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Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 27 October 1977 CG NIDC 77/249C



NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for 27 October 1977

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

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JAMAICA-CUBA: Castro's Visit

25X1 [redacted] Cuban President Castro's state visit to Jamaica from 16 to 21 October appears to have helped Prime Minister Manley strengthen his control over the ruling People's National Party following a period of serious factional quarreling. Castro's restrained performance also allayed some Jamaican suspicions of the Cuban leader. A new bilateral cooperation agreement signed during the visit assures a continuing Cuban role in Jamaica.

25X1 [redacted] In a major public speech on 17 October, Castro acknowledged Jamaica's right to follow its democratic path to socialism and pledged not to intervene in the country's internal affairs. Local Marxists who would like to replace Manley were given the clear impression that Havana's strong ties to the Jamaican Prime Minister and his party do not depend on ideology. Castro's ringing endorsements of Manley throughout the visit--as well as his subdued references to the US--also served to undercut criticism from radicals of Manley's shift in recent months to a friendlier attitude toward the US.

25X1 [redacted] //Castro's performance even received an enthusiastic response from moderates in Manley's party, who emerged on top in the latest episode in the continuing intraparty rivalry. Finance Minister Patterson, the leader of the moderate faction and a credible rival for party leadership, matched the Prime Minister's glowing testimonials for the Cuban leader.//

25X1 [redacted] Castro and Manley also succeeded in overcoming some local Jamaican worries about closer ties between Cuba and Jamaica. The Cuban leader, projecting himself as a man of warmth and moderation, was particularly effective in a wide-ranging discussion with influential Jamaican church leaders, who generally have been cool to the Cuban revolution. Castro never came across as the totalitarian Communist dictator portrayed by the opposition Jamaica Labor Party--which, to its political disadvantage, boycotted the visit.

25X1 [redacted] To tighten the Cuban-Jamaican bond, the two leaders signed a new bilateral cooperation agreement that continues Cuban technical assistance to Jamaica. [redacted]

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[redacted] Manley stressed that Cuban aid, in contrast to assistance from "imperialist" countries, was offered "without strings." There is some evidence, however, that Cuba's technical assistance has political overtones. The Kingston press this week reported that local Cuban-trained construction workers have formed a Marxist-Leninist group that is to be affiliated with the ruling party.

[redacted] Manley's political gains will be short-lived unless he can spark a sharp economic recovery. The newly ascendent moderates, moreover, still have to show that their policies can lead to improved conditions or the radicals will regain their influence.

[redacted] The US decision on Monday to postpone the announcement of its proposed \$63 million aid package is likely to rekindle old tensions in Manley's party. A Jamaican official has already warned a US Embassy officer that the US move may lead to local speculation that Jamaica is being punished for the Castro visit and that the US is using aid as a political weapon. Such remarks reflect Manley's own views in the recent past; this is an issue that has divided party moderates and radicals for most of the past two years.

[redacted] For his part, Castro probably left Jamaica confident that his visit was successful. By rallying strongly to Manley's support at a time when the Prime Minister was losing credibility with party radicals, Castro has further strengthened his personal ties with Manley.

[redacted] The Cubans, moreover, are well aware of the current balance of forces in Jamaica and in Manley's party. They are willing to be patient with the Jamaican leader as he adapts to economic realities and to the demands of Western lending institutions. [redacted]

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[redacted]

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EGYPT: Sadat's Six-Day Trip

[redacted] Egyptian President Sadat this weekend will begin a six-day trip to Romania, Yugoslavia, Iran, and Saudi Arabia. Although he will be discussing bilateral issues with his hosts, Sadat's main purpose will be to coordinate support for the

25X1 Arabs in the current effort to reconvene Middle East peace talks.

[redacted] For some time, Sadat has been stressing his strongly held belief that European and nonaligned countries should become more involved in efforts to resolve the Arab-Israeli conflict, and he presumably is undertaking this visit to underscore the point. The officially guided Egyptian press in the past several days has been warning against depending too heavily on the US and the USSR to end the dispute and has suggested

25X1 that true peace may come only by shifting the peace process from the "super-power to the nonaligned context."

