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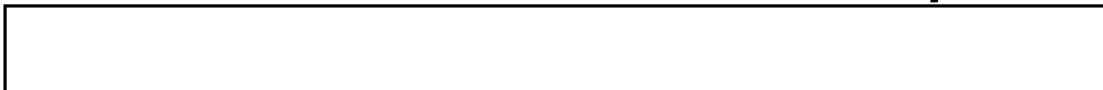


National Intelligence Bulletin

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25X1

National Intelligence Bulletin

October 6, 1975

CONTENTS

25X1



PORTUGAL: Azevedo steps up efforts to tighten control over military 4

PORTUGAL-USSR: Soviet leaders cultivate ties with new Lisbon government 6

PORTUGAL-AZORES-MADEIRAS: Independence movements in islands lose momentum 7

NETHERLANDS: Parliament reportedly will oppose proposed defense cuts 8

25X1



EAST ASIA: Import restrictions threaten economic recovery among textile exporters 13

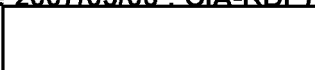
PHILIPPINES: Marcos' purge creates uncertainty in military, civilian circles 14

NIGERIA: Regime unveils political program 16

FOR THE RECORD 17

ANNEX: Interagency Memorandum on Implications of Events in India and Bangladesh

25X1



25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028200010025-1

Next 2 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A028200010025-1

National Intelligence Bulletin

October 6, 1975

PORTUGAL

Prime Minister Azevedo has stepped up his campaign to restore military discipline, but he continues to face outright defiance from leftist units.

Government efforts to transfer disruptive soldiers as a short-term solution to growing indiscipline are being hotly contested. Radicals have banded together in such organizations as "Soldiers United Will Win" and "Revolutionary Action of Army Enlisted Men," and have allied themselves with extreme left-wing political parties. They probably are receiving veiled support from the Communists, who officially continue to support the Azevedo government.

Last weekend, an army transportation training unit in Porto was disbanded after enlisted men voted to resist the transfer of two leftist officers and several enlisted men. Some of the soldiers issued a statement warning that the "struggle has not ended." They were immediately supported by a coalition of six far-leftist parties, which called for "mass action" to protest the unit's dissolution.

Pro-Communist demonstrations in Porto were broken up by troops late Saturday night and early Sunday morning. Other demonstrations were reported in southern Portugal and near Lisbon. "Soldiers United Will Win" has called for a demonstration this evening in Porto.

Radicals have succeeded in preventing the transfer of more than 40 soldiers, accused of participating in anti-government demonstrations, from Beja air base in southern Portugal. The government sent loyal paratroops to break up a demonstration of several hundred leftists outside the base, but the transfer orders were later rescinded. The soldiers will also be allowed to participate in nonpartisan political demonstrations.

In the Lisbon area, leftist units are continuing their campaign to cast doubt on Socialist Party claims that a leftist coup was planned for last week. The internal security command, headed by General Carvalho, publicly denied Socialist allegations that some units in the command were involved in plotting against the government. One of the accused units issued a statement charging the Socialists with wanting to install a right-wing dictatorship.

In a press interview, Prime Minister Azevedo sided with the Socialists and blamed the far left for the breakdown in military discipline which prevents the government from exercising complete control over the Lisbon area. This assertion was borne out by the reported refusal of radical soldiers at the main arsenal to

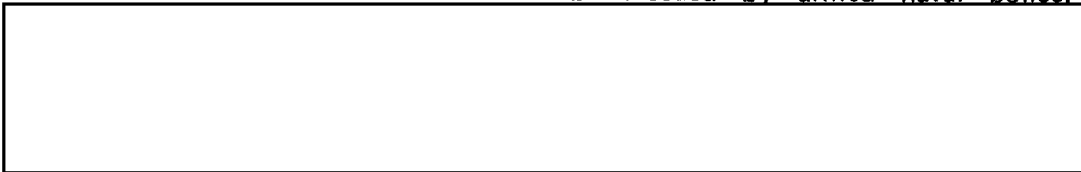
National Intelligence Bulletin

October 6, 1975

comply with Azevedo's order to supply more automatic rifles to a dependable regiment. The radical soldiers have helped the far left smuggle arms from the arsenal to sympathetic cadres.

