

**Top Secret 219**

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 1 July 1978 CG NIDC 78/153C

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**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

DIA review(s) completed.

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National Intelligence Daily Cable for Saturday, 1 July 1978.

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

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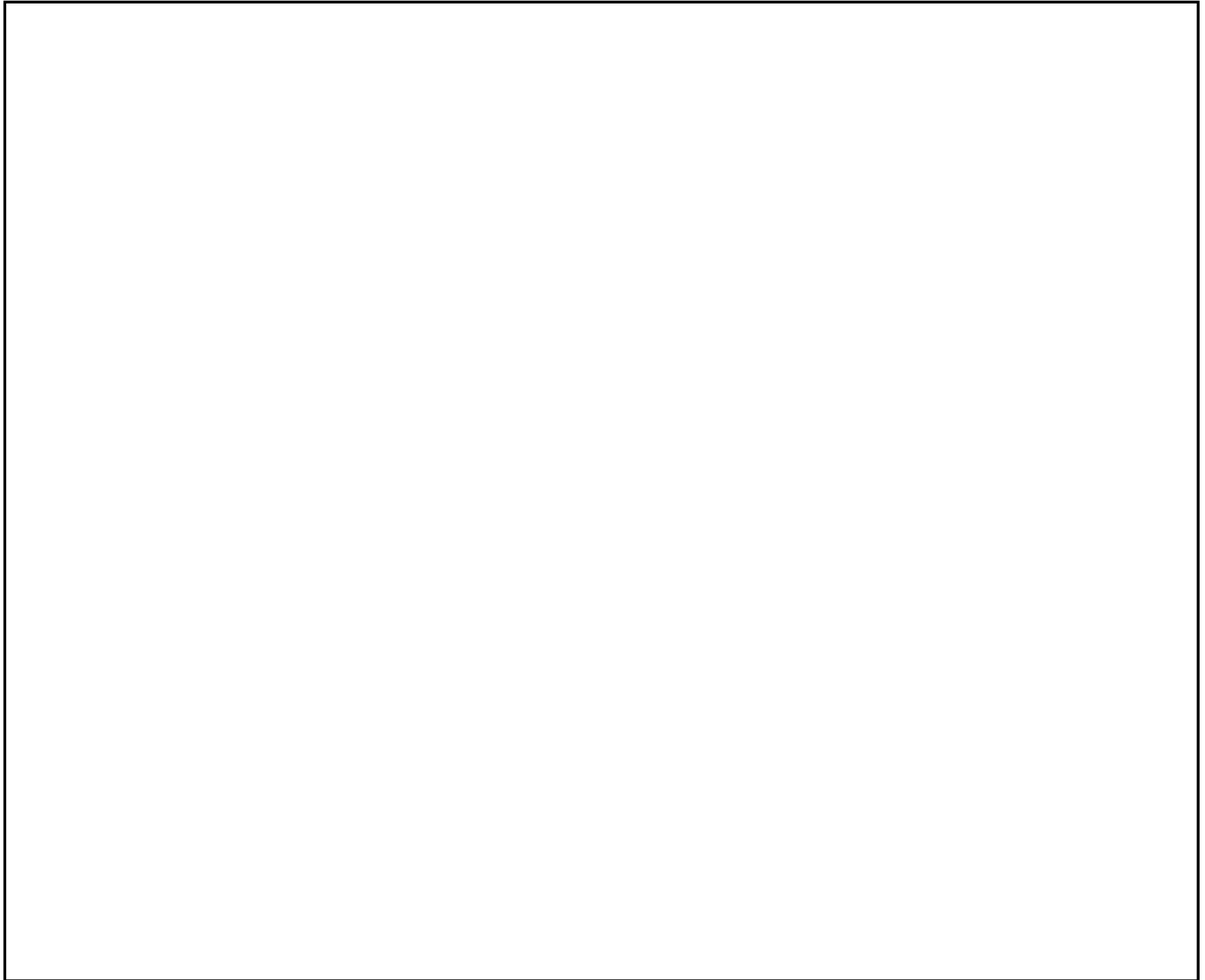
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**NORTH YEMEN: Status Report**

