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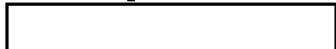
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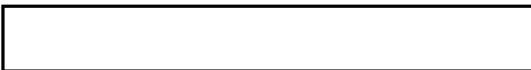
National Intelligence Bulletin

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Top Secret



December 6, 1975



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Approved For Release 2007/03/06 : CIA-RDP79T00975A028400010012-3

National Intelligence Bulletin

December 6, 1975

CONTENTS



25X1

SPAIN: Arias begins reorganization 3

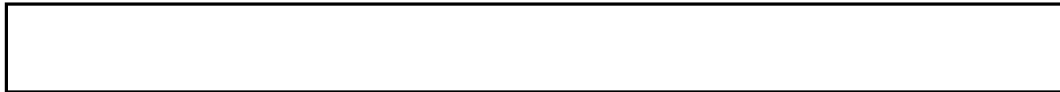
USSR: Serious grain shortfall 4

USSR: Harvest problems causing
problems for leadership 5

GREECE-TURKEY-CYPRUS: Turks
call for renewed intercommunal talks 6

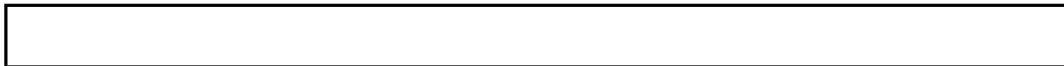
PORTUGAL: Popular Democrats
expected to take anti-military line 7

NORWAY-USSR: Barents Sea talks 9



25X1

THAILAND-LAOS: Thai economic pressure 11



25X1

SPANISH SAHARA: Dispute continues 14

SYRIA-IRAQ: Renewed propaganda
attacks against Damascus 15

BANGLADESH-INDIA: Tensions
appear to be easing 16

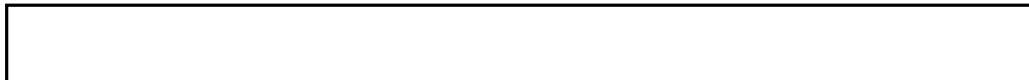
ISRAEL: Four new settlements
on Golan Heights 17

EGYPT-LIBYA: Salim visit
smoothes economic relations 18

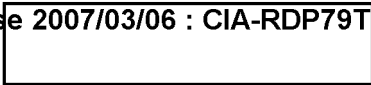
CUBA: Preparations for party congress 19

ARGENTINA: Retired general assassinated 20

ECUADOR: President may leave office soon 21



25X1



25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A028400010012-3

Next 1 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A028400010012-3

National Intelligence Bulletin

December 6, 1975

SPAIN

Prime Minister Arias yesterday moved to begin reorganizing the government after agreeing to King Juan Carlos' request to remain in office.

25X1 [redacted] Arias and members of his cabinet have prepared a decree authorizing the Prime Minister to carry out the reorganization without seeking approval of the rightist-dominated parliament. Formal announcement of the decree apparently will be held up until Arias announces his choices to head the reorganized ministries. The delay suggests Arias is meeting resistance to some of his plans.

Government sources told the press yesterday that the reorganization will be extensive. The separate service portfolios are to be merged into a ministry of defense; such a move would facilitate modernization of the armed forces. Franco had blocked previous attempts to create a defense ministry, and implementing such a change now will help give the Arias government an image of breaking with the past.

Another change under consideration is the abolition of the cabinet-level Secretariat General of the National Movement, the only legal political party under the Franco regime. This change, which would enrage ultrarightists, could be designed to prepare the way for the legalization of other political parties.

Juan Carlos is said to have given Arias a free hand to name the members of his cabinet. The Prime Minister is expected to select some ministers who will appeal to those wanting liberalization of the government, but not without some objections from the right. [redacted]

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National Intelligence Bulletin

December 6, 1975

USSR

Soviet officials have recently indicated that this year's grain harvest was the lowest since the mid-1960s.

