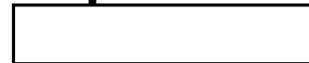


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State Dept. review completed

DIA review(s) completed.

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PORTUGAL

The Revolutionary Council has announced that a new government will be installed in Lisbon today.

Socialist leader Soares last night provided the US ambassador with a list of cabinet appointments that were agreed on after a decisive meeting with designated prime minister Admiral Azevedo. Both Soares and Popular Democrat leader Guerreiro termed the list "quite firm," but added there could be some last-minute changes. According to Soares' breakdown, the Socialists will receive four portfolios, while the Popular Democrats and the Communists will be given two each. Military officers and independent civilians will hold the remaining eight positions.

Soares described the makeup of the cabinet as a "humiliating defeat for the Communists." Although only half the posts have been allotted to members of the three major political parties, most of the military and civilian appointees are expected to follow the Socialists in policy matters.



The Communists have already begun to criticize the new cabinet. The party weekly *Avante* claimed Communist participation was necessary to prevent the formation of an "openly rightist government." The paper left open the possibility of a Communist withdrawal if government policies are not to their satisfaction. It promised that the party will view its cabinet role as a "combat post."

The Communist-dominated Portuguese Democratic Movement—which has been represented in the last two cabinets despite meager popular support—has scheduled a rally against the government for September 28, the first anniversary of the ouster of former president Spinoia.

The US army attache in Lisbon has information that Spinoia's Democratic Movement for the Liberation of Portugal has canceled plans for a "happening" this Saturday. It was never clear whether Spinoia's group planned to declare a provisional government or to launch an armed struggle to gain power. In any case, the group's leaders may have difficulty getting the change of plans across to all activists inside Portugal and along the Spanish border.

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The attache's source believes the cancellation is largely the result of pressure by Western governments. In addition, the plans reportedly were tied to the efforts in Lisbon to form a new government, and the reported breakthrough may have required a change.



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LEBANON

The situation in Beirut deteriorated badly yesterday. The fighting spread to almost every section of the city. A cease-fire was reportedly arranged late yesterday, but the fighting went right on in many areas of Beirut after the truce was scheduled to take effect.

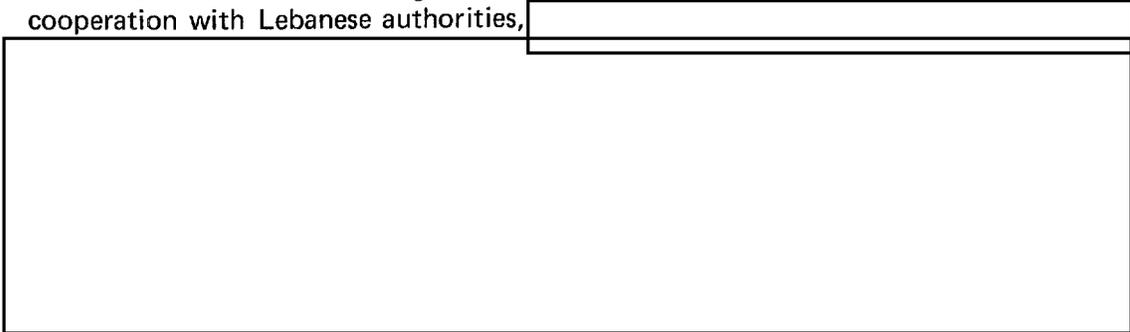
As of late yesterday, Prime Minister Karami, fearful of a sharp fedayeen and leftist reaction, continued to oppose the use of the army to end the fighting. Interior Minister Shamun told the US embassy, however, that he and several other members of the cabinet had told Karami that if the fighting had not stopped by early today, Shamun could and would order the army to intervene. Shamun also said he did not believe use of the army would lead the Syrians to move against the Lebanese government.

