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Top Secret

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Thursday January 27, 1977

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National Intelligence Daily Cable for Thursday, January 27, 1977.

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

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SPAIN: Situation Report

25X1 [] A measure of calm returned to Madrid yesterday as the Spanish government demonstrated its intention to end the political violence that has claimed seven lives since Sunday.

25X1 [] Prime Minister Suarez acknowledged the seriousness of the recent incidents by canceling a planned trip to the Middle East. He called a meeting of top security advisers yesterday. Police in the capital were reinforced with reserves from outlying areas to guard against further incidents at the funerals yesterday of three of the Communist lawyers who were killed on Monday. Following the meeting, the government last night reaffirmed its ban on all public demonstrations, and announced new measures giving the police wide-ranging search powers.

25X1 [] Responsibility for the murders has been claimed by a little-known right-wing group calling itself the Apostolic Anti-Communist Alliance. The large number of foreigners arrested so far in the case appears to lend some credence to press speculation that the rightist terrorists may have some ties with an "international fascist organization." We have no confirmation of such ties. In yesterday's statement, the government also threatened to expel all foreigners who may be connected with extremist organizations or involved in subversive activities.

25X1 [] The government is being supported in its efforts to restore calm by opposition political leaders, who yesterday issued a second appeal to their supporters for calm. The new statement came on the heels of a joint communique issued by many of the same leaders and Prime Minister Suarez following a meeting on Monday.

25X1 [] Communist and other leftist labor leaders did call for a second day of protest strikes yesterday--in which thousands of workers in Madrid, Bilbao, and Barcelona participated--but they insisted that the protest actions be confined to factories and offices so the presence of leftist workers in the streets would not provide a pretext for further terrorist attacks.

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[] Leftist party leaders are apprehensive about the latest violence, which appears to have been provoked at least in part by left-wing extremist kidnappings of a high-ranking government adviser and the head of the country's military courts. These fears were reinforced yesterday when the right-wing terrorist group threatened that the Spanish left would suffer "a night of the long knives" if the two rightist hostages were killed.

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[] For the moment at least strong security forces and leftist restraint appear to have given the government the upper hand against rightist opposition to Suarez' program of reforms. Should the rightists carry out their latest threat, however, and step up their campaign of killing leftists, the spiral of violence which would ensue could deal a serious blow to Spain's frail democracy. []

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USSR: Economic Performance

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[] Soviet industry continued its sluggish performance during the fourth quarter of 1976, according to our analysis of statistics presented to the Soviet Council of Ministers last week. Agricultural output rebounded from a disastrous 1975, reflecting a record grain crop and a better than expected performance in the livestock sector.

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[] We estimate that Soviet GNP grew by about 4 percent in 1976, a marked improvement over the 1975 rate of 2.3 percent and equal to the average for the early 1970s. The poor 1975 harvest disrupted industry and caused problems for the consumer, but a record grain crop in 1976 pushed agriculture into a recovery.

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[] The increase in industrial output of almost 4 percent, according to our estimate, was the Soviet' worst performance of the post World War II period. A downturn in processed food production was the principal cause, although transportation tieups and fuel distribution problems also contributed.

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[] Despite an encouraging performance in the energy sectors, the growth in production of other industrial materials was a poor harbinger for a possible acceleration of industrial

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growth in the first half of this year. Metals, forest products, and construction materials grew at rates under 3 percent compared with averages of 4 to 5 percent in 1971-75. Crude steel production, for example, fell about 2 million tons short of planned output, in large part due to delays in the construction of new capacity. Growth in output in 1976 was the smallest annual increase since 1970.

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[] Farm output grew by almost 5 percent last year, according to our estimate, following an 8.5-percent drop in 1975. A record grain crop of 224 million tons and a near-record cotton harvest of 8.3 million tons boosted crop production by over 20 percent and eased import demand. This was partly offset, however, by the lower output of livestock products.

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[] Some of this year's agricultural statistics seem inconsistent and may be padded by the Soviets. For example, the USSR recently purchased 600,000 tons of sugar from the Philippines and is rumored to have bought about 220,000 tons from a French firm, taking advantage of current prices and supplementing reduced domestic production. Yet the announced sugar-beet harvest was a record 98.6 million tons, suggesting either a much lower than normal sugar content in the beets, serious processing problems, or an exaggerated production figure.

