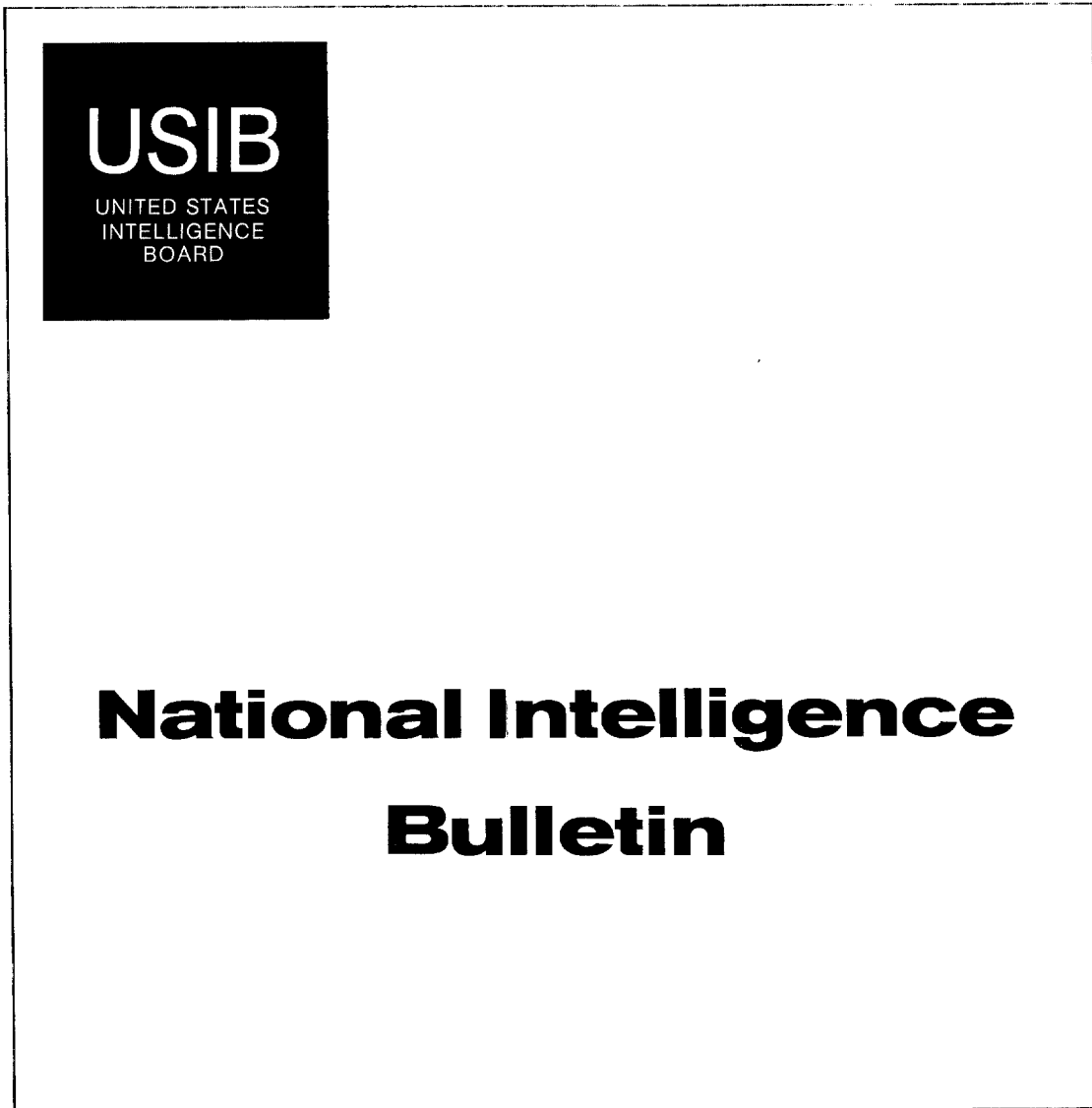


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DIA review(s) completed.

