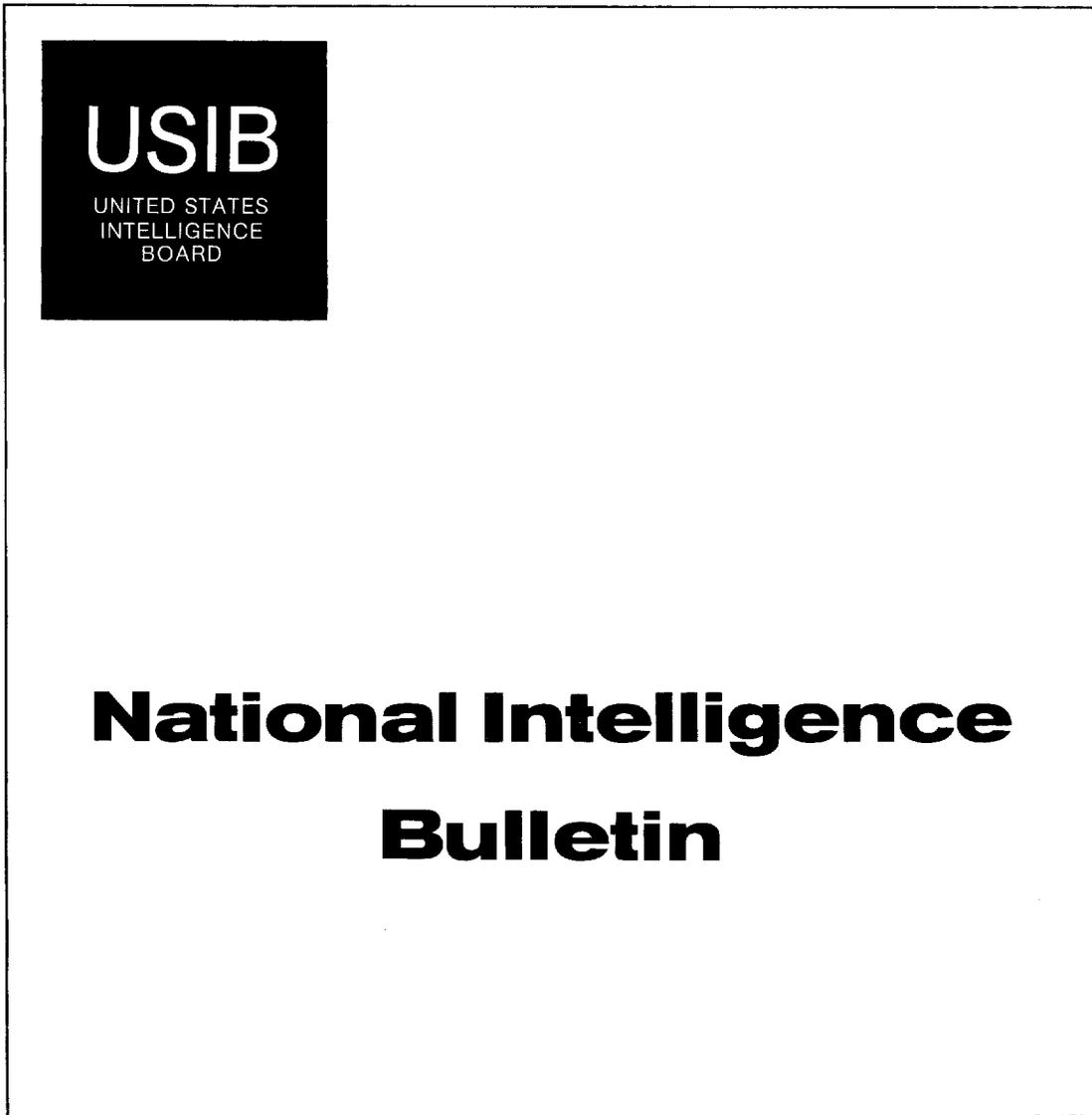


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LATE ITEM

SOUTH VIETNAM

President Thieu appears to be moving to thwart any move against him. This morning, he arrested a former adviser who has been identified with the Ky-Lam group and several other lesser figures.

Pressure for Thieu to resign is certain to grow.

