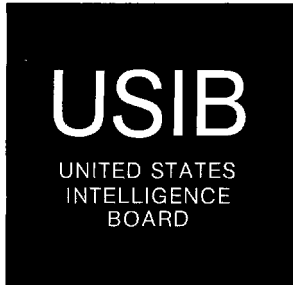


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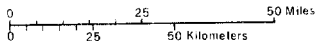
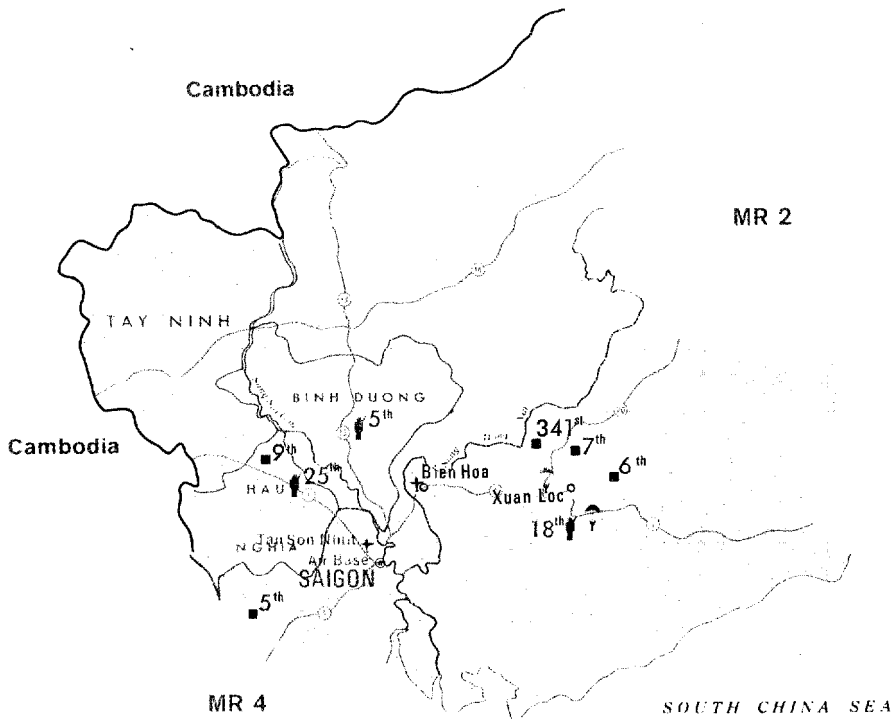
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Military Region 3

-  South Vietnamese Infantry Division
-  South Vietnamese Airborne Brigade
-  North Vietnamese Infantry Division



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SOUTH VIETNAM

South Vietnamese forces are expanding their holdings both east and west of Xuan Loc.

The government units attempting to open the road to Saigon are still meeting determined communist resistance, however, and their progress has been slow. Some of the civilians who fled from the city to the surrounding countryside are beginning to return.

Along South Vietnam's central coast, government airborne and ranger troops defending Phan Rang airbase came under heavy North Vietnamese armored attack early today. Phan Rang city, located about five miles southeast of the airbase and defended by territorial forces, was also reported to be under heavy attack. Unconfirmed press reports indicate that government forces have abandoned both the airbase and the city, and are being evacuated by South Vietnamese navy ships anchored off the coast.

Nearer Saigon, Bien Hoa airbase came under renewed heavy communist shelling and possible sapper attacks again early today. Press reports claim that the attacks have forced the airfield to be temporarily closed.

In the delta provinces, fighting has been fairly heavy in Vinh Long Province as the communists continue to threaten Route 4 north of Can Tho. The North Vietnamese 8th Division has been redeploying in preparation for its long-expected campaign to cut Route 4 in Dinh Tuong Province. If the 8th Division coordinates its attacks on Route 4 with the North Vietnamese 5th Division farther north in Long An Province, the South Vietnamese 7th Division will be hard pressed to keep this vital link to Saigon open.

The South Vietnamese have contained the communist drives east and southwest of Saigon, but may be leaving themselves dangerously vulnerable to heavy new attacks from the north.

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In an attempt to meet the communists head on and defeat them well away from the capital, the government has had to shift a large part of its reserves from Saigon to the Xuan Loc area. The South Vietnamese have reinforced the 18th Division here with two airborne brigades, several armored units, and a regiment from the 5th Division. In addition, two brigades of marines have been assigned defensive positions near Bien Hoa.

While the South Vietnamese stand at Xuan Loc provides a much needed morale boost, there is still danger that the reinforced South Vietnamese division there will be isolated and destroyed by the communists, who have more than three full divisions in the area. Even if the battle continues to go well for Saigon, it will continue to tie down a large force and leave the South Vietnamese with relatively few main-force units to defend other approaches to the capital.

