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National Intelligence Bulletin

December 13, 1974

CONTENTS

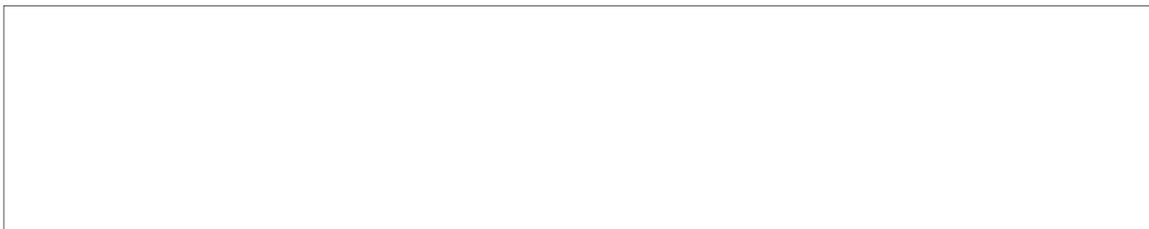
USSR-EGYPT: Preparations under way for Brezhnev's trip to Cairo. (Page 1)

ISRAEL-LEBANON: Retaliation raids may continue. (Page 3)

TURKEY: Military likely to increase pressure on politicians to resolve government crisis. (Page 4)

CYPRUS: Conclusions from the Watch Report on Cyprus. (Page 5)

ARGENTINA: Chemical reprocessing plant under construction; it may be part of a nuclear development program. (Page 7)



25X1

NETHERLANDS: Military seeks retention of nuclear capability, despite opposition. (Page 11)

CSCE-USSR-FRANCE: Paris apparently has played a major role in negotiating compromise on difficult issue. (Page 12)

FOR THE RECORD: (Page 13)



25X1

National Intelligence Bulletin

December 13, 1974

USSR-EGYPT

Preparations for party secretary Brezhnev's trip to Cairo next month are proceeding, but Soviet intentions regarding military deliveries are not clear.

A Soviet mission is in Cairo to discuss long-term economic cooperation and is probably lining up agreements for Brezhnev and Sadat to sign during the summit. The mission is discussing the expansion of the Soviet-aided iron and steel and aluminum complexes, development of Egyptian phosphate deposits, and expansion of Egyptian exports to the USSR. The Egyptians are also anxious to obtain a postponement of payments on their debt to Moscow. Egyptian Ambassador to the USSR Ismail says he is "confident" Moscow will meet this request.

The Soviet delegation may be talking about providing a nuclear power plant to Egypt. [redacted]

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25X1

[redacted] Moscow undoubtedly believes that a firm commitment to furnish such a plant would contrast favorably with the drawn-out negotiations with the US for a similar project.

25X1

The Egyptian media are treating relations with Moscow in a positive way, and Egyptian leaders have made some relatively favorable comments on relations with the USSR. There seems little doubt that the Egyptians will respond to Soviet desires that Brezhnev be given a welcome on a scale corresponding to that accorded former President Nixon.

Although the Egyptians hope that these atmospherics will make Brezhnev more amenable to their expensive shopping list, they have been careful to stress their unwillingness to kowtow to Moscow. Ambassador Ismail, for example, has told US Ambassador Stoessel that while the Soviet-Egyptian Treaty of Friendship and Cooperation will be affirmed in glowing terms during the visit, Cairo will take pains to indicate that the treaty's implementation must take into account Egyptian sovereignty and independence.

National Intelligence Bulletin

December 13, 1974

As Foreign Minister Fahmi implied in an interview last week, Cairo sees the resumption of Soviet military aid deliveries as the primary objective of Brezhnev's visit. There is mixed evidence, however, on whether the Egyptians are willing to make concessions to Soviet demands that Moscow be given a substantial role in Middle East negotiations in return for a firm commitment by Moscow to turn on military deliveries.

The fact that Brezhnev finally accepted the invitation to visit Cairo strongly suggests that Moscow is prepared to resume the arms flow, provided that the meeting with Sadat goes well and the Soviets are persuaded that the Egyptians will be more amenable to their advice. With evidence that Sadat may be in some domestic difficulty, the Soviets are likely to drive a hard bargain.

The Soviets may hope that uncertainty over arms deliveries will diminish Egyptian enthusiasm for another Sinai disengagement agreement with Israel during the next month or so. Brezhnev is undoubtedly concerned that if Secretary Kissinger were to achieve such an agreement, it would overshadow his Middle East tour and undercut the Kremlin's argument that Moscow must become involved if further progress toward a settlement is to be made.

