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NATIONAL INTELLIGENCE DAILY CABLE

Saturday September 11, 1976

CI NIDC 76-214C



**NATIONAL SECURITY INFORMATION**

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State Dept. review completed

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National Intelligence Daily Cable for Saturday September 11, 1976.

The NID Cable is for the purpose of informing senior US officials.

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SPAIN: Government Program Announced

25X1 [ ] Spanish Prime Minister Adolfo Suarez took a major step toward accommodating opposition demands last night when he announced the general lines of his government's reform program.

25X1 [ ] In a televised statement following cabinet approval of the program, Suarez said that all major reforms--such as overhauling the state-run labor organization, granting greater autonomy to the regions, and working out the power relationship between parliament and government--would be left to a bicameral legislature to be elected by direct, universal suffrage before next June. In effect, this would make the new parliament, which is to include the democratic opposition, a constituent assembly.

25X1 [ ] Suarez' program also incorporates several other concepts called for by the opposition as guarantees of democratic progress:

--Abolition of the seats held by 40 members of the current parliament appointed for life by General Franco.

--Some form of proportional representation.

--Regional representation in the upper house.

--Lower house initiative for constitutional reforms.

25X1 [ ] The role of the present government will be to take whatever measures necessary to prepare for the legislative election. Suarez did not specify how this would be done, but according to an advance briefing sent to the US embassy, the government intends to submit its proposals for holding the election and establishing a bicameral legislature to the current parliament and subsequently to a referendum. Armed with a popular mandate, Suarez will issue electoral laws by decree.

25X1 [ ] The major stumbling block will be getting the reform program approved by two thirds of the current, rightist-dominated parliament, but the government seems optimistic.

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[redacted] Relations between government and opposition seem to have improved dramatically since Suarez began meeting with left-ist leaders, but legalization of the Communist Party remains one of the main points of contention. The government, pointing to military inflexibility on the issue, maintains that its hands are tied.

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[redacted] There have been recent signs, however, that the Communist-dominated Workers Commissions may be legalized along with other clandestine labor unions, perhaps as early as next week. The government could rationalize such a move on the grounds that the Workers Commissions are neither political nor overtly Communist.

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[redacted] By allowing the Communists to work openly in labor, the government would hope to blunt opposition demands for legalizing the party and at the same time gain valuable good will from labor as important contracts come up for renewal this fall.

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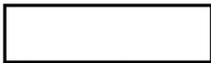
[redacted] The government also faces a potentially serious challenge this fall from regional separatists, who will probably be disappointed by Suarez' decision to shelve regional questions for the time being.

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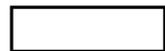
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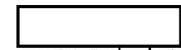
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 In the troubled Basque province of Guipuzcoa, there have been scattered work stoppages and demonstrations following the death last Wednesday of a young Basque worker shot by the Civil Guard. The entire council of the worker's home town has resigned in protest, and demonstrations are likely to spread throughout the Basque provinces over the weekend.

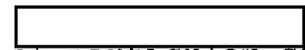
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 In the Catalan region, "national day" celebrations planned for Barcelona today have been banned by Madrid, not only because they might get out of hand--with the attendant dangers of overreaction by the police--but also because of the effect they might have on other regions with separatist aspirations.

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 Most of the organizers of the "national day" have agreed to a compromise with the government and will hold a small rally outside Barcelona, but some extremist groups may defy the ban or attempt to disrupt the officially sanctioned demonstration.

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 //The issue of Catalan nationalism is a matter of particular concern to the Spanish military, whose backing is critically important to Madrid during the present transition period. 

