

Top Secret



Sources



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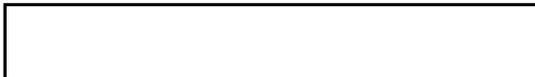
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USSR

Defense Minister Andrey Grechko's death yesterday presents the Soviet leadership with a number of problems.

One is the selection of a successor acceptable to both the political leadership and the military establishment. Another is a decision on whether he will be seated in the Politburo immediately, or only after demonstrating his loyalty for a number of years, as Grechko had before his addition to the Politburo in April 1973.

Unlike his predecessor, the late Marshal Malinovsky, who was known to be terminally ill for several months before his death in March 1967, Grechko appeared to be in relatively good health until his death. As a result, there has been no chance for the kind of maneuvering that took place in late 1966 and early 1967 to advance the candidacy of one or another potential successor to the top defense post. Brezhnev now is in a much stronger position vis-a-vis his Politburo colleagues than he was at the time of Malinovsky's death. He should have less trouble in having his nominee confirmed.

The new minister of defense will probably not be announced until after Grechko's burial later this week, and may come later than that. Brezhnev is likely to take advantage of the gathering of high-ranking Soviet military leaders in Moscow for Grechko's funeral to discuss with them the nomination of Grechko's successor.

The most likely choice for the post is General Viktor Kulikov, a first deputy defense minister and chief of the General Staff. Kulikov, 55, has held that assignment since September 1971, and probably has enough experience there to move up to the top post in the Defense Ministry. He appears to be on good terms with Brezhnev and at least some of the other Politburo members, and reportedly is held in high esteem by his colleagues within the Soviet military establishment—more so than was Grechko.

Another good possibility is Marshal Ivan Yakubovsky, another first deputy defense minister and commander of the Warsaw Pact forces. Yakubovsky, 64, is the senior officer in the ministry, but has a reputation for being somewhat of a bull in a china shop and might be unacceptable to the political leadership. The recent death of General Sergey Shtemenko, chief of staff of the Warsaw Pact forces, could affect Yakubovsky's chances. The Soviet leadership might be reluctant to have both top posts in the Warsaw Pact command structure changing hands at roughly the same time.

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Another possibility is General Vladimir Tolubko, the deputy defense minister who commands the Strategic Rocket Forces. Tolubko, 62, who has both a combined arms background and extensive service in the Strategic Rocket forces, is well regarded by other high-ranking military men. If the leadership regards Kulikov as too young for the job and Yakubovsky lacking in political polish, Tolubko would be the most likely compromise choice.

An unlikely candidate is Party Secretary Dmitry Ustinov, who moved up to full membership on the Politburo at the recent Soviet party congress. Ustinov, 68, has an extensive background in defense production, and evidently was under consideration for the top defense post when Malinovsky died. It is unlikely, however, that his candidacy would be any more popular with the Soviet military establishment than it was in 1967. Brezhnev and the other top Soviet political leaders probably would not want to alienate the military leaders at a time when the succession problem in the civilian sphere looms on the horizon. Some of the top civilian leaders thought to have been behind Ustinov's defense ministry candidacy in 1967 have been removed from office since then, and his candidacy might find less support now among civilian leaders than it did in 1967.

Whoever the nominee is, assuming that it is not Ustinov, the Soviet leadership will have to grapple with the pros and cons of seating him on the Politburo immediately, in the near future, or only after a number of years in office. A delay would leave the military unrepresented on that body, while the Foreign Ministry, the KGB, and arms producers continue to be represented by Politburo members Gromyko, Andropov, and Ustinov respectively. Seating the new defense minister on the Politburo immediately or in the near future would, however, confirm the military's institutional right to Politburo representation—something the civilian leadership has been very reluctant to do in the past. By the same token, one of the hallmarks of the Brezhnev period has been the institutionalization of the decision-making process. [redacted]

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PORTUGAL

The indecisive results of Portugal's legislative election on Sunday have left open many options for the formation of the next government. Political leaders are already maneuvering for a role.