The use of the army could bring moderate fedayeen organizations into the conflict against the government. Until now, Fatah, the principal fedayeen organization, has cast itself in a mediating role, but its leaders have expressed fear that Fatah might become involved in the fighting if the army should fire on leftist elements. Saiqa, the second-largest fedayeen group, has, for the most part, refrained from entering the conflict, although some of its units are suspected of having already joined the fight.

Yesterday, for the first time during the current round of fighting, the right-wing Phalanges Party militia engaged in firefights with Lebanese leftists and radical fedayeen. The Phalangists, who were deeply involved in the fighting last June, have been unhappy that the government has not called in the army.

The Phalangist entry into the fighting creates a dilemma for Yasir Arafat, leader of the Palestine Liberation Organization. Radicals within the Fatah, who dislike his cooperation with Lebanese authorities,

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Consultations among Lebanon's political leaders continue indecisively. President Franjiyah, who to Muslims is a symbol of Christian intransigence, has lost the political initiative to Karami and Shamun. Franjiyah's critics are calling for his resignation; his six-year term expires next year.

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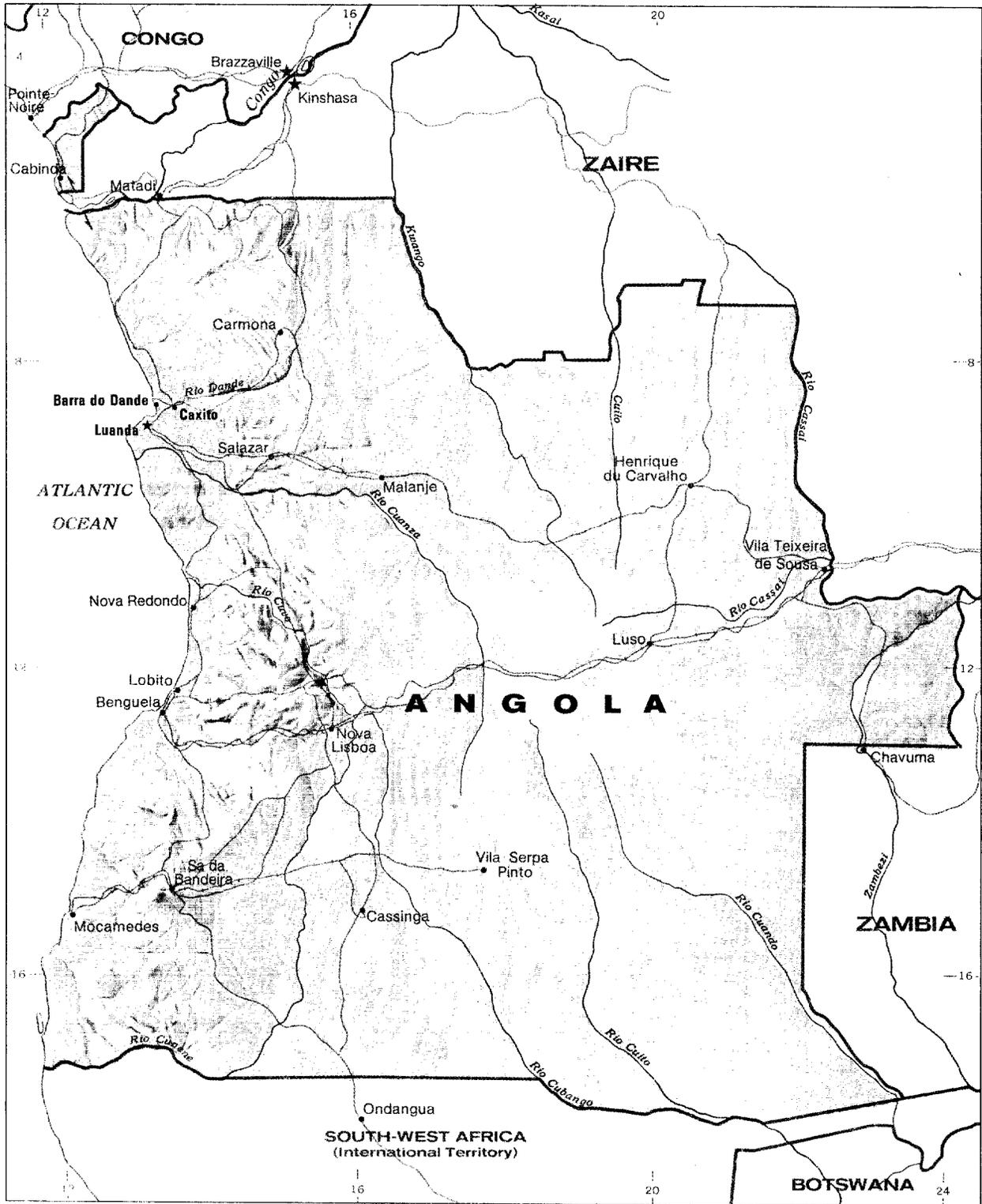
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ANGOLA

