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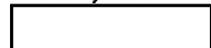


# National Intelligence Bulletin

State Dept. review completed

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PORTUGAL

President Spino-la's appointment Saturday of Lt. Col. Vasco de Goncalves to be prime minister will make the new cabinet more responsive to the Armed Forces Movement than was the old one. Goncalves is a leading member of the Executive Committee of the Armed Forces Movement, which brought the Spino-la government to power.

Among the factors involved in the ouster of Spino-la's first prime minister, Palma Carlos, and his center-left coalition cabinet were alleged differences between Palma Carlos and the Armed Forces Movement. These included Palma Carlos' demand for an early presidential election to legitimize the regime and his desire to delay legislative elections beyond the time set by the Movement.

The choice of Colonel Goncalves may represent a setback for Spino-la.

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The press reports that Spino-la spoke of an "impasse" as the reason for the delay on Saturday in announcing the new prime minister. He apparently was referring to alleged demands by the political parties, especially the Communists and Socialists, for more governmental responsibility than Miguel was willing to allow. Goncalves has said he will appoint a coalition cabinet including some of his military comrades, but it will not become clear how he has resolved the impasse until the new cabinet is announced, possibly early this week. In answer to a reporter's question, Colonel Goncalves stated that Alvaro Cunhal--a Communist who was minister without portfolio in the previous cabinet--would probably be among his selections.

Perhaps as a result of the outgoing cabinet's difficulties in controlling labor unrest, President Spino-la and his military advisers have taken steps to ensure that

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they will be in control of any situation that might arise. A decree issued over the weekend established a Continental Operations Command, which is to intervene directly in the maintenance and re-establishment of order when normal police forces are not adequate. The command will be directed by General Francisco da Costa Gomes, chief of the Armed Forces General Staff and a close supporter of General Spínola.

The Armed Forces Movement will be able to keep close tabs on the new command through its deputy chief, Ortelo de Carvalho, one of the leaders of the Movement, who has been promoted from major to brigadier general. [REDACTED]

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EGYPT

Egyptian President Sadat wants to delay the Arab summit--now scheduled for early September in Rabat--until after the Geneva peace talks resume. The Egyptians are trying to coordinate a strategy for the next phase of the peace talks and apparently want to avoid exposing Arab differences in a major public forum.



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Sadat is apparently concerned that a too strong reaction might give pro-Soviet and other Arabs grounds to challenge Cairo's leadership in the Middle East; he presumably is worried about his vulnerability to charges he is not maintaining balanced relations with Moscow and Washington.



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[redacted] Concern over relations with Syria, plus Sadat's uneasiness regarding a challenge to his leadership in the Arab world, could help explain Egypt's efforts to put off the summit.

Meanwhile, several prominent Cairo journalists have tried to minimize the Soviet postponement of Fahmi's visit to Moscow by attributing it to administrative problems and hinting that it may have been prompted by "reasons concerning the Soviet government itself." Despite such efforts to play down the postponement, Egyptian officials are interpreting it as a deliberate and premeditated snub that could have serious implications for Egyptian policy.

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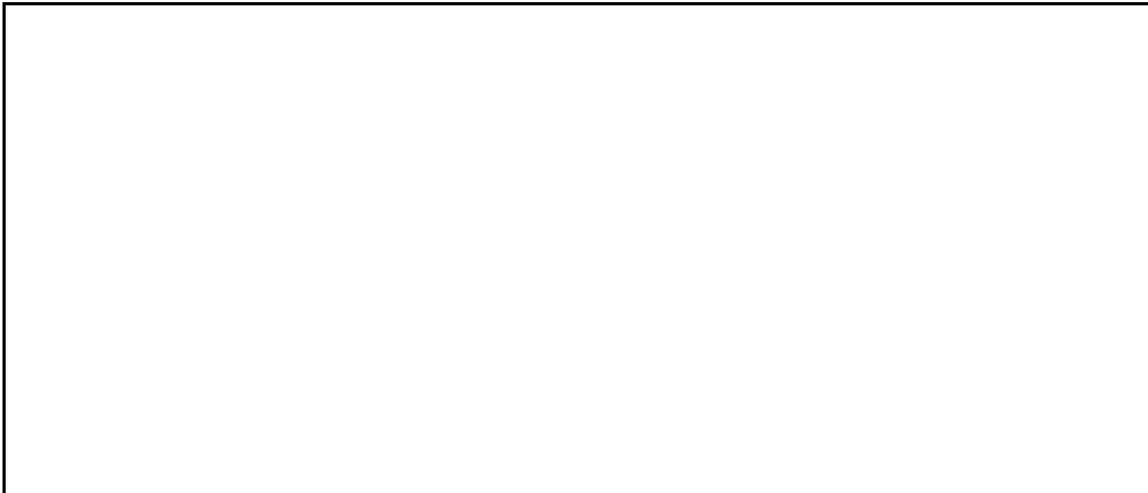
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GREECE-CYPRUS

Greek strongman General Ioannidis is taking a moderate line while he plays for time in the dispute with Archbishop Makarios over control of the Cypriot National Guard.



