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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday November 17, 1976 CI NIDC 76-269C



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State Dept. review completed.

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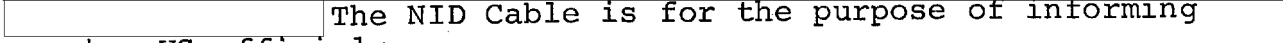
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National Intelligence Daily Cable for Wednesday November 17, 1976.



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

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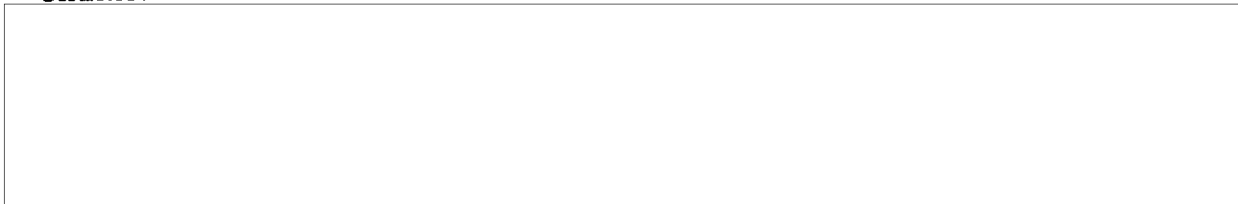
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CHILE: Prisoners

 The military government's decision yesterday to release 323 persons imprisoned under the state of siege is a major gesture designed to diminish international criticism of Chile's violation of human rights.



[redacted] In making the announcement, a junta spokesman said that the 18 other political prisoners "too dangerous to be freed in Chile" would be expelled if another country would accept them. The spokesman said two of the prisoners--Communist party chief Luis Corvalan and former Allende coalition senator Jorge Montes--would be released only if the USSR and Cuba would reciprocate by freeing two prominent prisoners. The Chileans called on world opinion to pressure the USSR and Cuba to take such reciprocal action.

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[redacted] By nearly sweeping the jails clear at this time, the Pinochet government probably expects to lessen the impact of a critical report recently circulated by the UN human rights investigating group as well as hoping to improve its image with the new US administration. It also is a tacit admission that internal security is no longer a problem. [redacted] UNCODED

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#### GREECE: Student Demonstration

[redacted] Leftist students are likely to march on the US embassy in Athens today despite government efforts to dissuade them. If both sides remain adamant, there will probably be some violence, but Greek security forces should be able to protect the embassy.

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[redacted] The march is in commemoration of a student uprising in 1973 that brought down one junta which subsequently was replaced by a more repressive one. Some 34 students died in the uprising, one of the few instances of mass resistance to military rule in Greece.

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[redacted] The march to the US embassy called for by the communist- and leftist-dominated student union is a reflection of the standard leftist charge, believed by many other Greeks, that the US installed and supported the two juntas and was also responsible for their Cyprus policy.

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[redacted] The government seems determined to prevent the marchers from approaching the embassy, but if it should back down, it could cost the government some support among its conservative supporters. [redacted]

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## ALBANIA: Personnel Shifts

[redacted] A large number of personnel shifts this month in the Albanian party and government apparently completes a three-year effort by party leader Hoxha and Premier Shehu to eliminate all opposition to their rigid, isolationist policy in foreign affairs and austere self-reliance in the domestic sector.

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[redacted] More than half the members of the previous 68-member Central Committee have been replaced since the party congress in Tirana early this month. The new body has been expanded to 77, including 24 newcomers. Twenty-five of the 38 candidate members, and 18 of the influential 21-member party control and auditing commission, are also new. Hoxha and Shehu have now replaced a quarter of the ruling Politburo, half of the cabinet, and the entire hierarchy of the armed forces.

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[redacted] On Saturday, the government announced the ouster of two deputy premiers. One was assigned to "other tasks," and the other returned to a ministerial post he last held in 1966.

