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NATIONAL INTELLIGENCE DAILY CABLE

Saturday April 2, 1977

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National Intelligence Daily Cable for Saturday April 2, 1977.

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

CONTENTS

EGYPT-LIBYA: Tense Relations Page 1
USSR-US: Gromyko's Press Conference Page 2
ZAIRE: Situation Report Page 4

ETHIOPIA: Military Situation Page 6
CHAD: Tempest in Teapot Page 6
SYRIA: Foreign Exchange Shortage Page 7
UK: Trade Union's Reaction to the Budget Page 8
WEST GERMANY: Technology Transfers Page 9
USSR: Military Service Law Page 10

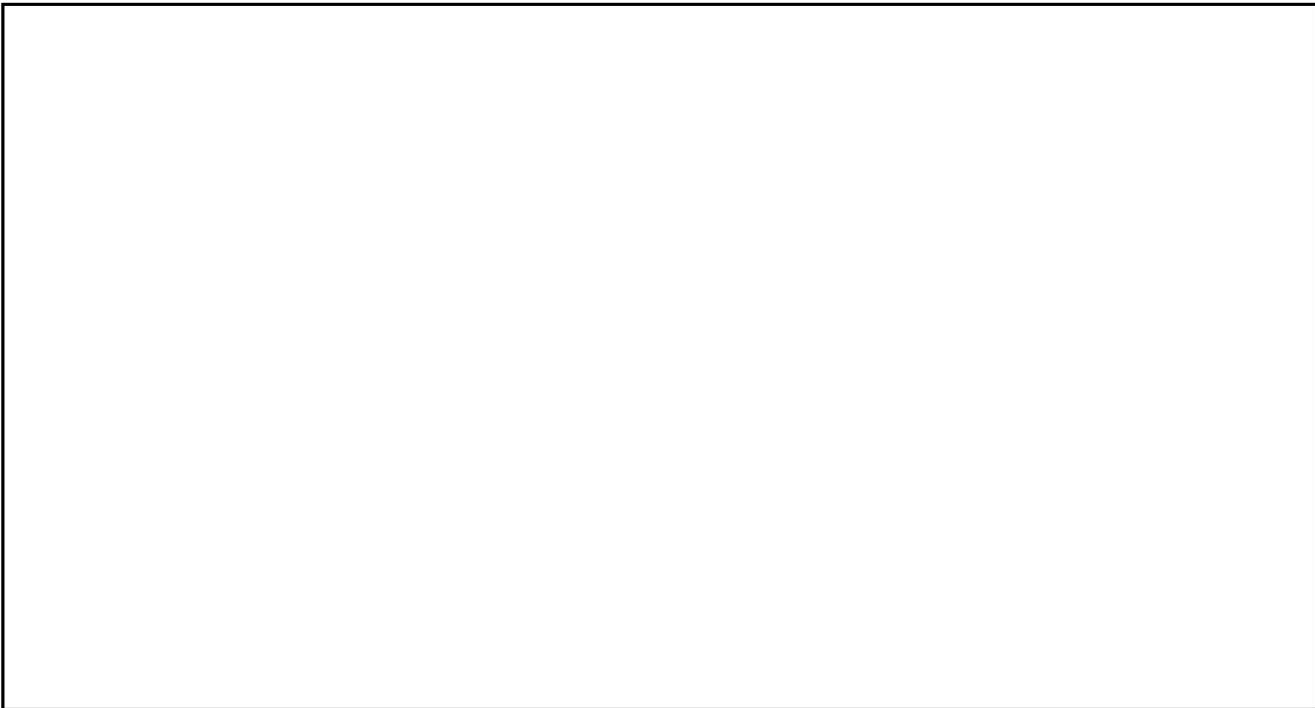
CUBA-JAPAN: Commercial Problems Page 13

EGYPT-LIBYA: Tense Relations

25X1 [redacted] Egypt and Libya continue to trade vitriolic propaganda attacks, including personal blasts at each other's leaders. The attacks are occurring at a time when Egypt is improving its tactical air capabilities near the Libyan border.

25X1 [redacted] Yesterday, a Tripoli paper printed a front-page personal attack on President Sadat. Cairo's press is focusing on the arrest of alleged Libyan saboteurs who it charges were ordered to carry out bombings and political assassinations in Egypt in an attempt to disrupt the Arab-African summit meeting. Bombings in Alexandria in early March killed three and injured eight, according to Egyptian authorities.

25X1 [redacted] Cairo's leading daily, *Al Ahram*, on Thursday provided extensive details on the arrest of the saboteurs and the recovery of a cache of arms and explosives. The article linked the agents to the Libyan intelligence office in Tobruk and to a specific training camp at Al Shubah, near Tobruk.



