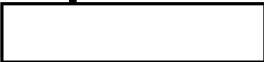


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State Dept. review completed

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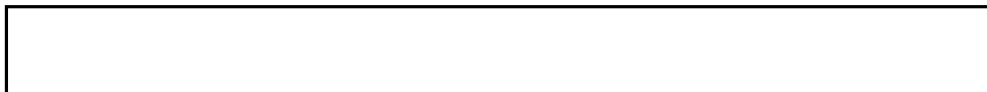
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### LAOS

The planned mass rally in Vientiane was under way as of mid-morning. Foreign Minister Phoumi Vongvichit told a less-than-capacity crowd gathered at the stadium that negotiations with the US embassy had resulted in agreement to close down USAID offices in the provinces and that talks were being held to dissolve the AID organization in Vientiane. Phoumi's speech was moderate in tone, and his audience was restrained.

The number of demonstrators occupying the main AID and defense attache compound has dwindled from about 300 to about 30.

The hard core in the compound, however, have reportedly threatened to kill the US marine guards, who are barricaded inside the AID headquarters building. No serious effort has yet been made to enter the building itself. Some friction has developed between the demonstrators and Lao AID employees trying to draw their pay.

The AID warehouse on the northern outskirts of Vientiane is occupied by a small number of communist troops and student demonstrators. Communist soldiers entered two other AID warehouses in the capital at gunpoint yesterday and, at last report, continue to occupy one of them.

Communist members of the capital's joint military security force are continuing to search vehicles entering and leaving the largest American residential housing compound in the northern suburbs of Vientiane. The compound houses some 143 families.

Demonstrations also erupted yesterday against AID flight facilities at Vientiane airport. Traffic at one of the gates leading to the AID flight ramp was blocked by barricades, but there was no reported interruption of air operations.

Broadcasts over the Lao national radio—now largely controlled by communists—are taking an inflammatory anti-American tone. One broadcast yesterday reported that the withdrawal of police protection for all Americans was imminent, and another threatened the life of a senior US official.

Communist Deputy Prime Minister Phoumi Vongvichit yesterday told the US charge that the disturbances in Vientiane would be "easily resolved" if Washington would agree "in principle" to negotiate with the coalition government the dissolution of AID in Laos and the revision of the 1951 economic assistance agreement.

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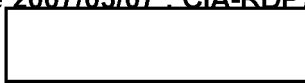
The coalition government yesterday granted the US embassy permission to evacuate the 13 Americans who had been under house arrest in Savannakhet since May 14. They were flown to Udorn, Thailand. Now, the 900 or so Americans left in Laos are all in Vientiane.

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**PORTUGAL**

The ruling Revolutionary Council, apparently concerned about the deteriorating political situation, early today called for national unity and said it would never permit a dictatorship to be set up. The Council appealed to all political parties to cooperate in view of the country's worsening economic situation.

The Council's pronouncement followed a day of tense political activities:

--Socialist leader Mario Soares in a press conference strongly criticized the Communist Party and the Armed Forces Movement and said his party would boycott government meetings until the Socialists' newspaper was returned and until press freedom and union and municipal elections are allowed.

--Socialist rallies in several major cities turned out tens of thousands of Socialists in support of Soares.

--A statement by the Communists accused the Socialists of threatening the Portuguese system with their boycott and warned them that they would be responsible for the outcome of their actions. The Communists also said that the people would never allow a democratic regime to be put in jeopardy.

Whether the Council continues to be conciliatory remains to be seen. The Armed Forces Movement yesterday may have taken the first step toward removing President Costa Gomes, because of his sympathies for the Socialists. The military retirement age was lowered to 60; Costa Gomes is 62.

Meanwhile, the man most frequently mentioned as a potential successor to Costa Gomes, Admiral Rosa Coutinho, has been tapped to accompany Prime Minister Goncalves and Foreign Minister Antunes to the NATO summit. Ambassador Carlucci learned of Coutinho's inclusion in the Portuguese delegation from Goncalves during a discussion of issues that might come up at the summit.

