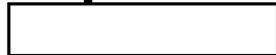


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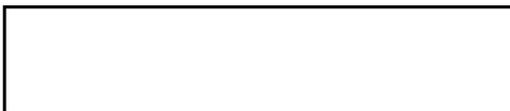
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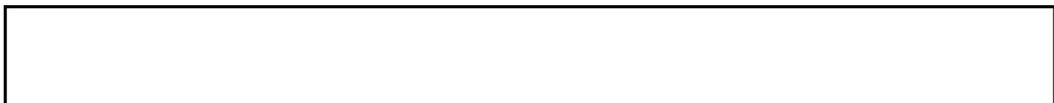
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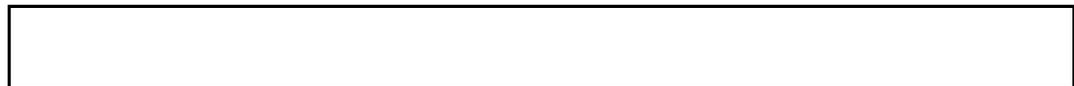
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INDIA

Prime Minister Indira Gandhi apparently will not resign, despite the finding of a state court that she was guilty of corrupt practices in the 1971 election and thus barred from holding public office for six years.

Even if the decision is subsequently overturned by India's Supreme Court, Mrs. Gandhi's prestige has been damaged and her influence within the Congress Party somewhat reduced.

The state court, following announcement of its decision, granted Mrs. Gandhi a 20-day stay, allowing her to remain in office while she seeks a reversal of the decision. Her appeal to the Supreme Court will probably include a request for an extension of the stay until a final decision is rendered, possibly in a month or two.

According to the US embassy in New Delhi, Mrs. Gandhi would appear to have a good chance of receiving a favorable ruling from the Supreme Court. She has appointed all 14 judges on the court, and she by-passed traditional seniority practices when naming the chief justice two years ago. On occasion, the court has shown a willingness to rule against the government, but informed opinion in New Delhi believes it unlikely that the court would deliver a negative verdict on such a crucial matter as Mrs. Gandhi's political future.

Mrs. Gandhi apparently will not resign pending a final decision, partly because an interim prime minister—most likely a senior cabinet officer—might be reluctant to return the post to her. There is no indication so far of pressure within the Congress Party for her resignation; in a public statement yesterday, senior cabinet members reaffirmed their loyalty. Most of the opposition parties, however, are clamoring for her to step down.

Regardless of the Supreme Court's ruling, the opposition is likely to make corruption in government a major campaign issue as the nation moves toward a general election by next spring.

The opposition, meanwhile, made a good showing in elections in Gujarat State this week. A non-communist opposition front, led by one of Mrs. Gandhi's foremost critics, Moraji Desai, won a plurality in the 182-member legislature and will try to form a government with the help of independents. The Congress Party's failure to win even a plurality is another setback to Mrs. Gandhi, who had campaigned vigorously to return the party to power 16 months after the Congress government in Gujarat was brought down by a student-led rebellion.

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PORTUGAL-AZORES

Portuguese military authorities in the Azores are tightening security measures to prevent a recurrence of a demonstration like the one held on June 6 in Ponta Delgada. Meanwhile, pro-Azorean officers are becoming increasingly anxious over their positions because of pressure from Lisbon.

Although there have been no demonstrations held this week, there have been reports that several were planned, both on the main island of Sao Miguel and on Terceira—where the US has facilities at Lajes air base. One demonstration, reportedly planned for Sao Miguel on June 10 to protest the arrest of suspected separatist leaders the day before, may have been called off as a result of increased security measures. In addition to guards already posted at the airport and radio station, access to Ponta Delgada was restricted and guards were placed at major intersections.

Meanwhile, arrests of suspected separatist leaders are continuing. Four arrests were reported on the island of Terceira on June 10. The Terceira military command announced these suspects, along with 29 others arrested on Sao Miguel on Monday, would be interrogated by a military committee of inquiry. It is also rumored, but not officially confirmed, that further arrests were carried out on Sao Miguel on June 9 and 10.