At the moment, the government appears most vulnerable in the provinces north of Saigon. The South Vietnamese 25th Division is in Tay Ninh and Hau Nghia provinces, and the rest of the 5th Division is in Binh Duong Province. Those units appear to be a sufficient blocking force against existing communist units in the area, but at least six communist divisions, including four from North Vietnam, appear to be moving toward Military Region 3. Advance elements from two divisions--the 312th and the 320B--could already be in the area north of Saigon. All or most of the communist reinforcements could be in place and ready for action in a matter of weeks.

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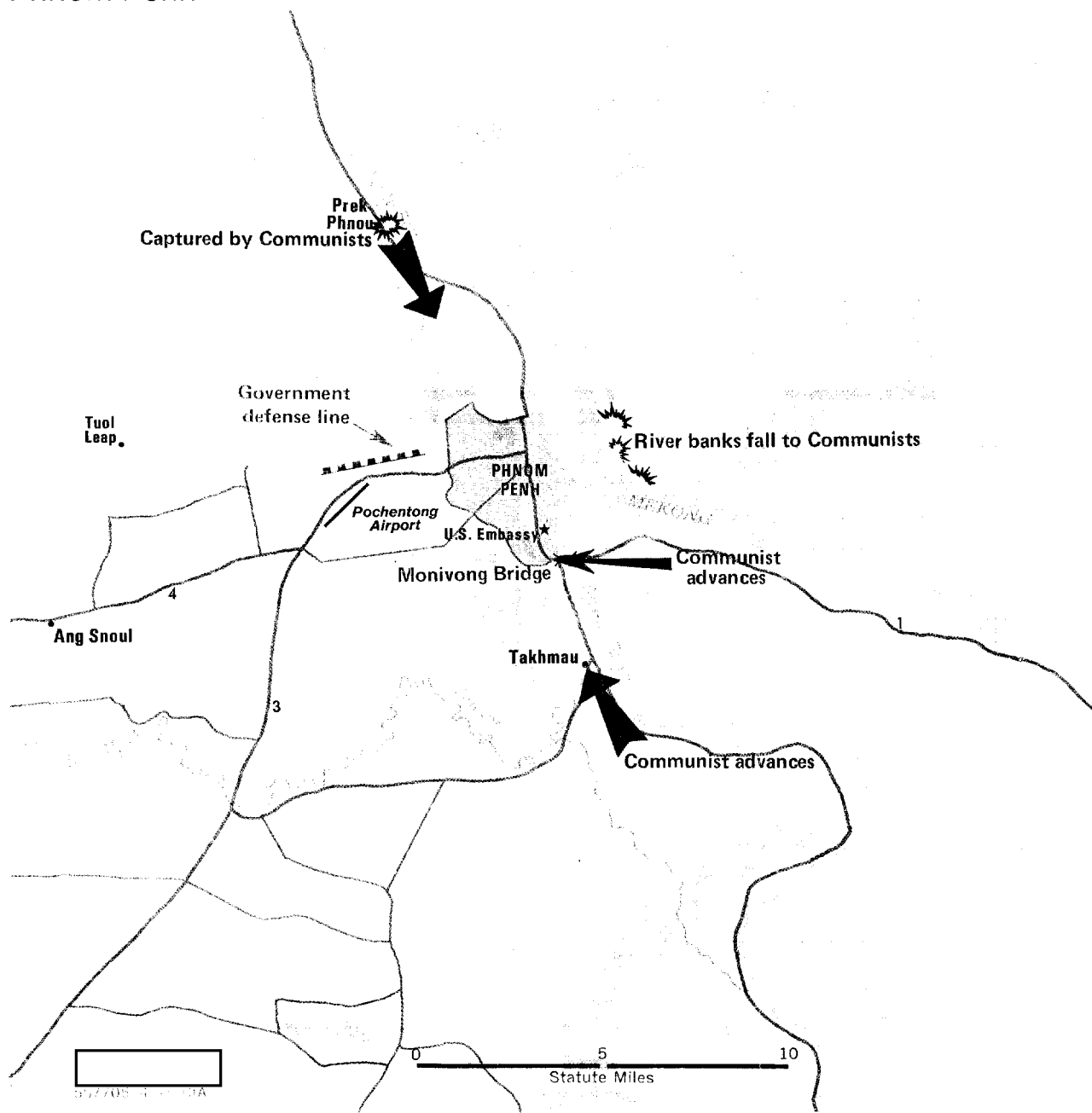
While there are no signs that any large communist force is moving into position for a direct assault, the communists do have the capability to sneak sappers into the city. Moreover, the recent shellings of Bien Hoa airbase suggest that the communists also now may be planning to shell the outskirts of Saigon and the Tan Son Nhut airbase with their heavy field guns. An offensive by newly arrived divisions north of Saigon, coupled with sapper attacks and shellings of the city itself, might lead to a rapid crumbling of the government's position.

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Phnom Penh



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CAMBODIA

Khmer communist units yesterday apparently reached the Monivong bridge leading into Phnom Penh and also penetrated the southern suburb of Takhmau.

