

Top Secret



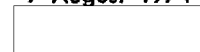
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National Intelligence Bulletin

Top Secret

9 August 1974



25X1

No 631



25X1

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National Intelligence Bulletin

August 9, 1974

CONTENTS

SOUTH VIETNAM: Military situation. (Page 1)

[Redacted]

25X1

CYPRUS: Geneva talks open in an air of pessimism.
(Page 5)

PORTUGAL: Military grows impatient with leftist obstructionist tactics. (Page 7)

EGYPT-LIBYA: Cairo to withdraw military personnel from Libya. (Page 8)

[Redacted]

25X1

USSR-

ROMANIA: Moscow's reaction to Macovescu's visit to China.
(Page 11)

[Redacted]

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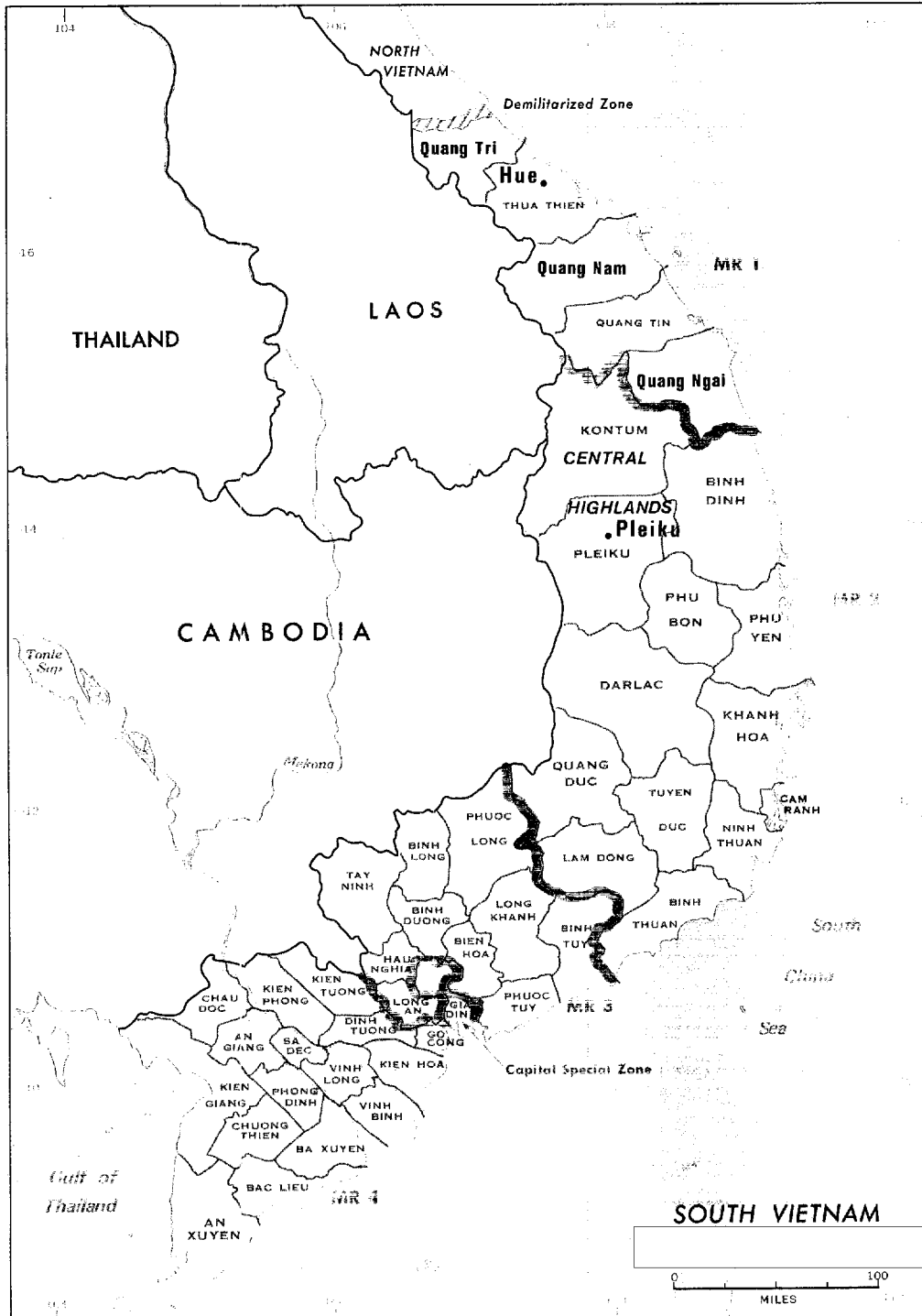
PAKISTAN: Bhutto moves against largest opposition party.
(Page 14)