Goncalves reaffirmed Portugal's intention to remain in NATO. He protested that his government's philosophy did not equate with neutralism, but simply reflected a desire to develop close relations with its former colonies. Goncalves said Portugal's foreign policy was not designed to upset existing arrangements, although his government favored a relaxation of tensions between NATO and the Warsaw Pact. The Prime Minister seemed concerned about efforts to promote closer ties between Spain and NATO, but noted that Portugal has a pact with Spain and therefore was in no position to criticize.

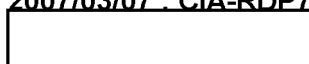
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On a matter more critical to the Portuguese, Goncalves asked Ambassador Carlucci if the US could intercede with President Mobutu of Zaire. He said Mobutu had broken his promise not to involve himself in Angola and was sending men and equipment to one of the liberation groups contending for power.



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### LEBANON

The fighting in Beirut yesterday spread to other areas of the city but remained sporadic and apparently limited to light arms, rocket, and mortar fire. Casualties rose to an estimated total of 17 and 40 wounded.

Major fedayeen groups, the Palestinians' conventional military forces, and the Lebanese army have raised their alert status, but have not yet become involved in the clashes. Sources of the US embassy report, however, that radical elements backed by Iraq and Libya are working to intensify the fighting in the hope of provoking an all-out confrontation between government and fedayeen forces. Such an encounter, these elements believe, could result in the destruction of Lebanon's fragile governing system and, they hope, the accession to power of a radical regime that would offer unqualified backing to the Palestinians.

Government and Palestine Liberation Organization leaders are attempting to negotiate an end to the fighting. A cease-fire arranged by political and religious leaders outside the government was scheduled to go into effect early yesterday, but was violated almost immediately by both sides. According to press reports from Beirut, the caretaker prime minister, Rashid Sulh, has told officials that he is powerless to do anything to stop the fighting.

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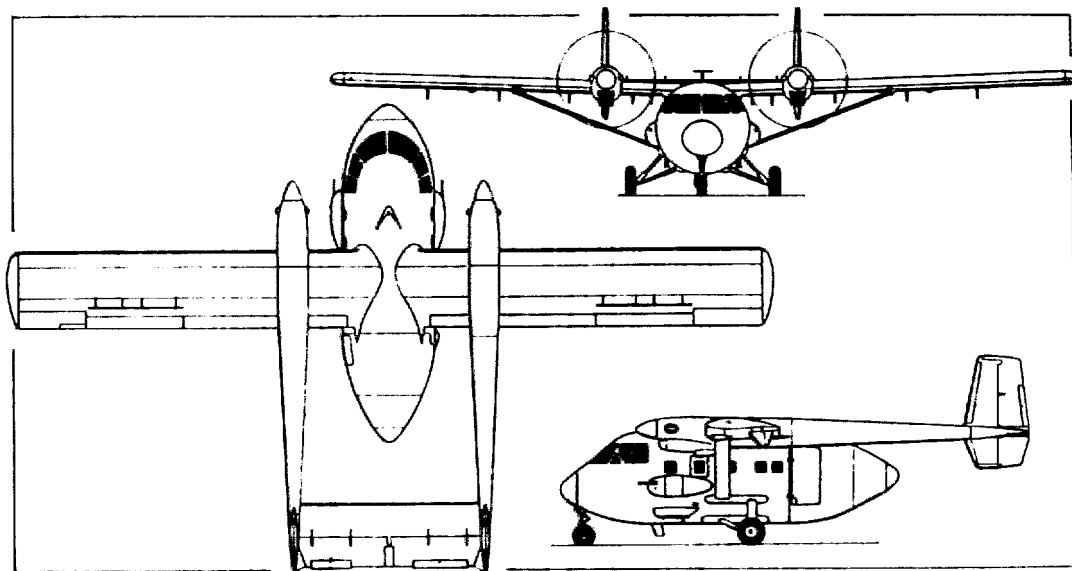
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### ISRAEL

The Israel Aircraft Industry, Ltd. is promoting its export sales program. Its latest success is a \$5.5-million military contract with Bolivia concluded late last month.

