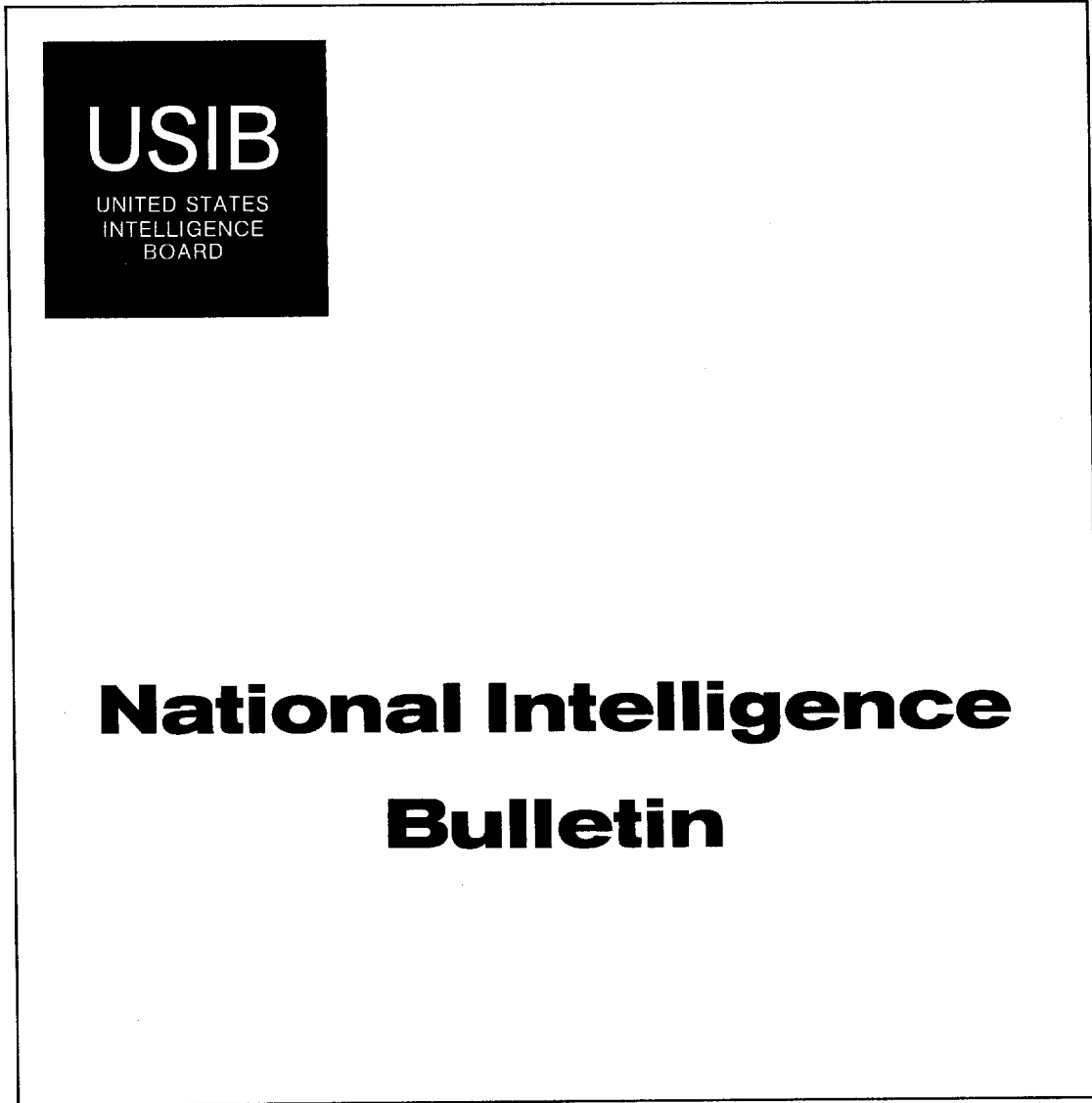


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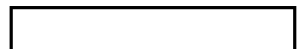


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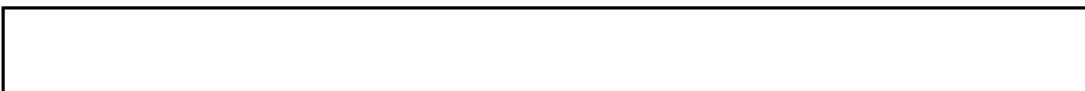
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ARGENTINA

President Peron's decision to cut short her summer vacation and return to Buenos Aires appears to confirm rumors that political tensions have reached a disturbing level.

