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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 1 November 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Tuesday, 1 November 1977

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

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USSR: Demonstration in Lithuania

25X1 [redacted] A report of a violent nationalist demonstration in the Lithuanian capital of Vilnius three weeks ago is still unconfirmed. Such events, however, are not unprecedented in the Soviet Union, particularly in the Baltic republics where anti-Russian sentiment is always close to the surface.

[redacted] the disturbance, which occurred on 10 October, began at a soccer game between the Lithuanians and a Russian team. When the game ended, some 15,000 fans reportedly streamed out into the streets, turned over cars and ripped down banners erected to mark the the upcoming 60th anniversary of the Bolshevik Revolution. The riot ended after the police intervened and made a number of arrests.

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25X1 [redacted] A similar demonstration reportedly took place in Vilnius two years ago when the victory of a popular local soccer club triggered a mass demonstration. Thousands of participants, mostly young students, marched around the city singing patriotic Lithuanian songs until the police broke up the crowd. A far more serious incident occurred in 1972, when the self-immolation of a Lithuanian youth touched off a two-day riot throughout the city of Kaunas. Local authorities were only able to restore order with the help of heavily armed security forces. Reverberations from this major outburst were felt throughout the republic for months.

25X1 [redacted] Although the recent fracas was reportedly spontaneous, several factors are contributing to popular antagonism toward the Soviet authorities. Soviet harassment of the church, for instance, has made the local atmosphere particularly volatile since the Lithuanians are predominantly Catholic and view the Church as a national symbol.

25X1 [redacted] Recently, popular antagonism has also grown because of the export of food produced in the three Baltic republics--Lithuania Latvia, and Estonia--to other regions in the USSR where shortages have developed. Vilnius is reportedly reasonably well supplied with food compared to other areas, but the Lithuanians apparently still strongly resent the central government's policy. A similar reaction over meat exports reportedly provoked work stoppages in Latvia earlier this year and the burning of an Estonian meat warehouse. [redacted]

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POLAND: Gierek-Wyszynski Talks

[Redacted] The first meeting ever between Polish party leader Gierek and Stefan Cardinal Wyszynski suggests that both men are increasingly concerned that current economic problems may lead to further popular unrest. The two men talked for two

hours on Saturday, and a Polish news agency strongly suggested that the talks were on broader issues than Church-State relations. The Polish media have widely reported the meeting.

25X1 [redacted] Gierek, who is actively seeking the Church's cooperation to keep the lid on tensions, seems willing to make some concessions. The government, probably helped pave the way for the meeting by approving building permits for at least 18 new churches in mid-October. Indeed, the meeting goes some distance toward satisfying the Cardinal's insistence on open recognition of the Church as a pillar of Polish nationhood. Gierek's visit to Rome later this month to see the Pope is also an effort to gain favor with Poland's overwhelmingly Catholic population.

25X1 [redacted] Both the Church and the government want to prevent serious public disturbances. In the past, the church has supported the government by calling on the Poles to work hard to overcome economic difficulties. In return, the Church wants the government to grant some of its demands. The government may have granted the Church the building permits to blunt the Cardinal's demands for greater access to the state-controlled media and a cessation of atheistic campaigns. Wyszynski on the other hand may hope that Gierek will respond favorably on these questions.

25X1 [redacted] Wyszynski is due to go to Rome on 8 November for an audience with the Pope, and will probably remain there at least through Gierek's visit. [redacted]

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UK: Pound Floating

25X1 [redacted] //The British Government's decision to minimize intervention in foreign exchange markets--in effect to permit the pound to float upward--will ease inflationary pressures in the UK, where prices are currently rising at an annual rate of about 16 percent.

25X1 [redacted] //The appreciation of the pound will initially worsen Britain's competitive position in international markets by raising the price of British goods, but the longer term impact is not as clear cut. If the reduction of inflation is sufficient, Britain's competitive position could actually be improved.//

25X1 [redacted] //The Bank of England had been attempting to keep the pound stable to maintain Britain's export competitiveness. In recent months, however, an improved balance of payments picture increased upward pressure on the pound and forced London to sell large quantities of sterling in foreign exchange markets. While this dramatically increased the country's official foreign reserve holdings--from \$4 billion at the end of 1976 to an estimated \$20 billion by the end of October--it also strained the monetary authorities' ability to control the money supply.//

25X1 [redacted] //Pounds sold on the foreign exchange markets have returned into the British economy and depressed interest rates and expanded domestic credit. The central bank discount rate plummeted from 14.25 percent on 1 January to 5 percent by mid-October.//