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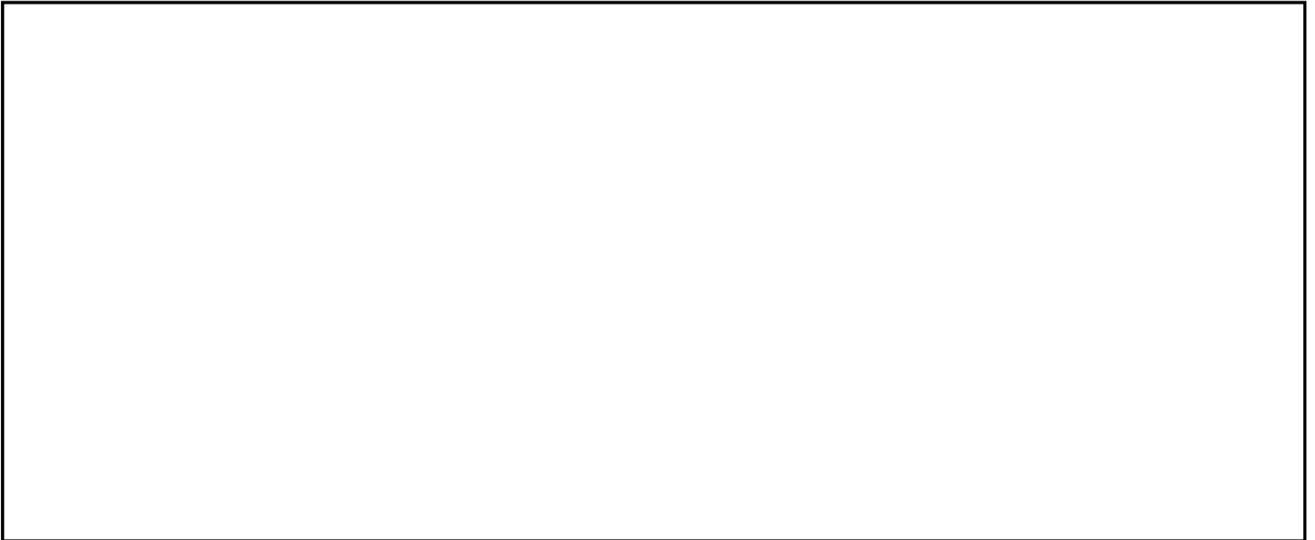
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LEBANON: Situation Report

25X1 [redacted] Lebanese Interior Minister Shamun, the most extreme of the major Christian leaders, apparently agreed during talks in Syria this week to allow an orderly transfer of power to president-elect Sarkis on September 23. Syrian President Asad and leaders of the larger Christian Phalanges Party believe Sarkis should take office before new political or military initiatives are launched.

25X1 [redacted] Shamun and Asad reportedly discussed the possibility of moving "symbolic" Syrian units into areas of Lebanon held by the Christians as part of a possible new military push to be made if the political stalemate continues after September 23. Such a move would be intended by the Christians and Syrians to support the fiction that Syrian troops are in Lebanon as a peace-keeping force rather than to assist only one side.

25X1 [redacted] Representatives of Palestine Liberation Organization chairman Arafat continued to shuttle between Beirut and Damascus this week. Press reports say the Palestinians are attempting to arrange at least a temporary cease-fire with Syria and, if they succeed, a visit to Damascus by Arafat before Sarkis takes over in Lebanon.

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[redacted] Leaders of Fatah and of the Popular Democratic Front for the Liberation of Palestine, the fedayeen group closest to the Soviets, are affirming the Palestinians' willingness to respect past accords regulating fedayeen activities in Lebanon and alleging that the fedayeen are armed only for "defense against Israel." This is as close as they have come to dissociating themselves publicly from the anti-Syrian aims of their more radical Lebanese leftist allies.

25X1

[redacted] Egypt is now attempting to become centrally involved in the Lebanese diplomatic negotiations. Palestinian and Lebanese leftist and Muslim leaders have recently consulted with Egyptian officials in Cairo, and Foreign Minister Fahmi is scheduled to receive a number of other Lebanese politicians in the near future. These include Phalanges chief Jumayyil and leftist leader Jumblatt, but not Shamun or Sarkis, who are not popular in Egypt.

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[redacted] Cairo has had little success in limiting Syria's influence in Lebanon by supporting the Lebanese leftists and the Palestinians. It presumably now hopes it can counter Damascus more effectively with assertive diplomatic action. Egypt may also be working to ensure that it will be included in any peace talks that might follow Sarkis' installation and to prepare for the Arab summit that is scheduled to consider the Lebanon problem late next month.

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[redacted] Arab League mediator Hasan Sabri al-Khuli, who has been in Cairo for consultations, is to return to Beirut today. Press reports say that he will propose still another peace plan, but most parties to the conflict remain skeptical of his efforts. Al-Khuli probably is preoccupied this week with protecting the Arab League force in Lebanon, which has come under fire and has had to withdraw from some of its posts.

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[redacted]

SOUTH AFRICA: Rioting Spreads

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[redacted] The spread of rioting by "coloreds" in the Cape Town area this week has complicated Prime Minister Vorster's efforts to achieve a consensus within the ruling National Party on a strategy to deal with South Africa's mounting racial tensions. This is the first outbreak of serious violence by the "coloreds," the most numerous ethnic group in the metropolitan area.