Reports of military opposition to key presidential adviser Lopez Rega, imminent shifts in the cabinet, and growing conflicts between Peronist labor leaders and the government are fueling widespread speculation that a major confrontation is in the offing. With strong opposition to Lopez Rega apparently forming among the military, Peronist labor, and the opposition political parties, Mrs. Peron will be under great pressure to curtail his power. The strength of military and labor sentiment to continue to support the President is not clear, but they are the critical factors in determining her continuance in office. The fear that chaos would develop should Mrs. Peron resign rather than bow on this issue may counsel restraint on the part of Lopez Rega's opponents.

Lopez Rega thus could ride out the storm. He has had uncanny success in outsmarting his enemies in the past. There is a possibility that some face-saving compromise could be effected to play down his role and quiet his critics--at least temporarily.

Adding to the President's immediate problems--and to the widespread mood of disquiet in the capital--is a new ultimatum from leftist extremists. They are threatening to conduct a campaign of "indiscriminate execution" of government officials and Peronist leaders unless the police show publicly by Sunday night that 19 captured guerrillas are still alive.

Earlier, the discovery of a bomb within the compound of Mrs. Peron's beach resort reportedly caused her to move to a nearby naval base before returning to the capital.

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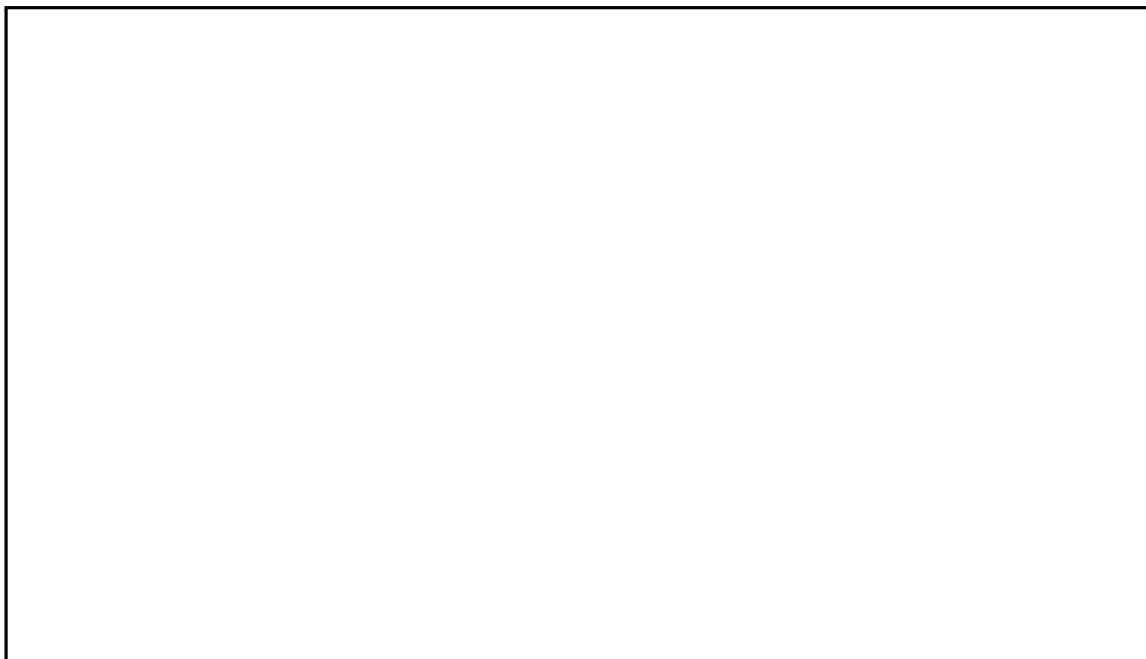
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CHINA

The Australian Wheat Board has announced the sale of about 1 million metric tons of wheat, worth about \$150 million, to China, apparently under the current three-year Sino-Australian wheat contract. Delivery will begin in April and be completed in March 1976. Our estimate of China's imports of grain from all sources for 1975 remains at 5.6 million tons; the deal had been expected for some time.

