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# National Intelligence Bulletin

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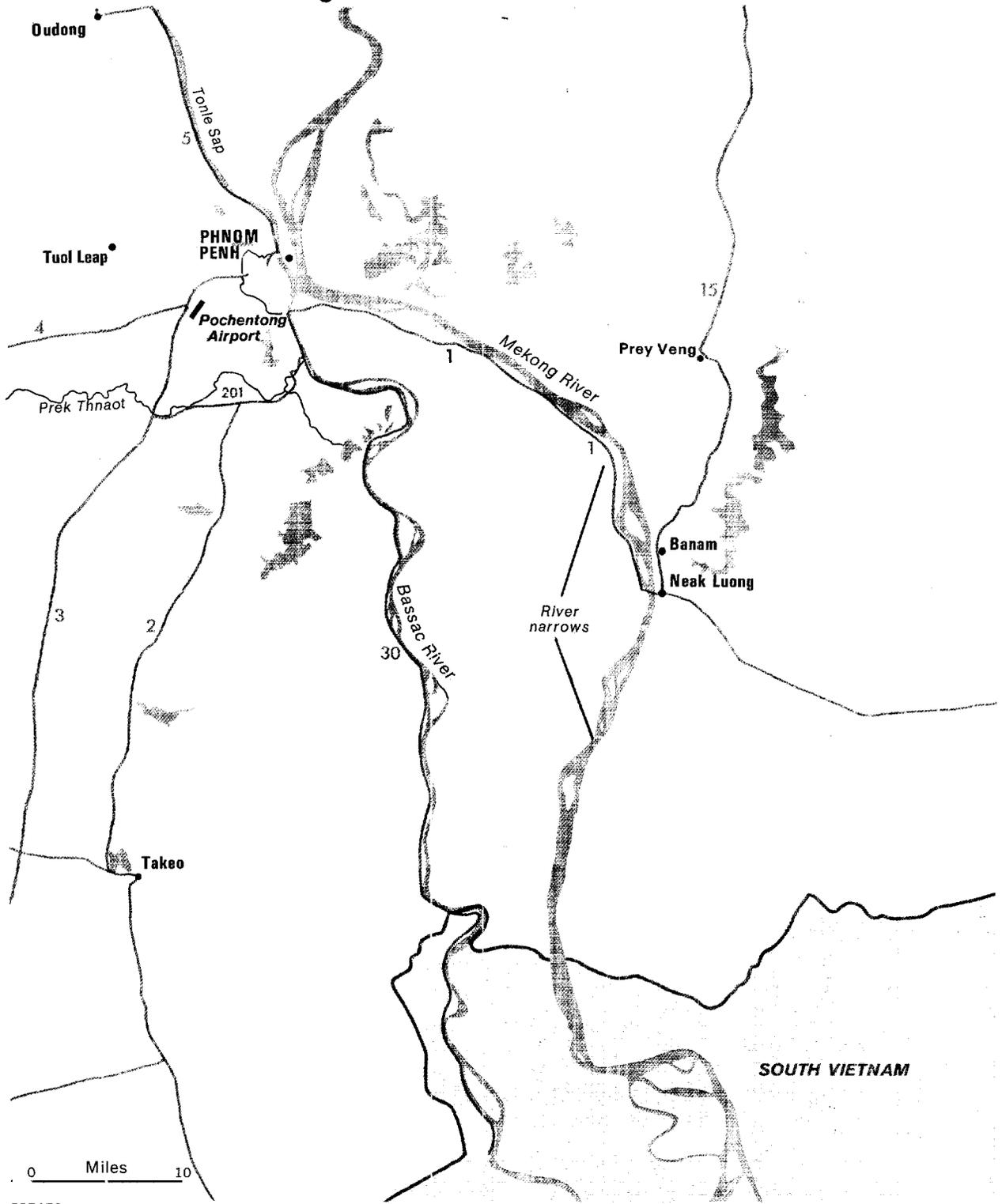
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### Cambodia: Lower Mekong



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CAMBODIA

Airlift operations were temporarily suspended yesterday--the third time in nine days--when what was probably a 107-mm. rocket set fire to an ammunition holding area at the northwest corner of Pochentong airport. Some 90 tons of ammunition were apparently destroyed. Airlift operations were resumed this morning.