The smaller-than-expected swing to the right is probably traceable to reduced voter turnout and the Communist Party's success in holding on to most of the 14.5 percent of the vote received in the constituent assembly election last year by the Portuguese Democratic Movement—a Communist front that was not on the ballot this time.

The Socialists retained a plurality—they received 35 percent of the vote, as compared to 24 percent for their nearest rival, the Popular Democrats—and a coalition excluding them would not be feasible. The Socialists, thus, will come under heavy pressure from all sides in the two months before the presidential election and the installation of a new government.

Popular Democratic Party Secretary General Sa Carneiro and Social Democratic Center leader Freitas do Amaral have already called on Socialist leader Mario Soares to join them in a government coalition. Soares rejected their appeals, but press reports say other influential Socialist leaders believe a coalition is inevitable.

Soares' stated objection is based upon his belief that the time for coalition governments in Portugal has passed and that the country's burdensome economic problems can only be solved by a government which is not divided over domestic policy.

Although Soares has doggedly held his ground on this point, [redacted] Soares would view an alliance with the Popular Democrats much more favorably if Sa Carneiro were replaced as party chief by Minister of Internal Commerce Magalhaes Mota. Soares, whose personal conflict with Sa Carneiro was intensified by the abrasive election campaign, confirmed this view in a recent conversation with US Ambassador Carlucci.

The Popular Democrats' election performance was a blow to Sa Carneiro's prestige, but he has impressed his own image on the party so successfully, that removing him would be a major undertaking.

A Socialist accommodation with the conservative Social Democratic Center, which finished third with 15.8 percent of the vote, would raise serious policy and ideological differences, but would have the advantage of harmonious personal relations between party leaders. Inclusion of the Social Democratic Center in the government, however, would give rise to demands for similar representation from the Communists, who finished close behind it with 14.7 percent.

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A Socialist attempt to form an alliance with the Communists cannot be ruled out, but Soares' heated denial of such intentions during the campaign, coupled with strong opposition from both the "operationalists" in the Portuguese military and Portugal's NATO allies, would seem to diminish considerably the chances of such a combination.

The Communists' best hope of participation would be in a "government of national salvation" formed to avert a serious political crisis—a possibility Soares alluded to in an interview on Sunday.

The present stalemate could conceivably continue until the presidential election, a possibility that is likely to put growing pressure on party and military leaders to agree on a joint candidate to avoid a divisive campaign and minimize political instability during the next two months. [REDACTED]

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LEBANON

The fighting continues to subside in the wake of President Franjiyah's decision last weekend to permit the election of his successor, but Lebanese authorities are uncertain whether they can arrange adequate security to permit the convocation of parliament before the May 2 deadline set by the Muslim left.

The leftists want to keep maximum pressure on President Franjiyah. They are arguing that his successor must be elected by parliament before the expiration of the assembly's original mandate on Sunday. The leftists' argument is gaining support among some legal experts and politicians, who fear that any delay or debate over the new president's authority could endanger the cease-fire.

Speaker of parliament Kamal Asad, however, has warned that renewed fighting before or during the crucial parliamentary session would have graver consequences than delaying the elections. Asad believes the session should be postponed for at least a week. Before making a final decision, he is seeking the advice of the Syrians and Palestinians whose forces will have primary responsibility for the safety of the deputies.

The haphazard security arrangements for the brief parliamentary meeting earlier this month provided little real protection for the deputies and would be inadequate for this session, especially if the principal parties have not agreed in advance on Franjiyah's successor.

Neither Raymond Edde or Ilyas Sarkis, the two leading contenders, has made much headway in the campaign. Edde has strong support in parliament and is the favorite of the Palestinians and Lebanese left. He is lobbying hard to overcome opposition to his candidacy among conservative Maronite Christians. Sarkis, on the other hand, has had several private meetings with leftist leader Kamal Jumblatt, the main opponent to his presidential bid. If neither candidate is able to win over his major opposition soon, the race will be open to a growing field of compromise candidates.

