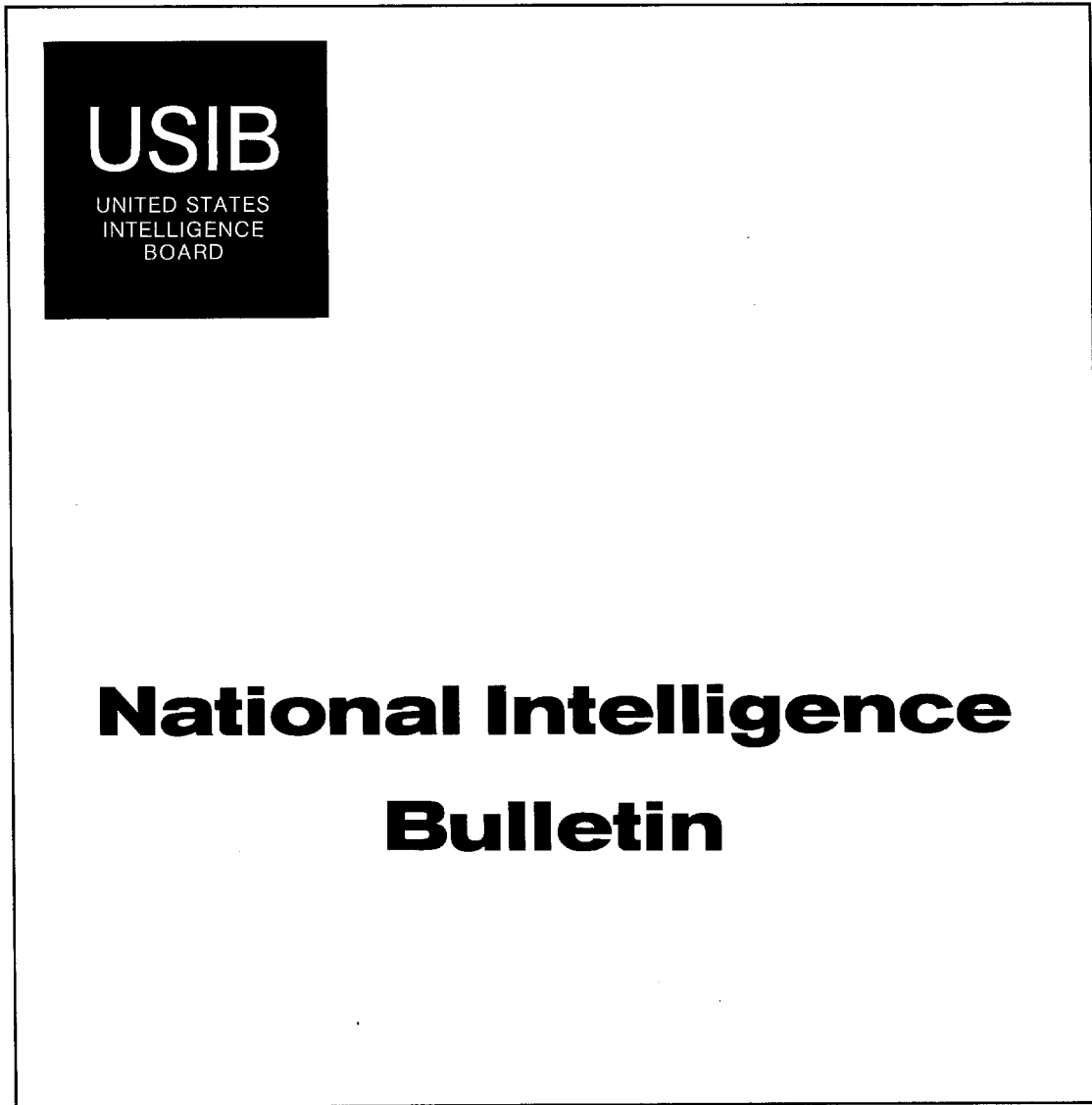


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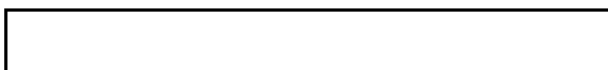
State Dept. review completed

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PORTUGAL

Anti-Communist military leaders moved yesterday to bring much of the radical Portuguese press under direct government control—a further indication that they intend to capitalize on their victory this week by neutralizing leftist political opposition.