Government attempts to advance under cover of heavy artillery and air support against the well-entrenched communist forces at Tuol Leap have made no significant progress. The Khmer air force conducted a major effort in support of government ground initiatives near Tuol Leap and the "rocket belt" area northwest of Pochentong, but have had no apparent effect in suppressing rocket and artillery fire.

The new 7th Division commander, Brigadier General Khy Hak, continues to lead his troops aggressively against the numerically superior communist force northwest of the capital. Communist losses in troops and weapons have been significant since he assumed command last Saturday. Nevertheless, the 7th Division's entire front is under steady insurgent attack and, unless reinforced, additional government withdrawals in this sector are likely.

Along the Mekong River, communist forces have stepped up their shelling against Neak Luong and increased pressure against government positions on the west bank of the river opposite the naval base. Khmer air force pilots reported two newly constructed barricades in the vicinity of the northern narrows on Wednesday, but both have since been destroyed by naval and air attacks.

One craft of a northbound government convoy from Neak Luong has been sunk by underwater explosions in the same area. This is the first indication that the communists may be using mines along this section of the river.

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These activities reflect the communists' continuing intent to disrupt surface resupply of Neak Luong and Banam, the only remaining government strongholds along the river.

The Cambodian navy's heavy losses since January 1 have greatly reduced its ability to provide ground units and outlying positions with logistic and fire support. Since the communist offensive began, 28 naval craft have been sunk in operations along the Mekong River. Major overhauls are now required on 80 percent of the navy's river units. Of the 120 craft available for use on the Mekong, only 54 are now operational. Total navy personnel losses during this period have amounted to nearly 20 percent of the 15,500-man force.

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CHINA-CAMBODIA

The Chinese appear to be positioning themselves to gain maximum influence over developments in Cambodia after the fighting has ended.

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

There is a possibility that the Chinese are still 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 see 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.

Peking, nonetheless, does not as yet appear ready to abandon Sihanouk completely; it has attempted to balance its coverage of the fighting with frequent references to Sihanouk. This suggests that China 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 communist leader Khieu Samphan last summer. Efforts toward this end will undoubtedly continue. Peking, for instance, earlier this month invited communist "special adviser" Ieng Sary to visit Peking, where he met with Chinese Vice Premier Chi Teng-kuei.

Although purely bilateral Sino-Vietnamese issues are the primary reason for the current visit of a high-level military delegation to Hanoi, the situation in

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Cambodia also was probably discussed. The delegation, led by regional military commander Yang Yung, is the first military group to visit Hanoi since 1971.

In seeking to establish the highest possible level of influence in Phnom Penh after the war, the Chinese may have discussed with the Vietnamese logistic problems concerning transshipments of material to the Khmer Communists. Sihanouk has complained in the past that the North Vietnamese were holding up Chinese shipments to the insurgents.

Recent Chinese propaganda also has pointed up the inevitability of a communist victory and the futility of continued or increased US assistance to Phnom Penh. A People's Daily commentary on March 9 asserted that the insurgents' march to victory is irresistible, regardless of the current or future levels of US aid.

Unlike Hanoi, which has sharply attacked US leaders and has devoted far more attention to the Cambodian fighting, Chinese coverage of the situation has been relatively low-key and has emphasized US failure to understand "the lessons of history."

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SOUTH VIETNAM

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 north and west of 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.

South Vietnamese troops are moving to block communist advances north and west of Saigon. The number of communist shellings and harassing attacks in the delta provinces continues to increase.

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PORTUGAL

Attacks by extreme leftists have left Portugal's conservative political parties in almost 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 a thorough investigation now under way will 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 attempted Tuesday; many of the party's leaders are reported to have fled to Spain.

The hopes of the moderate leftist parties to recoup 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 have to determine whether it is worthwhile to participate in the political process.

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Several members of Portugal's leading banking and industrial families have been arrested. Prominent businessmen have in recent months been detained for short periods, but the arrests this time may presage more serious intervention in the private sector.