BANGLADESH: Flooding and food shortages could bring disorders. (Page 15)

FOR THE RECORD: (Page 17)

[Redacted]

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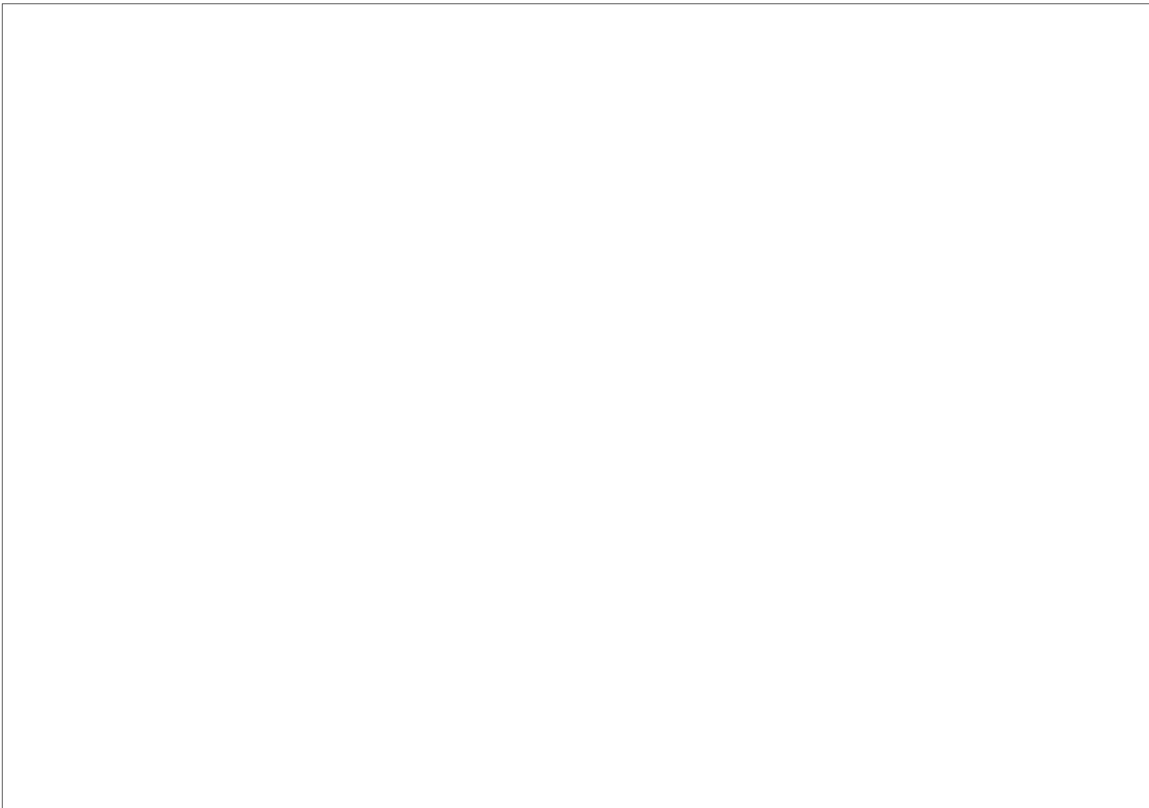
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National Intelligence Bulletin

August 9, 1974

SOUTH VIETNAM

While the Communists have made some recent gains in Quang Nam and Quang Ngai provinces and seem to be preparing to intensify fighting in several other sectors of the country, the situation is less ominous than a day ago.



In southern Military Region 1, the Communists are continuing to shell government outposts in Quang Nam and Quang Ngai provinces, but the government has moved in reinforcements and seems to have regained the initiative in some areas. Government forces are attempting to recapture lost territory and push the North Vietnamese back.

National Intelligence Bulletin

August 9, 1974

The Communists have moved large quantities of war materiel, including long-range artillery, into the area, and they may fight hard to hold the land that they have taken. The shift of a fresh division from Quang Tri Province would enable the North Vietnamese to challenge the government forces, but it probably would not be enough for the Communists to expand significantly their holdings.

The North Vietnamese have increased their attacks in Pleiku, [redacted]

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[redacted] Communist forces north and west of Saigon also seem to be preparing for more aggressive action.

