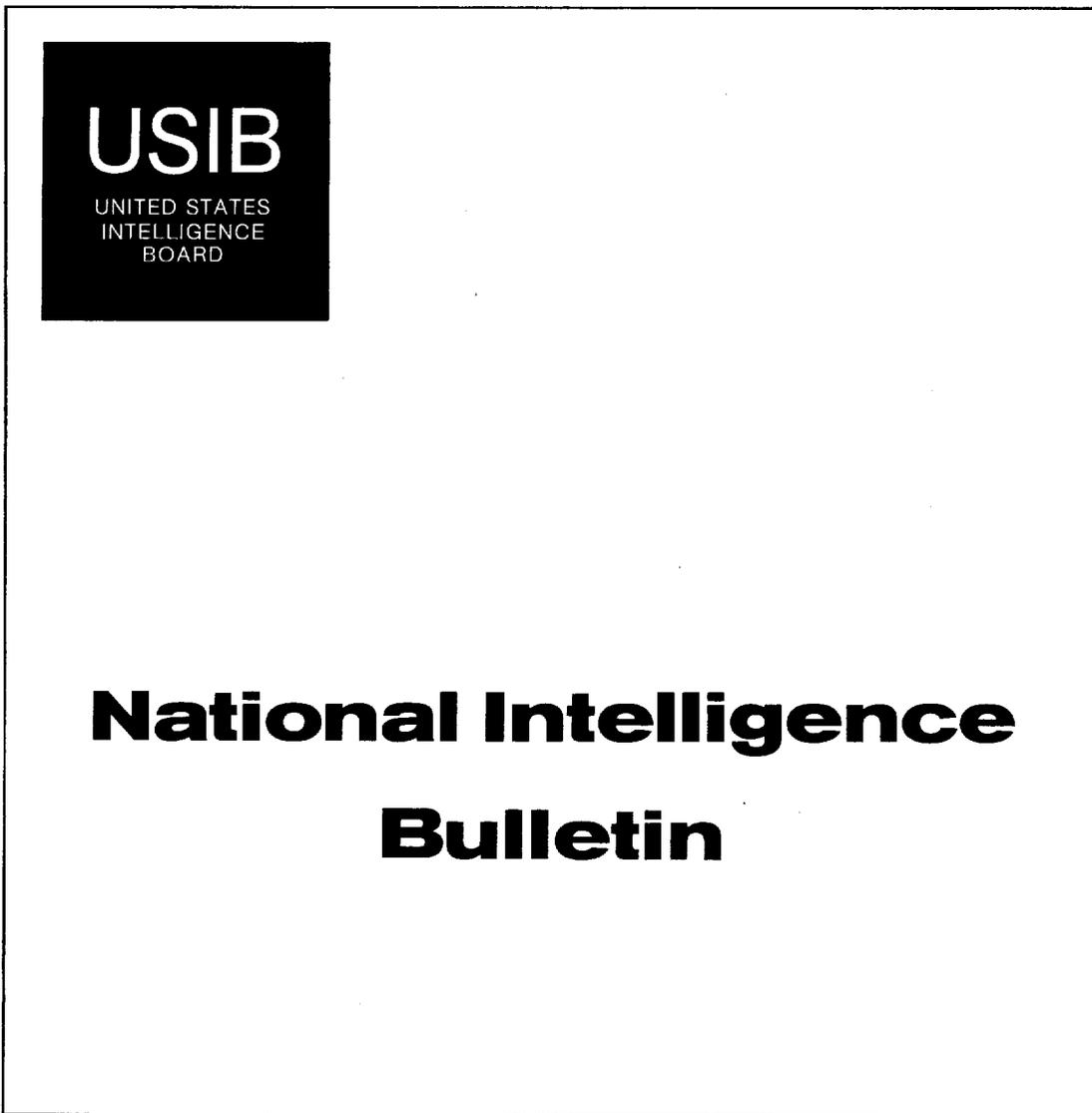


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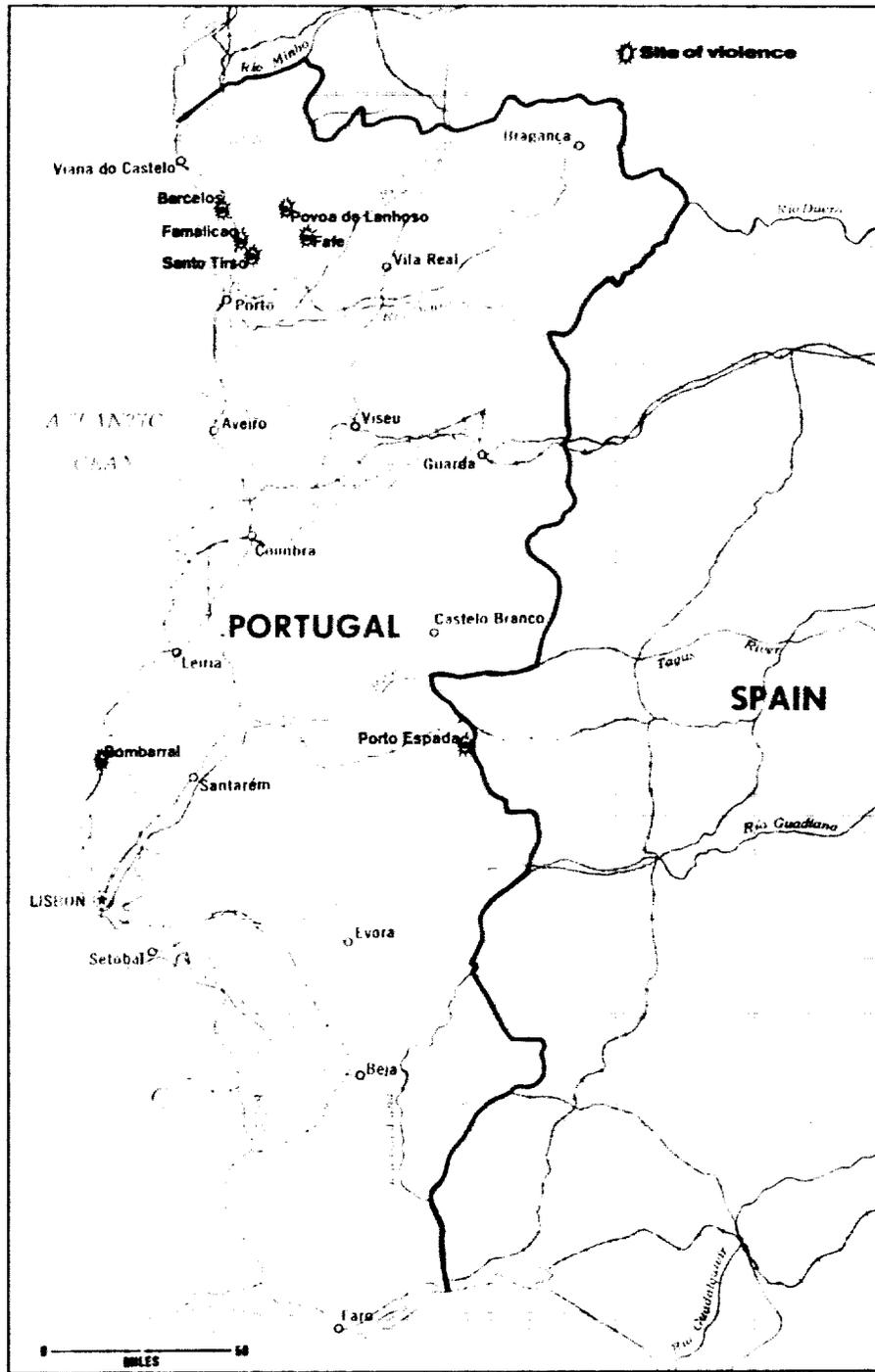
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PORTUGAL

Portugal's radical rulers are being confronted by an increasingly rebellious populace whose cause is being supported by some military units stationed in the north.

