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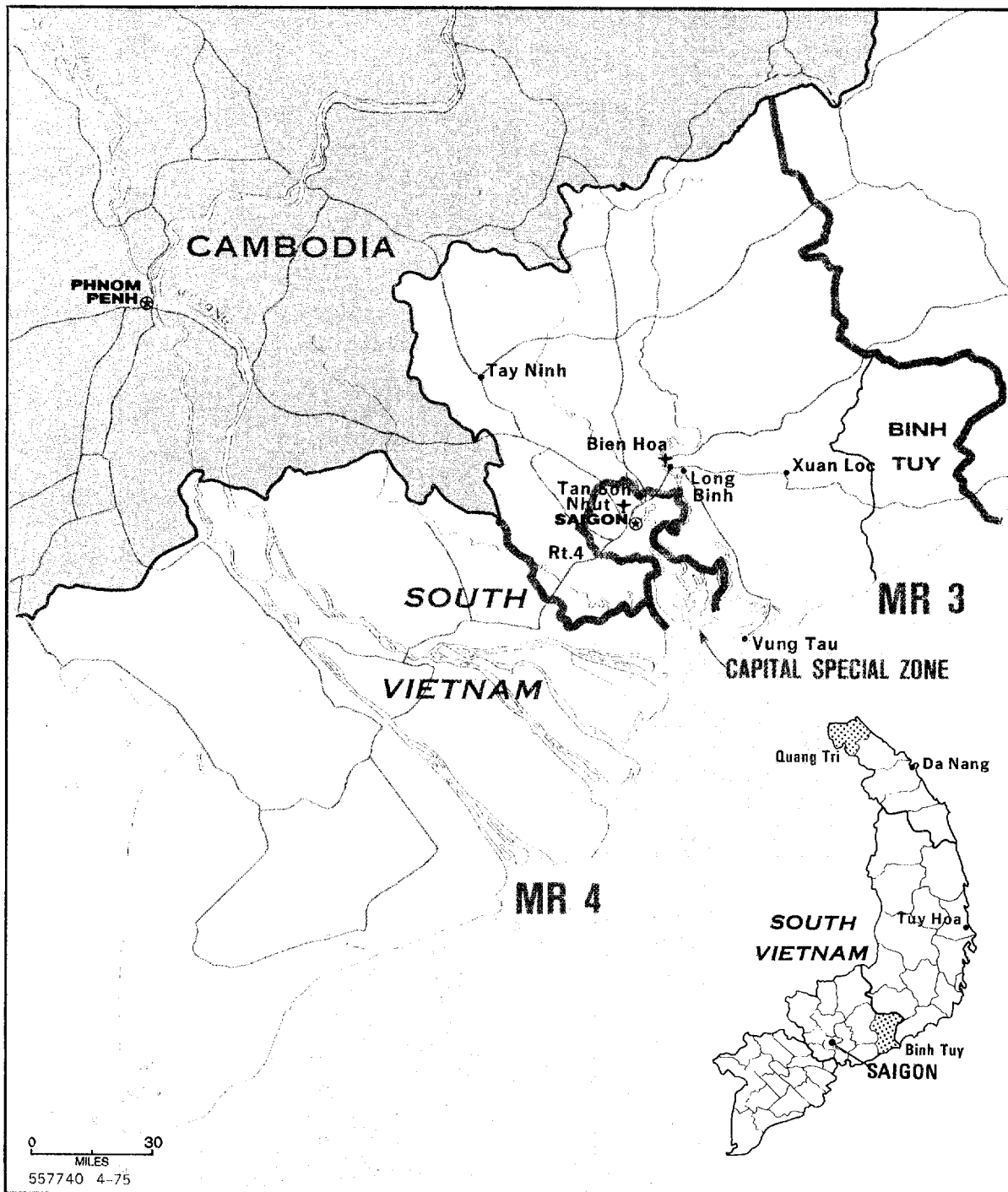
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SOUTH VIETNAM

25X1 South Vietnam's Vice President Tran Van Huong was sworn in as the new President immediately following Thieu's resignation yesterday.

