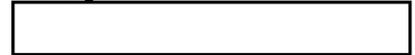


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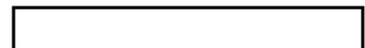
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LEBANON

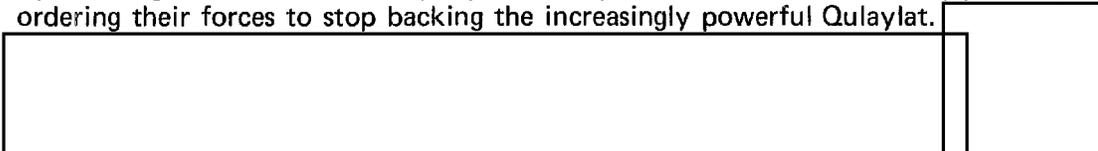
Prime Minister Karami announced last night that his extra-governmental "security committee" had agreed to still another cease-fire.

The committee contains representatives of Lebanon's principal Muslim and Christian political factions, including the right-wing Phalanges Party, but no radical leftists. Radicals led by Ibrahim Qulaylat have been the Phalangists' chief opponents in the widespread clashes this week and will attempt to keep the fighting going. Fighting continued in Beirut after the cease-fire announcement, according to the press.

Karami came under great pressure to negotiate a new cease-fire yesterday when socialist leader Kamal Jumblatt joined Qulaylat and other radical leftists in charging that the army had intervened to rescue right-wing Phalangists in the hotel district. The army had in fact prevented either side from making significant new gains, but had failed to reduce the level of fighting. According to press reports from Beirut, as many as 850 army commandos and other troops have taken up positions in the city's commercial center. This represents the most extensive army involvement in internal security functions since the state of emergency in May 1973.

If the fighting should continue at a high level or become still worse, the army might not be able to provide much additional help. The 18,000-man force includes only about 3,600 infantry troops who could be used for security duties. An estimated 2,000 of these troops have over the past several weeks been seconded to the government's exhausted 6,000-man internal security force. They have been guarding government buildings in Beirut, patrolling the periphery of the city, securing the road to the airport, and manning buffer zones between opposing factions in the Tripoli-Zagharta and Zahlah areas. The army's effectiveness in wider hostilities would be limited by an increased tendency for its units to divide along religious lines. Because the force so far has been used primarily for patrol duties and has seen little sustained combat, this has not yet become a significant problem.

Karami's willingness to have the army stay in place to help enforce the new cease-fire despite leftist criticism is a result of the generally constructive attitudes taken by the Syrian government and leaders of the Palestine Liberation Organization. The Lebanese branch of the Syrian Baath Party has been one of few groups to reaffirm its support for Karami this week. Palestinian leaders have helped by avoiding criticism of the army, by endorsing the latest cease-fire, and by privately ordering their forces to stop backing the increasingly powerful Qulaylat.



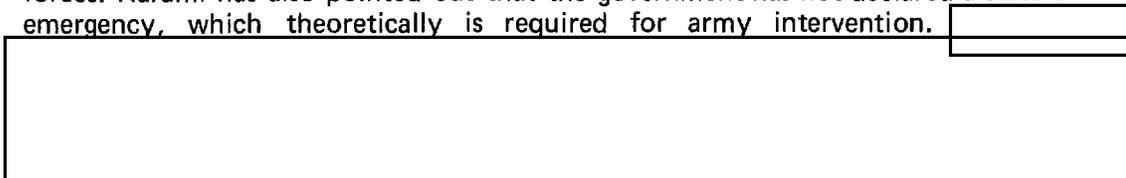
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The Prime Minister is attempting to minimize the damage to his political position by claiming that the army was ordered in by Interior Minister Shamun, a Christian, and that army forces remain under the command of the internal security forces. Karami has also pointed out that the government has not declared a state of emergency, which theoretically is required for army intervention.



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ASIA-US

Japan and South Korea have praised President Ford's speech in Honolulu this week, but North Korea has strongly denounced it.

The Japanese are clearly pleased that Washington has reaffirmed its commitment to play an active Asian role and the importance of the US-Japan alliance. Both the President's trip and his address were widely publicized in Japan, with editorial comment emphasizing the US resolve to remain a Pacific power. Since the fall of Indochina, there has been some concern in Tokyo that a US retrenchment in Asia could bring instability damaging to Japanese interests.