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[] Also, meat production was given at 13.3 million tons, down from 15 million tons in 1975 but considerably above our forecast. Distress slaughtering in the wake of the 1975 harvest had reduced livestock numbers and pointed toward a sharper reduction in output. Production at the reported level would have required a stronger than normal showing by the private sector and should have done more to ease meat supplies during the year.

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[] For the Soviet consumer, 1976 was the worst year of food shortages in more than a decade. Early in the year, meager food supplies were reported principally in rural areas. By spring, shortages intensified and spread to cities. The overall situation improved during the summer, with the availability of fruits and vegetables, but meat shortages worsened. Despite some improvement during the fall, severe shortages currently remain common.

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[] A reduction in non-grain imports and a rapid expansion in exports allowed the USSR to cut its hard-currency trade deficit in 1976. Last year's hard-currency deficit is estimated

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[redacted]

at nearly \$5 billion, down from the record \$6.4-billion deficit incurred in 1975. About \$3 billion was spent on grain half from the US but that largely reflected purchases under the US-USSR long-term grain agreement and orders placed to augment the 1975 harvest.

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[redacted] The USSR was able to achieve a balance in its hard-currency payments only by rapidly increasing its debt. By the end of 1976, net indebtedness rose to roughly \$14 billion, up from \$10 billion at the end of 1975. [redacted]

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JAMAICA-GUYANA: Closer Economic Ties

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[redacted] Faced with economic difficulties and problems in obtaining assistance, Guyana and Jamaica--with a strong boost from Cuba--are seeking closer economic ties with the USSR and Eastern Europe.

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[redacted] Guyana is seeking an economic agreement with CEMA [redacted]

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[redacted]

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[redacted] Jamaica is taking similar initiatives. Two high-level CEMA officials were invited to visit Kingston, and the Manley government is reportedly considering an economic agreement with CEMA. A Jamaican trade delegation will soon leave for Moscow.

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[redacted] The USSR has also been invited to set up an embassy in Kingston.

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[redacted] Relations were established between the two countries in March 1975, but the Jamaican government had dragged its feet on permitting a Soviet embassy in Kingston.

[redacted]

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[] Guyana and Jamaica both have huge current-account deficits, which provide a strong economic rationale for the overtures. Lower sugar prices and rising import costs have offset much of the recovery in bauxite and alumina sales. The two countries' inability to obtain foreign funds to cover these deficits has led to severe austerity measures and an unsuccessful search for new economic aid.

[] Jamaican Prime Minister Manley seems to have been particularly embittered by his dealings with the International Monetary Fund. Jamaica recently was offered \$50 million by the IMF, but Manley found most of the requirements for the loan politically unacceptable. He publicly blasted the IMF, which he called the "central lending agency for the international capitalist system," for laying down conditions that "always include cutting programs which serve the people and their needs."

[] The USSR and other CEMA members are unlikely to provide much, if any, cash aid to either country, but they might provide some machinery and equipment credits in return for sugar, bauxite, and alumina. It is unlikely, however, that significant amounts of these items would be diverted to the communist countries over the next few years.

[] The Jamaicans probably have no illusions about the communist world providing sufficient help to overcome Jamaica's economic ills, but the Manley government probably does see a chance to broaden its export markets and encourage East European and Soviet assistance in certain technological areas.

[] The timing of Manley's initiatives suggests that he may have concluded that he is not likely to fare much better with the US than with the IMF. He has not, however, ruled out the possibility of an approach to the new US administration.

[] Like Jamaica, Guyana sees the overtures to the communist countries as consistent with a policy of nonalignment, but Burnham may be more willing than the Jamaicans to make political concessions to the Soviets. Burnham particularly wants

assistance to help construct a major hydroelectric complex. The Guyanese have approached the Soviets on this matter before without success. This time, Burnham may be willing to make new overtures to the Soviets, such as appearing to grant a more active role in the government to the Moscow-oriented opposition party led by Cheddi Jagan.