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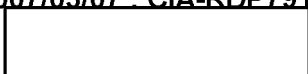
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SPAIN

Prime Minister Arias has reportedly agreed to head a broad centrist political grouping to contest future elections.



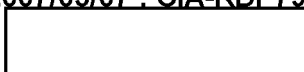
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Arias reportedly held a meeting earlier this month with Areilza, Fraga, and two other key cabinet ministers. He announced then that King Juan Carlos strongly supported his heading a center-right reformist association. Accordingly, Arias said he would accept the leading role if the four ministers present could produce an acceptable platform and begin the process of combining disparate individual organizations into a single unit. Each of the four ministers agreed to draw up a basic platform paper and will meet again on February 23 to meld the contributions into a single document.

Fraga strongly endorsed Arias' proposal and this time apparently did not insist that his group dominate the coalition. The acceptance of a secondary role by the ambitious interior minister may have been influenced by several factors: his attempt to organize a political machine of his own has not been proceeding as smoothly or rapidly as he had hoped; many influential members of the military hierarchy are reportedly opposed to the current pace of reform and blame Fraga's liberalizing policies for some recent political demonstrations; and he probably still hopes to take over the centrist coalition when Arias leaves the cabinet, which could be as early as this summer.



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WARSAW PACT - MBFR

The Warsaw Pact Tuesday presented a new proposal at the force reduction talks in Vienna. It calls for reductions to take place in two stages.

In the first stage, which would be carried out this year, the US and the USSR would reduce their forces in Central Europe by 2 to 3 percent of the overall numerical strength of their respective alliances, and the withdrawn units would be disbanded. The Stage I agreement would freeze force strengths of the other participating states at the present level. The proposal calls for equal quantitative reductions of US and Soviet armaments—aircraft, missiles, and tanks—including nuclear weapons and delivery systems. This represents the first time the Soviets have officially acknowledged that they have nuclear weapons in the reduction area. The size of Stage II was not stipulated.

The new proposal is evidently intended to counter the "Option III" proposal introduced by NATO last December. The Pact countries hope to capitalize on what they regard as the positive aspects of Option III, primarily the expressed willingness of NATO to reduce its nuclear armaments.

The proposal is essentially a reworking of previous Warsaw Pact reduction programs. It retains the fundamental Pact approach of equal percentage reductions and rejection of NATO's concept of asymmetrical reduction to a "common ceiling." The East now accepts the Western idea of phased reductions, with US and Soviet forces being cut back first, and goes into more detail regarding the armaments to be reduced than was the case in earlier proposals. In some respects, however, the new package is even more disadvantageous to the US than earlier proposals, since the proposed reductions involve second-rate Soviet systems (SU-7 aircraft, SA-2 missiles) as opposed to more advanced American equipment (F-4 aircraft, and Nike and Hawk missiles).

The Soviets are under no illusion that their proposal would be acceptable to the West or that the NATO countries would even regard it as a substantial concession. Nevertheless, they evidently hope that it would serve as a way of capitalizing on NATO's willingness to include nuclear elements in the reductions. Moscow may be thinking of a mixed package trade of additional Soviet tank reductions in return for more American nuclear elements.

To the West, the most attractive feature of the Soviet plan is likely to be its apparent acceptance of phased reductions. But the Allies will be suspicious of the Soviet demands for commitments by them. The West Germans, in particular, want to avoid any commitment that would seem to sanction a Soviet role in monitoring future West European defense arrangements.

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The West will continue to oppose the basic Soviet demand for equal reductions and to attempt to overcome Eastern resistance to the common ceiling. The Allies will also object to the Soviet attempt to extend equipment reductions beyond the one-time Western nuclear proposals contained in Option III.

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ICELAND

Iceland is hoping that its decision to break diplomatic relations with the UK can be translated into support, from other countries, for the Icelandic position in the fishing dispute. Reykjavik probably hopes that the break will encourage the US, West Germany, and Norway to continue their efforts to settle the dispute.

