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NATIONAL INTELLIGENCE DAILY CABLE

Monday May 23, 1977

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**NATIONAL SECURITY INFORMATION**  
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State Dept. review completed

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National Intelligence Daily Cable for Monday, May 23, 1977

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

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SAUDI ARABIA: Foreign Trade Trends

25X1 [ ] Saudi Arabia earned \$34.2 billion from foreign oil sales last year--16 times the amount it earned in 1970--and will earn approximately \$44 billion this year if the Arabian American Oil Company achieves its production target of 10.5 million barrels per day. Saudi imports will not rise as rapidly and probably will total about \$11 billion this year.

25X1 [ ] Under pressure of Saudi Arabia's ambitious development plans, Saudi imports rose from \$3.9 billion in 1974 to \$10.9 billion last year. Since early 1976, however, import growth has tapered off. Manpower and port capacity constraints, in addition to budget allocation problems, are the main reasons for the slowdown in import growth. The Saudis have also been taking a more cautious attitude toward foreign purchases, frequently rejecting items they feel carry inflated price tags.

25X1 [ ] Reflecting the push for domestic development, capital goods and industrial materials such as steel have accounted for about two thirds of Saudi imports. The Saudis spent \$3 billion in 1976 for capital goods from the seven largest industrialized countries and \$1.8 billion for industrial supplies. Motor vehicle purchases have also skyrocketed over the last three years, totaling roughly \$1.6 billion in 1976.

25X1 [ ] The increase in Saudi imports has come from traditional suppliers. Nearly \$2.8 billion worth of merchandise was imported from the US last year--roughly 25 percent of total Saudi imports. Japan, which sold \$1.9 billion worth of goods to Saudi Arabia last year, was its second largest supplier. Italy, although still a relatively small exporter to Saudi Arabia, recorded \$644 million in exports to the Saudis in 1976--nearly five times the 1974 level. The UK and France also experienced sharp rises in sales to Saudi Arabia.

25X1 [ ] Despite concerns that Western inflation has eroded the buying power of Saudi Arabia's oil revenues, oil price hikes since 1974 have maintained the real value of Saudi earnings. Since the first quarter of 1974, Saudi import prices have risen by about 25 percent. Over the same period, the basic Saudi crude oil price has increased by roughly the same amount, rising from \$9.24 per barrel in early 1974 to \$11.58 in the first quarter of this year. [ ] 25X1

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SUDAN: Request to Reduce Size of Soviet Embassy

25X1 [ ] Sudan announced over the weekend that it has asked the USSR to reduce the size of its embassy staff in Khartoum. The request follows the forced departure of some 90 Soviet military advisers from Sudan last week.

25X1 [ ] The Sudanese apparently told the Soviet ambassador that the size of the Soviet embassy is "inconsistent" with current relations between the two countries and considerably exceeds the representation of other governments that cooperate extensively with Sudan.

25X1 [ ] Although this pointed request will further strain relations between Khartoum and Moscow, the Sudanese seem to be trying to avoid an outright break in diplomatic ties. The announcement gave no deadline and did not specify how many Soviet diplomats have been asked to leave. The Soviets have approximately 57 people in their embassy and another 30 attached to their aid mission.

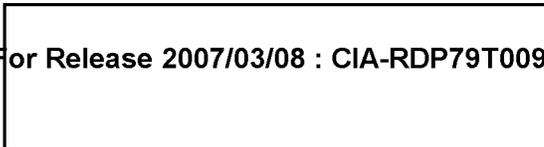
25X1 [ ] President Numayri returned to Sudan on Saturday after two days of consultations with Egyptian President Sadat. Numayri has been carefully coordinating his moves to reduce the Soviet presence in Sudan with the Egyptians, who share and may have even heightened the Sudanese leader's concern over Soviet machinations against him.

25X1 [ ] In this instance, however, Sadat may have encouraged Numayri not to be too abrupt because Soviet setbacks in Sudan might cloud the atmosphere for talks between the Egyptian and Soviet foreign ministers early next month.

25X1 [ ] A Soviet embassy spokesman in Khartoum has confirmed that the Soviets have been told to cut their diplomatic staff in half. *Pravda* yesterday accused the Sudanese of playing into the hands of "imperialist circles." The article rejected the charge that the Soviets are meddling in Sudanese internal affairs. Moscow alleges that the military advisers were recalled, not expelled, because of the deterioration in relations between the two countries. [ ]

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FRANCE: Strike

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[Redacted] All major unions in France will join tomorrow in a 24-hour general strike to protest the government's restrictive wage policy. The expected walkout of some five million workers is certain to disrupt the operation of the government as well as power and transport services.

