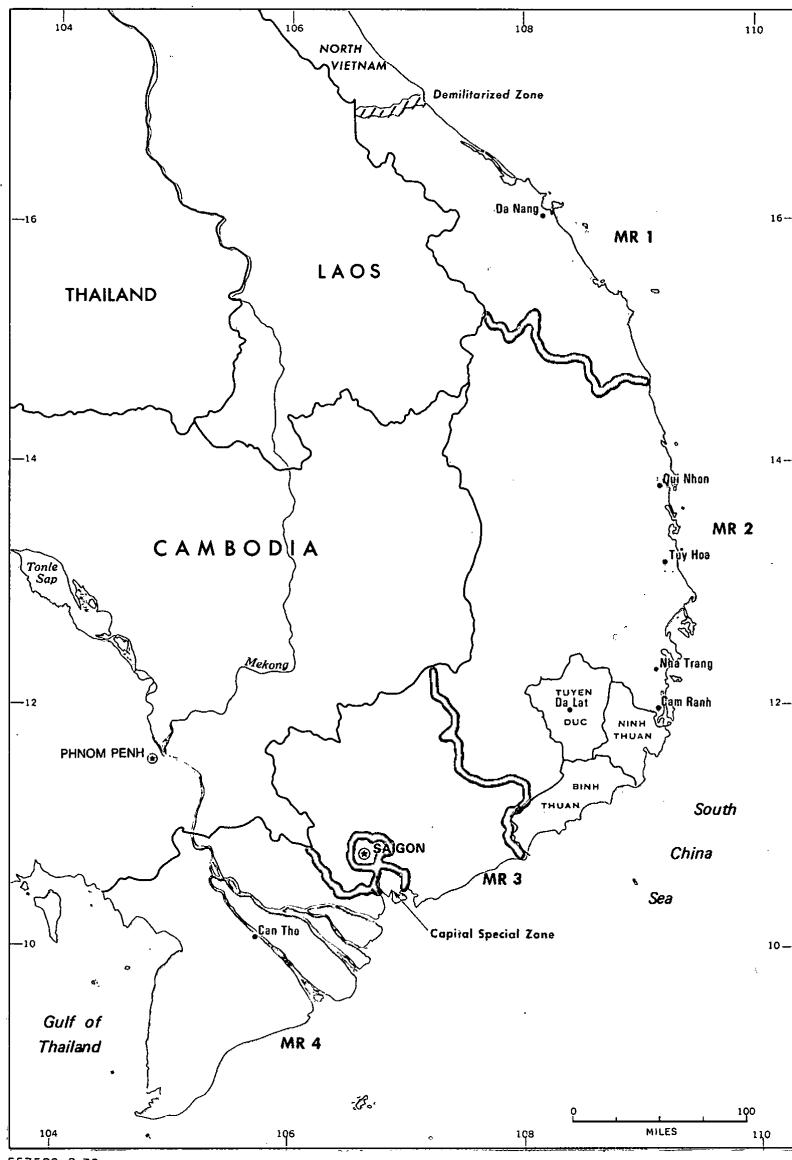
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The South Vietnamese Senate reportedly will soon consider a motion asking Thieu to resign and another that censures the President for his conduct of the war. There appears to be a good chance that at least the latter will carry.

Although a number of prominent political opposition leaders have stepped up their demands for Thieu's departure and the formation of a new "government of national union," there is little agreement either on a successor for Thieu or on policies that a new government might adopt. Widespread or

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enthusiastic backing appears to be lacking for former vice president Ky, General Duong Van "Big" Minh, or any other potential opposition rallying point. For the time being, the political opposition will probably have little choice but to remain on the sidelines, watching for some sign of a significant move within the military to arrange Thieu's resignation or ouster.

Military Situation

An estimated 16,000 government troops, including much of the marine division, have been evacuated from Da Nang and the northern provinces to Cam Ranh, where they are being regrouped and refitted before assignment to potential battlefronts in the southern half of the country.

General Truong, the Military Region 1 commander, has joined his troops, but his future plans or assignment are unknown. President Thieu has blamed Truong for the loss of Da Nang, saying that Truong disobeyed orders to defend the city to the end.