The agreement calls for the Bolivian air force to receive six Arava 201 STOL light military transport aircraft in July and includes provisions for training, spare



**Arava twin-turboprop STOL light military transport**

parts, and ancillary equipment. Financing will be over five years at 8-percent interest. The Israeli company has fared well with its sales of the Arava 201 in Latin America since early 1973. Other orders include six to Ecuador, five to Mexico, two to El Salvador, and one to Nicaragua.

The company also sells the 1123/4 Westwind business jet, various air defense equipment, the Gabriel surface-to-surface missile system, and overhauled Boeing and other commercial jets. About three quarters of its \$270 million in sales last year were with the Israeli Ministry of Defense. Because most of these deals are concluded at fixed prices, the company is anxious to secure more lucrative foreign sales. Its

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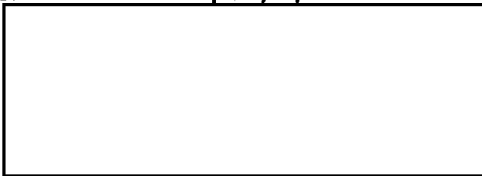
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best markets so far have been in the Western Hemisphere, but prospects for sharply increased sales in Southeast Asia appear promising, especially in Singapore, South Korea, and Taiwan.

Early this year, the company launched an extensive advertising campaign in various military publications and in mid-April began an export drive for its Kfir multipurpose combat aircraft. The Kfir is an amalgam of French, US, and Israeli technology, employing the Mirage 5 airframe and General Electric's J79 engine, both modified to incorporate Israeli design features. The company produces the \$4-million Kfir at a rate of about two a month.

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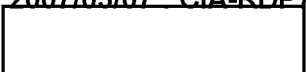


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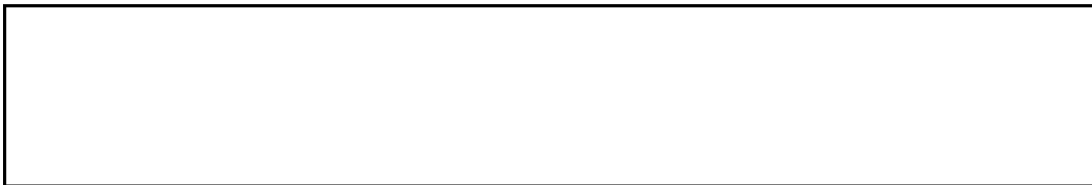


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### SYRIA

Syrian President Asad's decision to extend the UN observer force's mandate until November 30, rather than for only two months as had been widely expected, appears to be, in part, a deliberate move by Asad to maintain some distance between his diplomacy and that of Egyptian President Sadat. Cairo's agreement last month for renewal of the mandate for a similar UN force in the Sinai was limited to a three-month period. Asad's decision may also have been influenced by his current problems with Iraq.



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With characteristic caution, Syrian officials appear to have adopted a posture of studied inaction for the moment. Foreign Minister Khaddam would only tell Ambassador Murphy that he hoped President Ford's meeting with Sadat would be successful and would "realize progress within the framework of Syrian discussions with Sadat." He cast the Syrian-Egyptian talks in terms of Syria's standard position calling for Israeli withdrawals from all Arab fronts and for the implementation of UN resolutions providing for the rights of Palestinians.

The extension of the mandate should reduce tensions caused by recent Syrian and Jordanian military movements near Israel's northern frontier. It will also free Asad's hand for his current quarrel with Iraq.

