

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday July 13, 1976 CI NIDC 76-163C

[Redacted box]

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Tuesday, July 13, 1976.

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

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LEBANON

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[redacted] The Palestine Liberation Organization representative at the Arab League foreign ministers' meeting last night announced that Syria had promised to withdraw its forces from Sidon, Tripoli, and Balabakk.

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[redacted] Syria made conciliatory gestures, including promises of withdrawal, before the two previous Arab League sessions on Lebanon in an effort to head off Arab pressure. Its latest offer is probably nothing more than an attempt to buy time.

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[redacted] Syrian Foreign Minister Khaddam, in Cairo for the league meeting, has made no public comment on the reported withdrawal promise. He did meet with the Fatah representative in Cairo, in the presence of the Egyptian and Saudi foreign ministers, and may have discussed ways to end the Lebanon fighting.

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25X1 [redacted] //A few defenders are apparently still holding
out at the Tall Zatar refugee camp in east Beirut despite Chris-
25X1 tian claims to have captured the camp, but resistance is slack-
ening. [redacted]

25X1 [redacted] Apparently somewhat surprised by Syria's alleged prom-
ise to pull back, the Arab League foreign ministers adjourned
early last night and have commissioned a study group to review
the new situation. The group is to consider, among other pro-
posals, one from Egypt that the Arab peace-keeping force be ex-
panded and equipped with heavy weapons to serve as a fighting,
rather than merely a security, force.

25X1 [redacted] Foreign Minister Fahmi announced yesterday that, while
Egypt will not provide troops for Lebanon, it is ready to send
"what is needed" to enable the Arab force to carry out its du-
ties and to "proceed to areas such as Tall Zatar"--presumably
meaning to lift the siege of these areas. Press reports indicate
that Egypt is proposing that it send tanks, rockets, and armored
vehicles.

25X1 [redacted] The foreign ministers are unlikely to go along with
Cairo's proposal when they reconvene today. Those Arab states
thus far participating in the force--it has still not been
brought up to full strength--have shown themselves to be re-
markably unwilling to go near areas of fighting, and they are
not likely to welcome Cairo's suggestion that they enter the
fray with offensive weapons.

25X1 [redacted] Syria's alleged promise to pull its forces back from
Lebanese cities will provide the foreign ministers with a ready
excuse for turning aside Egypt's proposal. This may in fact
have been Syria's intention in making its offer.

25X1 [redacted] The Voice of Palestine radio announced yesterday that
Soviet leaders sent an important message to Syrian President
Asad on Saturday. The message allegedly is similar to the state-
ment issued Friday by the Soviets' non-governmental Afro-Asian
solidarity committee, which charged that the Syrian intervention
"has further aggravated" the Lebanese situation.



25X1 [] The statement may be a response to pressure from the Palestine Liberation Organization on Moscow for a more forthright Soviet stand on behalf of the Palestinians and the Lebanese left. Neither will be satisfied, however, until Moscow castigates the Syrians in a more official and authoritative way, something Moscow clearly has been reluctant to do.

25X1 [] The PLO radio tends to get ahead of Moscow. Last week it claimed that the Soviets had invited Arafat to visit the USSR, but the Soviet embassy counselor in Damascus has told the US ambassador that there are no plans for an Arafat visit in the near future. []

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KENYA-UGANDA

25X1 [] Kenya and Uganda continue to watch each other warily, but there are no reports of new military moves by either side.

25X1 [] //President Amin is continuing his diplomatic efforts with African leaders. A Ugandan military delegation reportedly was scheduled to depart for Dar es Salaam yesterday []