A published statement by a middle-level Soviet official indicates that the harvest may have been about 137 million tons. Soviet Agriculture Minister Polyansky gave the British ambassador some figures that point to a crop of between 142 and 152 million tons. This could mean the worst harvest since 1965. One Soviet official told [redacted] that the weather this year was the worst in a hundred years.

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A harvest of 137 million tons would leave the USSR short of at least 40 million tons of grain even if it imports all it can. The Soviets have bought 26.5 million tons so far this year and, under the existing agreement, they can buy another 3.5 million tons from the US. Because only minimal amounts are available from other suppliers, we estimate that total imports will not exceed 30 million tons. The Soviets thus would have to curtail domestic consumption sharply.

Our latest estimate of the Soviet grain crop is 150 to 155 million tons; that of the Department of Agriculture is 160 million tons. Earlier, unofficial estimates given by Soviet officials had been in the range of 160 to 170 million tons. So far, the Soviet leadership has not employed all-out tactics to compensate for the grain shortage. Bread lines have not appeared, but bread quality has already declined. We have, however, good evidence of distress slaughtering of poultry and livestock, reductions in feed rations, and increases in the prices of farm products in the collective farm markets. [redacted]

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National Intelligence Bulletin

December 6, 1975

USSR

The Soviet Union's harvest disaster and related economic problems will complicate the leadership's propaganda efforts before the party congress meets in February. Politics could also be affected.

The regime's defensiveness is demonstrated by the attempts to evade reporting harvest results at the Supreme Soviet session this week. Early in his report to the session, planning chief Baybakov contrasted the alleged "economic crisis" in the West to what he claimed were Soviet economic successes. Propagandists will probably be making increasing use of this device in coming months.

The economic slowdown resulting from the poor harvest, however, will undermine the leadership's efforts to clothe itself in the mantle of policy success.

Another reason the leadership is treating economic subjects gingerly is because it realizes the potential for recriminations and policy disputes. By stressing that the weather was the cause of the poor harvest, the regime is trying to block attempts to blame individuals or policies. Ukrainian party boss Shcherbitsky, a protege of Brezhnev, warned this fall that a "correct approach" must be taken in appraising the harvest, and that the work of the party in agriculture "must not be belittled."

At the moment, the leadership seems to be sticking with its past policies. Brezhnev's program of heavy investment in agriculture will apparently be maintained. References to Brezhnev's speech at the Central Committee meeting on December 1 suggest that he offered hackneyed prescriptions such as "socialist competition" rather than new approaches to economic problems.

Pressures may nevertheless build behind the scenes. The economy's poor performance will require preliminary goals for the next Five-Year-Plan period to be revised downward. Advocates of limited reform measures and schemes to reorganize agricultural and industrial management could find their cause strengthened. In the end, it may be impossible to suppress recriminations entirely and to avoid offering up a scapegoat or two. [redacted]

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National Intelligence Bulletin

December 6, 1975

GREECE-TURKEY-CYPRUS

Turkish Foreign Minister Caglayangil last night called for a reopening of the intercommunal talks on Cyprus and the inclusion of representatives from Greece and Turkey. He also proposed discussions covering the spectrum of Greek-Turkish relations.

Caglayangil's statements—obviously timed to coincide with the report to the US Congress on the status of efforts to achieve a Cyprus settlement—referred to the necessity of resuming negotiations "as soon as possible" on all aspects of the Cyprus problem, presumably also including the important territorial question. His proposals would include Greek and Turkish representatives in the intercommunal talks, but they would exclude UN Secretary General Waldheim, under whose auspices earlier talks were held, in favor of a lower ranking UN official.

The move to exclude Waldheim is clearly an effort by the Turks to save face after their defeat in the UN General Assembly. A Turkish Foreign Ministry official did indicate to the US embassy, however, that Ankara might be willing to give ground on Waldheim's role.

In what may be an attempt to link progress on the Cyprus dispute to movement on the Aegean controversy, Caglayangil suggested that the talks on airspace rights over the Aegean be accelerated and that another joint committee consider the continental shelf issue. He further proposed periodic meetings between the foreign ministers of the two countries.