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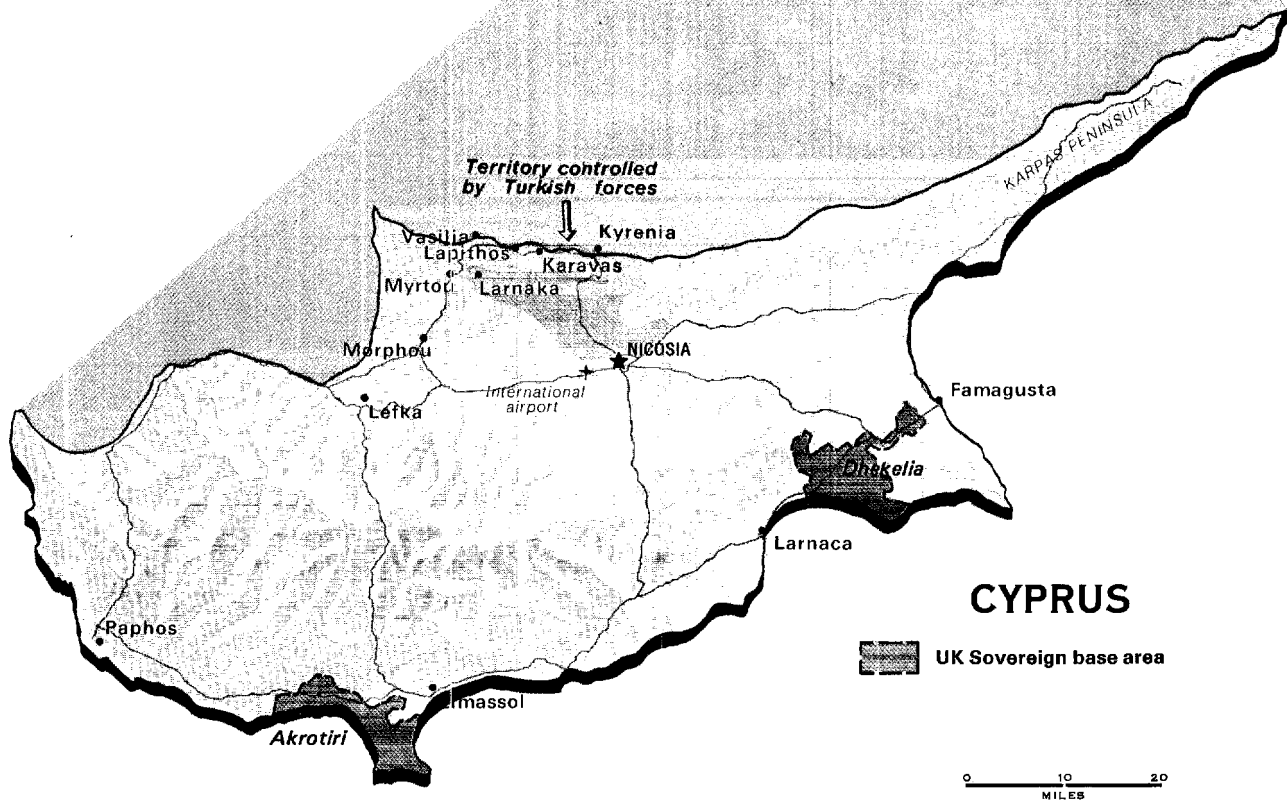
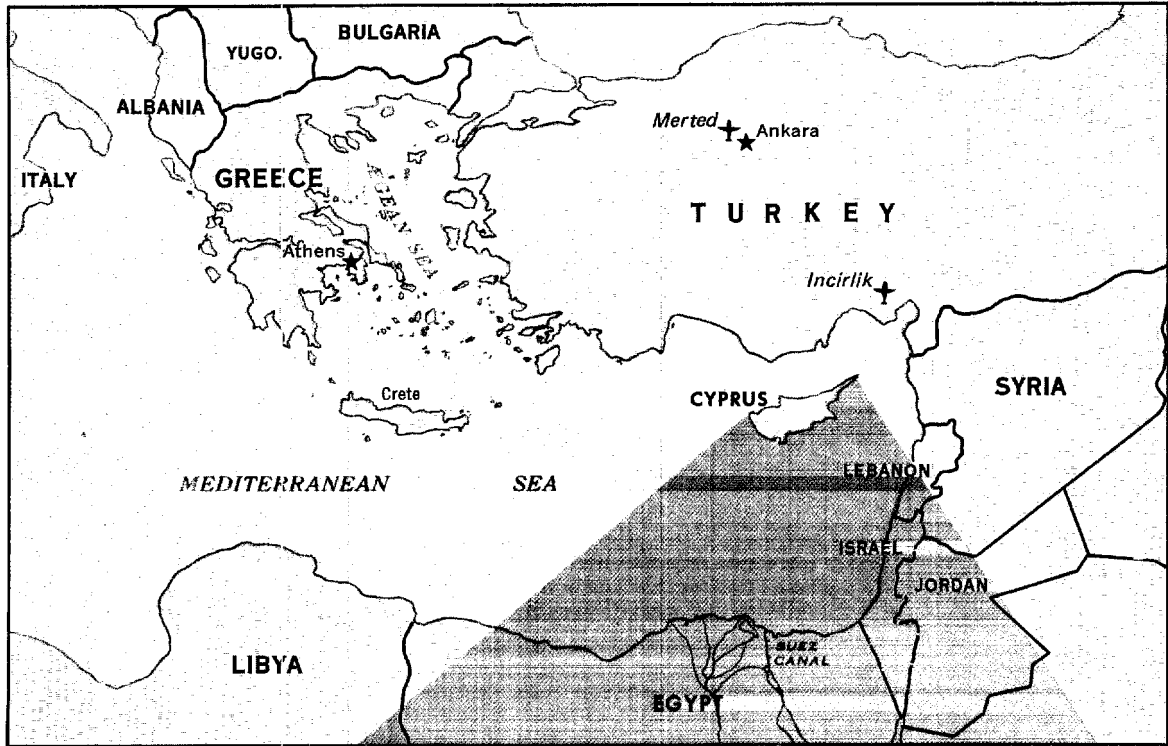
Government forces should be able to cope with a higher level of fighting and prevent the Communists from making major inroads into the territory they now control.