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Ioannidis hopes that after the Law of the Sea Conference--which he believes will support the Greek position on mineral rights in the Aegean--the Turkish military might be receptive to some form of "package deal" that would solve all problems between the two countries. His optimism evidently stems from an extremely warm personal letter the Greek armed forces chief received recently from his Turkish counterpart and from what Ioannidis perceives as a division of opinion between Ankara's civilian government and the military over the Aegean issue. Ioannidis hopes he can work out an "all-encompassing" agreement with Turkey that will enable him to whip Makarios into line.



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USSR-SOMALIA

Some last-minute hitches may have developed with respect to the Somalia-USSR friendship treaty.

Soviet officials in Mogadiscio have disclosed that the treaty--signed last Thursday--will not be published until "after ratification." This procedure differs from Soviet practice in handling the friendship accords with Egypt, Iraq, and India. In those instances the parties published a text immediately after signature.

Either side may have been responsible for the delay. The joint communiqué released on Friday suggests there was less than complete agreement on certain points. It fails to mention any new Soviet military aid or use of Somali facilities, and the problem with the treaty might involve this sensitive area. The Somalis may be disappointed that the communiqué failed to provide even indirect Soviet support for Somali irredentist claims to Ethiopian territory. For their part, the Soviets must be chagrined that Somali President Siad praised China at the ceremony announcing signature of the treaty.

Nevertheless, the friendship treaty does appear to represent a substantial net gain for the Soviets, regardless of its terms. It places bilateral relations on a more formal footing and brings Somalia into the circle of those bound to the USSR in some fashion.

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### ROMANIA-YUGOSLAVIA

The communiqué issued after the Tito-Ceausescu talks in Romania from July 8 to 11 indicates that the countries narrowed some major areas of disagreement that have recently tarnished their otherwise exemplary relations.

The text bears out earlier reports from Romanian and Yugoslav diplomats that the two sides would strive to restore their special relationship, which came into full bloom after the Soviet-led invasion of Czechoslovakia in 1968.

The communiqué papered over differences arising from the Middle East war last fall. The two leaders issued a joint call for Israel's withdrawal from all occupied Arab territory, but they also urged that guarantees be found for the protection of the sovereignty and integrity of all states in the region. Yugoslavia has backed the Arab cause without reservations, while Romania has maintained full diplomatic and economic ties with both Israel and the Arabs.

The communiqué also toned down Belgrade's irritation over Romania's efforts to play a greater role in the Third World.

On Balkan cooperation, the two sides returned to a policy that the states of the region should arrange their mutual relations for themselves, without outside interference. Last summer, Belgrade strongly rejected a Romanian initiative to hold a Balkan security conference whose results were to be underwritten by US and Soviet guarantees.

By underscoring the importance of prompting and protecting the rights of national minorities, Ceausescu gave moral support to Tito in the latter's feud with Bulgaria over the Macedonian problem. In a further slap at Bulgaria, the communiqué touted increasing cooperation in border areas and exchanges of information and ideas--each a problem area in Yugoslav-Bulgarian relations. The two leaders also urged that ethnic Serbs and

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Croats living in Romania and Romanians residing in Yugoslavia be used to build bridges of friendship between Belgrade and Bucharest.

The communiqué expressed satisfaction with the development of bilateral party relations based on the principles of "independence, equality, noninterference, and the responsibility of each party to its working class." Furthermore, the two sides pledged to work for greater unity among all parties--presumably including the Chinese--based on these same principles. [REDACTED]

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### ISRAEL

Tel Aviv probably will soon announce additional anti-inflationary measures to make up for labor's refusal to defer part of the cost-of-living allowance due this month. The government's proposal to defer half of a 20-percent cost-of-living increase was an important element in its new package designed to soak up nearly \$1 billion in excess purchasing power.

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[redacted] the government will impose a compulsory new 3-percent loan on wages and earnings of self-employed persons and a 3-percent tax on employer payrolls. Labor leaders reportedly are not happy with the new measures, but they are expected to approve the government's proposal.

These new taxes, combined with the increases in the import surcharge and property taxes and the other stabilization measures announced earlier this month, are unlikely to stem Israel's soaring rate of inflation. Implementation of the cost-of-living allowance is inflationary by itself and virtually guarantees that prices will rise more than 30 percent this year.

According to some employers, the total wage adjustments promised in the labor agreement signed last month could add 30 to 40 percent to wage bills by the end of the year. The proposed employer tax will be passed on in the form of higher prices to the consumer. Thus, the Rabin government will have to come up with additional measures to reduce the purchasing power of Israel's highly organized middle-income wage earners. [redacted]

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