The Greeks have indicated that they want to get on with the Cyprus talks and that they may be willing to search for common ground with the Turks. They will be cautious, however, about any Turkish effort to involve them in bilateral talks on the continental shelf issue, which they prefer to submit to the International Court.

National Intelligence Bulletin

December 6, 1975

PORTUGAL

Portugal's centrist Popular Democratic Party—the country's second strongest—is expected to oppose continued government participation by both the Communists and the military when it convenes its national congress today in Aveiro.

Party Secretary General Francisco Sa Carneiro reportedly will seek a resolution insisting that the Communist Party be expelled from the Azevedo government.

Although there is a consensus within the party for denying the Communists entry to any future governments, Sa Carneiro's conservative faction and party liberals disagree on whether tactical considerations should not dictate at least token Communist participation in the present government. Since the abortive rebellion last week, however, Sa Carneiro's hard line against the Communists appears to have gained ground.

Approval of the resolution will confront the Antunes military faction and the Socialist Party with a serious dilemma. Both have said that they want the Communists to remain in the government. While they could decide to continue governing without either the Communists or the Popular Democrats, this would leave the government open to attacks from both the left and the right.

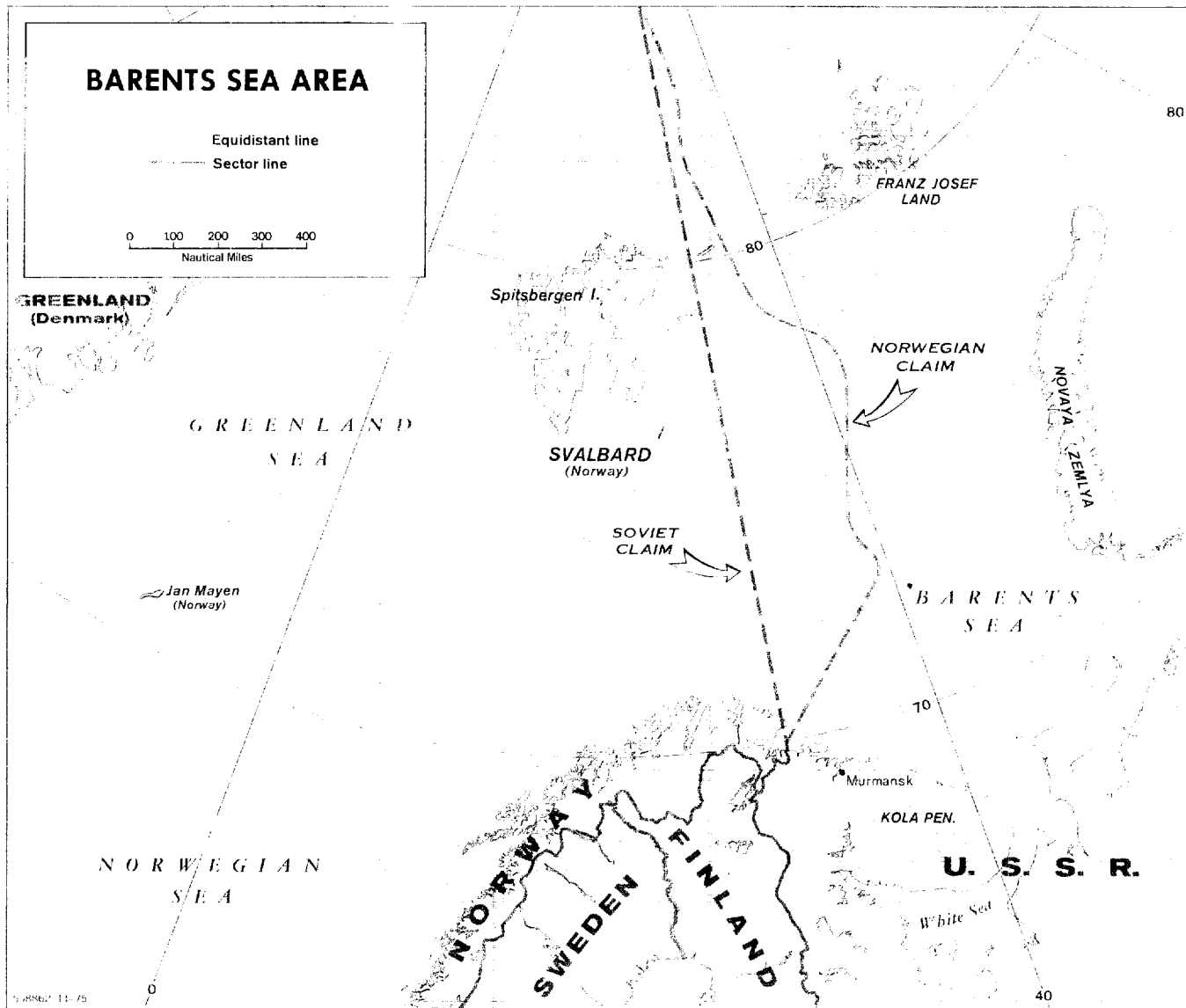
The Popular Democratic congress is also expected to challenge the pact signed by the military and parties last spring guaranteeing a dominant role for the military in the government for three to five years. Sa Carneiro argues that the agreement is no longer valid because the military broke it last summer when it appointed a military triumvirate to rule the country. He has repeatedly called for officers engaged in politics to return to the barracks.