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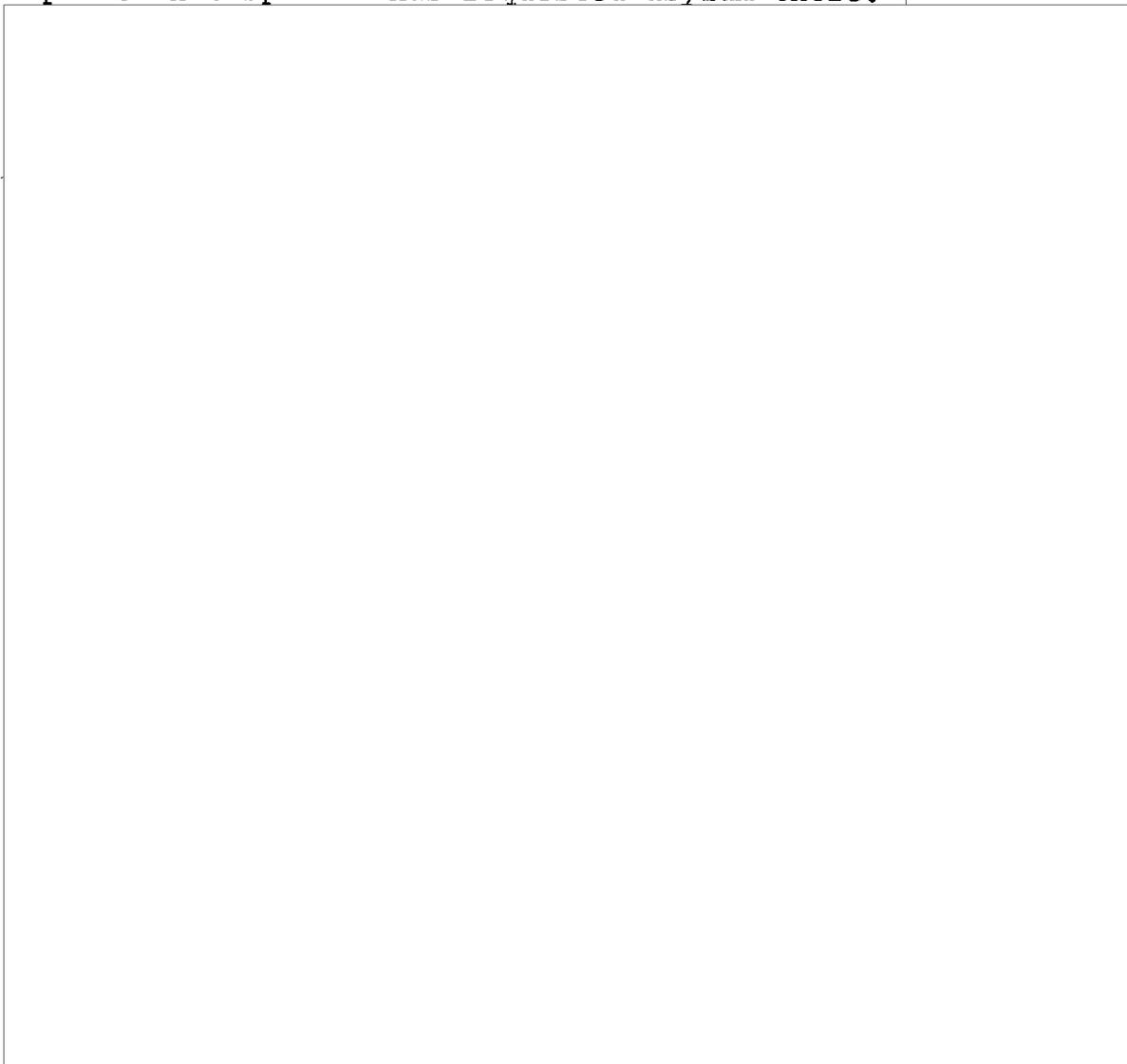
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Spain, anticipating a request from Lisbon for the extradition of former president Spino-la, is increasingly embarrassed by his presence. Madrid would welcome an offer from a third country to grant asylum to the former general. The Brazilian Foreign Ministry has denied reports that Spino-la has requested asylum there.

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SAUDI ARABIA

In a move that may be a prelude to revaluation, the Saudi Arabian Monetary Agency yesterday sharply limited trading in the riyal. Although the press indicates that the decision was taken because of "fluctuations and confusion prevailing in exchange markets," bankers generally believe the government will revalue the riyal to alleviate inflationary pressures at home.