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[redacted] Pali Miska, minister of industry and mining, was named to fill one of the vacant deputy chairman positions. Miska has been considered a rising star since he catapulted to the Politburo as a full member in 1975 after a purge of the economic ministries. He has evidently performed well. He has played a key managerial role in the completion of the giant steel-processing plant at Elbasan--one of the largest developmental projects in Albania--which was built with Chinese technical and economic assistance. [redacted]

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## USSR: Export Policy Shift

[redacted] The USSR has apparently given up hope of meeting its additional hard-currency needs from a major expansion in exports of manufactured goods to the West for the time being.



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[redacted] On at least two occasions last spring, then - Deputy Minister of Foreign Trade Alkhimov reportedly indicated that the USSR would have to defer plans to favor exports of manufactured goods over raw materials. This shift in export strategy was confirmed recently by an official of the Institute of US and Canadian Studies in conversations held with US officials.

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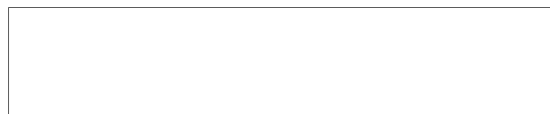
 Soviet interest in stressing manufactured goods exports had intensified since 1973, culminating in the priorities established at the 25th Party Congress held last March. The subsequent policy shift almost certainly has been prompted by Moscow's realization that its need for rapid expansion of hard-currency exports can be met only by boosting sales of raw materials to Western customers. Manufactured goods still represent only 4 percent of total sales to the West. 

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## CHINA: Trade

[ ] Recent statements by Chinese officials make clear that Peking intends to put renewed emphasis on foreign trade. The impact of any new policies, however, probably will not be felt until the second half of next year.

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[ ] Foreign trade will thus not play a much larger role in the Chinese economy this year than in 1975. Currently, trade amounts to only 5 percent of gross national product.

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[ ] Peking wants to avoid a repetition of the trade deficits with the West that occurred from 1973 to 1975. This year, China's trade balance will be in surplus as exports show modest gains and imports decline. Most important, the hard-currency deficit on non-Communist trade should fall to about \$100 million, compared with the \$1-billion deficit average in 1974-1975.

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[ ] China is likely to return to the policy of 1972 of emphasizing trade to promote economic development, but will key import growth to export performance. An Italian delegation was recently told that China's policy on credits is unchanged. Supplier credits of up to five years will be used for major purchases; the Chinese will not seek direct loans or long-term credits.

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[ ] In the past few weeks the Chinese press has been enthusiastic about foreign trade, widely quoting Chairman Mao's statement of 1949 on China's desire to increase trade as a means of developing production. Trade officials have been discussing trade expansion at meetings with visiting economic groups--including one with the National Council for US-China Trade in which China's need for purchases of capital goods and technology was highlighted.

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[ ] The controversy between radicals and moderates over foreign trade policy apparently stalled the drafting of the new five-year plan that was to begin this year. Although foreign trade organizations--particularly the one handling imports of whole plants and technology--remained active throughout the year, uncertainty about the overall plan undoubtedly constrained trade decisions.

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[Redacted] Revisions of the five-year plan are reportedly under way, including adjustments in import requirements due to earthquake damage, but China's trade balance in 1977 is not expected to show any serious deterioration as a result.

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[Redacted] China will continue to import agricultural products. Purchases of some industrial commodities, such as metals, may pick up, but imports of fertilizer will decline as imported plants begin production next year. Shipments under previous contracts are expected to decline as plants are completed, and deliveries under new plant contracts would not begin until 1978. Imports of capital goods and technology will be aimed at developing sectors of the economy that in the long run will allow import substitution.

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[Redacted] With criticism of raw material exports by radicals now muted, China may seek to boost crude oil sales. Negotiations on a long-term oil contract with Japan--China's best potential market--may be reopened. Another price increase by the Organization of Petroleum Exporting Countries could spur foreign interest in Chinese crude oil if China does not follow the OPEC boost dollar-for-dollar.