The National Front for the Liberation of Angola apparently has launched a counteroffensive to retake Caxito, which it was forced to surrender to the Popular Movement for the Liberation of Angola two weeks ago.

Information on the fighting is sketchy. Portuguese military officials in Luanda announced on Wednesday night only that clashes between the two groups were taking place "north of the Caxito - Barra do Dande front." Both liberation groups are claiming significant victories in the area.

Although the present level of fighting is unclear, it is very likely to become one of the most serious military campaigns to take place in the territory. The National Front has been pushed farther and farther north and is virtually fighting for its survival. With less than two months before Angola is granted independence, the National Front must move rapidly and strongly to restore its military credibility with the Portuguese and the Popular Movement as leverage in obtaining a political role in the independent government. The recapture of Caxito is vital to this effort.

The Popular Movement of course is making a determined effort to show that it is the only nationalist group capable of running the territory. It cannot afford to let the Front make even minimal gains. It may now feel constrained to direct its efforts toward pushing the National Front out of Angola entirely.

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ZAIRE

The US embassy in Kinshasa reports that public confidence in President Mobutu's leadership is plummeting at a time when Zaire's economic and social problems are sharply escalating and that the President seems to be approaching a major political crisis that will seriously test his staying power.

Zaire is caught between its growing need for foreign goods and services and a serious slump in the world price of copper. Copper exports account for 65 percent of the country's foreign exchange. Mobutu's attempts to deal with his fiscal problems by seeking short-term relief in the form of loans from Arab states, France, and West Germany have helped to scare off many potential long-term financial backers.

After long resistance, Mobutu has finally agreed to accept a number of measures deemed necessary by the International Monetary Fund to revive Zaire's economy. It will be some time, however, before these measures, if they are actually implemented, take effect.

Late last month, Mobutu announced severe wage cuts that hit hardest at upper income brackets but were also resented by low-income workers who had been anticipating raises. The result was a series of wildcat strikes in Kinshasa's light industries and essential services. Mobutu subsequently sought to make amends by cutting rents for low-income families, a decision that was derided by the populace, which now faces an annual inflation rate approaching 40 percent. The embassy reported this week that most Zairians now believe that Mobutu is no longer able to cope with Zaire's problems. Popular criticism of him, once expressed with the utmost discretion, is now being voiced openly, even in the presence of the military, Mobutu's principal power base.

Zaire's health, welfare, and primary education programs, largely supported by the Catholic Church, are operating under heavy pressures brought on by the government's almost constant sniping at the church as an outmoded instrument of colonialism. The campaign has antagonized the country's Catholics, who make up half of the population of 25 million.

Another controversial move has been the recently implemented program to draft unemployed males into the army. Although the move was probably motivated by a desire to get potential troublemakers off the streets, it is being widely interpreted as a way of providing cannon fodder for a possible military adventure into Angola.