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SOUTH AFRICA: Student School Boycott

Most black high school students in South Africa's Cape Town area are continuing to observe the school boycott, but the pressures for ending it are mounting.

The students most eager to return to school are the seniors, who wish to complete the term and move on to the university. Many seniors are fearful, however, of reprisals from the militant younger students, who do not see missing a year of "Bantu" education as any great loss. One of their major complaints is that the government spends on black students only a fraction of what it spends on white students.

A small break in student solidarity was reflected in the presence of about 600 of 3,000 high school students at their desks yesterday. The militant student leadership, however, will probably try hard to keep the boycott going. Several militant student leaders recently told US embassy officials that to end the boycott would amount to capitulation to the government.

In the Johannesburg area, South African authorities appear to have weakened the leadership of the Soweto Student Representative Council. One of the main leaders fled in mid-January to Botswana, where he joined one of the early leaders of the Soweto riots who had fled to the UK last August. According to the principal of one of the leading high schools in Soweto, the newest council leader is weak and not expected to last long.

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[redacted] The South African police apparently have been able to disrupt the organizational apparatus of the Soweto student group. Nevertheless, the students managed an effective boycott of year-end examinations, and many leaders have avoided police nets.

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[redacted] Most black students in the Johannesburg area are in school, and it seems likely that the seniors will take their examinations in March. [redacted]

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CZECHOSLOVAKIA: Media Campaign

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[redacted] The Czechoslovak media campaign against alleged spies and foreign enemies, designed in part to draw attention away from human rights issues, has reached a new high with an attack against alleged British intelligence efforts in the country.

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[redacted] Prague television on Sunday carried a forty-minute program on British embassy activities; the program included interviews with Czechoslovaks who charged that British diplomats had tried to recruit them. Specific accusations of espionage were made against several Britons, including a former ambassador in Prague during the 1960s. The show included a tape of a purported meeting--filmed by a hidden camera--between Otto Ornest, one of the four prominent dissidents arrested on January 17, and an unnamed Western diplomat.

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[redacted] The program clearly betrays the regimes concern with the growing publicity in the West on the human rights issues raised by the Czechoslovak group known as Charter 77. The show is clearly designed to curb contacts between Western diplomats and journalists on the one hand and Czechoslovak dissidents and ordinary citizens on the other, and to discredit foreign interest in Czechoslovak dissident activity by portraying it as merely another facet of Western intelligence activity. The program coincided with an attack by president and party chief Husak against Western "slander" of the Prague regime. [redacted]

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FRANCE - SAUDI ARABIA: Relations

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[] French President Giscard's four-day visit to Saudi Arabia this week undoubtedly gave a boost to French efforts to improve relations with the Arab states. Both Giscard and Saudi King Khalid are treating the visit as a major success, although little progress was made in the areas of economic and military cooperation and the leaders broke almost no new ground politically.

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[] Despite reports that Khalid's ill health would prevent him from greeting Giscard, Khalid not only received Giscard on his arrival but also saw him off at the conclusion of the visit.

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[] Talks focused primarily on international issues, including Arab relations with Western Europe and the situation in the Middle East. Giscard offered strong support for Saudi initiatives regarding an overall settlement in the Middle East, emphasizing in particular the need for a major diplomatic effort this year.

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[] During the visit, Giscard reaffirmed France's willingness to build a nuclear research center in Saudi Arabia, as well as to explore possibilities for solar energy development. He also signed a three-year contract increasing French imports of Saudi crude oil to France by one third; he praised the Saudi decision to increase the price of its oil by only 5 percent.