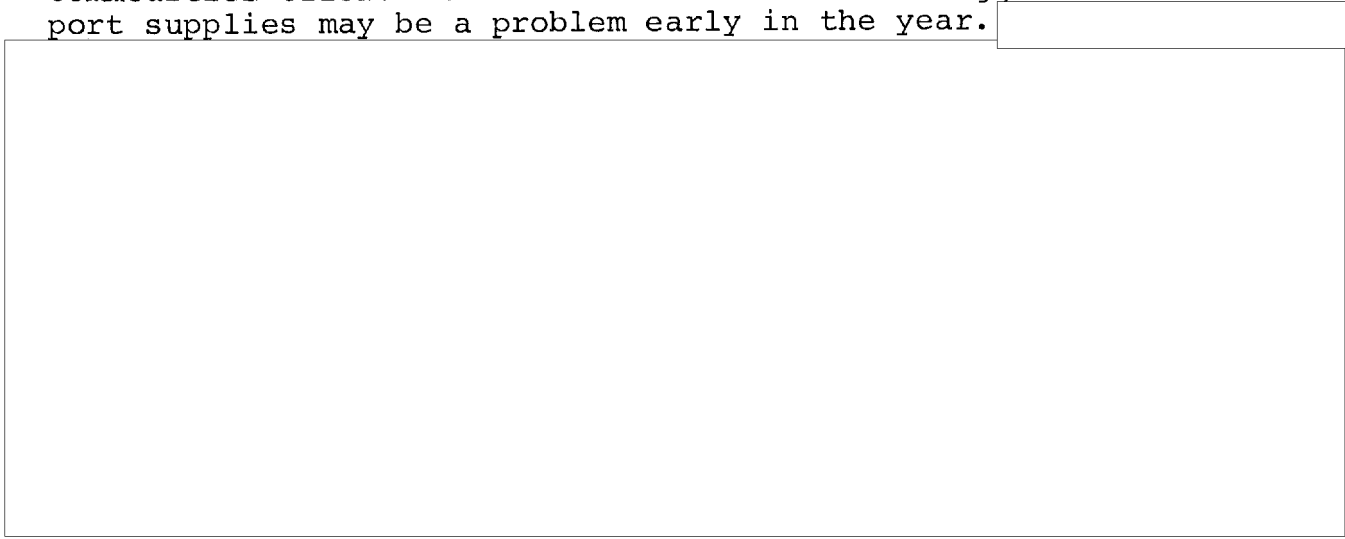
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[Redacted] While non-oil export opportunities will continue to improve with the increase in Western demand, shortages of many commodities offered at the recent Canton Fair suggest that export supplies may be a problem early in the year.

