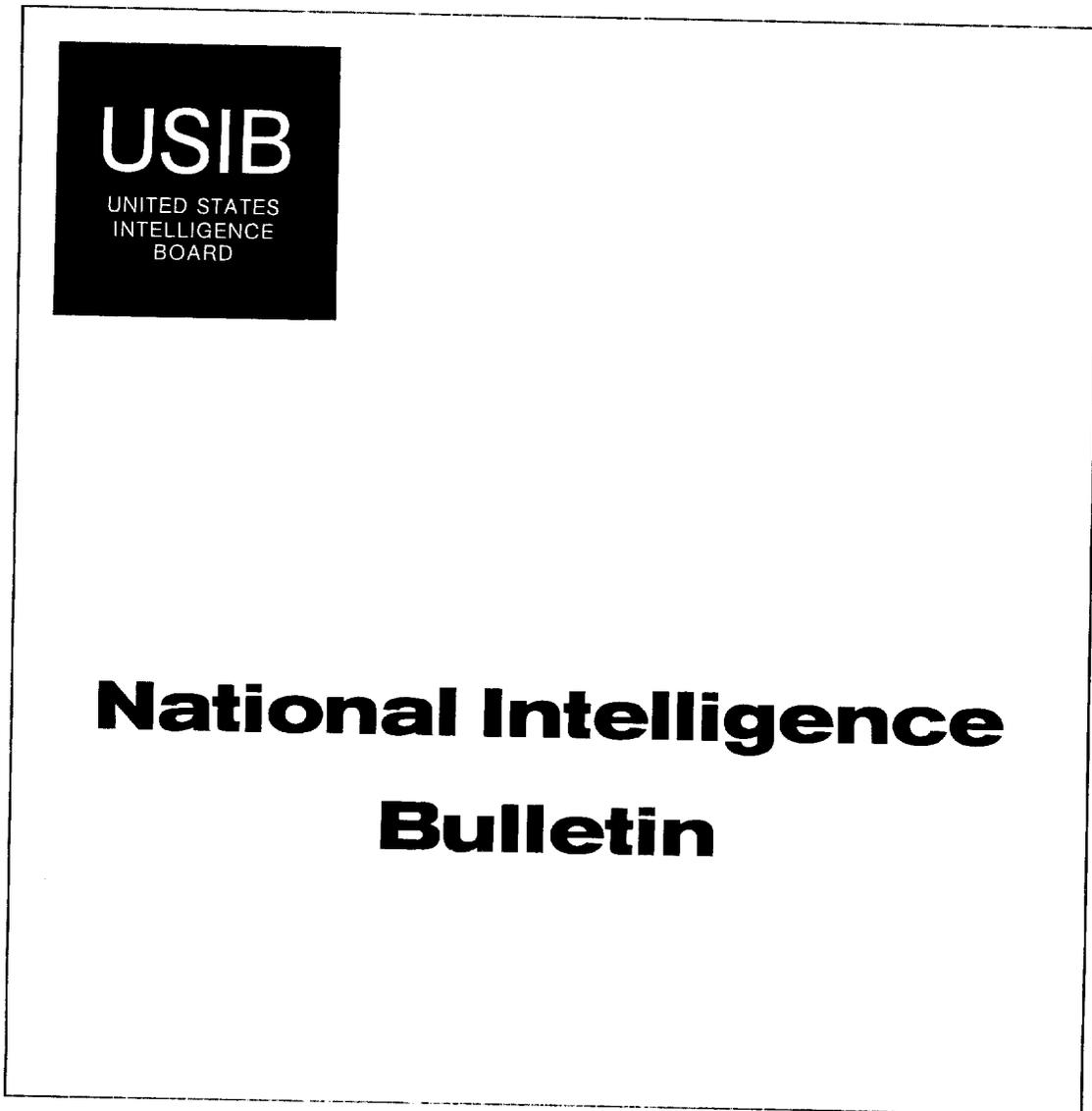


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MEXICO

President Echeverria is arranging a confidential meeting for January 18 with heads of US international corporations to explain his government's position on foreign investment and the Charter of Economic Rights and Duties of States. Top executives of 35 leading US firms doing business in Mexico have been invited to attend, at Mexico's expense.

The invitation shows that the Echeverria administration continues to be sensitive about a possible slowdown in new US investment in Mexico as a result of uncertainty over how its foreign investment law of 1973 is being implemented. Some potential investors are delaying applications for new investments until Mexican policies and procedures in this area become clearer. A government agency has been established to rule on new investment on a case-by-case basis, but the approval process has been slow and cumbersome.

Echeverria will tell the US executives that Mexico strongly welcomes investments that meet its economic development criteria and that complement rather than compete with domestic private investment. US direct investment in Mexico totals \$2.2 billion, of which about 80 percent is from US-based multinational companies.

