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PORTUGAL

A series of political meetings are under way in Portugal this week as leftists and moderates each seek ways to increase their power relative to the other.

The Armed Forces Movement's 20-man Superior Council has been in session for the past few days working on an agreement fixing the ground rules for the election campaign, now due to begin on March 4. The agreement is expected to draw up definitions for Portugal's "pluralistic democracy" and its "anti-monopolistic nature."

The Superior Council's decisions will be presented for approval to the 200-member General Assembly of the Armed Forces, which will meet on Thursday, and to the cabinet, which meets on Friday. The Assembly has announced that it is considering "revolutionary" legislation:

--Establishment of the Armed Forces Movement as a permanent governmental institution.

--Creation of a role for the Movement in the constituent assembly.

--Adoption of the long-awaited economic plan.

Any one of these issues could provoke bitter debate and raise tensions to the high pitch that was reached during the recent labor law dispute.

A potentially more damaging effort to alter the power structure may be taking place outside the principal ruling bodies. US embassy sources report that a draft proposal for amending the constitution has been submitted to the 21-member Council of State, which alone is empowered to change the constitution. The proposal would vastly increase the powers of the original seven-man junta made up of senior military officers. It would also give the junta--now little more than an advisory body--power to legislate, to outlaw organizations that do not support the Armed Forces Movement and other "progressive forces," and to punish "reactionary" individuals.

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The draft reportedly was submitted to the Movement's predominately leftist Coordinating Committee. It may be an attempt to circumvent the power of moderate members of the Movement's Superior Council and its General Assembly. The junta's membership has changed in recent months and the Coordinating Committee may feel it now can be more easily influenced.

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ETHIOPIA

The army appears to have suffered setbacks in its attempt to dislodge insurgents from the outlying areas of Asmara. Some army units reportedly are withdrawing into the city.

1, 2, 3

Asmara was quiet yesterday, but the police directed residents to stay off the streets, apparently in anticipation of more fighting. The situation of the city's populace is serious because of water and electricity shortages.

1, 2, 3

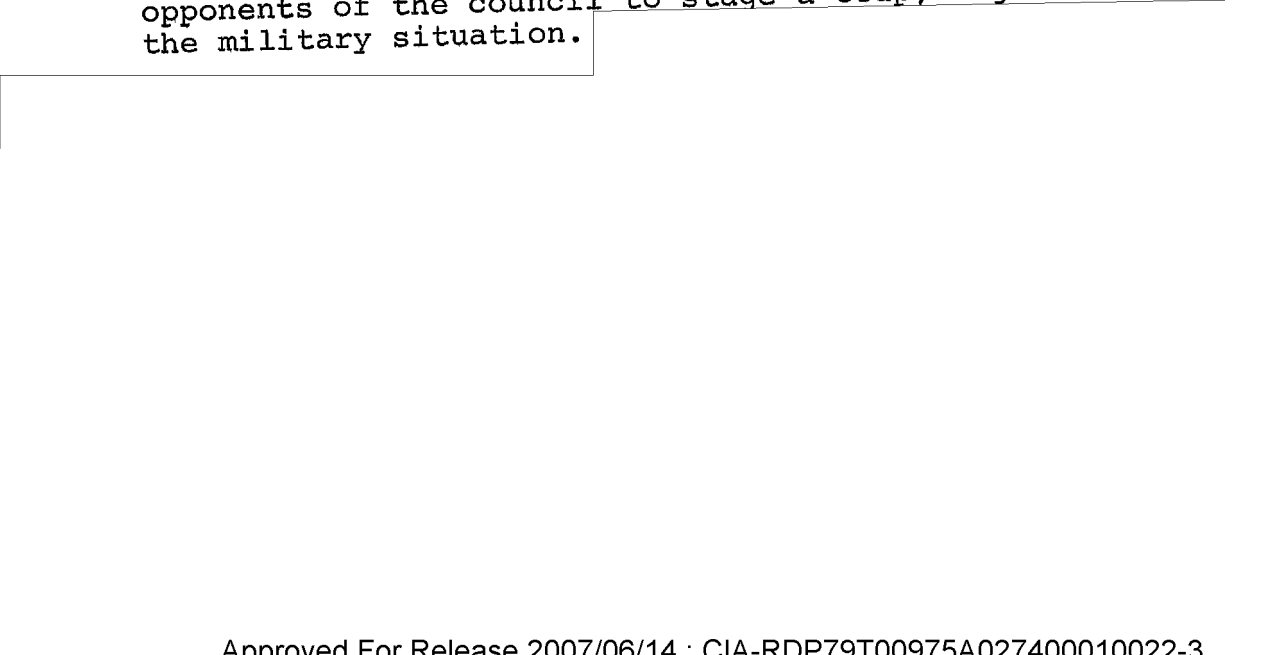
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1, 2, 5

The Eritrean conflict is becoming a test of the leadership of the ruling council. A serious defeat would almost certainly trigger a military revolt against the council. The transfer of large numbers of troops from Addis Ababa to Eritrea might encourage some opponents of the council to stage a coup, regardless of the military situation.

