



The President's Daily Brief

May 27, 1975

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LAOS

Harassment of Americans, clearly condoned and inspired by the communist-dominated coalition government, is becoming more common and widespread. Lao employees of the US mission and of American individuals are under strong pressure to quit their jobs or face reprisals. No Americans have been harmed thus far, but in the current climate, the possibility of incidents involving violence to US personnel remains high.

The Trans Air Protective Service--a civilian company which supplied security guards for US mission property and personnel--was taken over by communist troops on May 23, leaving the American community in Vientiane without protection. With assistance and direction from communist agitators, some 200 Lao security personnel and disgruntled employees of AID demonstrated Saturday in front of the US embassy over salary grievances. The protest was defused when the American management of the company agreed to meet the security guards' unrealistic demands for severance pay.

Although the most immediate result of the withdrawal of security protection for Americans is the danger posed by local housebreakers, whose activities are definitely on the upswing, communist-controlled Lao National Radio announced over the weekend that communist troops will conduct an "inspection" of all American homes and installations on May 27. The broadcasts also threatened that Americans who do not leave Laos "immediately" may be "punished."

Negotiations between US officials, coalition government representatives, and communist-inspired students and other demonstrators continued over the weekend in an effort to bring a halt to the week-long occupation of AID facilities in and around Vientiane. An agreement in principle was reached with Lao Prime Minister Souvanna Phouma, his communist deputy Phoumi Vongvichit, and communist Economics Minister Soth Phetrasy, that:

--the AID organization in Laos will be dissolved;

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--all American employees of AID will be withdrawn as soon as possible;

--AID equipment and facilities will be turned over to the Lao government, in accordance with the provisions of past agreements, by no later than the end of the current fiscal year.

US officials also agreed to pay the back salaries of all Lao AID employees as soon as the demonstrators permit access to the payrolls at the AID compound. As part of the agreement, the protesters are to disperse from the compound and the two US marine guards and one American civilian employee inside the compound's headquarters buildings are to be released.

The agreement, however, has not yet been accepted by the demonstrators. An estimated 30 protesters and some 15 Lao communist troops still occupy the main AID and defense attaché compound in Vientiane. Communist members of the capital's joint military security force still occupy several other AID facilities near the city and guard the entrance to a large American residential housing complex in the capital's northern suburbs.

Americans may leave the housing complex, but harassment there and at Vientiane's airport continues. Personal effects are subject to repeated "security" checks; private vehicles are being searched, and those vehicles without diplomatic or official plates are being impounded.

Nevertheless, nearly 600 American dependents and other nonessential personnel were evacuated by air to Thailand over the weekend. Approximately 280 US officials still remain in Vientiane.

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The communists are consolidating their control of the coalition government. At last week's cabinet meeting, they abolished the national documentation center--Prime Minister Souvanna's personal intelligence service--and the so-called "Vientiane side coordinating committee"--the non-communists' primary political action organization.

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In addition, the communists have reportedly succeeded in removing nearly 90 percent of all senior and middle-echelon, Western-trained, non-communist bureaucrats from key positions in the ministries. Communist-inspired demonstrators in Vientiane yesterday demanded the ouster of the non-communist directors general of agriculture and public works. A similar purge of officers from the non-communist Royal Lao Army has been under way for several weeks.

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PORTUGAL

The 240-man armed forces general assembly declared early this morning that the Movement would bypass political party leaders and establish its own alliance with organizations of the people. The communique issued after a divisive, 15-hour emergency meeting emphasized that political parties would not be abolished, a move that had been widely predicted by the Lisbon press.

The announcement did not give details about the "alliance with the people," but earlier reports have mentioned Cuban-style armed civilian militia and revolutionary defense committees linked directly to the military.

The Armed Forces Movement called on its Revolutionary Council to solve "firmly and rapidly" the conflict between the Socialist and Communist parties and made clear its unhappiness with the Socialists' boycott of the coalition cabinet. The criticism of the Socialists may strengthen the Communists' hand in the current dispute between the two parties.

