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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday November 23, 1976

CI NIDC 76-274C

[Redacted]

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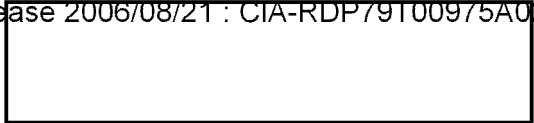
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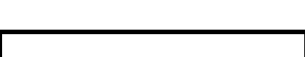
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National Intelligence Daily Cable for Tuesday, November 23, 1976.

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

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MEXICO: Exchange Control

[redacted] Mexico yesterday temporarily suspended trading in all foreign currencies and gold by banks. The measure was necessitated by massive capital flight in recent days as a result of coup rumors and the continuing decline of confidence among businessmen.

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[redacted] Confidence has reached a new low since President Echeverria's expropriation of about 100,000 hectares (250,000 acres) of rich farm land in the state of Sonora on Friday. The expropriation was a drastic move by Echeverria in the waning days of his administration to deliver on his promise to break up large private farms and distribute them to landless peasants. The move has evoked a strong outburst from conservative businessmen, who are trying to organize a business strike in protest.

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[redacted] The expropriation will pose a serious problem for president-elect Lopez Portillo, who takes office on December 1. He has indicated that he will try to avoid division of land holdings because it creates uneconomic units that hinder agricultural production. Business and conservative interests will urge Lopez Portillo to rescind the expropriation, but counter-pressure from peasant groups will make this difficult.

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POLAND: Church Supports Workers

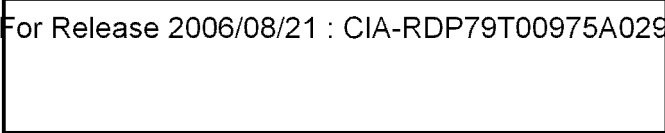
[redacted] The Polish Episcopate has apparently renewed its plea for amnesty for all persons involved in the June rioting and has started to collect funds to aid the families of those who were jailed or lost their jobs. Polish media have as yet made no comment on these actions, which have been reported in the Western press.

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[redacted] If the reports are true, the Catholic bishops have increased pressure on the regime by lending their authority to the campaign that the Committee for the Defense of the Workers began in September. The church can attract much more attention to the cause of the dismissed workers than can the committee, which was founded by dissident intellectuals. The church has

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reportedly tempered this latest action, however, by deciding not to launch a nationwide campaign or use the pulpit to make pleas for money.

 The Episcopate joined the committee's cause just one day after the government's press spokesman, Vice Minister for Information Janiurek, branded the committee "illegal" under Polish law. In answering a question from a foreign journalist, Janiurek said the committee would be fought on the "ideological" front, but he warned that "our patience isn't everlasting."

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 In an obvious effort to counter reports in the Western press, Janiurek said that only 74 persons remain in jail and that no one had been prosecuted for participating in strikes. The committee disputes this figure.


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 In any event, the committee and Episcopate are more interested in those workers who have suffered various kinds of reprisals, including loss of jobs, than in those who are still in prison. On the former, the regime has been conspicuously silent.


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GREECE-TURKEY: Aegean Talks Conclude

 Greece and Turkey made considerable procedural progress and broke some new substantive ground in their recently concluded talks in Bern and Paris on the Aegean question, but they have yet to take up the most difficult issues. Any follow-up negotiations are likely to be intermittent and protracted.

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 Both sides assert that the talks in Bern dealing with the continental shelf have set the stage for serious substantive negotiations in the coming months. A committee of experts is to work in secret on the question of delimitation of the shelf, using the practices of other states and international rules as guidelines.

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 According to a communique issued in Bern, the two countries have also agreed not to take any actions in the Aegean that could disrupt the talks, and not to try to discredit each other in their bilateral relations with other states. In practical terms, this apparently means that the Turks agreed

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not to engage in oil exploration in contested waters, and the Greeks undertook not to lobby in the US and in Western Europe against Turkey.

