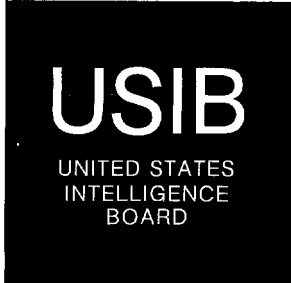


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State Dept. review completed

DIA review(s) completed.



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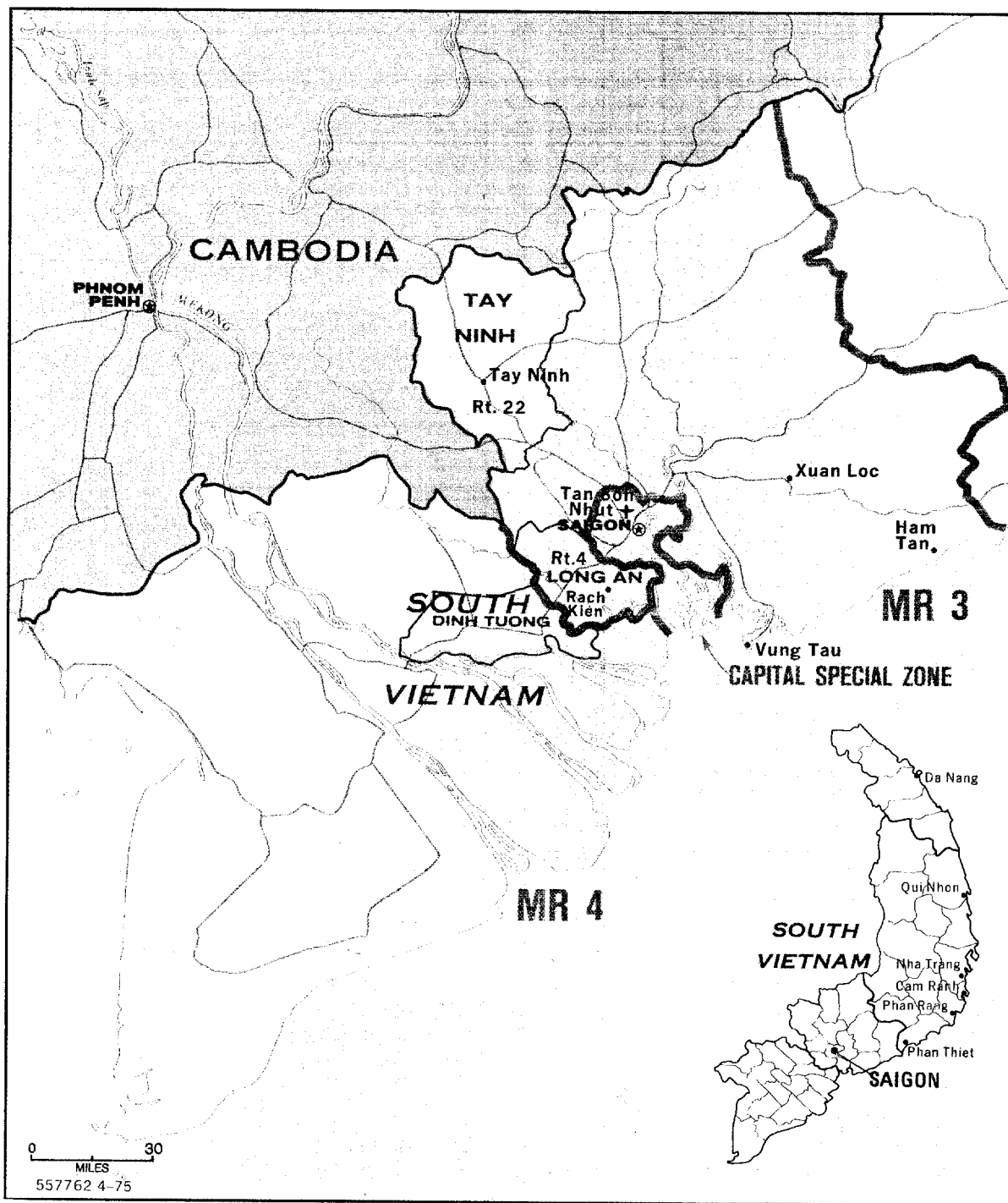
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SOUTH VIETNAM

The communist thrusts toward Saigon have slowed. Communist units reportedly are still having difficulty moving supplies forward, and there could be some additional delay before some units are ready to resume the attack. Most evidence, however, points to direct assaults on Saigon's outer defenses this week or by the middle of next week at the latest.