Communist units in the South are clearly capable of carrying out large attacks throughout much of the country, but they probably do not have the large manpower pool at hand needed to sustain protracted campaigns in many areas. Few troops have infiltrated in recent months. While Hanoi has a substantial number of troops training in the North and is capable of moving them south faster than ever before, it has usually positioned its troops on the southern battlefronts before launching its campaigns.

25X1

25X1

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National Intelligence BulletinAugust 9, 1974

CYPRUS

The second phase of the discussions on the disposition of the Cyprus problem opened in Geneva yesterday in an air of pessimism caused by the continued violations of the cease-fire and the failure to agree upon demarcation lines and buffer zones separating Greek and Turkish forces. The participants will now have to focus on these problems before discussing constitutional issues. The conference may also be marred by new tensions between Greece and Turkey over Aegean airspace rights.

In Cyprus, Greek Cypriot leader Glafkos Clerides yesterday announced the formation of a new eight-man cabinet of well-known, nonpolitical business and professional men. Clerides will retain the key ministries of foreign affairs, interior, and defense. The cabinet shuffle broadens the base of Clerides' government and strengthens his hand against political foes on the left and right. The cabinet change will also improve Clerides' bargaining position at the Geneva talks.

Clerides' efforts to restore order on the island will be further strengthened by the appointment of a new Greek commander for the Greek Cypriot National Guard and the replacement of key officers associated with the July 15 coup.

On the military front, Ambassador Macomber questioned the Turkish defense minister yesterday on reports that air force elements at Incirlik air base in southern Turkey and at Merted air base west of Ankara had been placed on maximum alert. Defense Minister Isik claimed ignorance of the alerts, but assured the ambassador that, in any event, nothing was being planned.

National Intelligence Bulletin

August 9, 1974

It is possible, however, that the alert was intended as a show of strength prior to the Geneva talks or in relation to an apparent Turkish move to limit air traffic in the eastern Aegean. The Greek defense minister told Assistant Secretary of State Hartman on August 7 that Turkey had informed his government that in the future, an extensive area of the Aegean west and south of Turkey could only be overflown after notifying Turkish air traffic control. The Greek government replied that it would not accept this unilateral Turkish action over what has heretofore been Greek-controlled airspace. This indicates that the conflict might spill over into the ongoing Greco-Turkish dispute over control of the Aegean.

