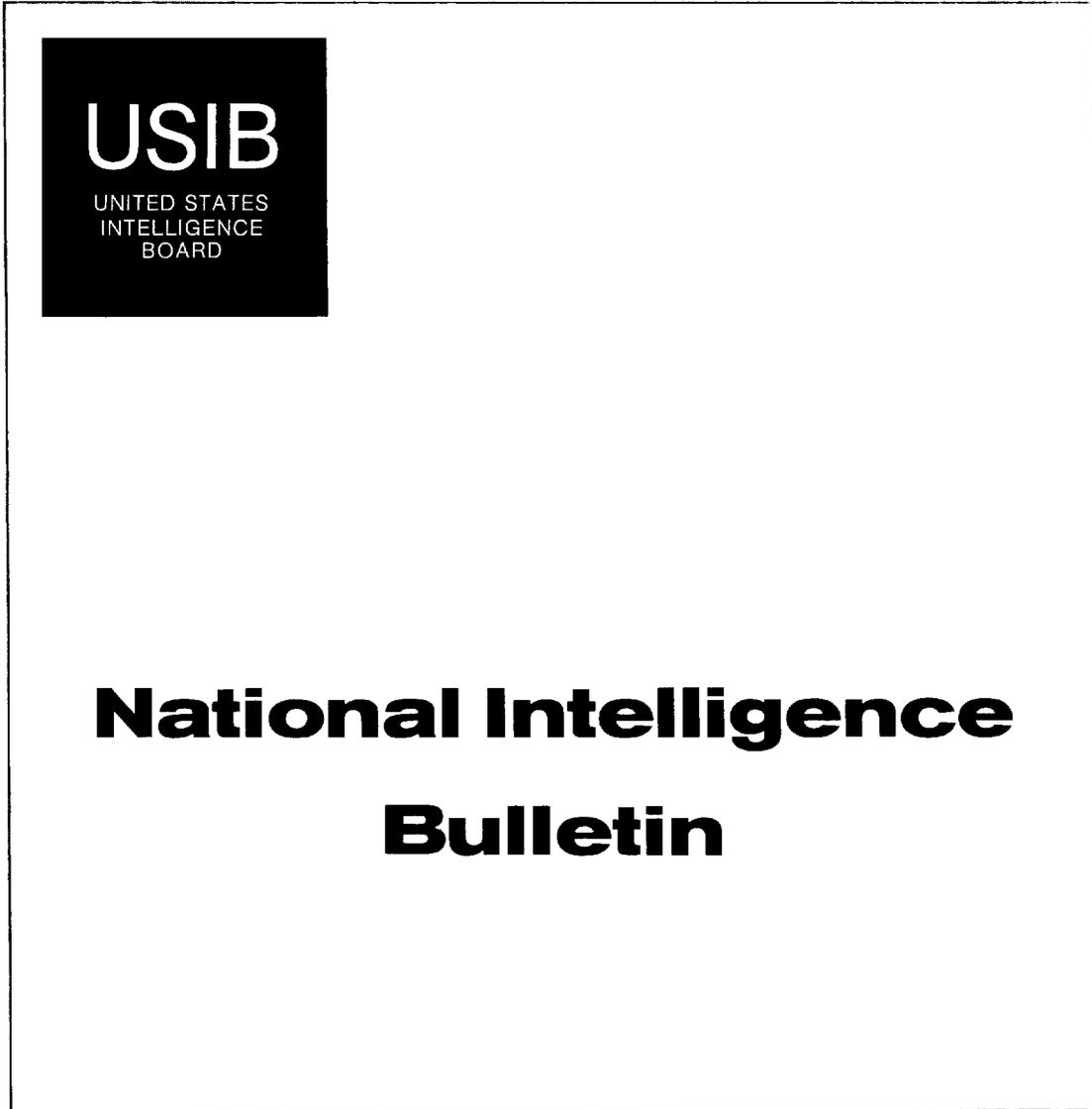


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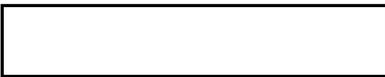
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ICELAND

The general strike that all but paralyzed Iceland for nearly two weeks was settled on February 28, freeing Prime Minister Hallgrimsson to deal with the continuing impasse with Britain over the fisheries dispute.