The general assembly took the unusual step of reporting a unanimous vote of confidence in Prime Minister Goncalves. The demonstration of support for Goncalves will buttress his position as head of the radical faction of the Armed Forces Movement, the dominant faction since the abortive coup of March 11. There had been rumors that the assembly would attempt to oust moderate leaders from the Movement, but apparently no such action was taken.

While the general assembly met, 2,000 left-wing demonstrators in Lisbon protested against the CIA and NATO and, specifically, the opening of a NATO naval exercise off the Portuguese coast later this week. The Portuguese Communist Party also announced its intention to organize a mass demonstration of support for the Armed Forces Movement tomorrow.

EC foreign ministers, who met in Dublin yesterday, resolved to launch a major attempt to head off dangers of an economic breakdown in Portugal, provided Portugal stays democratic. Irish Foreign Minister Garret Fitzgerald will visit Lisbon on June 1 and 2 for political and economic talks with Portuguese leaders.

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IEA-OECD

A new unity will characterize the ministerial meetings of the International Energy Agency beginning today and of the Organization for Economic Cooperation and Development tomorrow and Thursday.

Although the importing nations continue to be interested in resuming talks with the oil exporters, most have shifted their priorities to the larger issues of trade in all raw materials and relations with the Third World. The IEA nevertheless is still not prepared to accept the demands of developing countries that talks on energy be formally tied to talks about all raw materials. Most IEA members simply feel that raw materials is the key question and that energy talks can wait.

The oil crisis, meanwhile, has sharpened the recognition of the OECD members--particularly the Europeans and Japanese--of their dependency on raw materials. The industrialized states have been looking for ways to assure themselves of long-range supplies and of steady prices. They are confronted by the rising expectations of developing states that export raw materials and look to the OPEC cartel as a model for their own behavior.

Some of the OECD members, in particular the EC Nine, have shown an increased willingness to give in to the developing states on rhetorical issues, such as canonizing the "Declaration for a New International Economic Order" and the "Charter of Economic Rights and Duties of States." This shift left the US isolated in its opposition to the final declaration of the UN Industrial Development Organization's conference in Lima last March.

The OECD members nevertheless are not prepared to accommodate all the economic demands of the developing states. At the Paris energy talks, for example, where concrete rather than rhetorical concessions were sought by the developing states, the industrialized countries did not break ranks with the US.

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The EC has been working on a new raw materials policy, which was considered by the EC ministers in Dublin yesterday. Community planning is still far from complete, but yesterday's session will have a strong influence on the OECD meeting.

The EC Commission recommended to the Council that the community move on three fronts to satisfy some of the developing countries' demands:

--Encourage further processing of raw materials in developing countries.

--Examine the possibility of commodity agreements on a case-by-case basis.

--Expand on a worldwide basis agreements to stabilize earnings of developing states from their exports of raw materials. The EC currently has such an agreement with 46 developing states in Africa, the Caribbean, and the Pacific, under the Lome convention.

Policy reviews are under way in European capitals. This means that the EC states will be no closer at this week's meetings to agreement on a final policy than are the other OECD states. Nevertheless, most Europeans believe as do the Japanese, that the OECD's policy must reflect a willingness to negotiate on basic issues with the developing states.

The OECD ministers will thus probably try to thrash out a rough outline of a common policy and leave the details to be worked out this summer.

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NATO

For the West Europeans, several of whom had reservations about a NATO summit, the most important aspect of the meeting will be that your attendance will reaffirm the US commitment to the Alliance and to Europe. The summit will afford allied leaders the opportunity to discuss the numerous political and economic problems facing NATO--problems that, if left unresolved, could threaten the Alliance's cohesion.

The suggestion that the regular spring NATO ministerial meeting be made into a summit initially received a lukewarm reception from several of the allies. They had doubts that a summit, which might only emphasize NATO's problems, would be beneficial; only the British, West Germans, and Belgians endorsed the idea. The French continue to be the most skeptical. They see no value in the summit and have chosen to send their foreign minister rather than President Giscard or Prime Minister Chirac to the meeting. As you know, however, Giscard has agreed to attend the dinner to be hosted by Belgian King Baudouin on May 29.