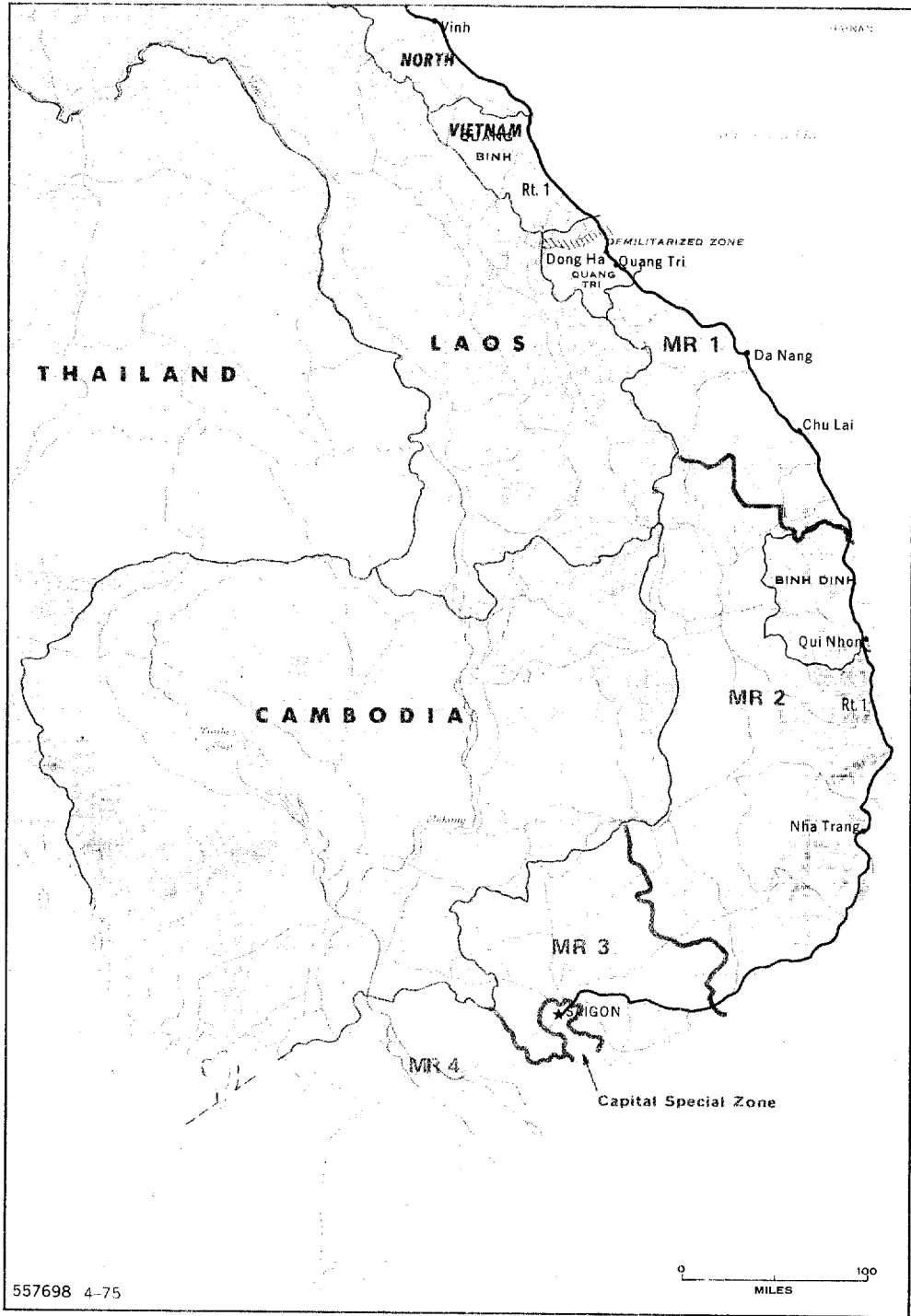
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In fighting west of Phnom Penh, battlelines around Pochentong airport appear to run roughly along the railway embankment less than a mile north of the airfield. Pochentong has reportedly been hit by machine gun and mortar fire, but the Khmer air force is apparently managing to fly some combat missions from a dirt strip just south of the airfield. On the Route 5 front, the communists have apparently destroyed or captured the military fuel depot at Prek Phnou. Most of the fuel had previously been removed to Phnom Penh.

Although Phnom Penh communications with the outside are beginning to break down, the domestic radio station in the capital remains on the air. Government officials continue to issue periodic reports on the military situation, going so far as to dispute "tendentious" and "misleading" claims by foreign journalists still in the city. Some military commanders have also been issuing orders to their units via radio broadcasts.