*[redacted] //North Yemeni officials are apprehensive--in the wake of the upheavals in both Yemens over the past week--about South Yemen's ultimate intentions toward Sana. At the same time, many North Yemeni officials appear inclined toward some dramatic move of their own against the South to avenge President Ghashmi's death, although it is not yet clear that this*

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angry mood will be translated into action. North Yemen appears generally stable under the new four-man Presidential Council that took power following Ghashmi's assassination last Saturday. The new leaders are supported by the majority of North Yemen's diverse population, although an upsurge of maneuvering for government positions is under way.//

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[redacted] //Many North Yemenis are convinced that a confrontation with the Aden regime is inevitable. Officials in Sana have suggested that they are considering, perhaps even planning, retaliation against South Yemen for the killing of Ghashmi. The North Yemenis almost certainly would seek Saudi help for any military move, although the Saudis recognize the difficulties and risks involved in such a venture and would probably caution restraint.//

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[redacted] //Despite the mood in North Yemen, it is questionable that the North Yemenis would now initiate a retaliatory operation against South Yemen. Tensions between the two countries will remain high, however, and an upsurge of clashes along the border between irregulars cannot be ruled out.//

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[redacted] //North Yemen plans to present its case about South Yemeni involvement in Ghashmi's death to an Arab League foreign ministers' conference set to convene in Cairo today. Sana apparently hopes to persuade the League to expel and institute a boycott against South Yemen.//

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[redacted] North Yemeni officials also are expressing increased concern about possible Soviet machinations against them in light of Moscow's strong support for the Aden regime; some officials have stated flatly that the Soviets must now be "exposed" and thrown out of North Yemen.

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[redacted] In recent years the North Yemenis have tried to balance their relations with both East and West. They receive some military supplies from the Soviets, and about 100 Soviet military advisers are in the country. While we are uncertain what action North Yemen might take against the USSR, Soviet assistance to the Yemeni military is important and may militate against a complete break with Moscow. North Yemeni officials have reminded US officials that they are looking to Washington for help in countering Soviet and South Yemeni moves in the Arabian Peninsula.

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25X1 [redacted] //While dealing with these issues, North Yemen's new leadership group must also cope with domestic pressure from prominent tribal and leftist opportunists who are seeking influential posts in government. Both Abdallah al-Ahmar, the conservative head of the large Hashid tribal confederation, and Mujahid Abu Shawarib, an ambitious tribal leader sometimes affiliated with the Yemeni left, apparently are unhappy about being excluded from the new government. Barring another dramatic upheaval in the country, however, the Sana regime seems likely to maintain its generally conservative orientation. Saudi Arabia, moreover, will use its influence in North Yemen to ensure the continuation of a compatible leadership.//

25X1 [redacted]

#### CZECHOSLOVAKIA: Sign of Flexibility

25X1 [redacted] *The Czechoslovak attorney-general has promised dissidents that he will investigate complaints about the police beating of one of their number in mid-May.* [redacted]

25X1 [redacted] *This shows unusual flexibility by the regime and suggests that it may be willing to use moderation in addition to its usual harsh methods to forestall dramatic dissident acts on the anniversary in August of the Soviet-led invasion of 1968.*

25X1 [redacted] In a written response to a dissident letter, the attorney-general reportedly said he would set up a commission in the Ministry of Interior to investigate the circumstances surrounding one of four instances of beatings. This is the first time the regime has even acknowledged a letter from dissidents, let alone promised to act on a complaint. Neither letter has been made public.

25X1 [redacted] Such a show of moderation seems intended to throw the dissidents off balance and perhaps also to dissuade them from pursuing extreme tactics during the anniversary. It could, of course, have the opposite effect and strengthen their resolve. The dissidents initially viewed the regime response as "something of a victory" for them; they are arranging a strategy session to ponder its implications. The regime could also be trying to use the promise of an investigation to counteract the bad publicity it received as a consequence of the beatings.

