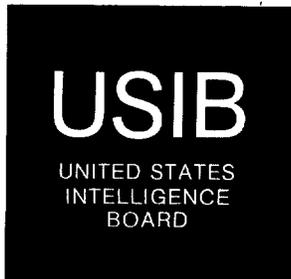


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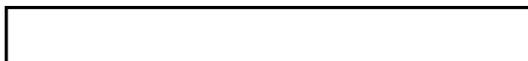
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State Dept. review completed

DIA review(s) completed.



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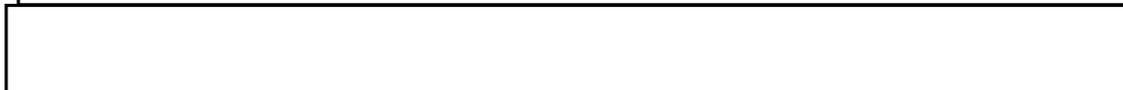


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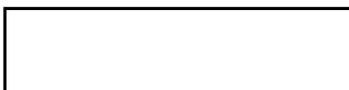


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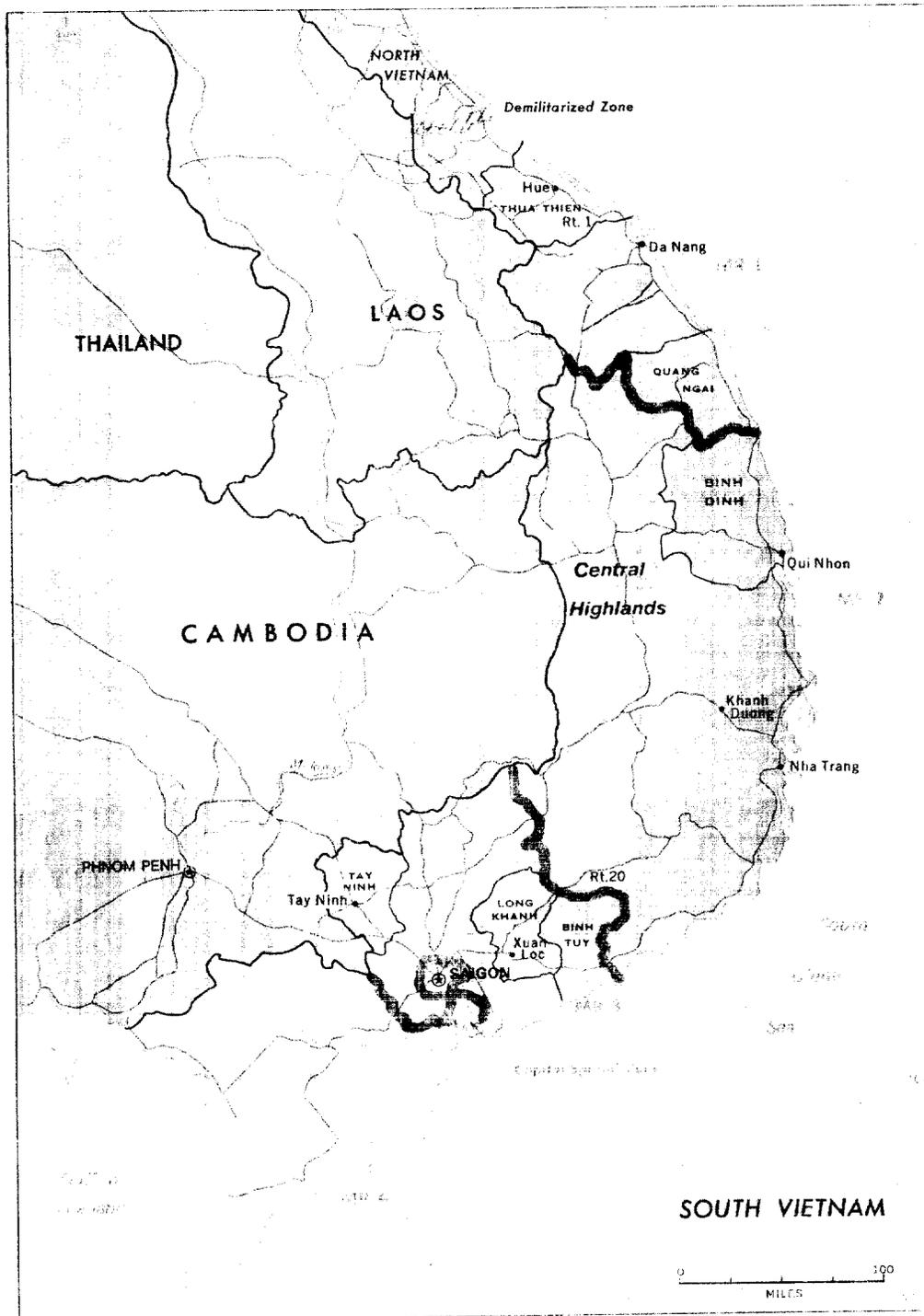
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SOUTH VIETNAM