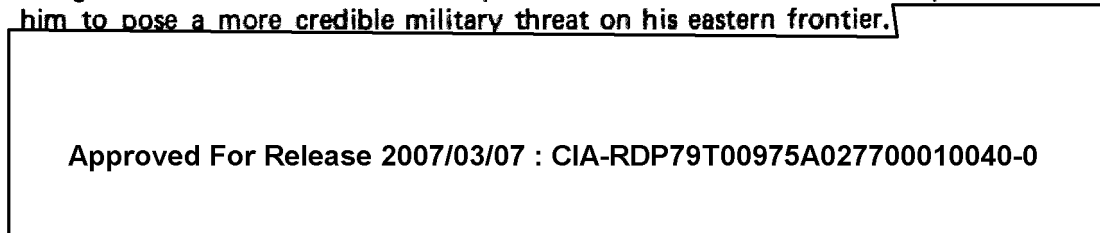


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Asad has become increasingly preoccupied with the problem of Iraq, despite the absence of convincing evidence that he faces a military threat from that direction. He almost certainly sees the problem more in political terms, having good reason to believe that with the end of the Kurdish rebellion, Baghdad would quickly turn its attention once again to subverting its rival Baathist regime in Damascus. Asad deliberately revived the Euphrates water dispute, by cutting back the normal flow to Iraq, in order to warn Baghdad against meddling in Syria's internal affairs.

Asad has probably also found the dispute useful to divert attention from the stalemate on the Golan front and to ease domestic pressures for a more belligerent policy toward Israel. The Iraqi threat can be used, moreover, to justify his decision to agree to extend the UN mandate, an action which in turn makes it possible for him to pose a more credible military threat on his eastern frontier.



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**FRANCE**

French Foreign Minister Sauvagnargues is coming under increasingly heavy criticism from the Paris press, leading to renewed speculation that he may be on his way out.

Since last fall, Sauvagnargues has been singled out as a likely candidate for replacement. Over the past several weeks, the Paris press—with which Sauvagnargues has had consistently bad relations—has moved from allegations that the foreign minister is unhappy and frustrated with his job to a frontal assault clearly aimed at hastening his departure.

The respected left-of-center *Le Monde* and the Gaullist-oriented newsweekly *Le Point* have led the charge, accusing Sauvagnargues—and by implication President Giscard—of ineptitude and lack of direction in foreign policy. The cover story in the current issue of *Le Point*, "The Gaffes of French Diplomacy," blames the foreign minister for three recent major setbacks in French diplomacy: the collapse of the Paris energy preparatory conference; lack of progress in constructing a united Europe; and failure of the French initiative in Indochina.

Last week, Giscard and Prime Minister Chirac both moved to defend Sauvagnargues and counter speculation about his imminent departure from the government. Earlier this week, the President assured his cabinet that there would be no reshuffle "at the moment." The show of unity by the government seems pro forma, however, and has not affected the general feeling that Sauvagnargues will step down, perhaps before the year is out.

The precise timing of Sauvagnargues' departure is difficult to predict. He is unlikely to be replaced very soon after representing France at the NATO summit this month or before the end of the current French National Assembly session at the end of June. For maximum political impact, Giscard would probably wait until sometime after the summer doldrums and before the opening of the next National Assembly in October.

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### SOUTH VIETNAM

The communists may be preparing to "punish" some segments of the population and apparently are cracking down on troublemakers in Saigon.

There has been no indication as yet of reprisals taken against former officials. The tone of recent official statements, the mentioning of reprisals by "popular movements," and the careful classification of government officials and politically active individuals indicate, however, that, at a minimum, the former officials will be carefully watched for "antirevolutionary activity."

The series of communiques issued by the Military Management Committee, which give detailed instructions on who should register with the new government, indicate that the new rulers would like a detailed listing of the Saigon population, with information on past activities and associations. The latest directive was aimed at members of all political parties "siding with the US imperialist aggressors." The communique explicitly stated that even those party members who have already registered as members of the "puppet military, administration, police, or intelligence" must register again in this category.

Meanwhile, bands of youths—called "cowboys"—are creating a serious crime problem in Saigon, according to news reports. Although the "cowboys" have long been a part of Saigon life, their ranks reportedly have been swollen by still-armed South Vietnamese soldiers and criminals recently released from jail by the "liberators." One gang reportedly has attacked a police contingent, indicating the boldness with which the gangs operate.

In response to the crime problem, according to *Liberation Daily*, the people themselves have "stood up to pursue" the disruptive elements. Additionally, newsmen report that the newly established police force has become more aggressive against the thieves and looters, in some cases shooting them on the spot or holding public executions to dissuade other would-be "cowboys."

