

**Top Secret 233**

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NATIONAL INTELLIGENCE DAILY CABLE

Friday October 8, 1976      CI NIDC 76-237C

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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday October 8, 1976.

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

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THAILAND: Military in Control

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[Redacted] The new military regime in Bangkok appears firmly in control [Redacted]

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[Redacted]

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[Redacted] Admiral Sa-ngat and his colleagues continue to take pains to convey the impression that they intend to pave the way for an eventual return to representative government.

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[Redacted] //Eighteen general officers--some of them recently retired--have been appointed to the new ruling body--the National Administrative Reform Council--but the military leaders are having difficulty identifying and persuading prestigious and compatible civilians to serve on the council with them.//

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[Redacted] //Sa-ngat has indicated that the new council should expect to manage Thailand's affairs for only a few months until an interim civilian government backed by the military can be formed, but council members differ widely on the length of time they expect to be in office.//

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[Redacted] //A national assembly is being envisioned to re-write portions of the constitution, presumably to increase the prime minister's power and to assure that the government will become more stable.//

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[Redacted] The strongly anticommunist posture of the new regime has provoked sharp comment from Vietnam. Hanoi accuses the Thai military of collaborating with the US in arranging the return of exiled dictators in a deliberate scheme to provoke the downfall of parliamentary government. Hanoi warns that if the new government follows a pro-US policy, it will face serious consequences. [Redacted]

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RHODESIA: Nationalists' Meeting

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[Redacted] //Leaders of Bishop Abel Muzorewa's Rhodesian nationalist faction will meet tomorrow in Salisbury to consider various settlement proposals. [Redacted]

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[Redacted] //The Muzorewa faction is against allowing whites to control the defense and security forces during the transitional period. [Redacted] other nationalist groups also oppose continued white control of the security forces.//

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[Redacted] //Many white Rhodesians appear to have accepted the likelihood of a black Rhodesian government within two years. Most whites seem to be taking a wait-and-see attitude before deciding whether to emigrate or to remain under a black government.//

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[Redacted]

[Redacted] //White businessmen are concerned that continuing disunity among the black groups may lead to violence which would affect whites as well. Many whites favor Joshua Nkomo, who is widely regarded as the most moderate black leader, to become the first black head of government.//

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[redacted] //The intention of many whites to remain in the country could change quickly if blacks gain control of the defense and law and order portfolios under an interim government. The whites fear that black control over the security forces would lead to widespread violence by unruly guerrilla forces.