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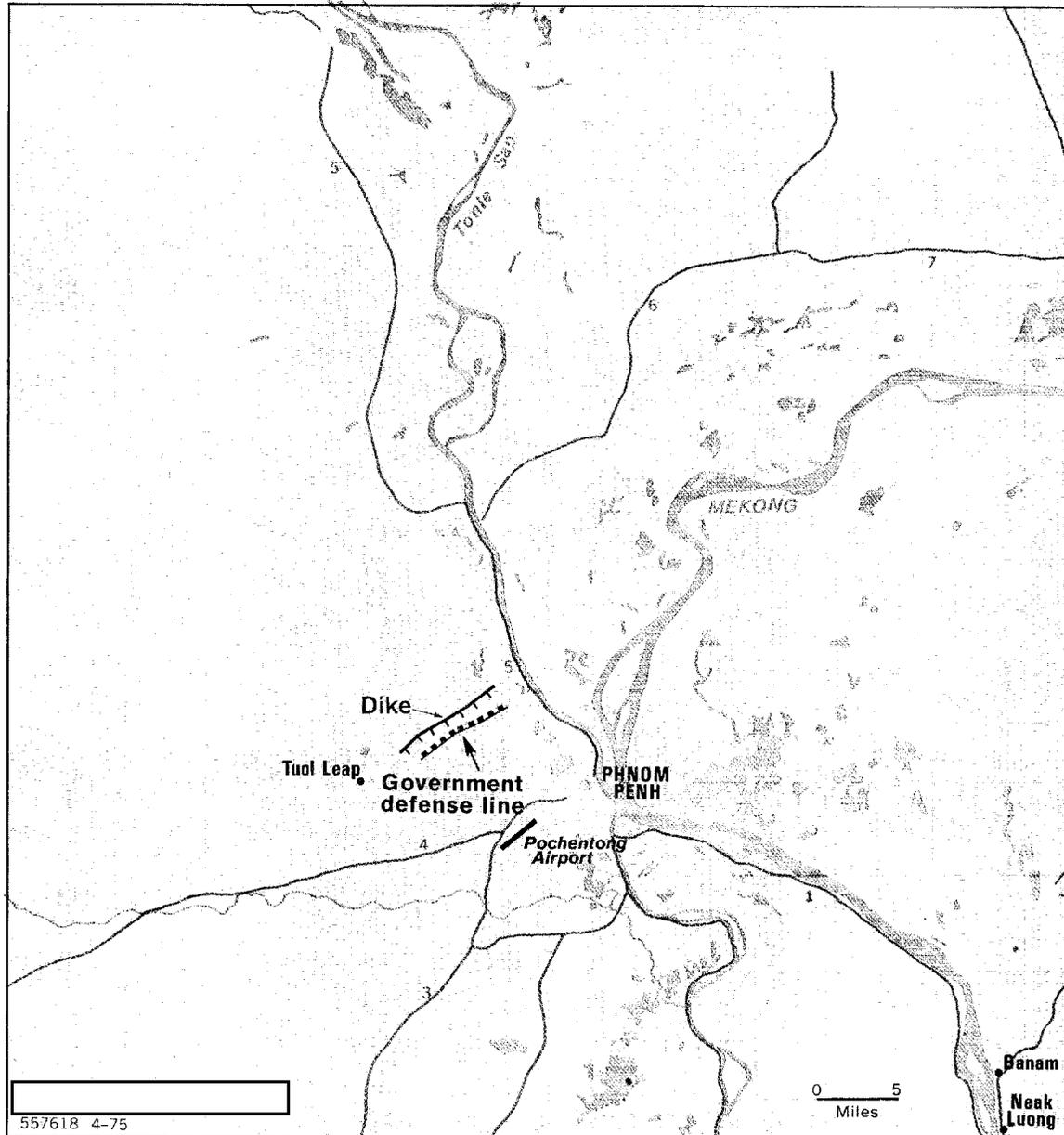
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CAMBODIA: Phnom Penh Area



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CAMBODIA

Khmer communist attacks late on Wednesday forced government units to abandon positions on the dike that has formed part of Phnom Penh's northern defenses. Counterattacking government troops yesterday regained some ground in this area but not the dike itself. Inconclusive fighting continued on most other battlefronts around the capital, including the newly threatened Bassac River front southeast of the city.



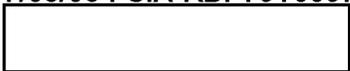
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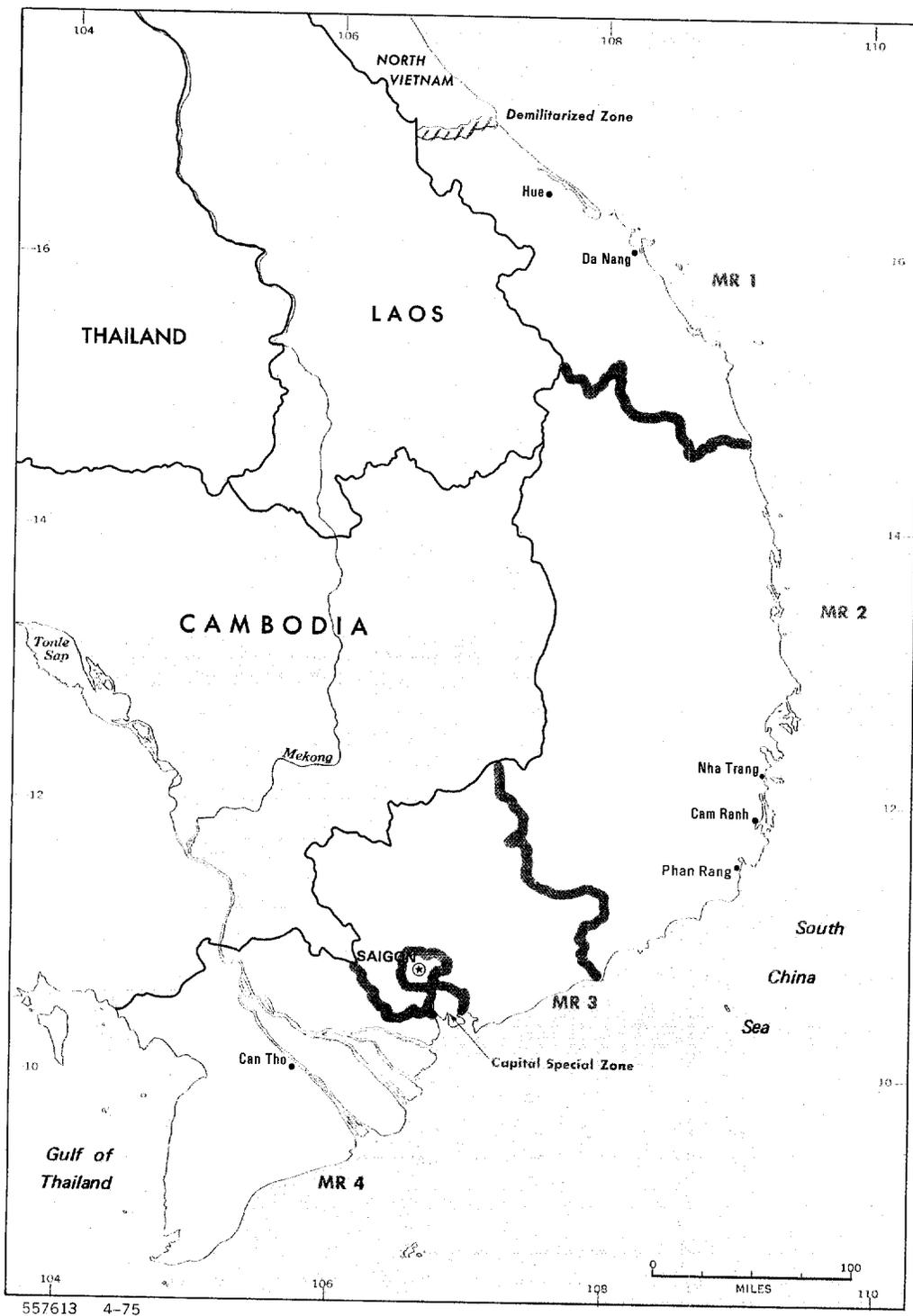
Communist gunners fired over 20 rockets at Pochentong Airport yesterday. US airlift operations were not affected, but two Khmer air force aircraft were destroyed. The air force's steady losses are being reflected in a much reduced level of tactical sorties and in declining morale.