Portuguese army units in the north openly defied orders from Lisbon yesterday to quell anti-Communist disturbances. One press report claims army units have presented the commander of the northern region with a petition supporting the creation of a multiparty government. The momentum for a direct challenge of this type has been building all week. If it continues, the present leaders of the ruling Armed Forces Movement will soon have to decide how to respond.

--They can accede to the demand for a multiparty socialist state. Such a concession would represent a major victory for the democratic political parties and the less radical, pro-Western faction in the Revolutionary Council.

--They can try to ignore these demands and attempt to impose a severe clampdown. Some hint of this course of action is evident in recent high-level discussions of new press censorship and austerity measures. This approach would probably result in confrontation involving military units throughout the country.

--They can make an effort to consolidate their support in Lisbon and surrounding areas in the south—in effect cutting the north and other dissident areas adrift—in the hope that they can avoid major confrontations now and extend their influence to these areas later.

Because the tide of anti-Communist sentiment is growing not only in the north but throughout the country and the discipline of military units necessary to quell a rebellion is at such a low ebb, common sense would seem to dictate some concessions by radical officers and the Communists at this time.

Most press accounts, however, indicate that the Movement is not yet ready to give in to this sentiment. They predict that the government, which is scheduled to be sworn in today, will again be led by Vasco Goncalves, with a cabinet largely made up of radical officers, Communists, or Communist sympathizers. The Socialist and Popular Democratic parties reportedly will not be represented.

This situation could change, however, after internal security chief Carvalho and Army Chief of Staff Fabiao report on their tour of the northern area and present their views on the hostile mood of the populace.

There are, moreover, late reports that indicate that the anti-Goncalves elements are still making an effort with President Costa Gomes to head off the installation of the new government, which they have publicly denounced as "manifestly incapable."

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PORTUGAL-AZORES

The uncertain outcome of the political crisis in Portugal has strengthened the determination of the Azoreans to seek independence from the mainland.

The US consul in Ponta Delgada reports that the atmosphere in the islands is tense and there is considerable discussion of the composition of the government once independence has been achieved. Local residents are rallying behind the Front for the Liberation of the Azores because they fear a Communist government will be installed in Lisbon. Staunchly Catholic, the Azoreans believe a government controlled by the Communists would prohibit religious freedom and restrict contacts with relatives in the US. They also believe independence is necessary in order to ensure local control over the Azores' economy.

One local Socialist Party leader reportedly believes that the islanders are almost certain to demand independence if the Communists take over in Lisbon and might opt for separation even if a right-wing dictatorship assumes control. It appears that only a shift toward moderation in Lisbon will halt the trend.

Anti-Communists on the mainland are in touch with the independence movement, but they have been unable to convince the Azoreans to proceed slowly. Militant anti-Communists hope to use the threat of losing the Azores as additional leverage against Communist attempts to extend their influence in Lisbon.

Leaders of the Azorean movement are prepared to cooperate with anti-Communists on the mainland, but do not intend to lose sight of their goal of independence.

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The military governor of the Azores, General Magalhaes, claims he will not support a move toward independence and expects to be placed under house arrest once this step has been taken. According to Magalhaes, the army regiments on the islands—comprised mostly of Azoreans—will support independence. He will do so only if convinced that the mainland is in Communist hands.

Magalhaes is highly respected in the Azores and has tried to maintain calm since he assumed control following the forced resignation of the leftist civilian governor in early June. Although considered by some left-wing officers to be sympathetic to the Azorean cause, he has attempted to provide protection for the more than 1,000 Communists on the islands and has promised to punish those responsible for the attack on the headquarters of the Communist-dominated Portuguese Democratic Movement last Tuesday. He is also trying to set up a five-man junta to develop a governmental organization for a unified Azores to replace the three districts into which the islands are now separated.