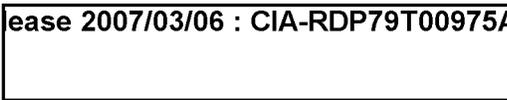
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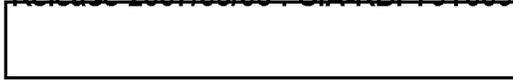
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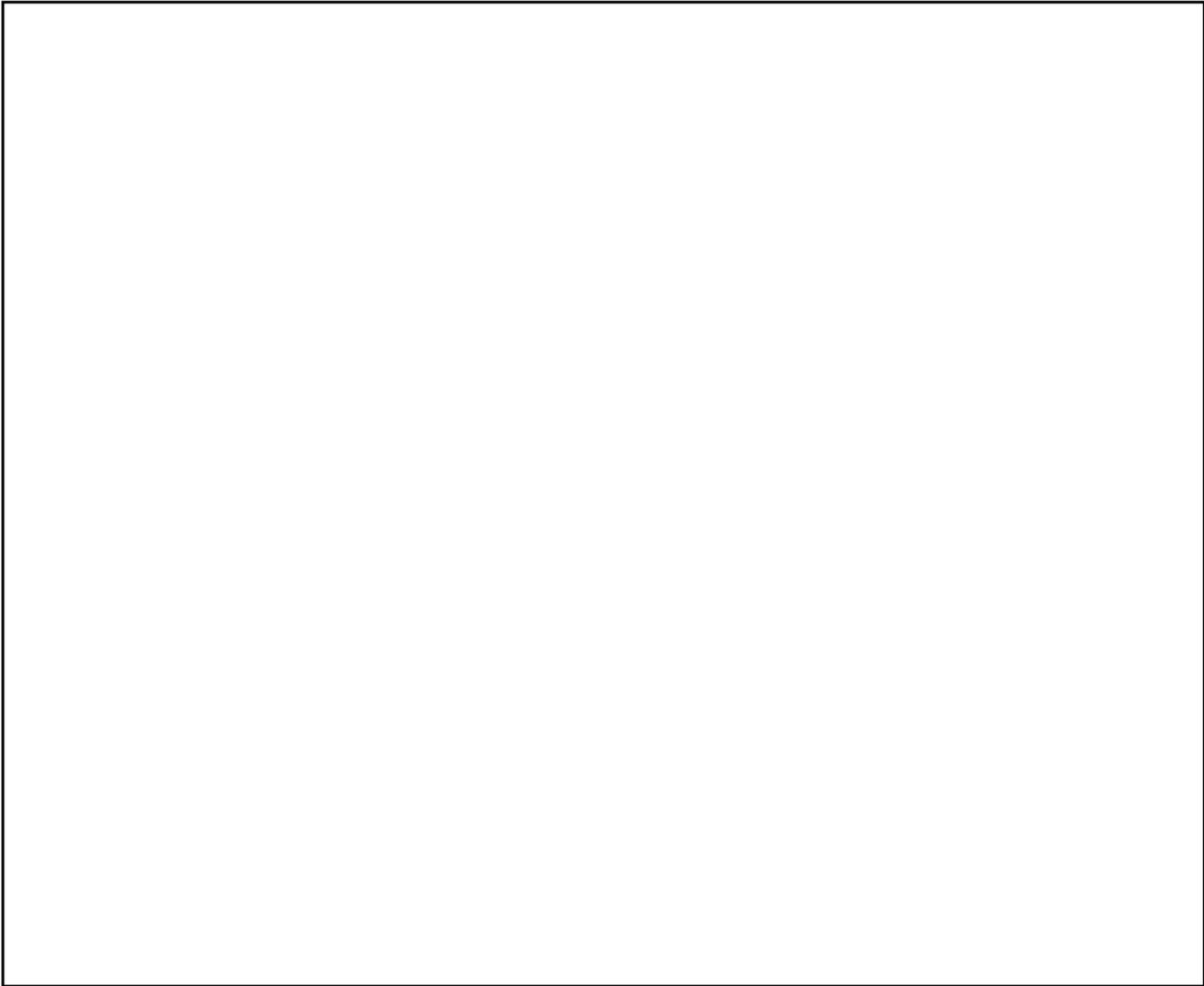
25X1 [] //President Nyerere, however, dislikes Amin and considers him a threat to Tanzanian security. The Tanzanians have supported Ugandan exiles seeking to overthrow Amin. Nyerere will probably be noncommittal on Tanzania's position in case of Ugandan-Kenyan hostilities and will urge Nairobi and Kampala to settle their differences peacefully.//

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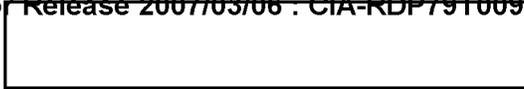


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USSR-CHINA

 Moscow's handling of the death of the founder of the Chinese army, Chu Te, differed considerably from its handling of the deaths of premier Chou En-lai and Politburo member Tung Pi-wu.

