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CHINA

The Peking municipal leadership is being criticized in political wall posters appearing in the Chinese capital. Although the specific charges--the alleged repression of the anti-Confucius campaign in the city and the removal several years ago of workers and peasants from the city's ruling groups--are local in nature, the criticism reaches ultimately into the national leadership. The political boss of Peking, Wu Te, is a Politburo member.

Judging from the nature of the criticism, the posters seem to be the work of leftists. No officials are attacked by name, but the chief target is probably Wu Te himself. As head of the government organization in charge of culture, Wu seemed to be under attack last winter for allowing an opera that angered the leftists to be performed in a national theatrical festival in Peking. The cultural attacks failed to claim any high-level victims, but the latest criticism, which does not raise the cultural issue, may be another attempt to undercut Wu.

Instructions were issued at the end of May reportedly lifting some of the restrictions on the use of wall posters in the current campaign, but the Peking posters fall well within the earlier, more moderate ground rules. The posters have appeared on only one building, rather than indiscriminately throughout the city; they make no attacks by name; and they appeal to the Peking party leadership to conduct the campaign. Nevertheless, the appearance of posters--after a relative lull in the anti-Confucius campaign--and the new instructions issued last month seem to signal a resumption of political, and potentially disruptive, activity.

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UK-EC

In a speech to Parliament on June 11, Foreign Secretary Callaghan seized the initiative from anti-EC forces in the Labor Party and gave the most positive indication yet of the importance the Wilson government attaches to membership in the European Community.

The US embassy in London characterizes Callaghan's speech, which opened a six-hour debate on EC renegotiation, as a virtuoso performance that put the opposition on the defensive and laid the parliamentary groundwork for eventual acceptance of the improved terms of membership he hopes to secure for Britain.

An astute politician, Callaghan was careful not to be caught out ahead of rank-and-file sentiment in the Labor Party. He refuted criticism of the anti-marketeters, who had charged that he might be going soft on renegotiation, by citing the Labor Party's manifesto to buttress the position he had taken at the meeting of EC foreign ministers in Luxembourg earlier this week.

With an eye toward possible elections this fall, Callaghan insisted that the greatest danger to negotiating more favorable EC membership terms would be a Conservative win at the polls. Callaghan said the Europeans know what a "soft touch" the Tories are.

The Conservatives found themselves in an awkward position. Geoffrey Rippon, speaking for the Tories, swallowed Callaghan's barbs and endorsed the government's policy toward the EC.

A government minister responsible for British relations with the EC commented that although he personally regretted Prime Minister Wilson's decision to hold a referendum on the results of the renegotiation, he believes the government's commitment is firm.

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The timetable calls for renegotiations to end next February and for a referendum to be held in late spring in order to give the government time to campaign for or against continued EC membership. The minister believes that regardless of whether the government decides to support or oppose the renegotiation results, there will be resignations by senior cabinet officials.

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THAILAND

The Sanya government has accepted several key demands of striking textile workers in a move to end demonstrations that had threatened to become violent. By agreeing to raise the minimum wage and liberalize severance pay procedures, the government has taken the initiative away from student radicals and opportunists who, with their inflammatory speeches, were making some headway in turning labor unrest into a political movement.

The ease with which radical elements were able to take hold of a minor labor dispute and escalate it into a serious political problem for the Sanya government underlines the volatility of the Thai political scene. Similar pressures by students and other interest groups had a large part in bringing down the first Sanya government last month.

While the new cabinet seems to have weathered its first serious challenge, student and labor leaders responsible for keeping the demonstrations going will doubtless come away from this incident encouraged by the success of their latest venture in "street politics." They are likely to be back again soon.

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EC-PORTUGAL

EC leaders are considering the possibility of accepting Portugal as a full member of the European Community.

President Giscard and Chancellor Schmidt agreed last week that Portugal's membership in the EC would be welcomed in principle. If the Portuguese are able to carry through on their present political course, the Germans and the French believe that full, rather than associate, membership would be warranted.

Even before the coup on April 25, the EC had demonstrated growing interest in Portuguese developments. The publication of General Spinoza's book outlining a scenario for defusing Lisbon's problems in Africa and the mounting pressures on EC members to recognize an independent Guinea-Bissau had led to discussions in the EC about concerting policies toward Lisbon.