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[Redacted] More important for its political than its economic aspects, the strike will be a dramatic demonstration of trade union unity in opposition to the government's austerity program. It should give a psychological boost to the Communist-Socialist alliance.

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[Redacted] This will be the first time in 20 years that all the major unions have taken part in a national strike. The participation of the moderate *Force Ouvriere* is a victory for the left-wing trade unions, which had been unable in the past to get that union to join with them. The Communist-led General Confederation of Labor and its left-wing ally, the French Confederation of Labor, have been unrelentingly hostile to Prime Minister Barre's economic stabilization program, but the *Force Ouvriere* had been conciliatory until recently.

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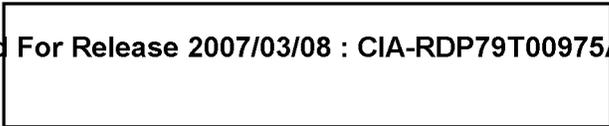
[Redacted] The *Force Ouvriere* is striking tomorrow solely because the Barre plan blocks collective bargaining. It intends to keep its activities separate from those of the other unions. This distinction will be meaningless to most observers, however, and the *Force Ouvrier's* participation--particularly that of its civil service members--will give more weight to the protest. The bulk of its membership is Socialist and, according to the US embassy, views the government with increasing contempt. [Redacted]

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25X1 EASTERN CARIBBEAN: Radical Leaders Emerging

25X1 [redacted] *Marxist-oriented radicals are making a strong push for power on islands in the eastern Caribbean. The challengers, many of whom were active in the Caribbean black power movement a decade ago, are increasingly turning to conventional election politics as the most promising route to leadership. Any success the radicals have will probably mean an increase in Cuban influence.*

25X1 [redacted] The new radical leaders have adopted various strategies. Some are working within traditional parties. Others have formed broadly based alliances in hopes of defeating a well-entrenched leader. These and similar tactics have already enabled several radical groups to take control of the opposition and could allow others to develop as major contenders for power in the years ahead.

25X1 [redacted] On Barbados, a group of Marxist university activists led by Ralph Gonzalves has joined with young regulars of the opposition party in an attempt to steer the party to the left. Gonzalves, an electrifying speaker and accomplished political

organizer, is still a long way from translating stump oratory into leadership, but he has acquired a respectable podium for delivering his ideological message.

25X1 [redacted] On St. Lucia, which is not yet independent of the UK, a dynamic Marxist politician, George Odlum, has worked his way up to a position of influence in the major opposition party. Odlum's brand of socialism has met with broad support in the party, and only last-minute maneuvering kept him from becoming party leader early this year. He remains second in the hierarchy and is generally conceded a strong chance of eventually assuming power.

25X1 [redacted] On Grenada, the Marxist-oriented New Jewel Movement joined forces with two centrist parties last year to try to defeat the durable but eccentric Prime Minister Eric Gairy. The coalition was narrowly defeated in the December election, but it still maintains an outside chance of replacing Gairy in the near future.

25X1 [redacted] On Antigua, Tim Hector, leader of the Afro-Caribbean Liberation Movement, reportedly plans to seek election to the Antiguan House of Assembly.

25X1 [redacted] On Dominica, Roosevelt Douglas, a long-time activist and a stalking horse for Cuba in the eastern Caribbean, has ingratiated himself with Premier Patrick John in hopes of steering him on a leftward course.

25X1 [redacted] The Cuban government stands to gain from the strengthened position of the radicals in the eastern Caribbean. Many of the emerging leaders have been impressed by visits to Cuba or influenced by contact with Cuban officials in third countries such as Jamaica or Guyana.

25X1 [redacted] In some cases, Havana may have actually helped persuade the leftists that participation in conventional politics is the best course to follow. Encouraging local leaders to use established parties or "progressive" coalitions as vehicles to power would be in line with Cuban policy in the Caribbean. This has been reinforced by the Jamaican experience, in which young radicals have succeeded in gaining a strong position within the ruling party and considerable influence over Prime Minister Manley.

