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The President's Daily Brief

May 12, 1975

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FOR THE PRESIDENT ONLY

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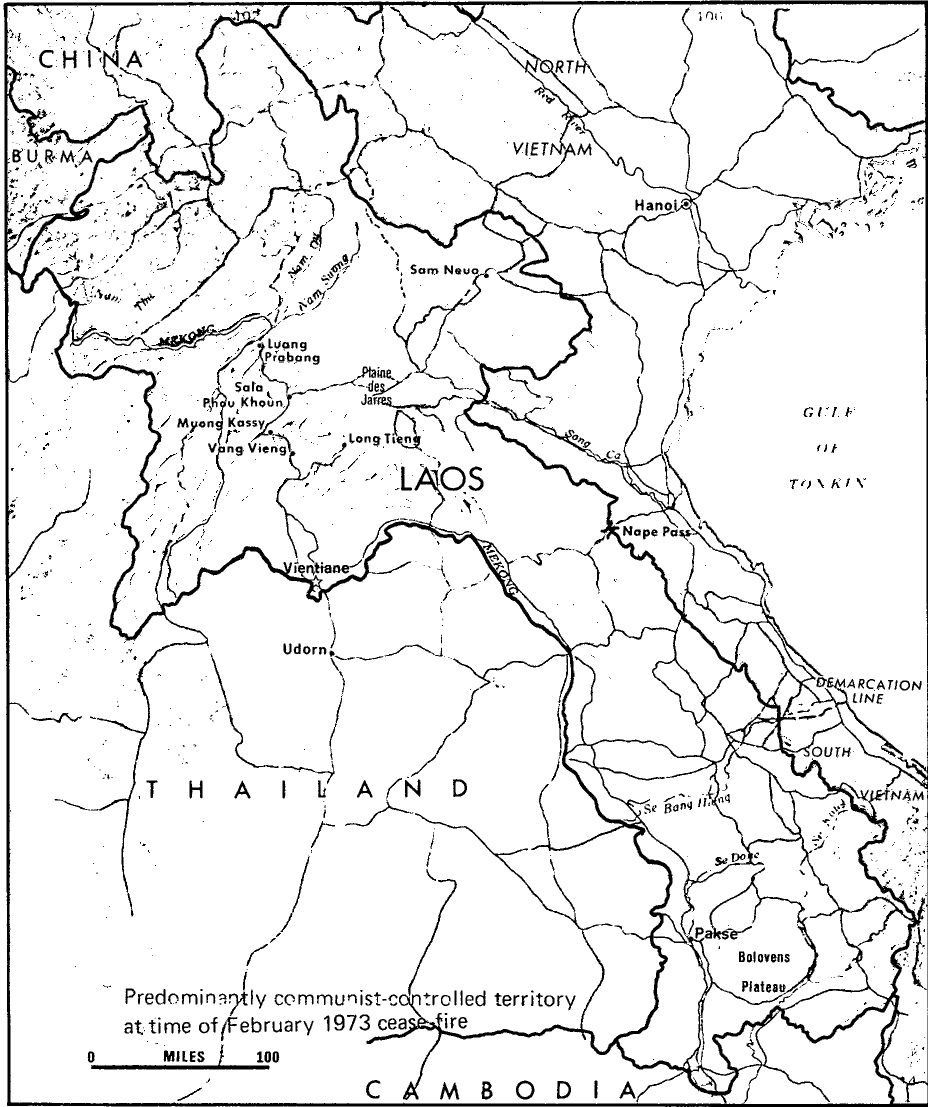
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LAOS

Vientiane remained generally quiet but tense over the Constitution Day weekend. No further anti-American or anti-rightist street demonstrations were reported, but there were widespread fears that the rightist military leaders still left in the country might be planning a coup attempt.

The Pathet Lao are especially worried. Communist Deputy Prime Minister Phoumi Vongvichit believes that Royal Lao Army tanks and artillery--under the direction of General Kouprasith Abhay and "the Sananikones"--are located north of Vientiane and plan to move against the city. US observers in Vientiane report there is no hard evidence to support Phoumi's fears.

The US embassy does believe, however, that one or more desperate officers could lead some kind of terrorist action against Pathet Lao officials in Vientiane. Given the near collapse of Royal Lao Army will and morale, and the growing number of defections to the Pathet Lao, any such effort would almost certainly be short-lived and futile. Nevertheless, innocent Lao as well as Americans and other foreigners could easily be endangered.

The US country team judges, however, that the situation in Vientiane and elsewhere in Laos, except at the southern city of Pakse where civil unrest continues, while volatile, does not require implementation of emergency evacuation measures. Thirteen dependents and nonessential US personnel stationed in Pakse have been flown to Vientiane and Udorn, Thailand.