The controversy that developed over the communiqué for the meeting suggests that some of the Europeans may still be inclined to avoid sensitive issues so as not to acknowledge Alliance weaknesses. The frankness with which the allies can be brought to discuss NATO's many problems will be the mark of the summit's success; it is the necessary prelude to finding solutions.

Problems on the Southern Flank

Greece has done very little to implement its decision of last August to withdraw from NATO's integrated military command, but Athens' relationship with NATO as a whole remains unresolved. It appears, moreover, that the Karamanlis government hopes to maintain this state of uncertainty for some time. Greek military leaders hope to be able to cooperate with NATO on many matters. At the same time, it is evident that the government hopes to be able to pick and choose among NATO obligations and derive the maximum military and political benefit from its association, at the least possible cost.

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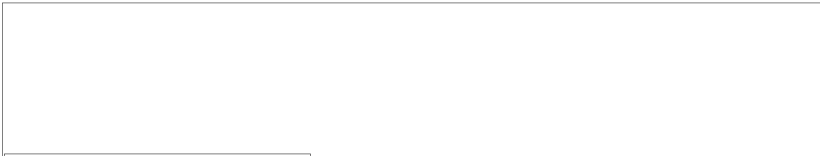
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The other NATO members have opted to deal cautiously with Athens in the hope of wooing the Greeks back into the fold. It will be difficult for several Alliance members to accept the Greek thesis that Athens should be permitted to participate only in those activities it desires.

Turkey, the NATO member most directly affected by Greece's actions, would have major reservations about approving selective Greek participation. Other allies will be concerned that the Greek example might be cited by still other NATO states to justify attempts at disassociation.

Meanwhile, despite its year-long dispute with Greece over the Aegean and Cyprus, and the US embargo on arms sales, Ankara retains a basically pro-Western foreign policy and commitment to NATO. Turkey has warned, however, that the arms embargo could force it to review its obligations should materiel shortages substantially reduce the effectiveness of its armed forces. Nationalistic pride is now coming to the fore, and it is likely that Prime Minister Demirel will feel himself increasingly vulnerable unless he directly addresses the issue of the embargo.



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Demirel doubtless wishes to discuss the arms embargo issue at the summit.

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Italy's severe economic problems have weakened its ability to fulfill its military commitment to the Alliance. Military leaders are concerned that the armed forces will not only be unable to meet NATO standards but that they will not even be capable of fulfilling their basic mission of defending Italian territory.

As a result of the economic situation, the Italians have made significant reductions in the strength of their army. NATO-committed units are being maintained at levels far below NATO standards. Moreover, due to rising costs and domestic political pressure, fewer conscripts are being drafted, and the period of service for conscripts will soon be shortened. In addition, all services are short of equipment, spare parts, and ammunition.

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An imbalance between operating costs and capital expenditures is likely to continue over the next several years, forcing Italy to stretch out needed programs for modernizing equipment. Plans for restructuring the army and for cutting nonessential spending have been considered, but these plans could take several years to implement.

Portugal's removal of its authoritarian regime and its decision to divest itself of its African colonies was generally applauded by the NATO allies. As the new regime has moved to the left, however, the allies have become increasingly uneasy. The presence of communists in the Portuguese government prompted the Alliance to cut off the flow of nuclear information to Lisbon and to ease the Portuguese out of the Nuclear Planning Group.

Portuguese spokesmen have stressed that Lisbon will honor all its international obligations, including those to NATO, and the Portuguese have in fact carried on in a business-as-usual fashion. This does not mean that Portuguese participation in NATO is assured for the longer term. For the present, there are few signs that Lisbon's somewhat truncated role is causing them much discomfort. Nonetheless, over the coming months, the Portuguese will be asking themselves what advantages they derive from continued participation.