The city of Hue is now besieged. The deterioration of the northern defense line and the closing by the Communists of Route 1 south of the city have prompted the regional commander to implement the final contingency plan for the defense of the city. Government forces in Thua Thien Province are being pulled back to tighten Hue's defensive perimeter, and a firm stand to save the former imperial capital has been ordered. With their overland escape routes closed, the remaining government forces are compelled to fight. An estimated 50,000 people are awaiting sea transportation from the Hue area to Da Nang, and another 50,000 may be doubling back to the city because of Route 1 being closed. The province originally had a population of over 700,000.

Elsewhere in the northern provinces, despite plummeting morale and a mushrooming desertion rate, government forces are still protecting most major towns and a small strip of territory along the coast. Territorial forces have surprised regional commanders by opening a stretch of Route 1 in southern Quang Ngai Province, where the Communists are strong. That strategic highway is now open from there to a point a few miles north of Da Nang. Meanwhile, pressure is building around the major cities on the central coast. Ground attacks and shellings near Qui Nhon in Binh Dinh Province may force units of the South Vietnamese 22nd Division to move from outlying northern districts to bolster Qui Nhon's defenses. Binh Dinh's westernmost district was abandoned over the weekend.

The Communists are also pushing out of the mountains northwest of Nha Trang. A tank-led Communist force on Saturday overran a 22nd Division regiment charged with defending the Khanh Duong District capital and is now face to face with the airborne brigade brought down from Da Nang. This enemy force is in a good position to outflank the airborne unit and move directly toward Nha Trang.

Government forces have been unable to open avenues of escape from the highland provinces, and the fate of large numbers of military personnel and civilians remains

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very much in doubt. [REDACTED]

The pressure on Tay Ninh continues to escalate. The concentration of three Communist divisions converging on the province has led some senior government commanders to question the wisdom of defending Tay Ninh. They argue that most of the population has already fled, that keeping access to the province open is extremely difficult, and that government forces there are heavily outnumbered.

To the northeast of Saigon, Communist forces continue to expand their holdings along Route 20--a key roadnet linking Saigon with the southern highlands. Several government units have been severely battered in Long Khanh and Binh Tuy provinces, and some airborne units of Saigon's reserve have been sent to shore up the defenses of the provincial capital of Xuan Loc.

In the delta, the mid-month flurry of Communist activity has all but subsided. North Vietnamese units are still clustered around several important government centers, but no major military action is now being conducted by either side. An important concern of the military hierarchy in the delta is the possibility that the South Vietnamese 7th Division might be redeployed to strengthen Saigon's defenses--a move that would weaken the government's already overextended regular forces in MR 4 by one third.

* * * *

Although there have been few large-scale Communist attacks or set battles during the past week, the implications of the government's sudden withdrawals from the highlands and from north of Hue are causing anxiety and bitterness among much of the South Vietnamese population and grave doubts among many military leaders.

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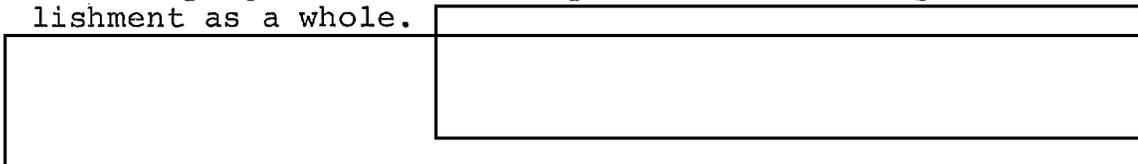
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At the same time that criticism mounts against President Thieu, anti-Americanism is also threatening to reach serious proportions. Many South Vietnamese, from ordinary citizens to officers who have cooperated with Americans over the years, believe that insufficient American materiel support is a key factor in last week's ominous events. Americans have been warned to keep a low profile in Nha Trang, administrative center of Military Region 2, which includes the highlands. Some South Vietnamese officers also report concern about growing animosity against their troops and the military establishment as a whole.