[REDACTED]

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[REDACTED] The establishment of an investigating commission seems an overly elaborate way to accomplish either of these objectives and also suggests there may be some unhappiness within the party leadership over recent secret police handling of the dissidents. The beatings of the dissidents were the most serious examples of police brutality since the inception of the Charter 77 movement in January 1977.

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[REDACTED] Meanwhile, the dissidents have stepped up efforts to recruit new members and have renewed the practice of holding private university-level seminars. A group of Chartists also, in an open letter to the Christian Peace Conference that met this week in Prague, appealed for support for the release of four imprisoned dissidents.

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[REDACTED] The dissidents apparently still intend to issue a condemnation of the 1968 Soviet invasion, but many plan to leave Prague when the anniversary approaches in order to escape anticipated precautionary arrests. Some activists are contemplating emigration, and one spokesman plans to resign in September. [REDACTED]

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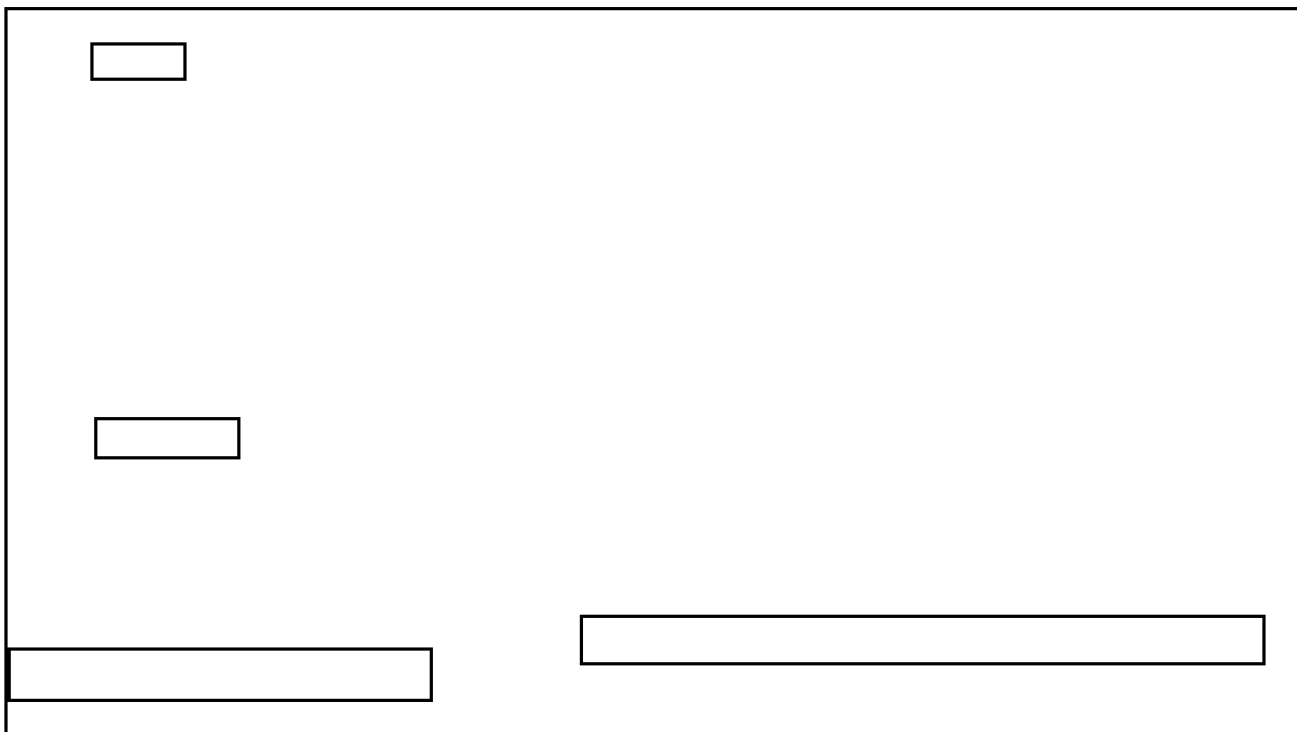
[REDACTED]