25X1

25X1

National Intelligence Bulletin

December 13, 1974

ISRAEL-LEBANON

Israeli aircraft bombed Palestinian refugee camps near Beirut yesterday, apparently in retaliation for recent terrorist activity inside Israel. Press reports indicate that three--and possibly four--refugee camps on the outskirts of Beirut were attacked. Israeli military sources say that a fedayeen training base was bombed.

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The fedayeen claim to have downed one plane, but Israeli military sources reported all planes returned safely.

25X1

Israeli air raids yesterday may be followed by others against fedayeen targets deep inside Lebanon. Israeli Minister of Information Yariv said in a radio interview after the terrorist grenade attack at a Tel Aviv theater on Wednesday that Israel must strike Arab guerrilla bases and other targets in Lebanon as part of its war to inhibit fedayeen operations. Defense Minister Peres warned Beirut last week, following a terrorist attack on an Israeli kibbutz south of the Lebanese border, that Lebanon would have to pay for tolerating fedayeen activity against Israel from within its borders.

The Israelis are deeply concerned over the successes scored by the Palestine Liberation Organization at the Rabat Arab summit and in the UN. They are probably anxious to strike back at the fedayeen in a manner calculated to humiliate the PLO and to deflate what Israel regards as its leaders' delusions of grandeur.

According to press reports from Beirut, Prime Minister Sulh last night informed parliament that Lebanon will submit a complaint to the UN Security Council about the Israeli airstrikes. Sulh added that he would also call in the ambassadors of the five permanent members of the Security Council to brief them on the "aggression."

25X1
25X1

National Intelligence Bulletin

December 13, 1974

TURKEY

The Turkish military, frustrated by the continuing political stalemate and the loss of US military assistance, is likely to increase pressure on the country's political leaders to resolve their differences and end the government crisis.

Armed forces leaders, who fear their military capability will decline rapidly without a ready source of spare parts for their US military equipment, are likely to hold the warring political factions at least partly responsible for the cutoff. The General Staff in early November reportedly approved some concessions on Cyprus that they hoped would satisfy the US criteria for continuing assistance. The military's hopes faded, however, when Deputy Prime Minister Erbakan's objections to the concessions toppled the caretaker Ecevit government and Secretary Kissinger's trip to Ankara was canceled.

There is said to be widespread sentiment among junior and field-grade officers to intervene and impose a solution to the crisis. The General Staff has resisted the idea, but may now be willing to support the growing opinion in the military that former prime minister Ecevit should be put in control of a caretaker government and that elections should be held as soon as possible.

President Koruturk, who retains the respect of the military, can probably hold off a military move until the civilian efforts have run their course. Justice Party leader Demirel is again seeking support for an "anti-coalition," which would include all parties but Ecevit's, but so far Demirel has been unable to persuade the Democratic Party to join him. There is also some hope that a new initiative will come out of the national convention of Ecevit's Republican People's Party, which is to begin tomorrow.

National Intelligence Bulletin

December 13, 1974

There is mounting public concern that the continuing bickering is damaging Turkey's national interests. This, plus the increasing incidence of student violence, is likely to provide added impetus to senior military officers to take matters into their own hands if the politicians do not resolve the government crisis soon.