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When Portuguese Foreign Minister Soares visited the EC Commission in Brussels after the coup, he asked for consideration of associate status for Portugal but did not raise the question of full membership. The EC Commission was receptive, noting in a press release that "a democratic Portugal naturally has its place in a Europe under construction."

Despite the cordial attitude of the EC toward the new Portuguese government, there is concern among the members over Portugal's problems.

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GREECE-TURKEY

New indications that Greece is considering extending its territorial waters to 12 miles have reportedly prompted a Turkish decision to challenge such a move. The extension would have the effect of denying Turkey rights to almost all of the Aegean continental shelf.

Reports that Athens was considering the extension first surfaced several months ago and appeared again late last week in the semiofficial Greek press, which cited the fact that 11 of 16 Mediterranean countries have already extended their territorial waters to 12 miles. This, it was said, had created "certain problems" for Greece that obliged the government to consider following suit.

A Turkish Foreign Ministry official told the US chargé privately on June 12 that his government was uncertain of Athens' intentions, but was concerned the Greeks might declare an extension before the convening of the Law of the Sea Conference in Caracas next week. The official said Turkey would not accept a 12-mile limit and claimed that the Turkish National Security Council had already decided to challenge such a move with its warships. Pointing out that a 12-mile limit would restrict uninhibited Turkish passage into the central Aegean to only two places, the official insisted Turkey would not accept the Aegean as a Greek lake nor would it give up its navigational rights. He reiterated Ankara's desire for negotiations, indicating his government was willing to discuss the question of Greek territorial waters.

Whatever decision Athens reaches on the territorial waters issue, it is likely to attempt to avoid a military confrontation with the Turks, relying at this time on what it regards as its strong legal case in the simmering dispute between the two countries over the continental shelf. [REDACTED]

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CAMBODIA

Prime Minister Long Boret's resignation is the first step toward ending the political fighting that has paralyzed the government.

The resignation is a formality to allow Long Boret to form a new cabinet, which apparently will not include any members of Sirik Matak's minority Republican Party. According to the US embassy, the cabinet will consist of independents and members of President Lon Nol's Socio-Republican Party. A senior Republican, however, will join Matak on an expanded Executive Council, the country's top policy-making body, thereby maintaining the government's coalition nature.

