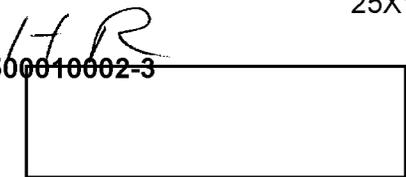


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State Dept. review completed

DIA review(s) completed.



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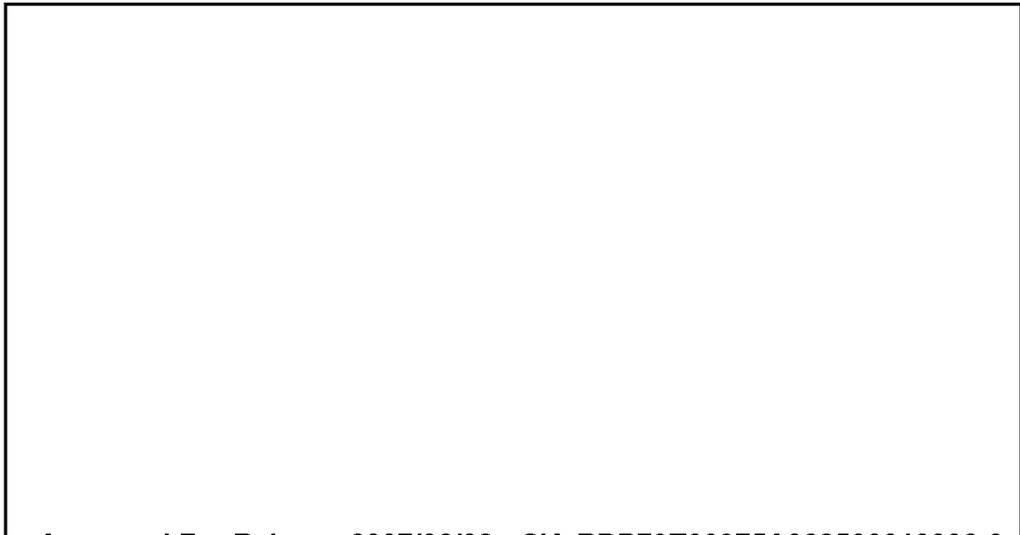
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ITALY

Socialist Party leader De Martino has threatened to withdraw Socialist parliamentary support for the Moro government next week—a move that would lead to the collapse of the government and possibly to early parliamentary elections. A final decision may be made at the Socialist directorate meeting on Wednesday.

De Martino's position had been that no decision should be made on support for Moro until after the Socialist Party congress in February. Several factors probably encouraged him to take a harder line, among them:

--De Martino's rivals in the party maintain that continued support for Moro limits the Socialists' ability to compete with the Communists in the next elections. The rank and file seem to be giving more support to this view, hindering De Martino's plans to emerge from the congress with a solid majority behind him.

--The Socialists have found themselves increasingly isolated in parliament on issues important to their constituency, such as the medium-term economic plan and legalized abortion. In the debate taking place on abortion, the Christian Democrats have formed an ad hoc alliance with the Communist opposition to thwart Socialist efforts to give women complete freedom of choice.

If the Socialists follow through on their threat, the ensuing government problems are likely to be among the most difficult and protracted of the postwar period. The Christian Democrats cannot form a workable non-Communist government without the Socialists, but the latter are not likely to cooperate unless some formula can be found that increases Socialist influence in the government substantially and/or associates the Communists with the government in some way short of actual participation in the cabinet. The Socialists believe that they cannot compete with the Communists at the polls unless the latter are forced to take some responsibility for government actions.

The Christian Democrats, who are preparing for a party congress in March, remain deeply divided over how to respond to Socialist demands. The collapse of the Moro government in present circumstances would thus increase the possibility that the parties might resort to early parliamentary elections in an effort to break the deadlock. Some Socialist leaders favor elections because they feel their party stands to gain more if the elections are held next spring instead of in May 1977, as now scheduled.

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USSR

Pravda on New Year's Day published a statement on strategic arms limitations that reaffirms Soviet interest in a new agreement. The article is signed "Observer," indicating Kremlin endorsement.

