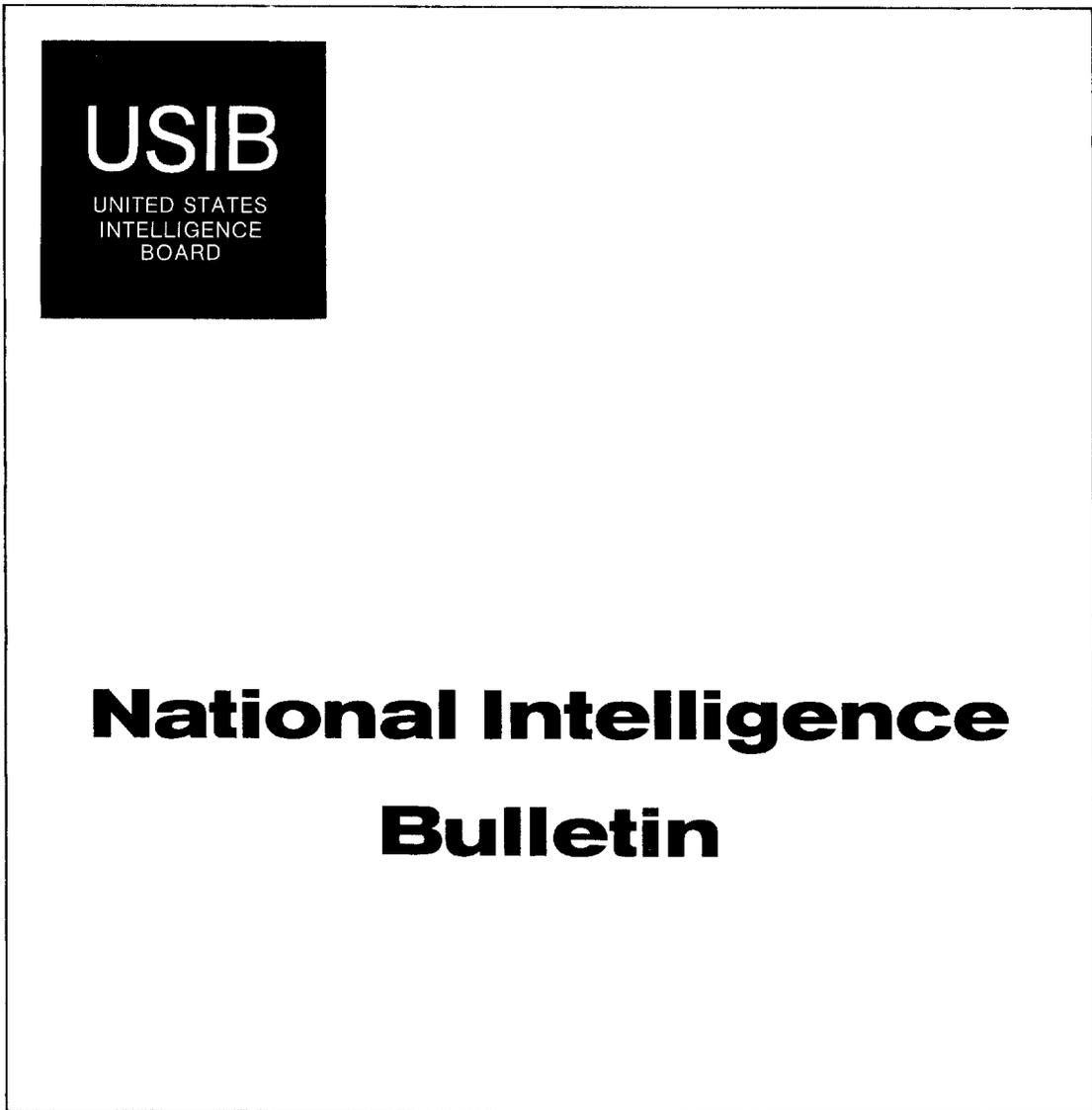


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**Top Secret**



State Dept. review completed

DIA review(s) completed.