Following the forced resignation of Army Chief of Staff Fabiao and security chief Carvalho on Thursday, the country's leftist press was virtually dismantled when the management and editorial boards of eight newspapers and magazines were dismissed. According to a communique issued by the Armed Forces General Staff, the publications, most of which were dominated by the Communists or the far left, will remain suspended until the government can appoint new administrators.

Pro-Communist Lisbon newspapers had undermined the government's efforts to establish its authority and put an end to political factionalism in the armed forces; although the Communists were not specifically mentioned in connection with yesterday's action, they were the principal target. The general staff is ruling by fiat, as martial law was declared earlier this week during the rebellion led by leftist paratroopers.

Prime Minister Azevedo indicated last night that the state of emergency in the Lisbon military region will be lifted soon and that the government will resume its normal functions.

Other actions aimed at limiting leftist strength which reportedly are being considered include:

- Military action to put an end to the Communist-inspired occupation of farms in the fertile agricultural south.
- Disarming of illegally armed civilians, possibly by means of a nationwide house-to-house search.
- A crackdown on foreign revolutionaries, mostly Latin Americans who, according to some reports, have formed an international brigade to assist Portuguese leftists.

The general staff also announced yesterday that all labor contract negotiations will be suspended until the end of the year. The announcement stated that the government will define a wage policy aimed at eliminating large wage inequities. Communist-led construction workers recently forced the government to agree to excessive wage demands. The general staff's decree is apparently aimed not only at reversing this trend, but also at promoting a long overdue program of economic stabilization.

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TURKEY

Student violence in Turkey has now spread throughout the country, and could threaten Prime Minister Demirel's fragile coalition government.

Several deaths and many injuries have led to the temporary suspension of classes at universities and technical schools and created a mood of suspicion and fear on most Turkish campuses. The problem appears to have spread even to secondary schools. Despite the nationwide dimensions of student demonstrations, the violent activities seem to focus on local student and faculty grievances and on hostility between extreme left- and right-wing groups.

Urged on by the press, government and opposition leaders have only railed at each other on the subject. Chronic tensions within the coalition government and continuing parliamentary paralysis make the student problem ripe for exploitation by those looking for a political issue to use against their opponents.

The military leadership is no doubt also keeping close watch on the situation, particularly given its reported concern about renewed activities by the radical left. Earlier this month Chief of the General Staff Sancar warned Demirel's government that the military could not tolerate continuing serious student violence.

Reports of government suppression of news about recent deaths stemming from the violence suggest that the military warning was taken seriously. Only in the past week, however, has the government taken action to deal with the problem. It arrested several hundred alleged leaders of student violence, confiscated weapons and explosives, announced a police modernization program, and proposed legislation toughening present laws on demonstrations.

Modernizing the police and sending new legislation to a parliament paralyzed by procedural differences are not likely to have any early impact, however, and the military has indicated that its patience is already wearing thin.

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LAOS

The communists are apparently ready to discard the facade of a coalition government.

Yesterday they launched a well-rehearsed campaign against the coalition in Vientiane. In the morning, the communist party newspaper featured a speech by Pathet Lao cabinet member Khamouane Boupha calling for the replacement of the coalition with a "people's democratic government." Later the same day, well-orchestrated demonstrations began in several areas of Vientiane calling for the abolition of the coalition. A group of about 1,000 marched to the residence of Prime Minister Souvanna demanding his removal. Radio Pathet Lao also carried appeals from local revolutionary councils in several parts of the country requesting the dismantling of the coalition.

Four days earlier, most of the remaining non-communist politicians in Vientiane were flown to the communist headquarters near Sam Neua, deep in northeastern Laos, ostensibly to attend a meeting of the coalition joint national political council. It is likely that they will be detained there indefinitely, joining other former ranking politicians and military officers in lengthy re-indoctrination sessions.

Prime Minister Souvanna was hustled off to Luang Prabang on November 27—perhaps to prevent him from attempting to escape into exile. One of Souvanna's sons fled to Thailand when he learned that most non-communists had been flown to Sam Neua.

The communists have been laying the groundwork for Souvanna's retirement since last September, but the Prime Minister had expected to remain until the completion of national elections in April. Now, however, the communists have apparently decided that they have neutralized all opposition and can effectively operate the government. They have the election process well under way throughout the country and see no reason to maintain the occasionally cumbersome coalition structure.