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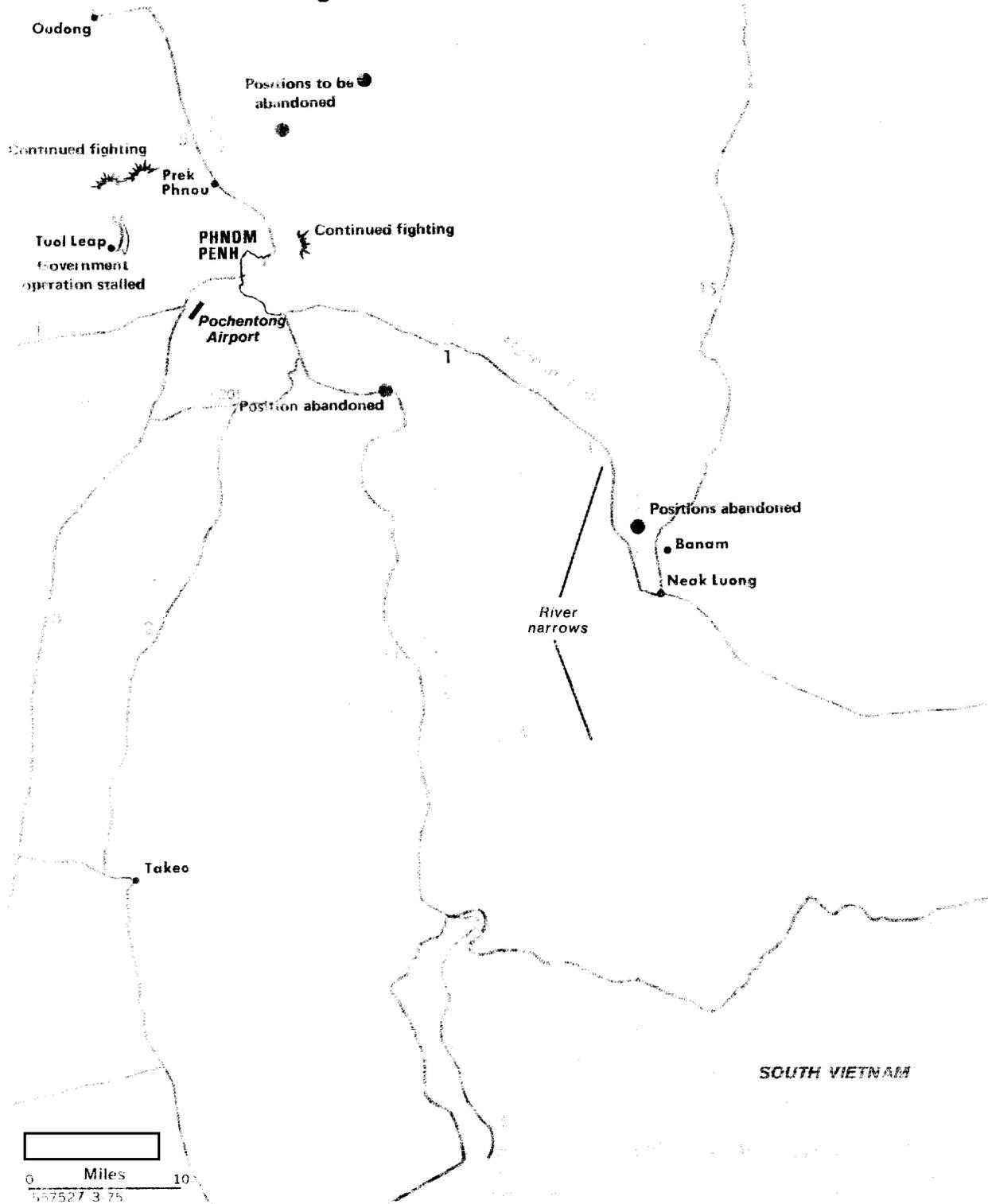


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Cambodia: Lower Mekong



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CAMBODIA

The US airlift into Cambodia, which was suspended following Communist rocket attacks on March 22, was resumed today. It could be interrupted again, however, if government operations to clear the "rocket belt" northwest of Pochentong airfield fail to suppress Communist rocket attacks. While there has been no significant increase in the number of rockets being fired on Pochentong, they are impacting more frequently on the operational portion of the field.