25X1 [redacted] //Last week Chancellor of the Exchequer Healey announced a slight relaxation of controls on the outflow of capital from the UK, a move that did little to lessen the upward pressure on sterling. Unwilling to continue selling pounds to stabilize the rate, London reluctantly has permitted the pound to float upward.//

25X1 [redacted] //Reduced intervention in the foreign exchange markets should slow the growth of the money supply, reduce inflationary pressure and help the government to limit domestic credit expansion as required by the terms of its 1976 stand-by pound from the International Monetary Fund. The appreciating pound should ease the prices of imported goods. [redacted]

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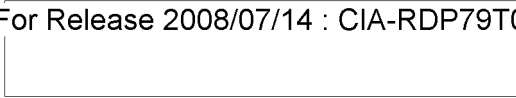
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TURKEY: Political Strains

25X1 [redacted] //The approaching municipal elections [redacted] will further complicate the already troubled political situation in the country. Political leaders will be further distracted and find it more difficult to deal with pressing domestic and foreign policy problems.//

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[redacted] Both the pre-electoral maneuvering and the outcome of the 11 December elections could have a significant impact on the cohesiveness of the major parties and of the ruling coalition.

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[redacted] Prime Minister Demirel's right-of-center Justice Party, the main partner in the coalition, and particularly the opposition left-of-center Republican Peoples Party face debilitating internal fights over the choice of candidates. The campaign, moreover, is likely to further exacerbate tensions among the three squabbling coalition parties as each attempts to make gains at the other's expense.

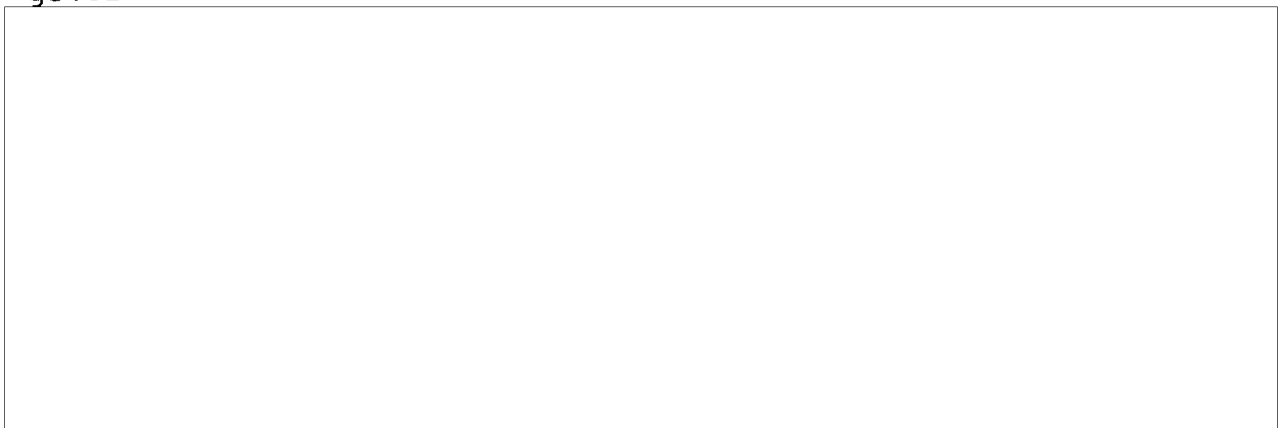
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[redacted] The Justice Party is rural-based and is not likely to replace the Republicans, who traditionally control most major cities. Should the Justice Party lose a significant number of votes to its two junior coalition partners, the minority in the Justice Party who have advocated that the coalition be dissolved would gain strength. These members of the Justice Party have argued that the party already has made too many concessions to the Islamic-oriented National Salvation Party and the neo-fascist National Action Party. A poor showing by the two junior partners could increase sentiment in those parties to withdraw from the coalition and offer their votes to the Republicans.

