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	(8)	3 May 1973

Central Intelligence Bulletin

CONTENTS

USSR-JAPAN: Soviets again indicate interest in compromise on Northern Territories issue. (Page 1)

GREECE: Papadopoulos has come under sharp attack and the outlook is for more political uncertainty and popular dissatisfaction. (Page 3)

LEBANON-FEDAYEEN: Heavy fighting breaks out between army and guerrillas. (Page 5)

CUBA: Castro, in May Day speech, attempts to place Cuba at forefront of a Latin America united against the US. (Page 7)

25X1 and 6, E.O.13526

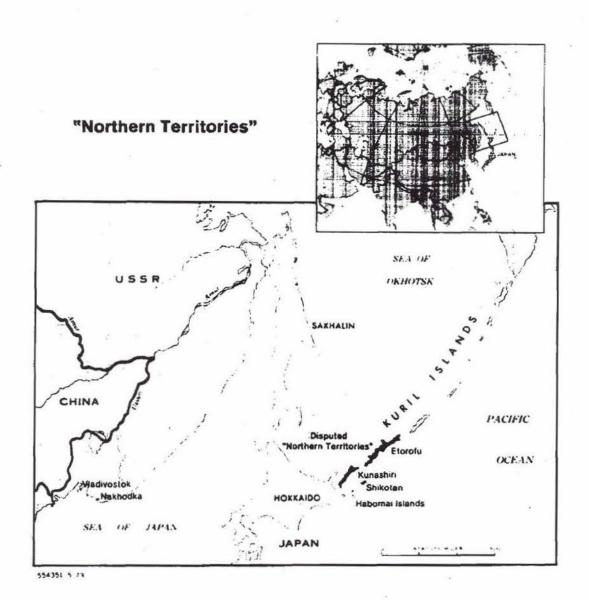
ICELAND: Cabinet will raise NATO base issue. (Page 10)

INDIA: Mrs. Gandhi denies government plans large
grain purchases. (Page 11)

FOR THE RECORD: (Page 12)

TOD	SECRET
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TOP SECRET



TOP SECRET

Withheld under statutory authority of the	e
Central Intelligence Agency Act of 1949 (
U.S.C., section 403g)	

USSR-JAPAN: The Soviets are again making discreet attempts to get Japan to think seriously about compromising on the Northern Territories problem. Unofficial statements have been made to Japanese diplomats on at least two occasions recently that Moscow is willing to return two of the islands (Habomai and Shikotan) claimed by Japan when a peace treaty is signed and that there be "joint use" of the other two major islands.

The USSR has taken informal soundings of this kind before. Early last year there were numerous indications that Moscow was weighing various compromise proposals and soliciting Japanese reaction. By summer, however, the Soviets concluded that Tokyo was trying to capitalize on its improved relations with Peking in order to force Moscow to cave in and return all the islands immediately. To discourage this tactic, the Soviets gave Tokyo's territorial demands short shrift.

Moscow maintained this tougher stand until early March, when an exchange of letters between Tanaka and Brezhnev brought some improvement in the atmosphere. Tanaka helped break the ice by promising that Japan would back the \$1-billion Tyumen oil project, provided agreement could be reached on issues such as price and quality of oil. His move capped earlier indications from Tokyo that Japan would not officially link its participation in joint economic ventures in Siberia with more intractable political problems.

Tokyo's changing attitude showed that it wants better balance in its relations with China and the USSR, and Moscow responded enthusiastically. After the Tanaka-Brezhnev exchange, Soviet media abruptly stopped mentioning the Northern Territories issue—the major stumbling block to significant improvement in Soviet-Japanese political ties. The Soviets have focused instead on prospects for economic cooperation, and have made no secret of their hope that a common interest in better relations across the board will help settle the territorial issue.

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3 May 73

Central Intelligence Bulletin

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25X1 and 6, E.O.13526

The Soviets apparently hope to engender some flexibility in the Japanese position by hinting at some give in their own. In floating possible compromise solutions, they have their eye on Tanaka's visit to the USSR late this summer when the Northern Territories question is certain to arise. There will be plenty of time and opportunity for further attempts to probe Tokyo's attitude. Deputy Foreign Trade Minister Osipov, for example, is due in Tokyo later this month,

to discuss political as

well as economic matters.

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3 May 73

Central Intelligence Bulletin

2

25X1 and 6, E.O.13526

TOP SECRET

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GREECE: The government of Prime Minister Papadopoulos has recently been sharply attacked by former prime minister Karamanlis, and a number of the old guard politicians have stood up, apparently anxious to be counted with him. The attack in itself is not a serious blow to the regime; that it could take place at all is a measure of the weakness of the government.

The ruling military junta has never lived up to the promises of its "revolution" six years ago. It has failed in its efforts to:

-- make the government efficient and responsive,

--work out a political system that would permit popular participation in government, and

--formally resolve the status of the monarchy and institute a new system of government.