Almost all of the most important rightist military and political leaders, including Kouprasith and the Sananikones, have left Laos. Those rightist leaders remaining include generals Vang Pao, Thao Ly, and Chao Sinh--three of the most effective combat leaders of the Royal Lao Army. Army commander in chief General Bounpone Marktheparaks is also still in Vientiane, but has little taste for bloodletting and has told Prime Minister Souvanna Phouma of his intention to resign.

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Vang Pao has acceded to Souvanna's request that he resign his command in northern Laos. Over the weekend, he sent about 100 of his followers and their families by air from Long Tieng to Udorn. The evacuation of key Meo tribal leaders, senior officers, and dependents is expected to continue.

Vang Pao has reportedly accepted the rapid collapse of the non-communist political and military leadership in Laos with remarkable calm. Nevertheless, ousted rightist finance minister Ngon Sananikone recently told the US chargé that Vang Pao (as well as Chao Sinh and General Etam, the Royal Lao Army psychological warfare chief) intended to wage guerrilla warfare against the Pathet Lao.

Vang Pao reportedly remains at his headquarters at Long Tieng. He has refused Royal Lao Army orders to relocate the T-28 tactical aircraft based there.

* * *

Meanwhile, in his Constitution Day address in Vientiane yesterday to an audience mainly of Pathet Lao members of the coalition government, but also including Lao King Savang and the foreign diplomatic corps, Souvanna virtually conceded political victory to the Lao communists. He told the assemblage that a "new situation" had unexpectedly and abruptly appeared in Laos and the rest of Indochina and that, as a result, "it was necessary to yield to the evidence and prepare for the future in accordance with the march of history."

Otherwise, Souvanna's speech was generally optimistic, with considerable emphasis on the importance of the Lao constitution and its durability since 1947. He cited the King's recent visit to Pathet Lao headquarters at Sam Neua and his reception there as an event of "historic significance" for national reconciliation and unification.

Souvanna made no mention of a cabinet reshuffle during his speech, but later in the day he issued an official order appointing Pathet Lao Deputy Defense Minister Khammouane Boupha as acting defense minister. Boupha is now in command of all armed forces throughout Laos, even though Souvanna--in the same order--asked Royal Lao Army commander Bounpone and air force chief Bouathong to remain.

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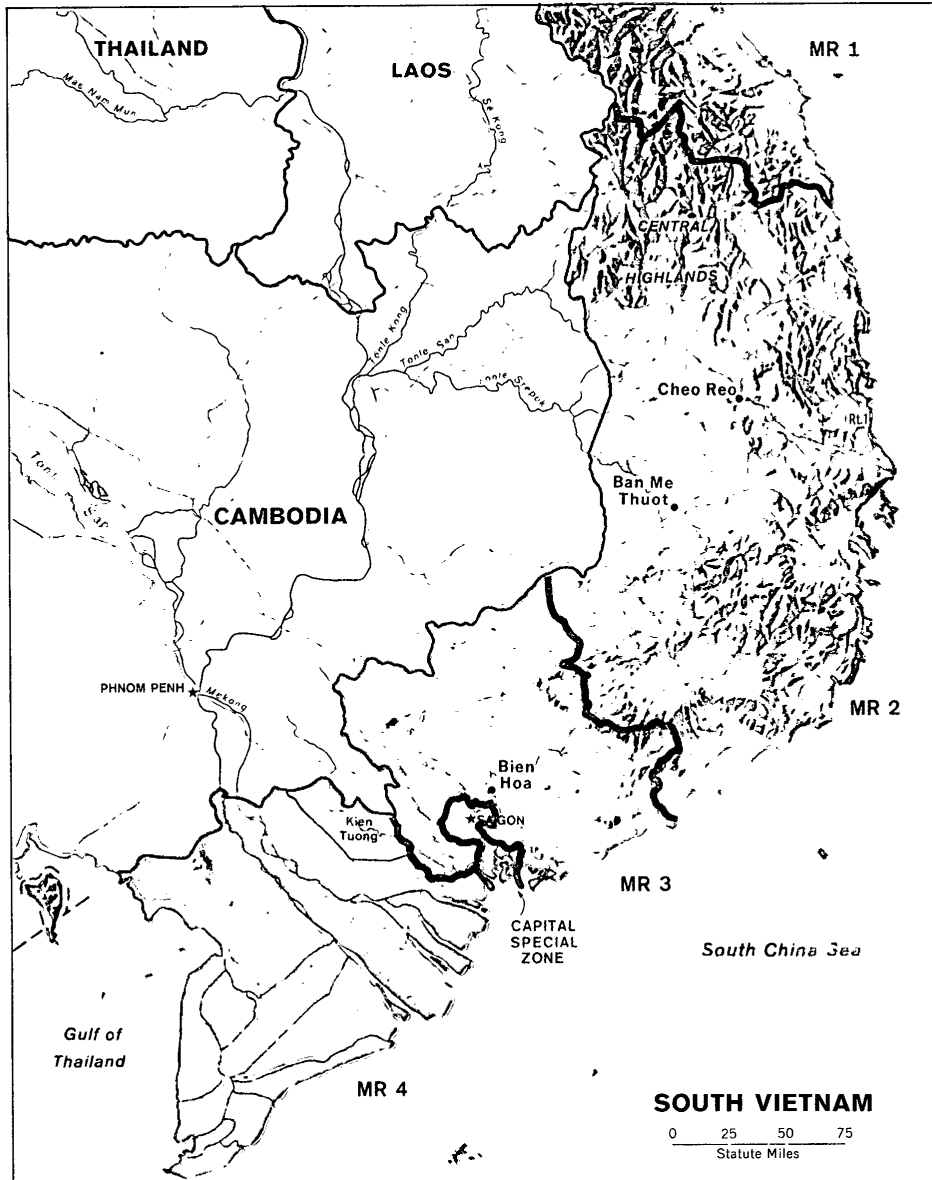
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According to press reports, Bouppha's first official act was to forbid the movement of troops or equipment without his orders and to demand all units to declare their loyalty to the coalition government. Several units, including a garrison vital to artillery, armor, and logistic operations, reportedly have complied.