Even if the airport remains open, funding for ammunition and airlift flights themselves will be exhausted shortly after midmonth. Ammunition stocks in Phnom Penh will not last through the month and certain types of ammunition will begin running out in two weeks.



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SOUTH VIETNAM

Maneuvering to arrange the ouster of President Thieu, spearheaded by Senate president Tran Van Lam and former vice president Ky, is under way, but there is no sign yet the President is ready to step down.

Thieu earlier had requested Lam to make proposals for reorganizing of the government. Lam, armed with a unanimous Senate vote expressing no confidence in Thieu and calling for a change in leadership, is moving far ahead of what Thieu had in mind.



Lam's plan has the support of Ky and some senior officers such as General Vien, the chairman of the Joint General Staff. A major question, however, is whether Ky can command support among senior troop commanders, who would have to back a move against Thieu if it is to be successful. Ky, himself, does not appear to be totally confident on this score. In a conversation yesterday with an American official, Ky maintained that Thieu is not likely to step down voluntarily and that his removal will occur only after strong pressure is brought to bear from the South Vietnamese military or from the US.

There have been no further serious setbacks for the South Vietnamese in the past 24 hours, but small-scale communist attacks have been increasing in both the provinces near Saigon and in the delta. Although action in the delta has been low in intensity, much of it is concentrated on the outer defenses of Can Tho City and adjacent military complexes which regional officials believe to be priority targets for the communists.

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Saigon, meanwhile, is taking some steps designed to shore up the combat effectiveness and morale of the armed forces. A nine-point program has been prepared by the Joint General Staff and may soon be implemented. Among the steps to be taken is the reorganization of all ranger groups into three infantry divisions, the reassembling of armor units for the general reserve, the integration of all territorial forces into the army, and reformation of units that have been evacuated from the northern provinces.

In Military Region 2, the North Vietnamese still have not occupied Nha Trang in force and some remnants of government units remained at Cam Ranh airport as of late Wednesday. Several hundred marines, airborne troops, and remnants of other army units have been filtering down to Phan Rang and are assembling on the town's airstrip.

North Vietnamese helicopters have been noted flying into Hue and Da Nang during the past few days.

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[REDACTED] It is likely that North Vietnamese civil cadre are being rushed in to cope with the numerous problems of organizing the civilian administration.

The Viet Cong broadcast a statement today outlining a ten-point policy toward newly occupied areas, which suggests that the communists hope to keep much of the former South Vietnamese government apparatus intact until a communist administration can be organized. It appeals to former government cadre to stay in their positions and for government troops to join the "liberation." In addition, it said that all property of the South Vietnamese government would be managed by the Viet Cong, but that private enterprise would be allowed to continue.

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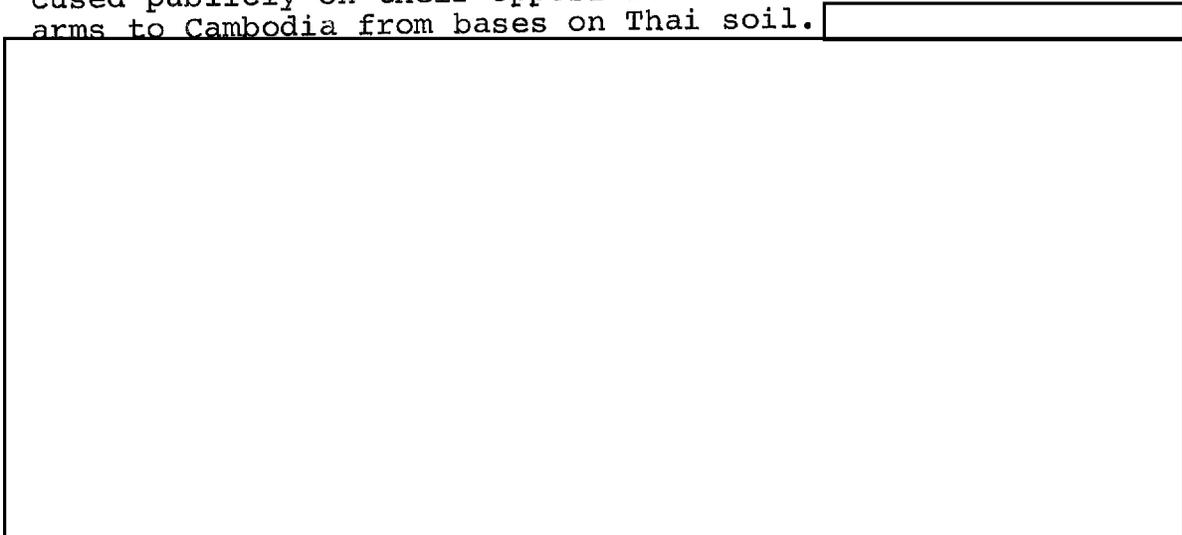
THAILAND

Recent events in Indochina are likely to have a greater impact on Thailand than on most other countries in Southeast Asia. Although the Thai do not believe that a communist take-over in Cambodia and Vietnam would pose an immediate threat to their own security, they are concerned over the long run implications of having potentially hostile neighbors along their eastern border.