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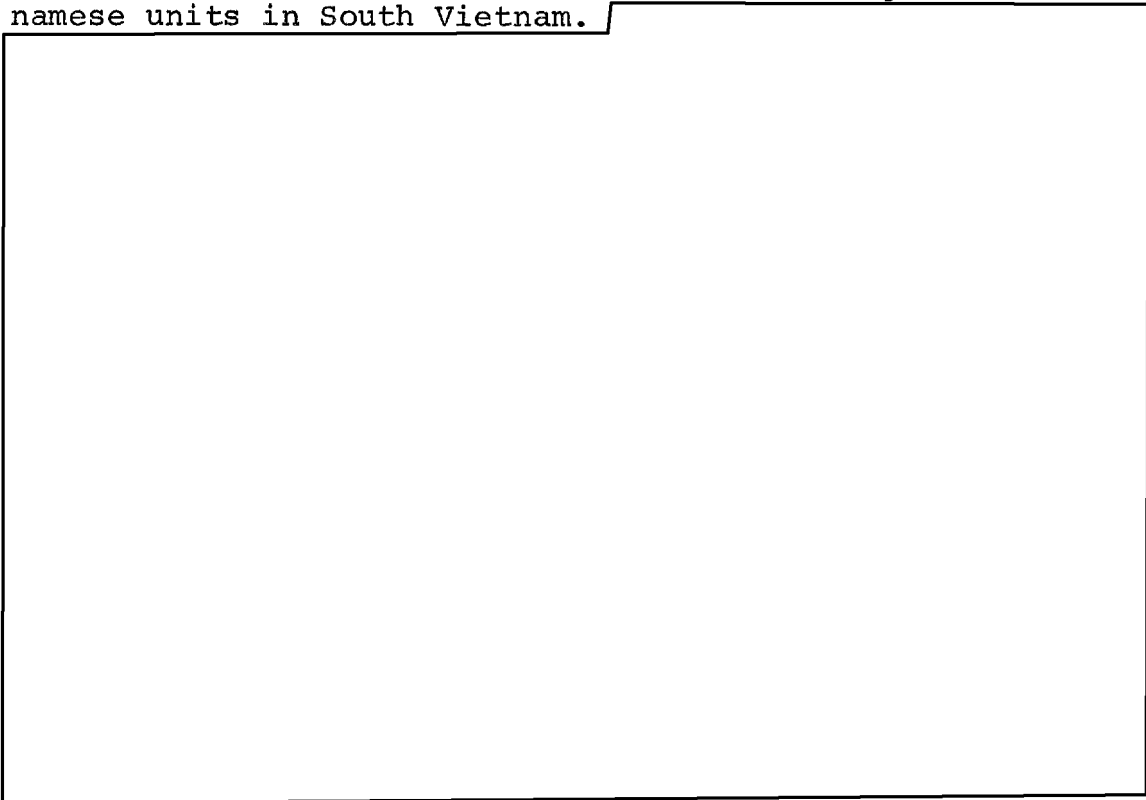
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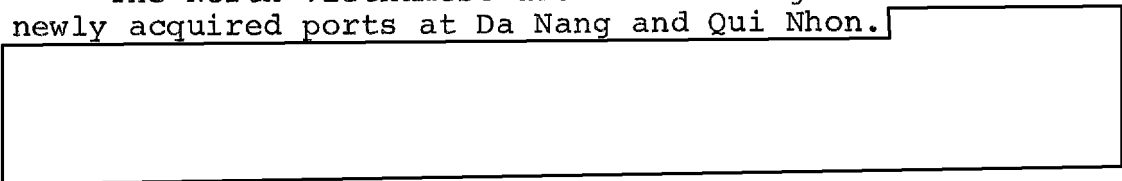
VIETNAM

Route 1, with its all-weather capability, will eventually become the major logistic route serving North Vietnamese units in South Vietnam.

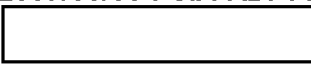
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The North Vietnamese are also making use of the two newly acquired ports at Da Nang and Qui Nhon.



Although Route 1 will assume growing importance, until necessary repairs are made and the associated rear service apparatus is established, most logistic activity will continue along the previously established southern Laos and western highlands logistic corridors.



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LAOS

After nine months of prodding from Prime Minister Souvanna Phouma and the Pathet Lao, Lao King Savang has finally dissolved the dormant, rightist-dominated National Assembly.

The King's decision represents a potentially significant political victory for the Pathet Lao and a sharp setback for the rightists. The communists successfully blocked the assembly from reconvening last May, and they have consistently maintained that, as a creature of the former Royal Lao Government, the assembly has no legal role to play in the coalition environment.

It is still unclear exactly what procedures will be followed in selecting a new legislative body, but the King has long insisted that the 1947 Lao constitution must be upheld. Article 33 of the constitution requires general elections for a new assembly within 90 days of an old one's dissolution, a formula the Pathet Lao have categorically rejected in the past. The communists will almost certainly remain opposed to early elections until they have had sufficient time to build up popular support in the non-communist zone.

Article 25 of the constitution, which confers upon the King authority to appoint representatives from both sides to a new assembly in the event "general" elections are not considered feasible, would probably be more to the Pathet Lao's liking. Ideally, however, the communists would almost certainly prefer to have the coalition's Joint National Political Council--which their leader Souphanouvong dominates--converted into a new assembly. It is still possible that such a scenario, which would place the Pathet Lao in a strong position to influence decisively the government's legislative machinery, may eventually come to pass.