Details of the strike settlement have not been reported. It is not clear if the strikers achieved their major goal of retying wages to the cost-of-living index, a formula which was suspended last year in an attempt to slow down runaway inflation. The damage caused by the strike to Iceland's already impaired economy has been substantial. One local newspaper estimated that the strike cost the country as much as 4 percent of its gross national product.

The day before the strike settlement, Hallgrimsson prevailed upon the strikers to remove barricades blocking the entrance to the US-manned NATO base at Keflavik. Hallgrimsson, responding to a US diplomatic protest, told the demonstrators that action against the NATO facility did not benefit Iceland's cause in the fisheries dispute with the UK.

Although there is still no sign that Iceland is willing to resume negotiations to settle the issue, several developments suggest that the Hallgrimsson government's hand has been strengthened for the next round of talks. Settling the strike and winning a vote of confidence last week should make the government less nervous about its vulnerability on the domestic front. Unless the British agree to pull out their warships, Iceland probably will continue to balk.

There also are signs that opinion in NATO appears to be turning against current British efforts to force Iceland into an agreement through tougher tactics at sea. Some NATO allies believe that the current diplomatic impasse may provoke Iceland's withdrawal from the alliance. Even the London *Sunday Times* suggested recently that the government should have yielded to Icelandic demands because the UN Law of the Sea Conference, which convenes this spring, may make the British position untenable.

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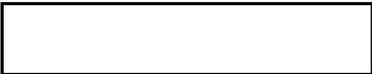
BANGLADESH

A new breakdown in military discipline points up once again the tenuous control exercised by the martial law administration.

Last Friday, troops at a base in Chittagong in eastern Bangladesh mutinied and later moved through the city shouting and firing their rifles. When Bengalee leader General Zia flew to Chittagong on Saturday to quiet the rebellious enlisted men, some of the troops, [redacted] reportedly fired on the general's helicopter as it tried to land at the base; Zia subsequently landed at Chittagong's civil airport. Yesterday, the Bengalee foreign secretary claimed that the government had regained control of the situation.

It is unclear what provoked the mutinous troops, but there are indications that they may have been reacting to the recent court martial of two officers accused of having supported a short-lived power play by a rival of Zia last November. Some deaths have been reported as a result of the fighting.

Although the army base in Dacca and other major bases are quiet for the moment, unrest could spread as it did last November. Troops are still disenchanted over several issues, including the government's failure to fulfill demands for more pay. Indiscipline apparently has also been encouraged by the reluctance of some members of the factionalized officer corps to impose their authority over the troops.



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PORTUGAL

Portuguese naval officials are redefining the service's future mission and developing a modernization plan, but success ultimately will depend on Western assistance.

The Portuguese plan restricts the navy to coast guard operations and patrol of sea lanes between the mainland and the Azores and Madeira Islands. A minor NATO role would be continued, and no major personnel reduction is expected. The advanced age of the fleet and a lack of funds, however, already seriously affect combat readiness.

The navy's most urgent need is for 12 new minesweepers. Officials are looking to Western Europe for aid in this area, which they consider vital to the navy's NATO and coastal-defense roles.

The Portuguese also claim to need replacements for at least six of their seven destroyer escorts in order to continue making a respectable contribution to NATO defense in the eastern Atlantic. Lisbon is reportedly considering the British Amazon Type 21-class and US Perry-class guided-missile frigates. Because of budget limitations, however, the Portuguese may decide to modernize their old units.

The navy's ten corvettes will be retained as the backbone of future coastal operations. In addition, the navy reportedly will retain its three Daphne-class submarines, but would prefer smaller units with lower operating costs.