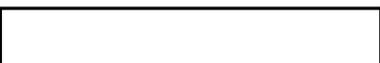
This concern will be most visible in the conduct of Thai foreign policy. Foreign Minister Chatchai has said that Thailand will have to accommodate itself to changes in the region. The adjustments are likely to include sharply accelerating Thailand's efforts to move away from identification with US policy in Indochina, a process that began several years ago, and exploring alternatives to its long reliance on the US for its security.

Khukrit Pramot's government, in office less than two weeks, has already signaled its intent to dissociate itself from US Indochina policies. Convinced that Phnom Penh's collapse is inevitable, Thai officials have focused publicly on their opposition to the US airlift of arms to Cambodia from bases on Thai soil.

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The Indochina situation will probably cause the Thai to double efforts they are already making to improve relations with their communist neighbors. It could lead them to push ahead their timetable on recognition of Peking.

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Even without the collapse of Indochina, US interests in Thailand will be certain to come under scrutiny by Bangkok in the months ahead. The Khukrit government is already on record as favoring the withdrawal of all US forces from Thailand within one year. Here again, Khukrit and Chatchai have indicated to US officials that the government's private position is more flexible than its public position, but this may not prove to be the case when the impact of the situation in Indochina sinks in.

Given the increased influence in Thailand's new parliamentary system of younger, well-educated politicians who resent the extraordinary influence that the US has long exerted in Thailand, it would be difficult for Khukrit or any elected government to defend an indefinite presence of US forces in Thailand. The Thai military, who have been the staunchest defenders of the US



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presence, have been expressing their disappointment in recent days that Thai-based US aircraft have not been sent into action over Indochina. Having long identified these aircraft with the US security commitment to Thailand, they may now begin to question the utility of keeping the US bases.

There is little reason to believe, however, that a communist take-over in Indochina will cause the Thai to seek a complete reversal of their long-standing close relations with the US. The Thai continue to see even a limited US presence and involvement with Southeast Asia as a useful counterbalance to the interests of Moscow, Peking, and Hanoi. While the Thai have probably passed the point at which they would again uncritically support US policy interests in Asia, they still harbor immense goodwill toward the US. However much the Thai may now discount the value of the US security commitment to Thailand, they will still look to the US for basic support for their armed forces, especially as a supplier of badly needed spare parts and other forms of assistance.

One of the strongest advocates of striking out for new approaches in foreign policy is Foreign Minister Chatchai, whose initiatives are frequently influenced by his personal ambitions for higher political office. Chatchai, while essentially a conservative, tends to say or do whatever he thinks will most enhance his political stature, and he currently seems convinced that moving away from the US is good politics. He has strongly advocated early withdrawal of US forces primarily to gain a greater following in the National Assembly and not simply to remove one of the obstacles to better relations with Hanoi. Chatchai's grandstanding is likely to compound US problems of dealing with the Khukrit government in the months ahead.

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LAOS

Two developments closely identifying Lao King Savang with communist leader Souphanouvong could have an important bearing on Souphanouvong's eventual acceptability as a future prime minister.

A spokesman for the coalition cabinet recently announced that the King has accepted Souphanouvong's invitation to pay an official visit to the Pathet Lao zone this year and that His Majesty has also decided to be formally crowned no later than the end of 1976. Souphanouvong is to be in charge of arrangements for both the King's visit to Sam Neua, which may take place soon after the Lao New Year's festivities in mid-April, and for his coronation.

Timetables in Laos often slip but, if these decisions are carried out as announced, Souphanouvong's reputation as a national leader will be considerably enhanced and his claim to be Prime Minister Souvanna Phouma's ultimate successor significantly strengthened.

Since his accession to the throne in 1959, King Savang has maintained that he would be crowned only when Laos was unified under a single administration. His decision to proceed with the coronation represents a sharp break with the past, for the country clearly is not yet unified now and may be no more than marginally so by late 1976.

The 67-year-old King, however, may have come to view a coronation--with Pathet Lao involvement--as a means of ensuring the survival of the monarchy beyond his reign. He may also feel that a visit to Sam Neua would be a symbolic gesture welcoming the Pathet Lao as loyal subjects back into the national fold.

Little is known about the actual events that led to the King's recently announced decisions, but they probably evolved from lengthy discussions with Souphanouvong and Souvanna during the Prime Minister's extended convalescence in the royal capital of Luang Prabang.

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For his part, Souvanna probably relished the idea of involving the King--who is held in awe and respect by all Lao groups and factions--in potentially major steps toward national reconciliation.

There is no firm evidence that Souvanna is actively promoting his half-brother Souphanouvong as a successor. Souvanna, however, has consistently maintained that Souphanouvong is more of a Lao nationalist than a communist and that if Laos' third and possibly final coalition experiment is to have any chance of success, risks must be taken and compromises made to bring him and other so-called Pathet Lao moderates back into the nation's political mainstream. Moreover, recent battlefield developments in South Vietnam and Cambodia have apparently reinforced Souvanna's conviction that a policy of political accommodation with the Pathet Lao is the only alternative to the inevitable communist military take-overs which he believes await Laos' Indochinese neighbors.

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JAPAN

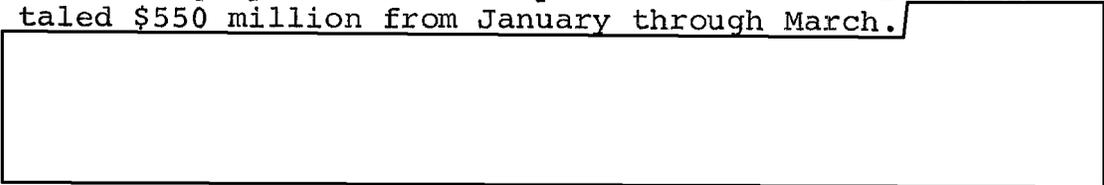
Tokyo is taking steps to reduce the movement of foreign capital into Japan. Its aim is to stabilize the yen exchange rate.

