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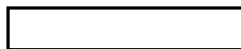


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National Intelligence Bulletin

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August 22, 1975

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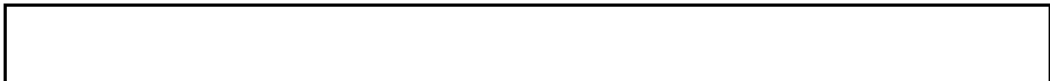
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PORTUGAL

An apparent last-minute effort by contenders in the Portuguese power struggle to line up military support has set off a wave of rumors in Lisbon that a coup is imminent. The power struggle could just as well degenerate into clashes between military units backing rival ideological approaches.

There were reports last night that a military alert has been declared in Coimbra, headquarters of the central military region. Some high-ranking military leaders, including General Otelo de Carvalho and Army Chief of Staff Fabiao, met in Coimbra yesterday in what could have been a strategy session. The Communist Party, which may have gotten wind of these or other developments in the military, charged last night that the chance of a right-wing military coup has increased.

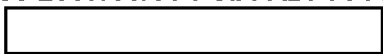
Yesterday, President Costa Gomes reportedly met again with Melo Antunes, leader of the anti-Communist faction in the military, apparently to discuss further the ultimatum Antunes and Carvalho presented the President for the removal of Prime Minister Goncalves. According to press reports, Antunes told Costa Gomes that any military move to keep Goncalves in power could be defeated in a matter of hours. So far, Costa Gomes has given no indication of how he will respond.

The Prime Minister yesterday vowed again that he would fight to the end to retain power. In fact, he seems to have picked up some support within the armed forces. The navy representative assembly voted yesterday to continue backing the present government. It coupled this action with a statement of support for the political action plan drawn up by officers associated with Carvalho.



Any gains for Goncalves could be illusory. There is no assurance the navy assembly speaks for a majority of that service, and other reports have indicated that the original Antunes document had the support of 80 percent of the air force.

Prime Minister Goncalves' ardent supporters in the Communist Party are backing away. On Tuesday, Portuguese Communist Party leader Alvaro Cunhal conceded at a press conference that the Goncalves government does not have the necessary support and said the Communists are prepared to consider alternatives.

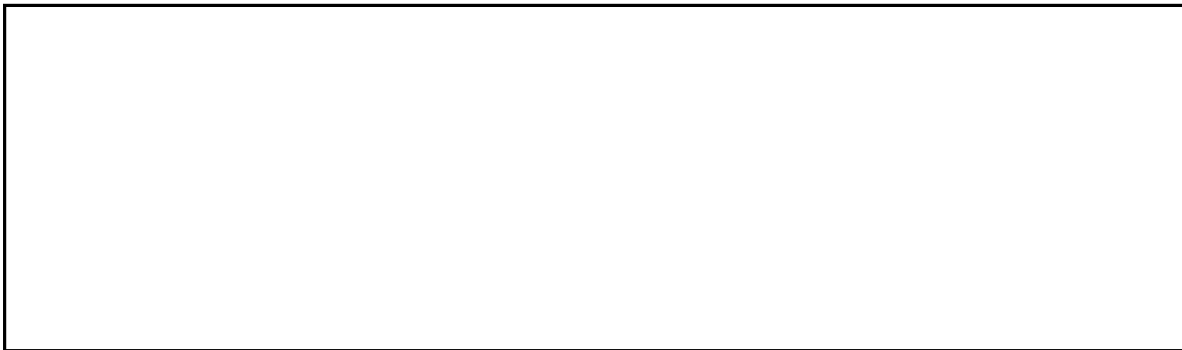


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Goncalves' ouster would be the most serious of many blows for the Communists in recent weeks. Cunhal said he believes military officers favoring the Communists will now be purged, a process that has already begun, and that the Armed Forces Movement, which the Communists have exploited so effectively, may no longer hold the balance of political power. Cunhal added that the armed forces could "quickly become an instrument of counterrevolution." He implied that they could turn their guns against the Communists.

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PORTUGUESE TIMOR

Portuguese Foreign Minister Ruivo held separate consultations with the Indonesian and Australian ambassadors Wednesday night on the rapidly deteriorating situation in Timor.