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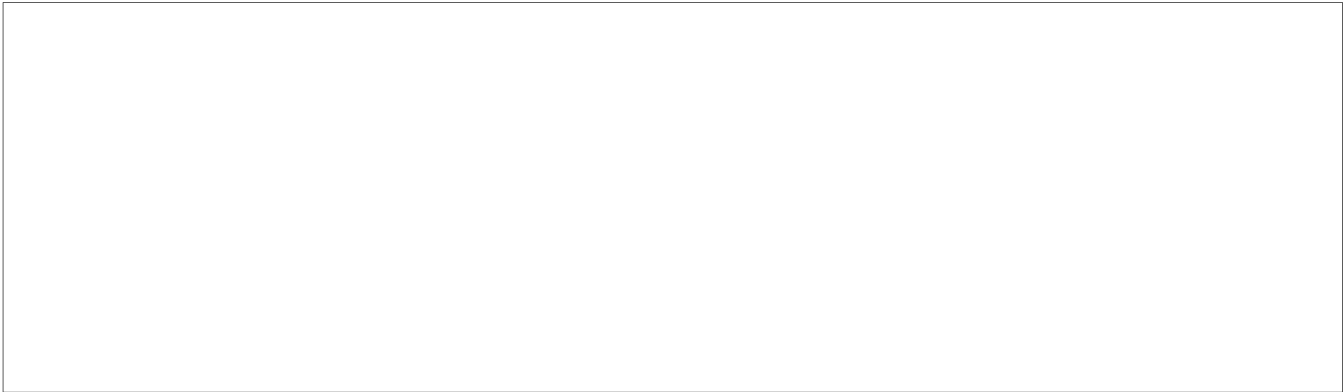
[redacted] A significant drop-off in support for the Republicans could weaken former Prime Minister Ecevit's control of the party. Ecevit has already come under fire from a vocal minority of party members who charge that he bungled the effort to form a government after the parliamentary election in June.

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ISRAEL: Situation Report

25X1 [redacted] *More demonstrations and work stoppages are expected to follow yesterday's protest strikes against the Israeli Government's new economic reform measures. Leaders of the Histadrut labor federation claim they are holding off calling a nationwide strike for the time being in order to retain maximum bargaining leverage.*

25X1 [redacted] The Histadrut, which is controlled by members of the opposition Labor Party but also contains pro-government labor unions, probably also hopes to avoid a premature test of strength with the government that could backfire. A Histadrut call for a one-hour general strike to protest earlier subsidy cuts last summer was a complete failure.

25X1 [redacted] The central committee of the Histadrut reportedly has decided primarily to demand that workers' cost-of-living allowances be increased in January to off-set expected price rises. Such an increase would normally not come up for consideration until April.

25X1 [redacted] Finance Minister Ehrlich has indicated a readiness to negotiate with labor leaders, but he will resist demands for wage increases that would undo his reform measures. To assuage the low income constituents within the ruling Likud and undercut Histadrut, Prime Minister Begin has also promised that the government would compensate "disadvantaged sectors" for the increased inflation caused by the new economic policy. [redacted]

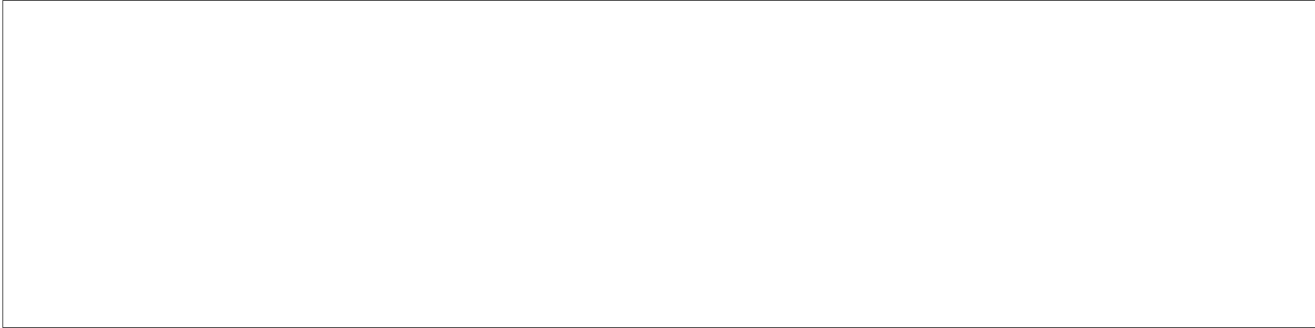
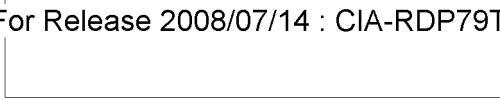
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25X1 INTERNATIONAL: United Nations

25X1 [redacted] //The Special Political Committee of the UN General Assembly (UNGA) is debating a draft resolution on international aviation safety. The West German rescue operation in Somalia and the recent refusal of Third World countries to grant terrorists political asylum have created a favorable atmosphere in the UN for the debate on measures to prevent hijackings.//

25X1 [redacted] //The international response to terrorism in the past has been relatively weak and ineffective. A substantial number of countries fear that effective international measures against terrorism could be used to suppress or deny the legitimacy of "national liberation movements." Many states resist the infringement of national sovereignty implied in an inflexible curtailment of the right to grant political asylum. Finally, many countries are reluctant to commit themselves to any course of action that might invite retribution by terrorist groups.//