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Magalhaes is under increasing pressure from the left because of his moderate leanings, which may lead to an attempt by left-wing elements to remove him from office. His dismissal would only anger the islanders further.

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NORTH VIETNAM - THAILAND

Hanoi's party daily *Nhan Dan* yesterday carried another in a series of editorials which, over the past month, have sharply criticized Thai foreign policy and have called into question the sincerity of the Thai government's desire for friendly relations with neighboring countries. The editorial commemorated the tenth anniversary of the Thai insurgency and strongly backed the Thai "people's struggle for independence and democracy."

The North Vietnamese obviously are smarting over Bangkok's refusal to resume diplomatic discussions in Hanoi, delivered in an unusually blunt note from Foreign Minister Chatchai in late June. In addition, they are undoubtedly suspicious of Bangkok's quick establishment of formal relations with China. The commentaries are particularly critical of Thai relations with the US, charging Bangkok with continued "collusion" and lack of sincerity in efforts to remove US military forces.

Hanoi's barrage began shortly after the conclusion of Prime Minister Khukrit's visit to China on July 6. The critical tone increased sharply in mid-July when Bangkok announced that Thai naval units would participate in a SEATO exercise with American forces. On July 3, Hanoi's Foreign Ministry sharply protested the use by the US of Thai bases for U-2 flights over Indochina and publicly endorsed South Vietnam's Provisional Revolutionary Government (PRG) claim to ships and planes brought into Thailand at the end of the war. In endorsing the PRG claims, Hanoi departed from its previous practice of merely repeating South Vietnamese claims without comment.

Hanoi's ire is probably being given added impetus by the growing realization that its negotiators may have been taken in by Bangkok's initial openness and apparent willingness to meet Hanoi demands. In early June, Hanoi was riding high on the euphoria of its victory in South Vietnam and probably anticipated that neighboring Southeast Asian states, especially Thailand, would be quick to yield to its conditions in order to establish relations and fend off North Vietnamese support for insurgent movements in their countries.

Khukrit's conversations with Chinese leaders during his recent trip to Peking, however, have toughened the Thai bargaining position. The new editorials suggest that the North Vietnamese have now come to realize that Bangkok is not the pushover that Hanoi originally thought it would be. The editorials also dampen the prospects of the establishment of relations between the two countries anytime soon.

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PANAMA

Faced with delays in the canal treaty negotiations and what he considers a hardened US attitude, General Torrijos is seeking new expressions of foreign support. He is devoting considerable time to presenting Panama's case abroad and to foreign leaders who visit Panama.

Torrijos apparently felt that playing host to the recent conference to discuss the formation of a Latin American Economic System was enough of a boost for Panama's prestige without pressing the canal problem there. He almost certainly will make a strong pitch for third-world support, however, at the conference of foreign ministers of the nonaligned movement scheduled to begin in Lima on August 25. Previously, Torrijos has been reluctant to become closely identified with this organization; he decided at the last minute not to attend the summit meeting in Algiers in 1973. Torrijos is likely to believe that the benefits he could gain through formal membership in the nonaligned group outweigh possible drawbacks.

Late last month, Torrijos went to Colombia and while there signed a joint declaration with the presidents of Colombia and Venezuela calling for the early transfer of the canal to Panamanian jurisdiction. The three chief executives also expressed their intention to seek US authorization to release letters exchanged earlier between the presidents of the US, Colombia, Costa Rica, and Venezuela regarding the canal problem. Noting the solid Latin American backing for Panama's aspirations, Torrijos and the two presidents proposed that all the area's chiefs of state meet next year on the anniversary of the 1826 Panama Conference, presumably to call further attention to the canal issue.