In recent weeks, communist statements have gradually taken a harder line, ruling out any real compromise settlement or coalition government of any substance, implying instead that nothing less than total surrender would be acceptable. Initial communist reaction to the Thieu resignation has continued the same line. A Viet Cong spokesman in Paris has been quoted as stating that before negotiations could be considered, the US must "halt all interference in Vietnam" and that not only Thieu "but also his whole regime must be overthrown."

At this point, the very best a new South Vietnam government might obtain is a negotiated surrender. Given the proximity of communist military forces to Saigon--and the very real prospect of a rapid disintegration of South Vietnamese military will in the wake of Thieu's resignation--time may already have run out for any such orderly transfer of power.

* * * *

Communist pressure is being maintained on all sides of Saigon. Fighting is continuing a dozen or so miles east of Bien Hoa and along Route 4 southwest of Saigon. The roads around Tay Ninh city remain blocked, and the communists could overrun the lightly defended town at

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any time. In addition to the now routine artillery attacks on Bien Hoa, the communists shelled a number of other government positions, including Tay Ninh.

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USSR-EGYPT

Egyptian Foreign Minister Fahmi's visit to the USSR appears to have eased tensions somewhat, but evidently did not make much progress on troublesome bilateral problems or on reconvening the Geneva conference.

Although Fahmi was enthusiastic about progress in Soviet-Egyptian relations after meeting General Secretary Brezhnev yesterday, the communiqué was far more restrained, describing the talks as "friendly" and "businesslike." It failed to give evidence that any progress had been made on such outstanding issues as debt rescheduling and military aid.

The Egyptians probably hoped to use Moscow's interest in the Geneva conference as a lever to get concessions on bilateral issues, but the Soviets apparently would have none of it. Foreign Minister Gromyko, speaking at a dinner during the visit, pointedly indicated that Moscow still views Cairo's independent policies as the major obstacle to an improvement in bilateral ties.

On Geneva itself, Moscow and Cairo agreed that careful and serious preparations must precede reconvening the conference. Fahmi said that the Soviets thought such preparations could be completed by June. The Soviets, however, made clear that they do not favor the Egyptian suggestion that the conference be expanded to include France, the UK, and at least one nonaligned country.

During the visit, Fahmi also told newsmen that Egypt now rejects the step-by-step approach to negotiations. He was responding to a question about recent Israeli suggestions that disengagement negotiations might be revived under US auspices. It is not clear, however, whether he was rejecting the concept of a disengagement or simply another publicized round of withdrawal talks. President Sadat recently suggested that Egypt would accept a "quiet" disengagement, but would not participate in highly visible negotiations to achieve it.

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Moscow and Cairo seemed deliberately to leave the question of Palestinian representation ambiguous. They called for PLO participation "with the same rights as other participants," but they did not specify at what point the Palestinians should attend nor appear to close the door on PLO participation as part of another delegation.

The Soviets, meanwhile, will continue their preparations for Geneva during Syrian Foreign Minister Khaddam's visit to Moscow tomorrow. In addition, the Soviet chief of staff, General Kulikov, left for Damascus yesterday. He may be seeking to reassure the Syrians of Moscow's military support in order to encourage their attendance at Geneva.

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PORTUGAL

The Portuguese election campaign closes tomorrow amid rumors that the military may still cancel the election scheduled Friday.

The pending release of the preliminary conclusions drawn by Admiral Rosa Coutinho from his investigation of the coup last month has contributed to pre-election tension. The conclusions are likely to be most damaging to the moderate political parties and could hurt their chances at the polls if they get no chance at a rebuttal.

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Meanwhile, the 12 legal parties have stepped up their activity in the final days before the election. Violence, which has been infrequent during the three-week campaign, broke out yesterday in northern Portugal between left-wing extremists and members of the center-right Social Democratic Center. Over 25 people were hurt, several from gunshot wounds inflicted by internal security troops. The military will remain on alert through the election against the possibility of further violence.

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TURKEY-GREECE

The Turkish general staff has been doing some contingency planning for a possible conflict with Greece in the Aegean

Ankara appears to be signaling Athens that Turkey means business in the Aegean. By taking actions that are likely to increase international tension, the Turkish government may also be trying to influence the US at a time when the ban on US military assistance to Turkey is being reconsidered; Assistant Secretary of State Hartman is scheduled to visit Ankara this week.

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We have no evidence that Athens plans to declare a 12-mile limit around the islands. The idea was suggested, but rejected, a year ago by the military junta that then ruled Greece.