USSR-US: Gromyko's Press Conference

25X1 [] *The Daily today prints the initial comments of the US embassy in Moscow on the implications of Foreign Minister Gromyko's extraordinary press conference on Thursday.*

25X1 [] The press conference was prompted in our opinion by the concern in the highest levels of Soviet leadership that the Soviet message given to the Secretary in the meetings ("the true facts") was not getting into the Western reporting on the meetings and also that the US proposals in SALT and on other subjects suggest that the US is taking the "initiative" away from the Soviets in the field of disarmament.

25X1 [] Gromyko therefore spelled out in great detail for his foreign and domestic audiences the basic rationale for the Soviet rejection of the US proposals. He was also concerned about "rumors" that the US had presented a broad program of other disarmament measures that the Soviets did not accept. In short, Gromyko wanted to ensure that the onus for lack of progress on SALT during Secretary Vance's visit was completely on the US by refuting US public statements implying the contrary.

25X1 [] Gromyko also wanted to ensure that the USSR's general image as the leading force in the disarmament field was not tarnished. This concern was probably heightened by a fear that, when fully revealed publicly, the US proposals will be viewed by many circles as fair and equitable.

25X1 [] The message was that the Soviets were determined to stick to their negotiating position and thus were in effect demanding another, more "equitable" approach by the US if the SALT talks are to succeed. Gromyko closed several doors in this way. For example, by mentioning specific numbers (which Secretary Vance had refused to do in his press conference on Wednesday), Gromyko signaled that deep cuts were not an acceptable approach in SALT II.

25X1 [] There are several sharp comments in Gromyko's press conference that show that he and the rest of the Politburo have new doubts about the new administration. Gromyko accused the US of distorting the message that the Soviets gave to the Secretary during his visit in Moscow and of misrepresenting the "broad new program" of arms control put forward by the US in Moscow.

25X1 [] This, when combined with the departure from the Vladivostok accords, leaves the Soviet leaders with doubts about the US administration. Nonetheless, Gromyko emphasized that the Soviets are willing to continue discussions and to go to Geneva. But, Gromyko is telling the US that, in his opinion, it is the US that has caused the present problems and it is the US that will have to change its approach if there is to be success. Not to be completely negative, Gromyko did characterize his meetings with Secretary Vance as "necessary and even useful" and also added several mildly optimistic, conditional statements about future prospects for Soviet-US relations.

25X1 [] Gromyko made a major retrograde step by publicly threatening to re-introduce forward-based systems into the SALT II negotiations and by making clear that this was being done in response to "the latest Amercian proposals." In doing this, he has attempted to place further pressure on the US to change its approach and return to Vladivostok.

25X1 [] We interpret Gromyko's failure to denounce certain aspects of the US proposals (e.g., constraints on the Backfire bomber) and his carefully selective criticism of other parts of the proposals (e.g., criticism of the exclusion of cruise missiles in the deferral package, but no criticism of the comprehensive package in so far as it refers to cruise missiles), as signals that despite the strongly negative reaction of the Soviets to the two US proposals, they remain willing to maneuver on specific aspects provided the general approach is consistent with that taken by the Ford administration.

25X1 [] Gromyko's performance was a *tour de force*. He spoke for about 90 minutes, with only occasional references to his notes. His delivery was deliberate, carefully paced, and enunciated with vigor. Ambassador Dobrynin, Deputy Foreign

Minister Korniyenko, Tass director Zamyatin, and interpreter Sukhodrev sat with him on the podium, and the camera occasionally panned to indicate their presence. In carrying the conference in full on Moscow, and presumably nationwide, television, it was clearly aimed to have maximum impact on the Soviet audience.

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ZAIRE: Situation Report

The military situation in southern Zaire remains unchanged. The main body of the Katangan force apparently is still located near Kayembe, where report scattered fighting, but lead elements may be substantially closer to Kolwezi.

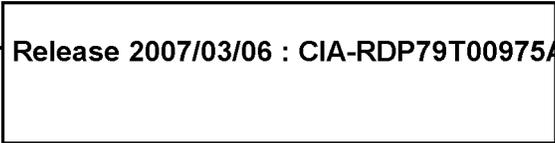
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Two more Zairian battalions that were airlifted from the north earlier this week apparently have now taken up positions near Kamina. In addition to preparing for the defense of Kolwezi, the Zairians are taking measures to protect their transportation links with Lubumbashi and Kamina should Kolwezi fall. The US embassy in Kinshasa reports that the Zairian military has dispatched troops to guard Tenke, a key railroad junction.