25X1 [redacted] //Over the past 14 years, six international conventions have been concluded that deal with some aspect of international terrorism. These accords reflect widespread concern that something must be done, but they do not effectively constrain terrorist activity.//

25X1 [redacted] //Following the tragedy at the Olympic Games in 1972, the UNGA formed a committee to consider measures to prevent international terrorism. The desire of many members to protect favored "national liberation movements" led the group to study the factors that "cause some people to sacrifice human lives, including their own, in an attempt to effect radical



change." The fruitless efforts of the committee underscore the difficulty of striving for comprehensive solutions to the problem in international forums.//

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[redacted] //UN counter-terrorism accords have covered only specific types of terrorist acts. US efforts, begun in 1972, to persuade the UNGA to adopt a "Convention for the Prevention and Punishment of Certain Acts of International Terrorism" were unsuccessful. The West Germans have thus far not succeeded in obtaining agreement on an international convention against the taking of hostages.//

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[redacted] //The recent hijackings of Japanese and West German airliners inspired increased interest in the terrorism issue at the current UNGA session. Forty-six nations joined to propose a draft resolution that condemns hijacking and calls for an improvement of airport security as well as ratification of three existing conventions on hijacking. The sponsors are primarily from Western Europe, Latin America and Africa; there are none from the Middle East or Eastern Europe.//

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[redacted] //Debate is likely to be estrident, but the resolution stands a good chance of passage. Previously, various Arab and African nations argued that no convention could apply to national struggles for self-determination. Recently, however, the PLO leadership has condemned hijacking and the taking of hostages--a move that should allow Arab governments to take a more moderate stand on the resolution. The Communist states have resisted over-arching antiterrorism conventions that would impede the operations of favored insurgent movements. They have, however, supported moves to combat hijacking and will probably support the General Assembly resolution.//

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[redacted] //Although the proposed resolution, with only moderate amendments, will probably be accepted, its enforcement is not guaranteed. Indeed, it is not likely to constrain effectively international terrorism more than earlier resolutions did. Decisive UN action would require fundamental changes in perceived national interests, which the UN could reflect but not generate.

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BRIEFS

Yugoslavia

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[redacted] The USSR has raised the value of a 1972 ruble credit to Yugoslavia from \$540 million to \$750 million. Yugoslav President Tito apparently requested the increase during his visit to the USSR in late August to cover cost overruns on equipment for 42 industrial projects agreed to under the original credit.

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[redacted] The Soviets have so far delivered only one third of the equipment covered by the 1972 credit. Completion of the 42 projects, originally scheduled for 1976, has now been postponed to 1980.

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[redacted] Even with the new line of credit, the USSR provides only a small share of Yugoslavia's foreign financing. Yugoslavia owes only about 5 percent of its medium- and long-term debts to the USSR. [redacted]

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China

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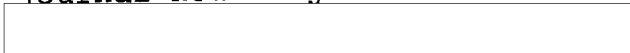
[redacted] The executions recently reported in China's provinces are part of a crackdown on social disorder that is directed mainly at ordinary criminals. Chinese authorities may have executed some members of political factions but they have not instituted a wider or more violent purge of sympathizers of the "gang of four."

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[redacted] Most of those executed have been charged with "counter-revolutionary offenses"--a term loosely defined in China--but appear to have committed criminal acts.

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[redacted] In recent years, much disruptive behavior went unpunished because of an ineffective public security system. Peking is now pushing a campaign to revive state security organs. A strongly worded article in the October edition of the party journal *Red Flag* calls for a return to "work according to law."



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Israel

25X1 [redacted] Former Israeli Foreign Minister Abba Eban may be in line for an ambassadorial post, possibly in Washington. [redacted] Eban has denied the rumors, but would welcome such an offer. 25X1

25X1 [redacted] Although he is a member of the Labor Party opposition, Eban has sought to remain on good terms with Begin. At the Prime Minister's request, Eban toured the US shortly after the May election to explain Israel's negotiating stance. Recently, he has been somewhat critical of the hardline position adopted by his own party toward the US-Israeli working paper on reconvening the Geneva Conference.

25X1 [redacted] Should Eban be appointed, the move would be another coup for Begin and a jolt to the Labor Party, which is still smarting from the defection of Moshe Dayan. The appointment would also help Begin's relations with American Jews, who hold Eban in high esteem as a result of his lengthy prior service as Israel's ambassador to the US and the UN. [redacted] 25X1

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