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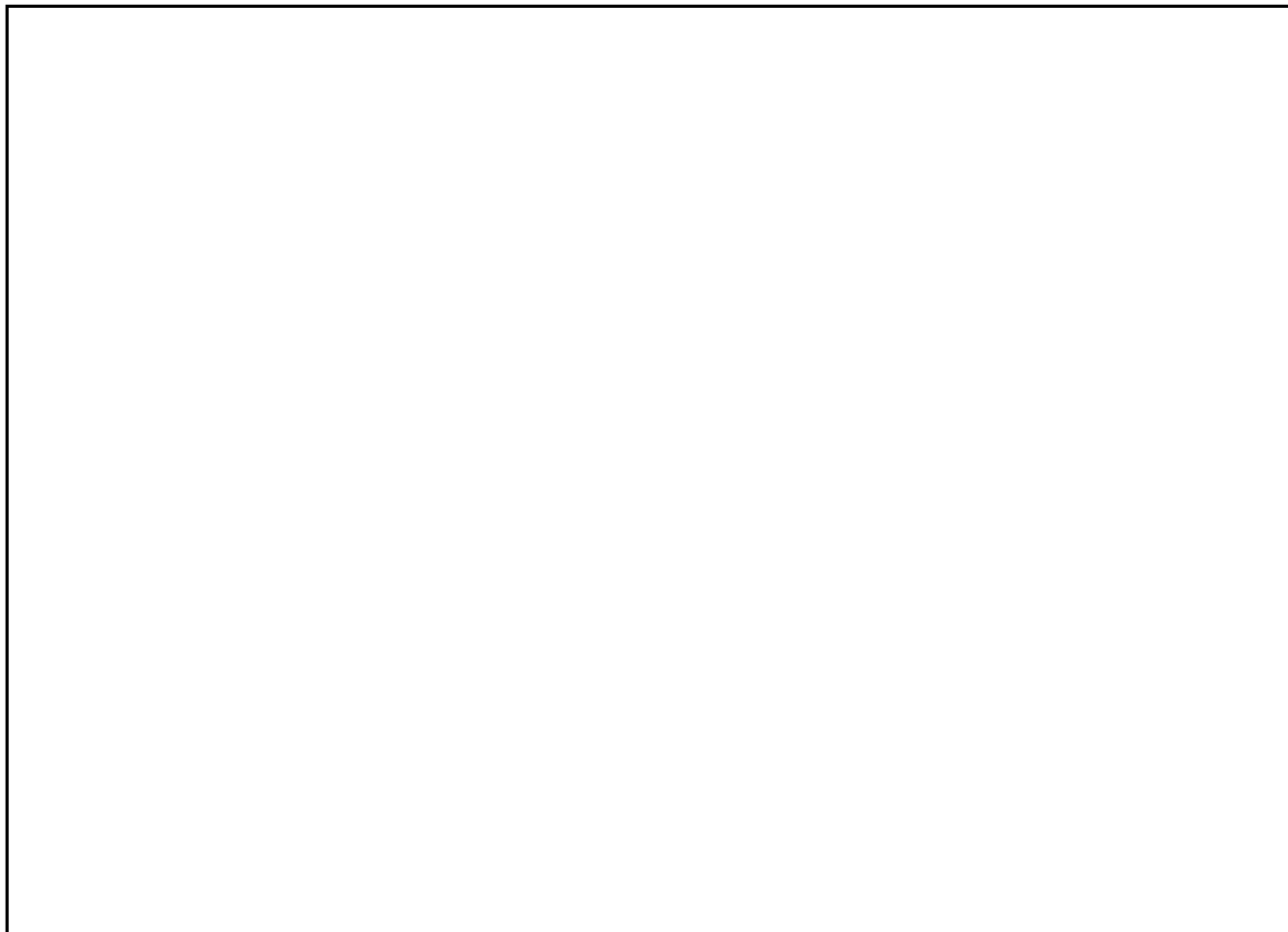
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CUBA: SWAPO Leader Visits

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[redacted] Apparently in response to recent US efforts to find a peaceful solution to the problem of Namibia, the Castro regime has sharply underscored its commitment to the "liberation" of Namibia by greeting Sam Nujoma, president of the South-West Africa People's Organization, with fanfare usually reserved for friendly chiefs of state.

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[redacted] Nujoma arrived in Cuba on October 1 and was met at the airport by four members of the Cuban party Political Bureau, including Fidel Castro. High-level talks began almost immediately and continued until October 4, when Nujoma began the usual round of protocol activities and visits to historic sites.

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25X1 [redacted] According to the Cuban press, Nujoma paid strong tribute to Castro and the Cuban people for the "practical" support they gave to Popular Movement forces in Angola, suggesting that he expects to receive a similar pledge of assistance for his own struggle. The Cubans are likely to provide Nujoma with light weapons, supplies, training, and technical support. [redacted]

25X1 PERU: Signs of Uncertainty

25X1 [redacted] Peruvian President Morales Bermudez unexpectedly failed to deliver the customary October 3rd "state of the revolution" address in which he was to outline future government policy. There was no explanation for the break with tradition, but several sources suggest that government leaders could not agree on a major aspect of policy, a more restrictive labor law likely to provoke a violent reaction from the unions.

25X1 [redacted] In the past three months, Lima has become increasingly sensitive to growing domestic criticism. Leftists and other opponents of recent policies charge that the regime is abandoning the revolution. They cite as evidence the restoration of the fishing fleet to private ownership, purges of leftists from the government, improved relations with the US, and rumors of reversals in the land distribution program. The press is displeased with continuing government control, censorship, and harassment of journalists.

25X1 [redacted] Many civilians are calling for an end to the suspension of liberties under the state of emergency decree, and some leaders are taking steps to organize a political front to press for restoration of civilian rule. Popular backing for the President seems weak, and the degree of armed forces support for his position is uncertain.