None of the issues now under discussion is addressed. Instead, the article strikes out against US citizens who have charged the USSR with failure to comply with existing strategic arms limitations agreements. It accuses such people of trying to frustrate US-Soviet detente for "various selfish political aims." It labels as "concoctions" allegations that the USSR has exceeded limits on ballistic-missile launchers or is seeking to interfere with technical means of verification. The article cites statements by President Ford, Secretaries Kissinger and Rumsfeld, and former secretary Schlesinger to the effect that Moscow is not in violation of existing agreements.

Acknowledging that "certain questions" may arise regarding fulfillment of strategic arms limitations, *Pravda* states that such issues must be resolved by the standing consultative commission. The article notes that not all the USSR's questions regarding US compliance with strategic arms limitations agreements have been "fully eliminated," but it does not accuse the US of violating any agreement.

The discussion of compliance is unusual. It appears intended to channel complaints into established forums and to indicate that such complaints will not interfere with the business of negotiating a new agreement. The article puts the Soviets on record as being ready for a new accord, but it gives no hint whether they will modify their negotiating positions in order to bring about another agreement.



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CHINA

The New Year's Day editorial carried in all of Peking's major publications expressed satisfaction with last year's economic and scientific achievements but reflected continuing behind-the-scenes maneuvering in the political sphere.

The bulk of the editorial was devoted to a defense of the cultural revolution of the mid-1960s and of the policies that grew out of that period. This positive assessment of the cultural revolution emerged suddenly last month in a series of articles. They seemed to reflect dissatisfaction from the party's left wing that cultural revolution policies were being criticized, and in fact overturned. Unlike the December articles, the editorial was generally less strident, refrained from singling out rehabilitated officials, and did not call for harsh action against those who are reluctant to follow the policies of the cultural revolution.

The editorial was accompanied by the republication of two poems written by Chairman Mao in 1965, just prior to the cultural revolution. One poem alludes to the revolutionary spirit of the civil war, while the other is critical of those who were afraid of the upcoming cultural revolution. The poems were quoted liberally in the editorial and were treated as important reading material for 1976.

Although the editorial's defense of the cultural revolution was balanced by calls for unity and continued economic progress, the editorial quoted a new statement by Mao that unity and stability do not mean the end of political struggle. The major struggle under way is over whether to retain the educational policies of the cultural revolution. Mao himself recently endorsed changes in educational policies that in essence reverse those of the cultural revolution. This has prompted an outcry from the party's left wing, and the Chairman has reportedly given his approval for a debate on the issue.

The editorial set strict limitations on this "great debate," which is to be carried out under the firm leadership of the party. In this regard, the editorial strictly prohibited the formation of "fighting groups." This suggests that the education issue is getting out of hand or at least reflects Peking's determination to keep the debate from becoming a disruptive force.

The derogatory reference to fighting groups follows by one day the publication of a letter to Mao from a group of university students. The students claimed they were "fighting" and "hitting back" in Mao's name at those who want to make changes in the educational policies of the cultural revolution. The editorial's prohibition of fighting groups may in fact be Mao's response to the letter and his disapproval of such tactics. In any event, while the education debate will be allowed to continue, bellicose students, such as those who wrote to Mao, seem to have received a public—and official—dressing down.

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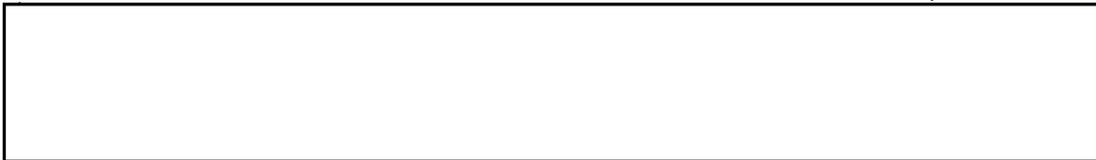
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No new themes or formulations appeared in the editorial's relatively short foreign policy section; attacks against Moscow were every bit as sharp as Chinese propaganda prior to the release last weekend of the Soviet helicopter crew.