Sa Carneiro's tough anti-Communist and anti-military line may only be a tactic to minimize the Communist role if the present government is shuffled. It could, however, be a signal that the Popular Democrats are preparing to leave the government and join the center-right Social Democratic Center in opposition in preparation for parliamentary elections next spring.

Conservative sentiment in the country reportedly has increased, and these two parties may now seek to capitalize on popular dissatisfaction with recent leftist governments as well as with the military to fashion a parliamentary majority of their own without the Socialists.

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National Intelligence Bulletin

December 6, 1975

NORWAY-USSR

The second round of talks between Norway and the Soviet Union on delineation of the continental shelf in the Barents Sea has ended with the two sides still deadlocked.

A short communique issued at the end of the series of meetings held in Oslo over the past two weeks said only that the negotiations took place in a "factual and friendly atmosphere." No date has been set for another round of negotiations.

The main sticking point is the delineation of national waters in the Barents Sea. Oslo wants a median or equidistant boundary zigzagging between Norwegian and Soviet islands to the North Pole. Moscow backs a straighter sector line running directly from the Norwegian-Soviet frontier to the North Pole.

The Soviets promote the sector concept in order to push Norwegian control further from the Kola Peninsula and its extensive network of military bases. Moscow is also apprehensive that future oil installations in the region might be used by NATO for military surveillance purposes.

Although mindful of Soviet strategic interests in the area, the Norwegian government in recent months has made clear that it intends to protect its own interests in the area—particularly now that there is a possibility of offshore oil deposits in the area between the Norwegian mainland and the Svalbard Archipelago. With solid domestic support, Oslo is looking for ways to increase its presence on Svalbard and may be similarly encouraged to hold the line in future negotiations concerning the Barents Sea.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028400010012-3

National Intelligence Bulletin

December 6, 1975

THAILAND-LAOS

Prime Minister Khukrit appears determined to maintain economic pressure on Laos to induce the communists to adopt a more "reasonable" attitude toward Thailand.

He told US officials this week that he is in no hurry to reopen the Mekong River border with Laos, closed last month following a Lao attack on a Thai patrol boat. Although Bangkok will maintain a conciliatory posture in public, the border is to stay closed pending a more accommodating posture in Vientiane.

Khukrit indicated that "starving them for a while" would impress on the Lao their dependence on Thailand for supplies and an access to the sea. He also said he views this as an experiment to see if the Vietnamese could provide enough supplies to compensate for the loss of Thai shipments. Stocks of gasoline in Vientiane are virtually exhausted, and prices for food and consumer goods are rising in response to short supplies.

The Prime Minister subsequently told a press conference that Bangkok is uncertain about what effect the change in government in Laos would have on relations, but that the Thai would be responsive to any friendly gesture from Vientiane.