West of the capital, Communist attacks forced government troops to abandon three battalion-size positions between Tuol Leap and Route 4 over the weekend and have temporarily disrupted the government operation to clear the rocket belt northeast of the town. Some Cambodian army units scheduled to participate in that operation have been diverted to retake the lost positions and close the gap in the government's defense line, which could pose an even more serious threat to Pochentong airfield and the Kantouk ammunition depots. One of the positions has been reoccupied. Meanwhile, intensified artillery and air strikes are being directed against Communist rocket launching positions and will continue until government forces stabilize the situation south of Tuol Leap and are freed to begin clearing operations.

Elsewhere in the Phnom Penh area, government defenders north of the capital remain under steady Communist pressure, but are holding their positions. East of the city, reinforced government operations succeeded in dislodging Communist troops which had again infiltrated to the riverbank opposite the capital. Farther upstream, the navy today plans to evacuate two positions. Government units yesterday abandoned a position along the Bassac River southeast of the capital.

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Along the Mekong River, Communist forces are keeping the pressure on government defenders at Neak Luong and Banam with shelling and ground attacks. On March 22, the insurgents forced government troops to abandon an island opposite Banam, which will facilitate shelling attacks on the town.

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PORTUGAL

The new Portuguese cabinet that is expected to be announced early this week almost certainly will be more compatible with the radical views of Prime Minister Goncalves than the two previous, moderately leftist cabinets.

The Communist-dominated Democratic Movement, a separate party, will probably join the coalition of Socialists, Communists, and Popular Democrats. It is widely rumored that each party will be given equal representation and that the leader of each will be appointed a minister without portfolio.

Socialist Party leader Mario Soares reportedly opposes this arrangement, preferring to remain foreign minister. The Socialists also want Francisco Zenha to remain justice minister. Perhaps to bring additional pressure on the Socialists to conform, Goncalves consulted over the weekend with the leaders of two other leftwing parties that are known to have close associations with the Communists.

Whatever the makeup of the cabinet, the newly established Revolutionary Council will exercise the real power as the Armed Forces Movement's executive body. The addition over the weekend of four relatively moderate new members was tempered somewhat by the warning that they cannot participate fully as long as they hold their current jobs. One, Vitor Alves, is expected to become Portugal's next ambassador to the UN.

The Revolutionary Council has assigned itself the power to make structural changes in the economy. This power presumably will enable the Council to set aside the moderate, three-year economic program that was approved with great difficulty only a few months ago. Approval of the economic plan had been a trade-off for endorsement by the moderates of the law giving the Communists substantial control over the labor movement.

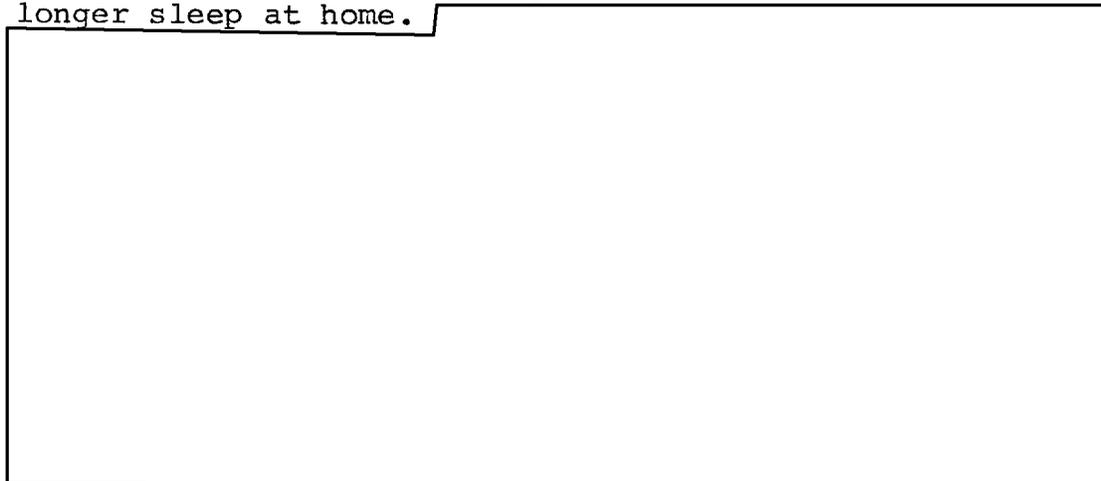
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Electoral violence, meanwhile, broke out again over the weekend in the northern city of Oporto. Popular Democrats chased extreme leftists, who broke up one of their rallies, into local Communist party headquarters. Police ended the fray, but not before the extremists had fired shots from the headquarters in response to stone-throwing by the crowd.