Tokyo is pleased to see that US relations with Peking remain on course and to note indications of a flexible US approach to Indochina. The Japanese also view the President's visits to Jakarta and Manila as important symbols of continued US involvement in Southeast Asia.

South Korea has generally expressed satisfaction with the speech, focusing more narrowly on Washington's determination to maintain its commitments to allies in Asia. President Ford's comments on the importance of maintaining security and peace in Korea and his statement that Seoul must participate in any dialogue on the future of Korea were particularly well received.

Hoping to see a further US withdrawal from Asia after the fall of Indochina, Pyongyang has reacted in predictably vitriolic fashion. Denouncing US policy as aimed at perpetuating the division of Korea, Pyongyang also directed special criticism at the US-Japan alliance and ignored the President's remarks about improving US-Chinese relations.

* * * *

Hanoi, meanwhile, has rejected the President's expression of good will toward Vietnam, stating that the US still refuses to address the issue of compensation for war damages. The Vietnamese have maintained that Article 21 of the Paris Agreement, which calls for "healing the wounds of war," is still in effect and that war reparations must be negotiated before any consideration can be given to the establishment of diplomatic relations.

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CHINA

The left wing of the Chinese Communist Party, which has watched the excessive policies of the Cultural Revolution being overturned in the past year, has launched a strident propaganda counterattack. This assault focuses mainly on the new educational policies announced this fall but includes a broader defense of the Cultural Revolution in general and of the "new things," a codeword for policies adopted during that turbulent period.

An article carried in the party's two major publications attacks point by point the shifts in educational policy announced in a speech by the minister of education and reportedly endorsed by Chairman Mao. It dismisses as ridiculous the charge made by the education minister that the universities have failed to provide quality education. It specifically criticizes the notion that the universities must emphasize basic technical courses, a direct rebuttal to the reported statements of Mao and the education minister on the need to increase the study of basic scientific theory. It attacks the policy, reportedly approved by Mao in 1974, of sending students directly to the universities without their having spent a few years in the rural areas first.

The article also reiterates the favorite leftist position that political training is the most important function of the universities, despite the reported statement by Mao that university students need not study politics in college but can do so at their places of employment.

The article has prompted one communist official to express his concern over a possible resurgence of ultra-leftist activity. After a steady erosion of leftist political influence, particularly in the cultural arena, the recent changes in educational policy forced the leftists with the choice of striking back or abandoning their last remaining area of influence to the moderate coalition headed by Vice Premier Teng Hsiao-ping.

The educational debate has apparently caused some disruption in two of China's most prestigious universities, those in Peking and Tsinghua, where students on both sides of the issue have put up wall posters. Some posters complain that educational policies are depriving students of a good education, while others attack what they see as a return to the "elitist" policies in vogue before the Cultural Revolution. The latter posters include specific attacks on the minister of education, whom they blame for reinstating higher educational standards.

Leftist assaults on the new educational policy will probably stave off, temporarily at least, any major changes in the education system. Efforts to regain some lost ground and to expand this attack into a defense of the Cultural

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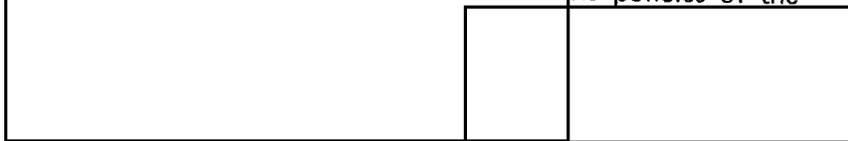
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Revolution are likely to meet with less success. The broader attack is contained in an article by Liang Hsiao, a pseudonym for an unidentified but influential person or group in the party leadership. This article attacks those who have "negated" the policies of the Cultural Revolution by endless criticism. The only specific policy mentioned is that of education, but the defense of the "new things" that emerged during the Cultural Revolution is clearly meant to include a wide range of policy issues.

This broad attack is a response not only to the changes made recently in Cultural Revolution policies and to Mao's apparent abandonment of the left, but also undoubtedly to the growing power and prestige of Teng Hsiao-ping. Teng is a particular irritant to the party's left wing because, as a victim of the Cultural Revolution, he personifies all of the "evils" that the leftists wanted to eradicate during that period.

It is precisely Teng's power, greater now than before the Cultural Revolution, that is likely to confine leftists' attacks to propaganda broadsides, while limiting their actual influence over policy. Nevertheless, these recent articles clearly demonstrate that the left retains access to the media and is capable of stirring up propaganda debates. In the past year, the left has been unable to sustain an attack on current policies. If kept up over time, such leftist activity could force the hard-nosed Teng to take firm action against his antagonists or, in the tradition of Premier Chou En-lai, to tread more cautiously in overturning the policies of the Cultural Revolution.