It will be more difficult for Echeverria to convince his guests that they should accept the UN economic charter, a document that contains several articles affecting treatment of foreign investment. The charter decrees, for example, that foreign properties, when expropriated, should be compensated for "under the domestic law of the nationalizing states." Echeverria will probably try to allay the concerns that a provision like this will have on potential investors, pointing out that the Mexican policy of granting fair compensation for nationalization has not changed.

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PORTUGAL

Portuguese President Costa Gomes has declared that he is "personally hostile" to participation by the Armed Forces Movement in the constituent assembly scheduled to be elected in March.

The Movement has been deeply divided over this issue, and the President's statement should improve the position of those members who have argued against direct participation. Both the Portuguese Communist Party and the Communist-dominated Portuguese Democratic Movement have called for the Armed Forces Movement to participate actively in the assembly. The Socialist and Popular Democratic parties have expressed opposition.

No solution to this problem has been announced, but a majority of the Movement's members probably recognize that it can exert considerable influence on the draft of the new constitution without participating directly. Although Prime Minister Goncalves has not expressed his views, his continued silence suggests that he may be among the minority favoring direct participation.

Meanwhile, rumors of dissension within the cabinet continue to circulate in Lisbon. Sources close to Costa Gomes and Foreign Minister Soares have predicted to US embassy officials that the dispute--which seems to center on the contents of the economic program--probably will be papered over. The intensity of the rumors surrounding the crisis, however, suggests that the disagreements have been bitter and may leave scars that eventually will weaken the government.

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Soviet Industrial Goals For 1975

Materials	Original 1975 Goal	Revised 1975 Goal
Electric Power (billion kilowatt hours)	1,065	1,035
Oil including condensates (million tons)	505	489.4
Natural Gas (billion cubic meters)	320	285
Crude Steel (million tons)	146.4	142
Mineral Fertilizer (million tons)	90	90

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USSR

Soviet planning and budget chiefs told the Supreme Soviet session on Wednesday that for the second year in a row the economy grew at a brisk pace. Major five-year goals (1971-1975) will not be met, however, largely because the economy was thrown off pace in 1972 by the poor agricultural situation and the continuing failure to complete new production capacity.

Untouched by the inflation and recession plaguing the West, industrial production rose, according to Soviet measures, by 8 percent in 1974--the highest rate since 1970. No details were given, but industry's success apparently resulted from uninterrupted flows of raw materials and energy, and completion of massive investment. The picture was less rosy in the agricultural sector, because unfavorable weather caused farm output to fall short of plan and last year's levels.

Although the Soviet leaders probably are relatively satisfied with the economy's performance in 1973 and 1974, key components of the industrial, energy, and agricultural sectors will still fall far short of the original five-year-plan goals. Of the five new targets for 1975 released by Tass, four are below the originals. Moreover, by the end of next year the consumer will not have achieved the standard of living promised at the party congress in 1970.

Planning chief Baybakov admitted that the original consumer targets for 1975 have "proved unreachable." Indeed, Group A industries (largely producers goods) are to grow at a higher rate than Group B industries (largely consumer goods) in 1975, reversing the rates of the 1971-1975 plan.

On the wage and benefits side, the consumer may fare better. Postponed pay raises will be implemented next year, and 1 billion rubles for bonds--frozen since 1958--will be redeemed. Higher incomes without a parallel rise in the supply of consumer goods will heighten repressed inflation and add to consumer frustration.

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Baybakov's speech, as well as a Pravda editorial reflecting Brezhnev's speech at the plenum, stressed problems facing the economy--low productivity, slow completion of construction projects, poor management, and failure to introduce quickly the latest scientific and technical achievements. The editorial indicated that dramatic reforms are not imminent, indicating only a "search for new approaches and new solutions" while trying to "wrest oneself from the grip of inertia."

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CYPRUS

President Makarios yesterday gave former acting president Clerides written instructions to begin negotiations with Vice President Denktash on the political aspects of the Cyprus question.

According to a Nicosia radiobroadcast, the instructions are "in accordance" with the common political line adopted in Athens earlier this month by the Greek and Cypriot governments, suggesting that the guidelines for the negotiations have been approved by Athens. Previous talks between Clerides and Denktash had been limited to the settlement of humanitarian issues.

Clerides met with Denktash later in the day, presumably to reveal to him the nature of his mandate. The US embassy in Nicosia believes the two men will resume their negotiations.

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FRANCE

France will begin building its first nuclear-powered helicopter carrier next April, according to a press announcement by navy officials.

Plans for this ship have been in the works for some time. According to the announcement, the warship will carry up to 25 Lynx or 10 Super Frelon helicopters. The ship will be assigned to perform escort and antisubmarine warfare missions, as well as to provide fleet air cover when carrying V/STOL aircraft.