One of the causes of the recent upsurge in crime undoubtedly is the confused economic situation in Saigon. Numerous refugees came into the city in the final days of the republic, joining the already large refugee community. Furthermore, the rice distribution system has broken down, and Chinese merchants reportedly are hoarding grain until the monetary situation stabilizes. The banks remain closed and the shortage of currency is becoming severe. There has been no indication that the ruling Military Management Committee plans to reopen the banks anytime soon.

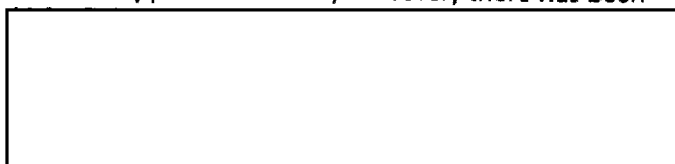
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The Committee has promised to provide suitable jobs for all workers, but unemployment in Saigon is a serious problem—it was already high before the government's surrender—and the new refugees and former soldiers have added immeasurably to the problem. The communists will probably soon begin to move refugees to their native villages, as they did in Da Nang, in order to relieve some of the pressure from Saigon's administrative apparatus. So far, however, there has been no evidence of forced relocation.

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## NORTH KOREA - IRAN

North Korea may soon receive a \$200-million, hard-currency loan from Iran which would enable Pyongyang to clear up a major portion of its defaults on loans and letters of credits held by Japanese and West European banks. In March, the two countries signed a memorandum of understanding on the loan and on a 5-year, \$700-million trade agreement.

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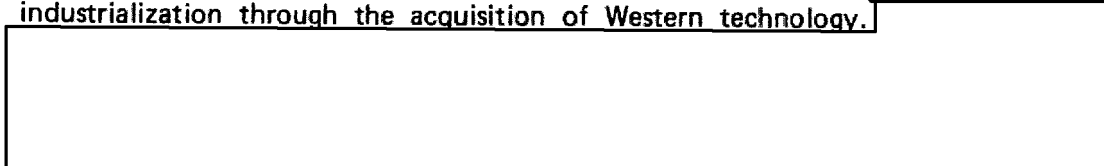


North Korea's payment problems—the result of an estimated \$550-million trade deficit with the West in 1974—have now reached serious proportions, and its credit rating has been damaged. France and West Germany have cut off government guarantees for further credits, and deliveries of goods already under contract have been held up.

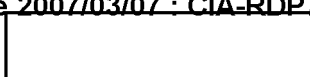
Tehran has maintained cordial, though not close, relations with North Korea. The Shah's sister ended a visit to Pyongyang on May 19. Trade between the two countries has been negligible.

Although the loan would provide immediate relief for North Korea's current debt problems, it is no solution for Pyongyang's lagging export earnings. Western banks and firms, once burned, may be more cautious in extending credit. As a result, Pyongyang could find it harder to pursue its ambitious goals for rapid industrialization through the acquisition of Western technology.

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USSR

The failure of the Soviet trade unions plenum yesterday to name a successor to Aleksandr Shelepin, whom it released as trade unions head, suggests that in this, as in other recent personnel shifts, the Politburo is undecided or perhaps unable to agree on whom to choose. The filling of this vacancy, like that of former party secretary Petr Demichev, involves patronage, and will thus play a role in the political maneuvering and shifts of alignment that will gather momentum prior to next February's party congress.

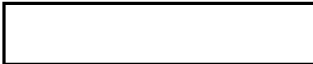
Most previous heads of the Soviet trade unions have had considerable party experience and have usually held either candidate or full membership on the Politburo. The job has only rarely served as a stepping-stone to higher office, however, and has not been a significant power base in itself. Announcement of a new trade unions chief may be delayed until arrangements for further shifts in the leadership have been completed.

There are unconfirmed but plausible reports in Moscow that Shelepin will be named a deputy chairman of the State Committee for Vocational and Technical Education. Since Stalin's death, high-ranking party officials whose careers have collapsed have been allowed to retire, sent into diplomatic exile, or appointed to minor government jobs.

