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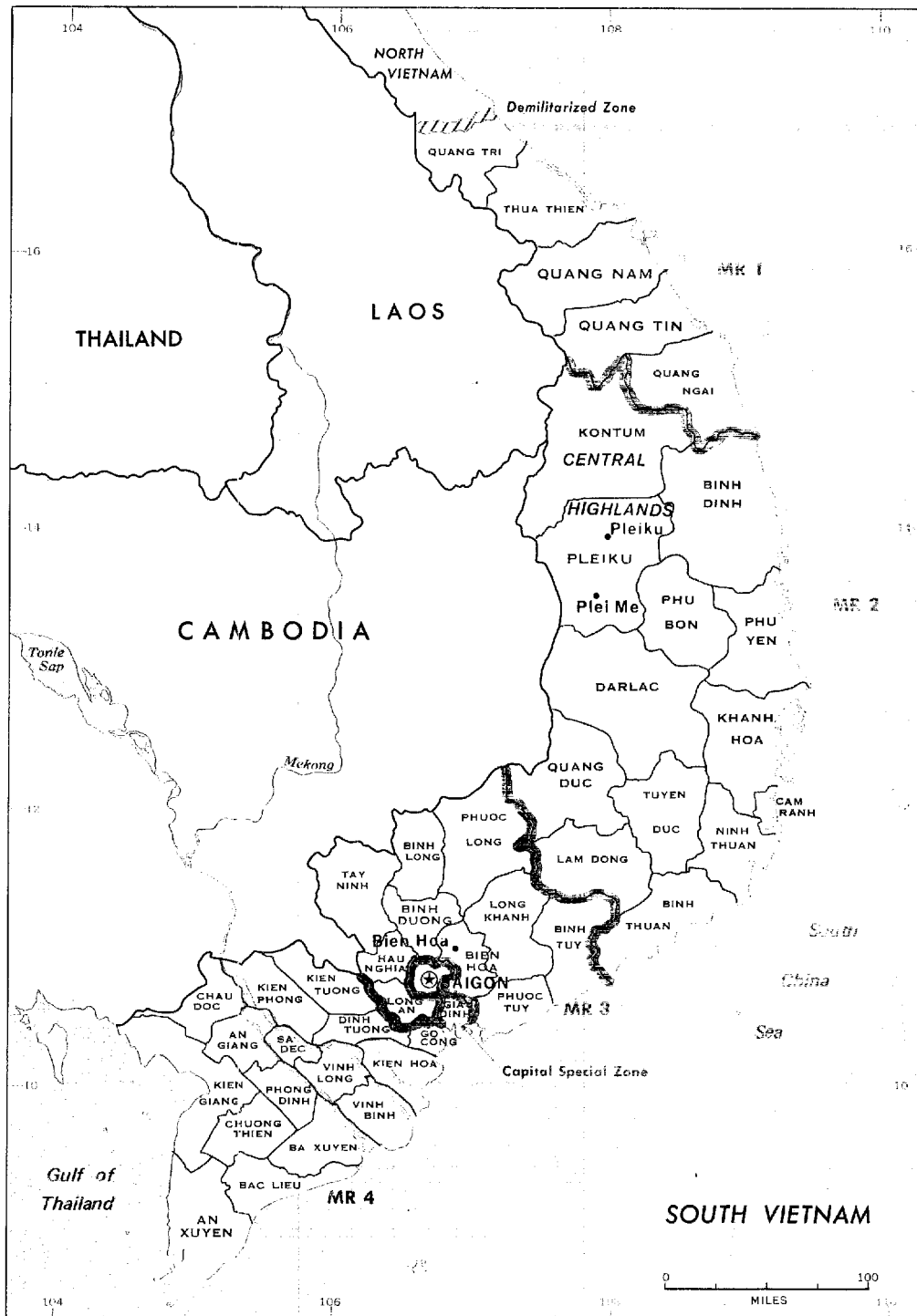
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SOUTH VIETNAM

Fighting eased in northern South Vietnam over the weekend. Communist attacks continue in the central highlands, and new activity is taking place in an area north of Saigon.

No significant ground action developed in Quang Nam Province, which has been the focal point of heavy Communist attacks in the northern provinces since mid-July. The Communists did maintain pressure, however, against South Vietnamese territorial forces and outposts in the southern sector of adjacent Quang Tin Province.

In the central highlands, Communist forces kept up intense pressure against the Ranger camp at Plei Me and a number of South Vietnamese fire bases west of Pleiku city. Plei Me reportedly received several thousand rounds of artillery, rocket, and mortar fire. At last report, the garrison's 1,000 or so defenders were still holding their ground.