By buying Australian wheat at a price around \$4.00 a bushel, Peking is cutting the costs of its wheat imports over the next few months. The Australian Wheat Board reportedly has been reducing export wheat prices daily to keep them in line with or below those quoted by US traders. The US price is now hovering around f.o.b. \$4.00 a bushel. The total cost will be less, however, because shipping charges from Australia to China are much cheaper. The Chinese would particularly welcome lower grain import costs at this time because of their current tight foreign exchange position.



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IRAN

Tehran is trying to put the blame solely on private Western oil companies for the reduction in Iran's oil exports.

Officials in Tehran and the controlled Iranian press claim that a decline in demand by the major Western oil companies--the group of private companies that produces and markets about 90 percent of Iran's oil--is responsible for the drop in oil exports. Iran's estimated oil output and exports in January were about 10 percent--or 500,000 barrels a day--lower than the average in 1974.

While it is true that the companies have lowered their oil liftings in response to world market conditions, this accounts for only part of the cutback in Iran's exports. A good share of the cutback must be attributed to lower sales by the government's National Iranian Oil Company, which is asking over \$11.00 a barrel, well above the marketable value of Iranian oil.

Iran probably is engaged in a deliberate effort to reduce its output and may well encourage similar efforts by other Middle East producers, in hopes of eliminating the oversupply of oil in the world market and the downward pressure on oil prices. The Shah has opposed any price reductions and has indicated Iran's willingness to restrict output to maintain high prices.

Iranian officials, taking note of the possible reduction of about \$2 billion in oil revenues this year, have indicated that Iran will consequently have to reduce its foreign aid. Even with reduced oil earnings, Iran would have the ability to continue large loans in 1975. It seems likely therefore that Tehran is using this excuse to avoid criticism from the developing countries for its policy to limit aid-related credits in favor of more remunerative investments. Tehran seems intent on making the Western oil companies the scapegoats for its lending actions.

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USSR-US

Two Soviet Politburo members and a candidate member on Tuesday reiterated Moscow's commitment to detente. Their speeches add authority to recent Soviet press articles on the continuing importance the Soviets attach to good ties with the US. Party Secretary Ponomarev, Defense Minister Grechko, and trade union boss Shelepin all emphasized the continuity of Soviet foreign policy.

Their remarks were probably meant to reassure foreign and domestic audiences about Soviet stability, despite the US-USSR trade setback and General Secretary Brezhnev's extended absence from public life. The speeches do not necessarily mean that policy issues are not under debate among the leaders, however, nor do they shed much light on Brezhnev's status.

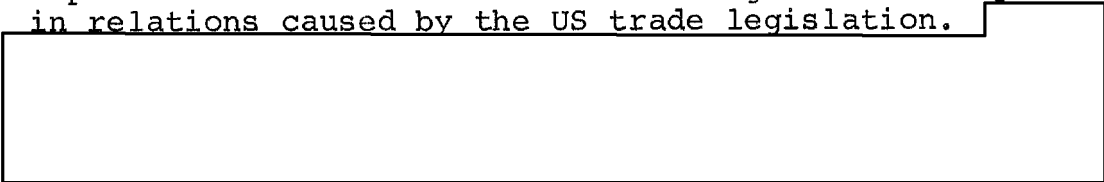
Ponomarev, the candidate member, addressed an armed forces conference of ideological workers in Moscow and said that detente must be irreversible. He emphasized the importance of Brezhnev's summitry with Western leaders and of the Vladivostok accords to a long-term US-Soviet arms limitation agreement. In terms reminiscent of a speech he made to European communists in December, Ponomarev described detente as offering new opportunities for socialism.

Grechko, speaking to the same conference, also praised the Soviet "peace program," but the defense minister characteristically attributed its success to the USSR's growing military strength. He cautioned that the danger of war remains a "grim reality" and that the arms race is accelerating rather than slowing.

Shelepin, meanwhile, was in East Berlin, where he strongly defended Soviet policy against unnamed critics--perhaps including his doctrinaire East German hosts--who argue that capitalists have been the main beneficiaries of detente. He said that East-West economic cooperation aids the cause of peace, assists workers in troubled capitalist economies, and strengthens the Soviet economy.