The Saudi currency, like those of most OPEC members, is tied to the dollar. The dollar's decline has added to inflation in these countries by increasing the domestic cost of imports. Last month, Iran reacted to this problem by severing the link between its currency and the dollar and by linking it to the Special Drawing Rights (SDR) of the International Monetary Fund.

The SDR is valued in terms of 16 major currencies. The move reduced the fluctuations of Iran's currency relative to those of its trading partners and, because of the dollar's subsequent decline relative to the SDR, resulted in a slight revaluation against the dollar. Saudi Arabia may also decide to link its currency to the SDR, or it may maintain the link with the dollar and simply revalue.

A decision to revalue the riyal would have no direct bearing on oil prices, which 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 SDR, would, however, strengthen the argument of those OPEC members who wish to quote oil prices in terms of a basket of currencies.

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SINGAPORE-CHINA

Singapore has taken a major step toward a more balanced foreign policy with a visit to Peking this week by an official delegation headed by Foreign Minister Rajaratnam. The trip--at China's invitation--demonstrates Singapore's acceptance that diplomatic relations are inevitable.

Rajaratnam indicated that, while Singapore will hold off for now on a Chinese diplomatic presence, his government is ready for increased trade relations. Singapore, dependent on the entrepot trade, is always alert for new markets, even though its economic situation is healthy.

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In a statement certain to please the Chinese, Rajaratnam restated Singapore's view, "Taiwan is part of China and China is the PRC." Singapore, however, will probably not feel obliged to follow through with early diplomatic relations.

Rajaratnam's departing remarks included a reiteration of his government's intention to be the last member of the Association of Southeast Asian Nations--Singapore, Malaysia, Indonesia, Thailand, and the Philippines--to open ties with Peking. Only Malaysia has taken the step so far.

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Singapore's reluctance is based on fears that a Chinese diplomatic presence might lead to subversion of its predominantly Chinese population. Nevertheless, Singapore's willingness to maintain the new momentum was reflected in Rajaratnam's statement that he would invite his Chinese counterpart for a reciprocal visit

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CSCE

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

In the latest move, General Secretary Brezhnev sent letters to the leaders of major Western countries proposing a summit-level meeting around June 30 as a finale to the conference. This is the first time the Soviets have been this precise. The timing suggests that Moscow would like to have the security conference out of the way prior to a Brezhnev visit to the US.

The Soviet delegation in Geneva has shown new vigor in pushing the talks along. The delegation chief, who was in Moscow for four days earlier this month, has fought hard for a shorter Easter recess and is attempting to get the West to begin planning for the final stage of the talks. The Soviets seem to think that a wind-up is likely without making any serious concession to the West on the arcane issues that remain to be resolved.

Brezhnev's letter was timed to coincide with a discussion of the security conference by EC leaders at their meeting in Dublin earlier this week.

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Nevertheless, the statement approved by the Nine remains cautious in favoring a conclusion "at an early date and at the highest level" only if "balanced and satisfactory results" on all agenda items are achieved. The West Europeans are not prepared at this time to pay an exorbitant price to bring the conference to an end. In Dublin, the EC leaders called for Soviet flexibility and agreed not to cave in entirely if the Soviets continue to be intransigent. At the same time, the heads of government called for further EC study of outstanding conference issues, probably to determine where Western concessions might still ultimately be made.

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TURKEY

Prime Minister Irmak yesterday abandoned his effort to form a coalition government, but he will remain as head of the caretaker regime. President Koruturk has given no indication of what his next move will be. He may believe that he has no choice but to allow the rightist, four-party National Front to try to form a government.

Koruturk has previously rejected the National Front--headed by Justice Party leader Demirel--out of fear that the presence of two small, extreme right-wing parties in a coalition would polarize the nation and lead to more clashes between rightist and leftist political factions. With this in mind, Koruturk might decide to request another independent--one who is more attractive to conservatives than Irmak--to try to form a conservative coalition that would exclude the extremists.

The Turkish armed forces are still in a "precautionary" alert status. Thus far, this show of force does not appear to have impressed the politicians, who apparently do not believe the military is prepared to assume responsibility for dealing with Turkey's increasingly difficult problems. New elections appear to be the only hope for breaking the political impasse, but--short of direct intervention--the military does not appear to have the leverage necessary to force the politicians in this direction.

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