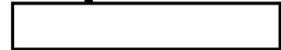


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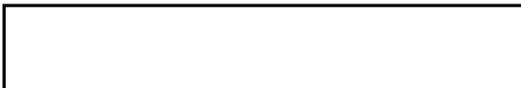
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# National Intelligence Bulletin

State Dept. review completed

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**Top Secret**



May 7, 1975

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

# National Intelligence Bulletin

May 7, 1975

## CONTENTS

USSR-LAOS: Soviets reaffirm support for coalition. (Page 3)

PORTUGAL: Socialist and Communist leaders meet; cooperation discussed. (Page 7)

SPAIN: Violence may increase. (Page 8)

WESTERN EUROPE: Belgium to test French willingness to cooperate in European armaments industry. (Page 9)

PANAMA: Support being sought in Panama's position in the canal negotiations. (Page 12)

CZECHOSLOVAKIA: Military parade will feature Soviet equipment not previously associated with Czechs. (Page 13)

USSR-LIBYA: Kosygin reportedly will visit Tripoli this month. (Page 14)

USSR: Latest medium tank replacing older models. (Page 15)

IRAQ-SYRIA: Mediation of Euphrates water dispute not going well. (Page 16)

AUSTRALIA: Import restrictions and economic slump have caused imports to drop. (Page 18)

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Next 1 Page(s) In Document Exempt

Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

## National Intelligence Bulletin

May 7, 1975

### USSR-LAOS

The Soviet Union has reaffirmed its support for the coalition government in Laos following the recent communist victories in Cambodia and Vietnam. Moscow, possibly concerned that tension in Laos could get out of hand, may want to get the record straight that the Soviet Union opposes any serious disruption of the political process there.

On Monday, Soviet President Podgorny greeted a Lao delegation headed by Sisoumang Sisaleumsak, a neutralist who is deputy chairman of the Joint National Political Council. Podgorny expressed confidence that strong Soviet-Lao ties are in the best interest of all peoples of Southeast Asia.

The meeting seems to have been part of a general Soviet effort to project the idea that Moscow neither anticipates nor wants a resumption of the Lao war. In Vientiane, Soviet Ambassador Vdovine told the US envoy yesterday that the fighting in and around Sala Phou Khoun did not signify any significant impending change in the Lao situation, and he reiterated Moscow's support for the coalition.

The Soviet media, meanwhile, continue to praise the coalition's progress toward reconciling the opposing forces. The successes and achievements of the coalition have been highlighted, while pessimistic assessments of the coalition's viability in the light of events elsewhere in Indochina have been dismissed as the work of rightists who want the Lao political arrangement to fail.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Next 2 Page(s) In Document Exempt

Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

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**National Intelligence Bulletin**May 7, 1975

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PORTUGAL

Tensions between the Portuguese Socialist and Communist parties appear to have subsided for the moment, following an agreement by party leaders to cooperate in Portugal's coalition government and to defend the reforms made since the military assumed power last year.

Representatives of the two parties, including Socialist leader Mario Soares and Communist chief Alvaro Cunhal, met on Monday at Communist Party headquarters to discuss their differences. The joint communiqué does not call for the formation of an alliance between the two parties, but the agreement should put an end to the increasingly heated exchanges between the parties since the election two weeks ago. The communiqué states that meetings between the two parties will continue, "with a view to deepening the exchange of views on problems of common interest."

Both Cunhal and Soares have recognized the need for cooperation between the two parties, but previous attempts to paper over their differences have broken down when they have found themselves on opposing sides of policy issues. Cunhal has told reporters that he hopes progress toward greater cooperation could be made in future talks.

The Communists' desire for closer cooperation with the Socialists probably reflects the fear of some party members that they have lost some of their influence with the Armed Forces Movement, particularly since the elections showed the Socialists, not the Communists, to be the party of the "people." The Communists may also face widening rifts within party ranks between older, Moscow-oriented leaders and younger members who prefer to operate along the lines of the more nationalistic West European Communist parties.

There have been indications in recent days that Soares would also welcome a reduction of tensions and would prefer to follow a softer line toward both the Communists and the Armed Forces Movement. He has been

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**National Intelligence Bulletin**

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May 7, 1975

forced to take a harder stance, however, by party militants, who fear that if the Socialists do not press their advantage now, they will lose the benefit of their electoral victory.

The agreement between the two parties probably was strongly encouraged by the Armed Forces Movement, which has repeatedly emphasized the importance of unified support for its policies. Soares was called in by military leaders to discuss party difficulties last Friday, and Cunhal had a two-hour session with President Costa Gomes on Monday.

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[REDACTED]

SPAIN

The explosion of a booby-trapped car outside the Madrid stadium where General Franco was attending a May Day rally may presage an increase in antiregime violence. The US embassy reports that, despite tight security measures, the bomb-laden car was placed in a heavily guarded location without arousing suspicion. A half-hour before the bomb exploded, Franco and his party and masses of people had been entering the stadium.