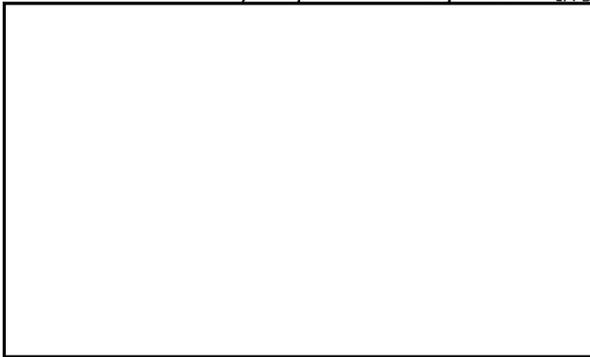
One factor that could break the deadlock in Sarkis' favor is President Franjiyah's determination to block the election of Edde or any other candidate sympathetic to the leftists. Franjiyah is especially worried that Edde would try to unearth evidence of corruption during Franjiyah's administration. The President reportedly has recently threatened not to resign if he is not satisfied with his successor.

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Meanwhile, one of the top generals on the Israeli general staff has warned that the threat of an attack on Israel from across the Lebanese border will increase no matter what the eventual outcome of developments is in Lebanon. Major-General Adam told a group of military correspondents on Sunday that Israel has already reinforced its defensive positions along the Lebanese border because of the situation there. He said the border must now be considered "a new frontier of confrontation," presumably like those with Syria, Egypt, and Jordan.

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USSR-MOZAMBIQUE

The Soviets are attempting to increase their leverage with Mozambique by playing host to a Mozambican military delegation headed by Defense Minister Alberto Chipande. The Chipande visit was preceded by the visits of the Mozambican commerce and information ministers to the USSR, and underscores the importance of Moscow as a source of trade, aid, and arms to the Machel regime.

Chipande, who arrived in Moscow last week, met on April 23 with the late Soviet Defense Minister Grechko. *Pravda* reported that the discussions took place in a "warm and friendly atmosphere," but shed no light on their substance.

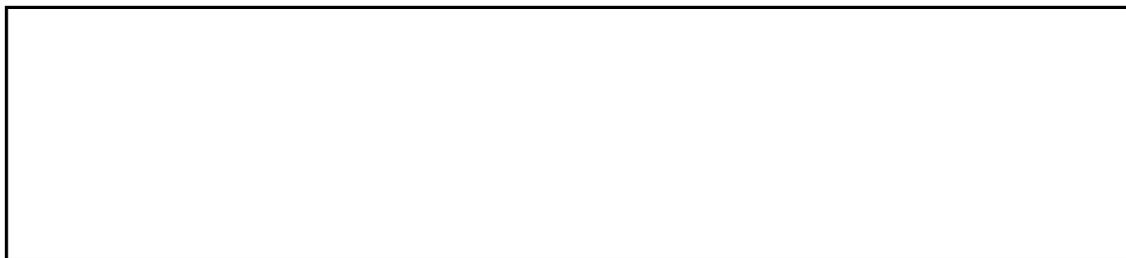
The Machel government is concerned about retaliation by Salisbury as Rhodesian nationalist insurgents expand operations into Rhodesia from bases in Mozambique. After years of insurgency against the Portuguese, Mozambique has just begun to transform its own guerrilla fighters into a conventional force. The Mozambique army has little in the way of heavy equipment, however, and may be looking to Moscow to satisfy its requirements. It is also possible that the Chipande delegation may make a pitch for Soviet economic assistance to compensate for the losses Mozambique is sustaining as a result of its recent decision to close the border with Rhodesia.