Norway yesterday proposed at a North Atlantic Council meeting in Brussels that London withdraw its warships and trawlers in return for financial compensation for losses incurred by the fishermen during negotiations. The money would come from a common NATO fund. Oslo apparently hopes that the proposal will lead to a new round of negotiations.

If the break in relations does not lead to progress in settling the fishing dispute, the Icelandic cabinet may vote to withdraw its NATO delegation from Brussels. A similar motion on February 17 was defeated by only one vote.

A complete break with the Alliance seems less likely at this time. Reykjavik needs NATO as a forum for its dispute with London, and Icelandic leaders are aware that concern and sympathy for their position would end with a NATO break. If the present impasse drags on, however, Icelandic emotions could take over and prompt Reykjavik to withdraw from the Alliance.

At stake, as far as the US and NATO are concerned, is the US-manned NATO base at Keflavik, which serves primarily as an anti-submarine warfare and early warning site. In addition, Iceland's withdrawal from NATO would have a certain psychological impact on the other member countries.

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MOROCCO-ALGERIA

Arab League Secretary General Riad will attempt today to revive the flagging Arab mediation efforts in the dispute between Morocco and Algeria over Spanish Sahara.

According to press reports from Cairo, Riad has informed Moroccan King Hassan, Algerian President Boumediene, and Mauritanian President Ould Daddah that he is prepared to take any action they wish to resolve the dispute. He urged the three to enter into a dialogue to avoid further fighting.

Riad's decision is an abrupt about-face. He has resisted past attempts to engage his services, apparently because he was unwilling to risk the prestige of his office in a venture that has little prospect for success. Riad's change of heart may be the result of pressure from Egypt.

Neither Rabat nor Algiers, however, seems willing to compromise. In a press conference on Tuesday, Moroccan Foreign Minister Laraki equated the Polisario Front guerrillas with Algeria and declared that Morocco could not remain indifferent to Algerian "acts of aggression."

Algeria continues to insist that a referendum on self-determination is the only basis for settling the dispute. Yesterday, Algiers sent a memorandum to Spain criticizing Madrid for abandoning its role as the "administering state" of Sahara. In addition to again condemning the tripartite agreement turning over control of Sahara to Morocco and Mauritania, the memorandum warned Madrid that it had assumed a dangerous responsibility by ignoring the rights of the Saharan people.

Little is expected from the recently concluded five-day visit to Sahara by UN Secretary General Waldheim's personal envoy.

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[Redacted] The UN will probably try to limit its involvement in the dispute to pro forma consideration of the UN mission's report.

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ARGENTINA

President Maria Estela Peron's announcement last night that she will not seek re-election may ease the pressure for her immediate ouster. She repeated, however, her determination to finish her present term, which ends in May of next year.

The President was forced to take this step when the Peronist labor movement and members of her own party threatened to join her opponents in protesting the controversial moves she made earlier this week. Peron had adjourned congress, closed down a critical newspaper, and called for a revision of the constitution.

The adjournment of congress was designed to head off a move to declare Peron "unable" to carry out her presidential duties. The President's call to revise the constitution had been widely interpreted as a ploy to extend the length of her present term or somehow pave the way for her re-election.

A number of congressmen quickly announced their intention to reconvene congress in defiance. Such a move is permitted under the constitution, provided it is approved by one fourth of the members of each chamber. Late yesterday, the government yielded and announced it would reconvene the legislature in a special session.

Peron, under constant fire since taking office in 1974, has become increasingly defiant. In recent weeks she has refused a demand by the military service chiefs for her resignation, replaced all but two members of her eight-man cabinet, and sought to weaken labor opposition to her policies by sowing dissension among top labor leaders.

Even if the current drive to remove Peron is slowed, she may be forced to make further concessions. Labor, for example, is pressing for still more cabinet changes.

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SPAIN - WESTERN EUROPE

Spanish Foreign Minister Areilza this week took Madrid's campaign for closer ties with Western Europe to Brussels where he met with EC Commission President Ortoli and NATO Secretary General Luns. In contrast to the optimism the Spanish government has been expressing, Areilza apparently was realistic in recognizing that negotiations for Spanish ties with both organizations will take time.