Although demonstrations on this May Day and the succeeding weekend were less violent than in recent years, they did include another automobile explosion near Bilbao as well as several fire bombings of business and government establishments in Barcelona and Pamplona. There was one accidental death in Vigo when a policeman attempting to break up a small extremist demonstration accidentally shot an onlooker.

Further incidents could result in a sharp crackdown by the security forces.

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**National Intelligence Bulletin**

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May 7, 1975

WESTERN EUROPE

Belgian Prime Minister Tindemans plans, when he visits Paris on Friday, to test the French government's willingness to cooperate more closely in promoting a European armaments industry.

Tindemans evidently hopes that France's desire to sell the Mirage F-1/E to Belgium will enable him to prod Paris into making a general commitment to cooperate with other European countries in purchasing and producing weapons systems.

Brussels first used this tactic last June when Belgian officials suggested that if France joined the Eurogroup in NATO, the Belgians might select the Mirage as a replacement for the F-104.

Although French officials appear to have written off any chance of selling the Mirage to the other three nations in the consortium--the Netherlands, Norway, and Denmark--President Giscard apparently still hopes to swing a deal with the Belgians. [REDACTED]

[REDACTED] he stressed the interdependence of France and Europe in a letter to Tindemans on April 23, and offered to make additional concessions to gain Belgian support for the Mirage. Nothing specific was promised, but one of Giscard's aides may have spelled out the details with Belgian officials on April 29.

It is doubtful, however, that the desire to sell the Mirage F-1/E would cause Giscard to go so far as to strengthen overt ties with NATO, as he would encounter considerable domestic opposition.

The meeting between Giscard and Tindemans will almost certainly prevent the consortium from holding to its plan to sign an agreement with the US by May 15 to purchase the F-16. The four defense ministers who will attend today's Eurogroup meetings in Brussels may use the occasion to request a month's extension.

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**National Intelligence Bulletin**

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May 7, 1975

A final agreement probably will not be reached until after Tindemans and Dutch Prime Minister den Uyl visit Washington later this spring. Norwegian officials, however, disturbed about these delays, have warned that Oslo may be forced to withdraw from the consortium if a decision is not reached before Parliament's summer recess, usually in early June.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

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**National Intelligence Bulletin**May 7, 1975

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PANAMA

Sensing that a critical point is at hand in the canal treaty negotiations, Panamanian leaders believe the outcome might turn on having world opinion on their side. Top government officials are engaging in shuttle diplomacy in quest of new support and plan to use the OAS General Assembly meeting this week as a forum for their cause.

Foreign Minister Juan Tack has set the pace for the campaign to secure new pledges of foreign support. During the past several weeks he has visited the capitals of Argentina, Brazil, Colombia, Peru, Uruguay, and Venezuela. He is now in Washington to present Panama's case at the OAS meeting. Chief of state General Omar Torrijos personally handled the discussions in Costa Rica, El Salvador, and Guatemala. Panamanian missions eventually will go to all the remaining Latin American countries, as well as to any international meetings where expressions of support might be garnered.

Tack and his colleagues are effectively using the theme that ending the US "colonial" presence in Panama is an objective that all Latin American countries should share, and that the US handling of the canal treaty negotiations will be an important test of Washington's sincerity in its desire for a new relationship with the region.

General Torrijos has always believed that only by keeping up direct and indirect pressure can he convince the US government that it should give high priority to reaching a new relationship with Panama on the canal issue. During the past two months, Panamanian officials have said that the campaign for international support has been given new impetus by mounting opposition--especially by some US legislators and residents of the Canal Zone--to any change in the canal's status. In addition, the Panamanians fear that world events may divert official US attention from the canal question or cause suspension of negotiations on the grounds that the US public would not now tolerate giving up control of the canal.

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**National Intelligence Bulletin**May 7, 1975

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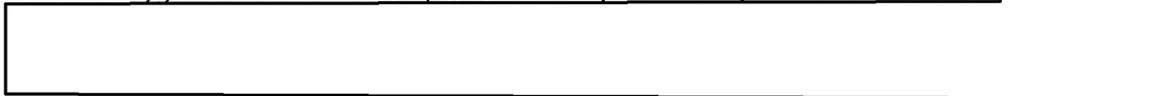
While still firmly committed to completing the treaty negotiations, Panamanian officials are seriously considering the implications of a stalemate or breakdown and what they can do to lessen the chances that either will take place. Lieutenant Colonel Manuel Noriega, chief of the G-2 section of the National Guard and a close adviser to General Torrijos, has urged US officials to continue to work toward a treaty and not to be preoccupied by the problem of Congressional ratification of the pact. Noriega has maintained that the possibility of avoiding a confrontation between the two countries would be much better if a new treaty were delayed or even rejected by the Congress than if no treaty were agreed to at all.

**CZECHOSLOVAKIA**

A substantial array of Soviet-produced weapons and equipment has been noted during rehearsals for the first Czechoslovak military parade in five years. The parade, which will be held on May 9 in Prague, is to mark the 30th anniversary of the "liberation of Czechoslovakia by the Soviet army."