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ALGERIA-MOROCCO

Algerian press attacks against Morocco's expanding control of northern Spanish Sahara are becoming more vitriolic.

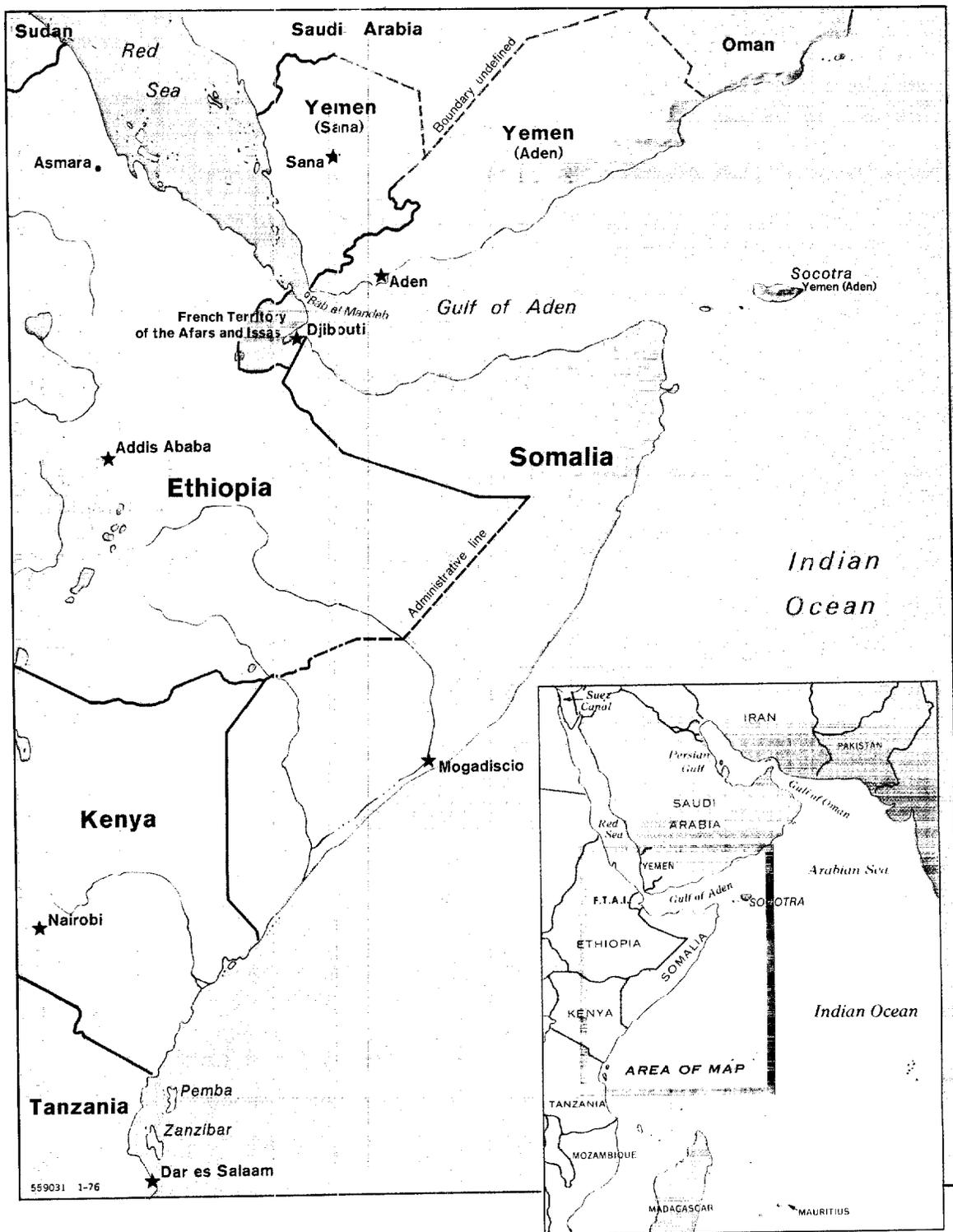
In a lengthy diatribe on December 30, Algeria's party newspaper, *El Moudjahid*, for the first time called for the overthrow of the Moroccan monarchy. The party organ occasionally exceeds official guidelines, but this article may have been officially inspired. Earlier this month an Algerian official implied that Algiers might remove restrictions placed on Moroccan dissidents living in Algeria.