Bouppha's appointment could set a precedent for Pathet Lao officials replacing all of the ousted rightist cabinet ministers. [redacted]

[redacted] two days prior to Bouppha's selection--Souvanna asked communist Deputy Prime Minister Phoumi Vongvichit to determine whom the Pathet Lao leadership in Sam Neua wanted to replace the departed conservatives.

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VIETNAM

Communist forces are continuing to encounter isolated pockets of resistance.

An intercepted communist message lists the Ban Me Thuot area, the northern part of Military Region 1, and various small areas along Route 1 as places where resistance has not been eliminated. The resisting forces, besides ambushing vehicles, have obtained North Vietnamese uniforms and are said to be using them in "sabotage" missions, causing the populace to be suspicious of the North Vietnamese forces.

Another message disclosed a clash in Kien Tuong Province in the northern delta on May 6. Communist forces claim to have eventually destroyed the resisting unit, which was apparently made up of at least remnants of a South Vietnamese regional forces battalion.

Meanwhile, preparations are under way to move South Vietnamese prisoners of war into central areas, according to yet another intercepted message. Prisoners from as far north as Chao Reo in the central highlands are to be moved into a camp near Bien Hoa. At the camp they are to be segregated into groups of enlisted men and noncommissioned officers, and officers and "tyrants." The prisoners are to undergo "re-education."

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SAUDI ARABIA - SOUTH KOREA

Riyadh has reportedly agreed in principle to loan Seoul \$500 million.

South Korea has been actively seeking foreign funds to finance a current-account deficit that may reach \$2.4 billion this year. Negotiations for the loan took place during South Korean Prime Minister Kim's visit to Saudi Arabia in early May.

Preliminary arrangements call for \$200 million in medium-term, low-interest bank loans and \$300 million in project loans. The \$200 million is likely to be used to bolster South Korea's official holdings of foreign exchange, although the military is reportedly lobbying to use the funds for arms purchases. Use of the project loans will require joint agreement by the two governments.

Korean economic experts will visit Riyadh, probably early this summer, to negotiate details of the loans.

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VENEZUELA

The Venezuelan congress is likely to begin formal debate later this week on the government's bill to nationalize the petroleum industry. Nationalization of the \$1.5 billion industry is not in question; debate will focus on the role of private oil companies after nationalization.

The administration has the political strength to push the bill through congress quickly, but President Perez is stressing the desirability of achieving national consensus and seems willing to compromise with the opposition on some key sections of the bill. He will insist, however, on being given flexibility to work out arrangements with the companies.

Congressional debate will be keyed to the domestic audience and will be strongly nationalistic. Most of the small leftist opposition political parties oppose any role for the companies after nationalization, but the largest opposition party, the Social Christian Party of former president Caldera, may be moving toward the administration's position.

Most Venezuelans now accept the need for foreign assistance to operate the industry. Government officials are talking of getting company assistance in such areas as international marketing, the selection and purchase of equipment and supplies, and technological research.

Talks between the administration and company officials are to resume after congressional debate concludes in several weeks. The government will then announce its arrangement for compensation.

The final congressional vote may not come until early July. Perez may chose either Independence Day, July 5th, or Simon Bolivar's birthday, July 24th, to announce the nationalization.

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NOTE

The resignations of the four top Dominican Republic military officers on Saturday poses no immediate threat to President Balaguer.

The armed forces secretary of state and the chiefs of staff of the three services resigned in protest over Balaguer's appointment last week of his strong supporter General Neit Nivar as national police chief. The four former military chiefs apparently expected their resignations would cause the President to rescind Nivar's appointment. Balaguer's decisive reaction appears to have caught them by surprise. It is not clear whether Balaguer deliberately set out to precipitate the resignations, but he periodically pits competing power groups against one another in order to strengthen his position.

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