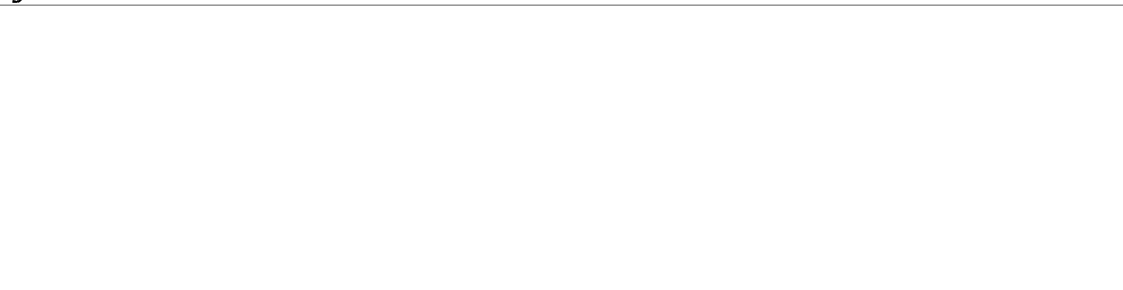
On Cyprus, the Turks continued their efforts to consolidate their holdings in the mountain range west of Kyrenia, and the Cypriot National Guard occupied two villages near Paphos. Heavy fighting also occurred in Nicosia along the "green line" separating Greek and Turkish Cypriots. [redacted]

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National Intelligence BulletinAugust 9, 1974

PORTUGAL

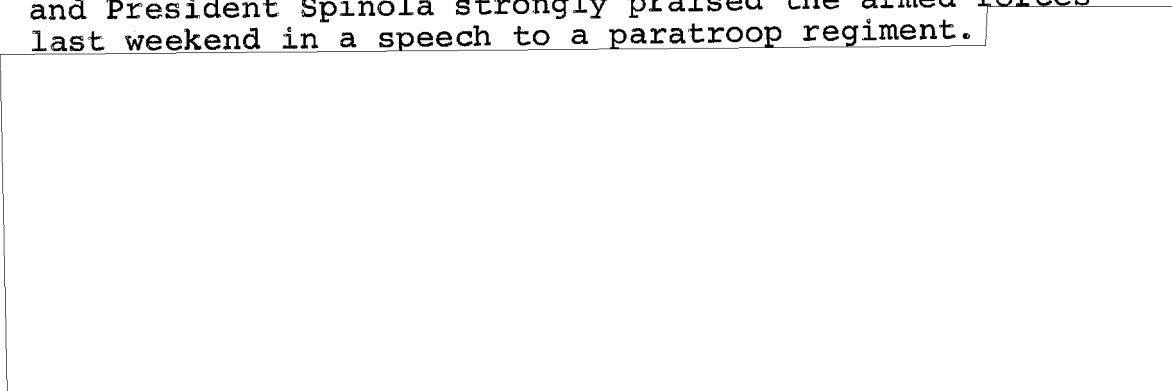
Moderate elements within the military are growing impatient with leftist tactics that have obstructed the government's efforts to deal with critical problems.



The problems of the economy, particularly with labor, were among the key issues that the military thought needed urgent government action. The Council of Ministers announced on August 4 that they had approved, after 17 hours of deliberation, a package of measures to stimulate the economy. Agreement was not announced, however, on the long-promised strike-lockout law. The inability to pass labor legislation could create additional restiveness in the armed forces.

The growing intolerance of the authorities toward the left resulted in the temporary ban last week on three Lisbon dailies. The US embassy indicates that news reporting in Portugal is being heavily manipulated in favor of the left, and a new press law is being negotiated that is intended to restore balanced news reporting. The military is particularly incensed over propaganda campaigns of the far left that attempt to persuade military personnel to resist orders and form unions to protect their rights.

On August 5, the junta issued a stern warning to extremist groups who are discrediting the armed forces, and President Spínola strongly praised the armed forces last weekend in a speech to a paratroop regiment.



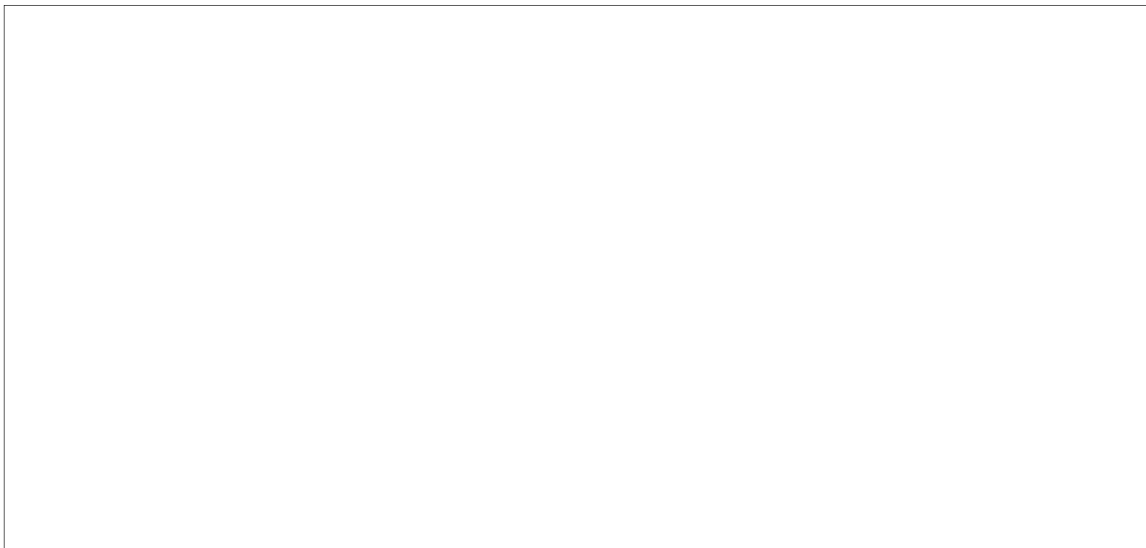
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National Intelligence Bulletin