Azevedo's decisiveness in combating rebellious troops may be undermined by the return yesterday of President Costa Gomes from official visits to Poland and the USSR. Costa Gomes is noted for his willingness to compromise and has weakened anti-Communist forces in the past by trying to avoid a confrontation at all costs. He may see Azevedo's actions as dangerous and seek to curb his authority.

During a speech yesterday marking the founding of the first Portuguese republic in 1910, Costa Gomes emphasized the need to heal divisions among the people and the armed forces, but also deplored actions that "prejudice the exercise of authority." Following the ceremony, Socialist leader Soares was attacked by a crowd of radical leftists and had to be rescued by armed naval police.



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National Intelligence Bulletin

October 6, 1975

PORTUGAL-USSR

President Costa Gomes returned to Lisbon yesterday from official visits to Poland and the USSR. Moscow treated the four-day visit to the USSR as a major international event, evidently anxious to cultivate ties with the new Lisbon government despite recent setbacks for the Portuguese Communists.

Costa Gomes met for two hours with General Secretary Brezhnev on Friday and with several other Soviet leaders, including President Podgorny and the ministers of foreign affairs, foreign trade, and defense. The results of the visit were primarily political, as reflected in the joint communique and in a separate declaration signed on October 3 by Podgorny and Costa Gomes. The declaration attached "especial importance" to the principles of national self-determination and noninterference, direct or indirect, in the internal affairs of sovereign states. The two sides pledged to hold regular consultations at various levels to develop bilateral relations on political, economic, scientific, and cultural matters.

Before the arrival of the Portuguese delegation, the Soviet press emphasized economic relations between the two countries. A reported agreement on long-term economic cooperation may be the culmination of year-long negotiations for Soviet economic assistance to Portugal, although it appears unlikely that Moscow pledged substantial aid for any specific projects.

The communique pledges Portuguese support for progress toward force reductions in Central Europe and for a number of pet Soviet disarmament initiatives, including a world disarmament conference, a comprehensive nuclear weapons test ban, and the prohibition of new categories of weapons of mass destruction. The declaration, however, specifically notes that its provisions "in no way affect" earlier international obligations, including presumably Portugal's NATO commitments.

Both documents stress the importance of the European security agreement, as did the recent Portuguese-Polish accord. The Moscow declaration marks the first instance since Helsinki in which the Soviets have pledged in an international document to implement in full measure the provisions of that agreement.



National Intelligence Bulletin

October 6, 1975

PORTUGAL-AZORES-MADEIRAS

Independence movements remain active in both the Azores and the Madeiras, but the replacement of the pro-Communist Goncalves regime in Lisbon has sapped much of their momentum.

The Azores Liberation Front is circulating a new program that calls for negotiations with Lisbon and a referendum on independence. Should negotiations fail, however, the Front advocates a unilateral declaration of independence.

The new program represents the views of the largest faction of the Front which is dominated by the center-left Popular Democrats. It includes provisions for land reform, the dissolution of monopolies, free trade unions, and equality among all of the islands of the archipelago.

The progressive features of the program may improve the image of the Front, which has been closely identified with the Azorean upper classes. At the same time, however, it could cost the Front the financial support of some of the large landowners and wealthy Azorean emigres in the US who first organized the movement.

Even the new program, however, may not be sufficient to attract many new adherents to the independence movement. Having gained some concessions from Lisbon, Azoreans now appear to be turning their attention to more traditional partisan political activity. Public debate among political parties has increased and the press has given broad coverage to a dispute between the three principal parties over proposals for autonomy, including the suggested "regionalization" of banks and insurance companies.