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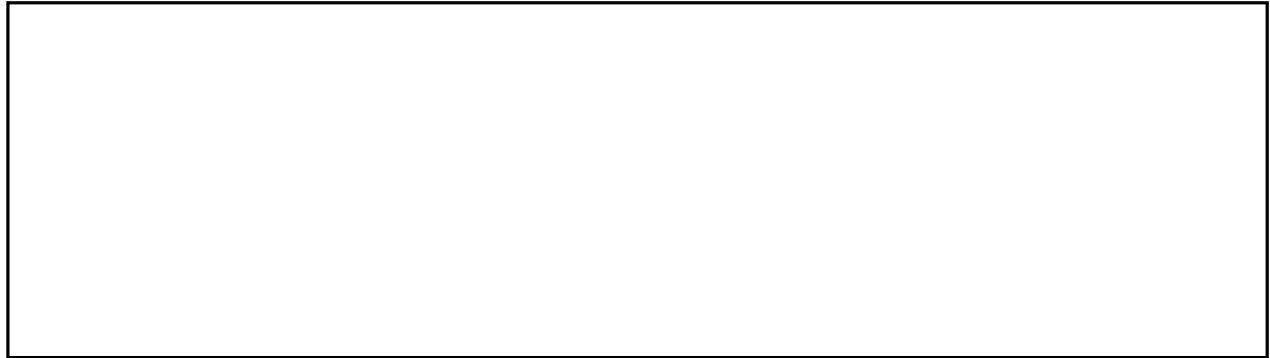
[] The visit's final communique noted recent bilateral progress that has been made in the areas of economic and technical cooperation and discussed prospects for future cooperation, but no new projects were announced. At his press conference, Giscard indicated that military sales had not been discussed during the visit; there was no mention of new military contracts in the communique.

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[] Khalid has accepted Giscard's invitation to visit France. A date for the visit will be set later. []

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EC: Nuclear Safeguards

[REDACTED] //Prospects appear to be improving for the implementation of the nuclear safeguards agreement worked out between the International Atomic Energy Agency and the nine European members of EURATOM.//

[REDACTED] //Application of the safeguards--which are required under the 1968 Nonproliferation Treaty--has been held up for months because of internal EC differences. In particular, France refuses to accept a proposal by the EC Commission for implementation of safeguards on a Community-wide basis, which would bypass the need for country-by-country approval. The French argue that implementation should be a national and not a Community matter.//

[REDACTED] //Because of this French position, five EC members now must adopt domestic legislation in order to bring the agreement into force. These legislative measures are needed to oblige nuclear utility facilities in the five countries to accept the inspection activities of the international agency. In the cases of West Germany, Belgium, and Luxembourg, parliamentary action is required, which could take up to a year to complete.//

[REDACTED] //To avoid further delays in implementing safeguards, the international agency has proposed that while national legislatures debate the issue, the safeguards agreement be regarded as binding on each country's domestic nuclear facilities. EC officials have said EURATOM can accept this solution, although it probably requires approval by the EC Council of Ministers when it next meets on February 8.//

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[] //The EC states are under some pressure to take action soon. Canada suspended further shipments of uranium to them until the safeguards agreement is applied. West Germany has contracted to receive 1,000 tons of uranium from Canada within the next 12 months, and the Canadian suspension decision could have an impact on West German public utilities.

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NORTH KOREA: Arms Reduction

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[] South Korea's ruling party yesterday moved quickly to reject North Korea's renewed proposals for North-South arms reductions and for political talks between the Koreans.

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[] In a letter addressed to various political groups in the South, the North Koreans said they were prepared to cut force levels drastically and to meet with South Korean representatives at an early date at Panmunjom or any other agreed site for consultations aimed at reducing tensions and producing eventual reunification.

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[] At the same time, the North Koreans sharply attacked the authorities in the South and demanded that Seoul, in effect, renounce its basic foreign and domestic policies and accept the North's approach to reunification.

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[] Pyongyang apparently hopes to regain at least a measure of the initiative in the diplomatic sparring between the Koreans. North Korea probably considers its proposals an indirect counter to President Pak's recent call for a North-South non-aggression pact.

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[] The North Koreans probably also want to demonstrate some flexibility and moderation, with an eye to securing additional international support. Several high-level North Korean officials have been traveling abroad in recent weeks, apparently trying to gain backing for North Korea in the annual competition with South Korea in various international forums.

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[] In recent years, North Korea's handling of the key issue of North-South political discussions has appeared inconsistent. At times, high officials have attacked Pak by name

and virtually ruled out talks with his government; on other occasions, such as now, North Korea has taken pains to avoid ruling out talks, provided various conditions are met. This inconsistency probably reflects the North's desire to appear reasonable while pressing political and diplomatic attacks against the South. [REDACTED]

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