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GREECE

A large crowd of leftists--estimated at 100,000 to 150,000--severely damaged the US embassy in Athens yesterday in protest of US support for the previous military regime. The demonstrators were eventually driven off by riot police. Some 15 policemen were hospitalized and about 25 demonstrators were hurt, according to police estimates.

The incident marked the first major test in crowd control for a weak government. Prime Minister Karamanlis must avert the kind of chaos in the streets that set the stage for the 1967 military "restoration of order"; he knows the military have been complaining of his "softness" toward demonstrators. The Prime Minister cannot go too far, however; harsh measures would be likely to cause counterdemonstrations by the left, possibly leading to the fall of the government. Late yesterday, the Greek government condemned the incident, blaming it on a few extremists.

The rally last night, initiated by youth organizations, communists, Maoists, and other radical leftists, was to commemorate the "black anniversary" of the coup that brought the junta to power in 1967. The demonstration began peacefully, led by the Socialist mayor of Athens. At the US embassy, most of the demonstrators merely shouted and threw paint and firecrackers, but about 500 of them broke through police lines and caused considerable damage. Embassy personnel were evacuated and none was injured.

Early this morning, groups of demonstrators occupied other buildings in the city. Requests by the police for permission to dislodge the rioters have been denied by the Athens city prosecutor.

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CYPRUS

Glaftos Clerides will continue as negotiator for the Greek Cypriot side in the intercommunal talks, thereby ensuring that the talks will resume as scheduled in Vienna on April 28.

Clerides apparently decided to stay on after President Makarios reaffirmed Clerides' negotiating mandate in the upcoming talks. The Greek Cypriot negotiator appears to have been upset by reports that Makarios had made a commitment to the extremist hierarchy of the Church of Cyprus to refuse to sign any settlement negotiated by Clerides and adopt the policy of a "long struggle" against the Turks.

The Greek Cypriot negotiator had also been discouraged by the harsh reaction to his conciliatory speech on April 1. Clerides argued in that speech for a realistic negotiating strategy in the talks and suggested that Greek Cypriots consider accepting the Turkish Cypriot demand for a biregional federation in return for Turkish Cypriot concessions in other areas. Makarios has opposed opening the negotiations with such a major concession.

Clerides noted in a statement on April 19, however, that in Vienna he would be discussing the Turkish Cypriot plan for a bizonal federation as well as the Greek Cypriot proposals for a multiregional federation.

In a conversation with an American official yesterday, Makarios was pessimistic about the Vienna talks. Makarios said he wanted the Turkish delegation in Vienna to give specifics on what Ankara is prepared to do in the areas of refugee return, territory, and--though less important at this stage--powers of a central government and guarantees. Given the internal problems and weakness of the Demirel government, however, Makarios did not think such specific negotiating would be possible.

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PERU-USSR

The Peruvian army has purchased 30 MI-8 helicopters from the USSR, after negotiations with the US on a package deal that included helicopters ended inconclusively. Delivery of the Soviet aircraft is scheduled to begin in July. Peru currently has about six MI-8s in commercial use; three were gifts from Moscow following the 1971 earthquake.

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Pilot training for the MI-8s is likely to present problems for the army, which has few trained helicopter pilots.