Independence sentiment in the Madeiras has been exaggerated by the mainland press, because most islanders seem to prefer autonomy. At present, it appears that Madeirans would move for independence only in the case of a resurgence of Communist influence in Portugal or the denial of a satisfactory arrangement for autonomy. Reportedly, there are as many as four independence groups in the Madeiras, none of which is effectively organized. The most widely known group, the Front for the Liberation of the Madeiran Archipelago, was formed early last summer by conservative businessmen and landowners worried about the leftward trend of mainland politics and the damaging impact of the sagging Portuguese economy on the Madeiras.

The separatist movement in the Madeira Islands began much like the Azorean Front, which was used as a model. In contrast to their Azorean counterparts, however, the Madeiran separatists have been unable to stimulate much interest, especially among the working class, which makes up about four fifths of the population.

National Intelligence Bulletin

October 6, 1975

The bombing incidents on the islands over the past few weeks provoked much greater concern on the mainland than they did among Madeirans. Lisbon's concern and the heavy coverage in the mainland press, however, has aided the constituent assembly delegates from Madeira in their move for greater autonomy.

If the Portuguese government continues to be receptive to the demand of the Azoreans and Madeirans for greater autonomy, the independence movements will find it difficult to find new recruits. If Lisbon returns to its old policy of neglect, however, or should the present government crumble in the face of leftist opposition, the separatists could quickly become a serious threat.

25X1

NETHERLANDS

The Dutch parliament will oppose the government's proposed defense budget cuts later this month, according to a coalition defense expert.

A press story citing retired General van Elsen, chairman of the parliamentary defense committee and a defense spokesman for the coalition's Catholic People's Party, said that at least two of the five coalition partners, as well as several opposition parties, will oppose the Labor Party's proposed cuts. Only if the Labor Party decided to make the issue a question affecting government survival are some of the parties likely to change their positions.

Opponents feel the government's program will affect the Dutch NATO commitment. Van Elsen said that the Neptune anti-submarine aircraft squadron, which the Labor Party has proposed to take out of service, is vital. He assured US embassy officials that his party and the Anti-Revolutionary Party—the second and third largest parties in the coalition—would accept his judgments.

As an alternative, van Elsen has unveiled a proposal that involves reductions in other service areas, such as training facilities, that would not affect NATO commitments. The US defense attache recently reported that the Dutch base commander at the Hilversum training center claimed that a feasibility study is being made on closing it. The attache believes the move might be a trade-off to keep the Neptune squadron in service.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028200010025-1

National Intelligence Bulletin

October 6, 1975

EAST ASIA

Economic recovery in the export-oriented countries of Hong Kong, South Korea, and Taiwan is being threatened by increasing textile import barriers in many industrial nations. The region's textile industry accounts for roughly 30 percent of industrial output and brings in 25 to 30 percent of total export earnings.

Late last month, the UK imposed curbs on textile imports from Taiwan and South Korea. No new import licenses will be granted for a number of major textile articles, despite contracts already in hand for delivery during the remainder of the year.

In August, the EC imposed restrictions on selected textile imports from Hong Kong, Taiwan, and South Korea as a result of a breakdown in trade negotiations. Hong Kong traders reportedly have some \$40 million in textiles loaded on ships or in transit to EC customers that must be returned for lack of import licenses.

Earlier this year, Canada placed restrictions on some Asian garment imports and induced voluntary restrictions on other commodities. Japan reimposed an embargo on South Korean raw silk imports, and forced South Korea informally to agree to limit exports of silk clothing. East Asian textile exports to the US market are already covered by restraint programs.

The trade barriers will set back the recent upswing in the region's textile industry. After falling sharply in 1974 and early 1975, textile production and exports in the three countries had turned up steeply by midyear on the strength of increased sales to Western Europe and to a lesser extent the US. The improved performance helped end the spate of bankruptcies that plagued the industry last year.

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National Intelligence Bulletin

October 6, 1975

PHILIPPINES

President Marcos' much publicized purge of his government has created considerable uncertainty in military and civilian circles and has led to intense political lobbying by some who fear dismissal. Marcos apparently wanted to take dramatic public action that would reinvigorate his "new society" programs, but the manner in which he has carried it out may ultimately cause more problems than he anticipated.