There is no accurate estimate of how many civilians have been evacuated from Da Nang, but the number probably runs to more than 50,000. The North Vietnamese closed the port yesterday by firing rockets at boats in the Da Nang harbor. Many people are stranded on offshore islands and in small boats along the coast.

Communist successes in cutting Route 1 along the coastal strip in both the northern and central provinces have cut off the refugee flow. Many thousands of displaced persons continue to clog Qui Nhon, Tuy Hoa, Nha Trang, and Cam Ranh as well as smaller towns along the coast.

The South Vietnamese are desperately trying to control the rapidly slipping situation in the seven remaining provinces of Military Region 2. On Saturday, the military command structure was reorganized into four separate commands in order to better defend the areas still held by the government. Last-minute organizational changes, however, are unlikely to reverse the current battlefield situation.

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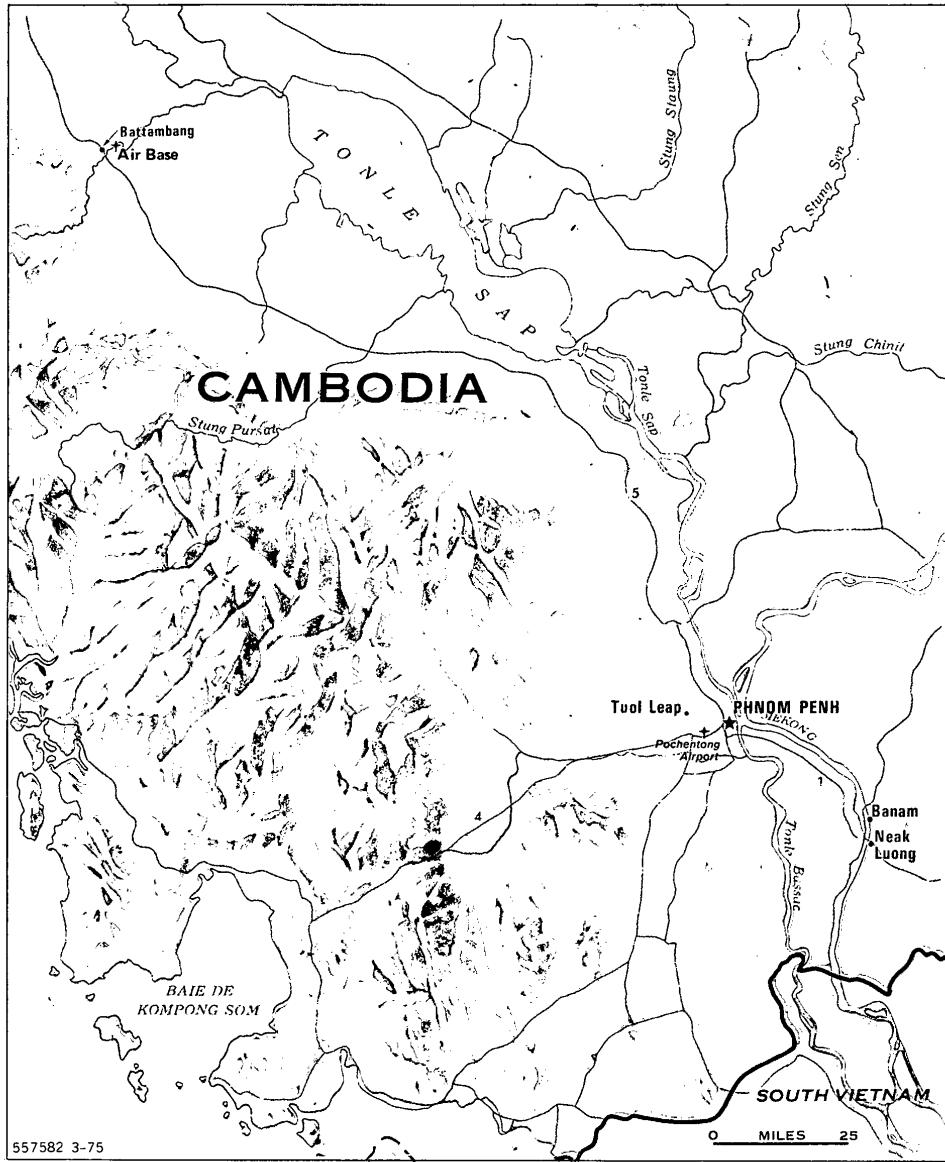
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Despite sustaining some heavy losses, the North Vietnamese 3rd Division is moving dangerously close to Qui Nhon, and the South Vietnamese airborne brigade was forced to pull back from its blocking position northwest of Nha Trang yesterday. Commanders in Military Region 2 are now concerned about a growing communist threat to the southeastern provinces of Binh Thuan, Ninh Thuan, and Tuyen Duc--where the city of Da Lat is located.