25X1

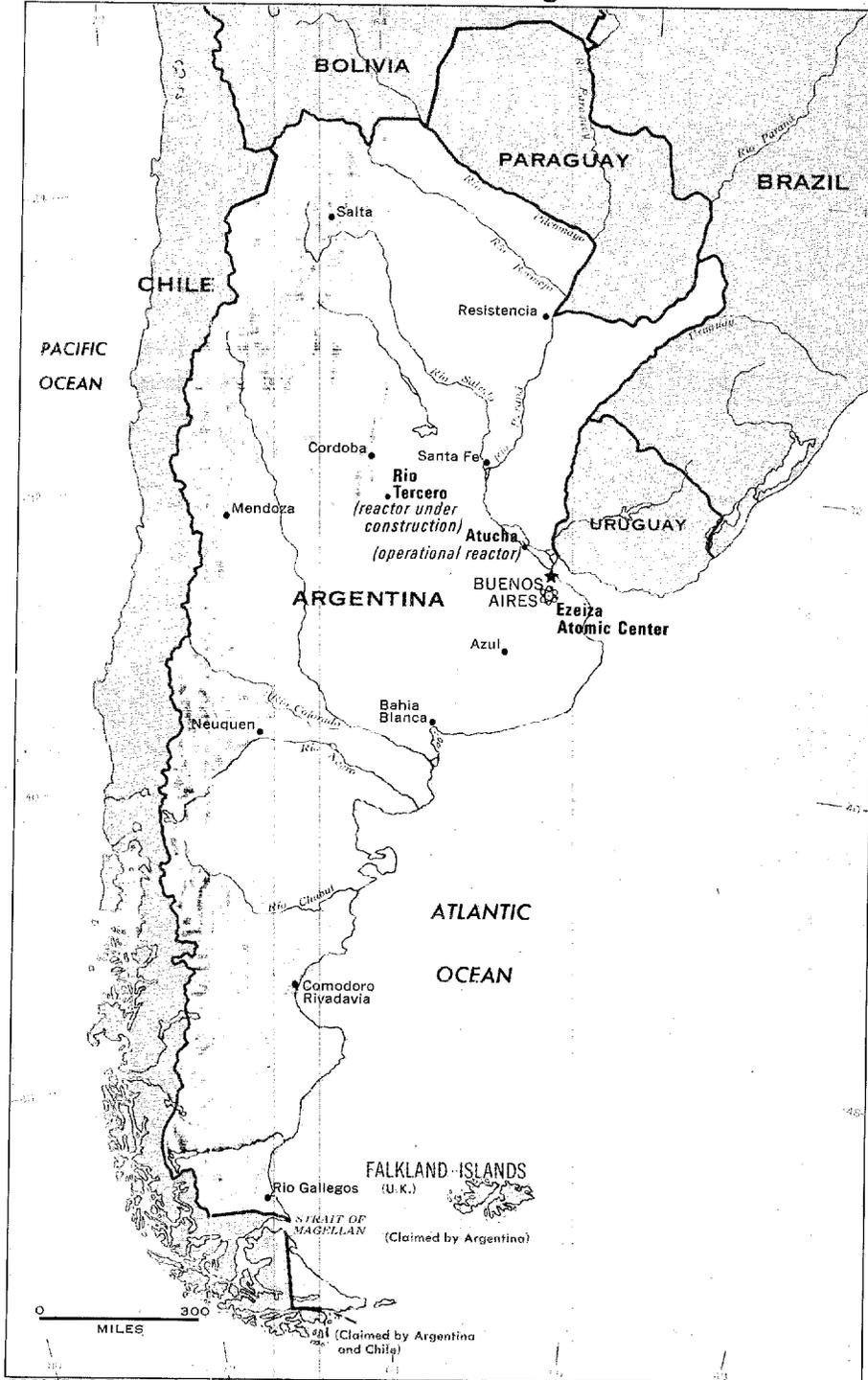
The Bulletin reprints the conclusions on Cyprus from the Watch Report approved by the USIB on December 12.

Archbishop Makarios' presence on Cyprus has produced no serious incidents so far. Tensions continue, however, not only between the Greeks and Turks, but among rival Greek factions. We believe that Turkish forces on the island will not take any overt action unless Turkish Cypriots are endangered.

25X1

25X1

Argentina Builds Nuclear Processing Plant



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National Intelligence Bulletin

December 13, 1974

ARGENTINA

Argentina is building a new chemical reprocessing plant--a step that will significantly enhance its nuclear capability.

The Argentines have had a small British-built reprocessing pilot plant since 1968. Apparently they have acquired enough experience from the operation of this facility and from technical literature to construct a larger plant without major foreign assistance.

Argentina has one operational power reactor at Atucha which was obtained from West Germany. Construction on a Canadian-supplied power reactor is under way at Rio Tercero, but its completion hinges on the outcome of a debate in Canada on nuclear export policy. Two additional power reactors are in the planning stage.

Both the Atucha and Rio Tercero reactors are subject to International Atomic Energy Agency safeguards, but Argentina can legally terminate the safeguards on the Atucha reactor in 1977. In order to do so, it must replace the reactor's US-supplied heavy water with unsafeguarded heavy water that it produces itself. Should it decide to elude the safeguards, however, Argentina would be free to use the Atucha reactor and its new chemical reprocessing plant to produce unsafeguarded plutonium suitable for use in a nuclear device.

One of Argentina's primary goals is to develop a completely independent nuclear fuel cycle, but the Argentines still must build two components of this cycle--a heavy water plant and a fuel fabrication facility. Argentine scientists are studying heavy water production, and Canada reportedly has agreed to provide the necessary technology.

National Intelligence Bulletin

December 13, 1974

As part of an effort to have its own fuel supply, Argentina is planning to build a fuel-fabrication facility. If started soon, this plant could be completed by 1977.

Argentina has substantial deposits of uranium ore and produces approximately 60 tons of uranium concentrate per year.

The Atucha and Rio Tercero reactors, as well as the planned reactors, utilize natural uranium fuel and heavy water.

There is no known government decision to develop a nuclear weapons capability, but at least some of the Argentine military support such a course. If such a decision were made, Argentina might be in a position to explode a nuclear device by 1980, provided the heavy water, fuel fabrication, and chemical reprocessing plants were all completed by 1977. Certain other research and development work, including testing of high explosives, would also have to be completed.

