

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Friday June 4, 1976 CI NIDC 76-131C



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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday June 4, 1976.

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

LEBANON

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[redacted] Syria's latest intervention in Lebanon continued to draw militant protests from Lebanese leftists and the Palestinians yesterday, but both groups have clearly been intimidated by the Syrian move. Only a few fedayeen and leftist troops have opposed the column of Syrian troops in eastern Lebanon, and fighting in most other areas of the country has dropped off sharply.

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[redacted] To press the advantage, Syrian MIGs--possibly supported by Christian members of the Lebanese air force--flew over Beirut early yesterday at low altitudes. The show of force--the first of its kind by the Syrians--was intended not only to intimidate leftist dissidents but also to upstage a general protest strike in Beirut sponsored by the leftists.

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[redacted] Despite the threats against Syria by many Palestinians, top officials in Yasir Arafat's Fatah organization are working feverishly in private to find a realistic way to handle Damascus' challenge. Fatah officials seem to have decided that the Lebanese left must now negotiate in earnest if further Syrian intervention is to be forestalled, and they have been pushing leftist leader Kamal Jumblatt to be more flexible.

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[redacted] Apparently at Fatah's urging, Jumblatt submitted a relatively reasonable agenda for political talks to president-elect Ilyas Sarkis during their meeting on Wednesday. Jumblatt is still insisting on the withdrawal of Syrian troops but reportedly has dropped his demand for an immediate pullback.

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[Redacted]

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[Redacted] Jumblatt's meetings with Jumayyil and Sarkis may have laid the groundwork for a broader meeting of Lebanese leaders that reportedly is scheduled for today. The Beirut press is calling the meeting a "mini-roundtable" discussion in preparation for a more formal gathering.

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[Redacted] The initial success of Syria's decision to introduce new troops in Lebanon will encourage Damascus to press for a formal cease-fire as soon as possible. Although most Muslim and Christian leaders seem ready to accept a truce, President Franjiyah and Interior Minister Shamun, have not been heard from. Any delay in establishing a cease-fire will dissipate the sobering effect Syrian actions have had on the warring factions. [Redacted]

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[Redacted]

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JAPAN

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[redacted] Preliminary data released in Tokyo yesterday shows Japan's real gross national product rose at the annual rate of 14.8 percent in the first quarter of 1976.

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[redacted] Improvements in all categories of final demand lifted growth far above the 3.6 percent and 2.8 percent rates registered in the third and final quarters of 1975 after a tentative upturn earlier in the year had lost momentum. Prospects for a sustained recovery are brighter now than last year because the rise in GNP is supported by other economic indicators, such as a steady decline in unemployment.

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[redacted] The delayed impact of the reflationary package introduced last fall and a new burst of consumer confidence resulted in the exceptionally strong performance in January to March.

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[redacted] A small increase in private plant and equipment investment, after eight consecutive quarters of decline, was also a key factor in growth acceleration. With Tokyo's encouragement, the iron, steel, and electric power industries embarked on major capital expansion programs even with substantial idle capacity. This more than offset continued investment declines elsewhere.

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[redacted] Industrial expansion continued in April. [redacted]

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[REDACTED]

BANGLADESH

[REDACTED] General Zia ur Rahman, leader of Bangladesh, intends to announce on June 7 a new government of national unity composed of representatives from the banned political parties.

[REDACTED] Zia might name himself president, removing the civilian figurehead who now holds the title.

[REDACTED] A major political announcement on June 7 would tend to divert attention from the tenth anniversary of the launching of the late president Mujibur Rahman's plan for the independence of what is now Bangladesh. Zia has recently sought to emphasize his own role in the fight for Bangladesh's independence in an apparent effort to counteract continuing public loyalty to Mujib and his associates.

[REDACTED] There could be some danger, however, in announcing drastic changes in the government at a time when stability is fragile and the military remains factionalized.

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RHODESIA

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[redacted] The aggressive operations of Rhodesian security forces have led to increasing clashes with small guerrilla bands and higher casualty figures.

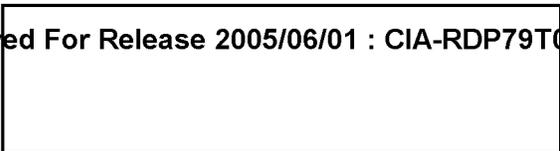
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[redacted] According to the Rhodesian government, 104 guerrillas and 23 members of the security forces were killed last month.

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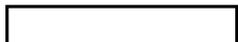
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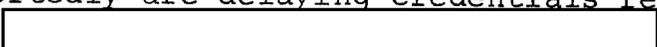
As the fighting grows, the number of Rhodesian whites leaving the country is rising. During April, the country's white population decreased by more than 800--by far the highest monthly decrease since the Smith government's unilateral declaration of independence in 1965.

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//In an effort to slow the white exodus, Rhodesian authorities reportedly are delaying credentials required to enter South Africa.//

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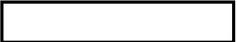
UK

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//The British pound dropped again yesterday to a new record low against the dollar, but Chancellor of the Exchequer Healey continued publicly to deny the need for emergency economic measures to help ease the pressure on sterling. The Labor government may eventually be forced to take emergency action, and as a result could find itself in a politically indefensible position in Parliament.//

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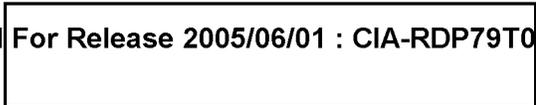
//The pound fell another 1.4 cents yesterday, closing at \$1.7095. Press reports say the Bank of England provided only light support for the currency.//

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//The sharp drop in the pound reflects the continuing loss of confidence in sterling because of the Labor government's difficulty in coping with a variety of domestic problems. One of these is its inability to limit public spending and curb the rise in the public debt, much of which is owed to foreigners. For the current fiscal year, the public sector borrowing requirement is expected to reach \$20 billion, 10 percent of the gross national product.//

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[redacted] //The run on sterling poses a dilemma for the government. London cannot afford to provide strong support for the pound for very long. By allowing sterling to decline, however, London risks intensifying domestic inflationary pressures. This, in turn, would weaken trade union support for the proposed "phase two" wage guidelines. Failure to gain trade union support would increase downward pressure on sterling and compound Britain's economic problems.//

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[redacted] //Healey asserts that the pound is undervalued and that foreign exchange markets will soon come to terms with that reality. He rejected a call by the opposition Conservative Party for immediate cuts in government spending and borrowing and for dropping all nationalization plans.//

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[redacted] //The government probably hopes that the strong endorsement of further wage restraint it expects at the special meeting of the Trades Union Congress on June 16 will give sterling a much-needed boost. If that does not help and the pound's decline continues, the Labor government will have to face up to the difficult decision to cut public spending.//

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[redacted] //Many Labor members of Parliament as well as the Trades Union Congress would object vigorously to large cuts in social welfare programs. For their part, the Tories would probably view any proposed reductions as not going far enough.//

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[redacted] //Healey might try to meet this left-right attack by making some small cuts in the central government budget and initiating measures that would put effective cash limits on local government spending. If Healey fails to persuade a majority of Parliament to go along with emergency measures to "save the pound" an early election would appear to be inevitable.

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[redacted]

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