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SOUTH VIETNAM

Members of the Hoa Hao--a Buddhist sect principally located in the western delta area--are resisting a government order to disband their self-defense forces. According to press reports, fighting broke out shortly after the National Police arrested some of the sect's leaders. President Thieu will undoubtedly try to initiate further talks in an effort to defuse the situation, but he may have to call in the army to disarm the Hoa Hao militia.

Although the catalyst for the present confrontation is not known, it is probable that the Hoa Hao hoped to capitalize on the deteriorating military situation in the delta. Reportedly, members of the sect began evading the draft last month to join the sect's self-defense forces. A dangerous precedent would be set if Thieu allowed the Hoa Hao to avoid service with the South Vietnamese army, especially at a time when the government is attempting to increase its combat strength. It is also possible that Thieu may be trying to disarm the self-defense forces now and thus forestall an effort by the religious group to negotiate a local agreement with the Communists, as the Cao Dai sect attempted to do recently in Tay Ninh.

The Hoa Hao have traditionally been strongly anti-Communist and have made their area among the most secure in the country. Attempts by the sect to gain greater autonomy in military and administrative affairs, however, are creating problems for the government.

In April 1974, one faction leader, Luong Truong Tuong, submitted several demands to the government in a bid to assume the dominant position among the Hoa Hao. Saigon agreed to some, but refused to approve an independent Hoa Hao militia or to grant draft deferments to monks. Although the sect did not surrender its weapons as President Thieu had ordered, the government did not press the issue at that time.

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PHILIPPINES

President Marcos intends to follow up the recent unsuccessful peace talks in Jidda with another round of full-scale military operations against Muslim insurgents in the southern Philippines.

Marcos told Ambassador Sullivan on Monday that he was going to authorize a two-month campaign to reclaim territory lost to the rebels in recent fighting. He began laying the groundwork for new military action last week with a propaganda campaign blaming the failure of the Jidda talks on the rebel representatives and accusing the Muslims of bad faith for attacking government forces while negotiations were in progress. Philippine armed forces have taken heavy casualties in the recent fighting, which has included a rebel assault on the southern provincial capital of Cotabato City.

Marcos claims the rebels used the lull in government operations during the talks to build up their own strength and to import new, sophisticated weapons from "outside sources."

Marcos has not completely given up on talks with rebel leaders, if only because he does not want to alienate the Arab states that helped organize the Jidda meetings. Both sides have already tentatively agreed to meet again, probably in Jidda, in April. Jakarta has also reiterated its willingness to resume mediation efforts.

The experience at Jidda, however, does not bode well for future discussions. Neither side came prepared for compromise. Rebel leader Nur Misuari only attended one session, and he reiterated his demand for rebel autonomy, which Manila again categorically refused. Marcos apparently believes a major offensive will strengthen the government's bargaining position in the next round of talks.

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UK

1 The latest British opinion poll strengthens previous indications that the government's recommendations will have a great impact on the outcome of the referendum this spring on continued membership in the EC. Slightly more than half of those polled said they would vote to stay in the EC if new terms of membership were negotiated and if the government recommends to the electorate that it is in Britain's interest to remain a part of the EC. Nevertheless, the replies reveal the continued existence of a strong undercurrent of anti-EC feeling among the British public.

2 The EC Commission, meanwhile, has devised a formula that appears to meet some of Britain's demands for changes in the way contributions to the EC budget are reckoned. A British official recently commented that the UK is pleased that the Commission has accepted the principle that rebates can be made to a member whose share of the EC budget is not in line with its comparative ability to pay. The British are opposed, however, to certain Commission proposals, including the requirement that a member must have a current-account deficit to qualify for a rebate.

3 French President Giscard and German Chancellor Schmidt considered the Commission's proposals at their semiannual summit meeting in Paris early this week. The French have reservations about paying back sums from certain Community funds. It is not known whether Schmidt persuaded Giscard to soften the French position at this time.

3 The British hope that the budget issue can be resolved in early March at the EC Council meeting or at the Dublin summit. The government plans to hold a parliamentary debate on the EC membership issue in April and to introduce legislation that will enable the referendum to be held. Details of the government's plan for the referendum--scheduled for late June--still have not been revealed.

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PERU

1, 2, 4
Negotiations between the US and Peru over the terms of a civil aviation agreement have bogged down and may lead to more troubled relations.

1, 2, 4
The Peruvians already are upset over the general state of relations between the US and Latin America and the terms of the recently enacted Trade Reform Act. In these circumstances, the US embassy warns, there is a chance that negotiations will break down and that Peru may go so far as to break diplomatic relations.

4
1, 2, 3
The current negotiations involve service by Braniff Airlines and Aeroperu, the new Peruvian state airline which last summer began flights between Lima and Miami. The dispute has centered on flight frequencies, landing rights, and payments to the Peruvian government by Braniff. In public, Peruvian officials have characterized the dispute as an effort by Washington to subordinate legitimate Peruvian economic concerns to the interests of private US businesses.

