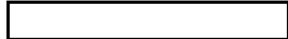


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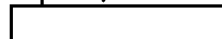


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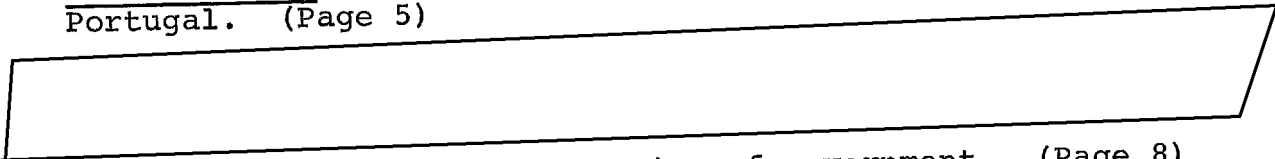
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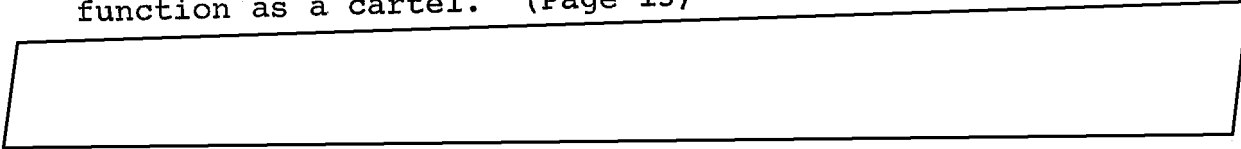
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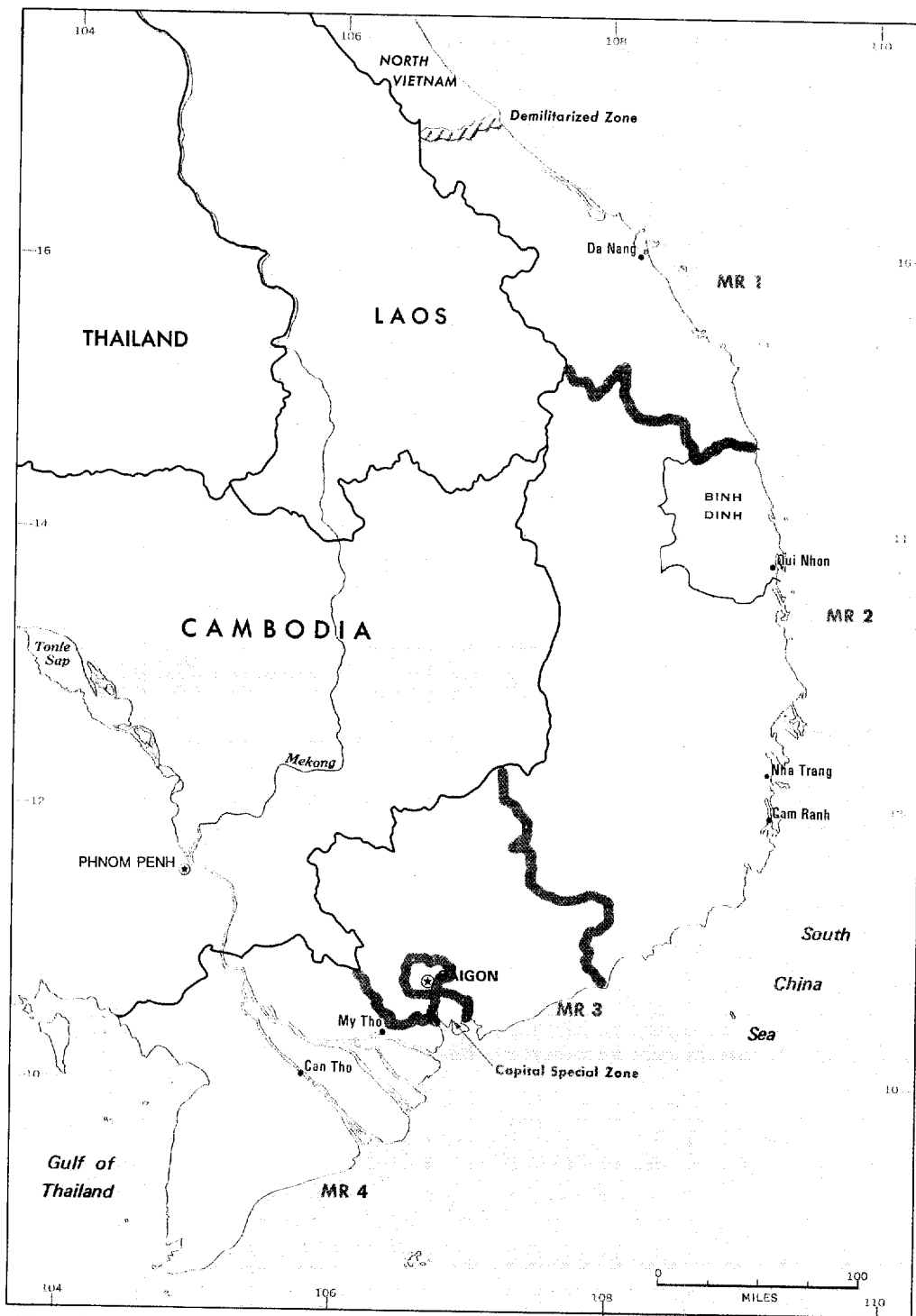
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VIETNAM