The Social Democratic Center Party, the only center-right party still allowed to participate in the election, announced it will stay in the campaign, even though intimidation has reached the point where its leaders no longer sleep at home.

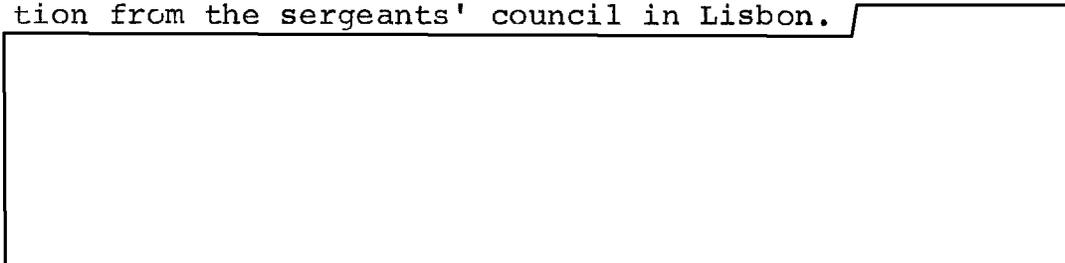
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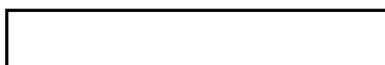
The Portuguese military also seems to be in disarray. The US defense attaché reports that discipline within the ranks is practically non-existent. Any order that calls for a unit to move must come through more than one channel. [redacted] each air base has a sergeants' council; an order from the base commander to dispatch aircraft is not executed until the sergeants' council at the base receives verification from the sergeants' council in Lisbon.

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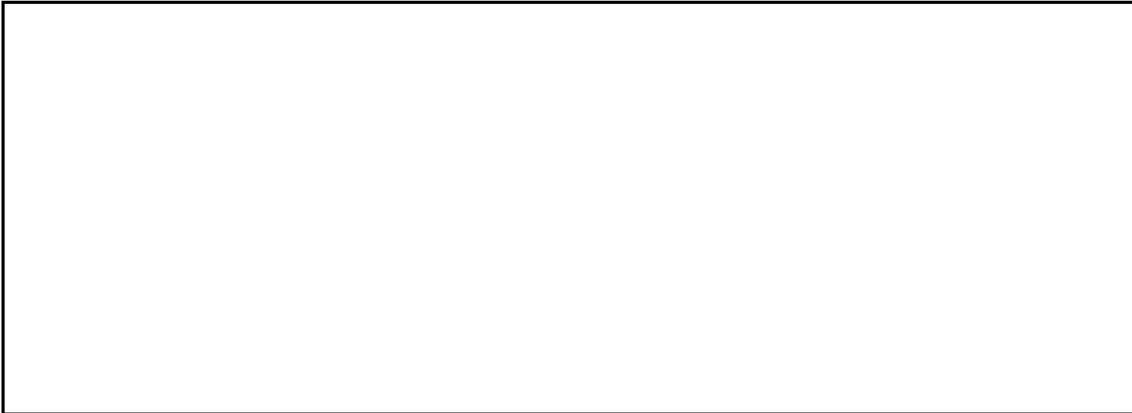
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ARGENTINA

Strains are growing within the Peronist movement as the government faces the bloodiest wave of political violence since President Peron assumed power last July.

More than two dozen persons have been killed in recent days, and over a hundred arrested by police in an attempt to halt the occupation of factories by workers protesting the detention of left-wing trade union leaders. The leftists were rounded up last Thursday when Buenos Aires announced that it had uncovered a plot by an "anti-national minority" to paralyze key Argentine industries.

