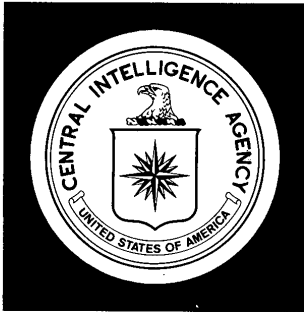


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The President's Daily Brief

May 13, 1975

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May 13, 1975

Table of Contents

Laos: Prime Minister Souvanna continues to urge his countrymen to remain calm. (Page 1)

Thailand: The Thai National Security Council reached several key foreign policy decisions at a meeting last Friday. (Page 3)

Iran: We present the précis of a National Intelligence Estimate on Iran. (Page 5)

NATO: The defense ministers of nine European members of NATO want to discuss military procurement and standardization of equipment. (Page 9)

Note: Cambodia (Page 10)

At Annex we discuss the emerging foreign policy of the new Cambodian leadership.

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LAOS

Prime Minister Souvanna yesterday asked his countrymen in a national radio address to remain calm despite the changes over the past week which have given the communists virtual political and military control of Laos. He asked for their continued allegiance to the coalition government.

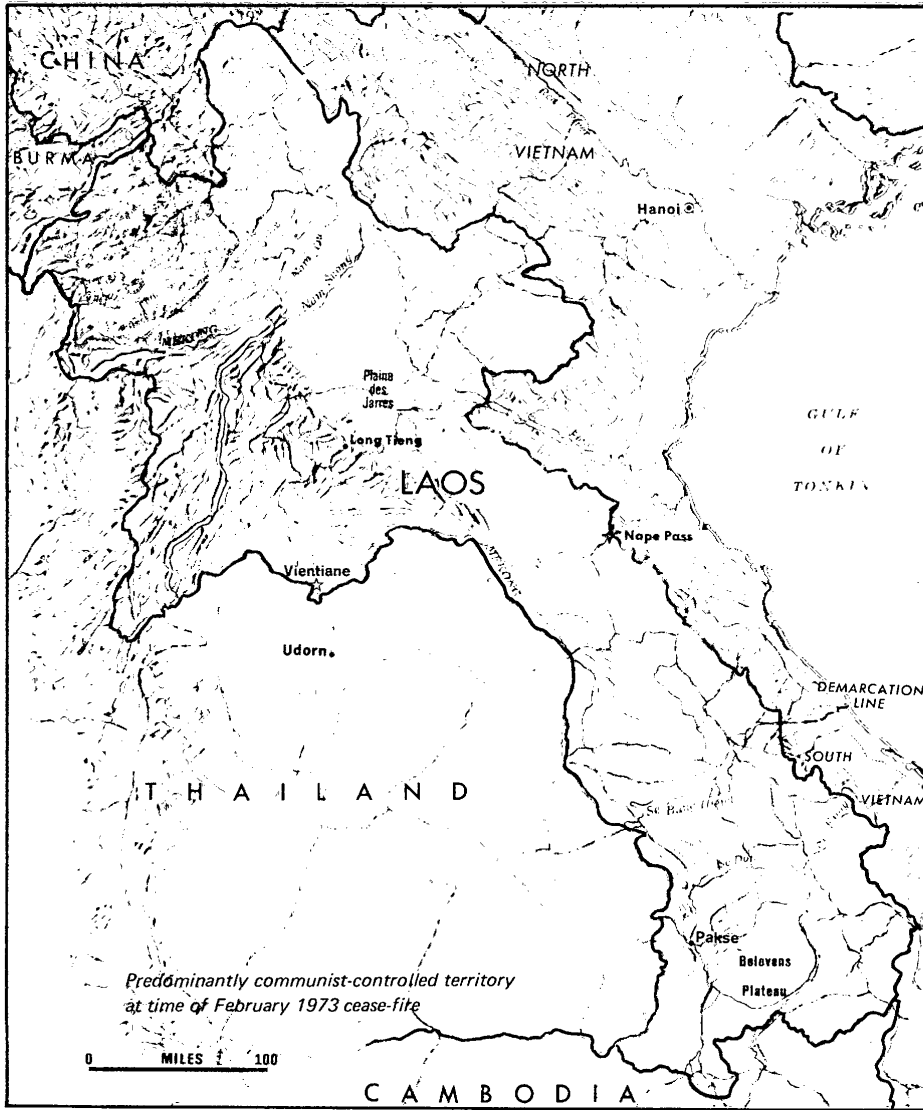
Describing the present situation as "not serious," Souvanna reassured his audience that the government has not changed its role and policies. He said the government would continue to apply firmly the principles of the 1973 Laotian peace accords.