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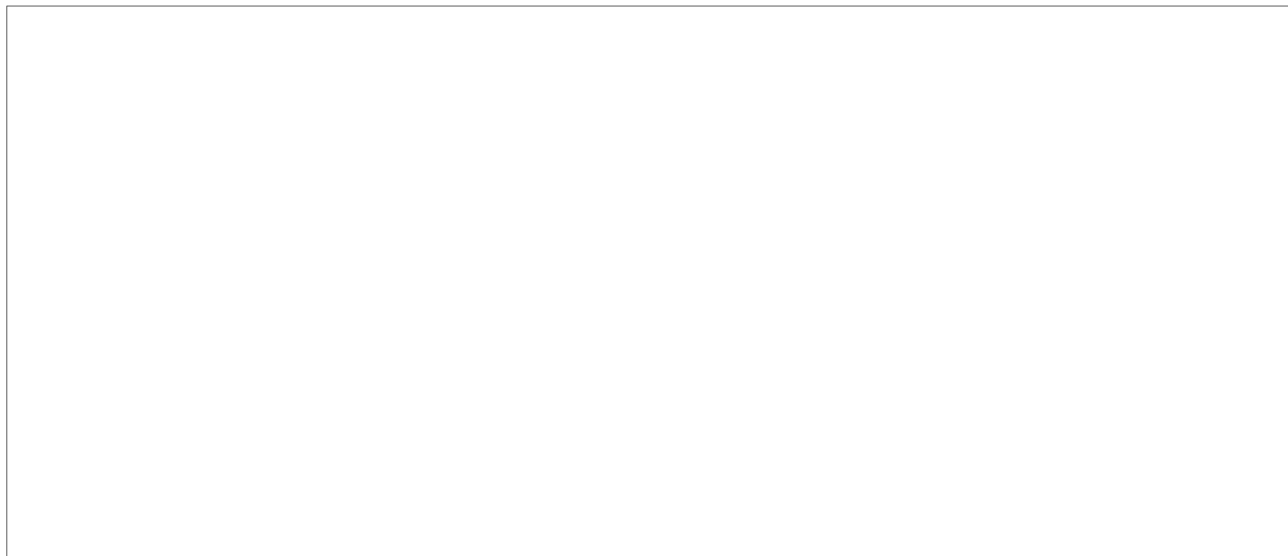
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## EC-MEDITERRANEAN: Trade

 //Approval by the EC this week of draft trade and aid accords with Egypt, Jordan, and Syria, and new protocols supplementing the community's trade agreement of 1975 with Israel bring the EC close to its goal of attaining the comprehensive Mediterranean policy that was first suggested by France in 1972.//


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 //Both Israel and the Arab states were seeking better terms and more money from the EC, but they will probably accept the current offer--which the EC insists is non-negotiable--thus paving the way for signature of the agreements by year's end.//

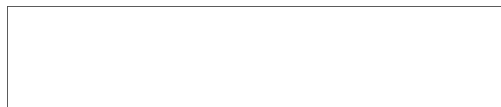
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 //The EC hoped that an agreement could be simultaneously concluded with Lebanon--the only remaining Mediterranean state seeking an accord with the Community. The unstable political situation in that country, however, has forced a halt to bilateral talks.//

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 //The agreements with the eastern Mediterranean states--modeled after accords signed with Algeria, Tunisia, and Morocco earlier this year--provide preferential tariff reductions for most Arab exports of industrial goods, minerals,

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[redacted]

and certain agricultural products. They also include protocols on technical, economic, and environmental cooperation and establish joint committees to implement the agreements.//

[redacted] //Throughout the Mediterranean negotiations, the EC has sought to maintain a balance in its treatment of Israeli and Arab interests. For this reason, approval of supplementary financial and cooperation protocols with Israel was delayed until the negotiations with the eastern Mediterranean states were completed. EC officials, nevertheless, are quick to point out that the Community took into consideration Israel's higher level of economic development in determining the degree of preferential treatment extended.//

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[redacted] //The Community will provide Israel with \$33 million in financial assistance over five years at market rates. Egypt, Syria, and Jordan will receive approximately \$190 million, \$70 million, and \$50 million respectively, but at more favorable terms. Under the cooperation protocol, the EC has agreed to promote Israeli exports to the EC, encourage private investment, and increase bilateral cooperation in such areas as industry, agriculture, fishing, science, and technology.//

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[redacted] //The agreements with the Arab states include a non-discrimination clause prohibiting the participating states from boycotting individual countries or firms that do business with Israel. The Arab states will presumably continue their past practice of unilaterally notifying the EC that the non-discriminatory clause does not abrogate domestic laws concerning essential security interests. The practical effect of the clause will therefore be nullified.//

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[redacted] //Despite pressure from the Israelis, EC officials have refused to consider more effective action to counter the boycott--along the lines now being proposed in the US and Canada. They are reluctant to take any action which might impede the further growth of EC-Arab trade, and argue there is no evidence that the boycott has seriously harmed Israeli commercial relations with the EC. [redacted]

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