Algeria is also venting its anger at Morocco's move into Sahara by harassing and expelling Moroccan nationals living in Algeria. The deportations began on December 11, the same day Moroccan troops were officially welcomed in the Saharan capital of El Aaiun. According to press accounts from Rabat, 30,000 Moroccans have been deported on the pretext of being illegal residents. An estimated 350,000 Moroccans live in Algeria.

Despite these actions, Algerian officials in private do not seem overly exercised. They have denied speculation that Morocco and Algeria have withdrawn their ambassadors from each other's capitals. The Algerian officials maintain that their envoy is home for consultations; the Algerian charge in Rabat expects him to return early this month.

Morocco, for its part, has been making conciliatory gestures to Algiers. A senior Foreign Ministry official who visited Algiers on December 29 to discuss the expulsions of Moroccans was apparently unsuccessful. According to a source of the US embassy in Rabat, the Algerians underscored their "sovereign right" to deport aliens and left the impression that the expulsions are likely to continue.

Some Moroccan officials in Rabat are concerned that Algeria is about to allow the Polisario Front, a Saharan guerrilla movement, to announce a provisional Saharan government. A senior Algerian official stated on December 30, however, that the Front did not plan to make a declaration of independence. He characterized such a move as premature. So far, the Algerians have portrayed the Front only as a liberation movement.



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FTAI-SOMALIA

France's announcement on December 31 that it will grant independence to the French Territory of Afars and Issas by June 1976 could trigger serious unrest in the territory, as well as subversion by Somalia.

The specifics of the transfer of power are yet to be negotiated, according to a French spokesman. Paris presumably will try to avoid any arrangements that might throw into question the shaky leadership role of Ali Aref Bourhan, current president of the local governing council.

Anti-Aref groups in the territory, with an eye on gaining power following independence, will almost certainly demand to play an important part in the negotiations, especially those having to do with future elections. If refused a role, they may take to the streets in an effort to oust Aref, who was the target of assassins in early December.

Neither Aref nor any other leader can speak for a majority of the territory's population. There is a fundamental conflict between the Afars and the Issas, the two major ethnic groups, but each is also beset by deep division in its own ranks.

Aref was installed by Paris in the 1960s because he was willing to support continued French rule and was able to keep the Afars in line. After years of defending French control, Aref became convinced that his more radical opponents in Djibouti were gaining ground by their demands for immediate, unconditional independence. He came out for independence early in 1975, but he has carefully orchestrated his efforts with the French.

Aref's acceptance—or perhaps his advocacy—of France's additional decision to maintain its military presence in the horn of Africa will be a sore point. Aref, of course, recognizes that the decision will be used against him, but he probably believes the French presence is necessary to guarantee the territory's security against any overt threats by Somalia.

Although Somalia has given lip service to the concept of independence for the territory, President Siad's government seeks to incorporate it into Somalia; the Issas are ethnic Somalis. Mogadiscio also is attempting to gain a voice in the arrangements leading to independence. In a sharply worded diplomatic message to Paris last month, Mogadiscio warned that a number of steps should be taken before the French give up political control. Among other things, the Somalis indicated that a government led by Aref would be unacceptable to Mogadiscio.

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Somalia could react to the French announcement by increasing its support of the Front for the Liberation of the Somali Coast, a small Somali-backed Issa group headquartered in Mogadiscio. Somalia could then support guerrilla incursions into the territory.

Mogadiscio's claim to the role of spokesman for the Issas is weakened by its apparent loss in recent years of much of the support it had among members of the tribe. Many Issas have little use for Siad's leftist, authoritarian regime. Many Somalis who live in Djibouti left Somalia to seek economic opportunities they felt they could not find under Siad's government.

Amid indications earlier this year that Aref would probably lead an independent government in Djibouti, Ethiopia renounced its own historic claims to the territory. Addis Ababa would, however, consider a direct threat to its economic interests any territorial government that was either pro-Somali or sympathetic to the Afar rebels in Ethiopia. Addis Ababa's vital rail route to the Red Sea terminates in Djibouti.