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The secrecy that cloaked the recent trial of army officers and enlisted men charged with plotting against Mobutu and the subsequent death of the trial judge in a helicopter crash have added to public restiveness. The purges sparked tribal tensions within the army, and the recent impressment of large numbers of civilians into its ranks is likely to increase the army's sense of uneasiness.

We have no indications that elements in the military or the party are plotting to remove Mobutu from office in the near term. Nonetheless, if present economic aggravations continue or if he places further strains on the economy by attempting to support a sustained military effort by the National Front for the Liberation of Angola—the nationalist group Mobutu backs—he will face further public unrest and risk provoking the army to oust him.



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NORTH VIETNAM

Party first secretary Le Duan's upcoming visit to China will provide the first opportunity for formal top-level discussions on Sino-Vietnamese relations since the communist victory in South Vietnam.

According to a communique released yesterday by the North Vietnamese Foreign Ministry, Le Duan will soon pay an "official friendly visit" to China as head of a party and government delegation. North Vietnam probably has set ambitious goals for reconstruction and development over the next few years, and it seems likely that the question of future Chinese economic assistance will figure high on the agenda. A North Vietnamese trade official has been in Peking for the past month negotiating the terms of next year's trade and aid package. The agreement probably will be ready for signature by Le Duan, with appropriate fanfare.

Le Duan and the Chinese undoubtedly will also be discussing postwar political developments in Indochina and the rest of Southeast Asia. Both sides' aspirations for influence in the region already appear to have given rise to increased friction between the two countries.

In line with Hanoi's policy of steering a middle course in the Sino-Soviet rivalry, it is almost certain that Le Duan will also travel to the USSR, possibly immediately following his trip to Peking. Moscow radio in late August stated that a North Vietnamese party-government delegation would arrive in the USSR "in September." The broadcast strongly implied that the visit would be used for the signing of a new economic agreement for 1976.

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CAMBODIA

During the Cambodian conflict, the Khmer communists had only limited foreign contacts outside of the relationship with their Chinese and Vietnamese allies. Last month, however, the new Cambodian leadership took a major step out of its near isolation by attending the nonaligned foreign ministers' conference in Lima. There are now additional signs that Phnom Penh wishes to broaden its international contacts.

On September 16, Deputy Prime Minister for Foreign Affairs Ieng Sary told newsmen in Paris that he wanted to normalize Cambodian-French relations "in the near future." Sary was in Paris en route home from New York, where he attended the special UN General Assembly session.

The French are still miffed over the treatment their people received when the communists took over Phnom Penh. Prior to Sary's statement, a French Foreign Ministry official told the US embassy that no "political" contact with Sary was expected. The French nevertheless are anxious to re-establish their presence in Cambodia. If the Cambodians are prepared to follow up Sary's conciliatory remark with a more concrete initiative, Paris probably will be receptive.

Cambodia also appears to be interested in developing contacts with certain Latin American countries. On his way to Paris, Ieng Sary paid a four-day visit to Cuba and then stopped briefly in Mexico on September 12 and 13 where he met with President Echeverria and agreed to hold formal talks before the end of September to establish diplomatic relations.

There has also been some progress in the development of Cambodian-Thai relations. Ieng Sary met with the Thai ambassador to the US on September 3, the first significant meeting since the low-level border talks in late July. The Cambodians may be ready to hold further talks at the ministerial level and to discuss a government-to-government trade agreement to obtain much-needed rice and petroleum products.

The Cambodians will proceed cautiously in working out their relationship with the USSR. Ties between Moscow and the Khmer Communists have been strained and tenuous, as indicated by Moscow's refusal to break relations with the Lon Nol government until the last days of the war. Although Deputy Prime Minister Khieu Samphan and Prince Sihanouk met with Soviet representatives in Hanoi in early September, there has been no indication that the dialogue will be continued in the near future.