The King's decision to dissolve the Assembly comes as a surprise, since it is contrary to the strong recommendations of his royal advisory council. It seems

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likely that Souvanna played the pivotal role in convincing the King, in the interests of national reconciliation, to take positive action on the highly charged issue. It is also possible that the King may have been intimidated by Pathet Lao threats to organize demonstrations against the throne and to block the royal budget unless a favorable decision on dissolution was soon forthcoming.

THAILAND

Internal bickering is already undermining the cohesiveness of Khukrit Pramot's month-old government. The issue concerns filling four cabinet-level positions that Prime Minister Khukrit had been holding open to entice political support from splinter groups. The conservatives in the coalition have proposed for the posts four candidates whose past histories of corruption make it difficult for Khukrit to accept them.

The current impasse underscores the fragility of the seven-party coalition government.

the leader of the largest conservative party, Thawit Klinprathum, has warned that he may withdraw the party's support for the coalition, which would cause the Khukrit government to collapse. It seems unlikely, however, that Thawit would seriously consider such a step without the tacit support of army commander Krit Siwara, who would have little to gain by helping to bring down the coalition at this stage. Thawit's gambit may be just an effort to force Khukrit to accept the conservatives' candidates for the empty posts as well as shuffle some of his own ministers in return for continued conservative support. If he can do so, Thawit would increase his own stature among the conservative parties, which would welcome any move to restrict the more liberal Khukrit's room for maneuver.

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LEBANON

Fighting between the fedayeen and the militia of the Phalanges Party continued in Beirut yesterday; three days of fighting have left at least 100 dead and hundreds wounded. There was also shooting in Sidon and Tripoli.

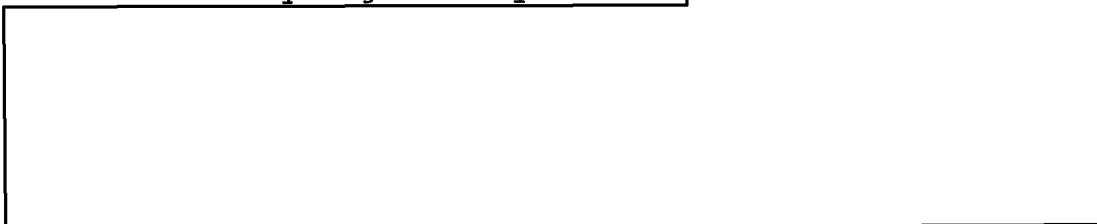
The Lebanese government is beginning to feel seriously threatened. President Franjiah, who is in the hospital recovering from major surgery and who seldom involves himself in disputes between the country's political parties and the Palestinians, met with the head of the Phalanges Party, Pierre Jumayyil.

Franjiah almost certainly appealed to Jumayyil to help halt the fighting lest it grow to the point that it jeopardizes Lebanon's delicate constitutional balance and what is, in effect, Christian control of the government.

The Lebanese cabinet has authorized Prime Minister Sulh to call on the country's 19,000-man army to help put down the dispute. For the moment, the Prime Minister is pursuing an intensive round of talks with political leaders seeking an end to the fighting.

Sulh believes that army involvement would sharply increase the risk that the major fedayeen groups would join the fighting in force. A small number of commandos from the less radical groups--Fatah, Saiqa, and the Popular Democratic Front for the Liberation of Palestine--have already entered the fray, although the bulk of the fighting has involved the smaller, more radical groups.

Palestine Liberation Organization chairman Yasir Arafat has stayed generally aloof.



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The Lebanese Prime Minister met with a Fatah official yesterday, probably to try to keep the Fatah out of the fighting. In addition, Lebanon's foreign minister has sent an envoy to Damascus to solicit Syria's help in quieting the Palestinians.

Sulh appears to be trying to arrange a cease-fire. He has shown no sign that he will step down and appears to have convinced two Socialist ministers to delay acting on their threat to resign.

The two have said they will stay on, but only if the government arrests the Phalangists responsible for the attack on a busload of Palestinians on April 13 that resulted in the deaths of 26 Palestinians.

Government security forces have raided some offices of the Phalanges Party and reportedly have arrested persons they said were responsible for the attack on the bus. Palestinians and leftist Lebanese Muslims will not be satisfied with this action; they are still demanding the dissolution of the Phalangist militia.

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ITALY

The leaders of Italy's three major labor confederations are meeting this week in an attempt to resolve their differences over whether eventually to form a single national labor organization. The strongest opposition is coming from union leaders who fear it would result in communist domination of the labor movement.

The three confederations--which represent about 40 percent of Italy's workers, including the strongest and most militant industrial unions--have made substantial progress toward unification in recent years. Most major labor actions are now coordinated through a loosely structured federation set up by the three groups in 1972. The federation, for example, handled the negotiations earlier this year that produced impressive worker benefits. It will guide the negotiations to renew important union contracts that expire late this year.