The Ministry of Finance last week ordered a 20-percent cut in loans from the Eurodollar market. Bond sales abroad, up sharply in the first quarter, will also be curtailed. Additional outflows will be encouraged by allowing more foreign lending by Japanese banks.

The yen had been relatively steady at about 300 to the dollar for several months, but it came under strong upward pressure in late January and peaked at 285 to the dollar in early March. The current rate is about 290 to one--an appreciation of more than 3 percent since January.

Tokyo's direct intervention in the market, totaling at least \$400 million in February and March, kept the rate from rising even more. Tokyo is hoping that tighter capital controls will make future intervention of this magnitude unnecessary.

The yen's strength reflects a combination of a much improved trade account and larger than expected long-term movements of capital from abroad. The seasonally adjusted trade surplus last quarter alone exceeded the \$1.6 billion recorded in all of 1974. Long-term capital, traditionally a deficit item, showed a large surplus in February. In recent months, gains have reflected a sharp increase in foreign buying of Japanese securities. Net foreign purchases of Japanese stocks and bonds totaled \$550 million from January through March.



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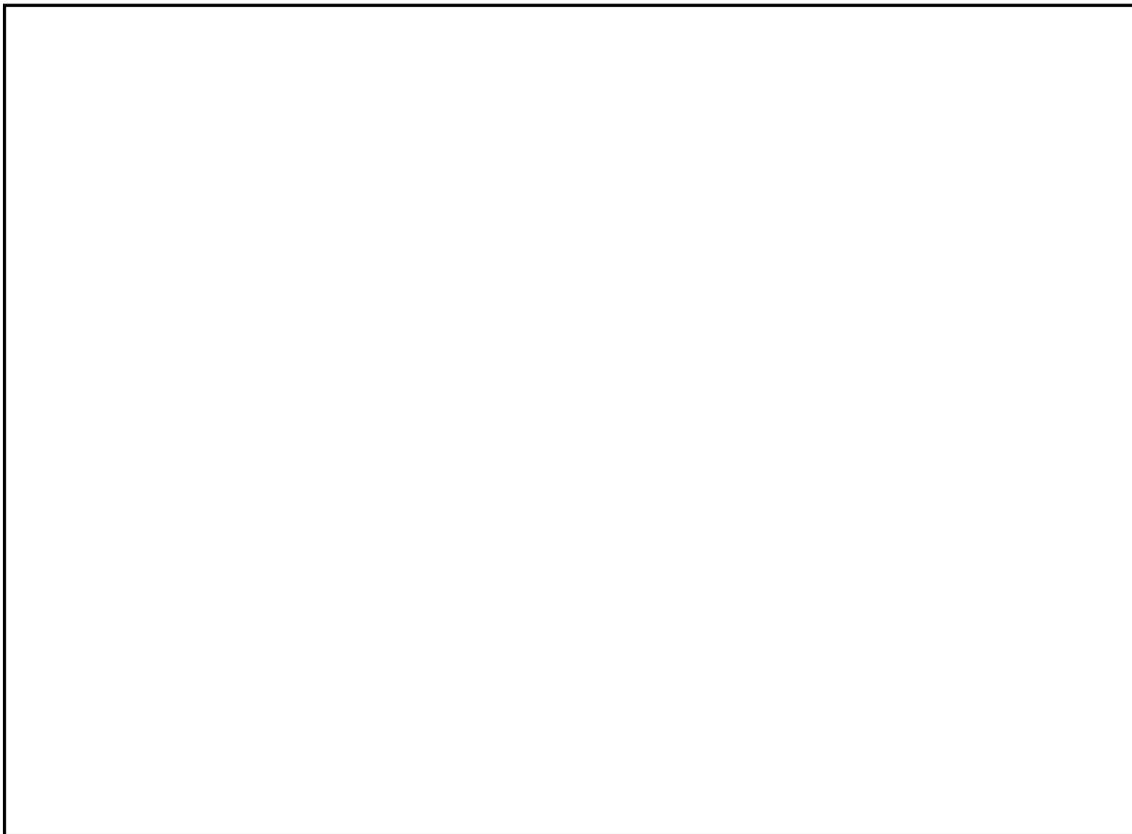
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TURKEY-GREECE

The likelihood of a serious incident in the Aegean is growing as Greece and Turkey appear increasingly willing to risk a confrontation to back up their "conflicting" claims in the area.

The US embassy in Athens was informed by the Greek government that two Turkish aircraft violated Greek airspace yesterday, while another 18 Turkish planes flew a patrol nearby. Greek aircraft on patrol in the area were ordered by higher authorities not to engage the Turkish planes. Antiaircraft batteries on the islands did open fire, but apparently were not effective.

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CYPRUS

Greek and Turkish Cypriot leaders have apparently agreed to resume their interrupted peace talks on April 25 in Vienna.

The initial press announcements did not state who would participate in the talks, but Rauf Denktash and Glafkos Clerides probably will at least open the negotiations. There has been a move to replace Denktash, who is now president of the recently proclaimed Turkish federated state of Cyprus, with an individual of lesser stature. This would suit Cypriot President Makarios, who would like to be able in turn to replace Clerides, whom he has criticized as too lenient a negotiator.

The Turks, who had previously balked at an active role for UN Secretary General Waldheim, finally agreed to his participation in the first week of the negotiations. This is a shorter period than the Greeks or Greek Cypriots wanted, but they probably agreed for want of a better alternative.