The Vietnamese communists are pressing their drive southward along South Vietnam's central coast.

Qui Nhon reportedly was abandoned by government forces last night. The South Vietnamese 22nd Division, which had been defending the city, was all but shattered in heavy fighting. The government's territorial forces in the Qui Nhon area appear to have heeded communist calls for an uprising and joined in attacks on the 22nd Division.

Near Nha Trang, an airborne brigade also has taken heavy losses and has been forced to pull back. Government units will probably be able to offer little more than token resistance against further communist advances. Although about 9,000 members of the marine division are now at Cam Ranh, it is doubtful whether they can be re-organized in time to come to the rescue of Nha Trang. Some troops have deserted from Cam Ranh, taking their weapons with them to Nha Trang, where they are adding to the panic and confusion, as armed stragglers did in Da Nang.

Government forces in Military Region 2 have lost all twelve 175-mm. guns in the region, all fifty four M-48 tanks, and well over half of the fifty four 155-mm. guns. Although some attempts were made to destroy ammunition and fuel stocks in abandoned bases, large quantities remain intact and are now in communist hands.

Regional commanders in the delta are expecting strong communist attacks against Can Tho and My Tho cities to begin at any time. These commanders have been trying to spur their regular units into preemptive action against communist formations moving into place for the anticipated attacks, but without much success. Other communist attacks are expected near the Cambodian border as part of an effort to spread government forces thin.

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Even if major attacks against the cities are slow to develop, the communists appear to have the major South Vietnamese units on the defensive, and they are likely to make territorial gains where government forces are the weakest.

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CAMBODIA

Cambodian army units have shored up the defense line north of Phnom Penh's Pochentong Airport, reducing the threat of a communist ground penetration toward the airfield. In order to do so, however, government commanders have suspended the operation to retake Tuol Leap and to eliminate insurgent artillery and rocket sites in the area.

Nearly 40 rockets struck around Pochentong yesterday, but the airlift continued at a near record pace. Several rockets also hit near the US embassy in the southeastern section of Phnom Penh, but there was no significant damage. The Japanese and Thai embassies in Phnom Penh plan to close down later this week, and the South Vietnamese embassy has asked for space for its personnel aboard US airlift flights returning to Saigon.

\* \* \* \*

President Lon Nol departed from Pochentong Airport today. Prince Sihanouk told newsmen in Peking yesterday that Lon Nol's departure would not alter his or the Khmer communists' opposition to negotiations. Sihanouk reportedly said that Lon Nol was leaving "under pressure from the US" and that the move was a "trap" into which neither he nor the communists would fall. The Prince predicted a "100-percent" victory for the insurgents.

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USSR-US

The US-USSR Joint Commercial Commission will meet in Moscow on April 10 for the first time since the demise of the 1972 trade agreement at the beginning of this year. The embassy suggests--and we agree--that the Soviets will probably be more confident negotiators on this occasion than previously, acting on the conviction that their bargaining position vis-a-vis the US has improved considerably in recent months.

Moscow will argue that the US is now the chief beneficiary of bilateral trade, reversing the roles of earlier sessions in which the Soviets tacitly recognized that they had more to gain. The embassy points out that the Soviets see the US as being on the defensive because it failed to deliver on the terms of the trade agreement. 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.