The new acting defense minister, General Khammouane Boupha--technically a "patriotic neutralist" but in reality a Pathet Lao backer--took a tough stand during several addresses he made over the radio network yesterday. Boupha lashed out at the US and its conservative Laotian "stooges." He claimed that all of Laos' present difficulties had been caused by "American imperialists and extreme right-wingers," who have set out to destroy the 1973 peace accords, the coalition government, and the Lao economy.

The US chargé has registered a strong protest, as he did after last week's attack on the embassy, with Pathet Lao Deputy Prime Minister Phoumi Vongvichit over Boupha's statements. He told Phoumi that it was one thing for a newspaper to criticize Americans, but a very different matter when such public criticism came from a "responsible" cabinet minister.

Phoumi played down the incident and promised to rein in Boupha as well as the Pathet Lao's Minister of Information, Souk Vongsak. Phoumi also used the occasion to reaffirm the Pathet Lao's determination to maintain the coalition government and its present policy and to have "good relations" with all "friendly" countries.

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According to a late report, Vang Pao submitted his resignation from the Lao armed forces to Prime Minister Souvanna this morning. Pathet Lao troops last week cut his only overland resupply route, effectively isolating the Meo tribal enclave, and communist forces are reportedly advancing toward Long Tieng.

Acting Defense Minister Boupha insists that Vang Pao represents a potential threat to the coalition government and that he and Meo tribesmen in northern Laos must be "destroyed."

* * *

Civil unrest, inspired by the Pathet Lao, continues in Pakse and is threatening to spread to Savannakhet and other non-communist controlled urban areas in southern Laos. At last report, several thousand demonstrators--calling themselves the "Pakse Liberation Movement"--had blocked all commerce into and out of Pakse and had seized a number of southern rightist provincial governors. In addition to demanding the ouster of these and other rightist officials and a resolution of local economic problems, the protestors are clamoring for the "neutralization" of all of south Laos.

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THAILAND

The Thai National Security Council chaired by Prime Minister Khukrit reached several key foreign policy decisions at a meeting last Friday.

[redacted] 25X1

[redacted] stall the Vietnamese communists on the return of South Vietnamese aircraft. 25X1

[redacted] send Foreign Minister Chatchai to Peking and to set September as the deadline for the establishment of diplomatic relations with China. 25X1

[redacted] arrange for a visit by Khukrit to the US. 25X1

[redacted] not to take any initiatives at the annual foreign ministers' conference of the Association of Southeast Asian Nations (ASEAN). 25X1

In the clearest signal to date of Thailand's intention to maintain good relations with the US, the Prime Minister [redacted] would travel to the US at an unspecified date to confirm to you Thailand's "close and lasting" friendship and to seek better US understanding of Thailand's current difficulties. [redacted] 25X1
[redacted] hoped to convince the US of the increased importance of its support to Thailand at this time. 25X1

The meeting was, in effect, the most comprehensive review of foreign policy since Khukrit took office less than two months ago. It is clear that Khukrit and other members of the Council have slowed Foreign Minister Chatchai's attempts to accommodate Asian communist regimes. Chatchai pressed vigorously for "immediate" recognition of China, but settled for a date no later than the September session of the UN General Assembly meeting in New York.

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Chatchai has recently spoken out in favor of a neutral Southeast Asia, a theme that the Malaysians are likely to push.