Greek Prime Minister Karamanlis remains anxious to get the Cyprus problem behind him and would probably be prepared to adopt a more flexible position if the Turks were willing to withdraw from some part of the area they now hold. The Greek Cypriots continue to hope that the cutoff of US military aid to Turkey will make the Turks more amenable to concessions.

Although there is a consensus in Ankara that territorial concessions are necessary, the US embassy in Nicosia reports indications that the Turks continue to move toward a de facto separation of the two communities on the island. The Turks have now settled virtually all of the migrants from the south in former Greek villages in the north and are in the process of making the north self-sufficient in such things as electrical power.

A Turkish Cypriot constitution--drafted in mainland Turkey--was completed on March 26 and has been forwarded to the Turkish Cypriot constituent assembly for approval.

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The draft constitution provides all the accoutrements of an independent state; the only concession to the Greek Cypriots is an admission that the constitution may be amended "when the constitution of the federal Republic of Cyprus is put into force." [REDACTED]

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PORTUGAL

Lisbon's political parties are to respond today to the Armed Forces Movement's proposals for a new constitution that will formalize military domination of the government for at least three to five years.

The details of the proposals, termed "guidelines for a transitional constitution," have not yet been released. The "guidelines" were drawn up by the Revolutionary Council, however, and almost certainly include a constitutional provision formalizing the Council's role as the principal policy-making body.

Negotiations between the Movement and the political parties on the military's future role in politics were suspended following the coup attempt on March 11. The Socialist and Popular Democratic parties may continue to oppose giving the military permanent political dominance, but it is highly unlikely that their opposition will sway the military from its decision to retain power. A military spokesman told reporters that no sanctions were foreseen against those parties that failed to ratify the pact.

In the meantime, the campaign for the election of the assembly that is charged with writing the constitution has proceeded with only minor incidents since its official opening on April 2. A revolutionary student organization allied with a recently banned extreme left-ist party charged that its headquarters had been attacked by the Communists. The Communist Party countered by charging that the students had besieged Communist offices, sending several party members to the hospital.

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YUGOSLAVIA

President Tito has denounced the Soviets for belittling Yugoslav resistance during World War II.

Speaking at a party meeting in Macedonia on Wednesday, Tito responded angrily to a recent article by the Warsaw Pact commander in chief, Marshal Yakubovsky, who claimed the USSR was responsible for the successful anti-Nazi resistance in Eastern Europe. Tito emphasized that his forces began fighting in 1941, but received no Soviet aid until late 1944. It would be a "disgrace," he added, if Moscow refuses to recognize the independent Yugoslav war effort that the West openly acknowledges.

The Yugoslav leader made very plain his annoyance with Yakubovsky's support of Bulgarian claims that they--with the Red Army--played the main role in liberating Yugoslavia. Tito reminded the Soviets that he allowed Bulgarians into Yugoslavia only at the insistence of Moscow and that the Bulgarian troops never fought a major battle.

For three months Belgrade has been inveighing against Bulgaria's "irredentist" intentions toward Yugoslav Macedonia. Any signs that the Soviets are backing Sofia--even such indirect support as Yakubovsky's insensitive jingoism--increase Yugoslav edginess.

Belgrade has other reasons to suspect Moscow's intentions.

[redacted] Belgrade shares Ceausescu's view that the Soviet party is becoming more rigid in its demands for conformity in preparations for the European Communist Conference. The two parties are jointly reviewing their options against the harder Soviet line. Belgrade has warned that, if pressed too hard by Moscow, it would refuse to attend. Romania could decide to boycott the conference, as it did the Karlovy Vary gathering in 1967.

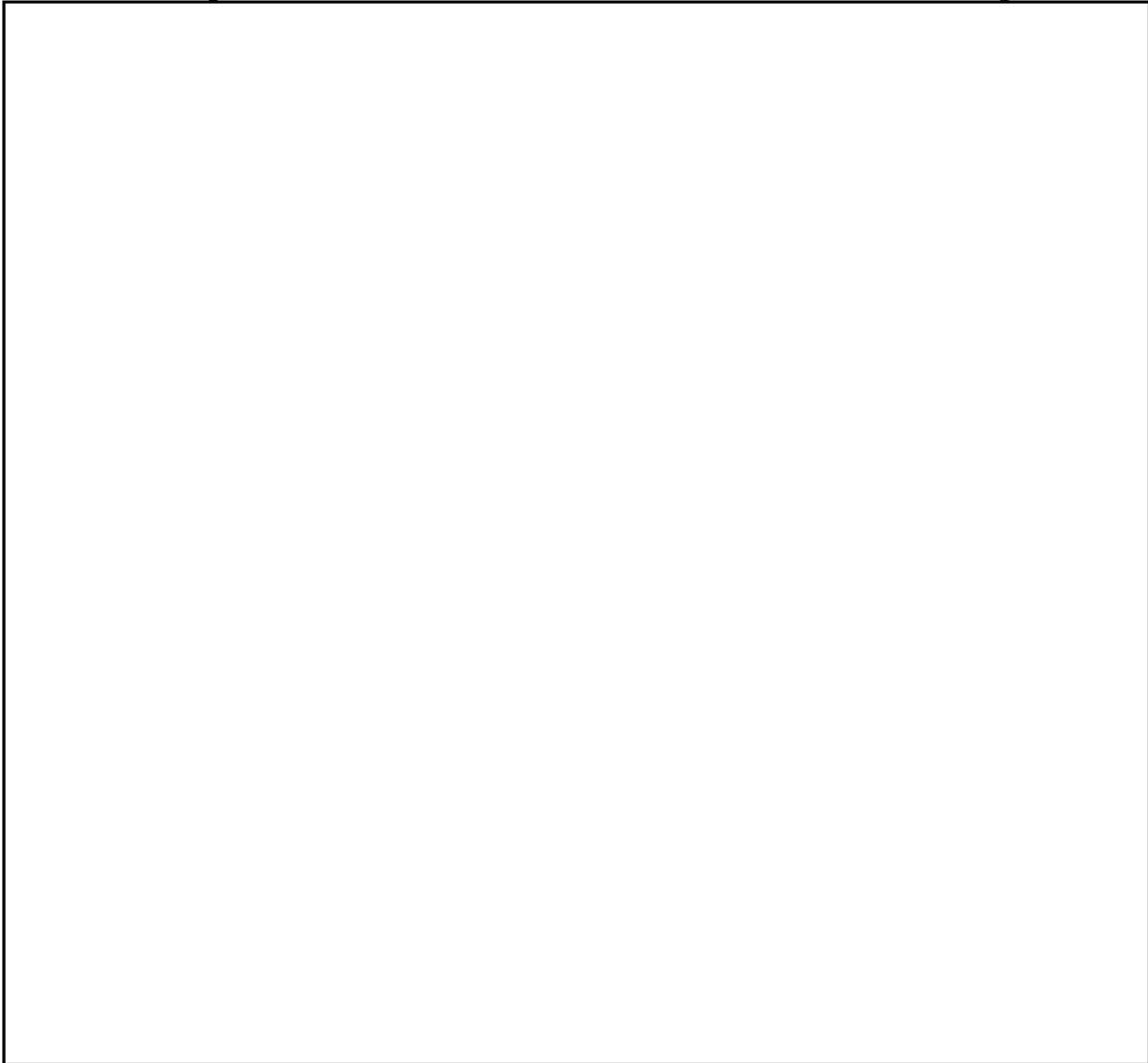
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Last fall, when the Soviet-aided "Cominformist" plot was exposed, Brezhnev was able to mollify Belgrade, and Tito eventually tried to protect his working relationship with the Soviet party secretary. Any Kremlin attempt to offset the effect of the Yakubovsky article will have to come before the celebrations in Moscow of the "victory over fascism" on May 9, when the Yugoslavs will be primed to correct the Soviet view of history.