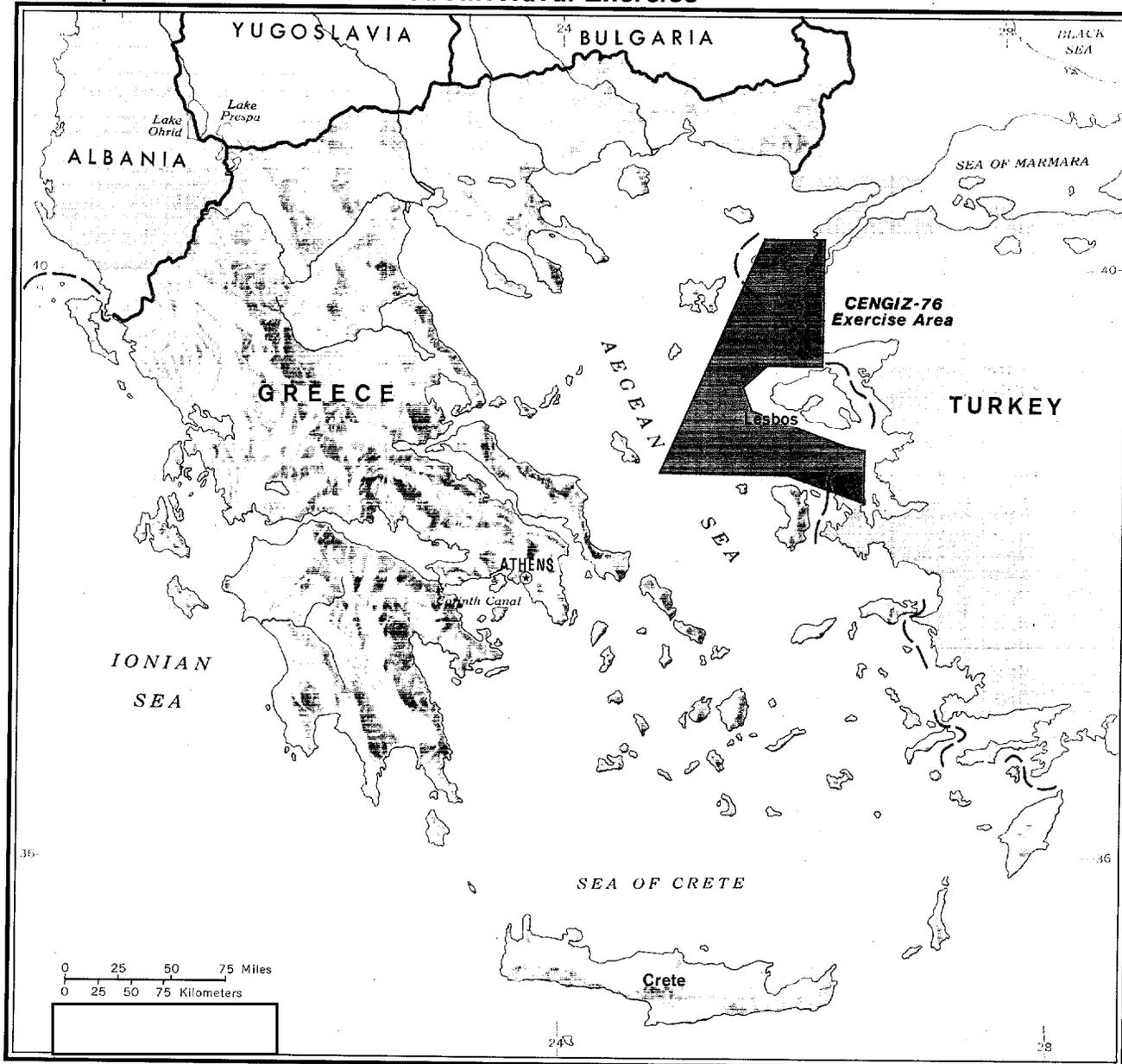
Navy leaders are taking a careful look at the marine corps in their reorganization plans. Some officials reportedly want to disband the corps because of its lack of mission in the post-African war era and its past leftist political leanings. Marine corps leaders, who claim that leftist infiltration is no longer a problem, have begun a reorganization study which would reduce marine strength about 17 percent.