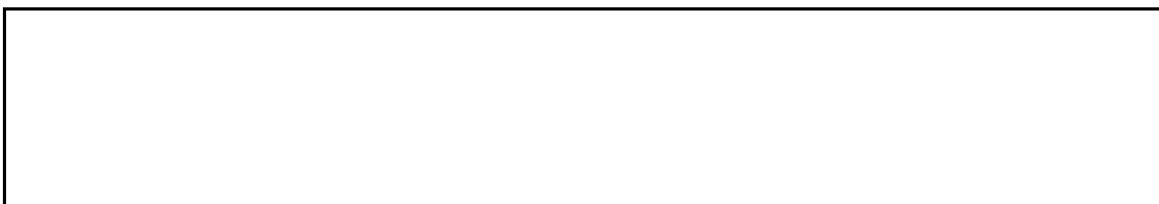
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In many cases, there was no prior planning for replacing officials who were forced out. According to Ambassador Sullivan, this has resulted in great disorder in the government and has left some departments without effective leadership. Various power centers in the government are up in arms about what has been done, or what they anticipate may now follow.

The state of nerves has now spread to the military. On September 24, Defense Secretary Enrile requested all armed forces general officers to submit letters of resignation, which, he said, would clear the way for a house-cleaning in the military to parallel the civilian purge.

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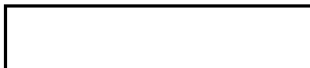


The general air of confusion and jitters is compounded because Enrile, a close presidential confidant, is himself under something of a cloud because of a murder scandal involving his son. Enrile has taken a leave of absence and will be out of the country until the investigation of his son's complicity in the killing is completed. This has raised doubts about Enrile's political position, particularly about his standing with the President.

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National Intelligence Bulletin

October 6, 1975

Several motives may have been behind Marcos' original action. Although he is under no strong domestic pressure to move against corruption, he is sensitive to criticism both at home and abroad that the "new society" differs little from previous regimes either in its actions or in its cast of characters. Marcos may also have seen a chance to increase his own personal authority over the civilian and military bureaucracies and to remind his close associates that their positions depend on him personally.

It is by no means certain that the final result of the current shake-up will be anything more than window dressing. Some of the civilians purged reportedly have already been promised special posts in the palace to compensate for their lost offices. Others may be given lucrative sinecures to ease the pain of their public disgrace.

Marcos will have to move soon to reassure his followers, particularly in the military, that their interests will not be threatened, or his "reform" could boomerang. He depends on the military to remain in power, and the generals see no reason why they should be publicly humiliated for corruption when many of the President's relatives are equally tainted. If the present uproar creates serious doubts in their minds about Marcos' continued willingness to repay their loyalty, this could over time erode the President's power base. The apparent ineptness with which the purge is being handled is already causing criticism of Marcos' leadership and, in particular, has discredited the image of efficiency he hoped to create.

National Intelligence Bulletin

October 6, 1975

NIGERIA

The program announced this week by the new Nigerian military regime for turning power back to civilians within four years has undoubtedly upset important civilian groups—students, intellectuals, and former politicians—who want an early end of military rule.

The regime's extension of the ban on political activities for at least three more years will increase skepticism about the military's promise to hand back power. The new program also provides no clues about the future shape of political institutions or what role the military envisions for itself under a civilian government.

The program was announced by Brigadier Muhammed, who replaced General Gowon as head of state in the coup last July, in a speech on Wednesday marking Nigeria's 15th anniversary of independence. It contained a series of deadlines for accomplishing major national tasks that Muhammed indicated must be completed before the government could be turned over to elected civilian representatives.

Despite Muhammed's assertion that the military does not intend to stay in office a day longer than necessary, there is little doubt that the regime intends to control the pace and direction of its program. Muhammed and other key members of the Supreme Military Council say publicly that Nigerian unity and stability are the first priorities. If Nigeria's tribal and regional animosities get out of hand, the regime probably would not hesitate to renege on its promise to restore civilian rule.