At a press conference following his meeting with Ortoli, the foreign minister described the talks as useful because he had been able to explain the government's liberalization program. Areilza said he had enumerated a number of important reforms Madrid has already made, but that he told Ortoli that the EC now would have to judge Spain on its intentions since time is needed to implement reforms such as free elections.

The foreign minister stressed that his country has not yet formally applied for EC membership. Noting that he is visiting each of the nine member states to explain Spain's democratization program, he stated that when his tour is over at the end of March, the EC and Spain would each assess the situation to see if negotiations toward membership should begin.

Areilza recognized that negotiations would be long and arduous because of the very difficult issues to be covered, particularly in the agricultural sector. He cited some positive factors, however, claiming that Spain, as the tenth ranking industrial country in the Western world, is better prepared economically for membership than Denmark or Ireland were when they applied.

Areilza further said his government is not interested in merely reopening the trade negotiations that were suspended by the EC last October but would like to see the last EC agreement broadened to cover the three new EC members. He said any negotiations to improve the agreement must be in a framework leading to EC membership. The EC, for its part, while generally favoring Spanish membership, sees this as a long-term objective, contingent upon concrete progress toward democratization.

In his meeting with NATO Secretary General Luns, Areilza said Spain would not ask for NATO membership until it was clear that Spanish accession would be welcome. He noted Spain's satisfaction with the new US-Spanish bilateral agreement, especially the reference to NATO and to coordination between the Spanish armed forces and those of the US and other Western nations.

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Areilza also cited an important domestic consideration for seeking eventual NATO membership. Spain wants to shift the orientation of its armed forces, formerly preoccupied with defense of the state, to the larger role of contributing to Western defense. Areilza claimed that integration of the Spanish armed forces with those of the Western democracies would prevent Spanish forces from sliding into a reactionary posture.

The NATO Secretary General admitted the military value of the US-Spanish treaty, but pointed out that some NATO allies wanted to await further developments in Spain before linking Spain to NATO.

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PORTUGAL

Lisbon may soon join the rush of West European nations in recognizing the Popular Movement for the Liberation of Angola.

President Costa Gomes and Foreign Minister Antunes have intensified their campaign for the recognition of the Popular Movement within the past few days. They maintain that the Movement's recent military victories and recognition by the Organization of African Unity and most West European countries oblige Portugal to act soon. Antunes also feels recognition would help reduce the Movement's dependence on the Soviets and Cubans and enable the West to collaborate with the more moderate factions within the group.

Socialist Party leader Mario Soares has been a leading opponent of recognition, but pressure on him to fall into line has become almost overwhelming.

Diplomatic ties could spark violent reactions from the large number of conservative, mostly anti-Movement Angolan refugees. It could also lead to intensified coup plotting by rightist, Spanish-based exile groups who would view the discontented refugees as likely recruits. Working together, the two groups could pose a threat to the government.

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NIGERIA

Nigeria is full of rumors of foreign involvements, particularly by the US, in last Friday's coup attempt.

Anti-US feeling is running high among Nigerian students and faculty. Student demonstrations against US offices in various parts of the country have been accompanied by calls for tighter security, strict surveillance of foreign nationals, and the removal of "intelligence agents" from the country.

Allegations also are being made against the British because Lieutenant Colonel Dimka, the coup leader, visited the British high commissioner after broadcasting his announcement of the coup.

The Nigerian government has made no official accusations against either Washington or London, and there is no evidence that Lagos is encouraging the student demonstrators.

Eulogies in the media on the achievements of former head of state Muhammed have stressed his resistance to alleged US "arm twisting" over Angola, but the US embassy believes these comments should be read more in praise of Nigerian firmness in standing up to a superpower than as part of an officially sanctioned anti-US campaign. Nigerian radio broadcasts have been highlighting the signing of a major telecommunications contract with a US firm.