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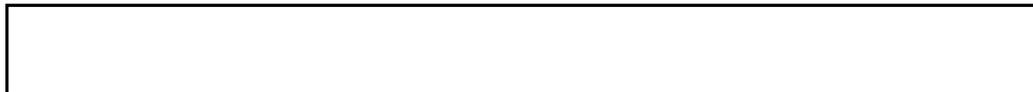
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### PORTUGAL

A compromise reached by Portugal's constituent assembly has removed the last obstacle to the new constitution and to the formal opening on Sunday of the campaign for the legislative assembly elections.

The compromise empowers the legislative assembly, which will be elected later this month, to amend some basic provisions of the constitution, but limits its authority to modify articles dealing with economic planning, nationalization and collectivization measures, and workers' rights.

The assembly drafters thus have gone part way toward rectifying a notable shortcoming in the pact signed between the military and the political parties in late February. The pact—which will become an integral part of the new constitution—failed to provide a mechanism for constitutional revision prior to the election of a second legislative assembly four years from now.

The Communists and their allies have wanted to avoid constitutional revision during the first legislative assembly to preserve as long as possible provisions put into the draft constitution when the Communists were more influential in the constituent assembly. The centrist Popular Democrats, the center-right Social Democratic Center, and moderate Socialists have wanted the first legislative assembly to have the flexibility to change some of these "Marxist-inspired" provisions.

All parties represented in the constituent assembly endorsed the compromise except for the Social Democratic Center, which abstained. President Costa Gomes will officially promulgate the constitution at the assembly's final session tomorrow.



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### GREECE-TURKEY

Greek reaction to the new US-Turkish Defense Cooperation Agreement has been uniformly negative, but the Caramanlis government seems inclined to avoid any precipitate moves in the hope that Greece will be given comparable military assistance or that the agreement will not be ratified by Congress.

Athens has officially complained to Washington that the agreement will be politically damaging to Caramanlis in light of the critical state of Greek-Turkish relations and his effort to improve ties with the US. Athens also has claimed that the military aid package would further tilt the military balance in Turkey's favor and encourage Ankara to be more adventurous.

In a spirited exchange on Tuesday with a US embassy official, Caramanlis described the agreement as a "big mistake." Foreign Minister Bitsios and Coordination Minister Papaligouras, who were also present, both said that Greece would respond by requesting additional military assistance, as well as some type of US guarantee against any possible Turkish aggression.

Neither Caramanlis nor his ministers have tried directly to link the US bases in Greece to the question of increased military assistance for Greece. The Greek negotiating team in Washington, however, was recalled over the weekend and the base negotiations "suspended" pending "clarification" of the Turkish aid agreement. Caramanlis will probably refrain from raising the ante in the base negotiations, which have been going very smoothly and are nearing completion. He will probably wait until he has a better idea of the prospects for additional US assistance and guarantees and of the likelihood of Congressional ratification of the Turkish agreement.

In contrast to the wait-and-see attitude of the government, the press and opposition are increasingly shrill in their criticism of the Turkish agreement. This could lead to another groundswell of anti-Americanism that could force Caramanlis to raise his price for a base agreement perhaps sooner and higher than he would otherwise have preferred.