25X1 [redacted] Local circumstances have pushed Caribbean politics leftward in recent years, and are likely to continue to do so. Limited resources and worsening economic conditions combined with populations that have large percentages of young people have significantly improved the prospects for the left. By joining established parties the radical politicians have had to tone down their rhetoric, but they have also gained a stamp of legitimacy they can use in their drive toward power. [redacted]

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25X1 PAKISTAN: Situation Report

25X1 [redacted] *Some progress toward resolving the 10-week old political crisis in Pakistan may have been made, apparently under the urging of Saudi Arabia and possibly other Muslim states. All nine opposition leaders must reach a unified position, however, before a solution to the crisis is possible.*

25X1 [redacted] On Saturday, Abdul Qayyum Khan, a veteran politician and a spokesman for the opposition Pakistan National Alliance, appeared optimistic after a series of conferences with several other jailed opposition leaders, that the nation was finally moving toward a peaceful solution to the crisis. He claimed Saudi Arabia had played a vital role in changing the situation, but gave no details.

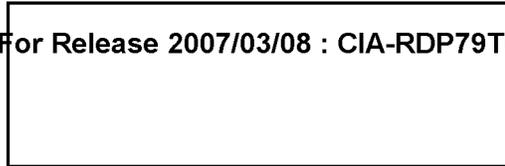
25X1 [redacted] The same day, a leading newspaper that is usually well-informed about opposition affairs, reported that formal negotiations between Prime Minister Bhutto and his opponents could begin this week. It asserted that Bhutto's recent proposals to his opponents could break the deadlock between the two sides.

25X1 [redacted] The crisis erupted following elections in March; Bhutto's party won handily, but the opposition claimed the elections were rigged. Bhutto has refused thus far to accede to the principal demands of his opponents that he resign and that new elections be held under army or judiciary supervision. He has indicated a reluctant willingness to consider elections but has refused to step down.

25X1 [redacted] On May 13, Bhutto announced plans for a national referendum to decide if he should remain as prime minister. The opposition rejected that proposal.

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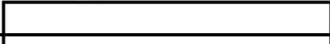
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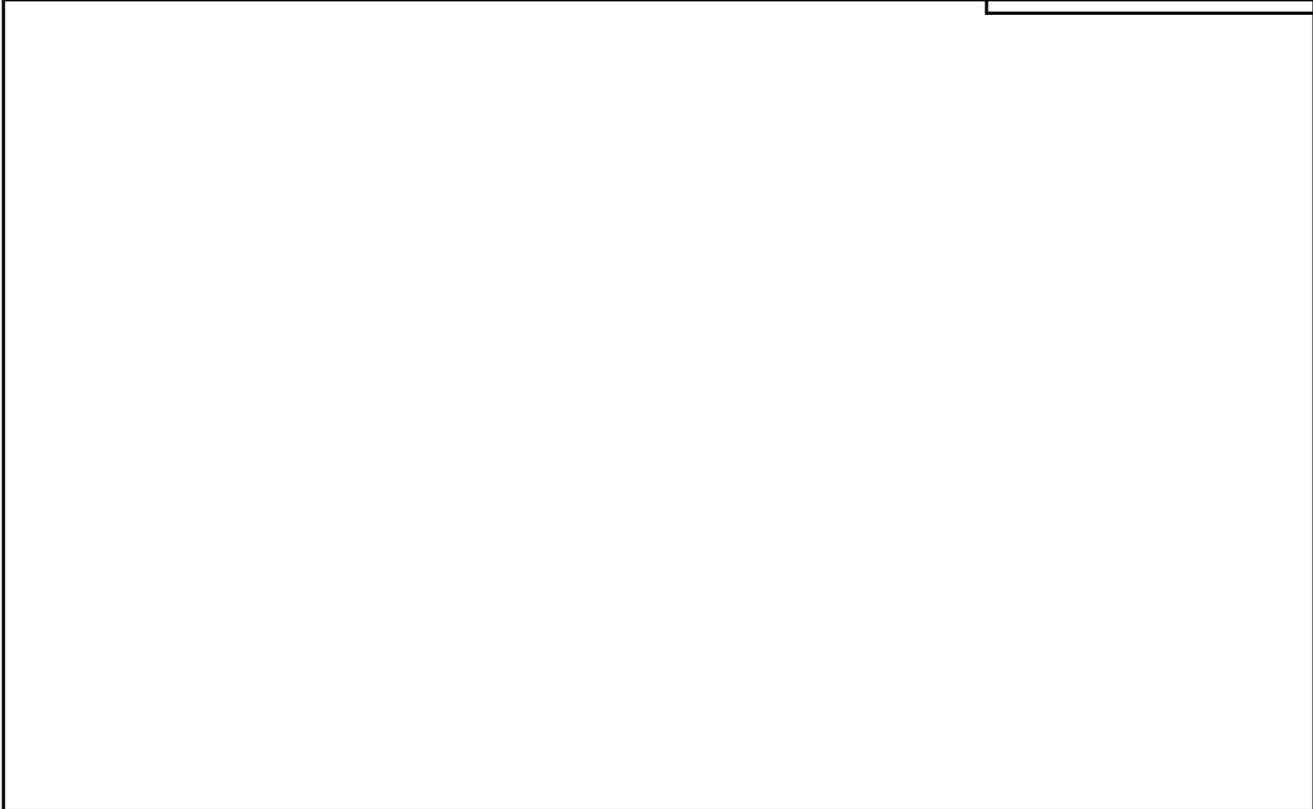