Torrijos may also move to establish diplomatic relations with the USSR and China and travel to Cuba for a first meeting with Fidel Castro. These actions would demonstrate Panama's "independence" of the US, and signal Torrijos' impatience with the slow movement of the negotiations.

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NIGERIA

The appointment Wednesday of Brigadier Bisalla as defense commissioner suggests a deliberate effort by members of Nigeria's new military government to limit Brigadier Muhammed's influence as head of state. In the previous regime, Gowon held both posts. Brigadier Bisalla is a highly respected officer from a northern minority tribe.

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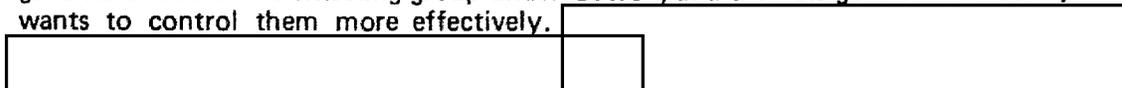
The coup leaders are said to want more participation by the 22-man Supreme Military Council. They feel that under Gowon the council relied too heavily on cabinet heads and senior civil servants in formulating policy. Some think that Brigadier Obasanjo, the number-two man, should act as de facto prime minister, in addition to his new position as chief of staff of the armed forces.

The new 25-man cabinet includes six officers who also sit on the Supreme Military Council. One, Colonel Garba, the man who first announced the coup, became commissioner of external affairs. Civilians hold 12 posts, including the important ones of petroleum and energy, economic development, and finance.

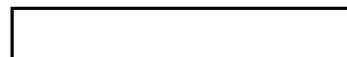
An Ibo justice on the supreme court was named commissioner of justice and attorney general. This is the only prominent position in the new regime awarded the Ibos, who are still viewed with suspicion five years after their defeat in the civil war.

The new military governors of Nigeria's 12 states have been downgraded in importance and no longer sit on the Supreme Military Council. Instead, they will be members of a new body, the national council of states, which is intended as a forum for state representation and as an advisory group to the central government. The governors were a free-wheeling group under Gowon, and the new government clearly wants to control them more effectively.

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FRANCE

The government reportedly will not produce the strategic variant of the Avion Combat Futur aircraft. It will build only the interceptor version.

The aircraft was originally developed as a front-line fighter for possible use in intercept, reconnaissance, and air-to-ground attack roles as well as a replacement for the Mirage IV strategic bomber. The planned operational life of the Mirage has been extended to 1985, and a decision against production means that no replacement is in sight.

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The French failure to sell the Mirage F-1E as a replacement for F-104s in Belgium, the Netherlands, Norway, and Denmark may also effect the Avion. In order to keep the F-1E project alive, the French air force may be pressed to purchase as many as 100 of the planes.

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[Redacted] Other budgetary pressures, such as an increased emphasis on the nuclear-powered ballistic-missile submarine force, will be costly. Consequently, the air force may have to accept a reduced strategic nuclear role.

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USSR

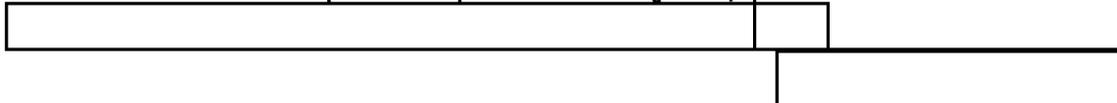
The Soviets apparently are attempting to upgrade the amphibious assault capability of their naval infantry by experimenting with air-cushion landing vehicles capable of reaching speeds of up to 60 knots. Although these vehicles can provide fast, maneuverable transport for naval assault troops, they are lightly armed, easily detected, and highly vulnerable to enemy fire.



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The GUS is the first fully amphibious military air-cushion vehicle to go into series production in the Soviet Union. It is capable of moving troops directly across various types of terrain—including flat and gently sloping land, water, ice, mudflats, and swamps—and it is not likely to detonate mines. It can carry up to 50 fully equipped troops or an estimated nine tons of cargo.