A large student demonstration honoring Muhammed is scheduled to be held in Lagos on Friday, the last day of official mourning. After that, the US embassy believes, student emotions should subside.

Tribal and religious tensions, meanwhile, are on the rise, according to the embassy. Some Hausas, the Muslim group that dominates northern Nigeria, have been seen leaving Lagos and Ibadan for the north. Such precautionary moves apparently are motivated by memories of Nigeria's history of tribal violence. The recently assassinated Murtala Muhammed was a Hausa; his successor, General Obasanjo, is a Christian and a Yoruba, whose homeland is in the west, where Lagos and Ibadan are located.

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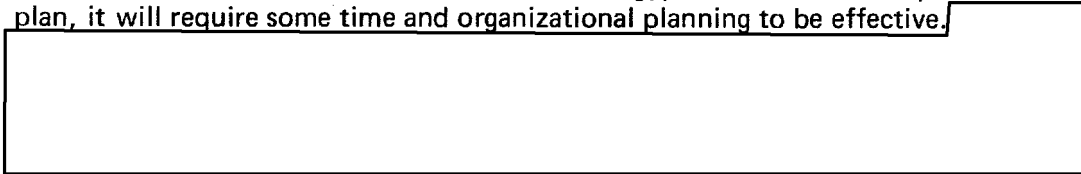
EGYPT

US officials in Cairo report that the Egyptian Ministry of War is experimenting with a new mobilization system, one that is said to have been tried twice with highly successful results.

The Egyptians refer to it as the "Swedish" system, presumably because it was patterned after Sweden's plan under which no standing tactical units are maintained during peacetime. The mission of the small regular army is to provide training for conscripts and to be ready to mobilize the wartime army's combat brigades and supporting units.

The US defense attache in Cairo believes that the testing of this plan indicates Egypt may reduce somewhat the size of its large standing forces in favor of an efficient reserve mobilization system. Egypt is having a difficult time with rising defense expenditures, and Cairo would prefer to use more of its limited funds to modernize its equipment.

It is unlikely that Egypt will adopt Sweden's system totally, although Cairo may choose a version that would have support units and military units in rear areas reduce their peacetime strength while maintaining combat-ready units in forward positions opposite Israeli forces. Should the Egyptians decide to implement this plan, it will require some time and organizational planning to be effective.



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USSR-MOZAMBIQUE

The USSR has reportedly signed its first economic agreement with Mozambique since the country's independence on June 25, 1975.

According to the press in Mozambique, agreements in the fields of commerce, fishing, shipping, and civil aviation were recently concluded in Moscow. Although the details are not yet known, Soviet aid agreements with other African countries have frequently contained secret annexes pertaining to military assistance. Two Mozambican ministers have been in the Soviet capital since February 8, the first high-level delegation to visit the USSR since independence.

The agreements have been under consideration for over a year. During a visit to the USSR in December 1974, Samora Machel, leader of the Front for the Liberation of Mozambique (Frelimo), was said to have been promised \$10 million in economic aid. Last April, a Soviet economic delegation visited Mozambique, followed by a merchant marine delegation in late May.

Despite Moscow's years of support for the Frelimo independence movement, the presence of Soviet parliamentary leader Ilyashenko and Deputy Foreign Minister Ilichev at independence ceremonies in June, and efforts by both countries in assisting Popular Movement forces in Angola, no formal aid agreements quickly materialized. Peking, however, did move promptly to the forefront by offering Mozambique an interest-free, long-term loan for \$56 million.

Moscow's relations with Machel, now Mozambique's president, remained cool until recently. It was not until December 4 that the Soviet charge was replaced by the USSR's first ambassador to Mozambique, Petr Evsiukov, who had coordinated Soviet aid efforts to liberation groups in Portugal's former African colonies.

President Machel has consistently sought to steer an independent course in foreign relations and has said he would welcome aid from any quarter. His radical socialist government and public commitment to continue aiding African liberation movements, however, will serve to limit Western influence while the USSR and China vie for a larger role in the country's development.