25X1 [redacted] Facing such criticism, Peru's leaders apparently disagree on the new job security law and on its timing. Since it would reportedly restrict strikes and give management greater latitude in dismissals, it would be certain to evoke labor protest which could catalyze dissatisfaction throughout the country. [redacted]

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COLOMBIA: State of Seige

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[redacted] Colombian President Lopez has again imposed a nation-wide state of siege.

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[redacted] Government spokesmen said the action was necessary to counter a wave of labor unrest and kidnapings. The action may also be timed to guarantee optimum security conditions during the official visit next week of Spanish King Juan Carlos.

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[redacted] Colombia has a long tradition of student and labor problems, as well as urban and rural violence. The previous state of siege, lifted in June, lasted a year. [redacted]

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UK: Monetary Policy

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[redacted] //The British government, in a surprise move, yesterday boosted the Bank of England's minimum lending rate by 2 percentage points to a record 15 percent.//

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[redacted] //Chancellor of the Exchequer Healey also instructed the Bank of England to call up special deposits from commercial banks equivalent to 2 percent of most deposit liabilities, or approximately \$1.2 billion. In reaction to the announcement, the pound rallied somewhat from the day's low of \$1.64, closing at \$1.67 in London.//

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[redacted] //These measures were taken to slow the growth in the money supply and cut inflation. Healey has set a target of 12 percent for money supply growth for the fiscal year ending next March. As recently as the three-month period ending in mid-August, the money supply was growing at an annual rate of 16 percent. A further acceleration reportedly has taken place since then due to increased bank borrowing by the public sector.//

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[redacted] //The minimum lending rate has now been hiked 6 percentage points since mid-April. The government had also increased the special deposit requirement by 1 percent in September.//

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[redacted] //The announcement yesterday was aimed at least partly at the International Monetary Fund, to which London has applied for a \$3.9-billion loan. By tightening credit, the British may be able to avoid an IMF demand for further public spending cuts and subsequent charges from left-wing Laborites that Healey is permitting "foreign bankers" to dictate internal British policies. Spending cuts beyond those already scheduled for the next fiscal year would be extremely unpopular. [redacted]

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ITALY: Economic Stabilization Program

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[redacted] Prime Minister Andreotti this week began to seek parliamentary support for his economic stabilization program. The Communists, whose cooperation in Parliament is essential to the government's survival, seem inclined to work with the Prime Minister, but they also are determined to exert as much influence as possible.

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[redacted] Andreotti has asked Parliament to consider two proposals that form the bare minimum for any effective economic stabilization effort. To dampen inflationary pressures, he is requesting that automatic increases in cost-of-living allowances be reduced for the upper 20 to 25 percent of wage earners and that there be no further increases in the allowances for the highest paid workers.

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[redacted] Andreotti also wants to increase prices for many public services and government-controlled commodities; some of the funds raised by hiking public service charges would be used to help finance a controversial industrial modernization and development program, the details of which Andreotti has not yet disclosed.

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[redacted] The Communists' inclination to cooperate with Andreotti is illustrated by the receptivity of the Communist-dominated unions to Andreotti's proposed limitation on cost-of-living increases. The unions dominated by Andreotti's Christian Democrats were less receptive because of their larger proportion of highly paid workers.

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[redacted] The response of the Communists to Andreotti's planned price increases, on the other hand, demonstrates the party's determination to shift economic and fiscal decision-making as much as possible to Parliament--a development that would enable the Communists to exert maximum influence on the government's program.

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[redacted] Andreotti initially tried to raise certain prices by decree, as the government is legally empowered to do. The Communists, however, are holding Andreotti to an earlier pledge to consult Parliament, and the issue is being considered this week by two committees, one of which has a Communist chairman.

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[redacted] Communist leaders feel a need to reassure the rank and file about the party's indirect support for Andreotti. There are increasing signs that many Communist supporters cannot understand why the party, given its election gains in June, has not demanded greater power or made more of an effort to get into the government. The Communist leadership is clearly seeking to demonstrate that it is fully aware of the party's increased weight and is determined to use it in the best interests of the party.

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[Redacted]

JAPAN-CHINA: Peace Treaty

[Redacted] Prospects have not improved for the early conclusion of a Sino-Japanese peace and friendship treaty following the brief meeting between foreign ministers Chiao Kuan-hua and Kosaka in New York on Monday. They apparently did not discuss the anti-hegemony clause--the implicitly anti-Soviet formulation that is the only remaining obstacle to final agreement.