[redacted] Sadat added Saudi Arabia to his itinerary [redacted] We

25X1 have no information on the reasons for the Saudi invitation, but we presume they involve current Arab maneuvering with regard to the US working paper on reconvening the Geneva conference. [redacted]

BOLIVIA: Elections in 1978

25X1 [redacted] //President Banzer will outline a new election timetable on 9 November--the third anniversary of the formation of an all-military government in Bolivia. Banzer's plan moves up the election date from 1980 to mid-1978, and it reportedly includes the appointment of an interim executive so that Banzer can resign from the presidency six months before the election and run as a civilian candidate. The President has been consolidating support in his administration and in the military for an early election.//

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25X1 [redacted] //A close adviser to Banzer told the US Embassy in La Paz recently that Interior Minister Pereda, a loyal confidant of the President, and Foreign Minister Adriaola are the most likely candidates for the job of interim president. Banzer apparently is still discussing his political plans with his advisers, however, and few firm decisions have been made.//

25X1 [redacted] //Last week, Banzer made a three-day tour of the country's most important military bases to ensure support from major unit commanders as well as to bolster his image among the armed forces--his main base of support. He already has the concurrence of the military high command and his cabinet for his new election timetable. Changes in four cabinet posts earlier this month no doubt were intended to reinforce the President's position, and the recall of several ambassadors to La Paz last week probably is also related to his campaign to consolidate support.//

25X1 [redacted] //One of the major factors influencing Banzer's decision in favor of an early election is his interest in disassociating himself from the stalemated corridor-to-the-sea negotiations with Peru and Chile. With Banzer resigning to run for election, an interim president would inherit responsibility for the emotional issue of whether to exchange territory with Chile to obtain an outlet to the Pacific. [redacted]

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25X1 [redacted] There is some feeling in the Banzer administration that, in the event of a Peru-Chile war in which Bolivian territory was violated, Bolivian requests for assistance from the US would be more favorably considered if they came from an elected government. [redacted]

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UK: Economic Stimulation Package

25X1 [redacted] //British Chancellor of the Exchequer Healey has announced an economic stimulation package that includes reduced personal income taxes and increased government aid to the hard-pressed construction industry. The stimulus amounts to \$1.8 billion for the remainder of the fiscal year ending 31 March 1978 and calls for an additional \$3.5 billion boost in the 1978-79

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fiscal year. This level of stimulation could push real GNP growth next year to perhaps 3 percent but will probably reduce by more than half the previously anticipated \$3 billion surplus in Britain's current account. Plans for 1978-79 may be revised, however, before formal submission of the budget next spring.//

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[redacted]//Britain's economic recovery has slowed this year because of austerity measures aimed at improving the balance of payments and curbing inflation, which is running at about 16 percent annually. With real GNP expected to advance only 0.6 percent in 1977, unemployment has risen to a postwar high of 1.45 million (seasonally adjusted).//

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[redacted]//While London has wanted for some time to give the economy a much-needed shot in the arm, improvements in the balance of payments and renewed confidence in sterling have only recently enabled the government to take positive action. The current account swung into the black in the third quarter and is likely to show a surplus of perhaps \$300 million for the year as a whole, compared to a \$2.7 billion deficit in 1976.//

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[redacted]//Another factor permitting the new reflationary measures has been the unexpected low level of government borrowing so far this year. Under the 1976 agreement with the International Monetary Fund for a \$3.9 billion standby credit, Britain obligated itself to keep public sector borrowing within a \$15 billion ceiling. Even with the increased fiscal deficit caused by the reflation package, the government estimates 1977-78 fiscal year borrowing at only \$13 billion.//

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[redacted]//The main aim of the package is to prevent the bleak unemployment picture from worsening. By stimulating consumer spending through income tax reductions and by expanding government expenditures, the government hopes to generate 30,000 new jobs in the first quarter of next year and a total of 170,000 new jobs by the end of 1978-79 fiscal year.//

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[redacted]//The tax cuts will boost personal disposable income by \$1.6 billion in the remainder of the current fiscal year. For the 1978-79 fiscal year, Healey proposed a \$2.1 billion tax reduction, hoping that the resultant rise in real disposable income will help moderate trade union wage demands.//

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25X1 [redacted] //Government spending will increase next year by
25X1 \$1.8 billion. Of this amount, about \$700 million will go directly
into the construction industry. [redacted]

USSR: Reaction to Hijacking

25X1 [redacted] Soviet press commentary following the Lufthansa hi-
jacking has put the USSR on record as opposed to air piracy
and indicates that Moscow may be willing in the future to coop-
erate more with other states and the UN in dealing with the
problem. At the same time, the Soviets have used the incident
as an occasion to attack the West's refusal to return hijackers
from Eastern Europe and the USSR.