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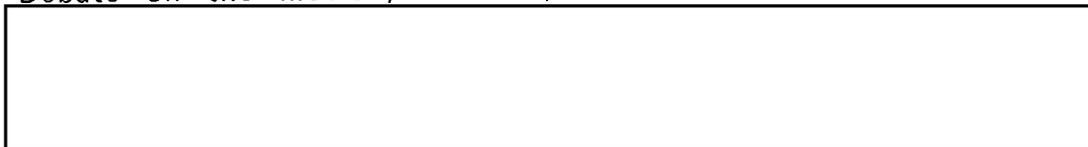
ARGENTINA

President Peron is continuing to resist military demands that she either resign or take an immediate leave of absence.

The three service commanders and their staffs met again on December 29 to discuss her continuance in the presidency and unanimously agreed that she must give up power. Advised later about the decision, Peron reportedly rejected the generals' desires, insisting that she must remain chief executive without conditions. Nonetheless, she offered to change her cabinet and remove two staunch supporters, her private secretary and a Peronist labor chief. The three commanders replied that the issue of her removal from office is not negotiable.

Although the situation is at an impasse, the generals' decision that the President step aside appears irreversible. The longer she refuses to leave, the firmer the generals will become in their belief that a solution can begin only when she is removed from power.

Meanwhile, the President continues to lose support within the congress. On December 31, the Chamber of Deputies voted "no-confidence" against its president—a staunch supporter of Peron—and in effect called for his resignation. On December 26, a motion calling for impeachment proceedings against President Peron on grounds of incompetence reached the Chamber of Deputies. Although this move will undoubtedly gain more support than an earlier effort, opposition forces probably will not be able to muster the two-thirds majority required for passage. Debate on the motion, however, will further discredit the President.



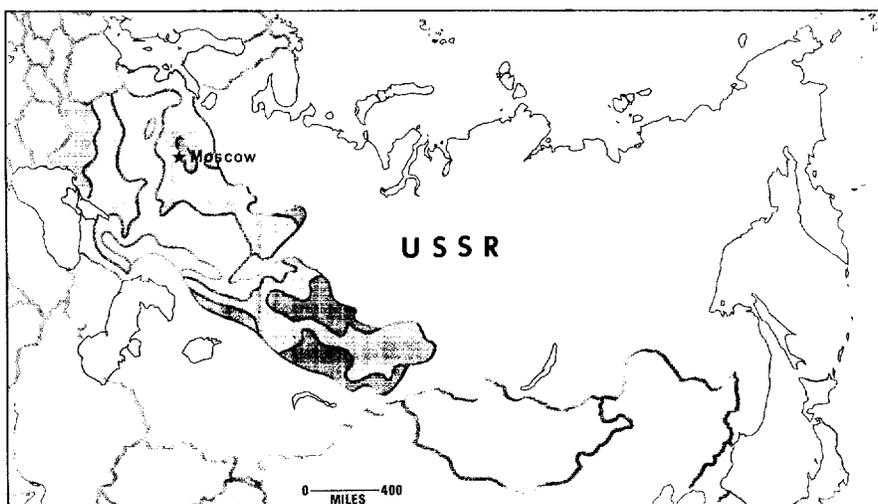
USSR

Snow Cover Protection Against Winterkill, Mid-December 1975



Adequate (More than 8")
 Borderline (3"-8")
 Inadequate (Less than 3")

Percentage of Normal Soil Moisture, 1 December 1975



Greater than 100%
 50-100%
 25-50%
 Less than 25%



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USSR

Below-normal temperatures and inadequate snow cover are seriously jeopardizing the USSR's fall-sown grain crops. The prospect of extensive winterkill is heightened because the seedlings entered winter dormancy weakened by drought.

The season's stationary high-pressure system over Siberia came early this year, bringing unusually cold temperatures to the country's winter grain areas. If the winter continues to be dominated by this system, and if heavy snowfall does not occur soon, cold temperatures may kill up to one third of the crop.