Three operational battalions, each comprised of three 150-man companies, would be established. The remaining personnel would serve in support functions or attend school. Some operational units may be given internal security responsibility for the Azores and Madeira islands. Others would be assigned to the main marine base near Lisbon, possibly to develop a battalion-level combat capability.



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Proposed Turkish Combined Air/Naval Exercise



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GREECE-TURKEY

Turkey is planning another combined air and naval exercise in the Aegean Sea for March 9 and 10, in what appears to be a continuing effort to assert its claims in the Aegean. The proposed exercise has provoked strong, negative Greek reaction and will increase the possibility of an incident.

The exercise, Cengiz-76, will take place wholly in Turkish and international waters and airspace, but the area specified by Turkey would isolate the Greek island of Lesbos for four hours each day. In its plans for the exercise, Turkey appears to have been careful to avoid interfering with the scheduled flight times of the two daily Olympic Air Lines flights to and from Lesbos. The psychological isolation of the island, however, is reportedly unacceptable to Greece at "the very highest level."

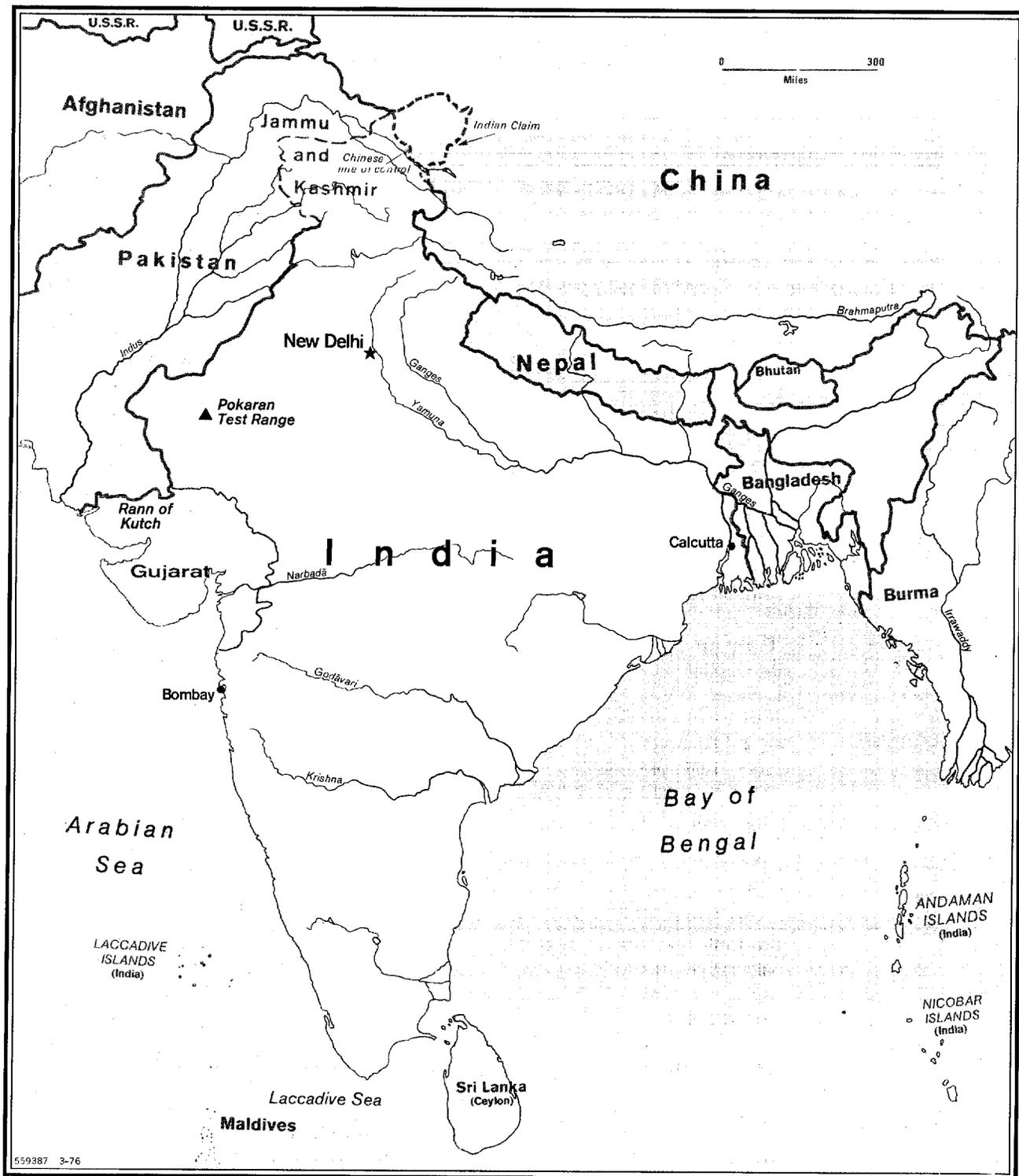
Defense Minister Averoff has said that Athens could not tolerate having Greek territory cut off, and has declared that Greece would not issue air travel notification regarding the exercise, as requested by Turkey.