25X1

25X1 [redacted] Prominent whites have asked Vorster to meet soon with leaders of the "colored" community to discuss their grievances. The prevailing attitude among whites, however, seems to be fear for their own safety if the rioting is not quickly suppressed.

25X1 [redacted] Yesterday a special caucus of the National Party convened in Pretoria. Since Vorster announced the caucus a month ago, the South African press has speculated that he intended, through closed-door sessions with some 300 Nationalist members of Parliament and the provincial councils, to gain broad support for some modifications of the apartheid system.

25X1 [redacted] Vorster has avoided public discussion of any basic strategy for coping with the non-white unrest that has mounted since the outbreak in June of rioting among blacks in the Johannesburg area. Instead, he has stressed his determination to suppress dissidence and his refusal to deal with any black leaders until the disorders subside. He has announced some palliatives, such as allowing residents of the black townships to buy the houses they have been renting.

25X1 [redacted] A month ago--before any serious dissidence had cropped up among the "coloreds"--Vorster announced that members of existing representative bodies for them and for Asians will meet regularly with government ministers to advise on matters affecting their racial groups. The move seemed to imply that "coloreds" were eligible for some political accommodations that were out of the question for urban blacks.

25X1 [redacted] This week Vorster told a provincial congress of his party that he would consider measures for improving living conditions among non-whites, but that they had no right to participate in white political institutions. He explicitly ruled out representation of "coloreds" or Asians in Parliament.

25X1 [redacted] Vorster may have been asserting a tough line on the basic political issue in order to soften grassroots opposition to more substantial economic and social reforms than he has previously proposed. The government announced yesterday nine limited concessions for the "coloreds," including cancellation of some restrictions that applied to businessmen and permission for those who belong to predominantly white trade unions to serve on union executive committees. [redacted]

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UK: Cabinet Shuffle

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[redacted] //The cabinet shuffle announced yesterday by Prime Minister Callaghan does not portend any major shifts in government policies.//

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[redacted] //The cabinet changes were triggered by the long-expected departure of Home Secretary Roy Jenkins, who will become president of the EC Commission in January. Jenkins' post goes to Merlyn Rees, a crony of Callaghan's who is being rewarded for successfully managing the Prime Minister's party leadership bid last April. Rees will be replaced as Northern Ireland secretary by Defense Secretary Roy Mason.//

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[redacted] //The defense portfolio goes to Fred Mulley, who is associated with the right wing of the Labor Party and, like Mason, can be expected to oppose vigorously left-wing pressures for further cuts in military spending. Mason, a tough in-fighter in cabinet debates on defense, may have made enough political enemies to persuade Callaghan of the need to bring in a fresh face.//

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[redacted] //Pressure for more cuts may come this winter if the government is forced to reduce public spending again in order to secure foreign loans.//

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[redacted] //During the Labor administration in the 1960s, Mulley served as minister for the army and in a junior cabinet position in the Foreign Office specializing in West European affairs.//

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[redacted] //Meanwhile, senior officials of the Trades Union Congress have persuaded the British seamen's union to push back its strike deadline from tomorrow to September 26. The postponement will provide some much needed time for mediators to come up with a face-saving formula that would both satisfy the seamen's pay demands and keep the government-TUC wage restraints agreement intact.//

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25X1 [redacted] //Negotiators will have to resist the temptation to buy off the seamen with an exception to the current pay guidelines because such an act would only give other unions an excuse to push "special" demands of their own that would swiftly destroy the government's anti-inflation program. [redacted] 25X1

EC-TURKEY: Differences Over Association

25X1 [redacted] //EC and Turkish officials, meeting in Ankara this week, were unable to settle differences over the terms of Turkey's association agreement with the Community.//

25X1 [redacted] //The EC's inability to satisfy the Turks will further reduce the Community's leverage in persuading Ankara to reach a settlement of the Aegean and Cyprus problems. It may also complicate negotiations set for this month on Greek entry into the Community, since the Nine recognize the need ultimately to "balance" an agreement with Greece with a positive gesture toward Turkey.//

25X1 [redacted] //EC officials viewed the session in Ankara primarily as an opportunity to explain the economic circumstances influencing the Community's offer; they were not empowered to negotiate a new agreement. The Turks nevertheless were critical of the EC offer, insisting on greater market access for Turkish agricultural goods, more financial aid, and an agreement on a date when Turkish workers will be allowed free movement within the Community.//