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Nearer Saigon, Communist forces this weekend launched several rocket attacks against Bien Hoa air base. At least 20 122-mm. rockets impacted on and around the base, but casualties and damages were light. The shellings were apparently in retaliation for allegedly heavy South Vietnamese bombing raids against major Communist headquarters complexes north of Saigon as well as against the North Vietnamese 7th Division. General Thuan, the regional commander of the provinces around Saigon, believes that the shellings, and a series of localized ground attacks which accompanied them, may also have been designed to screen moves by the 7th Division closer to populated areas in Bien Hoa and Binh Duong provinces.

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CYPRUS

Geneva conference sessions this weekend were marked by long delays and a temporary Turkish walkout, but agreement was reportedly reached on the exchange of prisoners and the evacuation of Turkish Cypriot enclaves by Greek Cypriot forces. Although little progress in solving the constitutional issues was apparent, the Greek and Turkish Cypriot leaders emerged from a meeting yesterday declaring that there was "room for further contact and negotiation." They said today's session would be "critical."

Greek Cypriot representative Glafkos Clerides and Turkish Cypriot representative Rauf Denktash joined the foreign ministers of Greece, Turkey, and Britain on Saturday morning. The start of the meeting was delayed for seven hours when the Turkish representative objected to listing the Cypriots by their official titles as President and Vice President of the Cyprus Republic. This would have underscored the authority of the 1960 constitution, which the Turks want to do away with. After a walkout by the Turkish delegate, the issue was sidestepped by eliminating official namecards for the Cypriots.

Britain halted a scheduled withdrawal of troops and planes from its Cyprus bases on Saturday as a precautionary measure against renewed Turkish military action on the island. Turkish officials reportedly warned of new fighting unless there was progress at the talks.

At a stormy session Saturday evening, Denktash introduced officially the Turkish demand for an abandonment of the 1960 constitution, coupled with a geographical separation of the two communities and complete local autonomy. Clerides insisted that the constitution form the basis of a solution and rejected the concept of geographical separation. He did agree to the principle of local autonomy for Turkish Cypriots. In view of the guarded optimism following their meeting Sunday morning, the leaders of the two communities apparently adopted a more flexible stance in their private discussion.

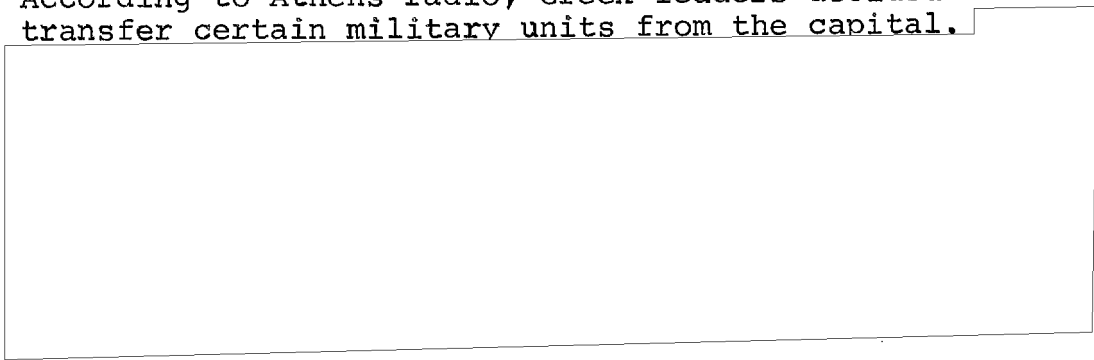
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In Cyprus, Greek Cypriot national guard forces began evacuating Turkish Cypriot enclaves Sunday and plans were under way to begin the release of prisoners in accord with the agreement reached in Geneva. No significant fighting was reported for thy third consecutive day.

Top military and political leaders met in Athens and Ankara yesterday, probably to draw up contingency plans in the event of a deadlock in the Geneva talks. According to Athens radio, Greek leaders decided to transfer certain military units from the capital.

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EGYPT-LIBYA

Egypt's withdrawal from Libya will include all armed forces and advisory personnel [redacted] Egyptian civilians working in Libya apparently will be allowed to remain for the time being.

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US officials in Tripoli have learned from the Egyptian chargé that some 2,000 officers and men will depart, a number that comes close to US estimates of the total strength of Egypt's military mission.