August 9, 1974

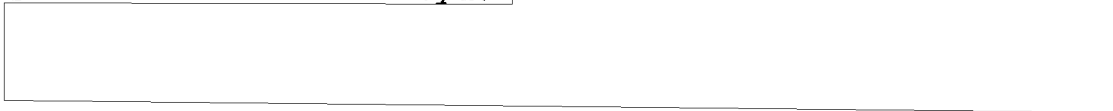
EGYPT-LIBYA

Cairo has decided to back up its warnings to Tripoli by withdrawing some of its military personnel on loan to the Libyan armed forces. Any significant recall of Egyptian advisers and support personnel will cause dislocations in Tripoli's already inadequate defense capabilities.



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The size of the Egyptian military establishment in Libya has been difficult to determine since the October war, when Cairo recalled selected air and ground force personnel based in Libya.



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The removal of Egyptian advisers and technical personnel would result in the gradual deterioration of Libyan maintenance, training, and operations, and inhibit Tripoli's plans for expansion of its armed forces. The Libyan Mirage force probably will be affected only slightly, however, as most of the necessary foreign assistance is provided by France and Pakistan.



25X1

National Intelligence Bulletin

August 9, 1974

The Libyan leadership announced yesterday that it had refused to accept President Sadat's letter, released earlier this week, describing it as "exceeding" customary diplomatic exchanges. The Tripoli media, while denouncing the Sadat letter, have softened their tone, and in one radiobroadcast yesterday suggested that Sadat has simply been misled by Egyptian propagandists. The Egyptian press has continued its shrill attacks on Libya, but is now putting greater emphasis on Sadat's call in the letter for a new dialogue.

Neither side shows signs of trying to avoid what appears to be a collision course. Sadat is fed up with Qadhafi's meddling in Egypt's affairs and apparently intends to stand by his demand that Tripoli either abandon its anti-Egyptian policies or face repercussions that could seriously hurt Libya's military posture. Qadhafi, on the other hand, is not likely to knuckle under to anything resembling an Egyptian ultimatum, which in his view compromises Libya's principles.

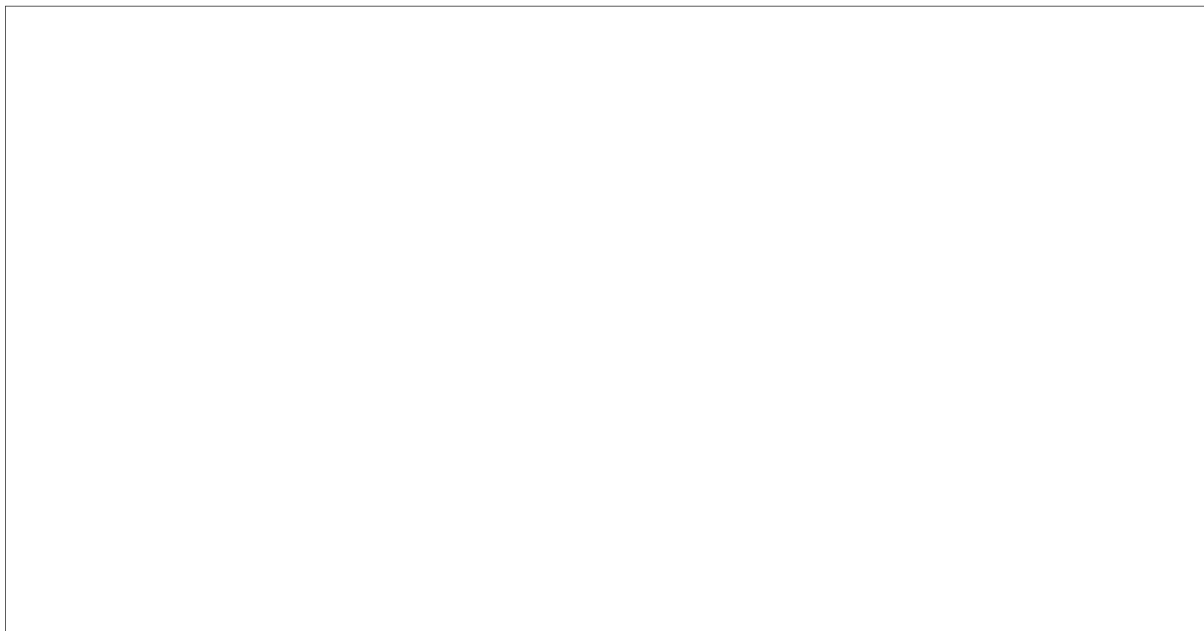
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National Intelligence Bulletin