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CHINA-ANGOLA

Peking's policy toward Angola continues to reflect Chinese efforts to capitalize on Moscow's heavy-handed support for the Popular Movement. Publicly, the Chinese are maintaining a position of strict neutrality, and there is no evidence that any significant new amounts of Chinese military assistance are reaching the National Front or National Union.

[Redacted]

[Redacted] The Chinese may also have given tacit approval to divert [Redacted] military equipment [Redacted] so long as Peking is left with a plausible case for denying direct involvement in Angola.

As long as other countries maintain their current levels of assistance to the National Front and the National Union, China can be expected to maintain a low profile with its former clients, endorse the Organization of African Unity's call for neutrality toward Angola, and score propaganda points at Moscow's expense. Peking is clearly concerned, however, that it may not be able to sustain this approach.

Any significant reduction in support for the National Front and National Union by other countries, for example, would present the Chinese with difficult decisions.

[Redacted]

The prospect of a reversal of the Organization of African Unity's position on Angola or an agreement among its members to go their separate ways on the recognition issue would be equally unsettling to the Chinese. This would almost certainly lead to much wider African and Third World recognition for the Popular Movement and leave Peking on the wrong side of the fence. Such valued friends as Tanzania, Mozambique, Romania, and Yugoslavia have already followed Moscow's lead in formally recognizing the Popular Movement.

The Movement, for its part, has carefully avoided closing the door on Peking. [Redacted]

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Soviet pressures to side with Moscow in the ideological dispute with China. There are no signs, however, that Peking is seriously considering switching its political position. On the contrary, the expanded Soviet and Cuban role can only have darkened China's views of the Movement.

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ANGOLA

The offensive launched last week by the Popular Movement for the Liberation of Angola against Ambriz, the headquarters of the National Front for the Liberation of Angola, appears to have stalled some 50 miles south of its target.

The National Front has been destroying bridges as it falls back to Ambriz and positions farther north. Moreover, the Popular Movement's supply lines to Luanda probably have been slowed by the onset of the rainy season, a factor that annually hampered Portuguese operations during the insurgency.

In the fighting southeast of Luanda, forces of the National Union for the Total Independence of Angola yesterday retook Mussende from the Popular Movement, which had captured the town the day before. The National Union had used Mussende as an operational base in its drive, now stalled, to take Malanje.

A National Union spokesman announced in Lusaka, Zambia, last weekend that Union forces had "launched an offensive" against Henrique de Carvalho, the Popular Movement's major stronghold in eastern Angola. The extent of the fighting in that area cannot be determined.

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SPAIN

Preparations are under way for an extensive cabinet reshuffle that is expected to bring to the fore leaders who are willing to nudge Spain toward a more open political system.

The new government, which could be sworn in as early as tomorrow, may retain only three members of the present 19-member cabinet, according to Jose Maria de Areilza, a prominent monarchist politician. Prime Minister Arias told Areilza that Juan Carlos had specifically requested that portfolios be given to Areilza, to former ambassador to London Manuel Fraga Iribarne, and to Christian Democrat Federico Silva Munoz. Areilza claimed that he would be given the Foreign Ministry, that Fraga would be offered the Ministry of the Interior, and that Silva Munoz would become minister of either justice or information.

Arias said he would proceed only if all three men accepted the appointments. They will be cautious about what kind of government they might be associated with, but they are also very ambitious and anxious to get in on the ground floor of a new political era. In any case, Areilza implied that he was satisfied with Arias' assurances that the new government would attempt to move Spain closer to a Western-style democracy. Fraga had wanted to be prime minister, but the interior portfolio will provide him the base he wants to build a political power structure.

Areilza said he inferred from Arias' remarks that the three ministers who will remain are Minister of Labor Fernando Suarez Gonzalez, one of the most liberal members of the current government, Minister of the National Movement Jose Solis Ruiz, a moderate proponent of change who is widely acceptable across the political spectrum, and the more conservative Minister of the Navy, Admiral Gabriel Pita da Veiga.