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At the ASEAN meeting, which opens in Malaysia today, the other member states--Singapore, Indonesia, and the Philippines--are unlikely to go much beyond their earlier endorsement in principle of the Malaysian proposal for a Southeast Asian neutral zone. Nor are the foreign ministers likely to progress very far in their efforts to devise a common policy to deal with recent communist successes in Indochina. At Thailand's suggestion, the five agreed recently on recognition of the new regime in Phnom Penh. Malaysia then went ahead on its own to recognize the Provisional Revolutionary Government in Saigon.

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IRAN

Following is the précis of a National Intelligence Estimate approved by the US Intelligence Board on May 9, 1975.

We see little prospect during the next few years for a serious challenge to the Shah's authoritarian control over Iran's internal affairs and programs. Nevertheless, the Shah's monopoly of decision-making and his trend toward greater repression of opposition will incur certain political costs:

--Growing alienation and dissent, including terrorism, on occasion with anti-US overtones.

--Limited bureaucratic and governmental effectiveness in implementing the Shah's ambitious objectives.

--The stifling of political institutions which could maintain stability after the Shah's demise.

The Shah is unlikely to change his course materially; hence strains within Iranian society seem destined to grow as other sectors of life modernize and the pressure for political participation becomes more insistent. In the event of the Shah's early death, competition for power could lead to serious instability.

In the short run, Iran will be able to obtain the finances necessary to accomplish the Shah's dramatic economic development objectives but will be constrained by:

--An inadequate agricultural base.

--Serious shortages of skilled and semi-skilled labor.

--Port and transportation bottlenecks.

As a result, we anticipate a slowdown in the rapid pace of Iran's economic expansion over the next few years. In the longer run, if oil revenues

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do not rise significantly there will be current account deficits due to increased expenditures in military, industrial, and agricultural products. Even so, Iran will provide opportunities for significant economic gains for the US in investment and trade.

By the end of this decade, Iran will have acquired a formidable military arsenal capable of projecting significant ground and air forces into the Arabian Peninsula and South Asia, and a blue water navy capable of routine operations in the Indian Ocean. Iranian combat effectiveness, however, will remain limited by lack of training and the ability to maintain sophisticated equipment.

Foreign support, particularly from American technicians, will remain essential to Iran's military establishment for many years. The Shah is not likely to seek nuclear weapons in the near future, but he will probably attempt to acquire the necessary technology.

The Shah is likely to grow increasingly assertive in his foreign policies. He would risk confrontation with the Arabs, the West or even the Soviet Union in order to assert Persian primacy in the Gulf or to maintain what he considers a sufficiently high level of oil revenues.

Although he will remain suspicious of Soviet intentions and will continue to rely on the US as the ultimate deterrent to the USSR, the Shah believes he has taken out insurance in the form of economic and political ties and that he can deal effectively with the Soviet Union on his own under foreseeable circumstances.

Iran will be prepared to deploy forces unilateral in order to forestall a radical upset in the Gulf. There are also prospects for greater cooperation with Saudi Arabia's Prince Fahd and, following Iraq's recent regional overtures, for a reduction in Iraqi-Iranian hostility. Iran's relations with South Asia will remain limited over the short term; the Shah is likely to limit his financial backing for Pakistani arms purchases.

In the Middle East, the Shah will probably continue to expand his relations with Egypt, and it is becoming less likely that Iran would supply Israel with oil in the event of resumed hostilities.

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US-Iranian relations are likely to become more difficult in coming years. The Shah is seeking to remove both the US and Soviet military presence from the Persian Gulf and the Indian Ocean and to establish his own regional collective security arrangements in the Gulf; while he will tacitly approve of US naval operations in these waters as long as the USSR keeps naval vessels on station there, we cannot depend on him to provide access to Iranian facilities to support fleet units, and he will probably use his influence to end our use of Bahrain.