25X1 [redacted] //Ankara threatened at one point to drop the idea of association if the Community was not more forthcoming, but the two sides agreed to continue negotiations next month.//

25X1 [redacted] //West Germany has been a major stumbling block to improving Turkish-EC relations by refusing to grant additional concessions on migrant labor--Ankara's most important demand. Although strongly committed to preserving Turkish military and political ties to Western Europe, Bonn contends that domestic considerations rule out any softening of its position.//

25X1 [redacted] //As an alternative the Germans have promoted the idea of direct German investment in Turkey in order to ease unemployment and reduce pressures for accepting more Turkish workers.

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25X1 [redacted] //The Aegean and Cyprus issues were raised at the talks. Community representatives were disappointed by the intransigence of the Turks. EC foreign ministers will discuss the results of the visit next week when they meet in The Hague, but the lack of progress in Ankara will probably discourage most EC states from any new diplomatic initiatives in the near future.

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#### EAST - WEST GERMANY: Relations

25X1 [redacted] East Germany reportedly promised to be "accommodating" on several matters relating to inter-German travel and controls in talks on Thursday with Bonn's permanent representative in East Berlin. The move could bolster the Schmidt government's argument that it has pursued the right policy on inter-German matters during the recent border and transit disputes and help the governing coalition parties in the coming election.

25X1 [redacted] In public comments this week at a party Central Committee plenum and at the Leipzig Fair, East German party leader Honecker reiterated the regime's interest in moving forward in bilateral dealings with West Germany. Other East German spokesmen have also indicated that, while they have no intention of loosening internal security controls, they are eager to close the book on the recent imbroglio caused by their harassment of transit traffic to West Berlin.

25X1 [redacted] At the talks on Thursday, East German Deputy Foreign Minister Nier said that East Germany was "ready" to ease visa restrictions, to accelerate processing of local traffic across

the border, and to grant an early release to a number of political prisoners. In addition, the East Germans early next year will allow the first official cultural exhibition by the Bonn government to be held in East Berlin.

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[redacted] East Germany, despite its recent polemics over incidents along the East - West German border, has carefully avoided personal attacks on Chancellor Schmidt.

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[redacted] East Berlin is probably aware that a prolongation of tensions would play into the hands of the opposition Christian Democrats. They undoubtedly view the East German concessions as an obvious maneuver to "tip" the vote in the national election on October 3 in Schmidt's favor.

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[redacted] East Berlin's behavior could indeed prove to be a significant factor because of the large number of undecided West German voters--approximately one out of every six.

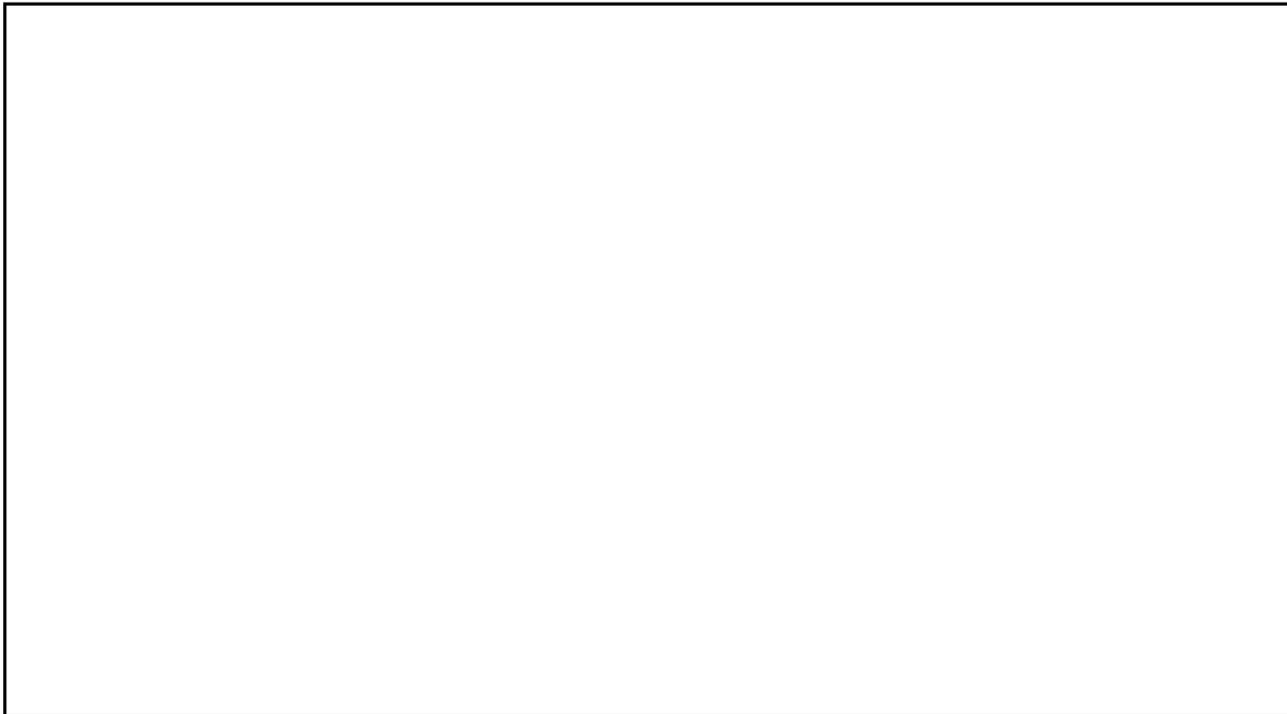
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[redacted] Although inter-German relations remain plagued by serious disagreements, the uncommitted voters may interpret Bonn's handling of relations with the East Germans as another sign that the Schmidt government is more skillful than the Christian Democrats in dealing with foreign policy matters.