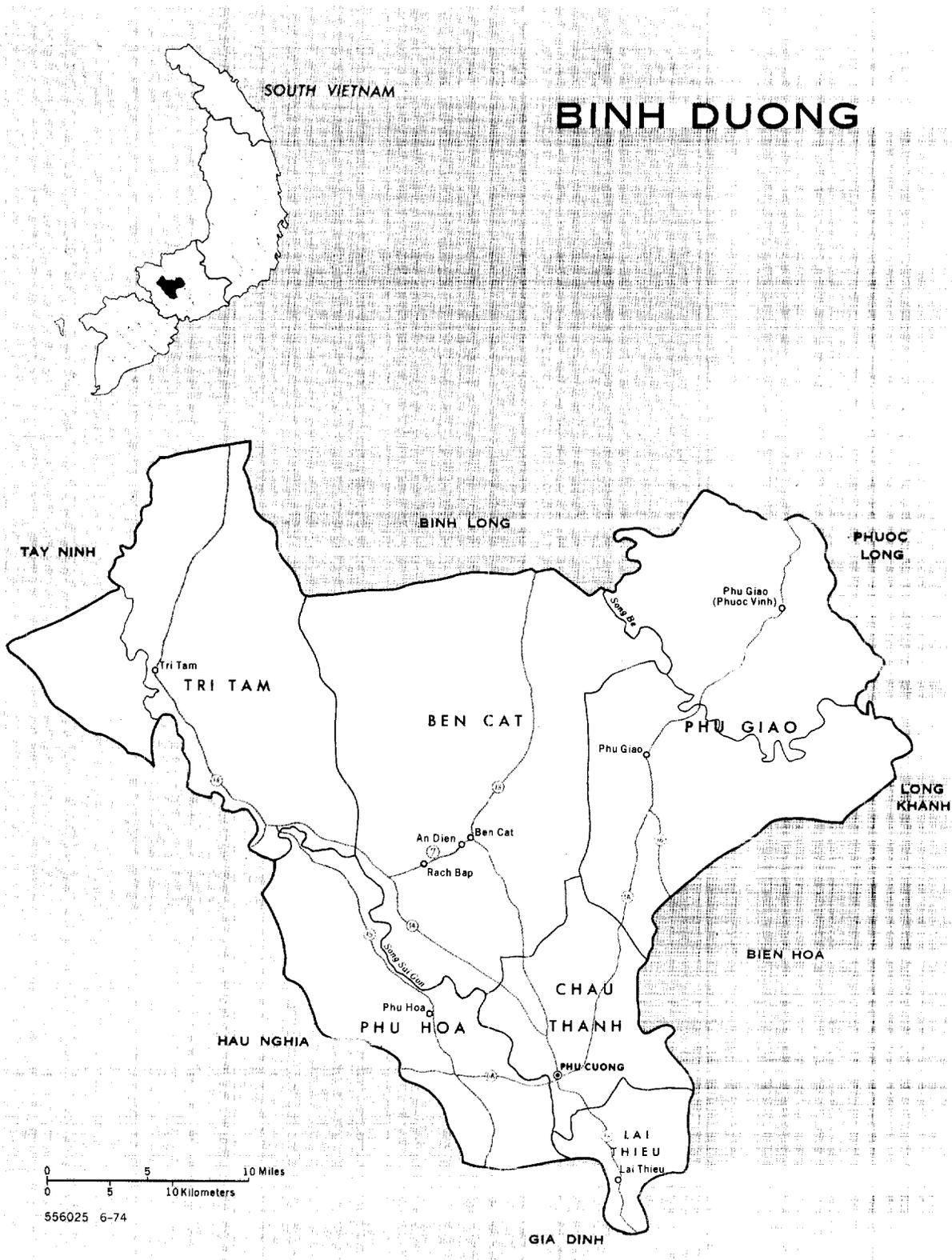
These moves are designed in part to placate the Socio-Republican - dominated National Assembly, whose harassment of Republican ministers in the outgoing cabinet provoked much of the recent political ferment in Phnom Penh.

[REDACTED]

While the government will now be able to begin functioning again, it is questionable whether it will be more effective than its predecessor, because professional qualifications will probably be subordinated to partisan political considerations in choosing the new ministers.

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SOUTH VIETNAM

In heavy fighting, government forces in Military Region 3 have performed well and have prevented the Communists so far from achieving meaningful gains during their May-June campaign.

Despite initial gains by the North Vietnamese 7th and 9th divisions, government forces have taken the initiative and are pushing the Communists back. [REDACTED]

[REDACTED] the entire division was committed in this action, but it failed to hold all the territory it seized in initial attacks, including An Dien village, which the government forces have retaken. [REDACTED]

Government forces attacking along Route 7 toward Rach Bap have encountered stiff resistance and are stalled. ARVN commanders, however, are confident that they can continue to move forward and retake lost territory.

The North Vietnamese 7th Division has not fared much better; nevertheless, it now appears to be sending two of its regiments toward Ben Cat to take pressure off the 9th. The 7th Division attempted and failed to interdict Route 1A and isolate Phu Giao district town.

Despite the shift of the 7th, ARVN commanders feel the situation in central Military Region 3 is under control. [REDACTED]