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[REDACTED]



NETHERLANDS: Government

*[Redacted] //The government of Netherlands Prime Minister van Agt won parliamentary support yesterday for fulfilling a commitment by the Dutch - British - West German Urenco consortium to ship enriched uranium to Brazil. This removes a major roadblock to the deal and ends nearly two years of Dutch indecision. Van Agt's strength in Parliament has grown steadily during this session. Many observers, especially leaders of the previous Labor government, had shown public skepticism that van Agt's precarious six-month-old coalition could survive.//*

*[Redacted] //In January a parliamentary resolution, supported by opposition members, as well as by members of van Agt's Christian Democratic Party, instructed the government to amend the original Urenco contract. Parliament called for both tighter safeguards for storage of plutonium from the reprocessed fuel, and firmer guarantees that it would be used only for peaceful purposes, before sending enriched uranium to Brazil. Neither Brazil, the UK, nor West Germany would renegotiate the deal, and the last two indicated that, if necessary, they would go ahead without the Dutch.//*



25X1 [redacted] //In an effort to keep the Dutch involved in the deal, the Prime Minister got all participants to agree on two alternative means of storage, which he said would satisfy the spirit of parliamentary concern even though neither one goes as far as the legislators had originally demanded.//

25X1 [redacted] //The participants will attempt to arrange storage based on statutes of the International Atomic Energy Agency. If no such arrangement has been agreed upon at least two years before Brazil starts reprocessing spent fuel--probably in 1985-- the parties will establish an ad hoc system of plutonium storage. Implementation of plans to expand the Dutch uranium enrichment plant at Almelo, the Netherlands, partly in order to accommodate the Brazilian deal, will now proceed in earnest.

25X1 [redacted]

SPAIN: Draft Constitution

25X1 [redacted] *The transition to democracy in Spain passed another important milestone on 20 June when the constitutional committee of the lower house of parliament approved the draft constitution. The satisfaction of the principal parties with the compromise document seems to assure approval--probably after some intense debate--by the full Congress of Deputies and later by the upper house. A national referendum on the constitution will probably take place this fall.*

25X1 [redacted] The desire of party leaders to reach a consensus facilitated the difficult task of drafting the constitution. Above all, there was general agreement that the constitution must permit any of the major parties to govern and that the document itself should not become a political issue. Only the Basque Nationalist Party and the rightist Popular Alliance appear to have such serious objections to the draft that they might campaign against approval.

25X1 [redacted] The consensus on the constitution, which involved compromises by all parties concerned, contains vague language on controversial articles, which will make them susceptible to different interpretations. The committee also avoided some difficult decisions by leaving some disputed articles to be settled in the normal course of legislation.

25X1 [ ] Perhaps the most important compromise involved provisions for election to parliament. The leftist parties won an explicit reference to the proportional representation system for election to the lower house. But there is also a provision for assigning to each province a "minimum representation," after which the remaining seats will be distributed on a population basis--as the government desired.

25X1 [ ] The Basque Nationalists are unhappy with the formulation dealing with the statutory rights of the Basque region. Although the Basque representatives on the committee joined in unanimously approving this provision, Basque Nationalist Party leaders have expressed reservations about supporting it. If the nationalist leaders--concerned about losing influence to the more radical Basque parties that will oppose the constitution--decide to campaign against the constitution, they could ensure its defeat in at least two Basque provinces and complicate the grant of autonomy to the troubled area.

25X1 [ ] The Popular Alliance and its leader Manuel Fraga are concerned that Prime Minister Suarez has made too many concessions to the left in many of the "progressive" formulations on controversial issues. Fraga may try to use the issue against the government party in both the legislative debates and the referendum.