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25X1 [] When Tung died in April 1975 and again when Chou died last January, the Soviets offered condolences and asked that their expressions of sympathy be conveyed to the families. The Soviet message to the Chinese on Chu's death, however, was markedly warmer.

25X1 [] After expressing "profound" condolences, the Soviets hailed Chu as an outstanding revolutionary internationalist, a legendary army leader, and a champion of the liberation of China. Soviet condolence calls at the Chinese embassy in Moscow also were more numerous for Chu than they were for either Chou or Tung.

25X1 [] This treatment could be nothing more than a tribute to Chu's stature as a veteran revolutionary. Soviet media have normally refrained from criticizing veterans of the Chinese revolution who are no longer at the center of power in Peking.

25X1 [] There are a number of reports, however, that the 90-year-old Chu had been relatively active prior to his death. He reportedly defended Teng Hsiao-ping openly and was scornful of some of the party's younger, more radical leaders. In March, China's media published two poems by Chu that emphasized the need for party unity, thus implicitly criticizing calls for intra-party struggle.

25X1 [] Moscow may have calculated that a warm message on the occasion of the death of one of China's most prominent moderates eventually might help to improve Sino-Soviet relations if the moderates ultimately win. Soviet propaganda in recent months occasionally has been sympathetic toward China's moderates and policies associated with them. []

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PHILIPPINES-VIETNAM

25X1 [] The announcement in Manila yesterday of Philippine diplomatic ties with Hanoi is another step toward President Marcos' goal of reducing Philippine identification with the US and establishing more balance in Manila's foreign relations. The announcement coincides with the visit to Manila of a Vietnamese foreign ministry delegation that is traveling to several Southeast Asian capitals.

25X1 [redacted] //A year ago, Marcos disavowed a communique establishing relations with Hanoi because the Philippine negotiator had made several unauthorized concessions to the Vietnamese. The earlier agreement bowed to Hanoi's demand for the return of South Vietnamese refugees in the Philippines and military equipment taken there from South Vietnam. [redacted]

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25X1 [redacted] //The discredited communique of last year also contained a provision specifically prohibiting the US from using its bases in the Philippines for operations against Vietnam. Negotiations had been deadlocked for almost a year by Hanoi's insistence that the repudiated communique was valid.//

25X1 [redacted] //The new communique handles the US base issue by promising, without referring to the US, that neither party will permit its territory to be used for "aggression" against the other. Manila may intend this provision to underscore its demand in the current renegotiation of the US bases agreement that Filipino base commanders be given veto power over US military activities staged from the bases.// [redacted]

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PORTUGAL

25X1 [redacted] The inauguration tomorrow of General Antonio Ramalho Eanes as president of Portugal begins a new phase in the Portuguese revolution. The transfer of power to an elected leader is expected to go smoothly, although there have been rumors of possible disruptive efforts by the left.

25X1 [redacted] As one of his first acts as president, Eanes is expected to appoint Socialist leader Mario Soares prime minister. Soares is committed to forming a minority government but has given no hints on the composition of the cabinet.

25X1 [redacted] Soares may be having some trouble putting together a qualified team of Socialists, independents, and military officers. Some better known economists, for instance, hesitate to risk their reputations by participating in a government that will have to make many tough economic decisions almost immediately.

25X1 [] Hoping to spread the blame for unpopular measures that will be required, the Socialists are pressing to get politically sensitive legislation out of the way while the old government is still in office.

25X1 [] Some of the legislation has been hastily conceived. Poorly planned measures to reduce the consumption of electricity have included daily power cuts that are wreaking havoc in many industries, forcing management to revise working hours and adding to the strains in relations with labor.

25X1 [] Probably the most sensitive legislation pushed through in recent days defines the role of workers' commissions--organizations elected by the workers which have assumed virtual control of some industries. The new law restricts the commissions to a monitoring role and prohibits them from impeding a company's normal operations.