At 56, Shelepin is too young to retire. Diplomatic exile seems out of the question, in view of the hostile reception he received during his brief visit to the UK this spring. His former colleagues, who apparently regarded him as an overly volatile combination of ability and ambition, would consider the deputy chairmanship of a relatively unimportant state committee as an appropriately safe place to put him.



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### SOUTH AFRICA

South African Prime Minister Vorster's speech in Namibia (South-West Africa) on Tuesday made it clear that Pretoria will not comply with the UN Security Council's resolution adopted last December that sets a deadline of May 30 for Pretoria to accept UN guidelines for preparing the territory for independence. The resolution demands that Pretoria recognize the territorial integrity and unity of Namibia, begin an actual transfer of power to the inhabitants, and allow a UN agency to participate in the process.

Vorster flatly rejected the UN's claim that it should supervise preparations for independence. He is apparently gambling that his own version of self-determination for the territory will permit South Africa to maintain its economic stakes in Namibia, despite international pressures for a South African withdrawal.

The South African leader said Pretoria was sponsoring a conference of representatives of the territory's 12 ethnic groups who will be free to decide its future form of government. He promised to arrange for the "true leaders" of the non-white groups to meet with officials of the UN or the Organization of African Unity. Vorster reasserted, however, that the "true leaders" are the members of homeland governments—mostly old-line tribal chiefs who have gone along with South African tutelage. He denounced as unrepresentative the South-West African People's Organization—the only nationalist group recognized by the UN or the OAU.

Vorster may hope that a tough stance against UN "meddling" in Namibia will overcome doubts of South African whites about continued white control of those parts of Namibia with substantial mineral industries. The 90,000 whites in Namibia, who make up only 12 percent of the population, have hoped that Pretoria would eventually annex at least the areas of white settlement.

In his speech, Vorster disclaimed any intentions of retaining Namibian territory or imposing a political blueprint on the inhabitants. Nevertheless, he suggested that the self-determination process may well result in a loose federation of ethnic homelands that might become independent of Pretoria but remain subject to South African economic exploitation.

Such a federation would be contrary to the UN goal of a unitary state controlled by a non-white majority. Vorster apparently hopes, however, that the smaller tribal groups will support a loose federation in order to avoid domination by the Ovambos, who account for almost half of the population. Should the Ovambos pull out of a federation, the whites would then be the largest of the remaining ethnic groups.

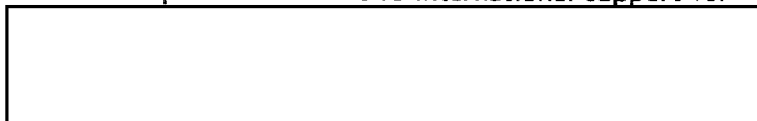
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Vorster's offer to facilitate contacts between the "true leaders" in Namibia and envoys from the UN or the OAU seems intended to show that the People's Organization—a predominantly Ovambo group—is not genuinely representative. Some leaders from other tribes have protested exclusive international support for the People's Organization.



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### ARGENTINA

Social Welfare Minister Jose Lopez Rega appears to have suffered a setback in his confrontation with the army.

The confrontation occurred when the newly appointed army commander, Maj. Gen. Alberto Numa Laplane, a supposed protege of Lopez Rega, refused an order from the minister of defense earlier this week to retire two highly respected brigadier generals who are anathema to the social welfare minister. Laplane threatened to submit his resignation to the President over the issue. The crisis was averted by a compromise allowing the two generals to remain on active duty, but not in the position Laplane originally desired.

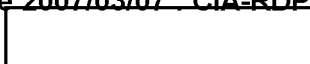
Laplane has clearly demonstrated that his basic loyalties rest with the military and not with the Peronist political movement—a position which has increased his standing with the officer corps, which feared he would be a tool of Lopez Rega.