The new military leadership distrusts the country's old-line civilian politicians, whose ethnic politics led to two military coups in 1966 and a civil war a year later. The politicians are still around and it is unclear how the military leaders intend to handle them as they move toward civilian rule. None of the civilians has political support that transcends either an ethnic or sectional base, and none of the younger, more nationalistic politicians has enough support yet to be a factor.

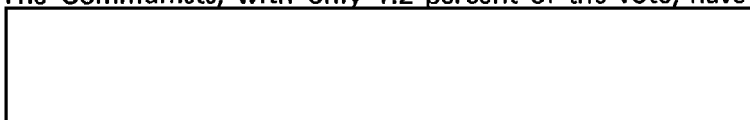


National Intelligence Bulletin

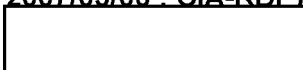
October 6, 1975

FOR THE RECORD

AUSTRIA: Chancellor Bruno Kreisky's Socialist Party regained its absolute majority in yesterday's election in Austria. With all votes counted except absentee ballots, the Socialists have won almost 51 percent of the vote and 94 seats in the 183-member parliament; the Austrian People's Party has 78 seats and the Austrian Freedom Party has 11. The Communists, with only 1.2 percent of the vote, have again failed to win a seat.



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National Intelligence Bulletin

October 6, 1975

ANNEX

The Bulletin today publishes an interagency memorandum approved and issued October 3, 1975, on the implications of the emergency declared by Prime Minister Gandhi in India and of the recent coup in Bangladesh.

Key Points

The military-led coup in Bangladesh, unlike Gandhi's crackdown on her domestic opponents, has had a considerable impact on South Asian regional and international relationships.

--The new government in Dacca is seeking to strengthen Bangladesh's relations with Pakistan and China.

--This introduces new uncertainties into Dacca's relationships with New Delhi and Moscow, although the new leaders in Bangladesh, fearing possible Indian intervention, have asserted to a doubtful India that they want to retain close ties.

The situation in Bangladesh is fragile, and India, already concerned about the turn of events in Dacca, may be laying the groundwork for the option of fomenting dissidence and turmoil or a pro-Indian coup in Bangladesh.

Although there are numerous constraints on New Delhi, there is a significant risk of Indian military intervention within the next year in Bangladesh. (The Bureau of Intelligence and Research of the Department of State believes that there is a significant risk of a coup, perhaps aided by India, within the next year, but that direct Indian military intervention is much less likely. The chances for such intervention would increase dramatically if a coup failed and if refugees continued to stream into India.)

--A breakdown of domestic order in Bangladesh which caused a flood of refugees into India would probably lead to a coup or Indian military intervention.

--Indian intervention would be strongly condemned by China and Pakistan, and both might well engage in sabre-rattling near India's borders.

--Although the odds are against it, in such a situation India and Pakistan could become embroiled in hostilities, leading to a serious international crisis.

National Intelligence Bulletin

October 6, 1975

Two Political Changes

Two important political changes have occurred in South Asia during the summer of 1975. The first, a crackdown launched in June by Indian Prime Minister Gandhi against her domestic opponents, has substantially altered the character of India's political system. The second event, a military-led coup in August in which President Mujibur Rahman of Bangladesh was killed, has brought about a change of leadership in Dacca.

The purpose of this memorandum is to explore the impact over the next year of these developments on relationships among the South Asian states and between them and the major external powers. The future of Bangladesh is particularly obscure, not only because of the nearly insuperable problems facing the present—or any future—government in Dacca, but also because of the almost proprietary interest which India exhibits toward its smaller neighbor. Thus, any projection for Bangladesh is complicated by the necessity of correctly predicting decisions, probably not yet made, in New Delhi as well as in Dacca.