The low levels of soil moisture also will inhibit the growth of spring grains planted to replace winter-killed plants. Moreover, similarly low soil-moisture reserves in several major spring grain areas are a harbinger of poor sowing conditions in May. The scars of this year's drought have not healed in the Urals and surrounding regions, and more precipitation than normal will be essential for average or better yields.



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USSR

Continued large hard-currency trade deficits are causing the USSR to rely more heavily on credits backed by Western governments. Moscow has already warned US officials that the lack of Eximbank credits is causing the US to lose a substantial amount of Soviet business.

In recent weeks, the Soviets have approached the French, Italians, and Canadians for further credits, even though the major share of the \$4.2 billion in general-purpose credit lines already granted by these three countries has not been used. Since mid-1974, the USSR has received a total of \$6.5 billion in government-backed general-purpose credit lines from countries that customarily make them available—Italy, Canada, the UK, and France. During this period, the USSR has also received \$4.5 billion in project-associated credits from Japan, West Germany, Italy, and France.

Soviet officials have recently pressed Western governments to enlarge the general-purpose credit lines:

--In December, the USSR asked Canada to increase the \$500-million credit line granted earlier in the year. The Soviets said the \$500 million had been allocated to specific projects, but they would not list the projects that would exhaust the existing credit line. Few if any actual contracts have been signed.

--The Soviets informed France in November that they would soon be seeking credits beyond the \$2.8 billion Paris granted in December 1974. Again, Soviet officials claimed that the existing credit line has been earmarked, but they refused to specify the projects involved.

--During a November visit, Foreign Trade Minister Patolichev queried Italian officials about additional credits beyond the \$900 million granted in September. Given the large value of Soviet deals under negotiation, Italian officials stated that additional credits would most likely be offered.

Moscow's desire to arrange additional credits before existing ones are exhausted can be traced in part to hard-currency problems. By lining up additional credits, the Soviets can better decide which country's firms should be approached for a particular order and what total value of equipment can be purchased over the next few years. Soviet reluctance in stating which projects have been allocated to existing credit lines is understandable; Soviet bargaining positions with foreign firms would be significantly reduced if the firms knew that Moscow was committed to purchase equipment being negotiated.

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The Soviets have been informing US officials that, despite a marked preference for US equipment, the lack of US credits will force them to make purchases elsewhere. Within the past week, Soviet officials have stated that some \$800 million for oil-industry equipment will have to be diverted from US-based firms to their foreign subsidiaries and/or to West European and Japanese firms. In another case, the bulk of orders for the Cheboksary tractor plant will be made in 1976, but the major share would go to West European and Japanese firms or US subsidiaries producing in those countries.

These recent statements to US officials concerning the loss of orders may have been orchestrated in Moscow to support Soviet contentions concerning the adverse effects of a lack of Eximbank financing. The shortage of hard currency and a growing debt service, however, make it important for the USSR to secure the most advantageous credit terms available; many potential orders for the US will continue to be diverted abroad because of the lack of US credits.

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USSR

On December 28 a diesel-powered, torpedo-attack submarine, believed to be a T-class, passed through the Bosphorus Straits into the Mediterranean, the first Soviet submarine to do so since May 1973.

If the submarine were indeed a T-class, it would be the first out-of-area deployment for this latest model Soviet diesel attack submarine, which first appeared in 1973. The Black Sea Fleet is believed to have two operational units, the Northern Fleet one.

Under the Montreux Convention governing naval use of the straits, submarines that transit the Bosphorus southbound are supposed to put in at a port for repairs or overhaul. The Soviet submarine could operate with the Mediterranean Squadron for some time, but it would then have to call at a port for yard work. It could also make an obligatory dockyard visit in the process of a permanent interfleet transfer to another Soviet operating area. In May 1973, two W-class units shifted from the Black Sea to the Soviet Baltic Fleet for overhaul.

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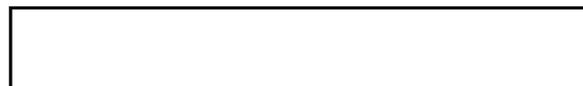
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