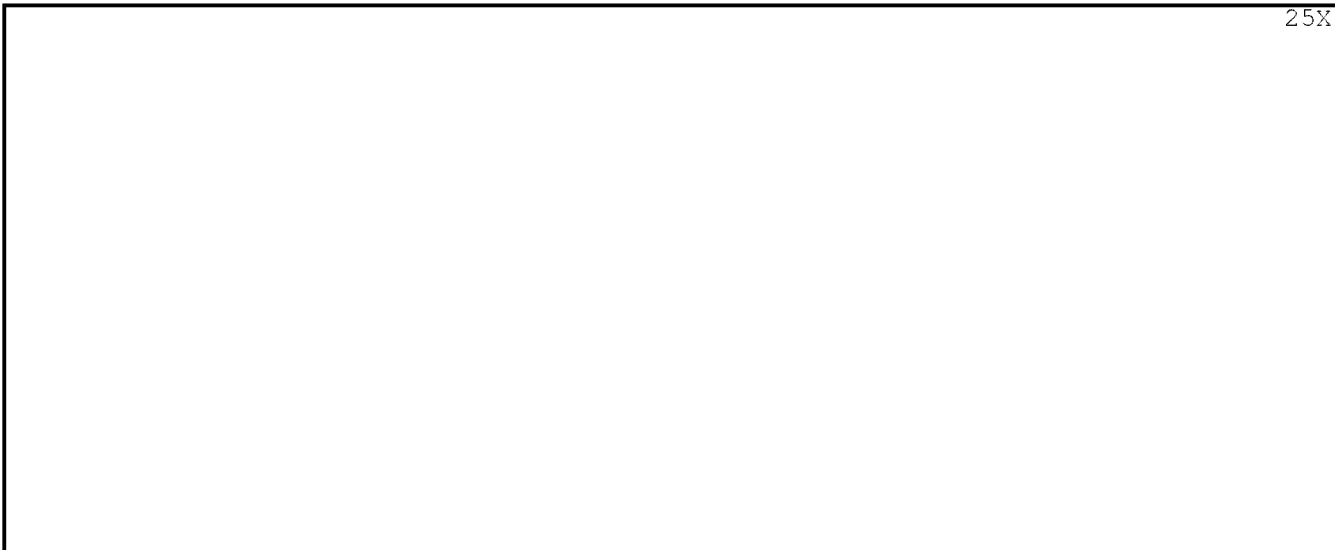
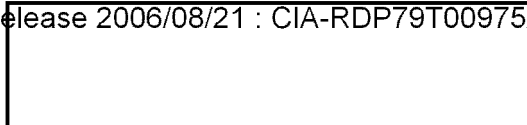
[REDACTED] After a summer of high tensions, both sides seem content for the time being to limit their jockeying and to seek some narrowing of their differences. The limited agreements reached so far offer considerable scope for differing interpretations, however. 25X1

[REDACTED] For example, the Turks are already inclined to believe that the Greeks are violating their commitment. The Turks, moreover, may find it difficult not to resume an assertive policy in the Aegean next spring, as the campaign for their October parliamentary election heats up. For their part, the Greeks are unlikely to refrain completely from their traditional efforts to seek external support in their dispute with the more powerful Turks. [REDACTED] 25X1

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POLAND-USSR: Economic Aid

 The Soviet economic aid package to Poland--agreed upon during party leader Gierek's visit to Moscow earlier this month--will give Poland's economy a boost and help improve its balance of payments. The package includes the resumption of grain deliveries, shipments of raw materials above planned levels, increased deliveries of consumer goods, and, according to press reports, a low-interest loan worth \$1.3 billion at the current exchange rate.