[Redacted] Japanese Foreign Minister Kosaka confined himself to expressing hope that the treaty would be concluded at an early date. His main purpose was to improve the atmosphere in bilateral relations and to establish himself as a friendly negotiating partner. He has publicly described the meeting as a "prelude to renewing negotiations."

[Redacted] Chinese Foreign Minister Chiao Kuan-hua reportedly accepted in principle the desirability of an early agreement, but he reiterated Peking's hope that Japan would agree to repeat the hegemony clause contained in the Sino-Japanese communique of 1972 that established diplomatic relations.

[Redacted]

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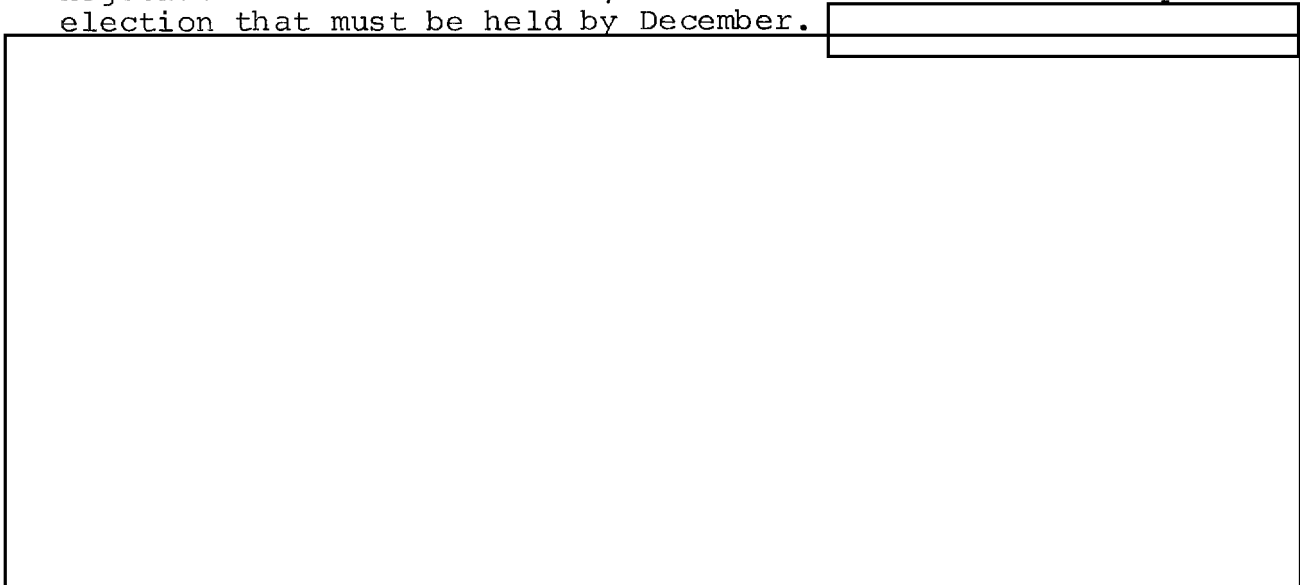
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[redacted] A senior Japanese Foreign Ministry official has expressed the view that neither government is now prepared to make any "concrete moves" toward the other and that serious negotiations will not resume, at least until after the Japanese election that must be held by December. [redacted]

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Developing Countries: Oil Price Rise

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[redacted] //A decision to increase the price of oil 15 percent--expected at the December meeting of the Organization of Petroleum Exporting Countries--would add \$750 million to the net import bills of the 12 non-OPEC developing country members of the Conference for International Economic Cooperation.//

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[redacted] //Nevertheless, they are unlikely to oppose OPEC's action because of their desire to maintain a unified position in the North-South dialogue and because they want additional OPEC aid.//

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[redacted] The impact of the oil price hike on individual countries would vary widely.

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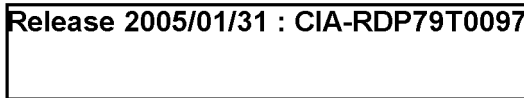
[redacted] Total import bills for Brazil, India, Pakistan, and Jamaica would rise by 2.6 percent to 4.1 percent, compared with a non-OPEC developing country average of 1.3 percent.