The wave of arrests has badly shaken residents of Ponta Delgada. Among the most concerned are three senior military officers presently holding key positions in the local administration. Military governor General Pinto Magalhaes, 18th Infantry Battalion commander Lieutenant Colonel Miranda, and police chief Major Moniz have all been harshly criticized by the Communist-dominated Lisbon press.

Colonel Miranda has told the US consul that the commander of Portuguese naval forces in the Azores, Admiral Riccou, ordered the roundup of separatists after obtaining direct authorization from Admiral Rosa Coutinho in Lisbon. Riccou reportedly threatened to arrest Magalhaes and Miranda if his orders were not carried out.

A possible clue to Lisbon's policy toward the Azores will be the treatment accorded these pro-Azorean officers, who have gained the respect and trust of the local residents. The officers are faced with the dilemma of whether to implement policies they find distasteful or cast their lot with the separatists.

At present, the separatist movement would seem to represent more of an irritant than a threat to Lisbon, and there is little support among the Azoreans for

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armed insurrection. Separatists not arrested are likely to reduce their activities and Lisbon will probably try to ease out pro-Azorean officers one by one.

This picture could change, however, if local commanders come to believe their positions already are fatally compromised and suddenly throw their support behind the separatist movement. The willingness of the officers to take this action could be increased by Lisbon's apparent difficulties in responding to the events of June 6. US military attaches in Lisbon report that two companies of military police refused to obey orders transferring them to the Azores and that only a small detachment was eventually sent.

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BELGIUM

Belgian Prime Minister Tindemans' government won a vote of confidence in the lower house of parliament yesterday on its decision to purchase the US-made F-16 fighter plane, rather than the French Mirage FI/E.

The vote was 112 to 92, with the two major coalition parties unanimously supporting the government's decision. A majority of the representatives of the Walloon Rally Party, the third coalition partner which had opposed the decision earlier, also backed the government. The question will be considered today by the upper house, where it is assured of majority approval.

A negative vote would not have affected the memorandum of understanding with the US for purchase of the plane signed earlier this week, but would have posed a serious threat to the Tindemans government. The Prime Minister probably was required to make certain concessions on domestic policies—perhaps on regional and linguistic issues—to secure approval of the F-16 decision.

The Danish government on Wednesday easily won pro forma parliamentary approval of its selection of the F-16. Opposition in the Netherlands subsided following the Belgian decision, and there was little challenge in Norway to Oslo's choice of the US plane.

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UK

With the EC referendum victory behind him, Prime Minister Wilson is now turning his attention to such urgent problems as the deteriorating monetary and trade situations, the massive wage increases demanded by labor, and the factionalism in the Labor Party that was aggravated by the referendum campaign.

The pound has fallen to record lows, losing 2 percent of its value in the past three days. Monthly figures are expected to show continued inflation and deterioration in the trade balance, and a nationwide railway strike has been set for June 23. Although there have been improvements in the balance of payments and in some other leading indicators, these trends are fragile and could be easily disrupted, particularly if the pound continues to decline.

Despite persistent calls in Parliament and the press for wage controls and drastic cuts in public spending, Wilson has publicly declared his opposition to such measures. There is speculation that, instead of risking further discord with his party's left wing by imposing mandatory wage controls and tighter price regulations, Wilson may rely on a cheaper pound and possible import quotas to help stabilize the economy. Some officials are still counting on tax boosts imposed last April and the steadily growing unemployment rates to halt accelerating inflation.

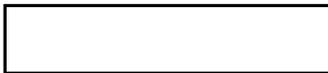
EC officials, meanwhile, are clearly worried that London might invoke trade restrictions that would undermine free trade within the Community. The EC Commission is prepared to discuss with Britain stabilization measures that could be undertaken within the Community context.

The Commission would argue for a statutory UK incomes policy and a reduction in government expenditures. Short- and medium-term financial aid is available from the EC, but Brussels believes that for political reasons, London may prefer to reach an accord with the International Monetary Fund rather than have conditions imposed on it by the Community. In either case, the Labor government will be reluctant to have domestic policies dictated by international organizations.