Greater use of these craft in amphibious landings would give the Soviets more flexibility in the deployment of their naval infantry units. They can also greatly reduce transport time for assault troops over short distances and permit the Soviets to mount small-scale amphibious operations more quickly.

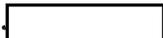


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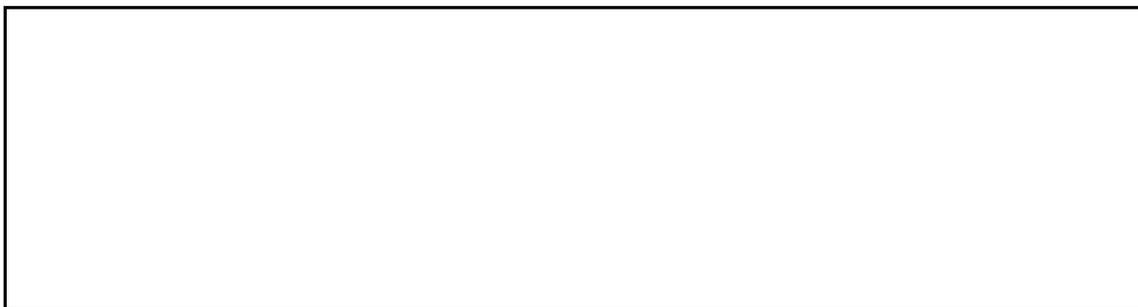
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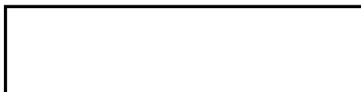
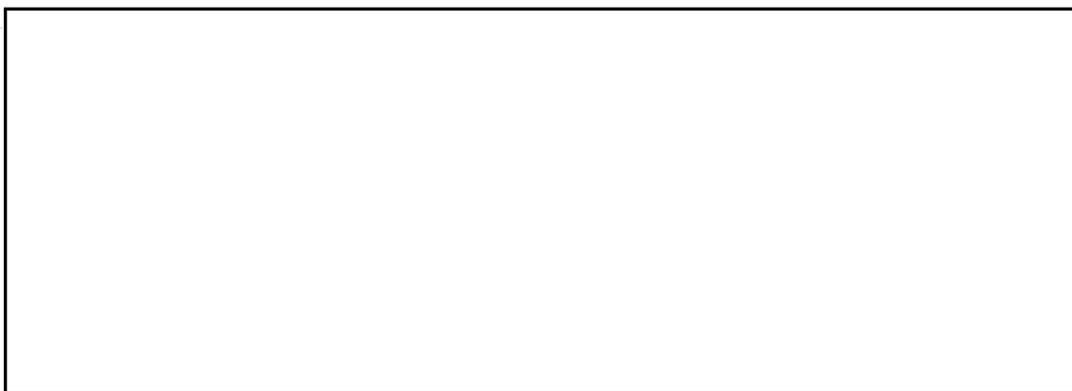
SYRIA-USSR: Syria has apparently received a Petya-II-class destroyer escort from the USSR, probably on July 25. The unit was towed from the Soviet Pacific Fleet via the Indian Ocean and the Suez Canal to Tartus. The Petya becomes the largest combatant in the Syrian inventory. The extent of Syrian training on the Petya-II is not known; therefore, an operational date cannot be determined. Besides Syria, only India has received an export model of the Petya-II. It is armed with two twin 76.2-mm. gun mounts, two five-tube 21-inch torpedo mounts, and two 16-barrel 200-mm. ASW rocket launchers. It also has a minelaying and depth-charge capability.

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ANNEX**INDIA: Gandhi's Bid for Greater Power**

Six weeks after the proclaimed state of emergency in India, Prime Minister Indira Gandhi continues to increase her personal power. She has called the emergency a necessary step in halting a trend toward anarchy; occasionally, she sheds light on major changes she is contemplating for India's political and economic future.