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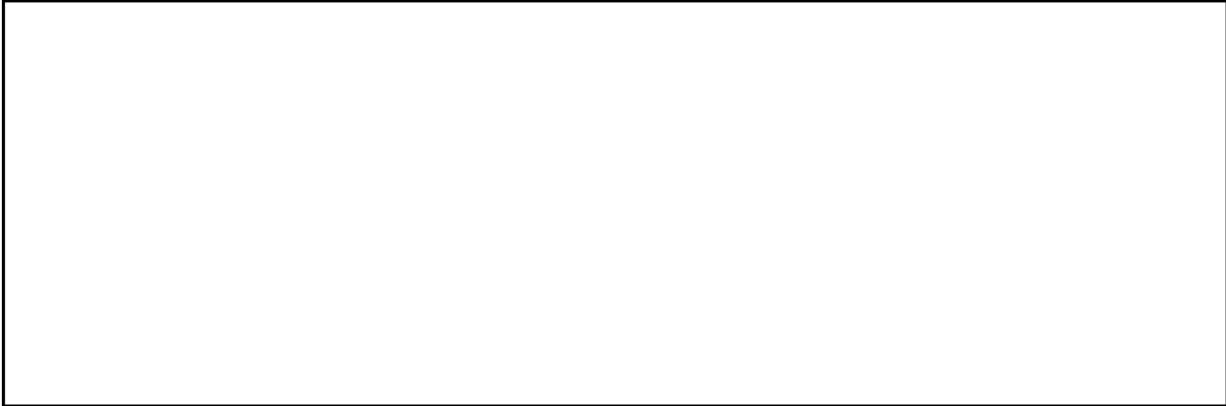
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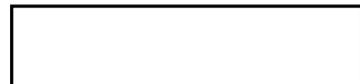
## ISRAEL

The situation in the northern Israeli district of Galilee appears to be easing following the violent clashes on Tuesday between Israeli Arab youths and Israeli troops. Funerals for the Arabs killed during the riots could, however, spark new demonstrations.

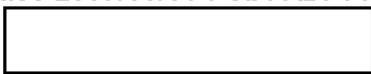
Reinforced Israeli police and military troops continue to patrol the streets of several Galilee towns, but they are under strict orders to refrain from strong-arm action unless renewed rioting places them in severe physical jeopardy.

Yesterday, the Rabin government easily survived a no-confidence motion on its handling of the demonstrations which had been lodged in the Israeli Knesset by the Rakah Communist Party. Prime Minister Rabin and Rakah leaders exchanged harsh denunciations and charges of responsibility for having provoked the Galilee riots during a strong Knesset debate.

Editorials in both conservative and middle-of-the-road newspapers have called for the government to re-examine its policy of dealing with the country's Arab minority.



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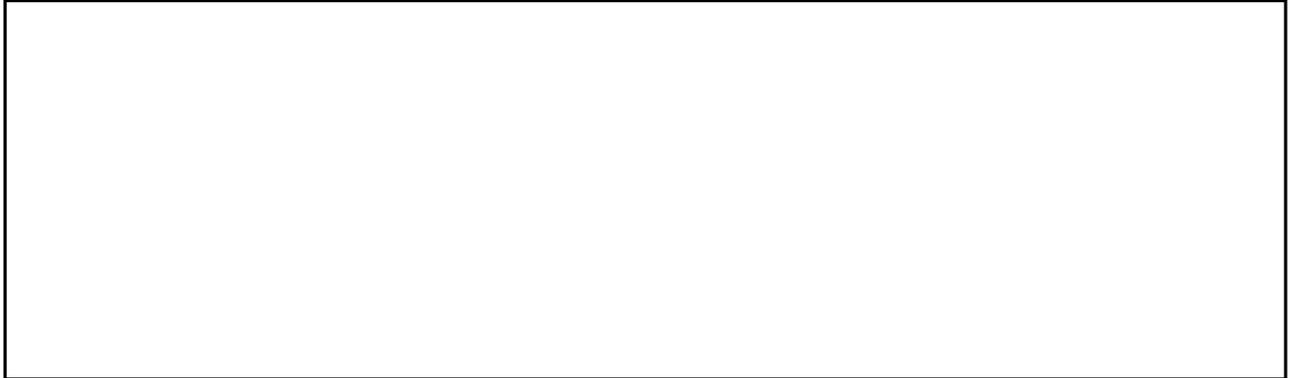
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## USSR-AFRICA

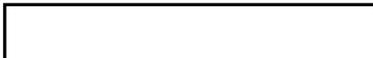
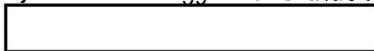
Moscow evidently is trying to calm apprehension in the West about future Soviet and Cuban actions in southern Africa, but without closing any of its options.