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JAPAN: Miki's Latest Proposal

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[redacted] Japanese Prime Minister Miki failed to persuade his cabinet yesterday to support his latest proposal for breaking the political impasse. Earlier this week, Miki had threatened to force a showdown with his opponents at yesterday's meeting.

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[redacted] At the last moment he offered to hold a special party convention by the end of October in exchange for their agreement to convene the Diet and resume normal business next week.

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[redacted] Since a special convention would almost certainly remove Miki as party president, the Prime Minister's latest offer is a limited concession to his opponents. Even so, both Deputy Prime Minister Fukuda and Finance Minister Ohira--Miki's leading rivals--are aware that Miki can only be removed as prime minister while the Diet is in session.

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[redacted] Fukuda and Ohira are unlikely to agree to any compromise without at least a private understanding with Miki on the specific timing of the convention. They would want to avoid giving Miki any opportunity to dissolve the Diet and call elections before the convention is held.

[redacted] Miki has said that he will try to reach an agreement at another cabinet meeting today. Yesterday's five-hour session was acrimonious and inconclusive, and if the Prime Minister faces a continued impasse, he could move quickly to replace the 14 or 15 dissenting ministers with his own loyalists, convene the Diet, and then dissolve it for general elections. If he tried this, his opponents could be expected to call a party convention promptly and remove Miki as party president.

[redacted] Throughout the impasse, both sides have avoided taking any irrevocable step--as Miki did again yesterday. Miki's announced deadline for convening the Diet is still four days away, and both sides are likely to use the intervening period for further bargaining as each tries to avoid the onus of provoking a final confrontation. [redacted]

#### YUGOSLAVIA: Tito's Health

[redacted] President Tito has reportedly canceled all immediate engagements because of health problems.

[redacted] The announcement of Tito's illness came from Paris, where Yugoslav Foreign Minister Minic made a surprise visit yesterday. According to press releases, Minic told the French government that President Giscard's trip to Yugoslavia on September 15 would have to be postponed. The Yugoslav message reportedly emphasized that Tito's indisposition was only one of a series of similar periods of enforced inactivity for the aging Yugoslav President.

[redacted] A French Foreign Ministry official expressed his own conclusion that Tito had had a mild heart attack and would be recuperating for some time. Yesterday afternoon, however, Belgrade domestic radio reported that Tito saw visiting Romanian President Ceausescu, which may mean that Tito has simply decided to take a rest.

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ARGENTINA: Labor Unrest

25X1 [redacted] Argentine labor's restiveness over what it considers inadequate pay raises is growing. Workers at several auto plants are defying the junta's ban on strikes by staging work slowdowns and stoppages to back demands for increases beyond the 12-percent general hike granted last week.

25X1 [redacted] This is the first instance of large-scale protest activity by workers since the military government took over in March. Until the coup, organized labor was the most influential civilian group, and it remains a formidable potential opponent of junta policies. The government's austerity policies may yet lead to serious unrest.