2, 4
1, 4
It is a common Peruvian negotiating tactic to portray bilateral disputes in these terms, but there are members of President Velasco's government who apparently are determined to press the US to the wall on this issue. Others would rather not use these particular negotiations as a vehicle with which to confront the US in broader terms. The hard-liners may prevail, however, and affect not only US-Peru air traffic but diplomatic relations as well. In addition to "standing up" to the US, Peruvian leaders probably hope to generate support from other Latin American nations that also oppose the Trade Reform Act.

4
The Peruvians do not yet appear to have decided on a final position. Given the current environment and Peru's propensity to enunciate extreme positions publicly, however, Lima might find itself in a corner from which it would not be able to extricate itself except by appearing to buckle under to "Yankee pressure."

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ARGENTINA

The various protagonists appear to have drawn back from a showdown over the status of President Peron's adviser, Lopez Rega. *1/2*

Government sources now are attempting to play down Lopez Rega's influence and are lashing out at "rumor-mongering." Several ministers are denying that there was any crisis over the issue. Meanwhile, there is no evidence that the presidential secretary's power or influence has in fact been curtailed. *1,2/3*

An effort probably was made to clip Lopez Rega's wings last week while Mrs. Peron was vacationing at an Atlantic beach resort. It now appears that the military high command voiced its concern about his activities to the President and appealed for a lessening of Lopez Rega's visibility to allay fears that he is running the country. *1/2*

It is highly probable that the President will prevail on Interior Minister Rocamora to take a more prominent hand in government affairs to offset the sharp criticism of Lopez Rega. She has used this tactic in the past when sniping at Lopez Rega threatened to undermine confidence in her government. The major political actors, however, are not going to be fooled by cosmetic changes, and his presence will continue to cause tension within the country's political system. *1,3*

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ARAB STATES - LEBANON

2
1
1
The Joint Arab Defense Council meeting that opens today in Cairo is unlikely to produce any important decision. The session was called last month at the request of Lebanon in an effort to still public charges of government inaction in the face of "Israeli aggression" against southern Lebanon.

2
The Beirut government apparently will resist any plan or agreement that could involve it more directly in any confrontation with the Israelis. A Lebanese presidential adviser told a US official early last week that the government planned only to submit a vague, pro forma case to the Council on Lebanon's need for aid from Syria and other Arab states to defend against the Israeli attacks.

2
Domestic criticism of the Lebanese government has been growing in recent weeks because of its failure to respond to Israeli punitive attacks on fedayeen in southern Lebanon. Last week, leftist opposition elements led demonstrations in Beirut and other urban centers to protest what they claimed to be the government's failure to protect the southern Lebanese.

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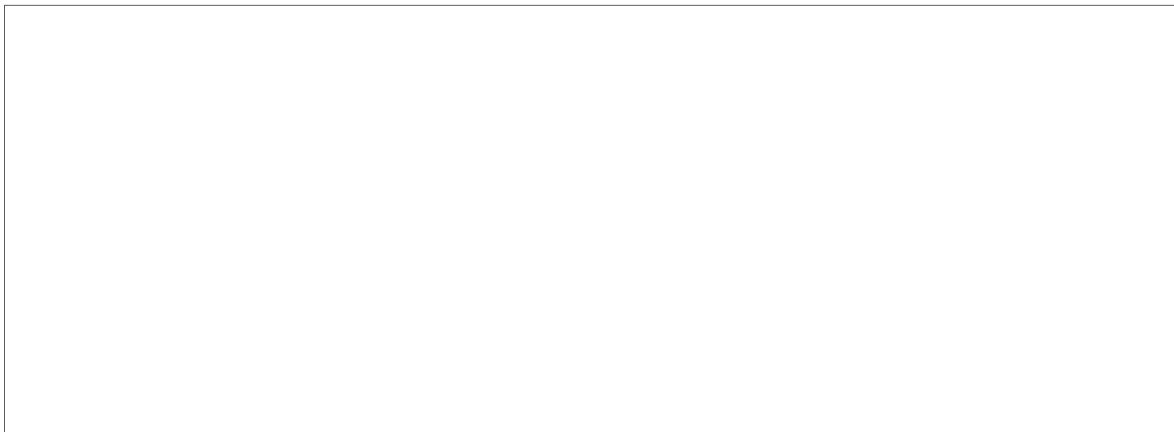
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Spain-Morocco:

[redacted] all Spain completed. tactical fighter and reconnaissance aircraft that were sent to the Canary Islands last summer have returned to their mainland base at Moron. About a dozen Spanish F-5s were flown from Moron to the Canaries to be used in support of ground units in the Spanish Sahara, in the event of clashes along the border. Tensions have abated for the time being as both Madrid and Rabat await consideration of the Spanish Sahara problem by the International Court of Justice next month.

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