Specific problem areas include:

- The Shah's efforts to maximize oil prices and the buying power of oil.
- Arms procurement and the pressures that the Shah may levy to ensure his perceived military and security requirements are met.
- The growing number of Americans in Iran, expected to reach about 50,000 by 1978.
- Arab-Iranian rivalries forcing the US to choose sides.
- The question of safeguards for nuclear equipment and fuels.

The Shah's strategy in dealing with the US is likely to continue to be based on efforts to expand economic ties with the US to offset strains developing from his growing political independence. He provides important intelligence facilities for use against the USSR and would probably cooperate in facilitating US political initiatives in Middle Eastern diplomacy.

While over the short term, US and Iranian interests are likely to be largely compatible, we can no longer rely on the Shah to accommodate US interests in the increasing number of areas where his interests diverge from ours.

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While US-Iranian relations would come into question if the Shah should leave the scene, much of the relationship has become institutionalized to the point where it transcends the Shah.

Power would rest at least initially on a military-bureaucratic coalition, but they would come under increasing pressure and we cannot now foresee the nature of the regime which will ultimately succeed the Shah. But even a more extreme regime probably would not immediately seek to restructure the present relationship in drastic ways given the Iranians' view of their interests and the importance of the US connection.

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NATO

The defense ministers of nine European members of NATO agreed last week to seek talks with the US to get a better balance in the programs for military procurement and standardization of equipment.

UK Defense Minister Mason suggested that the Eurogroup might propose that the West Europeans purchase \$5 billion of US equipment in return for an agreement by the US to purchase \$2.5 billion of materiel produced in Europe.

The target figures will not be mentioned in the letter Mason intends to write to Secretary Schlesinger to signal the European initiative. The Europeans hope to discuss their offer when NATO's defense ministers meet later this month.

The Europeans believe that they must sell equipment to the US in order to maintain a stable and technologically advanced European arms industry. They also believe that NATO's efforts to standardize equipment will be greatly aided if the US buys European.

The defense ministers also agreed that the Eurogroup--an informal group of European members of NATO, excepting France--should invite France to participate in the procurement and standardization projects being carried out under the group's auspices.

French cooperation will be sought by promising that the Eurogroup will buy French military equipment if France joins one of the Eurogroup's affiliated organizations.

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Previous Eurogroup efforts to obtain France's cooperation have failed. It would be a major policy change for President Giscard to alter France's attitude. At a minimum, Paris would be likely to require the Eurogroup states to make firm large-scale commitments to buy French military equipment.

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NOTE

The US ship Mayaguez, seized by Cambodian communist forces yesterday in the Gulf of Thailand, is maintaining an almost stationary position some 30 miles west of the Cambodian port of Kompong Som.

Phnom Penh has made no mention of the ship seizure. Thai Prime Minister Khukrit Pramot reportedly said today that his government would bar the US from using bases in Thailand to recover the ship.

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CAMBODIA'S FOREIGN POLICY

The new authorities in Cambodia are clearly preoccupied with consolidating their control domestically, and it is doubtful whether any comprehensive foreign policy has been formulated. Authoritative statements have referred in a general way to a "neutral and nonaligned" foreign policy. The massive changes in Cambodian society undertaken by the new leadership and the equally massive problems that may ensue will probably cause considerable time to pass before the country emerges from its shell. Some overall trends are, nevertheless, discernible. The most important of these relate to the current state of play between Phnom Penh and its wartime allies in Hanoi and Peking and provide important clues to Cambodia's future alignment.

In the three weeks since the Khmer communist takeover, Peking has moved rapidly to involve itself in Cambodia. Chinese representatives had arrived in Phnom Penh by late April



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The scope of Chinese assistance will probably be substantial. Propaganda statements from Phnom Penh have stressed the need for economic self-sufficiency and have particularly emphasized agricultural development, but the new regime will need substantial assistance--250,000 tons of rice alone between now and August--to overcome immediate supply shortages. The new leadership will also be solely dependent on outside technical assistance in its efforts to get the country's small industrial sector operating again. China is likely to play an important role in both these areas.