The discussions this week will center on whether to move beyond this loose arrangement to a complete merger of the three confederations. The strongest support for this comes from the largest of the three--the communist-dominated General Confederation of Italian Workers (CGIL). Communist union leaders are pushing a timetable that would within two years assure merger, a unified labor press, and a single union card. They also want proportional voting in the present federation--a step which would increase their already predominant influence.

The Christian Democratic - oriented Confederation of Trade Unions (CISL)--the second largest organization--is divided over the merger issue. The majority, inclined to press ahead, is constrained by an influential minority that fears the communists. The official Christian Democratic position is a straddle: support for merger provided that the unions can guarantee their autonomy from political parties.

The strongest opposition comes from the small Union of Italian Labor, a group of Social Democratic, Republican, and Socialist adherents who believe that labor

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unity has gone as far as it should. The union's leader claims to have support from elements of the Christian Democratic - oriented union for the formation of a new anti-communist labor organization. He says, moreover, that the US labor movement is prepared to back such a move financially.

Although none of the unions is completely controlled by the political parties, the connection between the merger issue and national political considerations is close. The communists, for example, view labor unity as another step toward party legitimization and eventual government participation. The Christian Democrats, in their campaign for the nationwide local elections set for June, are stressing their traditional opposition to any increase in communist influence.

These political overtones could make labor leaders cautious about taking a definitive stand at this time. If they back away from the issue now, however, it will only postpone a confrontation on the merger question until after the June elections.

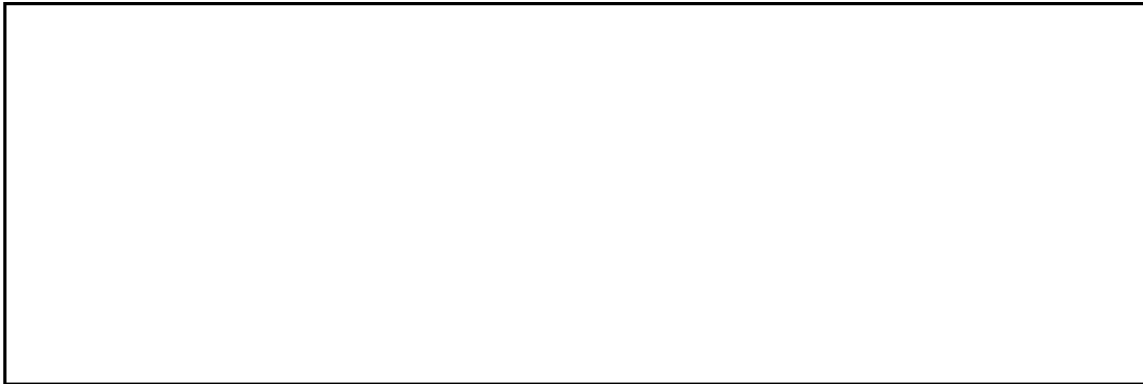
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CYPRUS

Prospects for resuming the Cyprus negotiations later this month are still clouded by the uncertain status of Greek Cypriot negotiator Glafkos Clerides.



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Clerides has argued for a realistic strategy which accepts the Turkish Cypriot demand for a biregional federation in return for Turkish Cypriot concessions on other issues. Makarios claims that to open talks in this manner would weaken the Greek Cypriot negotiating position and that such a major concession should be made only after a period of long, hard bargaining.

Clerides' latest threat to resign is probably designed to produce stronger expressions of support from Karamanlis and Makarios. In the event they are not forthcoming, Clerides may well follow through and step down from his position as negotiator.

Such a move by Clerides, who is the Greek Cypriot most trusted by Ankara and the Turkish Cypriots, would deal a serious setback to the talks, scheduled to resume in Vienna on April 28, and further complicate efforts to secure a negotiated settlement of the Cyprus problem.



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ROMANIA

Tensions in Romanian-Soviet relations have recently increased. A Romanian diplomat in Moscow says that in addition to differences over the European security talks, CEMA policy, and the proposed European communist conference, Bucharest is now resisting Soviet efforts to expand the political coordinating role of the Warsaw Pact.

The Soviets, according to the Romanian official, are pushing for the establishment of a permanent Pact committee of foreign ministers. Moscow apparently wants to set up a secretariat--similar to NATO's political organization--that would be headed by a Soviet secretary general. The Kremlin reportedly also is calling for regular meetings of the Pact's political consultative committee. The Romanian diplomat says that Bucharest has failed to win support from other Pact members in thwarting Moscow's efforts to tighten its grip over the Pact's institutional levers of control. As a result, the diplomat believes that the Romanians will probably be forced to compromise on some points.

The Romanian diplomat speculates that once the European security conference is over, Moscow will increase its stress on ideological orthodoxy within the Pact--a move clearly intended to force Romania to identify more closely with Soviet policies and pronouncements. He suggested that Moscow's increased emphasis on orthodoxy was in part intended to ward off Western efforts to hold the Kremlin to whatever commitments it makes concerning freedom of movement for people and ideas.