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LATIN AMERICA - US

Latin American governments will be closely examining the newly authorized general system of preferences product list, which they regard as an important indicator of US approaches toward their development aspirations. Whether the exclusion of the area's two OPEC members, Venezuela and Ecuador, will stimulate broad regional criticism of US trade policy will probably turn on how beneficial or disappointing the rest of the governments find the list for their own countries.

Several governments, including Brazil and Colombia, have reacted favorably to US assurances that the new list will grant better access for their exports to the US market. They intend, however, to scrutinize carefully the actual list in order to make their own analysis of its impact on their commerce. One reference point will probably be Washington's original proposal of products on the general preference list—some of which have since been deleted.

Ecuador's officials and media have been venting their anger over Quito's exclusion from the preference scheme, but have also criticized its applicability to "too few products." Similar reaction is almost certain to come from Venezuela. No move has been made yet to call a special session of the OAS to review the situation, as was done last spring following the passage of the Trade Reform Act. This action could be repeated in the event Quito and Caracas find sympathetic ears in neighboring capitals.

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BANGLADESH-INDIA

Indian officials are still uneasy over events in Bangladesh, but the US embassy in New Delhi continues to believe that India has not reached a decision to intervene militarily.

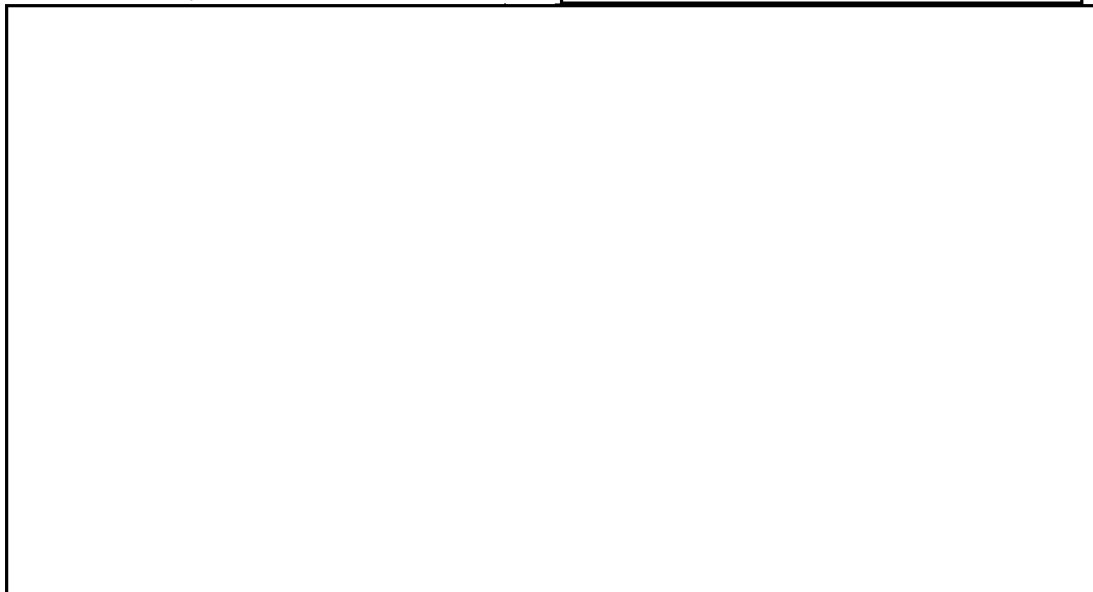
Indian Foreign Minister Chavan told Ambassador Saxbe on Thursday that New Delhi is seriously concerned over the "anarchic situation" in Bangladesh. The foreign minister said that the assailants who wounded the Indian high commissioner on Wednesday were incited by propaganda from pro-Pakistani and Islamic elements that the Dacca government could not control. At the same time, however, Chavan said New Delhi would continue to treat the situation as an internal Bangladesh matter in the hope that Dacca will be able to manage it—"and soon."

The embassy views reports of continuing Indian military preparations and sharp Indian press comments on Bangladesh as primarily reflections of an effort to exert psychological pressure on Bengalee leaders to adopt attitudes and policies acceptable to India. The embassy cautions, however, that New Delhi could decide on short notice to move militarily if there were a large-scale exodus of refugees into India or if communal violence erupted in Bangladesh involving the Hindu minority.