India

The recent developments in India have not caused significant changes in relations among the countries of South Asia or between those countries and the major powers. There has been little resistance to Gandhi's actions, and the internal situation within India is likely to remain relatively stable over the next year. As a result, Gandhi's crackdown probably will not generate pressures to change India's regional or international relations.

Gandhi's dependence on pro-Soviet political elements in India has lessened. The sharp increase in her personal power and the curtailment of opportunities for political opposition have virtually eliminated her need for support from the Moscow-oriented Communist Party, her occasional ally. Gandhi, however, is unlikely to abandon her friendly ties with the USSR; she remains interested in a continuation of the consistent diplomatic and material support the Soviets have given her government, particularly since August 1971 when the two countries signed a treaty of friendship and cooperation.

Recent developments in India also have not had any significant impact on India's relations with China and Pakistan. Sino-Indian relations have been poor since their war in 1962. Gandhi will remain mildly interested in improving ties with China, partly in hopes of reducing Peking's support for Pakistan, but she is unlikely to make much effort to reach an accommodation. She will continue to give India's Soviet ties much higher priority.

National Intelligence Bulletin

October 6, 1975

Despite initial Pakistani fears of Indian adventurism, India's domestic problems over the next year are not likely to cause Gandhi to resort to a military attack against Pakistan to divert Indian public attention. But both India and Pakistan will retain their traditional deep distrust of one another. Developments in Bangladesh, as discussed below, have deepened their mistrust. Moreover, Pakistan will remain particularly sensitive to India's—and the USSR's—diplomatic and material support for Afghanistan, Pakistan's other adversary.

In her relationship with Washington, Gandhi has warmed slightly since the crackdown. Despite sporadic flurries of anti-US invective in India, Gandhi seems at the moment to favor an expansion of US aid and trade. Her long-standing wariness and distrust toward the US, however, will continue to impede harmonious relations. She will probably continue the policy she has pursued since the 1971 war, accepting some slow improvement in Indo-American bilateral relations while holding the US at arm's length.

Bangladesh

While the influence of Indian domestic developments has not significantly affected regional and international relationships in South Asia, the emergence of a new regime in Bangladesh has already led to a considerable change in those relationships. The change of government in Dacca has introduced new uncertainties in Bangladesh's relations with India and the Soviet Union, while ties with Pakistan and China, virtually non-existent before the coup, are being expanded. Both Islamabad and Peking have reacted positively to the coup, and both countries are likely to establish diplomatic relations with Bangladesh in the near future. Pakistan, in particular, is anxious to improve relations, aware that this would represent a modest shift in its favor in the South Asian political balance and could introduce an element of uncertainty for India on its eastern flank. (In fact, Pakistan and Bangladesh agreed to establish diplomatic relations in a meeting between their foreign ministers over the weekend.)

New Delhi is clearly unhappy about the new government in Bangladesh, and concerned by President Khondakar Mushtaque Ahmed's reputed coolness toward India. Prime Minister Gandhi had established something of a patron-client relationship with the late President Mujibur Rahman on the basis of India's predominant role in securing the independence of Bangladesh in 1971. The Mushtaque government is aware of Indian concerns and has attempted to placate its giant neighbor by providing specific assurance that the New Delhi-Dacca treaty of friendship signed in 1972 is still a cornerstone of Bangladesh's foreign relations. Furthermore, within the new regime, military officers and civilian officials alike have been disposed thus far to resolve their differences peacefully, largely because they fear that turmoil in Bangladesh would cause India to intervene.

There are a number of constraints on Indian military intervention in Bangladesh. The Indian leaders are aware that such a move would leave them saddled