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 Qayyum Khan's optimism about a solution may be misplaced. Several other recent initiatives have foundered on irreconcilable demands. The most immediate problem facing those trying to end the crisis is to obtain the agreement of all nine opposition leaders to a unified position on negotiations. One of the principal hurdles to such unanimity has been disagreement within the group as to whether a formula can be found that will allow Bhutto to remain in office, at least temporarily, while restricting his power to control the government. 

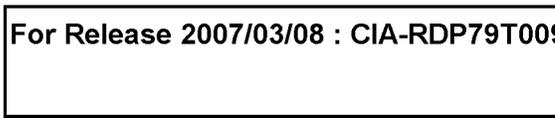
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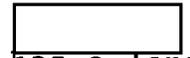


**NORTH KOREA - JAPAN: Visit**

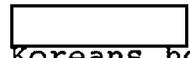
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 *The visit that ended Friday of a semiofficial North Korean delegation to Japan did not go well. The group failed to obtain a five-year extension of a private trade agreement-- apparently because of the growing number of foreign debt defaults by Pyongyang. Japan's relations with South Korea, however, already strained by lack of progress over the continental shelf agreement, were further damaged by North Korean statements during the visit.*

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 Although Tokyo, which does not recognize the North, has a long-standing policy of encouraging economic, cultural, and personal contacts with Pyongyang, the North Korean visit was the first of its kind since 1974. The delegation was led by a former North Korean ambassador to China, who is a member of the Central Committee of the Korean Workers Party.

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 Some reports before the visit suggested that the North Koreans hoped to conclude an ambitious five-year trade pact similar to a private agreement signed in 1972. The talks apparently bogged down on the question of financing. Pyongyang began to default on its foreign debts in early 1975, and owes an estimated \$300 million to Japan alone. A new repayment schedule was concluded with Japan in late 1976, but Pyongyang has already fallen behind on the first quarterly installment on interest payments.

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[redacted] Diplomatically, the visit got off to a bad start. In an arrival statement, the delegation leader criticized the Fukuda government for supporting South Korea and attempting to block US troop withdrawals. The remarks echoed the increasingly tough line that Pyongyang has taken toward Japan in recent months.

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[redacted] In an interview last month, North Korean President Kim Il-song again welcomed private exchange visits with Japan, but said he doubted that there would be much progress on state relations so long as Japan maintains its supportive policy toward the South. Kim also asserted there would be no major improvement until reunification had been achieved.

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[redacted] Japan has been pursuing ties with North Korea in order to improve its chances of acting as a moderating influence on the Kim regime. Japan also hopes to gain some flexibility for adjusting quickly to any unanticipated changes in US policy in the region.

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[redacted] With regard to Japan's relations with South Korea, the timing of the North Korean visit could hardly have been less opportune. Only days before word of the visit surfaced, Seoul reacted strongly to Tokyo's failure to ratify the continental shelf treaty with South Korea, and to the unwillingness of a leading Japanese newspaper editor to disavow what Seoul regarded as unnecessarily pro-North Korean comments during a visit to Pyongyang. Tokyo is now seeking to shore up its relations with the South, a process that in turn is likely to be criticized by Pyongyang. [redacted]

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