25X1 [ ] The Popular Alliance and the Basque Nationalist Party have been careful to keep as much maneuvering room as possible. Neither party is strong enough to upset the consensus on the constitution, but the other parties might have to make some concessions to keep these two from sitting out the referendum or campaigning against the constitution. [ ] 25X1

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CANADA: Fiscal Conservatism

25X1 [ ] //Fiscal outlays by the Canadian provinces--which now account for about 10 percent of national GNP--will show little or no real gain this fiscal year. The slowdown in provincial spending dims Ottawa's hopes for improved economic growth.//

25X1 [redacted] //Provincial spending, traditionally a strong input to Canada's real GNP growth, grew rapidly during the decade beginning in 1965. In 1976, provincial outlays accounted for 30 percent of total government spending in Canada. Since then, the provinces have cut down the rise in spending because of concern over inflation and growing indebtedness.//

25X1 [redacted] //Federal and provincial first ministers agreed at a meeting in February to restrain the growth in spending to combat inflation and to put greater emphasis on expansion of the private sector. An upturn in private spending seems unlikely this year, and we estimate that the realignment in provincial spending and revenue patterns will cut GNP growth by almost half a percentage point. [redacted]

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#### CHINA: Crop Growing Conditions

25X1 [redacted] //Growing conditions have gradually improved throughout most of China's major agricultural areas. Prospects for the early harvest, which accounts for 40 percent of total grain production, are brighter than they were early this spring, and the summer crops appear to be growing well.//

25X1 [redacted] //The intense drought in North China broke early in June as the season's first significant rain moved into the area. Subsequent rains of varying intensity have been reported. The winter wheat harvest in North China, completed early this year, appears to have exceeded last year's poor crop. Because of unusually good weather last fall and winter, an even larger harvest had seemed likely, but high temperatures and the prolonged drought this spring cut yields.//

25X1 [redacted]  
25X1 [redacted] The dry weather in late May and early June in most areas speeded crop maturation and permitted uninterrupted harvesting and threshing.//

25X1 [redacted] //Summer crop field conditions also improved with the breaking of the drought in North China, where about 15 percent of the late-harvested crops are grown. [redacted]

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25X1 [redacted] the reservoirs remain at a dangerously low

level in most of the major agricultural areas. Reservoirs were drawn down when the prolonged drought necessitated extensive preplanting irrigation. Field conditions should continue to improve as the summer rains intensify, but the reservoirs will probably remain at low levels unless there are unseasonably heavy rains.//

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[redacted] //Conditions have also improved in South China. Early in the spring, cool, wet weather and overcast skies delayed the winter grain harvest and slowed development of the early and intermediate rice crops. With the return of more normal conditions, the rice crops have largely recovered. The delay apparently did not affect the winter grain harvest, which is now complete. The crop planting delays of early spring, however, could slow the planting of late rice.//

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[redacted] //Elsewhere in China, there have been favorable weather conditions. In Northeast China, spring planting has been completed. In Szechwan and in the Yangtze River Plain, soil moisture reserves are generally normal, and the spring-sown crops are doing well. The harvest of winter crops has been completed, and most early press reports claim substantial increases over last year's winter grain output. [redacted]

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#### JAPAN: Yen Continues Climbing

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[redacted] //Japan faces a protracted period of upward pressure on the yen because of its inability to cut its current account surplus or boost GNP growth and because of continuing large US trade deficits. Exchange market speculation in advance of the economic summit scheduled for Bonn in mid-July may force Prime Minister Fukuda to make a strong pitch to the US at the summit for concerted action to stabilize the yen-dollar rate.//

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[redacted] //Since early June, the Japanese yen has appreciated 5 percent against the dollar, hitting a postwar high of 205 yen to the dollar. The recent upward push follows an announcement on 19 June that the current account surplus had increased to an annual rate of \$17.5 billion. European currencies, on the other hand, have appreciated less than 1 percent since the beginning of the month. The recent yen appreciation comes on top of a 30-percent increase over the past 18 months.//