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Soviet media coverage of the resumption of the Strategic Arms Limitations Talks has been positive. The media explicitly stated that progress in Geneva is more important than ever because of the negative development in relations caused by the US trade legislation.

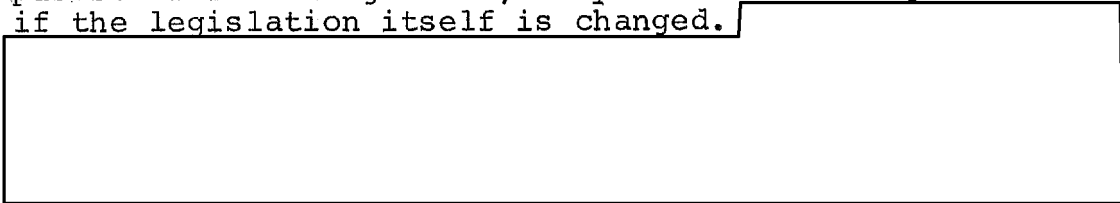


LATIN AMERICA

The Venezuelans, elated with their success in rallying Latin American condemnation of the US Trade Reform Act and with the consequent postponement of the foreign ministers' meeting in Buenos Aires, seem prepared to pursue their new role as regional leader even further.

There are tentative indications that President Perez is advancing the timetable for a summit meeting of all Latin and Caribbean presidents, so that it can be held in Caracas in March. This would enable the conferees to establish joint positions on as many of the questions on the OAS General Assembly agenda as possible before the Assembly meets in April.

The Latins, in the meantime, seem determined to let the inter-American "dialogue" remain suspended until they receive some satisfaction from the US on the trade act. So far, there are two bills in the US Congress to exempt Venezuela and Ecuador from provisions in the act aimed at OPEC members. Although the Latins are obviously pleased with this gesture, they will be waiting to see if the legislation itself is changed.



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USSR-EGYPT

Soviet Foreign Minister Gromyko will take a tough line in Cairo next week in response to President Sadat's recent criticisms of the USSR.

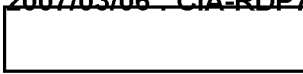
Y. D. Pyrlin, deputy chief of the Foreign Ministry's Middle East division, told a US embassy officer in Moscow on Thursday that Sadat, in his recent Le Monde interview, had raised "many difficult" matters and had not helped Soviet-Egyptian relations. A Soviet official in Egypt has been saying that Gromyko will speak strongly to Sadat about bilateral matters and the Geneva conference.

The Foreign Ministry official indicated that Gromyko will sign scientific, consular, and economic agreements while in Cairo. These accords were negotiated during the past few months and had been intended for signature by General Secretary Brezhnev. If Gromyko does the honors, it will be a further indication that Brezhnev's trip to the Middle East has been postponed indefinitely.

Pyrlin said that Gromyko will not discuss rescheduling of Egypt's debts, but that this would be discussed during routine Soviet-Egyptian economic talks in Moscow next month. Sadat has grown more critical of Moscow's failure to postpone payments on past arms purchases as pressures on Egypt's foreign currency position have increased. Moscow doubtless sees the debt issue--along with arms supplies--as a lever on the Egyptians.

The Soviet Foreign Ministry official was noncommittal about Secretary Kissinger's projected Middle East trip. He gave a predictable plug for the Geneva conference, but implied that going to Geneva does not rule out other kinds of negotiations.

Pyrlin predicted that Gromyko's visit to Syria, which begins today, will be routine. The Soviets may, however, seek to fan Syrian suspicions of Egyptian intentions in the disengagement negotiations and to bolster Syrian support for talks in Geneva. The Soviet official in Cairo recently indicated that, after Saudi King Faysal's visit to Syria, Moscow is less sure of President Asad's commitment to move the negotiations to Geneva.



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ANGOLA

The black-dominated transitional government that will prepare Angola for independence next November was formally installed in Luanda yesterday. The government is based on an uneasy truce among Angola's three rival nationalist groups that is sure to be subjected to severe strains in the coming months.

The new Angolan regime is headed by a Portuguese high commissioner and a presidential council made up of one member from each of the groups, with the chairmanship rotated monthly. The high commissioner represents Portugal's interests but has no vote on domestic issues. A cabinet of 12 ministers, with portfolios equally divided among the Portuguese and the liberation groups, also was installed.

