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TURKEY

The Turkish government yesterday officially informed the US that operations at all common defense installations will be suspended as of today; the only exception is NATO-related activity at the Incirlik airbase.

The Turks had already gotten considerable political mileage out of their decision by interrupting a cabinet meeting to make a public announcement.

The note said that Ankara no longer regards its defense cooperation agreement with the US as valid and that Turkey consequently has suspended the primary mission and activities at Diyarbakir, Karamursel, Sinop, Belbasi, and non-NATO activities at Incirlik. These installations and communication links will be placed under the "full control and custody" of the Turkish army.

Foreign Minister Caglayangil told Ambassador Macomber it would be Monday or Tuesday before Turkish officers actually take control. Turkey's note also said that imports of materiel, equipment, arms, and ammunition for the installations would not be authorized.

Neither the note nor the government's announcement clarified what was meant by "full control and custody" or by "suspension of activities." Negotiations on the facilities have been scheduled to begin next week.

The US facilities may become a partisan political issue between Prime Minister Demirel and the opposition. Turkish politicians all have an eye on the senatorial election this fall. [redacted]

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ISRAEL

The Israelis reportedly are demobilizing the civilian reservists who had been recalled to duty earlier this week.

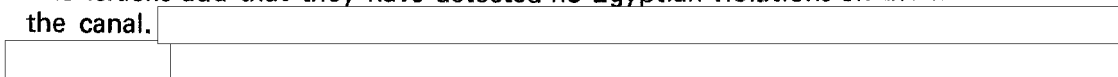
Israeli defense authorities told the US defense attache in Tel Aviv yesterday that the reservists were being released in the wake of Egypt's announcement that it would extend the UN mandate in Sinai for another three months. The Israelis emphasized, however, that their military forces are still on alert.



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Tel Aviv asserts that there are now some 15,000 to 20,000 Egyptian troops as well as some 41 tanks on the east bank of the canal. The disengagement agreement permits only 7,000 men and 30 tanks in that area. The Israelis claim that the buildup has occurred over the past five months but has been greatest since July 15.

The Israelis say they intend to protest to the UN command the number of tanks but not the extra troops because of the difficulty in supporting their claim. The Israelis add that they have detected no Egyptian violations on the west bank of the canal.



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PORTUGAL

Portugal's Armed Forces General Assembly last night appointed a ruling triumvirate of President Costa Gomes, Prime Minister Goncalves, and security chief Otelo de Carvalho. Its decision apparently means that the Communist-supported Goncalves, for the time being at least, has survived the moderates' attempts to oust him from power.

Emphasizing that a strong political leadership is essential at this time, the Assembly:

- concentrated "political-military power" in the triumvirate;
- relegated the former ruling Revolutionary Council to advisory status;
- reaffirmed a law promulgated earlier this year empowering the Assembly to name the members of the Revolutionary Council.

The Assembly gave no indication how its resolution is to be implemented, and it is equally unclear whether the Revolutionary Council would have any say in the formation of the new cabinet, which, according to earlier reports, will be formed by Goncalves and announced next week. Key moderate leaders of the Council—who oppose Goncalves—were absent from the Assembly session, and it was rumored in Lisbon that they had resigned.

If Goncalves has indeed retained his power and influence as a member of the new ruling troika and as head of the government, the reaction among those opposing the country's drift to the left is likely to be strong and result in continued attempts to take their case into the streets. The Socialists and Popular Democrats have announced demonstrations for this evening, presumably to protest the military's decision. In an apparent warning to the Socialist Party and to demonstrators who have attacked Communists throughout the country, the Assembly advocated firm action against those who "create a climate of popular agitation" and "hinder the construction of socialism."

Labor Minister Costa Martins—reportedly a confidant and political ally of Goncalves—told US embassy officials on Thursday that continued opposition to the policies of the Armed Forces Movement by the Socialists and Popular Democrats would probably result in the cancellation of municipal and parliamentary elections promised for later this year.

A moderate note was struck, however, by Costa Gomes in his opening address to the Assembly, when he appealed for a slowdown in the revolution and warned against antagonizing the West. The President said the military no longer had the

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support of all the Portuguese people.

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Continuing concern over the Azores question was also taken up by the Assembly. Its communique said that reports on the Azores were heard and that recent measures adopted to solve the islands' problems were discussed.

The Azores were reported calm on Friday after several Portuguese sailors were beaten by an angry mob the previous night. In the most authoritative statement made in recent days by any Portuguese leader on the Azores, Costa Martins told the US labor attache that while the Portuguese people may be passive, the Portuguese government would do everything in its power to defeat any move toward Azorean independence. He emphasized that the islands are entirely different from the African colonies, since the Azores are populated by Portuguese and are an integral part of Portugal.

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USSR

Continuation of a severe drought in most of the USSR's spring grain land has caused us to reduce our estimates of this year's crop from 200 million to 185 million tons.

The drought has been more widespread than in 1972, and, as a result, the spring grain harvest will probably be lower. An expected record harvest of winter grains, however, should ensure a total crop above the 1972 level of 168 million tons, which led to imports of 31 million tons. So far this year, the Soviets have been prompted to buy 14.5 million tons of grain.

If the drought continues, the prospects for the harvest of spring grains that have not yet matured, such as corn, will worsen. Problems exist for other crops—particularly hay and other forage crops—in the drought-stricken area. A serious shortfall in fodder production would increase Soviet demand for grain.