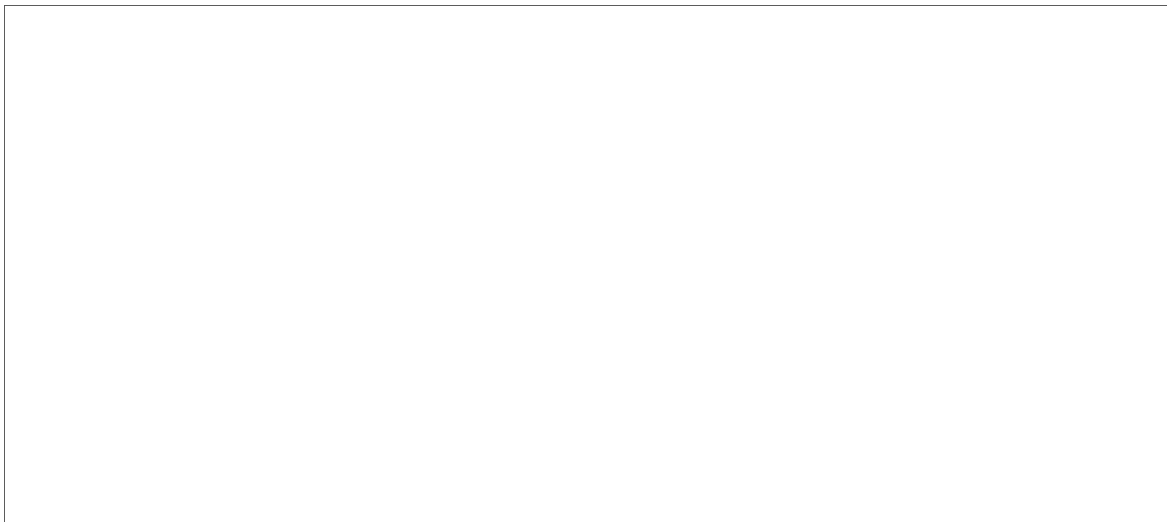
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Moscow hopes to follow up the MI-8 deal with a sale of its 65-passenger MI-6 helicopter. Since mid-1973, when Moscow first sold T-55 tanks and other ground equipment to Peru, the USSR has endeavored to impress Lima with the quality of Soviet arms. To date, only land armaments have been sold. The MI-8 purchase will likely expand the small number of Soviet personnel presently in Peru.

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SAUDI ARABIA

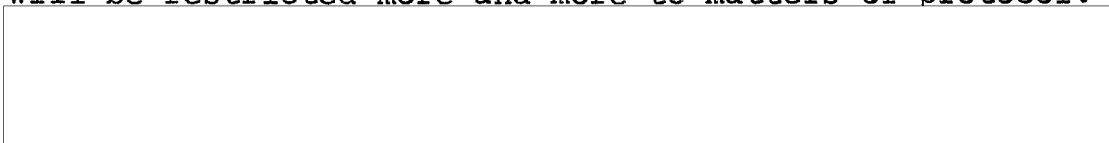
Saudi Crown Prince and Deputy Prime Minister Fahd has assumed control of all significant government business. Although King Khalid will retain the title of prime minister, he has sent an order to all ministers telling them that matters of substance are to be handled by Fahd.

Three ministers have confirmed to Ambassador Akins their receipt of such an order. Khalid has also written Fahd a personal letter to say he is depending on him to take the "proper decisions."

In a meeting with US Deputy Secretary of Defense Clements on April 14, Khalid again demonstrated an inability to grapple with affairs of state. His discourse was rambling and disjointed.