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25X1 [redacted] //Japan's response to the appreciation thus far has been limited to small-scale intervention and jawboning. The Bank of Japan has purchased no more than \$100 million in any one day in an effort to ease rather than prevent the upward yen movement. The Bank of Japan's Director General, however, threatened large-scale dollar purchases if the yen approached 200 to the dollar.//

25X1 [redacted] //Japanese officials say foreign sales of dollars--mainly by US banks--started the initial run on the yen and that Japanese banks and trading companies have been neutral. [redacted] 25X1

25X1 [redacted] the overseas subsidiaries of the trading companies have been dumping dollars since the trade data were announced.//

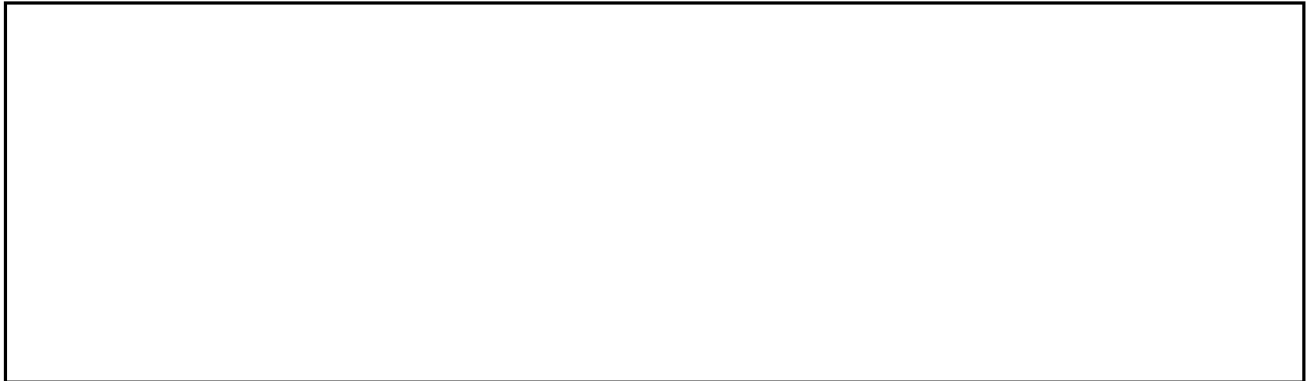
25X1 [redacted] //Upward pressure on the yen is likely to persist at least until after the economic summit. This reflects in part a concern by dealers that Japan will be the target of international pressure because of its massive trade surpluses. Preliminary trade data point to another large surplus in June; the June figures will be announced shortly before the Bonn meetings.//

25X1 [redacted] //A dramatic turnaround in Japan's current account surplus is unlikely. [redacted] 25X1

25X1 [redacted] The trading companies are now projecting a \$15 billion to \$20 billion current account surplus this year. [redacted] 25X1

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25X1 [redacted]

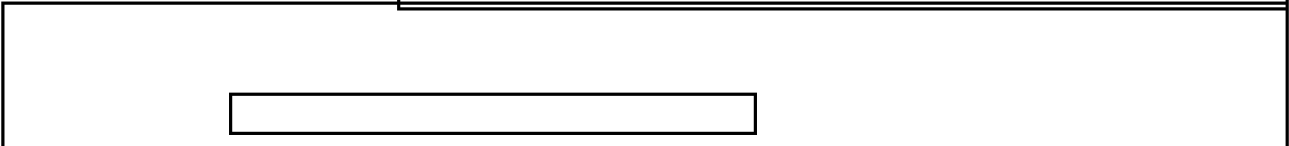


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Dominican Republic

[redacted] Legal challenges by diehard supporters of Dominican President Balaguer continue to block official certification of Antonio Guzman's victory in the presidential election on 16 May. The challenges--pushed primarily by National Police Chief Neit Nivar--have not affected the widespread popular belief that Guzman won fairly. Official results will probably be announced next week.