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BRAZIL

Dissidence among senior military officers opposed to President Geisel's liberalization program is continuing.

Some opponents are apparently trying to rally support for their position by circulating anonymous pamphlets that attack Geisel's top adviser, General Golbery, whom they view as the chief architect of liberalization. The pamphlets--a traditional military method of gaining support--accuse Golbery and others associated with him of advocating policies that betray the goals of the 1964 revolution and play into the hands of the communists. A number of leading military conservatives are security specialists who feel that liberalization could embolden subversives. They also fear a diminution of their considerable influence in government if the program continues.

[REDACTED]

The top army commander in Sao Paulo, General d'Avila Melo, earlier this week denounced the efforts of liberals to investigate claims of torture and political prisoners. He denied, however, that "sectors of the army" oppose Geisel.

Thus far the dissident officers do not appear numerous or strong enough to wring a major concession--such as the sacking of Golbery. Indeed, they may be satisfied if the process is stopped where it is rather than demanding a reversal of liberalization. The government's seizure last Monday of a weekly political satire magazine, previously freed from censorship, may have been intended to placate the conservatives.

[REDACTED]

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ARGENTINA

President Peron is trying to soften the mood of confrontation that has developed between the Peronist labor movement and her government by agreeing to meet with key labor spokesmen today. The prospects for a successful outcome are not bright, at this stage, but a slowdown may be temporarily averted.

The influential Peronist newspaper Mayoria has billed the talks as possibly the last chance "to eliminate men and procedures which damage the government and distort the thought and programs of Juan Peron." Labor leaders will probably demand a larger share of power and changes in the cabinet, including removal of Social Welfare Minister Lopez Rega. Mrs. Peron's aloofness and reliance on Lopez Rega have angered labor, which is the backbone of the Peronist movement. Pressure has grown to the point where she can no longer ignore the powerful trade union organizations without risk of losing their support. There is no evidence, however, that Mrs. Peron will heed an ultimatum to get rid of Lopez Rega. If she does not at least placate labor with concessions in other areas, her political position will probably deteriorate further.

Aside from the agreement to talk, labor will expect some substantial concessions--particularly a large role in economic policy planning. Mrs. Peron's apparent unwillingness to sack Lopez Rega, however, could make it very difficult to reach an accommodation. Labor's views are widely shared by others--the military, opposition parties, and many moderate Peronists, including cabinet members and the influential governor of Buenos Aires Province.

Mrs. Peron is holding meetings with representatives of other political parties in an effort to stem the rising tide of opposition to her government. Spokesmen for the President are promising a conciliatory approach on her part.

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RHODESIA

Prospects for a complete cancellation of settlement negotiations between Ian Smith's white regime and black Rhodesian nationalists have increased as a result of the ruling on Wednesday by a court in Salisbury that the government can legally detain without trial Ndabaningi Sithole, a major nationalist leader. The deepening impasse poses hard choices for South African Prime Minister Vorster and the leaders of four black states who have been collaborating for months in a joint effort to mediate a Rhodesian solution.

The Rhodesian tribunal declared that the government's rearrest of Sithole a month ago--he had been released from ten years confinement only last December--and his detention without trial were "fully warranted." The court did not rule on the accusation by Smith's aides when Sithole was arrested that he had plotted to kill rival leaders of the nationalists' umbrella African National Council. Instead, Sithole's detention was upheld on the basis on evidence--withheld from the public hearing before the tribunal last week--that he had encouraged terrorism by Rhodesian guerrillas and thus had undermined the truce agreement the Smith regime concluded with the nationalists last December.

The change in the government's approach was almost certainly dictated in part by a weak case against Sithole on the plotting accusation. The broader charge is probably also viewed as likely to elicit fuller support among Rhodesian whites for the action against Sithole. Smith apparently is unconcerned--indeed he may be glad--that the judicial decision makes more difficult a face-saving compromise between his regime and Sithole's colleagues in the council who have vowed not to resume even preliminary talks with Smith until Sithole is freed or tried publicly.