According to the Australian ambassador, Lisbon:

--would like Australian assistance in evacuating some 500 Portuguese and foreign nationals from Timor;

--admitted there was little possibility of returning to the decolonization timetable agreed upon in Macao in June;

--planned to leave the governor and a staff of about 70 behind in Timor as a symbolic presence and to try to reach a modus vivendi with the warring Timorese political factions;

--was considering requesting international political assistance in the form of a good offices committee in which it hoped both Indonesia and Australia would participate.

Ruivo said Lisbon would make a similar approach to the Indonesians and would also alert the International Red Cross.

Australia, for domestic political reasons, is unlikely to want to become overtly involved in the Timor imbroglio beyond rendering humanitarian assistance. Indonesian President Suharto, on the other hand, will probably view Lisbon's approach as offering a way out of his present dilemma. He could authorize Indonesian military intervention in Timor on the grounds that he has tacit Portuguese support to restore order and protect the lives of innocent people.

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ISRAEL-SYRIA

The Israeli press is speculating about the possibility that Tel Aviv may make limited concessions to Damascus on the Golan Heights issue if another interim agreement with Egypt is concluded. Press commentators suggest that the Israeli gesture would be intended to meet US desires to have something for President Asad to go with an Israeli-Egyptian accord.

The press gives no indication, however, that the government is prepared to alter its basic negotiating position that no major Israeli pullback is possible on the Golan in the absence of a final peace treaty with Syria.

The columnists indicate that Tel Aviv has in mind only "cosmetic" changes on the Golan, either as a unilateral gesture in connection with the implementation of a new Sinai agreement or as the result of negotiations with Syria. The changes could take the form of some minor adjustments in the present disengagement line, for instance, to enable the Syrians to repopulate more easily some of the villages in the area.

Recent statements by Defense Minister Peres that the government is ready to renew negotiations with Syria for an interim agreement, provided this did not lead to the removal of a single Jewish settlement on the Golan, support this view. Some of the settlements are very close to the disengagement line.

Peres' condition holds out little hope that negotiations for an interim agreement would be successful. Prime Minister Rabin, for this very reason, is known to favor negotiations only for a final peace treaty.

The increased press attention now given the Golan issue in Israel suggests, however, that the Israelis are becoming more aware that Syrian demands must somehow be considered in the present negotiating process. Many Israelis will, in fact, suspect that Peres' statements and the growing media coverage are part of a government campaign to prepare the public for an early resumption of talks on this issue.

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BANGLADESH

The new rulers in Dacca, uneasy about India's intentions following the coup last week, are trying to establish good relations with New Delhi. Prime Minister Gandhi's government, however, has been troubled over the replacement of the secular, pro-Indian Mujib government by a more Islamic-oriented regime.

Dacca has assured New Delhi both publicly and privately of its desire for friendship and has backed away from its initial moves toward designating Bangladesh an "Islamic republic." These developments, while gratifying to the Indians, will not sit well with Pakistan's Prime Minister Bhutto, who has welcomed the coup in Dacca. Bhutto, anxious to have a pro-Pakistani government in Bangladesh, is urging Pakistan's friends—Peking and the Islamic countries—to establish ties with the new regime.

India earlier this week reportedly reinforced military units in the area near the Bangladesh frontier, but US officials in India do not believe that New Delhi is preparing to intervene militarily across the border. They view the troop shift as a contingency move in case new instability or communal violence develops in Bangladesh that threatens to spill over into India. Yesterday, Prime Minister Gandhi told the US ambassador she is moving to reduce Indian forces near the border.

Pakistan has voiced concern about the Indian troop moves. It appears to have asked China to raise the matter in the UN Security Council.

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CYPRUS

Prospects for progress toward a negotiated Cyprus settlement now depend in large part on the Turks' willingness to respond to the recent concessions by the Greek side, but domestic political constraints will compel Prime Minister Demirel to proceed cautiously.

The concessions made by the Greek side at the last round of intercommunal talks—allowing some 9,000 Turkish Cypriots in the Greek Cypriot zone to move north and accepting a bizonal federation with a weak central government—have sparked a wide-ranging debate among Turks and Turkish Cypriots about the terms for a Cyprus settlement. For the first time, there has been public discussion of specific territorial concessions and percentages of the land area to be occupied by the two ethnic communities.

Even though Ankara has linked settlement of the Cyprus dispute to revocation of the US arms embargo, Demirel appears to be considering some concessions on the Cyprus question. The concessions already made by the Greek side will make it easier for the Turks to make a conciliatory move. The approaching senatorial elections in October, however, will weigh heavily on Demirel, whose policy toward the US bases and Cyprus could be exploited by his political rivals.