The new carrier is scheduled to replace the conventionally powered helicopter carrier *Arromanches*, which was decommissioned last January. The nuclear-powered carrier is expected to become operational in 1980. When completed, it will be the first nuclear-powered surface warship in any West European navy.

Naval officers have told the assistant US naval attaché in Paris that the French navy is seriously considering obtaining a Super Harrier type V/STOL aircraft--possibly the Anglo-US AV-16--for use on the new carrier. These sources believe the trend in the world's navies will be toward smaller carriers equipped with V/STOL fighter aircraft. Such ships, or similar follow-on carriers, would replace the two present carriers, the *Clemenceau* and the *Foch*, when they reach the end of their useful life sometime in the late 1980s.

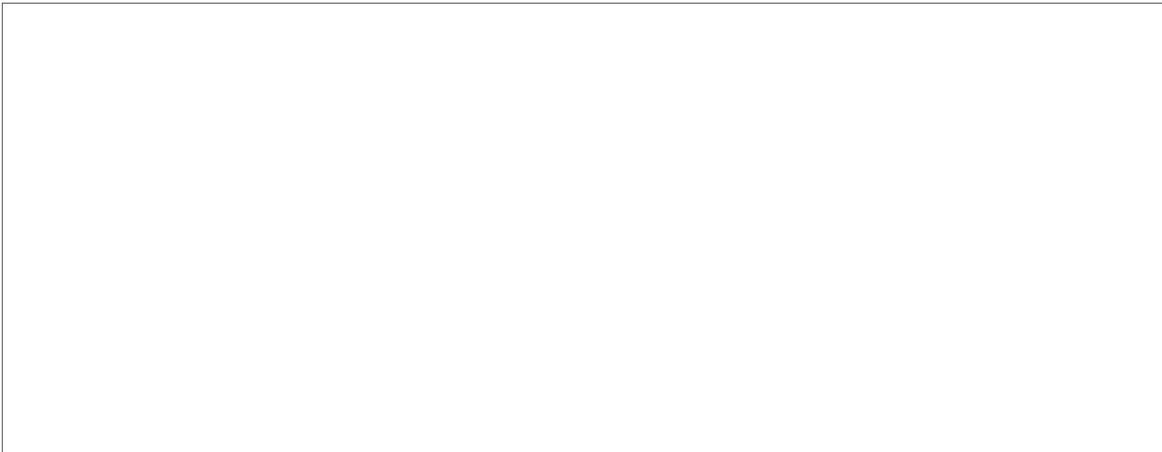
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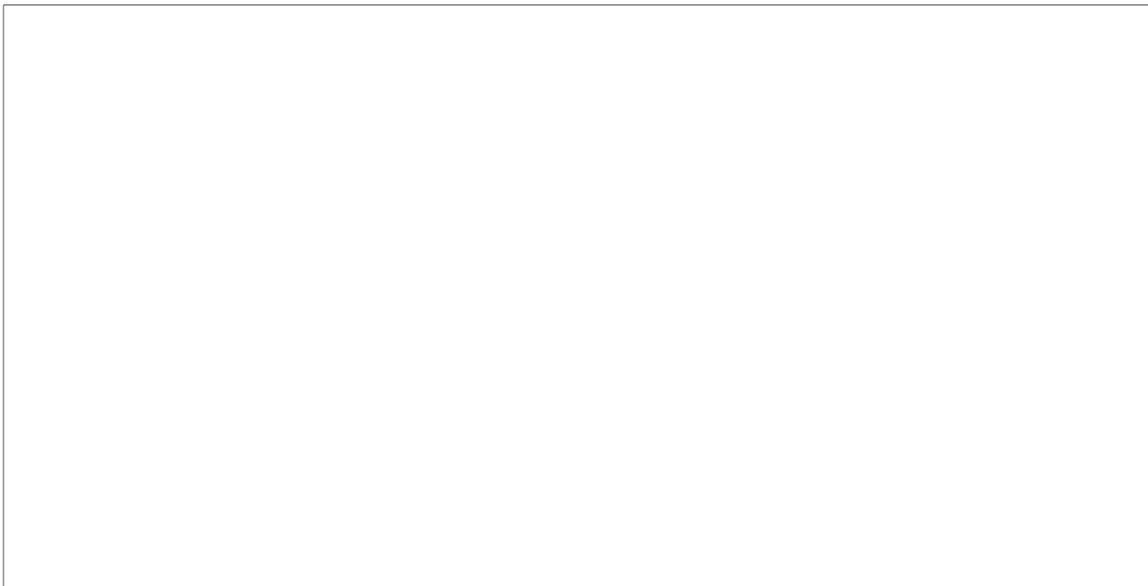
FOR THE RECORD



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Angola: A round-table conference between Portuguese officials and leaders of Angola's three rival liberation groups has been postponed at least until late this month. The conference, which is to discuss the formation of a transitional government for the territory, reportedly had been tentatively scheduled to begin last Monday in the Azores. 

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