August 9, 1974



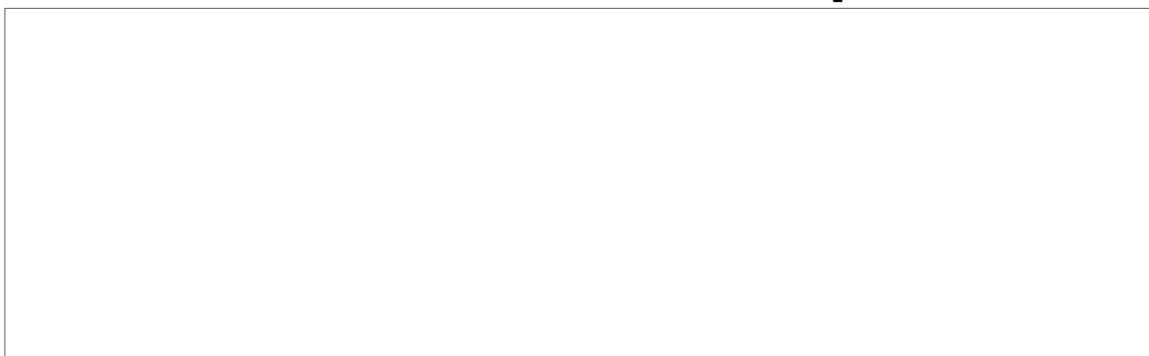
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The Soviet mine-sweeping operation in the Strait of Gubal may be extended well beyond the projected completion date of August 15. Bad weather has caused delays in the clearing operations in the main channel, and work in this area may not be completed until September 1.



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National Intelligence Bulletin

August 9, 1974

ROMANIA

Romanian Foreign Minister Macovescu's current visit to China and the accompanying outpouring of mutual praise are drawing reaction from Moscow.

As Macovescu was being feted in Peking, the Soviets broadcast to China a personal attack on his host, Foreign Minister Chi Peng-fei, accusing him of anti-Socialist and anti-Soviet attitudes that were inimical to detente. The broadcast went on to criticize the Chinese leadership in general for attempting to cloud the European political climate.

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While Macovescu was meeting with Chi, the Soviets directed an implied warning to the Romanians. In a broadcast, Moscow noted the best guarantee of Romanian independence lies in ties to the socialist community and avoidance of Maoist attempts to undermine Soviet-Romanian friendship.

25X1

National Intelligence Bulletin

August 9, 1974

Moscow may also have been piqued because the Romanians have recently banned several communist periodicals that contain propaganda incompatible with Romanian policies, particularly material attacking Peking. Most recently, an article in Problems of Peace and Socialism by Boris Ponomarev, candidate member of the Soviet Politburo, was banned because of its "anti-Chinese bias."

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National Intelligence Bulletin

August 9, 1974

PAKISTAN

Prime Minister Bhutto is moving forcefully against the National Awami Party, the most important of the opposition parties in Pakistan.

25X1

In the North-West Frontier, the government had earlier arrested several party members, including three provincial assembly members, for engaging in "subversive activities." In a thinly veiled allusion to Afghanistan, the national and provincial internal security ministers have charged that rank-and-file National Awami Party workers and members of the Pakhtoon Zalme--an outlawed militant youth group associated with the party--have received terrorist training from a foreign country.

A spate of bombings took place in the North-West Frontier last month, and the US embassy in Islamabad speculates that Awami leaders may have given radical party members the go-ahead to carry out the incidents. A provincial minister recently told the US consul in Peshawar, however, that the government had no conclusive proof that the opposition was actually responsible for the bombings.