A Phnom Penh radio broadcast on May 10 gives a good insight into current Cambodian priorities in international relations. The broadcast praises China for "sincere support and mutual respect," noting that Cambodian solidarity with China is "strong, developing, and flourishing." In contrast,

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the Vietnamese are lumped together with the Laotians and North Koreans as "other" close comrades in arms in a comparatively brief passage. The Soviet Union is not mentioned at all.

For the near term, Peking may well have close to a monopoly as a source of foreign assistance to Cambodia. The image the new authorities have acquired, through foreign publicity about executions and through the recent expulsion of foreigners from the country, will probably give pause to governments which might otherwise have been as eager to extend aid as they were to extend recognition. In this regard, the humiliating deportation last week of seven Soviet nationals--Moscow's entire representation in Phnom Penh--may lead Moscow to reconsider the feasibility of the offer of reconstruction aid it made to Prince Sihanouk in March.

Even if the Soviets and others choose to overlook the callous and ruthless front the Cambodians have turned to the world, there is some doubt whether any of their aid offers would be immediately accepted. The Khmer communists' failure to respond to many unilateral declarations of recognition has made it clear that they are not ready to make it easy for any government that waited until the eleventh hour to withdraw recognition from the former regime.

The Khmer communists probably do not plan to exclude Moscow permanently from the country, but they are unlikely to open the door to Moscow any time soon--almost certainly not before they are more certain how their relations with Hanoi are likely to shape up.

If the Chinese are in good position to capitalize on the current situation in Cambodia and to increase their stock and influence with the new leadership there, the Vietnamese communists are not. Indeed, Hanoi is probably deeply disturbed by the initial "foreign policy" statements from Phnom Penh. Khmer communist prohibitions against foreign military bases in Cambodia and the emphasis on the country's "territorial integrity" serve notice that the Vietnamese communists' freedom of movement in eastern Cambodia is a thing of the past. Although Hanoi's tactical need for the bases in any event ended with the fall of Saigon, several recent intercepted messages from local Cambodian commanders along the eastern border reveal an aggressive attitude toward the Vietnamese; one official has even

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been ordered to tell "the Viet Cong to leave immediately." Hanoi seems to have gotten the message: an intercepted North Vietnamese army message of May 7 indicated that the Vietnamese are shutting down their logistics operations in northeastern Cambodia, stating that this was "an urgent matter."

The decision to dismantle the logistics facilities was an easy one for Hanoi to make on purely military grounds, but it does remove a potential source of leverage for the North Vietnamese, and they may have initially been reluctant to move so quickly on the matter.

Given the fractious nature of its Cambodian connection for the past several years, Hanoi probably foresaw problems with an increasingly nationalistic and independent Khmer communist leadership once the fighting and the insurgents' dependence on Vietnamese arms deliveries ended. It must be taken aback, however, by the suddenness with which the new regime is asserting itself. Hanoi probably recognizes that, at least for the moment, it is in a poor position to compete for influence in Cambodia.

An early test for Vietnamese policy toward Cambodia may be in the offing: a recent intercepted message disclosed that Khmer communist forces have been ordered to seize at least two offshore islands long claimed by both the Vietnamese and Cambodians. The seizure of a US merchant ship in this area yesterday suggests that the occupation may already have taken place. The former governments in Phnom Penh and Saigon clashed over oil exploration rights in this same area last fall. The intercepted message disclosed that the new authorities in Cambodia know of the oil potential in the area and that Cambodian troops are under orders to "be prepared to fight diligently."

Even at this early stage, this must be gratifying to Peking, which has displayed concern over the possibility of dominant Vietnamese influence in Cambodia and that Moscow might obtain a role there. Peking's wartime policy was to hedge its bets by both continuing its support for Prince Sihanouk and strengthening its ties with the leadership within Cambodia. With the new leaders in Phnom Penh apparently receptive to Chinese initiatives even before Sihanouk's return, this approach thus far seems to be paying off handsomely.

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