No major fighting has been reported in the provinces close by Saigon or in the delta over the weekend. Fears are rising, however, that new communist pressure may soon be applied to the two regions, and that the collapse of military and civilian morale that occurred in the two northern regions may spread south.

The communists are continuing to concentrate their forces in the northern and central delta provinces, especially around the region's major city of Can Tho. The communists can now also move several divisions to the provinces north of Saigon. Early major communist attacks in these two areas would make it difficult for the government to consolidate and redeploy its forces for the defense of military regions 3 and 4.

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CAMBODIA

US airlift operations into Pochentong resumed on Saturday following a 24-hour suspension. The insurgents meanwhile continued their rocket and artillery attacks.

Over the weekend at least 44 107-mm. rockets and two 105-mm. howitzer rounds landed in the vicinity of the airport. A communist headquarters in the Phnom Penh area yesterday requested immediate delivery of 200 howitzer rounds for use against the airfield.

The communist attacks on Pochentong are not only disrupting the airlift, but are also interfering with government air force operations. Maintenance has been slowed, and shrapnel damage has sidelined a number of aircraft--six on Saturday alone.

The government's operation west of Pochentong to retake Tuol Leap and to push the insurgents out of rocket and artillery range has been blocked.

Northwest of Phnom Penh, government forces stabilized the situation after the insurgents failed to exploit a significant break in the capital's defense perimeter.

The insurgents cut the enclave at Neak Luong and Banam in half over the weekend. The communists have massed 6,000 to 7,000 troops against some 4,000 government troops. Should Neak Luong and Banam fall, the insurgents would probably send many of these troops to Phnom Penh's southern defense perimeter.

In the far northwest, communist forces have moved even closer to the provincial capital of Battambang and now pose a direct threat to the city itself and the nearby enclave.

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ARAB STATES - ISRAEL

The Egyptian multi-service communications exercise "Abu Rudays" began on Saturday, and elements from each of the armed forces appear to be participating. The exercise is scheduled to continue through April 3.

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EGYPT

In his speech to the nation on Saturday, President Sadat set forth a policy of surprising moderation, apparently designed to demonstrate his continued desire for peace. He also signaled some limits to his patience.

Sadat deliberately played down militant themes. He said he had decided to extend the UN Emergency Force mandate and to reopen the Suez Canal by June because of his concern about the reaction of "the world." He said he had rejected the angry and emotional response to the breakdown of disengagement negotiations that most expected from him. He explained that he believed that Egypt could not be responsible for confronting the "international community" with a sudden crisis by not renewing the UN mandate when it expires on April 24.

Using a similar rationale for reopening the canal, Sadat said that Egypt cannot deprive the "peoples of the world" of an important trade route when the canal had been closed through "no fault" of theirs. Sadat issued a warning, however, in both instances. He said that, in agreeing to extend the UN mandate for three months rather than the usual six, he wanted to make clear that there is a limit to both time and patience. He emphasized that Egypt is able to protect the canal and will use its "deterrent capability" if Israel infringes on either the canal or the territory adjacent to it.

Sadat avoided strident recriminations against Israel, speaking in a low-key fashion of Israel's "weakness" rather than of its "intransigence," but he seemed intent on demonstrating that Egypt is more interested in peace than is Israel. He spoke repeatedly of the need to explore all avenues.