A Soviet official in New Delhi told a US embassy officer that Prime Minister Gandhi had informed the Soviet ambassador on Wednesday that there would be no Indian military intervention in Bangladesh. [REDACTED]

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EUROPEAN COMMUNITY

The EC heads of government, meeting in Rome on Monday and Tuesday, are likely to focus on three major problems: Britain's odd-man-out attitude toward Communist decisions; reforms in the management of EC finances; and proposals for changes in the structure and operation of the Council, the Commission, and the European Parliament.

London's insistence on a separate seat at the Conference on International Economic Cooperation—still scheduled for mid-December—could prove the most contentious issue, as its partners try to persuade it to accept EC representation. If the British position is intended to bargain for concessions on a minimum support price for North Sea oil, the meeting in Rome is the last convenient opportunity to work out such an agreement. London's overall commitment to the Community may well, in fact, be questioned, especially as it has also recently held out alone against other common EC decisions.

The heads of government will take up several EC institutional matters, the most important of which is the question of substituting direct elections to the European Parliament in 1978 for the present system of appointment from national legislatures. Only Britain and Denmark hope to postpone such elections until after the proposed date.

Ideas on reforming the Council's working methods and improving the Community's management of its finances and budget have proliferated. Chancellor Schmidt outlined his proposals in a letter to the other leaders and is expected to table specific recommendations in Rome. While reaffirming the importance that Bonn accords the Community, he made clear that limitations on German financial contributions to the EC make it essential for the Community to establish more clearly its priority objectives. In particular, he urged that its finances be more closely audited and that a finance commissioner be appointed with the authority to suspend policy proposals that exceed financing capabilities.

In addition to these intra-EC matters, the Nine will exchange views on several international issues, such as the situation in Spain and Portugal and the possibility of joint EC moves to combat terrorism. The leaders may also discuss the Euro-Arab dialogue in the light of the just-completed working sessions in Abu Dhabi. The heads of government of the smaller countries—irritated by their exclusion from the Rambouillet summit last week—probably will expect an account of that meeting and may register their concern that important economic policies may have been formulated outside of the Community framework.

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ITALY

The leaders of Italy's Christian Democratic Party reached a compromise at their national council meeting this week on the contentious issue of when to hold their party congress. They made little progress, however, toward resolving differences on the more basic questions—such as how to deal with the Communist Party—that will be at the center of congress debate.

The congress will open on March 4, a date acceptable to both the Christian Democratic left—led by interim party chief Zaccagnini and Prime Minister Moro—and the opposing center-right group that is seeking to gain control of the party. The latter group, which includes a majority of the party, wanted the congress held as soon as possible, since Zaccagnini is scheduled to step down at the meeting. The center-right maintains that his tendency to encourage a "dialogue" with the Communist opposition threatens to edge the Christian Democrats toward broader cooperation with the Communists.

Zaccagnini was trying to delay the congress until spring or later in order to consolidate the influence the party left has been gaining since he took over in July. Both Zaccagnini and his opponents sought to gain control of the congress by pushing for changes in the delegate selection process, which would have strengthened the leverage of their respective groups. Neither, however, could muster the two-thirds majority required to alter the procedure.

A significant development at the council meeting was the emergence of a loose centrist faction consisting of some uncommitted party leaders, such as Treasury Minister Colombo, and those, like Foreign Minister Rumor, who were not firmly allied with the two major groups vying for control. They apparently want to work for a broadly based majority that would include all but the extreme left and extreme right in the party. Prime Minister Rumor's closing remarks to the council suggest that he leans toward joining with the centrists, a development that would substantially increase their chances of success.

Defense Minister Forlani remains the favorite to succeed Zaccagnini. He is continuing to take steps to establish his independence of the center-right group, whose support gave his candidacy its initial impetus. The new centrist faction seems to view Forlani as its natural candidate, but many share the irritation of his original supporters over his growing reluctance to choose sides.

On balance, the picture that emerges from this latest gathering of the Christian Democratic leadership is that of a party that has avoided an open split but is still far

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from agreement on how to deal with the problems that led to unprecedented Communist gains in the elections last June. This makes the coming congress a crucial event; failure at that time to unite behind a new leader and settle on a coherent policy line would leave the Christian Democrats in poor shape to compete with the Communists in the next round of local elections this spring.