The Egyptian mission apparently is made up of some 1,700 air force personnel, most of whom are attached to a MIG training mission in Benghazi; more than 300 naval personnel primarily with a three-ship patrol squadron; and about 300 advisers with the Libyan army. Although the Egyptian naval squadron and MIG training mission--well over half of those being withdrawn--are not essential to the Libyans, the other Egyptian advisers and technical experts perform key functions.

Egyptian diplomats in Tripoli would not talk about the status of Egyptian civilians assigned to the Libyan government, except to say that teachers whose contracts have not expired will remain. According to the Libyan Foreign Ministry, however, Cairo has decided that existing contracts will not be renewed and that the stipulated period of service will be reduced from four to two years. No new contracts will be signed.

Between 150,000-200,000 Egyptian civilians hold jobs in Libya; the majority are laborers hired by Egyptian contractors. Other key categories include: secondary and university teachers, who virtually run the Libyan educational system; physicians and medical support personnel; and the professionals and technicians who hold key posts in almost all Libyan ministries. Egyptians are crucial to many Libyan institutions. Cairo, for its part, profits from the alleviation of its unemployment problems and from the remuneration received for its services.

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Tripoli apparently has accepted an agreement with Cairo-- [redacted] --to halt provocative press exchanges. Thus far, Egypt's withdrawal has been reported straightforwardly. Qadhafi and his colleagues seem to be facilitating a calm and orderly withdrawal, if only to prevent an exodus by the Egyptian community.

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US officials in Tripoli are worried that, when Libya's reaction finally comes, Qadhafi may accuse the US of collaborating with, if not prompting, Sadat's decision. [redacted]

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PORTUGAL - GUINEA-BISSAU

A draft agreement between Portugal and the rebel-proclaimed government of Guinea-Bissau was initialed yesterday during talks held in Algiers, according to a Foreign Ministry official in Lisbon.

The agreement, which requires ratification by the two sides, does not constitute Portuguese recognition of the Republic of Guinea-Bissau. The official, however, claimed it does commit Portugal to recognize the new government before the opening of the UN General Assembly.

A wire service claims that agreement was reached at the talks not to include the Cape Verde Islands in the new state, until now one of the most serious points of contention between Portugal and the rebel government.

The Portuguese ambassador to the UN will submit a letter from Foreign Minister Soares to the UN Security Council tomorrow. A Foreign Ministry communiqué issued on Saturday says the letter will pledge Portuguese recognition as soon as the administrative details of transferring power have been worked out. [redacted]

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ARGENTINA

Terrorism and more conventional political discord are posing ever more serious problems for President Peron's administration, now six weeks old. Yesterday, the country's chief guerrilla organization, the People's Revolutionary Army, carried out its most ambitious operation since the new regime took office.

Guerrillas dressed in army uniforms, according to press reports, attacked a military munitions factory in Cordoba Province and a police station in Catamarca Province. The raiders captured two army officers at the factory and got a large haul of arms, munitions, and uniforms. The two incidents reportedly left at least five people dead and several wounded. Manhunts are now under way in both provinces.

The impending federal take-over of Mendoza Province will give the Peron administration another headache. Mendoza has been embroiled for months in a controversy between the former governor, a left-wing Peronist who resigned under a cloud of scandal, and his right-wing Peronist opposition.

The government's proposal forced a bitter partisan debate in Congress and antagonized the major opposition party, the Radicals, at a time when President Peron needs all the political tolerance she can muster. Federal intervention in Mendoza, like that in Cordoba last spring, will also increase divisions among Peronists; even the right-wing Peronist labor organization in the province is against it.

One Peronist senator told the US embassy that the move was a political mistake, probably attributable to poor advice from the interior minister. The continued inability of the police to suppress the guerrillas could also weaken the minister's position. Dissatisfaction with this minister may cause his removal in an impending cabinet shuffle.

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PERU-CHILE

Public assurances by President Velasco that his country does not have aggressive designs on Chile have not convinced leaders in Santiago.

In his press conference on August 8, President Velasco sought to calm Chile's concern over Peruvian intentions heightened by Peru's show of military force during its Independence Day parade on July 29. Velasco said that neither the Chilean government nor its people should believe that Peru has aggressive intentions. He described rumors to the contrary as a ploy of big powers seeking to provoke confrontations. He maintained that the Soviet tanks and other arms shown in the parade were merely to replace obsolete equipment.

In their public response to Velasco, Chilean authorities strongly endorsed the view that neither side desires war. The feeling within the Chilean government and armed forces, however, continues to be one of suspicion regarding Peruvian motives and intentions. Chilean officials are expected to continue to respond in kind to any Peruvian overtures of friendship, but they are not likely to lower their guard or concern over the imbalance of military strength that favors Peru.

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