The leaders of the three nationalist groups have appointed deputies to represent them on the presidential council, so as to remain free to engage in political activities. They did not appear in Luanda for the installation procedure.

Signs of trouble between two of the groups have already emerged. On January 25, an official of the National Front for the Liberation of Angola destroyed some equipment at the government-run radio station in protest against censorship of Front communiqués by staff members sympathetic to the Popular Movement for the Liberation of Angola. The next day, Front members kidnaped the station's deputy director and beat him badly before he was released. Both the Front and the Popular Movement subsequently issued communiqués accusing the other of planning civil war.

After a decade of intense rivalry, sometimes marked by armed clashes, cooperation among the groups will not come easily, if at all. Indeed, antipathy between the National Front and the Popular Movement, based on the personal ambitions and conflicting ideologies of their

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respective leaders, is so strong that open warfare between them is a distinct possibility. The National Union for the Total Independence of Angola, the smallest of the three groups, has emerged thus far as an effective intermediary. The National Union's ability to continue in that role, however, is likely to be weakened by its own political preoccupations during the transitional period.

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ETHIOPIA

Rebels yesterday attacked government forces in Asmara, the capital of Eritrea Province. The fire-fight lasted for about an hour. This was the largest operation mounted by the rebels against the armed forces in over a year. The rebels are probably trying to draw the ruling military council into large-scale hostilities, in which the government's forces could well suffer some setbacks.

A US naval communications station, located near an Ethiopian army facility, was caught in the crossfire. No casualties were reported among the approximately 110 US personnel or among the other 300 Americans in or near Asmara.

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PORTUGAL

Small groups of radical demonstrators last night marched through downtown Lisbon without serious incident, but the tensions associated with holding such political rallies will continue into next week.

The Socialist Party, which canceled its rally last night in accord with the ban against such demonstrations by the Armed Forces Movement, has rescheduled it for February 7. If the Communists should schedule another anti-Socialist counterdemonstration as they did this week, the Movement might ban all rallies until after the election.

The Communists, meanwhile, have made another attempt to postpone the election set for this spring. They have demanded that the government publish a list, before next Monday's deadline for closing voter registration lists, of those people ineligible to vote because of their association with the previous regime. Although only a few thousand people are involved, the Communists assert that they wish to prevent "fascists" from registering illegally.

The government quickly obliged and also announced that it would stick to the electoral calendar, even if a complete list of ineligibles proved impossible to compile.

The Communists are expected to continue making difficult demands upon the government throughout the electoral procedure. They will be trying to build a case for later charges of rigging, should they choose to contest the election results.

Both President Costa Gomes and Prime Minister Goncalves have been conspicuously silent in recent weeks, but Minister Without Portfolio Vitor Alves said Thursday that Goncalves will soon address the nation and that Costa Gomes will shortly announce the date of the election. The electoral law requires that the election date

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be announced 60 days in advance. The election will most likely be held in the first ten days of April, but no later than April 25.

The Communist-dominated Portuguese Democratic Movement became the fourth party to qualify for the ballot this week, after it presented signatures of 5,000 supporters to the Supreme Court. The Communists, Popular Democrats, and center-right Social Democratic Center have already qualified. The inability of the Socialists to round up the necessary signatures appears to be a reflection of their poor organization rather than their popular support.

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FOR THE RECORD

France: The cabinet shuffle yesterday--the first since President Giscard came to office last June--has been expected for some time and does not portend a major policy shift. Outgoing defense minister Soufflet, who has been widely criticized for his lackluster performance, was replaced by another staunch Gaullist, Yvon Bourges. The secretary of state for posts and telecommunications, Pierre Lelong, also was replaced; he has been condemned for provoking and aggravating last fall's six-week postal strike. In a move underlining Giscard's campaign to boost exports, Secretary of State for Foreign Trade Norbert Segard was promoted to the rank of full minister. Former EC commissioner Jean-Francois Deniau was named to the new post of secretary of state for agriculture--possibly a reflection of French concern over recent arguments with EC colleagues about the common agricultural policy.

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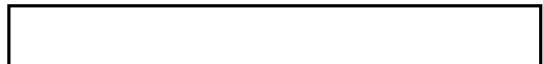
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