25X1 [redacted] The Soviet press has carried several articles related
to the hijacking. On 19 October, *Pravda*, *Izvestia*, and *Krasnaya*
Zvezda ran a TASS statement describing the incident as a "crim-
inal act" by "isolated elements of an anarchist-leftist band"
aimed at provoking a reaction that would play into the hands of
right-wing extremists in West Germany. On the same day, *Izvestia*,
without comment, also carried UN Secretary General Waldheim's
condemnation of hijacking.

25X1 [redacted] Immediately after the TASS statement appeared, the
Soviet press began a series of articles accusing the West of
following a "double standard" in hijacking cases. Last week,
a TASS commentary noted that a father and son in October 1970
seized a Soviet passenger plane, killed a stewardess, and
forced the crew to land in Turkey. According to TASS, both men
are now free and living in the US.

25X1 [redacted] The TASS commentary also observed that none of the
persons involved in a hijacking of an Aeroflot flight in May
or of a Czechoslovak flight on 11 October have been returned
to the USSR. The 1970 case was the subject of a press conference
by the Soviet Foreign Ministry on Monday and a *Pravda* commentary
on Tuesday that argued that nothing can be done about hijacking
as long as the West refuses to return Soviet and East European
hijackers.

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[] Missing from all the commentaries is the standard Soviet line that terrorist acts such as hijacking are the result of the international political, social, and economic systems and that the reactionary and imperialist forces that perpetuate these systems are as much to blame as the individual terrorist groups. The Soviets may have abandoned this line because of the recent hijackings of the Soviet and Czechoslovak planes; the argument could be turned against the Soviets and prove embarrassing.

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[] The Soviets probably have always been uncomfortable with the terrorist issue. While they have opposed terrorist acts, including hijacking, their willingness to cooperate with the UN or other powers has been constrained by their ties to Arab radicals and national liberation movements. Recent hints that some of the Arab states are beginning to reassess their positions on the question may be allowing the Soviets to adopt a more cooperative attitude.

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[] Earlier this month, an *Izvestia* correspondent assailed the Japanese Red Army for its alleged Maoist tendencies, and *Pravda* commentary this week referred favorably to the current UN deliberations on terrorism. According to West Germany's Ambassador to the USSR, the Soviets honored a West German request during the Lufthansa hijacking and asked South Yemen not to allow the plane to land in Aden. []

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INDIA-USSR: Desai's Visit Ends

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[] Soviet President Brezhnev and Indian Prime Minister Desai appeared satisfied at the outcome of the Prime Minister's just-concluded visit to the USSR. In their joint communique released yesterday, the two leaders emphasized that the principles of the Indo-Soviet Friendship Treaty of 1971 would continue but that the treaty would not interfere with either nation's pursuit of relations with third parties.

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[] The communique was unexceptional, citing many areas of agreement reached on bilateral and other international issues. At a press conference, Desai referred to a Soviet "commitment by implication" to continue economic aid to India. According to the communique, the two leaders agreed that next

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year they will draw up a long-term program to develop major sectors of the Indian economy through mutually beneficial arrangements and two-way trade exchanges.

25X1 [redacted] The Indian press service, in describing a long session between Desai and Brezhnev on Tuesday, reported that the two leaders were able to establish good personal rapport. It noted, however, that Desai was "disarmingly frank and outspoken" in dealing with some issues, including nuclear disarmament. He was described as taking strong exception to the "double standard" set by the nuclear powers in their relations with nuclear have-nots.

25X1 [redacted] Desai was equally vehement, according to the press service, in pressing the needs of the developing nations and the importance of an equitable international economic order. The two leaders apparently were careful to avoid raising potentially contentious bilateral issues such as the rupee-ruble exchange rate. [redacted]

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BRIEFS

Lebanon-Israel

25X1 [redacted] Lebanese authorities held an inconclusive meeting with Israeli officials on Tuesday and canceled a session scheduled for today to discuss the implementation of the Shaturah agreement. The Lebanese Government apparently is still having trouble working out arrangements with the Palestinians for a withdrawal of their forces from southern Lebanon--one of the principal Israeli prerequisites for allowing Lebanese Army units to move into the border area. [redacted]

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Australia

25X1 [redacted] Prime Minister Fraser today announced that a general election will be held 10 December. At stake are all the seats in the House and one-half the seats in the Senate. [redacted]

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