According to Areilza, Arias may appoint General Manuel Gutierrez Mellado to be deputy prime minister for coordinating the three military ministries—perhaps foreshadowing the formation of a defense ministry in the near future. Gutierrez Mellado, who is the chief military spokesman at the US base negotiations, is generally considered one of the brightest general officers in the Spanish armed forces. He favors a gradual evolution of the regime and is liked by most of the democratic opposition, including the Socialists.

Whatever the composition of the new government, it will face a baptism by fire. The localized strikes that are taking place this week are likely to be forerunners of more serious labor unrest this winter. A number of important collective

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bargaining contracts are due to expire on December 31, and last month the government extended for a year the wage freeze that was introduced last summer. The extension has angered the entire working class and will make the labor movement more receptive to Communist attempts to use the country's economic difficulties to organize a paralyzing general strike early next year.

The government will also have to cope with an increasing number of potentially violent demonstrations as the opposition steps up its demands for complete amnesty for political prisoners, legalization of the Communist Party and all other parties, and an opening up of the government labor organization.

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PORTUGAL

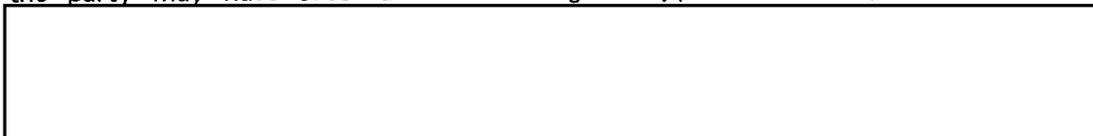
Foreign Minister Melo Antunes, a key member of Portugal's Revolutionary Council, has announced that the military is prepared to allow civilians a greater role in running the country, but he ruled out an early return to civilian rule.

Speaking at a press conference on Tuesday, Antunes conceded that the Armed Forces Movement—which has dominated Portugal for the past 20 months—may have to surrender its role as the vanguard of the revolution. He confirmed that a revision of the pact signed with the political parties last spring is under way, but he stressed that a precipitate withdrawal by the military could endanger its program for leading the country to socialism. Antunes, who has political ambitions of his own, was responding to recent demands by military and civilian leaders that the Armed Forces Movement relinquish power and "return to the barracks."

Among the officers pushing for the military to withdraw from politics are a number of respected professional soldiers who believe the people should be allowed to decide whether they want socialism. Although their number and influence are not known, several of the officers are believed to have played a key role in putting down the leftist military rebellion of November 25-26. There is evidence that the strength of the group is growing and that it may exert increasing pressure upon the Antunes faction to change both its gradualist approach to returning power and its attachment to socialism as an unalterable goal.

The Azevedo government, meanwhile, has survived a split in the centrist Popular Democratic Party. The compromise resolution on Communist participation in the cabinet, passed by the Popular Democrats at their congress on Saturday, has assured continuation of the sixth provisional government. A subsequent power play by party Secretary General Sa Carneiro, however, led to the resignation of the leadership of the party's left wing. Reacting to the secretary general's autocratic attempts to dominate the party secretariat, one cabinet minister, two secretaries of state, and 17 members of the party's delegation to the constituent assembly have already bolted and more defections are expected.

Prime Minister Azevedo has agreed to allow Sa Carneiro to replace dissident Popular Democrats in the government, but the status of the assembly members has not been determined. The split has resulted in a more homogeneous party firmly under Sa Carneiro's control, but the party has lost some of its most effective political organizers. Unless a reconciliation is achieved, which now seems unlikely, the party may have succeeded in limiting its appeal exclusively to the right.



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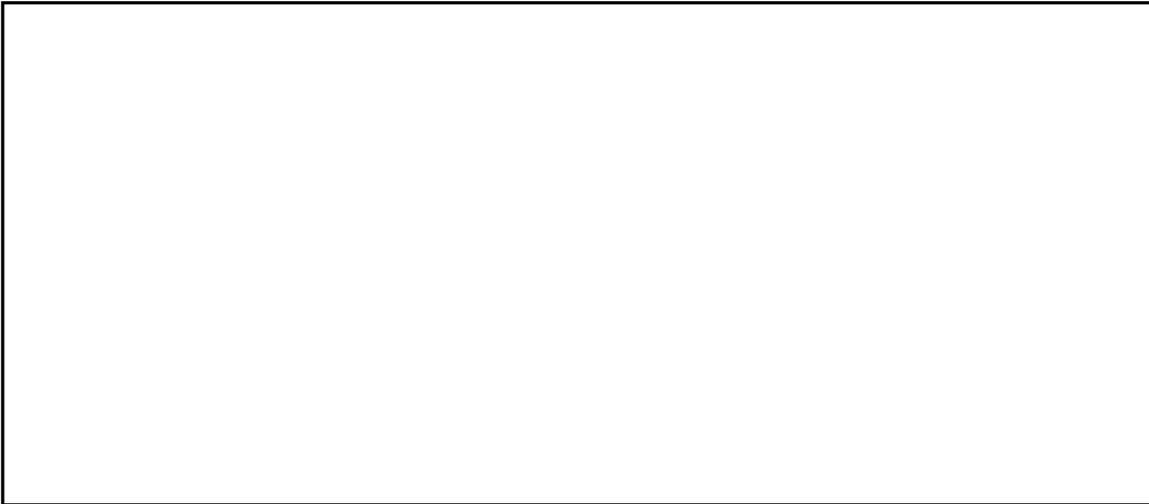
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INDONESIA-TIMOR