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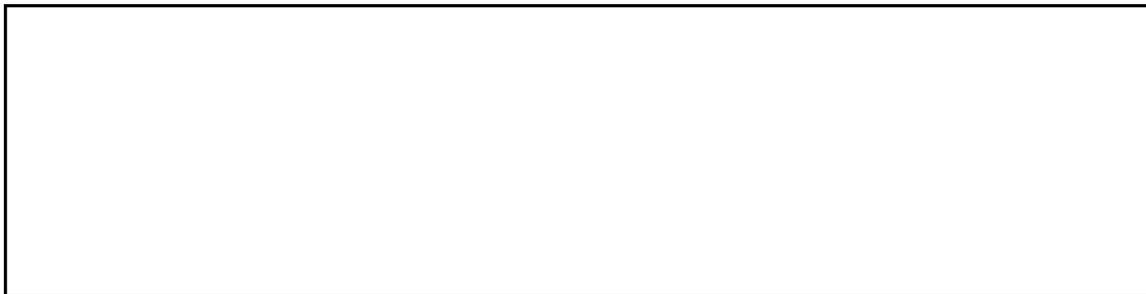
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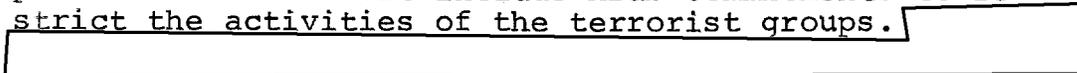
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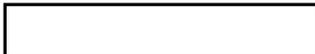
The radical Popular Front for the Liberation of Palestine - General Command has claimed responsibility for the terrorist attack yesterday on Shamir, a small Israeli settlement near the Lebanese border. A spokesman for the group said the attack was designed to upset progress toward a Middle East settlement and cast a pall over President's Nixon's visit to the area.

Israel's reaction to the attack is likely to be less emotional than its response to the incident last month at Maalot. Tel Aviv probably will not undertake large-scale military reprisals at this time, in order that controversy over its response not overshadow other issues to be discussed during the President's visit.

In their talks with the President, however, the Israelis almost certainly will use the attack to reinforce their argument that any comprehensive Middle East peace settlement must include Arab commitments to restrict the activities of the terrorist groups.



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NORTH YEMEN

The military's take-over of the government yesterday was precipitated by a confrontation between President Iryani and tribal leaders over the civilian leadership's handling of a recently uncovered coup plot backed by Iraq. The ruling command council, led by the armed forces deputy commander, Colonel Hamdi, has assured the embassy of its intention to maintain continuity in foreign policy, particularly with regard to close cooperation with the US.

The crisis developed at a cabinet meeting on June 12 when Sheikh al-Ahmar, president of the Consultative Assembly and an important tribal leader, chastised Iryani for not taking sufficiently firm measures with Iraq and the local Baathist plotters involved in the ill-conceived scheme to topple the government. Faced with the possibility of a formal motion in the assembly for his removal, Iryani, in office since 1967, resigned and retired to his country home in Taiz.

Colonel Hamdi, who was also unhappy with Iryani's handling of the Iraqi conspiracy issue, then moved into the political vacuum. He announced the formation of a seven-member military command council and assumed control of the government. Hamdi has asked Prime Minister Makki and his cabinet to remain in office but has suspended the constitution and dissolved the Consultative Assembly.

The military is in control of key installations, but there remains a threat of clashes with the tribal forces of Sheikh al-Ahmar, some of whom have infiltrated the capital. Al-Ahmar had earlier insisted on occupying Sana, even though his objective of ousting Iryani had been achieved.

Hamdi, known to be hostile toward tribal influence in the government, will face difficulty maintaining control in the countryside if he does not win the support

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of Al-Ahmar and other tribal leaders. The dissolution of the Consultative Assembly is likely to have further antagonized the sheikh.

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FOR THE RECORD

Cyprus: The six-year-old intercommunal talks that are aimed at forming a new government acceptable to both the Greek and Turkish Cypriot communities were resumed on June 11 after a two-month suspension. The Greek Cypriots, who favor a unitary form of government to ensure majority rule, adjourned the talks in April when the Turkish Cypriot negotiator refused to disavow Turkish Prime Minister Ecevit's statement calling for a "federal" system of government to prevent Greek Cypriot domination. Positions have hardened in the past several months, and prospects for an agreement remain poor. [REDACTED]

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Argentina: President Peron's threat to step down in the face of deepening economic problems was apparently nothing more than a stage-managed effort to create uncertainty and rally support for the President. He has rejected the wholesale resignation tendered by his cabinet. Peron's decision indicates his intention to stick with the present team, and particularly to back Economics Minister Gelbard despite signs that the wage-price controls that have been the bulwark of the government's economic recovery program are disintegrating. [REDACTED]

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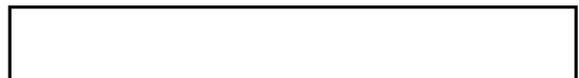
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