Meanwhile, leaders in the Peronist-controlled labor movement, which forms the bulwark of Mrs. Peron's support, are maneuvering to gain greater influence in the government and to bring pressure on the President to remove her chief adviser, Welfare Minister Lopez Rega. A showdown may be postponed until early April, however, in order to preserve chances for a better margin of victory for the Peronists in the elections in Misiones Province.

If Mrs. Peron does not make some of the compromises labor wants, she will probably find it joining the military in demanding major changes in her government to deal with deteriorating political and economic conditions.



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CHILE

France, which chairs the Paris Club of Chile's creditors, has decided to postpone indefinitely a meeting on debt rescheduling that had been set to open today.

Several Paris Club members, such as the UK, Italy, and the Netherlands, had indicated they would not attend the March meeting. They are reluctant for domestic political reasons to appear to be cooperating with the Chilean military government, since it has been the subject of widespread criticism for its treatment of leftist political opponents.

It had appeared that the meeting would be held without these countries when West Germany decided to attend, but France, citing the boycott by most Common Market members of the Paris Club, called it off. A high French official has told the US ambassador that President Giscard did not want to risk criticism from the French left. Among those who would not have attended the meeting, only the UK is a major creditor of Chile.

Failure to get a new rescheduling agreement would delay Santiago's efforts to cope with severe balance-of-payments strains engendered by low copper prices. More than a half of Chile's expected balance-of-payments deficit this year is accounted for by the \$710 million due on its foreign debts. Santiago wants to reschedule a major portion of the \$565 million due to members of the Paris Club this year. Cancellation of the March meeting could lessen the chances of obtaining some of this relief.

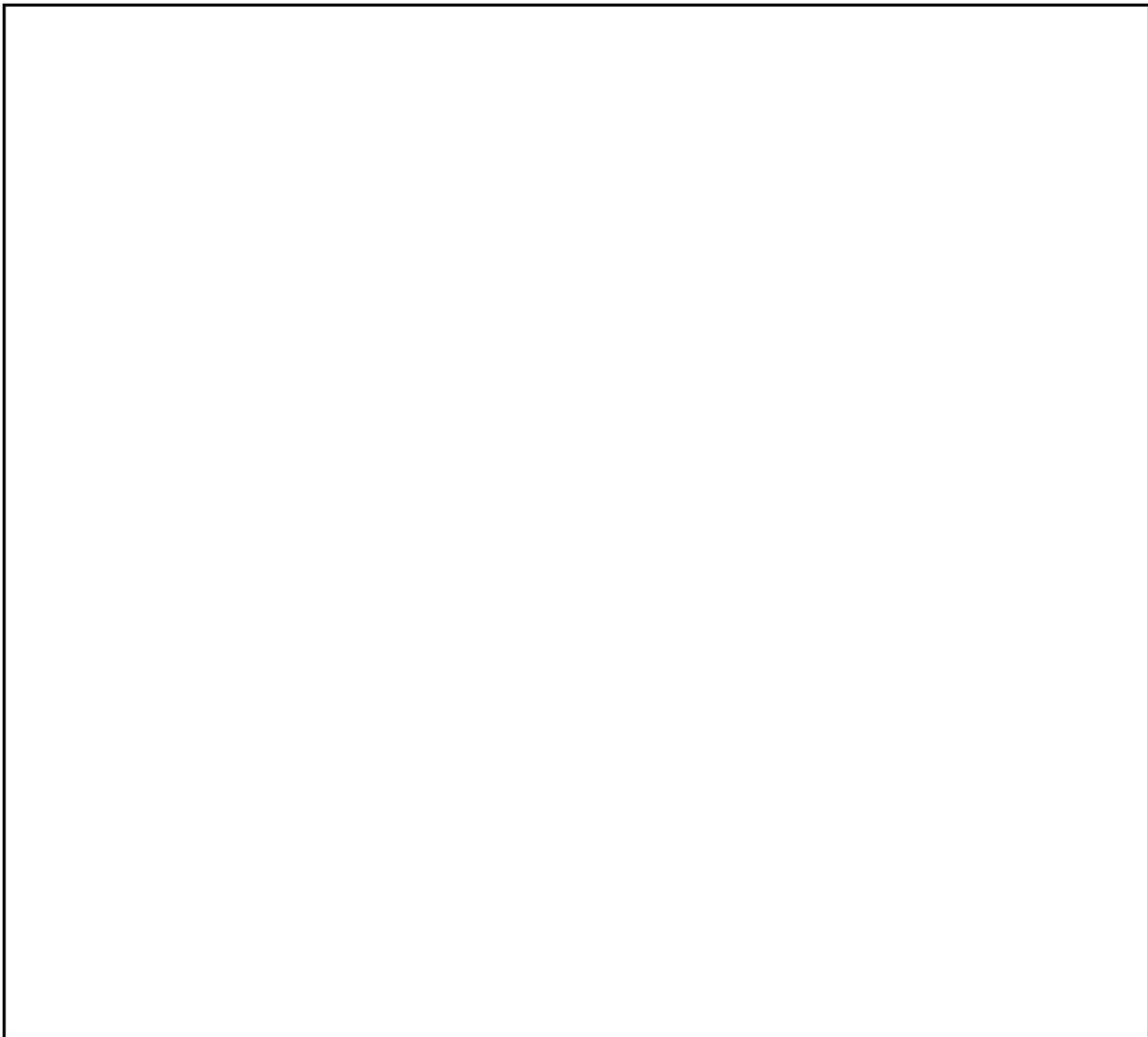
Cancellation would force Chile to try to renegotiate these debts bilaterally. In the meantime, Santiago might simply default on amounts due to countries unwilling--for political reasons--to discuss rescheduling. The government would resort to default reluctantly, given its strong desire to improve Chile's credit standing.