In addition to supply problems, the communists may also have been delayed by the lack of training and experience among some recently arrived troops, exhaustion from traveling long distances, and the unfamiliarity of new units with the terrain. It is extremely difficult, moreover, for all battalions to arrive at assembly and attack positions simultaneously, and a lull of several days before a coordinated attack by a number of divisions is not unusual. Most of the communists' difficulties around Saigon are expected to be solved shortly. We cannot rule out the possibility that the communists have in mind that a pause, following Thieu's resignation, would allow Saigon leaders time to move toward a negotiated surrender.

Strong North Vietnamese counterattacks against government troops and positions in Tay Ninh Province again closed the road to the provincial capital. The South Vietnamese were also forced from Rach Kien, district town in Long An Province just ten miles southwest of Saigon. The communists' sweep on the east side of Route 4 has been led by two regiments of the North Vietnamese 8th Division.

On the central coast, the North Vietnamese are now moving supplies and equipment by sea into ports as far south as Nha Trang. Aerial photography [redacted] shows a number of small coastal vessels and barges unloading at Nha Trang. Similar activity has been previously noted at Qui Nhon and Da Nang, and the North Vietnamese will

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probably soon begin using their newly acquired port facilities as far south as Ham Tan, including Cam Ranh Bay and Phan Thiet.

Hanoi Radio announced yesterday that Lt. General Nguyen Vinh Nghi and Brig. General Pham Ngoc Sang have been captured. General Nghi was the commander of the Military Region 3 Forward Command at Phan Rang, and General Sang was the commander there of the South Vietnamese Air Force 6th Division. These men and their staffs were unable to fly out of Phan Rang when it fell to the communists last week, because rebellious Rangers seized and took off in the only available escape aircraft.

* * * *

In the face of communist intransigence, South Vietnam's new President, Tran Van Huong, still appears to be trying to open some sort of political dialogue. He met twice yesterday with the French ambassador to Saigon and recalled his chief negotiator in Paris, Ambassador Phong, for "urgent" discussions.

What Huong has in mind is not clear, but he appears hopeful that the Viet Cong will accept some offer of political dialogue with the government short of surrender discussions. The French government, which has been in contact with communist representatives in Paris, apparently still believes that such talks can be arranged. Ambassador Phong, whose opinion probably has been influenced heavily by the optimistic line of the French, also shares that view.

Most political opposition leaders, such as former vice president Nguyen Cao Ky and General "Big" Minh, also hope that some form of solution short of surrender can be arranged. They recognize, however, that the communists will not negotiate with the remnants of the Thieu regime and that the first order of business is to replace it with one that might meet communist specifications.