National Intelligence BulletinOctober 6, 1975

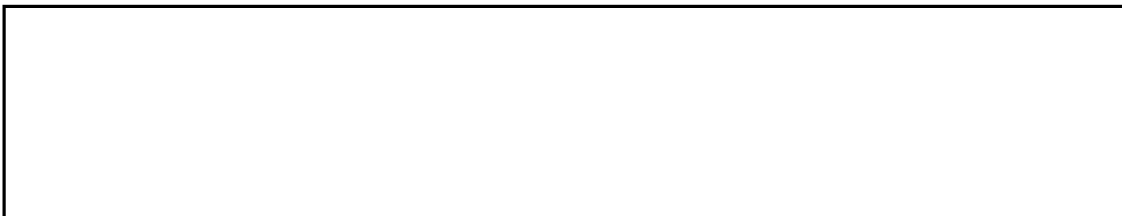
with coping with Bangladesh's many problems, thereby placing a heavy burden on India's already weak economic base. Moreover, the Indians would be faced with a situation where anti-Indian sentiment in Bangladesh would probably be high. New Delhi would also be concerned about the impact of intervention on India's international standing. In particular, the Indian leaders would fear that intervention would cause serious economic difficulties by jeopardizing India's prospects for oil supplies from Iran as well as prospects for aid from the US, the Consortium, and the World Bank.

Nevertheless, there is a significant risk of Indian intervention. The situation within Bangladesh is extremely fragile, with the new government facing most of the same political, economic, and social problems that plagued the last. These problems could lead to turmoil and a breakdown of domestic order, resulting in extensive anti-Hindu bloodletting and a mass exodus of refugees out of Bangladesh into India.

Such developments, possibly fostered by the Indians, would probably lead to a coup or to Indian military intervention. (The Bureau of Intelligence and Research believes that there is a significant risk of a coup, perhaps aided by India, within the next year, but that direct Indian military intervention is much less likely. The chances for such intervention would increase dramatically if a coup failed and if refugees continued to stream into India.)

Another development that could trigger Indian intervention would be a further shift by the Mushtaque or any other successor regime toward Pakistan and China.

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In the event that India intervened militarily, its overwhelming military superiority would result in a quick victory and the establishment of a regime subservient to India. Such actions by New Delhi, however, would increase anti-Indian sentiment in Bangladesh and over time an anti-government, anti-Indian resistance movement would be likely to develop. Neither Islamabad nor Peking would be in a position seriously to contest Indian dominance in Bangladesh, but both would condemn India and give propaganda and perhaps modest material support to a resistance movement.

In addition, Pakistan and China probably would engage in some sabre-rattling of their own. China might make some troop shifts or even initiate small clashes near the Indian border in order to make New Delhi nervous. The Chinese probably would

National Intelligence BulletinOctober 6, 1975

not, however, launch a major military attack on India, given their apprehension that the Soviets might intervene on India's side, China's lack of any significant stake in Bangladesh, and the difficulties of logistically supporting such an operation. The only precedent for a Chinese invasion of India—the Sino-Indian war in 1962—occurred under very different circumstances. Significant Chinese territorial interests were then at stake and the Chinese enjoyed overwhelming local military superiority. Indo-Soviet ties, moreover, had not developed to their present level.

The case of Pakistan is somewhat different. Given the Indian armed forces' vastly superior size and strength, we think Pakistan would be very careful to avoid actions which might encourage a military attack by India. But Pakistan might try to throw New Delhi off balance by engaging in clandestine agitation in Indian-held Kashmir, and this could trigger an Indian military response.

Thus although the odds are against it, there is a possibility that India and Pakistan could become embroiled in hostilities of their own following an Indian invasion of Bangladesh. The risk of Chinese military intervention would be somewhat greater in such an India-Pakistan confrontation than in an India-Bangladesh crisis, but general caution and concern over possible Soviet reactions would probably deter China from going beyond increasing its material support to Pakistan.

An Indo-Pakistani war would, however, also open the door to involvement, direct or indirect, of other nations. The Soviets, for example, would be pressured by India for assistance, and Afghanistan might seek to profit from Pakistan's difficulties. At the same time, the Shah of Iran, already inclined to the view that India's ultimate goal in the subcontinent is to dismember Pakistan, would be tempted to aid Islamabad militarily. [REDACTED]

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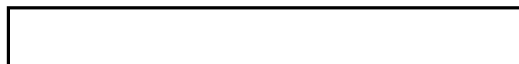
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