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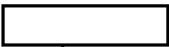
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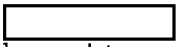


Brazil would add \$500 million to its oil import costs at a time when economic growth is expected to decline and inflationary pressures are strong. The adverse impact of the oil price rise on recovery in the developed countries would slow Brazilian export growth.

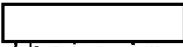
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 For India and Pakistan, the higher oil costs would be easier to manage because food imports are down as a result of improved harvests. They had hoped, however, to use money not spent on food imports for development projects and will seek additional assistance from OPEC members.

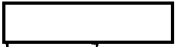
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 The oil price change would hit Jamaica at a time when bauxite and alumina exports are recovering. About half of Jamaican oil imports are used in the processing of alumina. Anticipated export gains, however, would far outweigh the adverse effects of the oil price increase.

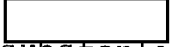
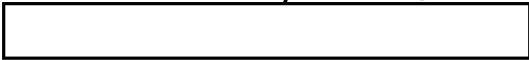
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 Yugoslavia, Argentina, Cameroon, and Zambia would see their import costs from the price hike alone rise in the range of 1.1 to 1.4 percent.

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 Real economic growth in Yugoslavia and Argentina would be adversely affected by reduced exports caused by an oil price rise. While Yugoslavia has the stronger domestic economic position, its \$2.5-billion trade deficit this year would make the absorption of oil costs harder. Recovery of copper exports in Zambia, and of cocoa, coffee, and wood exports in Cameroon would help absorb higher oil costs without seriously disrupting economic expansion.

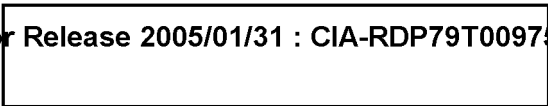
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 As net oil exporters, Mexico and Egypt would benefit substantially from any oil price increase. Oil earnings would rise in Egypt by \$90 million and in Mexico by \$130 to \$190 million. Peru expects to become nearly self-sufficient in petroleum with the completion of the first stage of the Trans-Andean pipeline in 1977. Zaire, almost self-sufficient in oil, has no strong views on the oil price rise. 