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China, which has publicized Ieng Sary's recent travels, no doubt supports Cambodia's steps toward a more active and normal diplomacy. Peking, however, can be expected to use its considerable influence in Phnom Penh to argue against any rapid or significant moves toward rapprochement with Moscow.

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LAOS

The communists are taking stronger measures to tighten control over Lao society.

The communists are conducting house-to-house searches in two of Vientiane's four districts and searching for private firearms and radios—especially those capable of receiving foreign broadcasts. Strict border controls and travel restrictions, as well as dress codes, are also being enforced, and popular militia units are being formed to assure compliance with communist programs.

Despite communist assurances that they recognize private ownership of property and the interests of foreign residents in Laos, foreign businessmen are finding it increasingly difficult to conduct normal business, and several small enterprises recently have been seized. The Pathet Lao also have been conducting careful audits of all assets in private banks, including those of the foreign diplomatic corps, allegedly to uncover funds of exiled government officials.

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PANAMA

Brief but peaceful demonstrations near the US embassy and in the Canal Zone on September 17 were intended to register Panamanian displeasure over press reports of recent remarks by Secretary Kissinger concerning the US position on canal defense.

Some 40 members of the Transport Workers Union, a new group reportedly organized and funded with government assistance, carried out the protest, which lasted less than an hour. One group of demonstrators told embassy officials they were protesting the Secretary's remarks that the US should retain its right to defend the waterway unilaterally for an indefinite period. Panama wants gradually to assume that function until gaining complete control by the end of the century.

US treaty negotiator Bunker's clarification of these remarks on the eve of his return to the US on September 17 may assuage Panamanian officials. He pointed out that the press had distorted the Secretary's remarks, and he reformulated the US position on canal defense in a way probably acceptable to the Panamanians. Nevertheless, Bunker was given a cool sendoff at the airport by Panama's chief negotiator. Yesterday morning, 300 to 500 students carried out a peaceful march into the zone and also demonstrated at the Foreign Ministry.

Panamanian frustrations over the lack of progress in the negotiations and sensitivities over canal defense and other delicate issues probably will lead to more demonstrations in the near future. October 11, the anniversary of the 1968 "revolution," will be a particularly attractive opportunity for the government to rally support by criticizing the US. Planning for the ceremonies suggests they will be the largest and most elaborate since the massive, canal-focused rally of 1971.

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ARGENTINA

Acting President Italo Luder's strong exercise of authority in reorganizing the Argentine cabinet this week is having a positive political impact. Further changes in the cabinet and in the leadership of the Peronist labor movement are likely.

Luder apparently forced the resignation of the controversial interior minister, Vicente Damasco, following a clash of wills, and also removed President Peron's private secretary. The replacement of these individuals, who were personally close to the President, signifies a shift in authority to more politically representative figures. For example, the new interior minister, Angel Robledo, is expected to move quickly to strengthen his already good relations with the opposition parties and with political groups allied with the Peronists, whose ties with the government have become increasingly strained under Peron.

Luder has also removed the federally appointed chief administrator of turbulent Cordoba Province, Raul Lacabanne, an extreme right winger. The move appears designed to ease political strife in the province and to demonstrate the Luder team's interest in compromise and consensus.

According to embassy sources, Luder will continue to restructure the administration, taking advantage of the President's absence to undermine her remaining political strength and possibly to launch a bid of his own to retain office. Most political observers agree that the ministers of labor, social welfare, and education will be changed soon and that Luder favors the removal of labor leader Lorenzo Miguel, an ally of President Peron in recent disputes.

The military high command, which apparently pressured Peron to take her 45-day vacation, believes that her absence will give the 58-year-old Luder a chance to demonstrate that the transfer of executive authority need not be unruly. At the same time, the officers probably hope that Luder will develop into a sufficiently attractive alternative to Peron to lessen the need for military intervention should she step down.