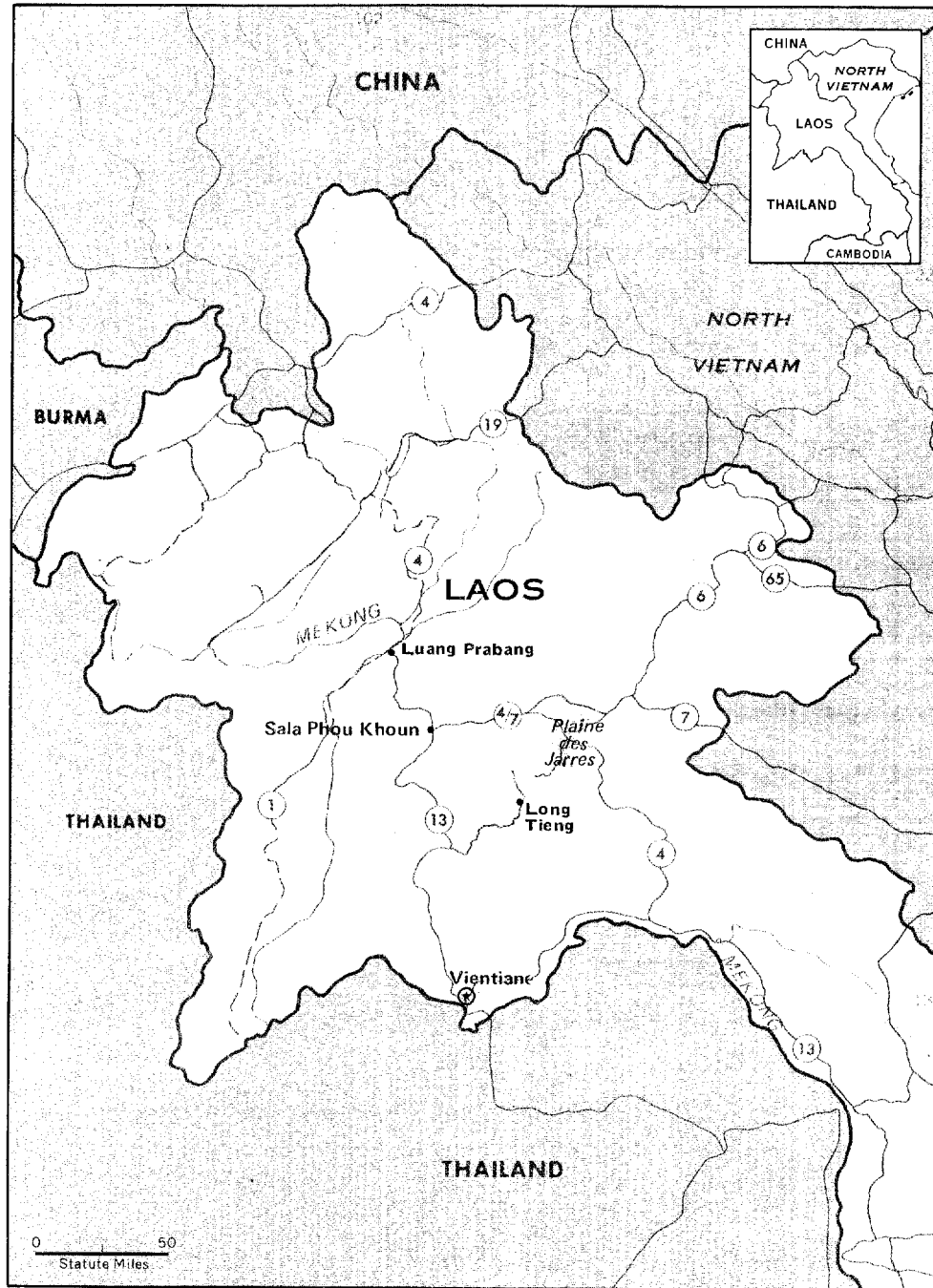
Ambassador Akins, who was present, believes the royal family clearly appreciates the dangers of allowing Khalid to rule. The ambassador anticipates that Khalid will be restricted more and more to matters of protocol.

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Northern Laos



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LAOS

Fighting continues in the Sala Phou Khoun area of north Laos. Regional commander General Vang Pao's counterattack to recapture positions lost last week east of Sala Phou Khoun has been turned back by stiff resistance

The abortive counterattack by one Royal Lao army infantry battalion was supported by a dozen T-28 air strikes.

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Prime Minister Souvanna Phouma is apparently becoming more concerned about developments in the Sala Phou Khoun area.

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PHILIPPINES

On April 21 President Marcos announced a governmental restructuring of the Muslim areas. This action followed the Muslim conference, which was held in Zamboanga city from April 17 to 19 and was attended by more than 100 delegates. Although boycotted by the extremist Moro National Liberation Front, the conference was carefully stage-managed by the government, producing a predictable litany of loyalty oaths, but at the same time allowing the airing of Muslim demands.

The announcement of the reorganization, not demanded by the conferees, was obviously timed for maximum effect both at home and abroad. Under the new plan, western Mindanao and the Sulu Islands will be divided into two sectors governed by ethnic Muslim regional directors, who will hold cabinet rank. Marcos announced his approval of a conference demand that those who surrender be integrated into the armed forces. He also affirmed that the "peace dialogue" would be continued.

The President apparently hopes to rally the populace and isolate the extremists by the new measures. Although the reorganization is being billed as a major concession, it does not appear to be very different from the present provincial structure. Its impact will depend largely on whether a genuine transfer of authority is made to leaders not discredited by past ties to the regime.

Even so, the new measures fall short of the front's demands for local autonomy and an independent Muslim military force. They may strengthen the government's efforts, however, to dissuade the international Muslim community from recognizing or supporting the front or using Philippine dependence on Arab oil as a possible weapon in the insurgency.

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