Indonesia's Asian friends are working to undercut criticism of Jakarta by other Third World states and to work out a UN resolution on Timor that all sides can accept. Members of the Association of Southeast Asian Nations—Malaysia, Singapore, the Philippines, and Thailand—have joined other Asian states at the UN in seeking a compromise resolution on Timor that will avoid condemning Indonesia for aggression.

The problem is particularly delicate for the Australian government, which is in the midst of a bitter election campaign. Left-wing trade unionists supporting the Fretilin cause of Timorese independence are being joined by usually conservative World War II veterans who served in Timor and feel an emotional tie to its people. Australia is presently supporting a compromise resolution that avoids any mention of Indonesian action and talks in general about respecting the rights of Timorese self-determination, but the Australians fear that the resolution in its present form has little chance of passing.

Even Jakarta's severest critics display no belief that Fretilin is a viable government worthy of substantial support as such. Both Peking and Hanoi have been outspoken in denouncing Indonesian aggression, but neither has recognized Fretilin's declaration of independence. As the self-proclaimed leader of the Third World, Peking must have felt obliged to criticize Jakarta, but the Chinese hope that the Timor issue will not become an obstruction to Peking's continuing efforts to improve relations with Jakarta. Hanoi took the opportunity to blame Washington for encouraging the Indonesian attack.



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BRAZIL - WEST GERMANY

Ties between Brazil and West Germany have been improved significantly by Foreign Minister Genscher's visit last month to Brasilia. Both German and Brazilian officials are already speaking of a "special relationship" between the two countries.

In an exchange of diplomatic notes implementing the nuclear cooperation agreement signed last June in Bonn, Genscher and Brazilian Foreign Minister Silveira agreed to establish joint venture companies in the nuclear field before the end of the year. Nuclebras, the Brazilian state nuclear enterprise, will begin placing orders in 1976 which are expected to amount to \$1 billion over several years.

The two foreign ministers also issued public statements that could be interpreted as playing down the role of international safeguards in nuclear policy. While Genscher said that the restrictions imposed by the International Atomic Energy Agency apply only to the binational program, Silveira asserted Brazil's right to undertake peaceful nuclear explosions. Genscher chose not to point out that the agreement specifically prohibits the use of joint projects and technology to undertake nuclear explosions for peaceful purposes.

Genscher also curried favor with the Brazilians by emphasizing the importance of improving trade relations between the developed and less developed nations—a theme that has been sounded by Silveira in two recent appearances before the UN.

It is apparent that West Germany wants to improve relations with several Latin American countries. Genscher also visited Venezuela and Peru to encourage a widening of economic cooperation. Brazil, however, is the main attraction. German investment there already is close to \$1 billion, with over 400 firms represented. This extent of economic involvement is second only to West German investment in the United States.

Bonn seems to view Brazil as a "bridge" to Latin America and the less developed nations in general, both because Brazil offers profitable opportunities for investment and because, as an emerging world power, it has an approach to many issues that is compatible with the interests of the industrialized nations. Brazil is also an important cultural "bridge," owing to a large population of German extraction.

From Brazil's point of view, the relationship with West Germany provides an opportunity to chart a more independent foreign policy, to reduce the traditional dependency on the US, and to assert its national interest as a major power. This is especially important at a time when Brazil is becoming increasingly strident in the assertion of its interests in international forums.

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The maintenance of West Germany's currently favorable position in Brazil will of course depend in large measure on how smoothly the nuclear agreement is implemented. There do not appear to be any specific points of conflict at this time, but given the complexity of the series of agreements, there will undoubtedly be some difficulties.