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The Paris Club postponement could provide ammunition for attacks by some developing countries on normal creditor-debtor relationships. Some favor linking debt repayment schedules with export earnings, so that sharp declines in earnings would trigger automatic reductions in debt service obligations.

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VENEZUELA-MEXICO

During their talks last week, Presidents Echeverria of Mexico and Perez of Venezuela called for a meeting of Latin heads of state to create an exclusively Latin American economic organization. One press report said the meeting was to take place before May.

The purpose of the proposed grouping, to be known as the Latin American Economic System, is to stimulate regional economic development. The cosponsors assert that it will not duplicate or replace similar organizations already operating in the region. Among its broad aims are to:

- promote economic development projects;
- encourage Latin American multinational enterprises;
- defend prices and ensure markets for raw materials and manufactured goods;
- improve the supply of food in the region;
- promote scientific and technical cooperation; and
- promote arrangements with other regional organizations, especially those in the Third World.

Many governments will probably accept an invitation to join, but old rivalries, differing national interests, and a concern that the organization might lead to conflict with the US will temper their commitments. Moreover, many hemisphere governments do not yet fully understand exactly how the new organization would accomplish its goals, or what their role in the group would be.

While in Mexico, President Perez played upon several familiar themes: the need for Latin American unity; conservation of raw material resources, particularly petroleum; and better terms of trade for Latin exports to the US and other industrialized countries.

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In one emotional speech, commemorating the 37th anniversary of Mexico's expropriation of foreign oil companies, Perez took several thinly veiled swipes at the US. The tone of his remarks, which surprised even his Mexican hosts, apparently was intended primarily for political effect at home, but they were meant to bolster his claim to Latin American leadership of the less developed countries.

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MALAGASY REPUBLIC

The chairman of the country's 18-member ruling military directory, General Andriamahazo, has urgently requested the US to sell his country small arms and ammunition. He and his directory colleagues are concerned for their personal safety and anticipate violence during the trials--which began Friday--of police personnel and civilian politicians accused of involvement in the uprising last month.

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The arms requested would strengthen General Andriamahazo's hand in dealing with youthful radicals on the military directory who are pressing for the removal of the NASA tracking station near Tananarive unless the US agrees to pay a much higher rent for it.

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FOR THE RECORD

Hungary: The Hungarian party congress that ended on Saturday reaffirmed the leadership and moderate policies of party chief Janos Kadar. Lajos Feher and Rezso Nyers, advocates of economic reform who lost political ground a year ago, were removed from the Politburo, as was Gyula Kallai, a conservative who had a reputation for high living. The election of the four new Politburo members does not appear to alter the political balance in the top leadership. Speeches during the congress reiterated Budapest's moderate policies, but left little doubt that the regime is still committed to improving central economic controls and to increasing attention to ideology in the media and culture.

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