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JAPAN: The textile industry has agreed to a new move to avert US protectionist legislation.

Agreement in principle was reached by textile industry and Liberal Democratic Party officials on a three-year voluntary restraint program on exports of all types of textiles to the US. It limits export increases to five percent for the first year, beginning in April, and to six percent for the second and third years. These increases would be based on the value of actual exports to the US during Japan's fiscal year, April 1970-March 1971.

Final details are expected to be worked out in about a week. They reportedly will include requests for government assistance to the textile industry, including granting of low-interest rate loans. Textile industry leaders have stated, however, that similar restraint action will be necessary by Hong Kong, Taiwan, and South Korea. Together with Japan, these countries account for over three quarters of all textile exports to the US.

The textile industry probably hopes that by agreeing to unilateral restraints pressures in the US for passage of protectionist legislation will be alleviated, even though their new proposal falls short of US demands for item-by-item restraints on synthetic and woolen textiles. Japan's greatest gains in textile exports to the US, which totaled \$600 million last year, have been concentrated in sales of higher quality apparel and synthetic fabrics. These have grown at an annual rate of 14 percent and 30 percent respectively over the past five years, and now account for 60 percent of total Japanese textile exports to the US.

Japanese textile sales to the US would not be hurt much because last year they increased only 5.8 percent compared with an eight-percent annual rate during the last five years. Other East Asian textile exporters, however, would be much more seriously affected if forced to agree to similar terms, because their textile exports to the US have been growing even more rapidly than those of Japan.



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FEDAYEEN: The eighth session of the Palestine National Council scheduled to begin tomorrow in Cairo is expected to debate issues of fedayeen leadership and a Palestinian entity.

The major issue facing the commandos is the resurgent movement to effect changes in fedayeen leadership. Palestine Liberation Army Commander abd-al-Razzaq Yahya, who has publicly announced his intention to seek the ouster of Yasir Arafat from the leadership of the Palestine Liberation Organization, may receive significant support from disaffected fedayeen elements. Since the hostilities in Jordan last September, there has been mounting criticism of Arafat for blundering into that disastrous conflict and for Fatah's subsequent willingness to cooperate with the Jordanian authorities.

The question of fedayeen support for the establishment of a Palestinian entity also is likely to be a contentious issue. Reflecting the ferment now going on in the Arab world on this subject, [redacted] [redacted] US Embassy sources report running debates within various guerrilla organizations regarding the implications for Palestinians of a negotiated settlement of the Arab-Israeli conflict. A number of fedayeen leaders, including a senior member of Arafat's own group, have already indicated that the most realistic course of action for the fedayeen is to resign themselves to a negotiated settlement. [redacted]

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ARMS CONTROL: A proposal to ban underground nuclear testing above a certain level on the Richter scale may receive considerable attention at the 25-nation Geneva disarmament conference this year.

Since the signing of the Limited Test Ban Treaty in 1963, many nations have favored an agreement on a comprehensive test ban that would foreclose the signatories' option of detonating nuclear devices underground. However, the impasse over Soviet refusal to accept the US position that a comprehensive ban must be policed by on-site international inspection has not been resolved, and many of the Geneva conferees now want to concentrate on lesser measures to control nuclear testing.

Canada has enlisted considerable support for its proposal for seismic data exchanges under UN auspices--only the Communist states have opposed this concept. Japan last year offered a draft treaty banning underground detonations above 4.5 on the Richter scale on the theory that such blasts can be detected by national means and do not require on-site inspection. The Canadian Government yesterday proposed a similar initiative, but it has in mind leaving the precise magnitude number open to negotiation, thereby permitting the conferees greater flexibility in assessing detection problems.

The Canadian efforts are consonant with the opposition of Canadian public opinion to nuclear testing, particularly the proposed US underground detonation program on Amchitka Island in the Aleutians. That issue was raised again recently in the Canadian House of Commons, and early this week Ottawa sent another note to the US expressing "serious concern" over planned testing in an earthquake-prone area.

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WESTERN EUROPE: Several West European states are considering a draft convention designed to strengthen the protection of diplomats.

At a meeting last week in Rome, the Nordic countries, Switzerland, and Italy drew up a convention that would have signatories "take all appropriate measures" to deal with assaults on diplomats and their families. Before drafting the document, these countries decided they could not accede to the 13-nation draft convention completed under auspices of the Organization of American States (OAS). They regarded the OAS version as too strong in its emphasis on extradition privileges and denial of rights of asylum and in its categorization of the offenses as "common crimes."

Led by Italy, the European drafters appear inclined to seek cosponsors on a worldwide basis, especially should the US--which signed the OAS draft--give them a go-ahead signal. Belgium has presented a similar draft before the seven-nation Western European Union, and the subject may come before the Council of Europe soon. France is the leading opponent of this activity in Western Europe. Like a few of the OAS nations, it does not want an international convention, maintaining that it would constitute interference in domestic affairs.

Prospects for worldwide acceptance of any of the draft conventions appear cloudy at this point, although the subject is virtually certain to be raised at the UN General Assembly next fall. Communist and Arab governments would surely find a convention hard to swallow, and some nations may agree with the Argentine and Brazilian refusal to accept a document that does not cover all acts of terrorism.

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INTERNATIONAL WHEAT: The new three-year agreement negotiated by some 50 nations that produce or consume wheat lacks pricing provisions but calls for consultation to maintain an orderly market.

Agreement could not be reached on prices because of the wide gap between US and Canadian minimum price proposals and the difficulty in defining a reference wheat. The price provisions of the earlier agreement are replaced in the new accord by a mandate to the International Wheat Council to consider at an appropriate time prospects of further price negotiations. It seems unlikely, however, that such negotiations will take place within the life of the agreement.

In conjunction with the wheat negotiations a new Food Aid Convention (FAC), continuing the 1967 agreement, was successfully concluded. Most major donors, except the UK, which plans to discontinue such assistance, again pledged the same tonnage of food aid. The reduction in the over-all annual distributions has caused some unhappiness among certain recipient countries, as has US insistence on the inclusion of long-term credit sales in its commitment.

Final agreement on both the wheat agreement and the FAC was delayed by Soviet opposition to the inclusion of the European Communities (EC) as a signatory. Moscow wished to reserve to other signatories the right to deal with EC member countries individually. The issue was resolved by using the language of the International Sugar Agreement, which says a reference to a government should also be considered a reference to the EC.



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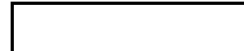
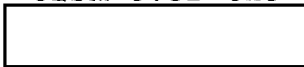
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JAPAN: The government's dispute with farmers over construction of a new international airport for Tokyo is rapidly developing into a major political headache for Prime Minister Sato. During the last few days nearly 50 people, including two Socialist Diet members, have been injured in repeated clashes resulting from unsuccessful government efforts to evict recalcitrant farmers from land needed to complete construction of the airport. The volatility of the situation has been increased by the physical participation of opposition party members and extreme left-wing student factions on the side of the farmers. Intensified government efforts during the next few days to clear the disputed area may well result in more violent clashes, and will certainly provoke sharp media and opposition criticism over the government's use of force.



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