Khukrit's stiff attitude will certainly have the support of the Thai military, and the Prime Minister probably also feels encouraged by US assurances of continued support during Foreign Minister Chatchai's Washington visit last week. The tough stance toward Laos may well affect relations with North Vietnam. In view of Hanoi's continuing invective, Khukrit may decide there is no great urgency in resuming talks with Hanoi over outstanding difficulties.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A028400010012-3

National Intelligence Bulletin

December 6, 1975

SPANISH SAHARA

Debate in the UN trusteeship committee on Spanish Sahara ended inconclusively on Thursday with the passage of two opposing resolutions. The General Assembly will now consider the matter. Whatever the outcome there, it is unlikely to affect the growing Moroccan foothold in the disputed territory.

Algeria's official anger over Morocco's strengthening position continues at a high level. One official has implied that Algiers may no longer block outside interference in Moroccan affairs—an apparent reference to restrictions placed on Moroccan dissidents living in Algeria. Despite the barrage of official propaganda, the US embassy in Algiers notes that the popular mood regarding the Saharan issue generally seems to be one of disinterest.

Meanwhile, Mauritania is becoming uneasy over its position in the Sahara dispute. Differences with Morocco over the location of the partition line to be drawn and the potential threat of attacks by the Algerian-backed Polisario Front are creating increasing concern in Nouakchott and prompting second thoughts about the tripartite agreement.

Mauritania hopes that most, if not all, of the southern part of Spanish Sahara, Rio de Oro, will come under Nouakchott's administration. One Moroccan official, however, has indicated that the eventual partition may provide only a very small portion of Rio de Oro to Mauritania and at the same time cede some existing Mauritanian territory to Morocco.

Rather than accept a Moroccan take-over of virtually all of Sahara, Mauritania would be willing to agree to a UN-sponsored referendum and even push for an independent state in Sahara. Government officials in Nouakchott are confident that a referendum would result in overwhelming response for annexation by Mauritania or an independent state. Mauritania would find either choice preferable to a large expansion of Moroccan territory.



25X1

National Intelligence Bulletin

December 6, 1975

The army lacks the capability to launch full-scale offensive operations against Polisario forces in Rio de Oro, but it could manage to discourage some infiltration. A prolonged security operation against the Polisario would have a disastrous effect on Mauritania's economy. [redacted]

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SYRIA-IRAQ

After a period of lessened tensions, Baghdad has again increased its propaganda attacks on the Syrian regime.

Following the Syrian renewal this week of the mandate of the UN force on the Golan Heights, however, *Al-Jumhuriyah*, the official Iraqi government newspaper, described the Syrian decision as "surrendering to criminal Zionist challenges" and implied that the Syrian action had encouraged the Israeli air strikes on fedayeen camps in Lebanon. This latest Iraqi blast is likely to draw a response in kind from Damascus.

Having agreed to the extension of the UN mandate, Damascus is almost certain to reject Iraq's demand that in return for its joining the so-called "eastern" front, Syria publicly announce its rejection of UN resolutions 242 and 338. The Iraqis nevertheless would contribute forces again if war broke out between Syria and Israel.

Iraq reportedly also had stipulated that as an additional requirement for its participation in the eastern front, Damascus release its political prisoners, some of whom are Iraqi citizens. Syria will probably reject this Iraqi demand as well.

Other activities by the two rival Baathist regimes may also be contributing to the increased hostility. Iraq has reportedly been encouraging tribal elements in northern Syria to press for an autonomous province. Damascus, for its part, is said to be lending some support to an Iraqi Kurdish dissident group based in Syria that is broadcasting attacks against the Iraqi regime. Baghdad also has been angered by recent harassment of Iraqis living in Syria—including Iraqi diplomats—by Syrian security authorities. [redacted]

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National Intelligence Bulletin

December 6, 1975

BANGLADESH-INDIA

Tensions between Dacca and New Delhi appear to be easing, although Prime Minister Gandhi has warned that India will continue to keep a close watch on the internal situation in Bangladesh.