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The Zambian government, increasingly concerned that the Zairian conflict might spill over into Zambia, reportedly has placed its forces along the border on alert and has ordered them to refuse entry to Katangan or Zairian troops.

The US embassy reports that popular sentiment in Kinshasa is now running against the Mobutu regime, and the government apparently has begun to detain suspected opposition

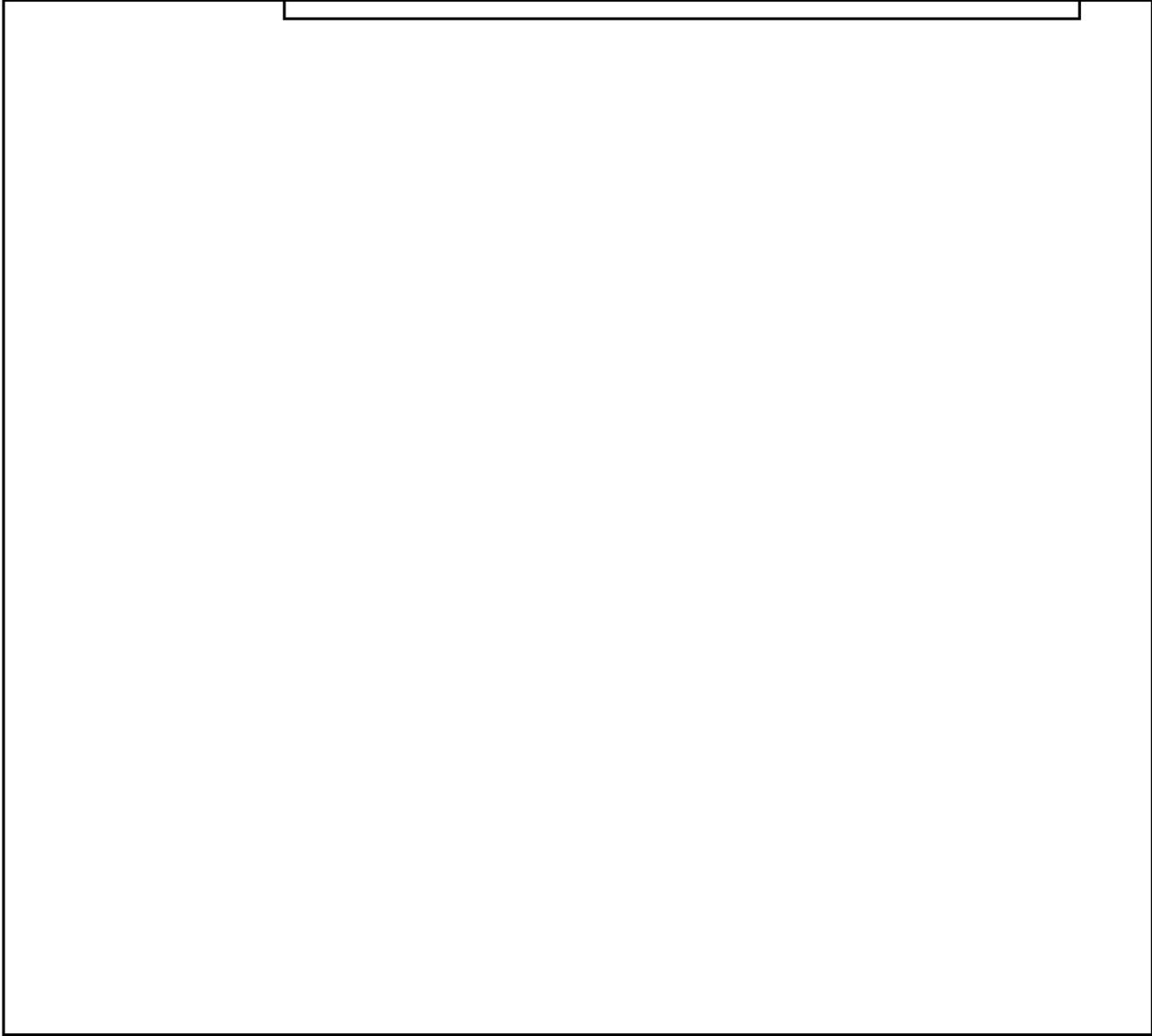


members and Angolans who live in the capital. Mobutu's political party plans to hold a march in support of the president tomorrow; the US embassy reports that a countermarch may be staged today.



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ETHIOPIA: Military Situation

[REDACTED] The northernmost Ethiopian army outpost in Eritrea, at Afabet, is in danger of falling. [REDACTED]

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[REDACTED] Only last week the government garrison at Nacfa fell after a six-month seige.