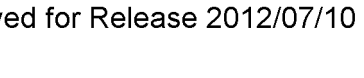
The grain crop this year will be well under the normal requirement of about 210 million tons. Although Moscow has purchased large quantities of foreign grain recently, it will not necessarily try to fill the entire gap between these requirements and production with imports. The Soviets are likely to dip to some extent into their grain reserves. Livestock could be slaughtered to curb grain demand, but the high priority of General Secretary Brezhnev's meat program makes this option unattractive.

Of the 14.5 million tons of grain recently purchased by the USSR, 9.8 million tons are contracted from US companies and will be filled largely from the US crop. The other contracts are with Canada, Australia, and France. Moscow may soon withdraw from the market to assess the evolution of both its own crop and world supplies. A new round of Soviet buying is likely later. [redacted] 25X1

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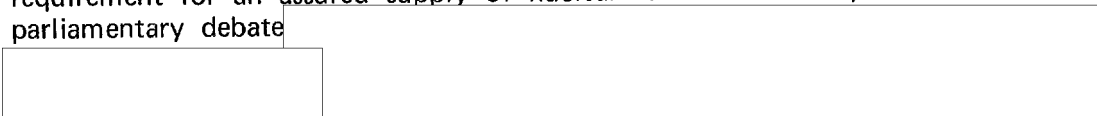
WEST GERMANY

Bonn is assuming a dominant position as a European exporter of nuclear technology.

Following last month's \$4-billion to \$8-billion agreement with Brazil to provide facilities and technology for a complete nuclear fuel cycle, a West German delegation was to arrive in Pakistan this month to complete the sale of a heavy water plant. Also under consideration is a recent South Korean proposal for German participation in the construction of a nuclear power plant and the conclusion of a German-Korean agreement for scientific and technical assistance.

Other West German ventures abroad include the earlier sale and construction of a natural uranium - fueled power reactor for Argentina—the first in South America. Also pending is the sale of two large, pressurized-water power reactors to Iran, and the Germans are holding negotiations with the Soviets for the construction of a similar reactor in northwestern USSR. Libya and India have contracted with a West German firm for the construction of a heavy water plant.

In moving to capitalize on a rapidly expanding world market for nuclear technology and facilities, Bonn hopes to increase its share of high-technology products exported while courting some countries as potential uranium suppliers. The requirement for an assured supply of nuclear fuel was recently underscored in parliamentary debate



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PERU

The military government's announcement Thursday night expropriating the US-owned Marcona Mining Company is apparently timed to coincide with Peru's independence day celebrations on Monday. The US company was accused of failing to fulfill its contractual obligations and of being a "predatory" multinational company. It is not certain whether any compensation will be paid.

The takeover, under extensive negotiation with the company for many months, is in line with the military's blueprint for taking control of all basic industries.

In pushing through the expropriation decree early this week, President Velasco apparently went against the recommendations of many government economic experts; more radical generals had pushed for a rapid takeover with no compensation. Velasco may have felt a need to use the takeover as tangible evidence that the leftist-nationalist revolution continues apace.

The move against Marcona is likely to damage Peru's investment climate at a time when the country is facing other serious economic problems. Politically, the move indicates that Velasco still wields significant power in the government, despite the fact that Prime Minister Morales Bermudez has recently assumed a much greater decision-making role. [REDACTED]

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CAMBODIA

Cambodian communist and Thai officials recently held a low-level meeting near the Thai border town of Aranyaprathet.

According to a press version of the meeting, the Cambodians took the initiative in arranging the contact. The two sides are said to have discussed resumption of trade and diplomatic relations, opening of the border, and future meetings between Cambodian and Thai representatives, possibly in Phnom Penh, Battambang, or Poipet, near the Cambodian-Thai border.

Although border contacts involving trade have taken place in the past, the recent meeting is the first instance of discussion of broader issues affecting the two countries. The meeting was attended by a Thai district official, who was in contact with his Ministry of Interior, and on the Cambodian side by a former Phnom Penh teacher who told a reporter that he was a trade representative appointed by the "military committee" in Phnom Penh.

A Thai Foreign Ministry official, in commenting on the meeting to a US embassy official in Bangkok, cautioned that the press account had exaggerated the significance of the contact. He said, however, that the Foreign Ministry would study the results of the meeting carefully.

If the meeting, as claimed, came at the initiative of Phnom Penh rather than from local officials, it could lead to the development of a more formal and higher level dialogue. The chances of an early resumption of diplomatic relations between Cambodia and Thailand are probably nil. The Cambodian communists are almost certainly not prepared to move in this direction until the new governmental structure is decided upon and relations with major allies are formalized. Nevertheless, Phnom Penh may be trying to relax the situation along the border with Thailand and expand trade in order to alleviate its supply shortages, particularly in the northwest.

Apparently trying to counter the recently revived rumor that Cambodian Deputy Prime Minister and Defense Minister Khieu Samphan is dead, the Cambodian representative told a journalist at the meeting that Khieu Samphan is alive and working in the defense department in Phnom Penh. The Cambodian media last mentioned Khieu Samphan routinely on July 1. The representative also hinted that further details on Cambodian communist leaders would soon be made public.

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ITALY: Christian Democrats yesterday bought more time to settle factional differences by selecting the 63-year-old president of the party's national council, Benigno Zaccagnini, to succeed Fanfani as party leader. Zaccagnini will, in effect, be a caretaker until the party's congress this fall. The council apparently turned to him when none of the real contenders, such as parliamentary leader Piccoli or Budget Minister Andreotti, could muster a majority. Zaccagnini is a member of Prime Minister Moro's faction, which means that the party's left has gained at least some advantage in the maneuvering to influence decisions on the party's new leadership and policies. By not coming to a final decision now, the Christian Democrats are at a disadvantage with respect to the Socialists and Communists, both of whom are united behind their present leaders.

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