The Soviets played an important behind-the-scenes role for Angola in arranging for the withdrawal of South African troops from Angolan territory. Although the Soviets assumed no responsibility for the withdrawal, they probably assumed that it would be chalked up to their good offices.

The South African arrangement provided a favorable backdrop for Foreign Minister Gromyko's effort in London last week to leave the impression that the USSR was not seeking a showdown with the West over Namibia or Rhodesia. Gromyko also alluded to Moscow's influence with the Popular Movement and the Cubans, suggesting that the Soviet Union ought to be consulted regarding the future of southern Africa and, less clearly, that its influence would be on the side of moderation.

This tone of moderation also has been evident in Soviet media coverage of the South African withdrawal. It has been generally low-key.

Despite Moscow's reassuring words on southern Africa, there are few signs that the Soviets are urging the Cubans to reduce their presence in Angola any time soon. Indeed, Soviet press treatment of a recent speech by Popular Movement leader Neto highlighted Neto's rejection of suggestions that he reduce his dependence on Soviet and Cuban support.



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### VIETNAM

The Vietnamese Communists are engaged in a major effort to inventory, consolidate, and maintain captured US military equipment.

An article published in the North Vietnamese army newspaper has provided the most extensive public commentary to date on the captured military equipment. It indicates a large-scale effort to control and maintain the equipment, and addresses both success and problems.

The article praises air force units at Da Nang and Tan Son Nhut for the recovery and maintenance of many captured aircraft, as well as for the maintenance of the airfields and warehouses. An armor unit is complimented for the recovery of "hundreds" of APCs along with repairs to others. An artillery and an infantry element are also given kudos for their maintenance of weapons, ammunition, and storage and repair facilities. A factory unit in Saigon is given credit for repairing a large number of engines and gear boxes.

The major problem cited in the article is carelessness in maintaining the captured materiel. Some soldiers, moreover, apparently have appropriated equipment for personal use and a number of units have taken items without proper authorization. These conditions suggest weak inventory and control procedures. Admonitions to cease the illegal practices are unlikely to enjoy much success until controls are improved.

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## NORTH KOREA

Pyongyang is currently trying to reschedule an estimated \$800 million in debts covered by Western government guarantees. [redacted]

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[redacted]

[redacted] Successful rescheduling of its Western debt would give Pyongyang some relief for the debt service burden this year. It may also be the only way North Korea will be able to repay its creditors, unless Moscow agrees to help.

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Trade problems with the non-Communist world are likely to continue. Trade with these countries in 1975 fell about 20 percent to \$800 million. North Korean imports from the West declined 35 percent, largely because of the cessation of grain imports and Pyongyang's poor credit rating. Increased sales of rice to Indonesia resulted in a modest increase in North Korean exports to the West, offsetting a decline in sales to the developed countries.

Lack of new credit facilities and the completion or suspension of major whole plant contracts will probably mean a further decline in imports from the West this year. Exports may benefit from greater demand for nonferrous metals as economic recovery in the developed countries continues. Delays in completion of a number of whole plant projects, however, will hamper Pyongyang's goals for import substitution and increased export production. Although postponed, North Korea's heavy debt service burden will continue to restrain its trade with the West for the next several years. [redacted]

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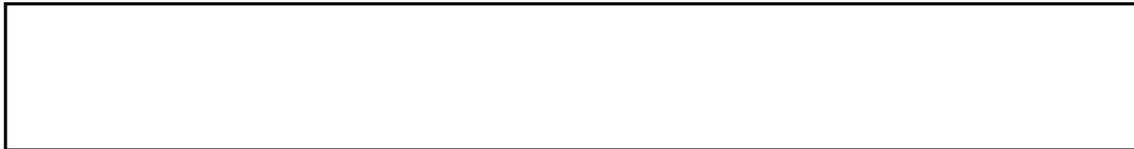
### THAILAND

Thailand's year-old parliamentary system is facing perhaps its most serious test to date when voters go to the polls this Sunday. This will be Thailand's second general election in little over a year, and many Thai believe that if it does not result in a stable government, the military will resume power.