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Vorster is surely highly displeased by Smith's apparent determination to keep Sithole under detention.

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[redacted] Vorster must either bring more effective pressure to bear on Salisbury--he has potential economic leverage in addition to the withdrawal of South African police units from Rhodesia, which is already well advanced--or risk seeing his policy of detente with black Africa go down the drain.

The African mediators, who have similarly invested their prestige in the settlement attempt, had counted on Vorster to prevail on Smith to resolve the Sithole case satisfactorily. Publicly, they have backed the position of the Rhodesian nationalists on the issue and implied that their countries--Zambia, Tanzania, Botswana, and soon-to-be-independent Mozambique--would support full-scale guerrilla warfare if Smith scuttled settlement negotiations.

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Last week, Zambia's President Kaunda risked additional African criticism when he rounded up many Zambian-based Rhodesian insurgent leaders who had been involved in bloody inter-tribal feuding. If Kaunda has also effectively clamped down on the insurgents' bases in Zambia, he may be in a position to forestall an early resurgence of guerrilla attacks in the wake of the Sithole decision. On the other hand, the Zambian leader may find it politically untenable to stand against the new African pressures to turn up the insurgency that the decision is sure to generate. Criticism of his policy may crystallize at the Organization of African Unity foreign ministers' meeting in Tanzania next week.

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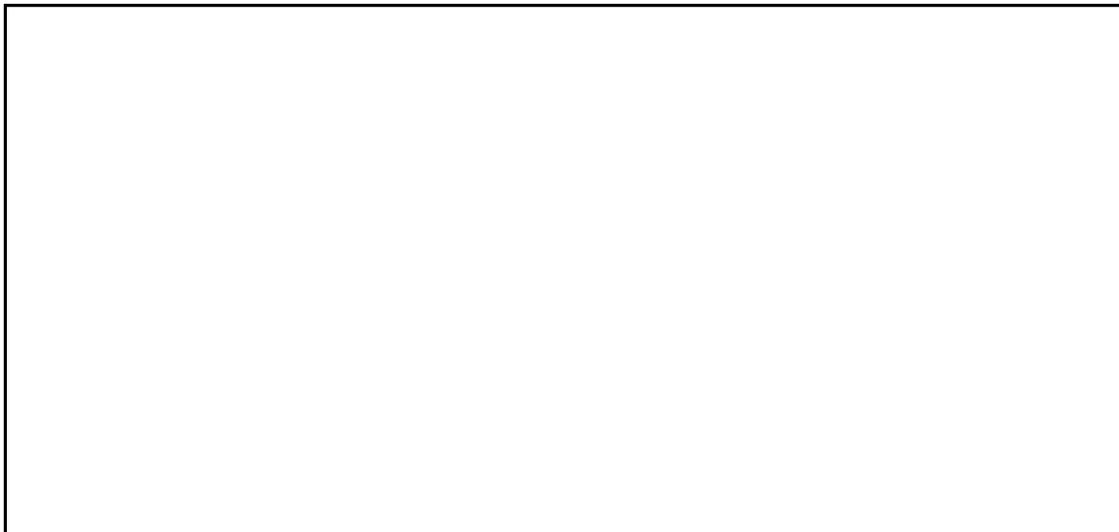
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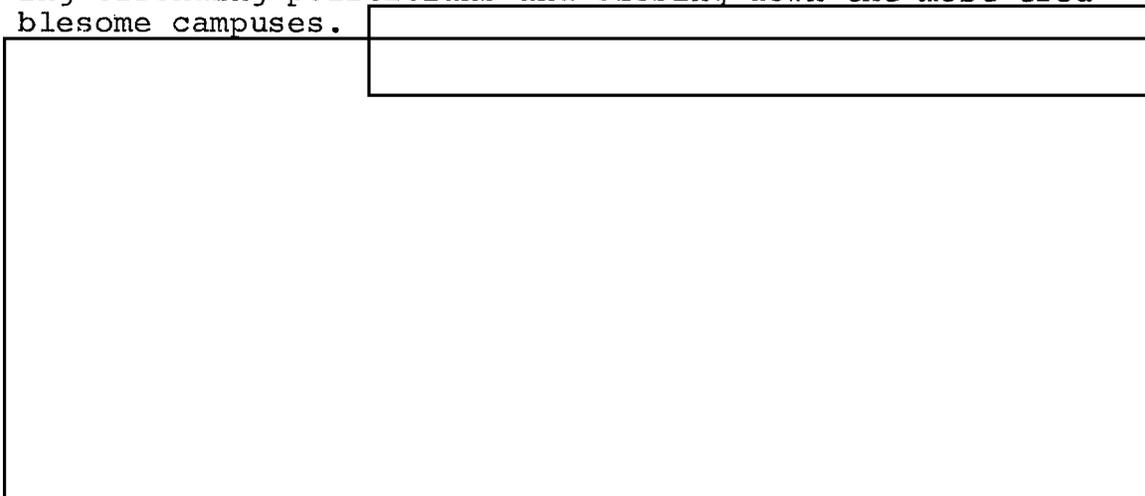
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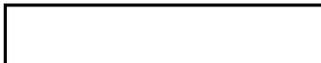
South Korea: Anti-government demonstrations by some 5,000 university students spilled into the streets of Seoul yesterday and were contained by riot police only after numerous injuries to both sides. In Pusan, over a thousand members of the principal opposition party clashed with police trying to stop their protest march. South Korea is in another of its familiar cycles of protest and repression. The Pak government does not appear to be considering any marked departure from past practice, and first reactions will probably focus on arresting offending politicians and closing down the most troublesome campuses.

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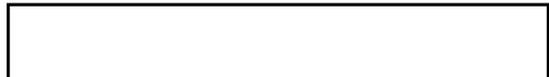
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