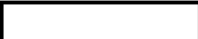
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 The report of the Soviet loan credit is still unconfirmed. If true, the credit probably would be used to finance increased imports of machinery, raw materials, and possibly grain from the USSR. At the least, Poland would not have to divert exports from the West to pay for the additional Soviet deliveries.

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 The credit may allow Poland to redirect some of its exports from the USSR to other markets. Coal and other products could be sold in the West for hard currency, and a suspension or reduction of meat exports could be used to bolster domestic meat stocks, already at an alarmingly low level.

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 The resumption of Soviet grain deliveries and increased shipments of raw materials will allow Poland to curb further the growth of its hard-currency imports in 1977. The

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[redacted]

Soviets reportedly will deliver at least 1 million tons of barley and an undetermined amount of wheat to Poland next year.

[redacted] Details on raw materials deliveries are sketchy. Poland reportedly will receive shipments of oil in 1977 at 1976 prices. The Soviets may also have agreed to increased deliveries of raw materials, such as iron ore, that Poland buys from the West for hard currency.

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[redacted] Polish consumers will benefit somewhat from increased imports of consumer goods in chronic short supply--refrigerators, color television sets, and small household appliances. [redacted]

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CHINA: Status of Chiao Kuan-hua

[redacted] The political status of Chinese Foreign Minister Chiao Kuan-hua seems to be in question. //Rumors are circulating in China and in Chinese missions abroad that he will be removed from his post.// He last appeared in public on November 11; since that time he has missed two important visits at which he would normally have been present.

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[redacted] The official explanation for Chiao's failure to meet visiting President Bokassa of the Central African Republic was illness. He is reportedly being "investigated," however, because of his wife's alleged ties to Mao's disgraced widow, Chiang Ching.

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[redacted] We have no reason to believe Chiao was linked to the four leftists now under attack--he was, in fact, a protege of the late premier Chou En-lai--nor can we confirm allegations that Chiao's wife had ties to Chiang Ching. Chiao's political difficulties, if indeed they exist, would, however, seem to be related to domestic issues rather than to any unhappiness over his conduct of foreign policy or his foreign policy positions.

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[] By most accounts, Chiao has gotten along well with new party Chairman Hua Kuo-feng. He played no role in Hua's move against the leftists--he was at UN headquarters at the time--but he seemed genuinely pleased by Hua's promotion and the arrest of the leftists. []

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PERU: Bolivian Corridor Proposal

[] Peru has presented Chile with a formal counterproposal for creation of a corridor giving Bolivia access to the Pacific Ocean. Chile made its own proposal last December.

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--Eventual cession to Bolivia of sovereignty over a corridor through northern Chile to a point short of the ocean.

--Tripartite administration by Peru, Chile, and Bolivia of the remaining section of the corridor to the sea.

--Tripartite administration of the Chilean port of Arica.

--Authorization for Bolivia to construct its own port and to control the corridor's coastline.

[] The original Chilean proposal was to grant Bolivia exclusive sovereignty over a similar corridor, with no additional provisions.

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[] With their current proposal, the Peruvians apparently are counting on Chile and Bolivia to disagree. Peru has long hoped to regain territory in the Arica region which was lost to Chile in the last century, and consequently welcomes any delay on the corridor issue.

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[] The Bolivian government will study the Peruvian proposal, but for the present is likely to await Chilean reaction. Bolivian leaders probably will be displeased that their country's sovereignty in the proposed corridor would not continue to the sea.

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[] Chile seems likely to take strong exception to Peru's counterproposal. The Pinochet administration may well continue negotiations to keep relations with Peru amicable, but will

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nevertheless have reservations, particularly about the proposed joint administration of the port of Arica. Indeed, the semi-official press in Santiago has already billed Peru's offer as "a negative response" to Chile's earlier bid.