While Greek air force officers have expressed grave concern about the maneuver, Athens probably will try to avoid a confrontation by suggesting that the exercise region be divided into two areas. Operations would then take place in one area on March 9 and in the other on March 10. The Turks also probably intend to avoid a confrontation. To make their point, however, they may refuse such a Greek proposal.

An earlier exercise, Tasmu-76, caused concern because of Turkey's intention to penetrate Greek airspace surrounding Lesbos. Although Tasmu-76 was concluded on February 26 without any apparent incursions or incidents, the Turks were able to underscore their rejection of the Greek claim to a ten-mile airspace buffer. In the same vein, Cengiz-76 will emphasize the international character of the air and sea space which separates mainland Greece from the Aegean Islands, and will reduce in Turkish eyes, the tendency of other states and international agencies to think of the Aegean Sea as a Greek lake.

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INDIA

In a conversation with US mission officials on February 22, Homi Sethna, head of the Department of Atomic Energy, suggested that India may be planning a second nuclear test. He indicated that the second test might not be held at the Pokaran test range in the Thar Desert, where the first test was conducted in May 1974, but possibly in the Rann of Kutch area in Gujarat State. Other areas are apparently under consideration, however.

Sethna refused to discuss the timing of the next test. If a site has not yet been selected, however, a test could not occur for two or three months. When previously asked about the next test, Sethna and other officials have usually responded that a second test would be considered when analysis of the first test was completed, clearly implying plans for additional testing.

Sethna stated on February 22 that analysis of the first test was completed. He added that the Indians planned to detonate the second device deeper underground than the first, and that they were having "seismic wave" problems in the uninhabited areas that had been surveyed. Other than the Rann of Kutch area, which he said might prove most appropriate, he did not specify the survey areas.

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[Redacted]

Negotiations on the resumption of Canadian nuclear aid to India—suspended after the first test—are scheduled to begin this week. The Canadians have indicated that they will suspend aid indefinitely if a second test is conducted.

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USSR-THAILAND

The Soviet Union has been attempting to enlarge its presence in Thailand, but so far has had only modest results.

Since January, the Soviet Union's official presence has increased from 69 to 76, with additional arrivals expected shortly. Thailand is currently considering requests by both Moscow and Peking to assign military attaches to Bangkok. Official Soviet personnel are accredited to either the Soviet embassy or trade mission, and include *Pravda* and Aeroflot representatives. In addition, two Soviet nationals serve as directors of a shipping company.

Thai security personnel are concerned about the increased number of Soviets, one fourth of whom are known or suspected intelligence operatives. After a two-year vacancy, the post of Soviet military intelligence resident was recently filled by the embassy counselor.

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