25X1 [redacted] The junta has responded by toughening the penalties not only for striking but also for lockouts by management. Some employers have apparently used this means to goad workers to strike. One local journal suggests that management would actually benefit from giving in to labor's demands, since higher wages would increase sales, head off further strikes, and justify additional price increases.

25X1 [redacted] The left is also attempting to increase tensions. The Montoneros have claimed credit for killing a supervisor in an auto plant near Buenos Aires. The murder followed the firing of more than 100 workers branded as agitators.

25X1 [redacted] The two wage increases granted by the junta since its take-over have fallen far short of offsetting the cost-of-living rise since then. Real wages have declined nearly 40 percent. The modest size of the authorized increases is in keeping with the junta's efforts to curb inflation. [redacted] 25X1

MEXICO: Impact of Peso Float

25X1 [redacted] Prices of all goods and services in Mexico have skyrocketed in the wake of the peso devaluation, and demands for higher wages are spreading. The government has resorted primarily to jawboning in an attempt to hold the line on consumer prices, almost all of which are subject to government controls.

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[redacted] Department stores have quickly increased prices for consumer durables by 20 percent. Most other retailers have followed suit. Basic food costs are reportedly up 20 percent over last week and meat prices have increased even more.

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[redacted] Government inspectors, who in the past have not been noted for their zeal, have started to crack down on businesses for price gouging. They reportedly have closed 38 department stores and four supermarkets in Mexico City. Some 100 other businesses face prosecution for ignoring government price controls.

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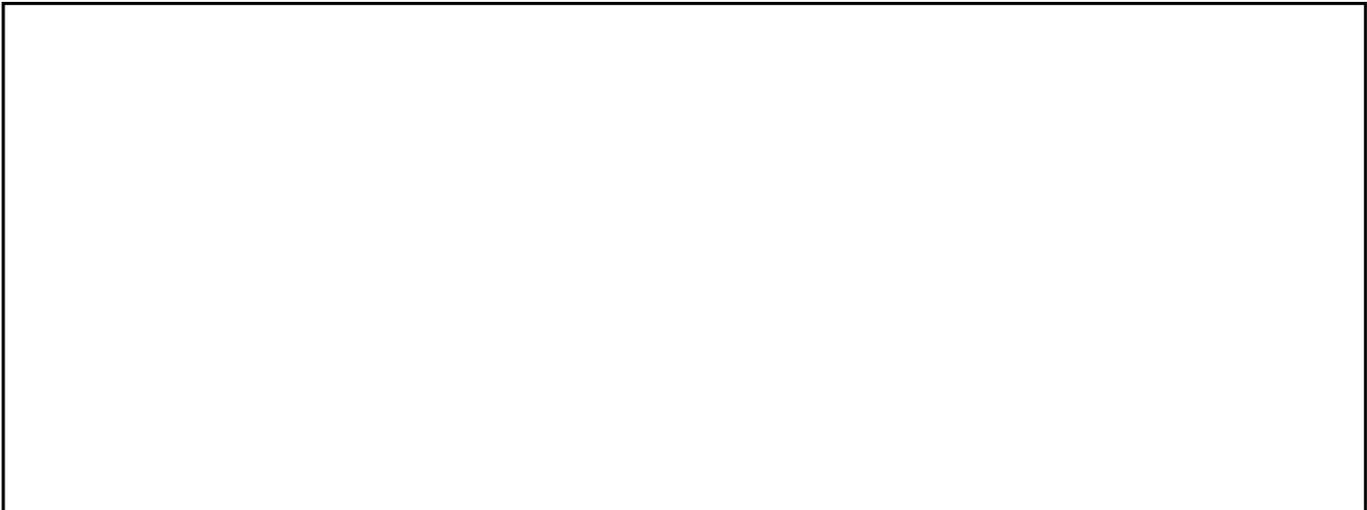
[redacted] How far the government is prepared to go in controlling inflation will be made clear when it announces the size of the coming federal workers' wage rise. President Echeverria in his state of the republic address on September 1, stated that salaries and pensions of civil servants will be adjusted to restore lost purchasing power

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[redacted] The increase to the federal workers will serve as the basis for this fall's scheduled wage negotiations between private industry and the major labor unions, which are calling for a general strike if wages are not increased enough to offset price rises. [redacted]

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