Surface-to-air missile systems not previously observed with the Czechoslovak army included the SA-4, SA-6, and SA-7. Other Soviet weapons and equipment not previously observed included an amphibious armored reconnaissance vehicle mounting six Sagger antitank guided missiles and the M-1974 self-propelled 122-mm. howitzer-- a new weapons system that thus far had been exported only to Poland. The Czechoslovak-manufactured version of a Soviet amphibious armored infantry combat vehicle also has been seen in rehearsals.

The presence of Soviet personnel at the rehearsals and the scheduled appearance of Soviet Politburo member Andrey Kirilenko indicate Moscow's interest in the parade and suggest that the parade may be a joint effort.



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# National Intelligence Bulletin

May 7, 1975

## USSR-LIBYA

Soviet Premier Kosygin is to make an official visit to Libya in the first half of May, according to Tass.

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[redacted] Radio Tunis has announced that Kosygin will travel to Tunisia on May 15 for a three-day official visit.

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Kosygin reportedly will be accompanied to Libya by an entourage of 40, including Foreign Trade Minister Patolichev. The visit comes a year after Libyan Prime Minister Jallud visited Moscow to conclude a substantial arms deal with the Soviets.

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[redacted] During the past few months, however, the Soviets have appeared worried that declining Libyan oil income may hamper Tripoli's ability to pay for arms purchases. Patolichev may seek to work out some new barter arrangement, swapping guns for oil.

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Despite the arms deal, the USSR and Libya have not been able to improve their political relations because of mutual distrust and conflicting approaches to the Arab-Israeli question. Kosygin may inform the Libyans of Soviet progress to reconvene the Geneva peace conference and may hope to blunt Libyan attacks on Arab discussions with Israel.

Both the USSR and Libya probably expect the visit to have some impact on Egypt. The Soviets may hope to make Cairo uneasy over Soviet influence on its western neighbor and to demonstrate to Egypt that the USSR has other options open to it in the Arab world. Tripoli, which has been persistently urging Moscow to dispatch a high-level visitor, will be especially pleased to see Kosygin because of the recent further deterioration of its relations with Cairo.

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[redacted]

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[redacted]

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National Intelligence Bulletin

May 7, 1975

USSR

The latest Soviet medium tank--designated the T-72 by the Soviets--is probably already replacing older model medium tanks on a one-for-one basis in Soviet divisions.

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[redacted] the T-72 is armed with a computer-stabilized 115-mm. main gun and is powered by a turbine engine capable of using a variety of fuels. [redacted] the new tank has an automatic loader, making it possible to eliminate one crewman. It also has chemical-biological-radiation protection and stronger armor protection than the T-62--currently the Soviet Union's primary medium tank.

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Several versions of the new tank were produced in substantial quantities during the late 1960s and early 1970s for an unusually long test program that included limited deployment. Since the Soviets began mass production of the T-72--probably in 1973--it is estimated they have produced about 1,000 of them.

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[redacted]

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[redacted]

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**National Intelligence Bulletin**

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May 7, 1975

IRAQ-SYRIA

Saudi Petroleum Minister Yamani is continuing his effort to mediate the dispute between Iraq and Syria over sharing Euphrates River water, although he confided to the US ambassador in Jidda on Monday that the mediation has not been going well. Yamani had been in Damascus earlier that day; yesterday he took off again for Baghdad.

The tripartite ministerial meetings held in Saudi Arabia last week apparently were not heated, but they accomplished little except to communicate the position of each side to the other. The Iraqi and Syrian delegates returned home on May 4 to consult with their respective governments. A statement issued by the three ministers anticipated another meeting after both sides have "defined and clarified" their viewpoints.

A Saudi Foreign Ministry official, in a conversation with a US embassy officer on May 5, said the dispute is unlikely to be resolved until the two sides paper over the worst of their political differences. According to the Saudi official, Syrian leaders believe the Iraqi regime has been intriguing to overthrow them and are openly using their control of the flow of Euphrates water to Iraq to force Baghdad to moderate its actions.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

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**National Intelligence Bulletin**

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May 7, 1975

AUSTRALIA

Imports for the first three months of this year were 11 percent below the last quarter of 1974 because of the restrictions imposed since January and the economic slump. In terms of volume, imports probably fell by about 6 percent.

Even though foreign demand for Australia's exports remained weak, the fall in imports created a \$400-million trade surplus in the first quarter, compared to a nearly balanced trade account the preceding quarter. Australia had sizable trade deficits in the second and third quarters of 1974.

The current account also improved in the first quarter--the deficit was more than halved, compared with the last quarter of 1974. By March, the current account deficit was only about \$60 million, compared with last year's monthly average of \$215 million. Foreign exchange reserves also increased in March for the first time in several months.

Despite this improved picture, Canberra is adding more import restrictions, and there have been numerous requests from manufacturers for further restrictions in the past several weeks. Two weeks ago, tariff rates on black and white television sets and television components were raised from 35 to 45 percent. Most imports of television sets come from Japan; the US is a major supplier of television components.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A027700010012-1

Next 1 Page(s) In Document Exempt

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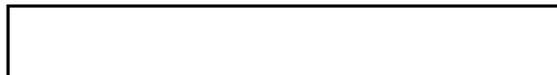
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