On the Cyprus issue, at least, it is not opposition leader Ecevit who is causing the problem. Ecevit has in fact been saying that both sides must show flexibility, and he is prodding the Demirel government to take the initiative. The principal obstacle to movement on the Turkish side is Demirel's coalition partner on the far right, Necmettin Erbakan, who has spoken out against concessions. Erbakan's National Salvation Party stands a chance of making some gains at the expense of Demirel's Justice Party in October.

According to the US embassy in Ankara, Demirel has several options in the next round of intercommunal talks to be held in New York on September 8 and 9. He can:

- postpone discussion of the territorial issue until after the senatorial elections, while in the meantime emphasizing the need for agreement on institutional arrangements;
- allow Turkish Cypriot leader Denktash to take a position in the talks that would be subject to later confirmation or disavowal by Ankara;

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- authorize Denktash to seek a compromise on the territorial issue;
- couple a compromise on the territorial issue with revocation of the arms embargo;
- isolate or silence Erbakan by seeking public support for concessions from the widely respected President Koruturk and Turkish general staff chief Sancar.

Demirel, meanwhile, has allowed Denktash to take the initiative in formulating a tentative settlement package—albeit within strict guidelines from Ankara—that could be presented in New York. According to Denktash, his proposals will include territorial concessions in the rich Morphou and Famagusta areas. Denktash is proceeding cautiously for fear of getting ahead of Ankara and compromising his own political position. He noted that he must sell his proposals to the major Turkish political parties and that this would not be easy.

Even if Denktash offers territorial concessions in New York, as promised in the last round, a great deal of haggling will still be necessary before firm lines can be agreed on. President Makarios may still withdraw his consent to a biregional federation—on which he has yet to commit himself publicly—if Denktash balks at making territorial concessions, or if such concessions are merely token.

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ITALY

Plans for restructuring the Italian army by the early 1980s call for increased effectiveness and mobility. The success of this effort will depend largely on the government's willingness to provide the necessary funds to acquire modern equipment in a period when personnel costs will be higher.

The Italian army, especially during the past few years, has been beset with problems brought on by a sharp decline in personnel and by a lack of mobility and modern weapons. Many units are manned at only 50 to 80 percent of their authorized strength. Most of the troops are draftees and, when the active tour of duty was dropped from 15 to 12 months in 1974, basic training was halved to two months. This has reduced the conscripts' ability to perform even basic military duties.

To overcome some of the problems created by the shorter active-duty requirement, draftees will be inducted on a monthly, rather than a quarterly, basis beginning in January 1976. The conscripts will be sent directly to training battalions subordinate to the brigades to which they will be assigned. This plan seeks to smooth the absorption of recruits and improve their training. Certain commands, as well as logistic and training facilities, will be consolidated and regrouped to reflect the actual force levels.

Changes in equipment levels also are planned in order to increase mobility. Emphasis will be on obtaining additional antitank weapons, helicopters, armored personnel carriers, Leopard medium tanks co-produced by Italy, and a gradual upgrading of motor transport resources. Obsolescent tanks and artillery will be withdrawn from service.

The effectiveness of the restructured army will depend to a great extent on the procurement of modern equipment. But recent unrest among enlisted personnel may make it necessary to divert more funds to deal with their discontent. This, along with inflation, probably will absorb all of the funds that would be saved by the reduction in personnel. Recognizing this, the army general staff has proposed to parliament an extraordinary financing law calling for more than \$1 billion.

The restructuring has already begun with a reduction of the 280 battalion-sized units by 20 to 30 percent. When completed, the army should be reduced from 36 to 24 brigades. The army's ability to perform its defense-oriented role, especially in support of NATO, should not be affected at this time. Indeed, on a unit-by-unit basis, the restructuring could eventually bring about some qualitative improvement in capabilities.

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USSR-CSCE

The Soviets have issued an authoritative interpretation of CSCE that, not surprisingly, reasserts concepts they stressed in the Geneva negotiations.

In a *Pravda* article on August 20, the Soviets acknowledge that the ten agreed principles of interstate relations are equal, but they put special stress on the principle of inviolability of frontiers. *Pravda* disputes claims that the principle, which was a central Soviet objective during the negotiations, benefits the East more than the West, arguing that it is vital for all the nations of Europe.