[REDACTED]

[REDACTED] Although the Ethiopians have lost all but a few places north of Asmara, the insurgents may have some difficulty mounting an effort against more important posts in southern Eritrea. The US consulate in Asmara believes the insurgents, with two rival forces in the field and a third apparently about to become more active, are having difficulty coordinating their activities.

[REDACTED] The insurgents' lack of heavy equipment and the much larger forces defending the major cities in southern Eritrea will further reduce their chances for success. [REDACTED]

[REDACTED]

CHAD: Tempest in Teapot

[REDACTED] Troops loyal to President Malloum of Chad battled early Friday morning with a small armed group led by an unidentified army lieutenant. The group's aim, according to the US embassy, was apparently not to overthrow the government but to free some military prisoners held at an army camp near the presidential palace.

[REDACTED]

25X1 [redacted] The group is believed to have freed the prisoners and to have escaped. The capital city, Ndjamena, reportedly is calm and Malloum is in full control of the government.

25X1 [redacted] Contrary to press reports, the incident apparently was not an attempt by the army's predominantly Muslim nomadic guard to free other Muslims sentenced last week for their part in an unsuccessful assassination attempt against Malloum, a non-Muslim, during last April's national day celebration.

25X1 [redacted] a coup plot involving Muslims in the army was uncovered last week and security forces have been on alert for trouble during national day observances on April 13. There is long-standing animosity between Chad's Muslims in the north and its ruling non-Muslim southerners.// [redacted]

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SYRIA: Foreign Exchange Shortage

25X1 [redacted] Syria is in the midst of another serious foreign exchange shortage that could cause widespread economic dislocation.

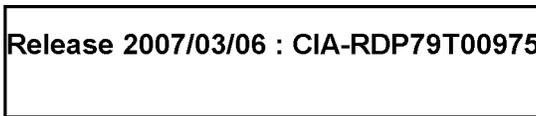
25X1 [redacted] A lack of Arab aid payments during the first quarter of 1977 and unforeseen costs of the occupation of Lebanon have helped deplete Syrian foreign exchange reserves. [redacted]

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25X1 [redacted] The state-owned Commercial Bank of Syria is apparently delaying payment to foreign banks on letters of credit estimated at between \$300 million and \$480 million. New lines of credit may be more difficult to procure if current obligations are not settled soon.

25X1 [redacted] Syria had a similar problem during the first half of last year. Saudi Arabia withheld aid payments to keep a rein on Syrian involvement in Lebanon and to force President Asad to patch up his relations with the Egyptians. Despite the resumption of aid during the second half of 1976, Syria was forced to draw down foreign exchange reserves by \$400 million and to borrow heavily from its Central Bank.

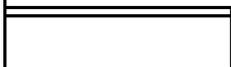
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The USSR, which is upset about Syria's involvement in Lebanon and faces its own foreign exchange problems, is reportedly requiring cash for all of Syria's military purchases including spare parts and replacement equipment. The Soviets also appear to be insisting on prompt payment of all existing financial obligations as they become due.

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Involvement in Lebanon continues to be the single greatest drain on Syrian resources. The Asad regime grossly underestimated the cost of maintaining its presence in Lebanon. Arab League members agreed last year to provide Syria \$90 million over a six-month period to defray operational costs in Lebanon, but the total costs for this period now appear to be in the neighborhood of \$150 million. Actual Arab contributions so far reportedly have reached \$60 million.

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We see little likelihood of any improvement in Syria's financial position until Arab payments resume. Syria's ability to manage foreign exchange flows is handicapped by the fact that its primary export, petroleum, is sold almost exclusively on the spot market. Oil sales, estimated at roughly \$700 million during 1977, fluctuate greatly from month to month. In any case oil revenues are not sufficient to cover foreign exchange requirements, which average at least \$150 million per month.

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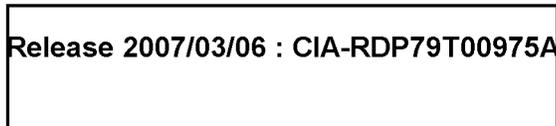


UK: Trade Unions' Reaction to the Budget

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/The reaction of the British trade unions to the budget announced earlier this week suggests that the Labor government will have to be more flexible if it is to secure another



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[redacted]

year of wage restraint when the current agreement runs out at the end of July. With the chance of an election late this year increasing, Prime Minister Callaghan hopes to be able to point to a wage restraint accord to demonstrate that he can keep the unions in line.//