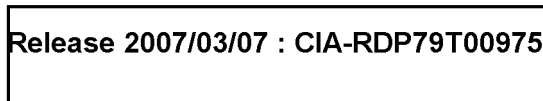
[redacted] //The prolonged legal battle may, in fact, represent less of an effort to reverse the presidential vote than to shift control of the influential Senate to Balaguer's party. In any case, the faction-ridden military apparently has no plans to intervene. [redacted]



France-Spain

[redacted] //Spain has signed a contract to buy 48 additional French Mirage F1 fighter aircraft as part of a long-term effort to upgrade its air combat units. Spain already has 14 F1s, and 10 more from a previous contract are scheduled for delivery over the next few months.//

[redacted] //The F1s will probably replace Spain's older Mirage III and F-5 fighters. It is unclear, however, how the new purchase will affect Spain's long-term aircraft purchases. The Spanish have been considering replacing their US-made F-4 fighters with F-16s in the 1980s and, only last week, high-ranking Spanish officials informed the US air attache that they still intend to buy a US aircraft as a replacement.//



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25X1 [redacted] //The F1 is an all-weather, multipurpose fighter best suited as an interceptor. Foreign demand for the aircraft is growing, and delivery of this new order will not be made soon. France produces about six F1s a month and already has a backlog of orders from several countries. [redacted]

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United Nations

25X1 [redacted] //The UN Special Session on Disarmament concluded yesterday, two days behind schedule, after adopting a single final document by consensus. As mandated by the preparatory meetings, the document includes a declaration on disarmament, a program of action, and a section on the reform of disarmament machinery. An Iraqi resolution condemning military assistance to Israel was referred to the regular autumn session of the General Assembly, thus avoiding a divisive vote. All other resolutions were withdrawn, including one sponsored by India calling for a moratorium on nuclear testing.//

25X1 [redacted] //The delay in reaching agreement on the final document resulted when the nonaligned states insisted that the program of action include strong language on nuclear disarmament and nonuse of nuclear weapons. The document now calls for "urgent" negotiations of agreements to end the production and improvement of nuclear weapons systems and to reduce nuclear stockpiles. The nonaligned states also succeeded in emphasizing the right to develop nuclear energy for peaceful purposes.//

25X1 [redacted] //The document takes note of the agreement reached by the US, USSR, UK, and France to establish a reconstituted Committee on Disarmament in Geneva as the principal multilateral forum for disarmament negotiations. The document also resurrects the long-dormant UN Disarmament Commission as a deliberative body that will include all UN members. [redacted]

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China

25X1 [redacted] //China has developed a 17-meter-long air cushion vehicle that can carry 35 passengers at speeds of up to 50 knots. It has both civilian and military applications.//

25X1 [redacted] //This relatively sophisticated vehicle incorporates no foreign designs or parts and is a significant accomplishment for Chinese technology. Easy field maintenance was apparently a major design factor; the vehicle has a conventional internal combustion engine rather than a more complicated gas turbine engine often used in non-Chinese air cushion vehicles.//

25X1 [redacted] //In addition to civilian passenger use, the vehicle has a military potential for amphibious assault or river patrol operations. The Chinese might be particularly interested in using air cushion vehicles along the lengthy river border with the USSR, as the Soviets already do. Such a vehicle would also give the Chinese a quick-interceptor capability in coastal waters, including marshy and very shallow waters, and would enable them to conduct more thorough shipping and coastal patrols.//

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EC

25X1 [redacted] //At a meeting last weekend in Brussels, leaders of Socialist Parties from the European Community countries, as



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[Redacted]

well as Spain and Portugal, adopted a political declaration as the basis for their party platforms next year during the first direct elections to the European Parliament.//

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[Redacted] //The declaration stresses economic growth and restructuring to reduce unemployment, enhance workers' rights, and create a fairer distribution of income. It also supports EC enlargement and calls on Western Europe to take a stronger global role in promoting detente, economic development, and human rights.//

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[Redacted] //The accord shows that the Socialists feel pressure to make a show of unity as the elections approach, despite their inability to agree on a detailed common platform. [Redacted]

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