Despite what the Soviets may regard as a stronger bargaining position, they remain keenly interested in expanded trade with the US. Politically, Moscow values bilateral commercial ties for their contribution to detente with the US; economically, the Soviets continue to regard the US as the preferred source of most capital goods and technology.



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USSR-PORTUGAL

Moscow is trying to strengthen its ties with Portuguese leaders, even at the risk of arousing West European suspicions of Soviet intentions in Portugal.

The Soviets gave unabashed front-page coverage to Portuguese Labor Minister Costa Martins, who was in Moscow last week for what would normally have been a routine visit. Costa Martins, who is a member of the ruling Armed Forces Movement, met for three hours with Soviet Premier Kosygin. The Soviet Premier, speaking "on behalf of the Soviet leadership," expressed solidarity with the Portuguese government and the Armed Forces Movement. Costa Martins subsequently told the press that Kosygin had promised that Soviet aid to Portugal would be forthcoming. Moscow has been notably reluctant to give the Portuguese, including Communist leader Cunhal, reason to believe that large doses of economic aid are a live possibility.

The aid question was probably one of the topics raised by Portuguese Communist Party Secretary Pato when he met with Soviet Party Secretary Katushev in Moscow last week. Pravda's account of this meeting gave little hint of how the talks went.

Moscow's public coverage of the abortive March 11 coup and its aftermath suggests that its qualms about Portugal are ebbing. Against this are reports circulating in Lisbon and elsewhere that the Soviets are still fearful that the Portuguese political situation is changing too quickly and that Moscow is doing what it can to counsel moderation. These reports help Moscow deal with expressions of concern it has received from the West Germans, the Italians, and others regarding Portugal.

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TURKEY

Suleyman Demirel took over the reins of government from Prime Minister Irmak yesterday. President Koruturk approved a 30-member coalition cabinet drawn from four rightist parties.

Demirel now has a maximum of one week to prepare a program for his government and to submit it to parliament for debate and a vote of confidence. Nine deputies from the Democratic Party announced last Friday that they would support Demirel, although press reports indicate that Demirel's chances have been damaged by four independent deputies' withdrawal of support. Even if Demirel fails to get a vote of confidence, however, he would stay on in a caretaker capacity until another government is formed.

Demirel's government is built on a shaky foundation. He has to depend on support from outside the coalition to give him a majority. The coalition is equally fragile, based primarily on the shared opposition of four rightist parties to former prime minister Ecevit and his left-of-center Republican People's Party.

The cabinet includes the leaders of the other three coalition parties. This includes National Salvation Party leader Erbakan, whose [redacted] behavior as Ecevit's coalition partner brought down the government last September, and Alparslan Turkes, leader of the extreme right-wing National Action Party, which claims to have 100,000 "commandos" at its disposal.

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The participation of these two parties poses serious problems for Demirel. Their inclusion in the government is likely to contribute to further political polarization in Turkey and raises the possibility of increased violence. The military, which forced Demirel out of office in 1971, when political violence threatened to get out of hand, will keep a close watch on developments.

No sharp turns are likely in Turkish policy, although there will be pressure on Demirel to harden the government's stance toward a Cyprus settlement. Demirel will

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have the support of Foreign Minister Ihsan Caglayangil and Defense Minister Ferit Melen, both of whom have served in these positions in previous governments.

Demirel has already announced that the "only solution on Cyprus is a two-zone federal system." He has called for an early resumption of US military assistance to Turkey. [REDACTED]

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IRAN-IRAQ

Iranian Prime Minister Hoveyda's three-day visit to Baghdad last week apparently went well. The final communiqué expressed mutual satisfaction with progress toward implementation of the Iranian-Iraqi accord signed in Algiers on March 6 and pledged both sides to work for closer cooperation in all areas.

According to an interview with Iraqi strongman Saddam Husayn Tikriti in a Tehran newspaper, cooperation may even extend to a collective security arrangement in the Persian Gulf. In the interview, published the day Hoveyda's visit ended, Saddam Husayn purportedly said that the Algiers agreement "foresaw" such a development.

The communiqué issued in both capitals, however, said only that the two sides "affirm that the region should be spared all foreign interference." This theme initially appeared in the Iranian press shortly after the accord was signed. There has been no official Iranian statement on the subject or comment on Saddam Husayn's alleged remarks.