As a result, politically conscious Greeks sense that Papadopoulos' administration is losing steam and, as it enters its seventh year, symptoms of malaise are plentiful:

--Disobedient students continue their opposition to the government even after their revolt was suppressed and civil libertarians who defended them were jailed.

--Troubles on Cyprus between General Grivas and President Makarios threaten to get out of hand while stability on Cyprus and a peaceful relationship with Turkey remain a top priority to Athens. The Turks are now worried that Grivas' violence may engulf the Turkish minority. They have asked Athens to curb the General. But the Papadopoulos government cannot control him.

--A variety of ambitious military officers from all levels are disgusted with the ineffectiveness of the government and have been

3 May 73

Central Intelligence Bulletin

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plotting against Papadopoulos for years. Their planning has seemed more serious in the past 12 months. Their lack of unanimity and Papadopoulos' vigilance has kept a military coup from succeeding.

Papadopoulos is aware of the symptoms, but he does not appear to have workable ideas about how to tackle the basic issues. Behind the scenes, for example, he has ordered the formation of a new "cultural organization" known at EPOK, a group he hopes will provide Greece's future political leaders. This move has already run into typically Greek trouble. Some military men, for instance, oppose the inclusion of socialists and center-leftists among EPOK's membership, and excluded old guard politicians are obstructing the group's formation because they see it undercutting their chance of returning to power.

Papadopoulos is vulnerable, but at present is not weak enough to be thrown out of office by anyone but a concerted group of military officers. The outlook for Greece is for more of the same political uncertainty and popular dissatisfaction.

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3 May 73

Central Intelligence Bulletin

4

TOP SECRET

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LEBANON-FEDAYEEN: Heavy fighting broke out between the army and guerrillas in Beirut yesterday. The clashes are the most serious since those of 1969 that left Lebanon without a government for several months. Some sporadic firing is continuing this morning.

According to the Defense Ministry, the crisis developed when guerrillas fired rockets at army positions in the southern suburbs of the capital. At that time, negotiations were under way for the release of two Lebanese soldiers seized by the guerrillas. Lebanese forces, supported by tanks and armored vehicles, immediately surrounded all Palestinian refugee camps in the Beirut area and returned fire against fedayeen positions. Army reinforcements were called into Beirut from outlying areas and a curfew imposed in all major cities.

Twelve Lebanese were killed and 40 wounded. Guerrilla losses are not known, but are presumed to be heavier. Fedayeen rockets set fire to an army fuel station and damaged barracks and a city post office.

The situation outside Beirut is thus far relatively stable,

25X1 and 6, E.O.13526

President Franjiyah met with his top security officials to deal with the situation. The government had already moved to improve coordination between the army and other security forces in actions against the fedayeen.

For his part, guerrilla leader Yasir Arafat contacted Lebanese authorities to arrange a cease-fire. An agreement was reached, but sporadic firing continued throughout the day. The subsequent release

3 May 73

Central Intelligence Bulletin

5

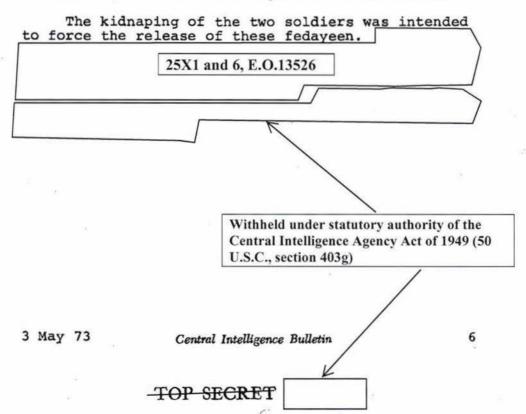
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of the kidnaped soldiers helped to calm the situation, but independent action by some fedayeen could trigger further fighting. For example, during yesterday's fighting, terrorists fired rockets in the direction of the US Ambassador's residence, but there were no casualties or damage. The attack was probably by the Popular Front for the Liberation of Palestine - General Command

25X1 and 6, E.O.13526

Increased fedayeen activity in Beirut and their movement into areas near the southern border with Israel since the Israeli raid on 10 April have strained Lebanon's relations with the Palestinians. During the past week three guerrillas were arrested at the Beirut airport as they tried to smuggle explosives out of the country. A number of others have been detained in connection with an apparent attempt to stage an action against the US Embassy.



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CUBA: Fidel Castro's May Day speech gave no hint of movement in his attitude toward relations with the US. The thrust was rather an attempt to place Cuba at the forefront of a Latin America united against the US.