Sadat undoubtedly intended that his moderation would put a burden on Israel both to move toward peace and to refrain from military provocation. A

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reopened canal could restrain both sides from renewing warfare, and the decision to extend the UN mandate will place equal obligation on each side to abide by the cease-fire.

Israeli officials have reacted cautiously to Sadat's decisions. Despite Prime Minister Rabin's negative reaction to the short extension of the UN mandate, other spokesmen have noted that the moderate tone of the speech leaves the door open for continued dialogue.

Sadat will almost certainly face criticism from some Arab states. There is no indication that he cleared his decision on the UN mandate with Syria, whose mandate on the Golan Heights expires at the end of May. Indeed, Damascus radio stated a few hours before Sadat's speech that Egypt and Syria had decided not to renew the mandates unless "tangible" progress had been made toward achieving Israeli withdrawal. The leader of the Syrian-controlled Saiga fedayeen organization said publicly on Saturday before Sadat spoke that extension of the mandate would amount to "surrender to Zionist blackmail."

Sadat clearly indicated in his speech that he anticipates criticism from the Arabs, but intends to ignore it as long as he can. He apparently feels that his rejection last week of Israel's terms for non-belligerency proves his dedication to the Arab cause sufficiently to permit some independence. In his speech, he frequently said that Egypt must make its own decisions.

He also signaled, however, that he cannot maintain Egypt's independence indefinitely. He said that Egypt will submit a plan of action to the Arab summit scheduled for June, which he "hopes" will be agreed upon. Sadat has proved at past summits unable to retain a free hand with his Arab allies. The new July date for the expiration of the UN mandate follows closely after the summit.

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SUEZ CANAL

If the Suez Canal is reopened as early as June, the waterway will have less capacity than it had before it was closed in mid-1967. Night transits will be impossible and day operations curtailed because new navigation lights and systems for ship monitoring and communications are unlikely to be installed before October.

Ships using the waterway during the first months after it reopens will be limited to drafts of 35 feet, rather than 38 feet permitted before the canal was closed.

The Canal Authority has worked out a temporary traffic control system and has trained a cadre of pilots. In a dry run during the first week in March, operations reportedly went smoothly. Before June, the British are to carry out a precautionary final sweep for explosives. This check is intended to reassure potential users and to dispose of any explosives thrown into the waterway by Egyptian land forces who cleared the shoreline.

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SAUDI ARABIA

Khalid, the new Saudi monarch, has decided to follow the precedent established by King Faysal, and will retain the titles of prime minister and foreign minister.

The US embassy in Jidda believes, however, that Crown Prince Fahd, who was advanced from second to first deputy prime minister on Saturday, will in fact exercise the functions of prime minister. [redacted]

[redacted] Khalid will, [redacted] direct the council of ministers to act under Fahd's instructions and report directly to Fahd.

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Khalid made several other top-level personnel decisions on Saturday. National guard commander Prince Abdallah, generally regarded as a strong backer of Khalid [redacted] was designated second deputy prime minister.

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Perhaps to balance this, Prince Nayif--a younger full brother of Fahd--was advanced from vice minister of interior to minister of state for interior affairs. Nayif will run the ministry on a day-to-day basis, although Fahd will officially keep the ministerial title. In something of a surprise, Saud ibn Faysal, 33-year-old son of the late King, was named minister of state for foreign affairs. This post has been held by an acting minister since the death of Omar Saqqaf in 1974. Prince Saud has been oil minister Yamani's deputy. The three new appointees will be full members of the council of ministers.

Although the structure of the Saudi government seems set for now--Khalid has asked other ministers to remain at their posts--there is likely to be a great deal of maneuvering for power within the hierarchy. [redacted]

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Meanwhile, the government announced on March 30 that the assassin of King Faysal was sane at the time of the shooting. He will be tried according to Muslim law.

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NOTE

Turkey's Justice Party leader Suleyman Demirel is moving toward forming a right-of-center coalition government.

If President Koruturk, who does not care for Demirel, does accept the proposed government, Demirel will still have to submit a governmental program to parliament for a vote of confidence. At best, the coalition could muster a bare majority. Demirel would then have to prove to the Turkish military that he can rule effectively. The military forced him to resign in 1971 because of his inability to control political violence.

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