The Soviets, always anxious to gain a step on the Chinese in the competition for influence in Maputo, are unlikely to disappoint their Mozambican guests.

The issue of Soviet military aid to Rhodesian insurgents may also be discussed with Chipande. The Soviets have evidently complied thus far with the ground rules laid down by the presidents of Mozambique and Tanzania that all outside aid for the insurgents be channeled through their states or through the liberation committee of the OAU. [REDACTED]

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UK

Union leaders, although quibbling over the details, remain committed to negotiating an agreement with the government that will contribute to the continued slowdown in Britain's rate of inflation.

In a statement last Friday that reflected the views of key union leaders, Len Murray, general secretary of the Trades Union Congress, reaffirmed the union's willingness to accept a further period of wage restraint. Two recent opinion polls show strong worker support for Chancellor of the Exchequer Healey's offer of tax cuts in return for limited wage increases.

The unions probably would be even more inclined to go along with relatively modest wage increases if the government responded to the unions' demands for additional measures to control prices, boost employment, and promote more industrial investment.

Healey and Trades Union Congress leaders had a three-hour negotiating session on Friday, and Prime Minister Callaghan publicly entered the debate over the weekend with a key speech at a union conference urging workers to support the government's proposals.

Murray's public statement on prospects for an agreement was motivated in part by press reports that uncertainty over the government's pay policy was contributing to the decline of the pound on foreign exchange markets. Indeed, both sides may try to speed up the negotiations in hopes that an early settlement would remove one element contributing to sterling's troubles.

While it seems certain the union will not accept Healey's proposed 3-percent limit, most observers believe a 5-percent wage lid plus tax benefits will ultimately emerge. At least one Trades Union Congress leader has told US diplomats that a 4-percent increase seems "realistic."

In any event, a wage agreement that accepts 4- to 5-percent guidelines for phase two will probably be regarded by the government as satisfactory. Phase one increases have been averaging 10 percent.

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FRANCE

The election on Saturday of Yves Guena as the Gaullist Party's secretary-general indicates a reassertion of conservative Gaullism in the face of what most party members see as a lack of leadership by President Giscard.

Guena's election also represents a setback for Prime Minister Chirac's efforts to bend the party to his own more moderate ideology and symbolizes the Gaullist hard-liners' determination to continue to dominate the political right. Guena, 53, is a classic Gaullist of the old school. He has had a long career in the bureaucracy and has served in several cabinets.

Guena is capable of giving the party aggressive leadership, but if he is unable to establish a good working relationship with Chirac quickly, the party's divisions will be emphasized.

For all their internal troubles, the Gaullists remain united on the main issues of defense, national independence, and ties to the third world. Their losses in the local elections last month, however, showed that the traditional Gaullist appeal is becoming weak.

If the party and the governing coalition as a whole are to retain their majority in the assembly in 1978, Chirac, who is Giscard's political coordinator, and Guena must work together to develop soon a consensus platform that will have voter appeal. [redacted]

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VIETNAM

Since the fall of the Saigon government last April, communist military forces have been engaged in various reconstruction projects, including agricultural production; road, railroad, and bridge construction; and flood control measures.

In October 1975, military forces in the western highlands of South Vietnam were assigned major responsibilities in the development of sugar cane, rice, corn, and bean cultivation. They also were tasked to develop sugar processing and forestry industries in that area.

Completion of repairs to the railroad running along the North and South Vietnamese coasts appears to have a high priority. Since last January, military forces have been committed to the railroad project. [REDACTED]

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The role of the military in economic reconstruction and development has been emphasized in public statements by North Vietnamese Defense Minister Vo Nguyen Giap and army Chief of Staff Van Tien Dung, as well as in official publications. An editorial in late December referred to the army as a "shock force in economic construction."