25X1 [] In a clear indication of the trouble that awaits the new government, the Communists and the labor confederation they control have issued statements deploring the new law and serving notice that the workers will not tolerate being robbed of their "right to control management." []

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ITALY

25X1 [redacted] //Director General of the Treasury Silvamo Palumbo says that the Bank of Italy is working on an economic stabilization program. He indicated that Christian Democratic policy makers now recognize they must curb the budget deficit, limit labor cost increases, and slow the rate of monetary growth.//

25X1 [redacted] //He cited the Puerto Rico summit as instrumental in persuading officials that further foreign assistance will depend on domestic austerity. He was mildly optimistic that an effective formula agreeable to all parties, including the Communists, could be worked out.//

25X1 [redacted] //Palumbo thought that the import deposit plan would be extended, because a stabilization program probably will not be implemented by early August. Established in early May, the plan requires importers and others dealing in foreign exchange to deposit half the value of their foreign purchases in non-interest-bearing accounts at the central bank for three months.//

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25X1 [redacted] //Prospects for limiting wage increases have improved, according to Palumbo. Although a British-style social contract is out of reach, he believes some form of deal can be worked out with the unions. In exchange for some wage concessions, Palumbo feels the unions would demand strong government action against tax evasion and tax loopholes.//

25X1 [redacted] //Palumbo's contention is supported by a statement from the head of Italy's Communist-dominated labor confederation, who, during a recent interview, urged workers to accept a mild incomes policy in return for tax and credit policies favoring employment.//

25X1 [redacted] //The new government must present Parliament with specific recommendations of expenditure cuts, according to Palumbo, or else the deficit this year might reach \$27 billion, up \$2 billion from the record 1975 level. Palumbo cites the 1975 anti-recession package--the bulk of which is to be spent this year and next--as an area ripe for trimming.//

25X1 [redacted] //Despite Palumbo's guarded optimism about a stabilization program, enactment of the program must await resolution of the political impasse that presently grips Italy. A majority of the Christian Democrat leadership appears to recognize that Italy's economic problems cannot be tackled without the aid, or at least the acquiescence, of the Communists.//

25X1 [redacted] //The Communists, with newly augmented parliamentary strength and strong influence over labor, are using the promise of economic cooperation as leverage to obtain a greater role in decision making. Until a political accord can be reached, the economy will drift. [redacted]

ROMANIA-ECPC

25X1 [redacted] Romanian party officials are reportedly pleased that the final document of the European communist party conference formally endorsed the positions of independent-minded parties. They are less sure whether Moscow will permanently alter its attitude toward the independents.

25X1 [redacted] Party secretary for foreign relations Stefan Andrei recently told the US ambassador that Moscow had taken a "definitely more realistic" approach; he described the outcome of the conference as a major advance in interparty relations. The conference document, he noted, neither mentions "proletarian internationalism" nor establishes Moscow as the leading center of the movement.

25X1 [redacted] The document endorses standard Romanian positions on the new world economic order, the gap between rich and poor nations, and the eventual withdrawal of military troops and bases in the East as well as the West. Andrei warned, however, that a number of Moscow's loyalist allies have gone on record in favor of "old-style" proletarian internationalism, another world communist conference, and condemnation of China.

25X1 [redacted] [redacted] the
unprecedented Soviet "legitimization and formalization" of party
differences. He described the conference as Moscow's "Vietnam"
and claimed that the Soviets were forced to endorse wording they
had vetoed in November as "unacceptable and non-negotiable." He
said that Moscow was glad in the end to cut its losses, pay the
price, and get out.

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25X1 [redacted] [redacted] the Romanian party agreed with
the Spanish communists that such a conference would "never again"
occur. [redacted] Bucharest did not object to occasional brief meet-
ings of party leaders, but such sessions should only exchange
views and not coordinate positions.

25X1 [redacted]

SAUDI ARABIA - SYRIA

25X1 [redacted] Saudi Arabia has agreed to provide a \$200-million
grant and a \$100-million loan to the Asad government following
Riyadh's recent decision to renew large-scale assistance to
Syria. Syria's apparent willingness to reach a limited accommo-
dation with the Egyptians, plus Saudi concern that political and
financial pressures may topple President Asad from power, prompted
the renewal of assistance.

25X1 [redacted] Syria will still need \$250 million in assistance this
year, in addition to the \$300 million pledged by the Saudis, to
pursue military actions in Lebanon and maintain its economic de-
velopment program.

25X1 [redacted] The smaller Persian Gulf states, which like the Saudis
had cut off aid to Syria during the first half of this year, will
probably provide some of the needed funds. For the moment, how-
ever, the Kuwaitis are still holding back because of strong Pal-
estinian influence in that country. [redacted]

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