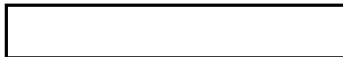
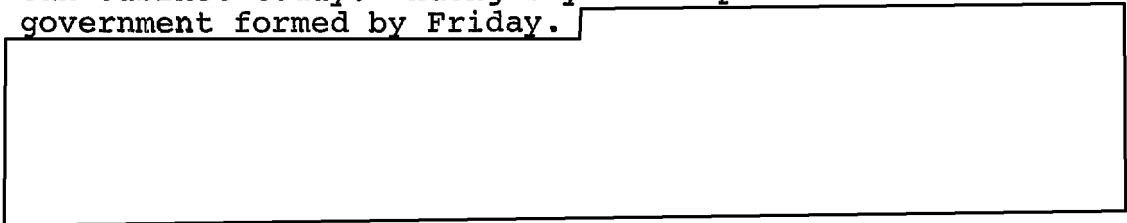
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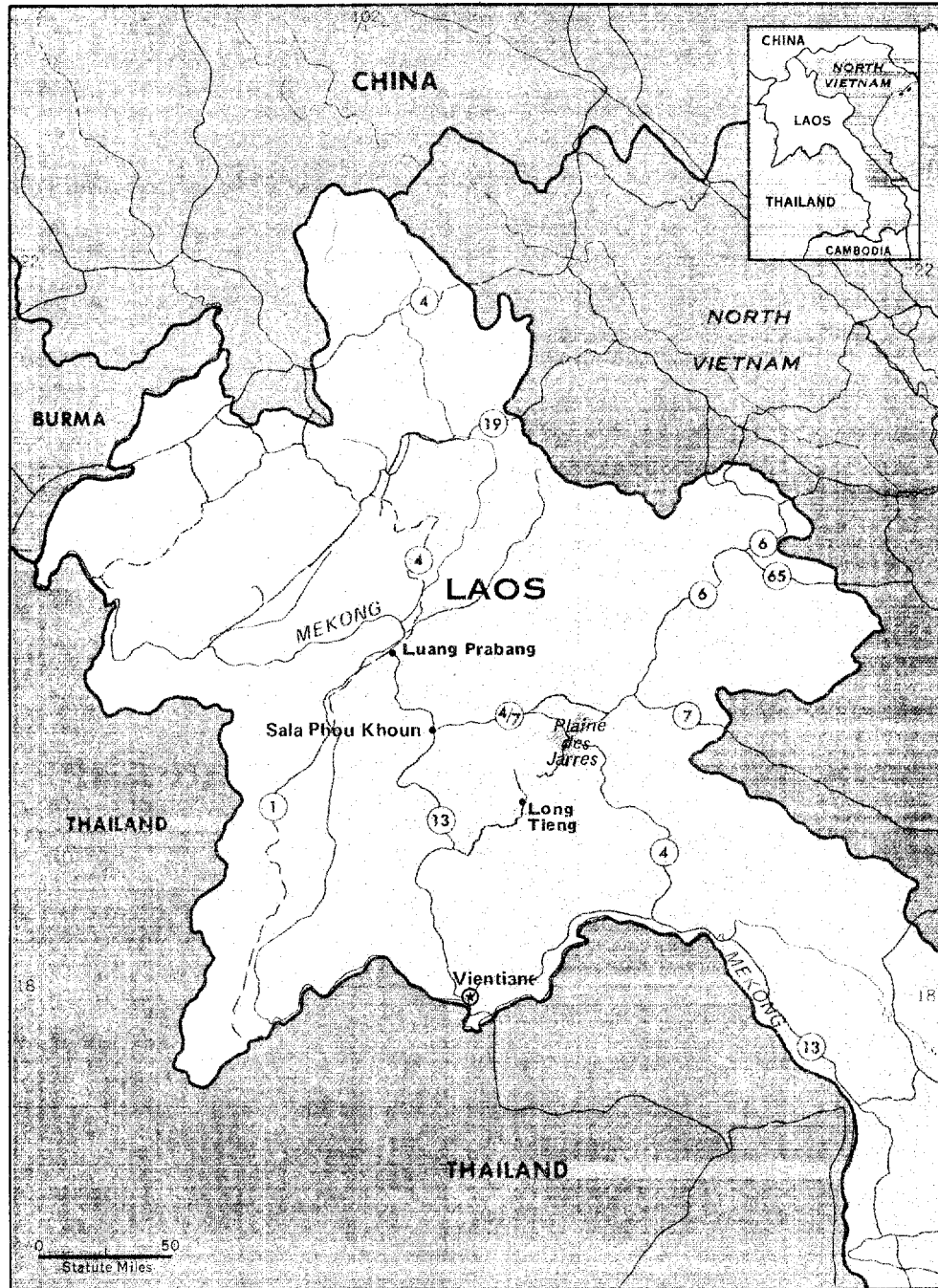
There is, however, considerable disunity among various opposition elements. Four of the principal oppositionists--Catholic leader Father Thanh, "Big" Minh, former senate chairman Huyen, and Buddhist activist Vu Van Mau--met today to prepare a joint statement demanding that President Huong step aside and allow a new cabinet to take charge, but the four were unable to agree on the procedures under which a new cabinet would operate. There is also some doubt that Vu Van Mau and the An Quang Buddhist elements he represents will endorse the statement.