The Shah has frequently indicated his desire to arrange closer security cooperation among Gulf countries, arguing that area security should be the responsibility of the littoral states. Up to now, he has excluded Baghdad from those with whom he has sought to cooperate.

The Shah has supported US naval activity in the Persian Gulf as a counter to Soviet naval access to Iraqi facilities. He considers Soviet influence in Iraq to be a threat to Iranian and Gulf security, and reducing that influence has been a principal foreign policy goal. The Shah may feel, however, that he has to make gestures to demonstrate that Iran is not a spokesman for US policy in the region if he intends to put pressure on Baghdad to reduce its ties to Moscow.

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Tehran and Baghdad, meanwhile, have concluded joint preparations to seal their border upon the expiration today of the cease-fire between Iraq and the Kurdish rebels announced on March 13.

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Beginning today, Iraqi Kurds--both civilians and fighting men--will no longer be allowed to take refuge in Iran.

Baghdad has, however, extended until April 30 the amnesty it has offered to Kurdish refugees in Iran who return to Iraq. Most of the refugees, believed to number some 160,000 following the heavy inflow last month, fear harsh treatment at the hands of the Iraqis; few are expected to take advantage of the amnesty.

The Iraqi army is expected to waste no time in resuming its offensive against pockets of remaining rebels that was halted when the cease-fire took effect.

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## Share of Prospective Association Members in World Iron Ore Production and Exports

	<b>Production</b>	<b>Percent</b>	<b>Exports</b>
<b>Total</b>	<b>38.8</b>		<b>74.2</b>
<b>LDCs</b>	<b>19.8</b>		<b>39.4</b>
Brazil	5.3		9.1
India	4.2		6.9
Liberia	2.8		6.3
Venezuela	2.4		5.4
Peru	1.6		2.8
Chile	1.1		2.8
Mauritania	1.1		2.8
Algeria	0.4		0.9
Swaziland	0.4		0.9
Philippines	0.2		0.6
Sierra Leone	0.2		0.6
Tunisia	0.1		0.3
<b>Developed countries</b>	<b>19.0</b>		<b>34.8</b>
Australia	9.3		16.8
Canada	5.4		9.5
Sweden	4.3		8.5

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INTERNATIONAL COMMODITIES

An association of iron ore exporters will be established at a ministerial-level meeting that opens today in Geneva. The organization will have no authority to establish prices or production quotas, but most of its developing country members will try to push it in that direction.

Their chances of transforming the association into an effective cartel are slim. Canada has already decided not to join the association. Australia, Sweden, and Brazil, other prospective members, also oppose the formation of a cartel. Together, these four countries account for 44 percent of world iron ore exports.

The objectives of the association, agreed upon at a preparatory meeting last January in New Delhi, are to:

- promote close cooperation among iron ore exporting countries and ensure orderly growth of the export trade in iron ore;
- assist member countries to improve their iron ore export earnings;
- encourage domestic processing of iron ore, including production of iron and steel;
- provide a forum for the exchange of information.

The association probably will be based in London, have a permanent board and a secretariat, and arrange periodic ministerial-level meetings. Besides the initial 15 invitees, membership will be open to other nations that export iron ore or hold substantial ore reserves. Observer status apparently will not be permitted. The organization will be financed by equal contributions from member nations.



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Earlier efforts by India, Algeria, and Venezuela to set up a producers' cartel failed, largely because of the opposition of Australia and, to a lesser extent, that of Canada and Sweden. Brazil, the largest iron ore exporter among the developing countries, has been investing heavily to expand iron ore exports 60 percent by 1980 and does not want to be constrained by production quotas. The other 11 members do not have much market power, because they account for only 14 percent of iron ore output and 30 percent of iron ore exports.

Imports account for about 35 percent of US iron ore consumption, but no supply problems for the US are likely to result from establishment of the exporters' group. Canada supplies almost one half of US imports: Venezuela, 32 percent; and Brazil, 14 percent. Venezuela nationalized US-owned mines in January, but has assured the US of supplies; Caracas wishes, however, to boost prices by renegotiating long-term contracts.

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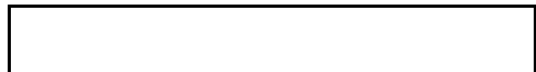
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