Gandhi made the comment while reporting to the parliamentary defense committee on December 3. The following day, the president of Gandhi's Congress Party, in speaking before an "international conference against fascism," roundly condemned both the US and China for interfering in South Asia. He specifically denounced the "forces of destabilization" operating "in our neighborhood"—an apparent reference to recent events in Bangladesh.

The Indian press, which has tended to report events in Bangladesh in both emotional and pessimistic terms, has described as "successful" the recently concluded India-Bangladesh border security talks. In a joint press statement, the participating Indian and Bangladesh border security officials termed the talks helpful in clearing away "misgivings and misunderstandings" and in reinforcing "mutual trust and confidence."

The successful outcome of these largely technical discussions may have been partly responsible for the decision by the regime in Dacca to send a delegation to New Delhi yesterday to discuss essentially political issues. This delegation had been proposed to the Indians by President Sayem of Bangladesh as far back as November 27. Its departure was subsequently held up, apparently as a result of disagreements in Dacca over whether sending the mission would be regarded by the Indians as a sign of weakness.

The next danger spot in India-Bangladesh relations appears to be a mass meeting scheduled to take place in Tangail Province, north of Dacca, on December 7. The meeting is expected to have strong anti-Indian overtones. There may also be trouble for the Dacca government the following week if opposition forces carry out reported plans to instigate antigovernment demonstrations on or about December 16, a national holiday. Government control over the security forces apparently has improved in recent days, however, and the authorities in Dacca, warned of these planned events, should be able to muster sufficient force to maintain control.

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National Intelligence Bulletin

December 6, 1975

ISRAEL

The Israeli government, after almost three months of delay, has approved the establishment of four new settlements on the Golan Heights. Defense Minister Peres described this action as "Israel's Zionist reply to the onslaught in the UN General Assembly" and announced that planning for five additional settlements was under way.

According to the US embassy in Tel Aviv, the four new settlements will be of a paramilitary nature and will be established between the two existent fortified settlements in order to help close a "security gap" through which two bands of fedayeen infiltrators recently entered the Golan Heights. Israeli press reports have indicated that the new settlements may be ready for occupancy within two weeks.

The approval of the new settlements is Israel's answer to the UN Security Council resolution extending the UN Disengagement Observer Force mandate and the invitation to the Palestine Liberation Organization to take part in the Security Council's debate on the Middle East. More generally, it responds to what Tel Aviv views as a wave of anti-Israeli actions in the UN.

The government's decision to approve the settlements is likely to hinder efforts toward peace in the area. Syria will view the decision as further evidence of Israel's intention to retain control of the Heights, and Israeli organizations pushing for more settlements in the occupied territories will be encouraged to press their demands all the harder.

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National Intelligence Bulletin

December 6, 1975

EGYPT-LIBYA

Egyptian Prime Minister Salim succeeded in smoothing out Egypt's economic relations with Libya during a brief visit to Tripoli last week. He made no attempt, however, to bridge the political rift between the two countries.

Salim's visit—the first by a high-level Egyptian to Libya since mid-1973—was part of a tour of Arab countries to report on President Sadat's visit to the US. Salim apparently avoided discussion of Sadat's trip in talks with Libyan Prime Minister Jallud, however, concentrating instead on the theme that Tripoli and Cairo could improve their commercial ties despite political differences.

Prior to Salim's visit, Libya had tentatively agreed to receive Egypt's economic minister for talks on Libyan investment in Egypt. The Egyptian Prime Minister, who knows Jallud well, reportedly feels he has smoothed the way for these talks.

President Qadhafi's staff went through the motions of trying to schedule a meeting between Qadhafi and Salim, but finally told the Egyptians the President could not be reached. The snub, although not as serious a slight in the Libyan context as it might be elsewhere, suggests that a rapprochement between the two sides will be limited to practical matters. This arrangement will suit the Egyptians. They prefer working through Jallud and have no desire to tangle with Qadhafi over what they see as irreconcilable disagreement on Arab political strategy.