The article gives low priority to conference provisions concerning human contacts. It seems to imply that improvements in these areas will result from, rather than advance, detente. During the negotiations, the Soviets were unable to get wording to this effect incorporated in the conference document. The article also observes that cooperation in the field of human contacts must be subject to the "laws and traditions of each state"—another formulation the Soviets tried, but failed, to have inserted in the final text.

A major purpose of the article seems to be to disabuse the Soviets' domestic audience of any notion that publication of the full text of the conference document in *Pravda* and assertions by Brezhnev and others that Moscow would fulfill its conference obligations means that the conference will lead to meaningful change in their daily lives.

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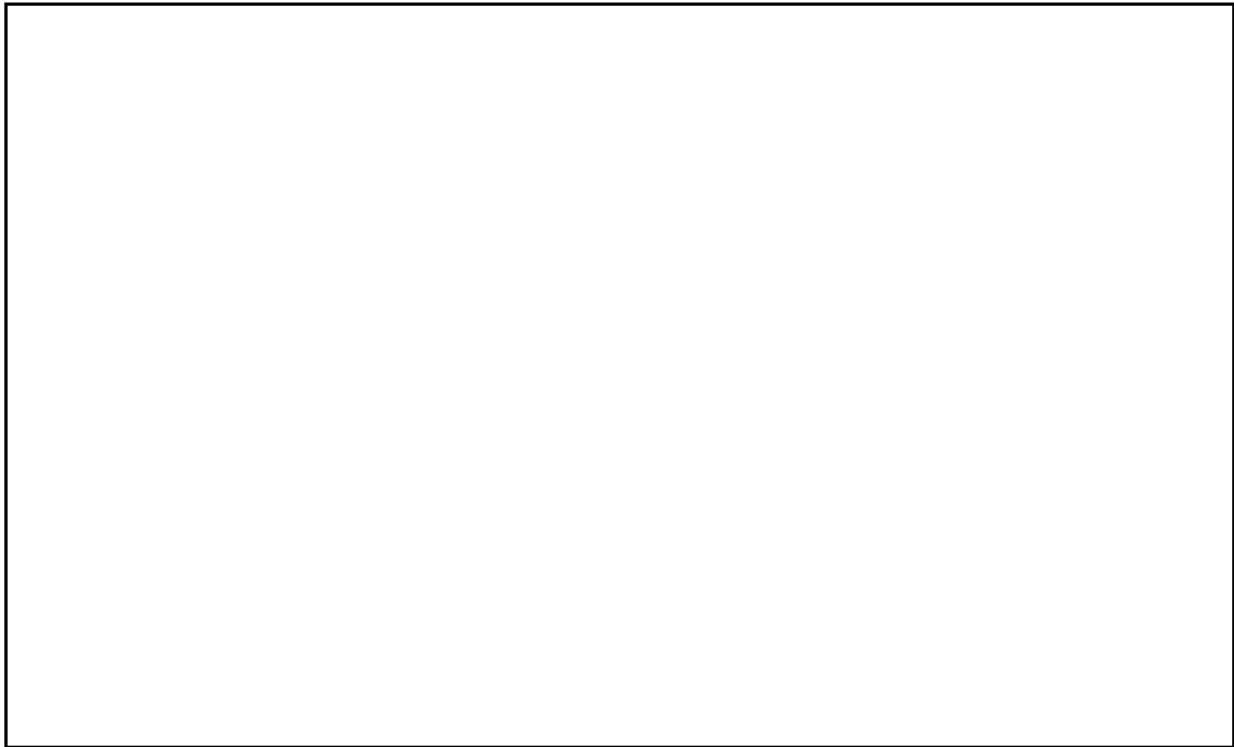
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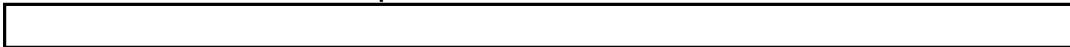
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SEATO: The members of the Southeast Asian Treaty Organization have agreed to hold a council meeting in New York on September 24 at which the dissolution of the organization is expected to be discussed. Thai Foreign Minister Chatchai Chunhawan will chair the conference. Indications are that SEATO will be gradually phased out over a two- or three-year period, although there may be some pressure to dissolve the organization sooner. The Manila Treaty will probably be retained and the nonmilitary SEATO functions transferred to other organizations.



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