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GREECE-NATO

Greece apparently intends to stall substantive negotiations on its relationship with NATO in order to prod the Alliance into taking a more active role in resolving bilateral issues between Athens and Ankara.

Prior to the North Atlantic Council meeting on September 17, NATO representatives were cautiously optimistic that Athens was prepared to discuss concrete proposals for reintegrating Greece into the military side of NATO. Greek Ambassador Theodoropoulos instead emphasized that "progress in the negotiations will be a function of the overall political situation within the Alliance."

The Allies, and the Turks in particular, were disappointed by the Greek stand. Turkey hoped to keep the question of Greece's role in NATO separate from the bilateral political issues involving Greece, Cyprus, and Turkey.

The Turks also have been urging NATO to act quickly to define Greece's relationship with the Alliance, particularly in those areas which most directly affect Turkey—communications, overflights, air defense, and command and control in the eastern Mediterranean. Ankara fears that Athens' attempts to delay the talks will serve only further to isolate Turkey geographically from its NATO allies.

Domestic political considerations may explain in part the position taken by Greece. [redacted] It is clear that Greece also wants to maintain pressure on Turkey.

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Greece has agreed to continue discussions at a meeting of the defense planning committee today. [redacted]

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Randy Pherson, CIA



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UK

The Wilson government is under increased political and economic pressure to further reduce defense spending.

Left-wing Laborites already are focusing their attention on defense matters in preparation for the party's annual conference later this month. Seven resolutions calling for more defense reductions are on the agenda. One of these motions is certain to pass, perhaps by a large enough margin that Prime Minister Wilson will not be able to ignore it politically.

Economic difficulties have already forced the government to hedge on election promises to increase expenditures on social services and nationalization schemes. The government has been resisting further defense reductions, but should the deteriorating economic situation require more budget cutting, it is unlikely that defense programs will be exempt.

Current plans call for spreading defense reductions over a ten-year period, with most of the cuts coming after 1978.

While it is clear that the economic situation is forcing Wilson to scale down overall spending, it is too early to predict how large a cut the government might be forced to make in the defense area. Any significant additional reductions could cause further cuts in British weapons programs and jeopardize London's contribution to NATO. Drawdowns already planned have cut other British defense obligations almost to the bone.

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USSR

Soviet General Secretary Brezhnev met Wednesday with Konstantin Zarodov, the author of a hard-line article on Communist Party tactics, and thus seemed to be putting his personal stamp of approval on it. The fact that this was Brezhnev's first publicly announced appearance since his return from vacation will add to the significance of the meeting in the eyes of both East and West European Communist leaders.

Zarodov's article appeared in *Pravda* on August 6. It argued that Communist parties—by implication including those of Western Europe—should put revolutionary integrity ahead of cooperation with non-Communist parties and should not let democratic procedures stand in the way of seizing power. The article drew criticism from West European parties and more recently from the Yugoslavs.

Soviet officials, apparently embarrassed by the impact of the article, have tried on several occasions to pass off the Zarodov diatribe as a "mistake." Brezhnev's meeting with the author presumably will end this effort.

Although the Tass report of the meeting describes Brezhnev as praising Zarodov's efforts as editor of the international Communist journal *Problems of Peace and Socialism* and makes no mention of the *Pravda* article, Brezhnev probably intended that the meeting be read as a personal endorsement of the article.

The message was meant in the first instance for the French and Italian parties, which have practiced and defended political alliances with non-Communist parties. It will probably also be read by Portuguese Communist leaders as support for a tougher stance in negotiating for government portfolios or for staying out of a coalition.

Brezhnev may have also intended his action as a signal for the US and the West in general, assuming that it would be read as a toughening of the Soviet attitude across the board. He apparently thought it important, perhaps because of domestic pressures, to take that risk.

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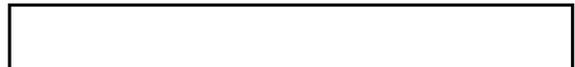
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