Lisbon may see advantages to remaining in NATO if Portuguese leaders perceive some allied sympathy for what they are attempting to accomplish. If, on the other hand, they see a prevailing attitude of hostility and suspicion, they are likely to reciprocate. In the latter case, Lisbon might prefer to avoid a precipitous withdrawal, but its membership in the Alliance might become little more than minimal.

The Economic Pinch

NATO's troubles are by no means confined to the political sphere. A recent study of the political and security implications of the world economic situation pointed out that the NATO countries face in varying degrees:

- economic stagnation, accompanied by a high level of unemployment;
- high rates of inflation;

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--balance-of-payments problems aggravated by the need to pay high oil prices; and

--dependence on outside suppliers for oil and, in Europe, for other strategic raw materials.

Economic pressures have already caused not only the Italians but also the British and Dutch to cut both their armed forces and military budgets. Should economic problems worsen, still other allied governments will find it difficult to resist domestic political pressures to reduce defense expenditures. Such retrenchments would be psychologically debilitating, hamper force-improvement programs, and even strain the ability of the West to maintain a unified position in the force reduction talks.

The Generation Gap

NATO's quarter century now spans a generation, and the younger opinion makers, political leaders, and voters in Europe have a different perspective on history and current events than their elders.

The younger people have few or no memories of World War II or of early postwar Europe, and many of them question the necessity to maintain large standing armies. Many also regard NATO as an anachronism and do not necessarily perceive the Soviet Union as a threat to Europe, especially in a period of detente.

The influence of the younger generation varies from country to country, but it is clear that European governments must take their views into account. Political pressures have already led to decisions by Denmark to reduce the period of time conscripts must serve, by Belgium to modify conscription laws, and by the Netherlands to reduce its armed forces. Some NATO observers are concerned that such decisions may establish dangerous precedents that will be cited by other governments when they are faced with demands to retrench.

Reviewing East-West Issues

The summit will focus on the European security conference and the force reduction talks. The Europeans will be deeply interested in hearing US views and in learning of US perceptions of the Soviet attitudes toward these talks.

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The major question for the Europeans concerning the European security conference in Geneva is how hard they should push the Soviets to make compromises before the allies accept Moscow's proposal to conclude the conference this summer with a summit meeting. The Soviets apparently have revised their timetable for holding the summit meeting, but--unless Brezhnev's health problems make it impossible for him to attend--they probably will continue to push for a conclusion before August.

Although many of the Western delegations have grown weary of the conference and desire to end it, they still wish to obtain something, if only to justify attending a summit. In particular, the West Europeans hope to obtain some measures to facilitate the freer movement of people and ideas between East and West. It is on this issue that the Soviets have been most inflexible. In essence, the allies will be asking whether the US wants to wait out the Soviets on the issues of most interest to them, and if the US will support them in this endeavor.

The major question for the allies on the force reduction talks is whether the US will seek to end the stalemate in Vienna by recommending use of the so-called Option III--the offer to withdraw US nuclear warheads and delivery systems in return for the Soviet Union's withdrawing armored forces. All the NATO allies probably expect the US formally to propose the use of this option, and they will sound you out on this issue.

The British and West Germans have already commented on a US paper addressing the possible withdrawal of nuclear forces. The British have no objections in principle to making the nuclear offer, but both they and the West Germans do have some reservations.

Some of the other allies--the Netherlands for instance--believe the nuclear offer must be made, and the others, despite their reservations, will probably not oppose it. Several of the allies will probably insist on a thorough discussion within NATO on the implications of the offer.

The allies were briefed by Ambassador Johnson on May 7 on the current status of the Strategic Arms Limitation Talks, but the leaders might ask for your views on SALT and again express their concerns about the talks. In general, the Europeans

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want the US to reject any Soviet attempt to discuss non-central or "forward-based systems," and to avoid measures that might restrict NATO's flexibility.

The Europeans will wish to exchange views on the Middle East. They will particularly be interested in Secretary Kissinger's recent discussions with Soviet Foreign Minister Gromyko and in learning the US assessment of the prospects for renewed peace negotiations.

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