Castro championed -- as Cuban spokesmen have repeatedly done in recent international forums -all of the major complaints the Latin Americans have raised against US economic policies in the hemisphere. As evidence of Cuba's common cause with Latin America, he pointed to Havana's support for Latin American positions on such issues as sovereignty over natural resources, US trade barriers, and the planned sale of US mineral stockpiles. He described specific Cuban grievances, such as the Guantanamo naval base, as less important than the problems Latin America has with Washington, and repeated Cuba's willingness to cooperate with nations that demonstrate their independence of the US, implying that his definition of such independence is increasingly flexible.

Castro's comment that Cuba can wait as long as necessary for a new Latin American organization without the US was a recognition that Cuba still lacks the influence with other Latins to press actively in this direction. But he continues to insist that Cuba wants nothing to do with the OAS as long as the US is a member and the headquarters are located there.

On relations with the US, Castro returned to the subject of the economic blockade as a bar to any dialogue. Because he does not expect any early change in the US position on this and other outstanding problems, he rejected any secret, direct talks with Washington.

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3 May 73

Central Intelligence Bulletin

7

TOP SECRET

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Castro's frigid tone on the subject of US-Cuban relations may be related to a growing concern over the implications for Cuba of the expected Brezhnev trip to Washington. Fidel may press Brezhnev, who has never been to Cuba, to stop off in Havana either before or after his trip to the US in return for the two visits by Castro to the USSR last year. If such a visit takes place, Castro will undoubtedly seek reassurances that Cuban interests will not be compromised.

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3 May 73

Central Intelligence Bulletin

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3 May 73

Central Intelligence Bulletin

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TOP SECRET

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The cabinet reportedly has decided to introduce formally the NATO base issue by invoking Article VII of the bilateral agreement later this month or in early June. This article calls for NATO to reassess the need of the base at Keflavik within six months. Thereafter, the Icelandic Parliament would have discretion to invoke the treaty's 12-month stipulation for withdrawal of all US forces. Frustrated by its inability to make any progress in the Cod War, Reykjavik probably reasons that such action will help unite the fragmented coalition by showing progress on at least one major issue despite US objections to the move. Some elements of the government also may believe that Washington would be amenable to supporting Iceland's position in the fishing dispute in return for not invoking Article VII.

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3 May 73

Central Intelligence Bulletin

10

TOP SECRET

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INDIA: Mrs. Gandhi has denied widespread Indian press reports that India plans to import an additional 6-7 million tons of foodgrains "during the next several months." The press reports were attributed to Ministry of Agriculture officials who apparently wanted to discourage hoarding and speculative buying and forestall further food riots. Mrs. Gandhi's denial probably was intended to reduce the potential impact of the press reports on world grain prices.

Foodgrain supplies to the consumers have indeed declined recently as the government depleted its remaining stockpiles to meet demand and to avoid further unrest in Maharashtra State, where riots broke out last month. Regular distribution channels have also been disrupted following the government's nationalization of the wholesale grain trade on 1 April. As a result, farmers are withholding grain in hopes of forcing the government to raise its procurement price for wheat, which is currently below the free market price.

The ministry's statements were an effort to shake loose these grain stocks. US Embassy officials were told privately that New Delhi actually plans to import only 2-3 million tons "quickly," in addition to the 1.65 million tons already bought this year. The government will then reevaluate the situation. If farmers sell enough grain to the government, and if the summer monsoon beginning in June is favorable, these initial purchases may be enough to get India through the next critical months. If this strategy fails, New Delhi probably will try to obtain credit in lieu of using foreign exchange to purchase the entire 7 million tons.

Withheld under statutory authority of the Central Intelligence Agency Act of 1949 (50 U.S.C., section 403g)

3 May 73

Central Intelligence Bulletin

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Egypt: The Egyptian Air Force canceled all leaves and increased its readiness yesterday. The actions do not significantly change the general alert that began on 20 April and could be connected with an air defense exercise.	0
Canada-Vietnam: Canadian frustration over the functioning of the ICCS is likely to increase following an incident yesterday in which two Commission helicopters were fired on. An angry Canadian official said that this latest incident, along with Polish-Hungarian obstructionism, would come close to "finishing" the Commission.	Withheld under statutory authority of the Central Intelligence Agency Act of 1949 (50 U.S.C., section 403g)
West Germany: A first-quarter trade surplus in excess of \$2.5 billion may indicate another record is in the making. The trade surplus for the rest of the year may be reduced somewhat by the growing demand for foreign goods, despite their high prices, as the West German economy continues to boom.	Withheld under statuto Central Intelligence Ag U.S.C., section 403g)
Cambodia: Prince Sihanouk is preparing to leave for a month-long visit to Africa.	Withhor Centra U.S.C
Czechoslovakia-USSR-FRG: Czech Foreign Minister Chnoupek arrived in Moscow yesterday for three days of talks with Soviet officials, probably about Bonn-Prague treaty negotiations that begin next Monday.	+
*These items are prepared overnight by CIA without coordination.	
3 May 73 Central Intelligence Bulletin 12	
TOP SECRET	

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