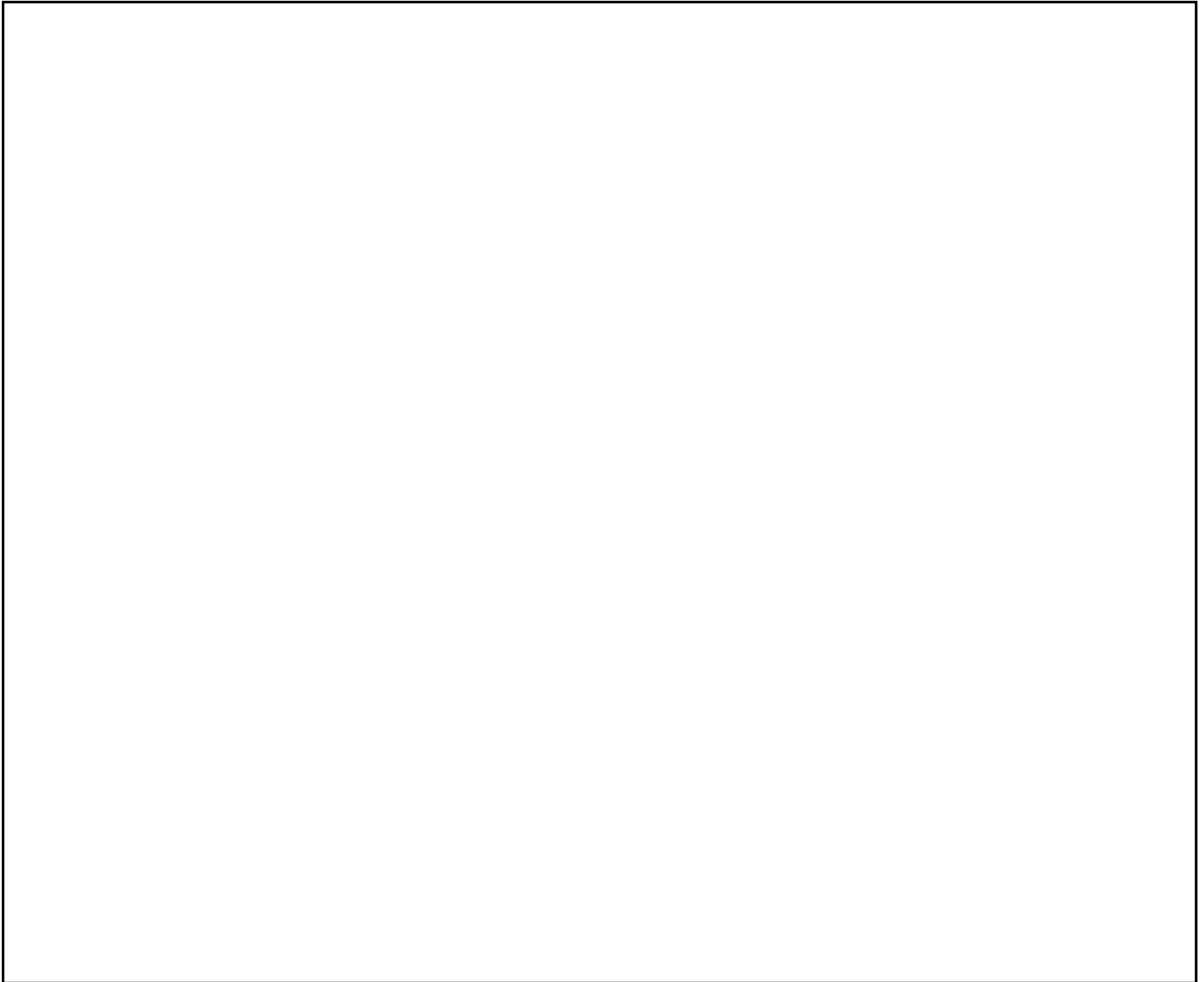
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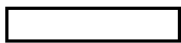






USSR-ANGOLA: Neto Welcomed Warmly

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 The USSR has given an enthusiastic welcome to visiting Angolan President Agostinho Neto, whose delegation arrived in Moscow yesterday.

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[redacted] An impressive array of Soviet officials greeted Neto at the airport--including President Podgorny, Foreign Minister Gromyko, and First Deputy Premier Tikhonov, who is probably filling in for ailing Premier Kosygin. Later in the day General Secretary Brezhnev hosted a dinner in Neto's honor.

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[redacted] It is not surprising that the Soviets would afford Neto such treatment. The Popular Movement's victory in Angola was one of Moscow's most important and visible foreign policy successes in the past few years. It refurbished the Soviets' revolutionary credentials, enhanced their status among the radical black African states, and gave them an important win over their Chinese competitors in Africa.

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[redacted] The Soviets probably hope to capitalize on this success in expanding their influence in post-war Angola and among the liberation movements of southern Africa--a hope that probably in part underlies Moscow's indignation at Western attempts to resolve the crisis in that region.

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[redacted] This is Neto's first visit to the USSR since the establishment of his government. The Soviet invitation was issued last May, when Angolan Prime Minister Nascimento was in Moscow seeking additional Soviet assistance.

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[redacted] Such assistance will also be high on the agenda during Neto's visit. Angola's current number-one priority is the development of its economy, and Neto brought with him Angolan officials responsible for economic affairs.

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[redacted] In his dinner speech last night, Brezhnev acknowledged Angola's need to restore its war-shattered economy as soon as possible and held out the prospect of Soviet assistance. Brezhnev added that Neto's visit will "serve as a new incentive toward deepening and broadening Soviet-Angolan relations."

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[redacted] Soviet military aid will probably also be discussed. Neto brought a senior military adviser with him, and Soviet Defense Minister Ustinov attended last night's dinner.

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[redacted] Brezhnev took advantage of the dinner to refer to the tensions in southern Africa. He offered the most authoritative Soviet criticism of those who "are attempting to substitute a fictitious liberation...for a true one." Neto is one of the "front-line" black African presidents, and the Soviets may view him as a key link to developments in the region. [redacted]

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