The support of the military--or at least its agreement not to interfere--is needed before a new government can be formed, and we are not certain how the military will respond.

President Huong accepted the resignation of the Can cabinet today. Huong says he hopes to have a new government formed by Friday.



Northern Laos



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LAOS

Some 50 Royal Lao army troops reportedly recaptured two key positions overlooking the Sala Phou Khoun road junction on April 22. Communist artillery attacks in the area apparently ended the day before, and the Pathet Lao offered little or no resistance to the Lao army's reoccupation of the positions.

General Vang Pao believes the Pathet Lao may be responding to Prime Minister Souvanna Phouma's appeal for an end to the Sala Phou Khoun fighting. The senior communist aide to Foreign Minister Phoumi Vongvichit charged the Royal Lao army with violating the cease-fire first and implied that last week's communist attacks were in retaliation for earlier rightist military initiatives elsewhere in northern Laos.



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EGYPT-SYRIA

Presidents Sadat and Asad appear to have papered over some of their differences during the two-day summit held under Saudi Arabia's auspices, but the communiqué issued yesterday openly acknowledged past differences and is so lacking in specifics as to suggest continued serious disagreements.

The communiqué affirmed that "political action during the coming stage demands the establishment of the closest cooperation between Syria and Egypt." It noted that "any action"--presumably meaning any negotiated agreement--on a particular front should be "part of" similar action on all fronts. These assertions are obviously designed to mollify President Asad, who has consistently demanded that Sadat refrain from unilateral agreements with Israel in favor of pursuing a settlement that satisfies all Arab territorial demands.

The communiqué did not mention the Geneva conference, however, and made scant mention of the Palestinians, suggesting that the two presidents may have found little common ground on the issues that are most basic to a joint negotiating strategy. The communiqué referred only in passing to ensuring the "legitimate rights" of the Palestinians, and it avoided standard Arab formulations on establishing a Palestinian state and guaranteeing the presence of the Palestine Liberation Organization at Geneva.

Sadat has been attempting to devise a formula that would delay PLO participation in the conference and obscure it by absorbing the PLO in a broader Arab delegation. He has apparently had no success in getting the Palestinians to agree and may have run into difficulty with Asad as well. The Syrians have hinted broadly that they might boycott the conference unless the PLO is invited to attend from the start.

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Sadat's declared willingness to coordinate more closely with Asad costs him nothing at this point. He probably has no hope that an Egyptian-Israeli disengagement can be negotiated and thus sees the Geneva conference, where closer cooperation with Syria will be inevitable, as the only negotiating avenue still open.

The two presidents established a new vehicle for future coordination, which offers some hope of improved bilateral relations. According to the communiqué, they have formed a permanent coordination committee under the joint chairmanship of the Egyptian vice president and the Syrian prime minister. Contacts in the past had been the province of the two foreign ministers, whose [redacted] [redacted] personal antagonism soured the full range of bilateral relations.

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Following Asad's departure from Riyadh yesterday, Sadat stayed to talk briefly with King Khalid and the new Saudi leadership, to whom he probably made an appeal for financial assistance. He then flew to Tehran for a meeting with the Shah. He is scheduled to return to Cairo today.

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USSR-PORTUGAL

Articles in Pravda and Izvestia this week on the approaching Portuguese elections show the Soviets edging toward closer identification with the present regime.