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FINLAND

In a dramatic reversal, Finnish President Kekkonen went on national television on November 27 to order the five center-left parties to form a "crisis government" by Monday. Only two days earlier, he had asked the caretaker government to stay on because the five parties had been unable to agree to form a coalition.

Lecturing party leaders and the nation, Kekkonen for the first time stated that Finland's stark economic situation demands a strong government. He denounced the haggling over a program, which wrecked the last negotiations, and said that assuring employment was the only program needed at present. He picked formateur Miettunen of the Center Party to be prime minister, and said that the distribution of portfolios is all that remains to be negotiated. Even this, however, will be no small problem, given the parties' insistence on being represented in the cabinet according to their relative strengths in parliament.

Kekkonen's intervention, never before so blatant, almost certainly will lead to a majority coalition of the Center, Liberal, Swedish, and Social Democratic parties. They may not meet his deadline, however. These parties made up the last coalition, which foundered last spring because of deep policy differences. It is also possible that the badly divided Communists, the fifth party, may defy Kekkonen and remain in opposition.

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CHILE

A breakdown in relations between the Pinochet government and the Catholic Church in Chile, which had appeared imminent, has been averted, although deep differences remain.

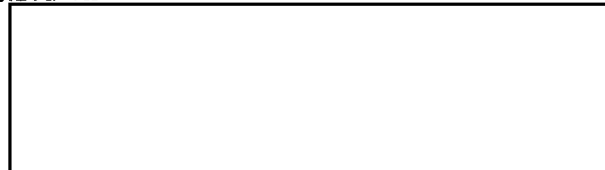
By bowing to President Pinochet's recent request to dissolve its Committee for Peace, the church indirectly admitted that some of the committee's members had assisted fugitives from the terrorist Movement of the Revolutionary Left (MIR). Some of those arrested for sheltering leaders of the terrorist group were church persons holding US citizenship.

Earlier this month, Cardinal Silva, the Chilean prelate, publicly threatened to excommunicate an influential and ultraconservative adviser to Pinochet who had attacked the church for complicity in the MIR affair. The church seemed on the verge of an open clash with the government. This, as well as the church's acute embarrassment over the MIR matter, probably impelled church authorities to back off from their previous tough stance.

The government has been careful to keep church-state differences within manageable limits and to leave the door open for cooperation. Pinochet has met privately with Cardinal Silva, presumably to work out an understanding, and both have appeared disposed to take an even-handed approach in dealing with their quarrels.

Pinochet's handling of the arrest and subsequent expulsion of the US citizens can also be attributed to a desire to avoid further complicating relations with the US.

Cardinal Silva is currently in Rome where he is expected to hold talks with the Pope on the church's position in Chile. The church will remain cautious in dealing with the military regime; further strife over sensitive issues is likely, but it is to the advantage of both sides to seek compromises. The junta would stand to lose the most if it used an iron hand against the church because of the inevitable international repercussions. At the same time, the church could lose the support of conservatives, who have already criticized its involvement with the terrorists, if it continues to confront the government.



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SINGAPORE

A bill introduced recently by the Singapore government will impose stricter penalties, including mandatory death sentences, for narcotics trafficking. The bill, which is expected to be passed by parliament next month or early next year, reportedly will be enforced against Singaporeans and foreigners alike.

Efforts to deter narcotics traffic in and through Singapore would confront international traffickers with a considerable roadblock. Although Singapore is not a producing area, it is an important distribution, transshipment, and financial center for traffickers of opium products from the Golden Triangle. Some narcotics move through Singapore to Europe and the US.

Perhaps the primary reason for the imposition of heavier penalties is the alarming rise in the use of smoking heroin in Singapore during the past year. More than 1,000 heroin users were arrested there in the first half of 1975, compared to 110 for all of 1974.

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FOR THE RECORD



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PORTUGUESE TIMOR: Fretilin yesterday unilaterally proclaimed Timor's independence from Portugal. The front apparently hopes to gain international recognition to forestall an anticipated major Indonesian military assault. Fretilin's proclamation may do more harm than good for its cause. Indonesian authorities have maintained that a declaration of this type would be adequate grounds for launching a full-scale assault against Fretilin forces.

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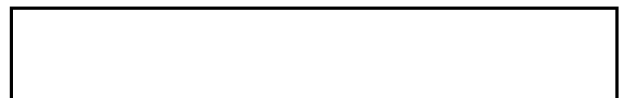
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