The state of emergency, which can be prolonged indefinitely, has been described by government leaders as only temporary, but most political observers expect it to run well into 1976 or beyond. Gandhi refuses to speculate on its duration, nor will she set a date for the national election due by next March. The existing parliament, in which the ruling Congress Party has a large majority, can extend its term for one-year periods by a simple majority vote.

In speaking of the future, Gandhi has been definitive on only one point: "political permissiveness" as it existed before the crackdown will not be restored.

Gandhi is contemplating a major overhaul of India's political structure in order to institutionalize her greater powers. Officials close to her have said that the British parliamentary system India adopted in 1950 has proved not well-suited to India with its huge, disparate, predominantly illiterate population. Gandhi told parliament that India has to evolve a political system in which the "right balance" is struck between freedom and social discipline.

She might transform the present parliament into a constituent assembly and order it to amend the constitution or devise a new one. Gandhi has frequently used the amendment process to get her way, most recently to prevent the courts from challenging the emergency. Congress Party control of most state governments makes it relatively easy to secure the required approval of at least half the state legislatures.

Speculation has it that Gandhi will press for a strong presidential form of government—perhaps along lines of the French system, with herself, of course, the first occupant of the office. Under the existing arrangement, the Indian president functions as a ceremonial figure, but has vast unused powers that Gandhi probably considers a latent threat.

A one-party system may be under consideration. A pro-Gandhi newspaper that frequently releases political trial balloons has suggested as much.

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Intimidation and Repression

In the meantime, intimidation and repression will be Gandhi's chief weapons against a leaderless and floundering opposition. About 19,000 persons, including 29 members of parliament, have been arrested since the emergency was declared on June 26—over 6,000 of them for political reasons. The remainder have been charged with things like smuggling, hoarding, or income-tax evasion.

With only a few exceptions, the country has been quiet since Gandhi made her move. Attempts to demonstrate against the government may be made on August 9, anniversary of a demonstration against the British in the colonial era, and on August 15, India's independence day. The large police and intelligence apparatus is alert to any signs of unrest, particularly in the two states where the ruling Congress Party is not in charge, Tamil Nadu and Gujarat. Leaders in both states have openly denounced Gandhi's shift to authoritarianism, but have carefully avoided actions that would give her a pretext for instituting direct control from New Delhi.

The press is likely to remain under censorship indefinitely. The harsh press rules imposed in part grew out of Gandhi's bitterness about what she thinks of as unfair treatment by both the domestic and foreign press over the years. She is highly sensitive to personal criticism and has complained that the press has consistently attacked the Nehru family, even when her father was prime minister.

"They are all against me," she said in a recent interview. "They resort to vicious slander and calumny, and I will not have it!"

Most Indian editors and publishers have accepted press censorship docilely. At least one internationally known Indian newsman has been arrested, however, and a number of leading journalists have ceased to publish signed columns. An underground press is churning out anti-government material, which appears to have had little impact thus far.

Something for Everyone

Gandhi has outlined a 20-point package of social and economic reforms designed to rally public support behind her. The proposed reforms read like a reprise of the Congress Party promises in every election campaign since independence.

There is something for everyone: for the rural poor, land reform, higher wages, and abolition of bonded labor; for the middle class, tax relief; and for the wealthy, liberalized investment possibilities and assurances about nationalization.

Few expect Gandhi to succeed in implementing all these promises. The public mood, however, is more optimistic than it was a year ago, primarily because of an improved economic outlook.

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Food prices have fallen since June, and high-yield seeds, fertilizer, and electric power are in good supply. Most important, the summer monsoon has been good, bringing the promise of a better fall harvest than in 1974.

Some Indians hope that the government's expanded powers will aid in reviving the economy and curtailing inefficiency and corruption in the bureaucracy; businessmen, for example, applaud Gandhi's warning to labor not to strike.