There are no indications that Hanoi has reduced its military forces since the end of the war. This large, disciplined, and relatively low-cost labor force will probably be increasingly utilized in economic projects. The Vietnamese, however, will continue tactical training by first-line combat units to prevent an erosion of their military capabilities. [REDACTED]

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ARGENTINA

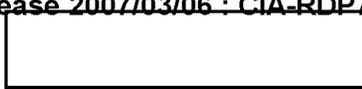
Argentina is undertaking a sweeping program to raise farm income. The government regards agricultural improvement as the basis for long-term economic growth and as a source of foreign exchange to meet the country's huge financial obligations.

The government has reversed a number of Peronist agricultural policies that kept returns to farmers low and discouraged agricultural investment. Such policies permitted the government to siphon off profits—through state grain- and meat-marketing monopolies—and subsidize food prices for urban workers.

The new measures, some already in operation, raise farm prices and eliminate the government's marketing monopolies. They also provide for more favorable foreign exchange rates on the proceeds from agricultural exports and will gradually reduce agricultural export taxes. Although too late to influence the harvest this year, the new program will stimulate meat production and should lead to increased planting of crops next year, especially wheat and oilseeds.

Marketing a larger grain harvest should be easy, but a higher beef output may be harder to sell. Loss of the EC market because of EC import restrictions was chiefly responsible for the \$500-million drop in Argentine meat sales last year. Sales are recovering, however, along with the economic recovery in industrial nations.

The new farm program will complicate the problem of reducing Argentina's large fiscal deficit. Eliminating government marketing monopolies and reducing agricultural export taxes will cut revenues sharply and force the government to seek other sources of income.



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TURKEY

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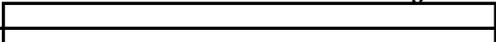
The nomination on April 24 of Lieutenant General Cemal Engin as commander of the air force by General Sancar, chief of the Turkish General Staff, breaks tradition by passing over two more senior officers. It may sharpen criticism in some military circles of Sancar and Prime Minister Demirel for interjecting politics in the military personnel system.

Sancar originally nominated General Irfan Ozaydinli for the position. Demirel refused to approve the appointment, however, because of Ozaydinli's support for Demirel's political opponents, and because of the general's close association with Senator Batur, a former air force commander who participated in forcing Demirel from power in 1971. The National Salvation Party—a coalition partner in the Demirel government—also opposed the nomination.

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 many Turkish officers have regarded the delay in appointing a new air force commander as unwarranted political interference in military affairs, while others have reportedly been critical of Sancar for not pressuring Demirel to act on the appointment sooner. Demirel and Sancar were undoubtedly aware of this criticism, but the Prime Minister apparently decided that the Ozaydinli issue would not threaten his overall relations with the military.

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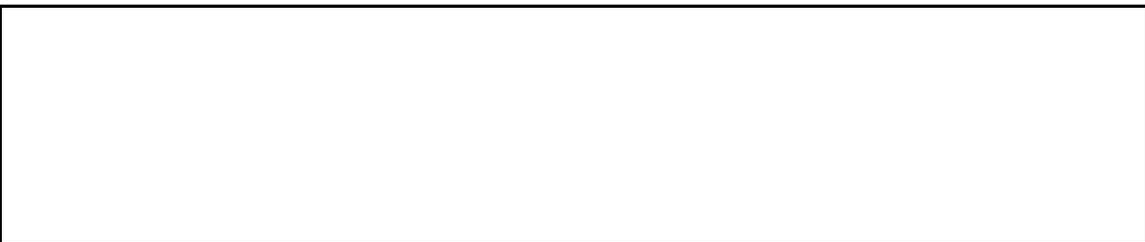
The recently signed Defense Cooperation Agreement with the US has been favorably received by the military and has probably strengthened Demirel's relations with the military. Sancar, for his part, has never liked Ozaydinli and probably decided it was easier to weather some criticism from his associates than to fight a non-productive battle with the Prime Minister. 

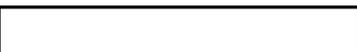
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