The Romanians are rarely bashful about discussing either real or imaginary problems with the Soviets. Although the diplomat's version of differences with Moscow may be somewhat overstated, his remarks dovetail with other indications of increased Soviet-Romanian strains, including Bucharest's recent nationalistic and anti-Soviet reaction to the Kremlin's handling of the 30th anniversary of victory in World War II.

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KENYA

Nairobi's concern over growing military strength in neighboring Uganda and Somalia may lead to closer cooperation with Tel Aviv.

Three Kenya army officers arrived in Tel Aviv early this month to inspect an Israeli integrated communications system. The team is investigating the possible purchase of this system to link its infantry, armored, and air units. Since one member of the team is an armor specialist, there is also a strong possibility that Kenya may be interested in purchasing US Sherman tanks, of which Israel has several hundred. Currently there are no tanks in the Kenya army inventory; the force has traditionally relied upon armored cars.

Increased military contacts with Israel are taking place even though Kenya broke diplomatic relations with Tel Aviv in October 1973.

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[redacted] The Kenyans are clearly disappointed over their failure to obtain any economic concessions from the Arabs following Nairobi's break with Tel Aviv in 1973.

Israel, for its part, would welcome the opportunity to improve relations with black African states. Nonetheless, the Kenyans are unlikely to move ahead of other African countries by responding favorably to Israeli overtures that the two nations resume normal diplomatic relations.

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ARGENTINA

President Peron's government won a modest victory in a provincial election last Sunday. The Peronist coalition's capture of the governorship of Misiones Province, despite the failure to obtain a legislative majority, has given the government a badly needed boost at a time when its policies are under increasing attack.

The most encouraging sign for Mrs. Peron's supporters was the severe overall defeat suffered by a splinter left-wing Peronist party backed by the Montonero guerrillas. Extreme leftist Peronists will probably point to the electoral drubbing as proof that violence is the only way for them to gain power.

The strong showing of the centrist Radical Party--which finished a close second--will disappoint those in the Peronist government who had hoped for a clear-cut victory. The large opposition turnout probably reflects a substantial protest vote against the government's policies. It could also represent a repudiation of the massive vote-buying by Social Welfare Minister Lopez Rega, who handed out millions of pesos in "subsidies" prior to the balloting. Radical Party gains will enhance the position of its leader, Ricardo Balbin, who has been under fire from some elements of his party for not taking a harder line against the government.

Ironically, the outcome of the Misiones test might temporarily restrain conservative critics of Lopez Rega within the Peronist labor movement and the military. They may have to admit grudgingly that the strategy of the President's chief adviser worked to contain the challenge from the dissident Peronist left, even if it did so at the expense of losing votes to the Radicals.

There is at least a fair chance that the government's success in its first test at the polls since Juan Peron's election in September 1973 will strengthen the hand of moderates, such as Interior Minister Rocamora, who have encouraged the President to adopt a more open and conciliatory approach in dealing with other

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political parties. Rocamora is a staunch advocate of close cooperation with opposition party leaders and has urged Mrs. Peron to hold elections in provinces in which the central government has intervened. There is no assurance, however, that the voices of moderation will be heeded by Mrs. Peron as long as Lopez Rega retains his dominant influence and ability to undercut other advisers.

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MEXICO

Breaking with a well-established political tradition, a government official has publicly named the six contenders from which the ruling party's candidate for the presidency in 1976 will be chosen. The unprecedented announcement will encourage public debate on the merits of the contenders, but will not fundamentally change the closed process by which the final selection is made.

The choice will be named this October by President Echeverria and the ruling elite of the Institutional Revolutionary Party, which has never lost an election for president, state governor, or senator in its 46-year history.

Secretary of Government Moya, who holds the second most powerful position in the government, heads the list of six contenders. The others are Secretary of the Presidency Cervantes, Finance Secretary Lopez, Labor Secretary Munoz, Secretary of Agrarian Reform Gomez, and Social Security Director Galvez. Cervantes is probably Moya's strongest competitor, followed by Lopez and Munoz. The remaining two are dark horses.

The listing of names from which the candidate will be chosen is an attempt by President Echeverria to lend substance to his promises to reform Mexico's rigid political system. He probably hopes that the "uncovering" will be regarded as evidence that the government has discarded the secret method of selecting the party's candidate--almost certainly the country's next president.



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CHILE

Increasingly aware of the seriousness of Chile's economic situation, the military government has given civilian Finance Minister Jorge Cauas a broad new mandate to cope with the nation's mounting balance-of-payments problem and to manage the battle against inflation--60 percent so far this year.

President Pinochet apparently has been convinced by Cauas that the government's economic program remains basically sound and that improper implementation is to blame for failure to achieve results more quickly. Cauas' determination to reduce deficit spending sharply in order to dampen import demand and ease inflationary pressures means increased unemployment and more austerity, especially for the poor. Cauas will have to modify his market-oriented approach, however, if he cannot find a way around the seemingly unavoidable need for import restrictions that would entail vastly increased government intervention in the economy. His approach will also be threatened by military pressure for measures to spread the burden of austerity in order to curb erosion of popular support for the government.