Both articles deny that there is any conflict between detente and Soviet support for Portugal's "progressive" course. This line is probably intended to assure domestic audiences and put the West on notice that detente considerations will not keep the USSR from assisting, and benefiting from, Portugal's leftward movement.

The Soviets cast themselves as the true supporters of democracy in Portugal, saying that it is the West, not Moscow, that is meddling in Portuguese affairs. The Pravda commentary, written by its correspondent in Lisbon, is particularly critical of social democratic leaders in Western Europe, who, it says, are undermining the communists in order to advance the cause of the Portuguese socialists. Moscow has been under some pressure from the social democrats to exercise a restraining influence in Portugal, but the articles suggest that, thus far at least, Western demarches have had little impact.

Since the coup attempt of March 11, the Soviets have also been more sharply critical of NATO and the Catholic church in Portugal.

Despite these signs of more open support of the Portuguese, Moscow still seems to be feeling its way. The Soviet equities are complex, and broader interests--including relations with the West--dictate a degree of prudence.

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ARGENTINA

Political pressures on Mrs. Peron's government are continuing to stifle efforts to stabilize the domestic economy and to stem the deterioration of Argentina's position in the world market. If the administration continues to give in to wage demands of Peronist labor unions and to ignore the growing financial strains in manufacturing and agriculture, the economic decline will become worse during the latter half of 1975.

Although price controls are now in effect, inflationary pressures continue to be strong, and the rise in the cost of living will probably exceed 40 percent this year. Most of the benefits of government-sponsored wage hikes are being eroded, and the diversion of numerous consumer goods into the black market is creating shortages and widespread public discontent.

An even more serious problem is Argentina's worsening balance-of-payments position--expected to produce a \$600-million deficit this year. The value of agricultural and beef exports, the largest earners of foreign exchange, has declined steadily in recent months. The devaluation of the peso last month has helped strengthen the competitive position of manufactured goods, but it has done little to improve the prospects for grain and meat exports. The value of grain sales will decline by about 40 percent this year because of a poor harvest and lower prices in the world market. Depressed beef prices and the lack of available overseas markets are also expected to remain a problem.

The government's inability to cope with the present situation has contributed to a growing mood of pessimism regarding both the economy and the administration's capabilities. Barring a change in present policy, Argentina will be forced to pay a heavy price in terms of stagnating or declining production in the months ahead. The consequent increases in unemployment and losses in real income will make Mrs. Peron's political problems even worse.

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ECUADOR

Ecuador's military government is facing the first concerted civilian opposition since coming to power in 1972. Although not seriously threatened, the Rodriguez administration is adding to the tension by overreacting.

Antigovernment sentiment, apparently reflecting a consensus among major political, labor, and student groups, has surfaced in bold press attacks. Principal Quito dailies are attempting to discredit President Rodriguez by pointing up his alleged communist ties and suggesting that he is pocketing official funds. The government has issued an arrest order for Julio Prado, a respected editorialist and former foreign minister who is in the vanguard of the press campaign.

Through a combination of government-financed press rebuttals to the charges, an attack by thugs on Prado's office, and the arrest order based on flimsy charges, the opposition has also been given grounds for its new charge of harassment by officials. Prado is writing now from underground, further embarrassing the government and giving the opposition yet another rallying point.

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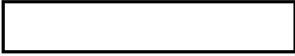
FOR THE RECORD

Venezuela: The Venezuelan government has offered the European Community's planned borrowing facility a line of credit of between \$200 million and \$300 million during 1975. The loan would be financed at a rate of about 8 percent over five or six years. EC officials, who recently discussed such a loan with Venezuelan officials, were favorably impressed with Venezuela's terms. The EC commissioner for financial affairs asked EC members at the council meeting on April 21 to decide within two weeks whether they want to borrow from the facility this year. Italy, Ireland, Denmark, and the UK had earlier been considered possible borrowers, but commission officials now think that no member country will seek these funds this year.

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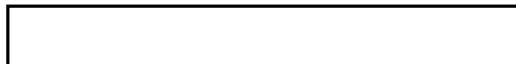
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