WEST GERMANY

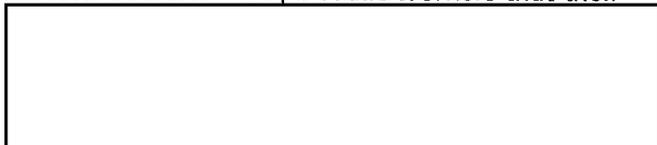
The two parties in Chancellor Schmidt's coalition government, after protracted negotiations, reached agreement this week on new legislation to increase the role of labor in industrial management. Both parties will push for parliamentary ratification in the spring.

Many compromises were necessary, given the sharp differences between the Social Democrats and the business-oriented Free Democrats. Leaders of both parties feared, however, that the Schmidt government would lose crucial votes in the national elections if it could not deliver on this major reform, which was promised by the Brandt-Scheel administration six years ago. The coalition parties have a comfortable majority in the lower house of parliament, but recent polls indicate that the electoral challenge of the opposition Christian Democrats could be strong.

In striking a compromise with their more conservative coalition partners, the Social Democrats are running a calculated risk. Trade union leaders, particularly spokesmen for the nation's labor federation, are disappointed in the draft legislation. Although workers will enjoy equal representation with management on supervisory boards projected for firms with more than 2,000 employees, tie votes will be broken by a chairman elected by each firm's stockholders.

The concession was unavoidable after German firms and subsidiaries of multinational corporations raised serious legal objections to permitting unions to dictate or stymie management policy. The bill now should also survive attacks from the opposition parties, which, along with the conservative Free Democrats, had argued that earlier proposals were unconstitutional.

Despite their disappointment, union leaders have indicated that they will respect the compromise legislation. This moderation is partly a result of strenuous efforts by Schmidt and Economic Minister Friderichs to persuade workers that their maximum demands are unrealistic.



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RHODESIA

Joshua Nkomo, the leader of a major faction of Rhodesian black nationalists, announced yesterday that formal negotiations with Prime Minister Ian Smith aimed at achieving a constitutional settlement will begin today.

Nkomo and Smith last week signed a "declaration of intent" to begin the formal talks, but they had been expected to hold another preliminary meeting this week to settle final details. Nkomo's announcement suggests that all procedural matters may already have been worked out.

Nkomo said he would lead a 12-man delegation to the talks, but he did not indicate whether representatives of other nationalist factions will be included. The delegation almost certainly will not include Nkomo's most prominent rivals, Ndabaningi Sithole and Bishop Muzorewa, who have denounced from exile the Smith-Nkomo meetings.

Settlement talks will be prolonged and difficult, and ultimate success is far from assured. In any event, Smith can be expected to employ tactics aimed at avoiding a final settlement for as long as possible.

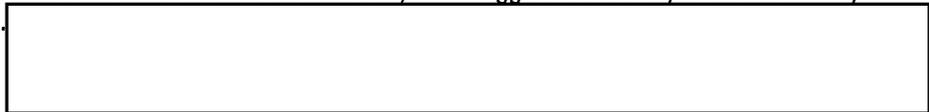
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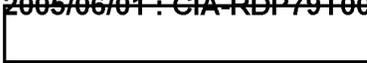
FOR THE RECORD

CHINA: The Chinese have released a new figure for 1974 grain output that is far larger than the output claimed for any previous year. At a UN conference held in Rome in mid-November, vice minister of agriculture and forestry Yang Li-kung reported that the total grain output was 274.9 million tons. This is consistent with US estimates of the 1974 harvest. A Western press dispatch from Peking, using this figure as a base, speculates that China's 1975 harvest could be more than 280 million tons. Peking announced recently that the 1975 harvest was "even higher than 1974, itself a high production year." This statement downgrades the 1974 harvest, which previously had been termed a record harvest, and suggests that any increase this year will be small.



* * * *

GREECE-ROMANIA: A barter arrangement has been concluded by which Bucharest will provide Athens 2,000 Romanian-manufactured ARO-240 three-quarter-ton jeeps in return for agricultural products. Delivery is to be completed by April, if possible, because of tensions with Turkey. Since early 1974, when Athens withdrew from the grant-aid portion of the US military assistance program, it has been purchasing military materiel from both Western Europe and the US. This is the first time Greece has arranged for materiel from a communist country specifically for military use.



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