Cauas may try to deflect some military disgruntlement by moving against the monopolists, middlemen, and other privileged economic groups that many officers believe have been guilty of profiteering and other economic abuses. If his program is to survive, however, it will have to start producing results soon.

Cauas' designation as economic "superminister" coincides with a major cabinet shakeup that doubles civilian representation on the 17-man body to six--none of whom have close ties to any political party. The departure of the military ministers of justice, public works, and housing leaves the army with five cabinet posts while the navy, air force, and carabineros are down to two apiece. Pinochet may have to act forcefully to ensure respect for Cauas' new authority to control ministries, such as agriculture and mining, that are still run by military men.

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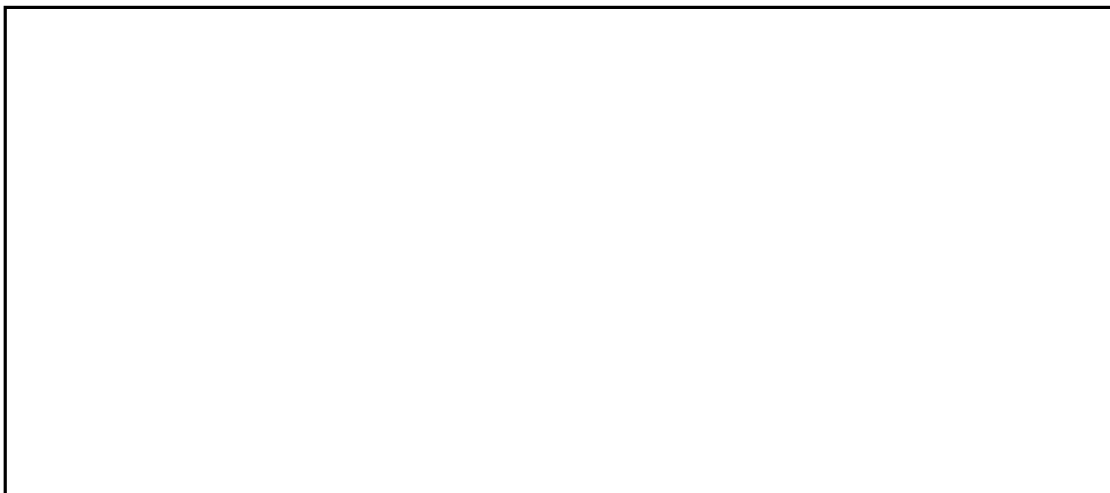
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COLOMBIA

Elements of the Colombian government are apparently still considering imposition of a state of siege, and are playing up the guerrilla threat to justify an early crackdown. President Lopez is unlikely to resist such a move if violence continues.

The state-owned broadcasting network and newspapers controlled by the governing Liberal Party have been claiming that the country's two principal leftist guerrilla groups, the National Liberation Army (ELN) and the Revolutionary Armed Forces of Colombia (FARC), have merged. In addition, the largest single guerrilla operation in years, which took place late last week, has received extraordinary daily attention in the press.

Ideological differences between the FARC and the ELN virtually preclude a merger, however, and last week's large insurgent operation was most likely a "graduation exercise" for FARC trainees. Those guerrillas are now expected to divide into the customary small subgroups scattered throughout the mountains.



In any case, whether the security threat is genuine or is being exaggerated as a prelude to strict government controls, the likelihood of a state of siege soon appears strong. Previous administrations have resorted to states of siege, but Lopez, with more popular support

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than any other Colombian president, had pledged to add new vigor to the country's democracy. A suspension of constitutional guarantees, however partial or temporary, would indicate how much the mandate he received last year has eroded.

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ECUADOR

Ecuadorean Minister of Natural Resources Salazar has announced that the price of Ecuador's oil will be frozen at the December 31 level of \$11.04 per barrel. He has also dispelled the rumor that Quito is moving to nationalize petroleum production.

Salazar blamed the press for distorting the government's existing policy of acquiring 51-percent control of the Texaco-Gulf consortium, which accounts for almost all the oil extracted in the country. Quito now owns 25 percent of Texaco-Gulf, but is in no financial position to acquire an additional 26 percent, nor will it be in such a position at any time soon.

Ecuador's ability to buy into Texaco-Gulf is limited by Quito's oil conservation policy, which is of at least equal importance to government leaders. Daily production has been held to 210,000 barrels since geological evidence showed less petroleum potential in the eastern jungle region than had been thought.

In addition, Ecuador's oil policy is somewhat at odds with the prevailing consensus of OPEC members. In particular, Quito feels that the price guidelines set by OPEC in December are too high. The Ecuadoreans also oppose OPEC's apparent policy of reducing oil production, preferring to keep their output at about 210,000 barrels per day.

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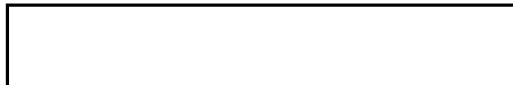
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