Wilson must also deal with frictions and factionalism within the Labor Party resulting from the referendum campaign. His cabinet shuffle this week has prompted criticism from several quarters, particularly the shift of anti-EC leader Anthony Benn from Industry to the post of secretary of state for energy. Oil industry leaders and Conservative Party members fear that his appointment signals increased government interference in the oil industry; EC members are concerned that Benn's appointment points to continued UK reluctance to enter into common energy policies.



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GUYANA

Prime Minister Forbes Burnham is accelerating Guyana's evolution into a one-party socialist state.

In several recent speeches, Burnham has spelled out in greater detail than ever before the radical shift that he proposes in Guyana's political and economic life and the rapid subordination of the government to his People's National Congress. The totalitarian philosophy implicit in many of his remarks is not new, but it has become more open and obvious since his well-publicized visit to Cuba in April.

Not only have economic and political ties with the Castro government dramatically increased, but Guyanese officials now accord Cuba a pre-eminent role as a model for their plans to create a socialist state.

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Since Burnham's Cuban visit, Guyanese leaders have spoken increasingly of Guyana's commitment to "orthodox socialism." People's National Congress chairman and Deputy Prime Minister Ptolemy Reid and Minister of Labor Winslow Carrington carried the analogy a step further when they publicly defended "dictatorship of the proletariat" as appropriate to Guyana and warned of the purging and purification that will accompany the "new order."

The outlook is grim for private enterprise and foreign investment in the new Guyana. Addressing a local meeting of Jaycees on May 22, Burnham labeled the concept of private enterprise and its practitioners as Guyana's enemies.

In a speech to government employees last week, Burnham spelled out the role that he intended civil servants to play in spearheading the country's transformation. He said they will have to accept "Marxism-Leninism" as the ideology of the party and those who could not accept it should resign. He also warned that he intended to enforce a strict code of conduct to weed out "corrupters" and "hangers-on" in the government and that party leaders planned to extend this code to the rest of the population as soon as possible.

For the weak and divided political opposition, as well as for the passive and generally leaderless East Indian majority, Burnham's recent statements spell trouble. They suggest that his once-celebrated pragmatism may have given way to a more authoritarian reaction to any resistance that he perceives to his goal of leading the country from a parliamentary democracy to socialism. At the same time, Burnham's policies will undercut East Indian leader Cheddi Jagan, long a self-professed Marxist with close ties to Moscow.

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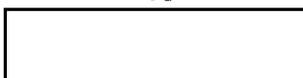
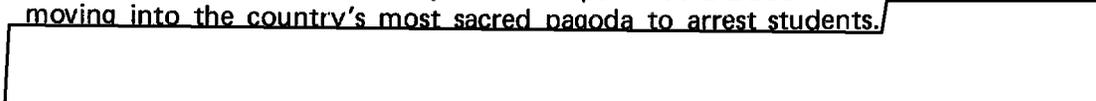
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FOR THE RECORD



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BURMA: Burmese students and workers have apparently ended their protests, after nearly a week of agitation against the Ne Win government. Troops have moved onto the Rangoon University campus, and most students have returned to their homes. Senior officials believe that the arrest of more than 200 students on June 11 has broken the back of the militant student leadership. Most workers have ended their sitdown strikes, and the government has agreed to meet some of their demands. In contrast to the protests of last June and December, the government was able to restore order this time without violence. Resentment against the regime could be intensified, however, particularly since troops violated Buddhist law and custom by moving into the country's most sacred pagoda to arrest students.



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CYPRUS: In his report to the UN Security Council today, Secretary General Waldheim will confirm that very little progress was made toward a negotiated Cyprus settlement in the intercommunal talks held under his auspices in Vienna. He will, nevertheless, call for their continuation. According to a UN official, Waldheim is concerned about the slow pace of the talks and has begun to feel uncomfortable in his role. The Secretary General was upset over the rigidity of the two sides during the last round of talks. Waldheim warned the Greek and Turkish Cypriot negotiators that he is not satisfied with their performance, suggesting he may not participate at the next round—set to begin on July 24—unless the two sides are prepared to negotiate seriously.

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