Recent power plays by Lopez Rega have substantially altered the political outlook in Argentina. The military, which had adopted an uncharacteristically apolitical stance after relinquishing power in 1973, now appears willing to consider reassuming its self-appointed role as political arbiter. Army leaders have come to this point only because of the inability of civilian political and labor leaders to contain Lopez Rega, whose blatantly political firing of Lt. Gen. Leandro Anaya as army commander last week and the appointment of Laplane caused deep resentment within the army. Although Laplane certainly got his position through his ties with the social welfare minister, his actions indicate that Lopez Rega may have made a serious miscalculation in his appointment.

One important question is how adroitly Lopez Rega adjusts to the fact that his protege is not a puppet. In his various confrontations in the past, the presidential adviser has shown an ability not only to survive but also to increase his political strength. In the changed political climate of the present, however, the army appears more willing to see Mrs. Peron go, if this is the price that must be paid to rid the country of Lopez Rega.

The government's backing down in its confrontation with the army has lessened the likelihood of a coup for now. Any further interference in army internal affairs, however, will refuel coup plotting.

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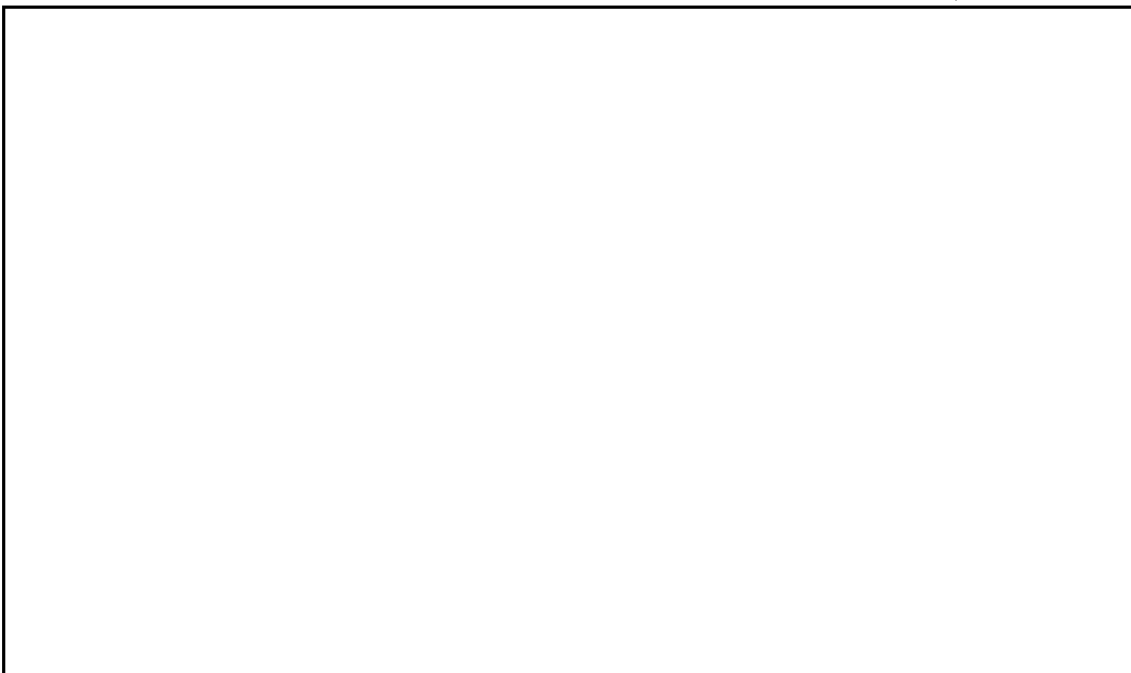
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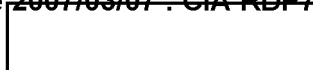
USSR: Two Soviet guided-missile destroyers that visited Boston earlier this month are now in Havana, the second Soviet naval visit to Cuba this year. During the past two years, the Soviets have conducted two visits a year to Cuba, usually in the fall and winter. The destroyers' visit to New England in commemoration of World War II has apparently provided them with an opportunity for an extra port call. If the ships follow the practice of earlier visits, they will probably remain in the Caribbean for about 40 days and may conduct training exercises with Cuban patrol boats.

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