Exchanges between Bhutto and Abdul Wali Khan have grown more abusive in recent weeks. Wali Khan has accused the Prime Minister of seeking to impose a dictatorship on Pakistan. In turn, Bhutto's recent speeches have barely stopped short of branding Wali Khan as a traitor and tool of India and Afghanistan.

Bhutto's party has a heavy majority in the national parliament, and he has managed to manipulate the Awami Party out of power in its provincial strongholds. He apparently is trying to project an image of a strongman who will tolerate no opposition.

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National Intelligence Bulletin

August 9, 1974

BANGLADESH

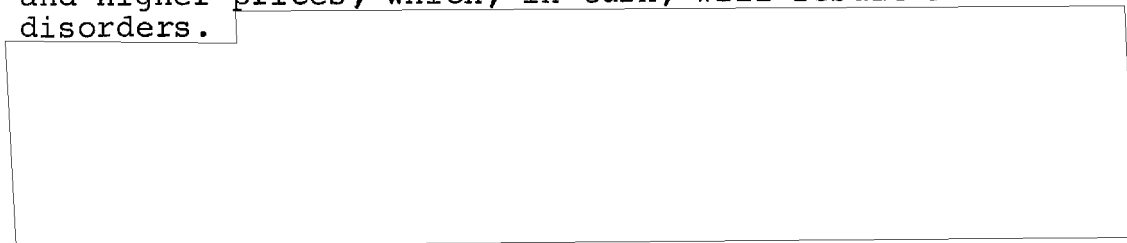
Serious monsoon flooding has caused severe damage, particularly in eastern areas. During the past three weeks, retail rice prices in Dacca rose 21 percent in anticipation of possible food shortages. The waters are receding in the northern areas of the country, but the flooding has aggravated an already bleak economic situation.

Yields from the rice crop, which normally account for 25 percent of total foodgrain production, will be reduced this summer, and the quality affected. Prospects for the main rice crop to be harvested in December cannot yet be assessed; even where fields have been submerged, rice can survive for several days.

Farmers earlier this year responded to food shortages and higher rice prices by shifting land from jute to rice. The increased rice acreage, however, is not sufficient to compensate for flood losses. Moreover, there will be reductions in the sale of jute and jute products, which normally account for 90 percent of export earnings. A critical foreign exchange shortage will be intensified, and Dacca will be unable to import sufficient food.

Prime Minister Mujibur Rahman has requested foodgrains and other emergency relief commodities from the US and other donors. The government's capacity to distribute essential commodities without outside help is questionable, however.

Mujib has said that floods are the greatest threat to his rule since he became Prime Minister in 1972. He believes the most critical period for the country will be from September to December and that flood damage to standing crops and rice stores will lead to shortages and higher prices, which, in turn, will result in civil disorders.

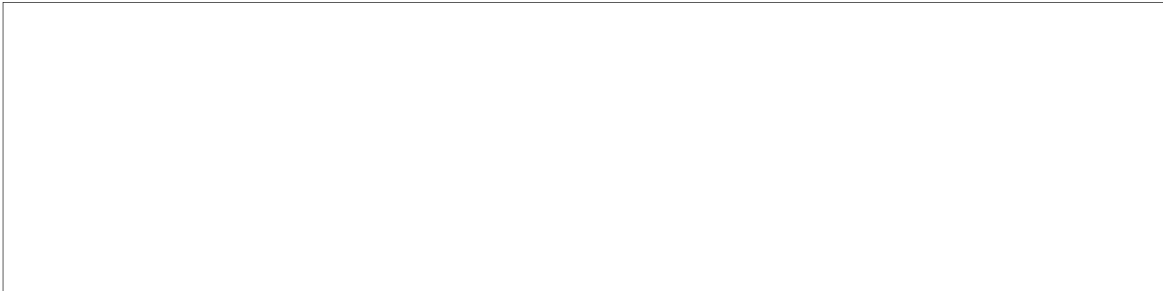


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National Intelligence Bulletin

August 9, 1974

FOR THE RECORD



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Czechoslovakia: Prague announced yesterday that 78-year-old President Svoboda has suffered a relapse and is back in the hospital. During most of the spring he was under intensive care for "failure of his respiratory and circulatory systems." Premier Strougal has exercised Svoboda's presidential duties--as provided for in the constitution--since late March. Should Svoboda die, the odds favor Gustav Husak to be elected president while retaining his position as party chief.



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