Cairo's only concern now is that Qadhafi continue to honor a propaganda truce worked out between the two countries following the discovery in August of a plot to overthrow Qadhafi. The leaders of the plot were two members of Libya's Revolutionary Command Council. Fearful of provoking Egyptian ire at a time when he is vulnerable at home, and possibly indebted to the Egyptians for warning him of the conspiracy, Qadhafi has said virtually nothing during the past several months about the second Sinai disengagement accord or Egypt's friendly relations with the US. [redacted]

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National Intelligence Bulletin

December 6, 1975

CUBA

Havana is readying itself for the first congress of the Cuban Communist Party, to be held from December 17 to 22. Fidel Castro may use the occasion to deliver a verbal blast at the US and to tell his people of Cuba's military involvement in the Angolan civil war. Moscow will be represented by senior party secretary for ideology and Politburo member Mikhail A. Suslov.

Rather than serve as an arena for debating major policy issues, the congress will do little more than place the formal stamp of approval on decisions made months ago. The new constitution to be presented, for example, has already been given broad public exposure and is likely to undergo only minor revision before being accepted by the delegates. Also expected to receive perfunctory scrutiny are several "theses" outlining domestic and foreign policy. In addition, the congress will approve a set of party statutes that have been in force since early this year.

There will probably be some changes in the party structure—the Political Bureau, the Secretariat, and the Central Committee will probably be expanded—but the top leadership will be unchanged. Castro and his former comrades-in-arms from the early days of the revolution will maintain control, although some veterans of the pre-Castro communist party and a few up-and-coming technocrats will be given positions at upper party levels. In party elections held throughout the country, Fidel and party Second Secretary Raul Castro have been nominated "pre-candidates" by virtually all constituencies, signifying their continuation in their respective positions. The same "honor" has also been awarded all members of the Political Bureau and the Secretariat.

At least one "old" communist, Deputy Prime Minister Carlos Rafael Rodriguez, is likely to join Castro and his guerrilla elite on the Political Bureau, but this concession to the pro-Moscow members of the leadership may be balanced by the addition of one or more former guerrillas. One of these reportedly is Deputy Prime Minister Belarmino Castilla Mas, who was one of Raul Castro's six guerrilla column chiefs during the revolution in 1958 and has since served in a variety of top military and civilian posts.

There are signs that the Central Committee may be broadened considerably. Party elections at the provincial level have resulted in the nomination of as many as 160 "pre-candidates" for the Central Committee, theoretically the party's supreme decision-making body, aside from the congress itself. The Central Committee presently has 90 members, down from the original 100 of October 1965 as a result of deaths and purges. All but a few will probably keep their membership, and there may be 30 or 40 additions. A significant portion of the new membership is likely to consist of women, correcting to a small degree what Fidel sees as a serious political weakness at the highest policy level.

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National Intelligence Bulletin

December 6, 1975

ARGENTINA

The assassination of a retired general by guerrillas has made officers even more disenchanted with the Peron administration, but it is not likely to trigger a military take-over.

The Peronist Montoneros claimed credit for the killing of General Jorge Esteban Caceres Monie, who had once headed the federal police. The general's wife was also killed after being abducted by the terrorists.

The killing of Caceres Monie appears to be an attempt to provoke the military into rash repressive action as well as retaliation against the sharp increase in counterinsurgency operations in recent weeks. Ranking commanders reportedly responded to the murder by declaring that the dissidents would be crushed, "no matter what the cost in human lives."

This strong language notwithstanding, the incident in itself probably brings the armed forces no closer to a take-over of the government. The Peron administration, in spite of its numerous failings, is hardly responsible for the killing; replacing the government for that reason alone would accomplish nothing. Indeed, Peron recently acceded to a long-standing military wish for a free hand in pursuing the guerrillas. Moreover, there is still no solid indication that armed forces unity on the idea of a take-over is sufficient to make such a move practical.

Given time to reflect on the state of Argentine affairs, many officers will surely conclude again that by assuming control of the government, they will assume full responsibility for all national problems—with no better prospect for solving them than under civilian rule—and run the very real risk of incurring widespread popular dissatisfaction, precisely the goal of their leftist opponents.