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Next 1 Page(s) In Document Denied

National Intelligence Bulletin

December 13, 1974

NETHERLANDS

Reports from The Hague indicate that the air force and the army are determined to retain a nuclear capability, despite domestic opposition. The antinuclear attitude is held primarily by leftist elements, but it is also found among other segments of the population.

This attitude is responsible for The Hague's purchase of the non-nuclear rather than the nuclear Lance tactical surface-to-surface missile system and the delay in acquisition of a nuclear capability for one 155-mm. howitzer battalion. Netherlands army sources have stated that they are pleased with the government's decision to purchase at least the non-nuclear version of the Lance. The army views this as a "foot in the door," because the system can be converted for nuclear weapons use. Moreover, they plan to keep their nuclear-capable Honest Johns in service indefinitely rather than phase them out as the Lance comes into service. Should the Netherlands take part in Eurogroup training and logistic activities with the Lance system, eventual conversion to the nuclear capability might be facilitated.

For its part, the air force is adamant that replacement aircraft for the two nuclear-capable F-104 squadrons must have basic nuclear weapons delivery wiring and is proceeding on the assumption that the decision will be positive.

25X1

National Intelligence Bulletin

December 13, 1974

CSCE-USSR-FRANCE

The French have played a major role in the search for a compromise that would facilitate agreement at the European security conference in Geneva.

Eastern and Western delegates have been split for some months on the matter of a preamble to the "human contacts" agreements to be reached at the conference. Basically, the Soviets--nervous about the effects increased East-West contacts might have on Eastern Europe--have sought a preamble that would nullify whatever practical provisions are agreed upon. The West, considering gains in the human contacts area to be the most important outcome of the conference, has resisted the Soviet efforts.

Western delegations in Geneva have now agreed to a draft preamble that goes a long way toward giving the Soviets what they want. The draft says that increased East-West contacts "should be settled by the states concerned under mutually acceptable conditions." Such language will give the Soviets the justification to renege on any practical agreements if they so decide.

The Soviets probably will approve this version of the preamble. If they do, they may then feel free to begin agreeing to the outstanding human contacts provisions at the conference.

The imminent agreement on a preamble is due in no small part to the efforts of the French, who have had numerous meetings with the Soviets on this subject. The technique of one Western country acting as the negotiating representative of the others has often been used in Geneva, but the French role in this case is noteworthy in light of the recent Brezhnev-Giscard meeting, where the French agreed that "good prerequisites" have been created for an early conclusion to the conference at summit level. The other allies may now think that the French are in a strong position to produce movement in areas where the conference has long been stalled.

25X1

25X1

National Intelligence Bulletin

December 13, 1974

FOR THE RECORD

OPEC: The OPEC oil ministers' first day of talks was devoted primarily to routine matters. Chief Feyide of Nigeria was appointed secretary general, effective January 1. He will replace Dr. Abderrahman Khene, of Algeria, who held the office for two years. The opening session skirted the important issues, partly because the Algerian minister was attending a funeral at home. The Iranian minister announced general agreement to adopt a single, uniform price for oil and to grant a discount to oil companies with concessions. A decision on details is expected today. [REDACTED]

25X1

Brazil: Petrobras, the Brazilian state oil company, announced a giant oil strike about 50 miles offshore from the city of Campos in Rio de Janeiro State. One well there can produce 5,000 barrels a day. Initial production forecasts for the entire Campos field ranged from 200,000 to 400,000 barrels a day by 1979; Brazilian officials now put the figure at 1 million barrels a day by that time. Much more evaluation drilling is needed, however, to confirm these claims. Brazil currently consumes more than 800,000 barrels a day while producing less than 200,000. [REDACTED]

25X1

Vietnam: South Vietnamese forces have recaptured a strategic mountain southwest of Hue and are now consolidating their control. The Communists had controlled the area since August. Communist forces have suffered heavy losses; their reaction will likely be limited to artillery attacks and sapper probes. The South Vietnamese report Communist artillery, which has kept Phu Bai air base closed for the past several months, is now moving southward. Farther south, government troops have begun a sweep operation but are likely to move cautiously because the area is a long-time Communist stronghold. [REDACTED]

25X1

25X1

National Intelligence Bulletin

December 13, 1974

USSR - North Vietnam: Soviet General Staff chief Kulikov will pay an "official friendly visit" to North Vietnam later this month at the invitation of Defense Minister Giap. Kulikov, who will be making his first visit to Hanoi since being named chief of staff in 1971, is probably going to take part in ceremonies honoring the 30th anniversary of the North Vietnamese army. Soviet military leaders have made periodic inspection visits to Hanoi to check on the status of training and equipment provided to the North Vietnamese. Kulikov may also try to get some idea of North Vietnam's military intentions toward the south.

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25X1

Top Secret

Top Secret



25X1