Others are waiting to see if she will finally take long-needed remedial measures, such as taxing agricultural incomes, which would alienate influential supporters in the Congress Party. Moreover, there are signs that the emergency is providing police and other officials with new opportunities for extorting money and favors.

Passive Acceptance

For the most part, Gandhi's repressive moves have been passively accepted. Most Indians appear to be waiting to see how the emergency will affect them. The bulk of the population is scarcely affected at all by changes in the power structure at the national level.

Gandhi's rivals within the Congress Party reportedly are under surveillance and have little chance to unseat her at this time. Discipline within the party is being rigorously enforced by the virtually unprecedented tactic of expelling dissidents.

India's educated class, while deploring the suspension of civil liberties and censorship of the press, is consoled by Gandhi's care, thus far, to operate within a loose constitutional framework.

The volatile students, who returned to school in mid-July, have not yet attempted to organize resistance to the political changes that took place during their summer vacation. The government recently moved to defuse any leadership for the students by their teachers when some 300 instructors in the high schools and universities in the New Delhi area were arrested. The Congress Party reportedly is designing a new youth program in which uniformed youths will be given quasi-legal powers to oversee local implementation of the new government measures.

The military is sticking by its practice of avoiding political involvement. Many officers like the greater sense of discipline that has been forced upon the nation, and most appreciate Gandhi's apparent reluctance to call on the army to assist the police in enforcing her repressive policies.

In early August, Gandhi acted to remove one of the few remaining possible threats to her continued exercise of power. She had parliament pass an amendment to the election laws which, in effect, erased her conviction last June of campaign violations in the election in 1971. The amendment makes largely superfluous the Supreme Court hearing on Gandhi's appeal against her conviction.

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While the action is constitutional and there is precedent for retroactive legislation in India, it will nevertheless embitter the Prime Minister's opponents and may raise new questions among her politically conscious countrymen regarding the morality of her mode of operation.

Over time, political dissidents may be able to create a political underground and raise the prospect of sabotage and assassination. Major economic setbacks would hasten the process. A few well-known politicians escaped the dragnet in June and conceivably could furnish the requisite leadership for the struggle.

A New Inner Circle

Only a few are privy to Gandhi's thinking about the present situation. A cabinet-level committee oversees administration of emergency regulations, but the fact that it includes at least two aspirants to the prime ministership reduces its usefulness to her.

Gandhi relies instead on a new inner circle that includes her private secretary, the leftist president of the Congress Party, a party leader from Bombay, and her 28-year-old son, Sanjay.

Sanjay is a political novice who is already under a cloud as a result of allegations of corruption in connection with an auto manufacturing project. Since the emergency, Sanjay has been issuing orders to high-ranking bureaucrats and politicians and plays a strong role in enforcing compliance with central government directives.

Sanjay has a penchant for browbeating and reportedly has already had a serious run-in with one of Gandhi's most able assistants, S.S. Ray. Ray has been rumored as a likely candidate for a senior post in an anticipated cabinet shuffle.

Gandhi has very likely been making decisions on an ad hoc basis and has no firmly established path or timetable, preferring, as she has through her nine and a half years in office, to keep her options open as long as possible. She does not appear to have strong ideological moorings.

Gandhi's primary objective is to insulate and protect herself from any kind of political threat. Based on past performance she will probably intersperse periods of relative inactivity with bold new moves to catch her opponents by surprise.

Gandhi depicts herself as the leader of all Indians, bound to no particular region, caste, or religious group.

Her national reputation and family background are unique and help account for her popularity with the masses. Crowds turn out merely to see her, though they do not always listen to what she says.

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Gandhi's greatest asset is her willingness and ability to play politics with few holds barred. She admits she is not inhibited by her father's stern sense of propriety. "My father," she says, "was a saint who strayed into politics, I am not of the same stuff." [redacted]

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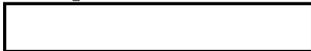
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