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National Intelligence Bulletin

December 6, 1975

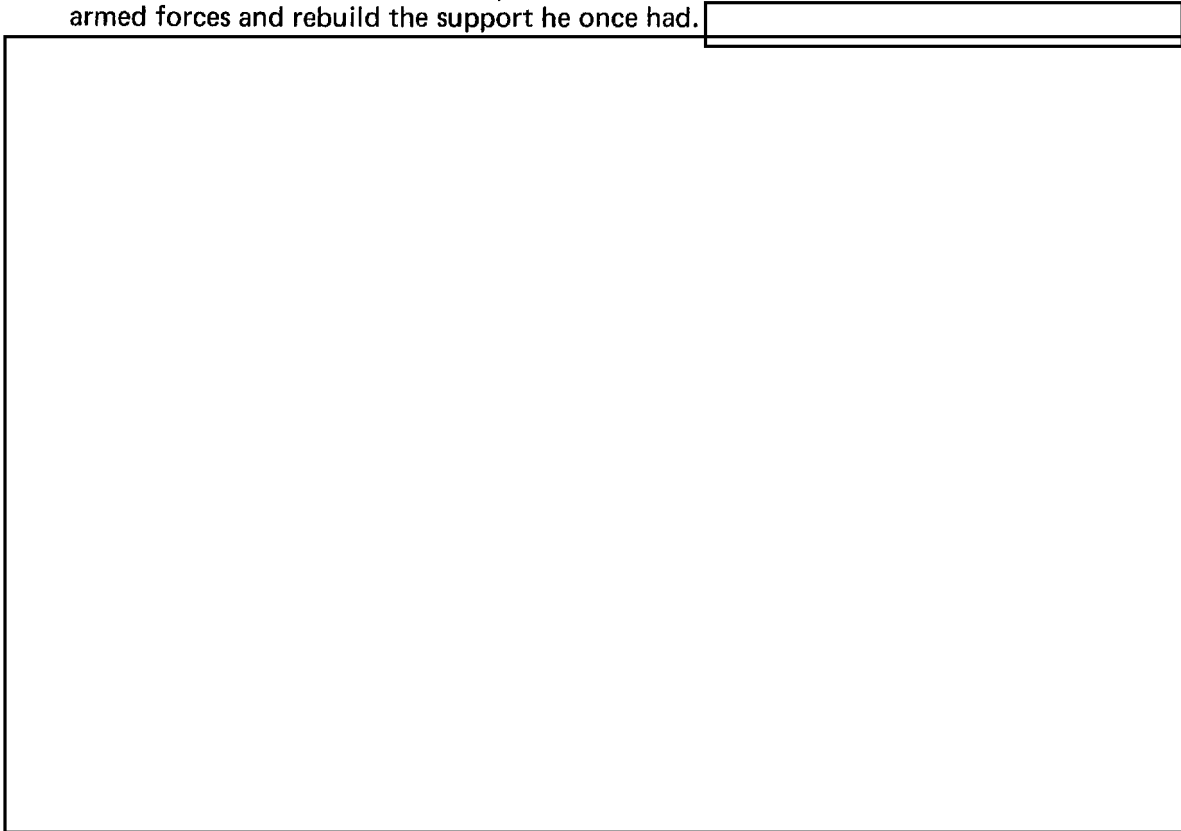
ECUADOR

President Rodriguez reportedly may leave office shortly after he announces his plan to return Ecuador to civilian rule.



The President reportedly plans to make changes in the constitution to bar former presidents from office. His plans also call for the establishment of a legislature drawn from groups other than the traditional political parties.

Rodriguez' decision to announce his plans may be motivated partially by the persistent opposition to his regime and the recent resurgence of activity by the group responsible for the coup attempt last September. Other factors influencing Rodriguez' decision are the country's continuing economic problems and his previously expressed desire to step down because he has been unable to reunite the armed forces and rebuild the support he once had.



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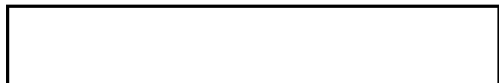
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