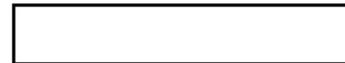
There is a strong prospect that the next government will be another weak coalition. Thirty-nine political parties are competing for 279 seats in the lower house of the National Assembly, suggesting that the results may not be any more conclusive than those of the January 1975 election, which finally produced a minority coalition government after seven weeks of parliamentary maneuvering.

Prime Minister Khukrit's Social Action Party is expected to do better this time, but there is some chance that Khukrit himself will be defeated. The Prime Minister must be a member of parliament. Some key military officers, as well as former army strongman Krit Siwara, hold Khukrit responsible for the failure of negotiations on a continued US military presence in Thailand, and have vowed to block his re-election. Khukrit is running in a district heavily populated by military families.

If Khukrit retains his seat, he is given the best chance of forming another government. If Khukrit is defeated, others in contention to form a government include Democrat Party leader and Khukrit's older brother Seni Pramot, Thai Nation Party leader Praman Adireksan, the current defense minister, and Social Justice Party leader Thawi Chulasap, a former air force general.



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### NUCLEAR SUPPLIERS

The major nuclear exporting countries are now meeting in London to try to work out common policies for the physical protection of sensitive nuclear materials.

An agreement concluded in January by the seven major nuclear exporters—Japan, Canada, US, UK, USSR, France, and West Germany—established certain minimum guidelines for the export of sensitive equipment and technology. The exporters are now seeking agreement on standards of physical protection for facilities and nuclear materials—in use, storage, or transit.

The International Atomic Energy Agency in Vienna has tried to promote a convention on physical security and has drawn up a list of nuclear items that should be included. Progress has been stalled by the fears of some IAEA members that an international convention would involve interference in their internal nuclear control and surveillance procedures.

The states meeting in London hope to make progress toward two objectives. Agreement on a physical security policy could provide the outline for a broader international convention. If all the nuclear exporters adopt equally stringent security requirements, it could prevent physical security conditions from becoming a factor in commercial competition.

The meeting may be complicated by objections from some of the potential new adherents to the nuclear suppliers' agreement that was concluded in January. The original seven agreed to include six other significant nuclear exporters—the Netherlands, Italy, Sweden, East Germany, Belgium, and Czechoslovakia.

These countries—except for Italy and Belgium, which are still studying the implications of adherence to the guidelines—are expected to attend the London session. The Belgians, in particular, may hold up efforts to produce common security requirements.

Brussels challenges the legality of British, French, and West German adherence to the exporter guidelines because there has not been explicit approval by the EC for this action. Belgium's principal concern, seconded by the EC Commission, is that the London agreement, desirable as it is, not introduce new forms of discrimination among the EC countries and not permit outside interference in intra-EC nuclear trade.

The EURATOM treaty, which binds London, Paris, and Bonn, contains no provisions for controlling equipment and technology exports and also assures the free movement of nuclear supplies among Community members without discrimination.

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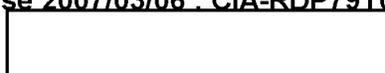
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**SOUTH KOREA:** The South Korean navy has ordered three new patrol boats specifically designed to accommodate the Exocet antiship missile. The ships will be built in South Korea starting this fall and are scheduled to become operational in 1978. The order for construction follows the successful completion of negotiations with France for the purchase of three twin Exocet launcher systems, for which Seoul will reportedly pay \$7 million each, not including the missiles. Seoul already has two Exocet launchers on patrol boats and four boats equipped with the US-built Standard cruise missile, but it wants a larger naval force to match North Korea's 19 Styx-equipped guided-missile boats. The Exocet and Standard both are considered a match for the Styx.



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