[REDACTED] There is a good chance that negotiations will eventually founder or reach a stalemate. Chile may not be entirely reluctant to see the corridor idea languish or fail altogether, since realistic hopes in Santiago for a workable solution have probably never been very high. 25X1

[REDACTED] Both sides may prefer, nevertheless, to keep the talks going as long as possible. Should a breakdown occur, border tensions would probably increase. [REDACTED] 25X1

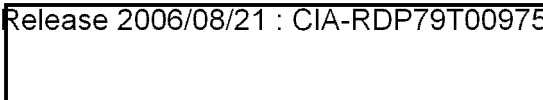
JAMAICA: Election Outlook

[REDACTED] Jamaican Prime Minister Manley has called for an early general election, on December 15, in an apparent effort to act before a further erosion of his popularity, as Jamaica's economy continues its decline. 25X1

[REDACTED] Manley's People's National Party and the opposition Jamaica Labor Party led by Edward Seaga appear to be running nearly even. A newspaper poll in late October indicated that the ruling party was leading in the popular vote by 51 to 49 percent, but that the Labor Party was likely to achieve a 28-25 advantage in parliamentary seats under the present district arrangement. The House of Representatives, however, is expected to approve today a government proposal to redraw parliamentary district boundaries and create seven new seats. 25X1

[REDACTED] Manley is relying heavily on this gerrymandering move. He is also counting on his skill as a campaigner to reverse middle-class voter defection from his party and prevent abstentions by party members who are dissatisfied with his handling of the economy and alarmed at the growing influence of the party's left wing. 25X1

[REDACTED] The closeness of the race reflects the marked decline in the Manley government's popularity. In the last national election, in 1972, his party won 56 percent of the popular vote, and it currently holds more than twice the number of seats in the parliament held by the opposition. 25X1



[redacted] Manley has acknowledged being concerned about his party's prospects and is supporting the renomination of even its conservative members of parliament if they have proven vote-getting ability. The leading party leftists have also been given a place on the ticket, as candidates for the new districts.

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[redacted] The opposition Labor Party has been campaigning hard for several months, and Seaga expects to win. His party could nonetheless be handicapped by the fact that many of its candidates are young and not as well known as those of the ruling party.

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[redacted] The campaign may well be plagued by violence. Already a clash between ruling party activists and part of a motorcade carrying Seaga and former prime minister Shearer injured ten persons, including nine members of the Labor Party.

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[redacted] There have been other scattered incidents, apparently instigated in most cases by members of the ruling party acting on their own initiative. The election will be held under a state of emergency, however, and Manley can be expected to use his broad temporary powers to intimidate the opposition and even to carry out massive arrests if he deems it necessary to ensure his re-election.

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[redacted] Manley has been stressing the theme of "national unity against imperialism," and his attacks on the US--especially the CIA--could become more pointed. [redacted]

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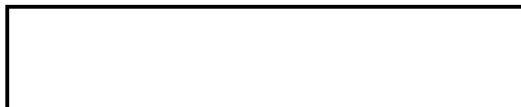
ARGENTINA: Possible Wage Increases

[redacted] The Argentine government is preparing to announce wage increases in an effort to reduce labor restiveness, which has become serious in recent months.

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[redacted] Economy Minister Martinez de Hoz earlier this month said the ruling military junta would allow "selected" pay increases by the end of the year. A general wage hike of some 12 percent last September has already been wiped out by cost-of-living increases totaling nearly 20 percent in September and October.

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[REDACTED] President Videla late last week reportedly approved a proposal that would allow raises for "practically all" private-sector unions. The increases are to be retroactive to November 1.

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[REDACTED] In recent months, labor dissatisfaction has resulted in several serious challenges to the junta's ban on all strike activity. Electric power workers recently staged a series of strikes and slowdowns; port workers have engaged in a slowdown in recent weeks; and thousands of auto workers walked off their jobs some months ago.

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[REDACTED] Although the new pay boost will provide short-term help for the junta's problems with labor, it will hurt in another respect. The granting of a wage increase will be seen as a concession and eventually will invite challenges from labor and others who see the junta's position as weakening.

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