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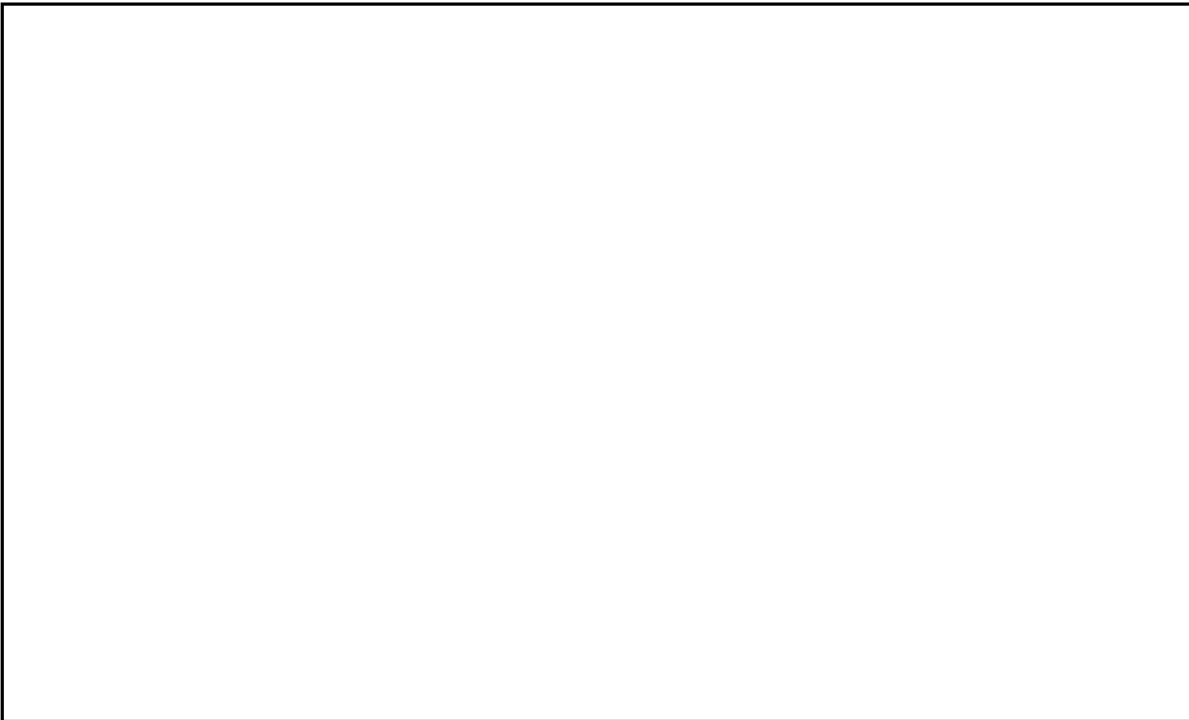
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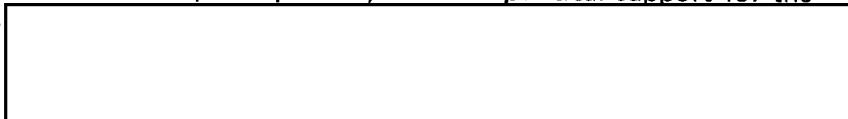
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FOR THE RECORD

EC-PORTUGAL: Negotiations between the EC and Lisbon on improving and extending their 1973 trade agreement remain on track. If the Portuguese do not demand major concessions from the Nine in sensitive trade areas—primarily textiles and wine—an accord could be announced before Portugal's national election on April 25. EC officials may try to revive a scheme—first proposed by Portuguese Foreign Minister Antunes last October—to accelerate the removal of Community tariffs on Portuguese industrial goods. The tariffs are now scheduled to be eliminated by July 1, 1977. By removing the tariffs much earlier, the Community could make a major, and relatively inexpensive, show of political support for the present government.

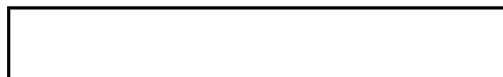


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