



The President's Daily Brief

February 19, 1975

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FOR THE PRESIDENT ONLY

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PORTUGAL

The Armed Forces Movement clearly intends to remain the dominant force in politics after the election of a civilian government later this year.

A Movement spokesman told reporters, following a meeting of the Armed Forces General Assembly on Monday, that the Movement would be more than a "referee," but would not become a military dictatorship. He indicated that the Movement will retain its existing powers, including ministerial posts, after the election.

The Movement's role in Portugal's political future has been the subject of heated debate among military men for several weeks. Most radical officers want it to intervene directly in the affairs of a civilian government and veto any legislation contrary to the Movement's interests. Moderates prefer to follow the armed forces' original intention to return to the barracks following the election of a civilian government or after the political parties are capable of taking over.

The three coalition parties are also divided over the Movement's role.

The Communists, hoping to capitalize on their influence within the Movement and doubting their ability to do well in an election, want it to continue in power.

The Socialists and center-left Popular Democrats, who want to establish a European-style civilian democracy, support the continuation of the Movement's influence in politics, but believe the military is usurping too much power. They are especially wary since the Movement last week pushed a constitutional amendment expanding the powers of the military junta through the legislative Council of State. This law is being interpreted as giving the Movement a means to bypass civilian opposition in the cabinet.

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OPEC

OPEC countries are preparing to invest more heavily in equities in the West. Their intention is chiefly to diversify their financial holdings rather than to gain control of foreign firms. Equity purchases in 1975 will remain a small portion of OPEC investment.

Investment in equities by OPEC states in 1974 was small--less than 3 percent of their investable surplus of about \$60 billion. Kuwait, Saudi Arabia, and Iran accounted for most of the purchases, at least \$625 million of which consisted of US common stocks.

For the most part, acquisitions this year probably will be limited to no more than 5 percent of a company's shares. As a result of unfavorable reaction to Kuwait's purchase of a large block of Daimler-Benz stock, OPEC states are likely to seek approval of the host government before buying substantial interest in a firm.

Saudi Arabia and Kuwait, in particular among oil producers, are showing interest in buying into foreign financial institutions, presumably to use them as channels for additional investment. In preparation for further equity investment, OPEC countries are building up their investment institutions and seeking more guidance from Western banks.

Kuwait, the most sophisticated investor in the Middle East, bought nearly \$1 billion in equities, approximately 15 percent of its new investment, in 1974 and made use of its own financial institutions as well as major international banks. The Kuwait Ministry of Finance, for example, acquired stock in the Dresdner Bank, which then arranged the purchase of 14.6 percent of Daimler-Benz for \$396 million.

Iran has made only one major equity investment--the purchase of 25 percent of Krupp Steel for \$100 million. In purchasing equities, Tehran will favor companies that can contribute to Iranian development programs. Saudi Arabia has been slow to commit funds to equity investment. With the advice of American banks, the Saudis last year did purchase \$325 million in equities, all blue-chip US stocks. This year, they plan to put from \$500 million to \$1 billion--an amount equaling 2 to 4 percent of surplus Saudi revenues--into US equities.

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USSR

The heyday of the heavy bomber in Soviet strategic strike forces ended when the Strategic Rocket Forces were created in December 1959. Development and deployment of strategic missiles progressed steadily during the 1960s; by the early 1970s, it was evident that the Soviets were relying almost exclusively on ballistic missiles for strategic deterrence, although they continued to maintain their aging heavy bomber force.

Now, however, with US bomber development and with improvements in US missiles that make the Soviet ICBM force increasingly vulnerable, the Soviet view of the strategic balance may have altered. Moscow may now be interested in seeking a more diversified strategic strike force, and we have some very tenuous evidence that the Soviets may be designing a new heavy bomber.

Why a New Bomber?

US superiority in strategic bombers has long been of concern to the Soviets. This anxiety, which can be seen in the size of the extensive Soviet air defense network and in various Soviet SALT proposals for a limit on such aircraft, has almost certainly increased as a result of the publicity given to the development of our B-1 aircraft.

[redacted] the Soviets are determined to develop an equivalent to any combat aircraft developed by the US. This Soviet desire to "keep up" suggests that they might consider a new bomber as a rival to the B-1.

Soviet war doctrine appears to have changed somewhat in recent years. There is some evidence that the Soviets may have shifted from an earlier belief that war--especially a European war--would immediately escalate to a massive nuclear exchange. The Soviets now recognize that war could at least begin without the immediate and extensive use of nuclear weapons. In a conventional or limited nuclear war situation, bombers could have several advantages over missiles.

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Given the present state of US air defense forces, the chances of a bomber reaching a US target are probably good. The planned reduction of US air defense missile forces will further improve those chances.

The age of the present Soviet strategic bomber force also argues for the development of a new bomber. The TU-95 and M-type Bison bombers of Long Range Aviation are from 10 to 19 years old. The introduction of a new heavy bomber would diversify the Soviet strategic attack force and improve its overall capabilities.

Moscow's most recently developed bomber is the swing-wing Backfire. This aircraft appears to be well suited for operations against targets along the periphery of the USSR, and most are likely to be used in that role. Although under certain conditions this bomber could be used against targets in the US, we have no firm evidence on which to base a judgment as to what extent the Soviets may intend to use the Backfire in this role.

The Vladivostok understanding, which calls for an agreement limiting the total number of strategic delivery vehicles of each party and the banning of new silo construction, doubtless is causing the Soviets to reassess their future strategic attack force. It is likely that their reassessment would include examination of the relative advantages of a new heavy bomber.

The Evidence

During negotiations with high-level US representatives last year, General Secretary Brezhnev on several occasions stated that if the US stopped development of the B-1, the USSR would not develop a new bomber that Brezhnev called the "160."

[redacted] the possible development of a new Soviet strategic aircraft.

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The interpreter accompanying a group of Soviets to a Boeing 747 aircraft production plant in October 1974 stated that the Soviet Ministry of Aviation Industry is designing a wide-body aircraft similar to the 747 that would be used as a ballistic missile transport and airborne launch platform. The translator stated that this aircraft had been designated the "TU-160."

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Brezhnev's remarks and those of the Soviet officials may have been braggadocio or made to enhance their government's negotiating position, and the interpreter's remarks may have been a deliberate leak intended to mislead. On the other hand, it is possible that the "160" or the "TU-160" may refer to a new bomber design of the Tupolev bureau, which has long been associated with bomber and transport aircraft designs.

Soviet aircraft design bureaus, including that of Tupolev, normally assign numbers in sequence to identify an aircraft and its component parts. For example, in the early 1950s the Tupolev design bureau assigned the number "88" to plans for the TU-16 bomber. The TU-95 bomber, which was designed in the mid-1950s, was assigned the number "95." Since that time, the Tupolev design bureau has created many aircraft designs, and "160" is a plausible number for a current Tupolev aircraft design.

If So, When?

A new bomber design such as "160" or "TU-160" is, of course, only one possible option open to the Soviets. Other possibilities could include modification of the Backfire. If the Soviets decide or have already decided to develop a new bomber, they would probably not be able to deliver it to operational forces in significant numbers before the early 1980s. Past experience indicates that the Soviets normally require four to five years to test a new aircraft design. Thus, if they were to build a prototype in 1975, it would be at least 1980 before it began entering operational service.

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