25X1 [redacted] //Jack Jones, head of Britain's largest trade union, who has been cooperative with the government on previous wage restraint pacts, described the budget as "below expectations," although he did not suggest ending the pay policy. Hugh Scanlon, leader of the powerful engineers' union, who supported the restraints last year, reacted negatively to Chancellor of the Exchequer Healey's proposal that a substantial portion of the tax concessions in his proposed budget be dependent upon the conclusion of another wage restraint agreement.//

25X1 [redacted] //In an effort to placate many union leaders, Healey proposed measures designed to assist low-paid workers and the unemployed. Such proposals, however, do not sway unions composed of more highly paid skilled workers, such as Scanlon's who realize that past pay policies discriminated against them.//

25X1 [redacted] //Callaghan probably knows he will not be able to restrict future pay increases as severely as in the past. A new accord--necessary to maintain the stability of sterling--will have to be flexible enough to forestall opposition from the unions and likely breaches of the guidelines. Such an agreement probably will have to permit an average pay increase in excess of the current 4.5 percent guidelines and provide exceptions for individual settlements that increase productivity.

25X1 [redacted]

WEST GERMANY: Technology Transfers

25X1 [redacted] West Germany is trying to develop guidelines to assure that its technological aid to developing countries will be compatible with local industrial, economic, and social conditions. The West German Advisory Committee on Research and Technology,

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which is writing the guidelines, has called for exporting only those technologies that will effectively aid the development of the recipient countries.

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[redacted] Developing countries often embark on ambitious modernization programs, attempting to acquire the most sophisticated technology available. Much of this technology transfer, however, is unsuccessful because the recipient countries often have neither the technological base nor the economic and social infrastructures to support it, absorb it, and extend it.

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[redacted] The West German Advisory Committee asserted that transferred technology should be oriented to the needs of the developing countries and especially to the poorer people in them. The committee believes this can best be accomplished by supporting decentralized industries offering a maximum of jobs. Projects should include training for local labor and should involve local scientists and engineers. The committee recommends that, before a project is begun, an on-the-spot assessment should be made to determine whether the planned technology is really needed and whether local conditions will permit it to be applied successfully.

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[redacted] Other industrialized nations will probably issue similar policy guidelines in the course of the year as part of preparations for the UN Conference on Science and Technology for Development scheduled for 1979.

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[redacted] Although both developing and developed countries appreciate the need for transferring relatively uncomplicated technologies that can be absorbed readily into local development programs, the sale of sophisticated technologies will also continue because they fulfill needs of both recipient and supplier nations. The projected nuclear technology deal between West Germany and Brazil, for example, involves a multibillion dollar contract that would considerably offset West German expenditures for nuclear research as well as create thousands of jobs for West German workers. [redacted]

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USSR: Military Service Law

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[redacted] The USSR recently instituted a number of changes in its military service law, promulgated in 1967, that could have a significant effect on manpower available to the Soviet military. The changes include extending service time for conscripts

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with a higher education, tightening legal requirements for pre-military specialist training, allowing an additional extension of the retirement age for some senior officers while abolishing the age limit for others, and advancing callup dates for forces to be stationed in remote areas and certain other locations.

25X1, [] One of the changes specifies that graduates of universities and technical schools who do not receive reserve commissions on graduation will have their tours of service increased from one year to 18 months if they serve as soldiers or sergeants in specified Soviet military and border guard forces. The tours of those serving as enlisted men in the sea-going navy, shore security units, or naval units of the border guards will be increased from one year to two.

25X1 [] Soviet military forces make extensive use of sophisticated equipment; the new lengthened service time may reflect a desire to keep technically competent enlisted personnel in the military for longer periods.

25X1 [] One of the new amendments specifies that attendance at preconscription specialist training is obligatory and lengthens the paid leave granted participants to prepare for the qualifying examinations at the end of this training. Some Soviet 17-year-old youths chosen by local draft boards receive up to six months of part-time training in simple specialties such as truck driving and radio operation. The amendment may be intended to subject youths who miss classes to legal sanctions.

25X1 [] Another amendment exempts generals of the army, marshals of the services, and admirals of the fleet from retirement at age 60. Formerly only those with the rank of marshal of the Soviet Union were exempt from any age limit.

25X1 [] An additional change makes it legal for all lower ranking officers to extend active duty beyond their retirement ages. The 1967 law required that officers retire between the ages of 40 and 60, depending on their rank, and allowed certain of these officers one five-year extension past their retirement age.

25X1 [] Officers over the retirement age who have already been granted such an extension now may apply for an additional five-year extension "in cases of special necessity." A number of

senior active duty officers have already passed the age of 55 and even 60, indicating that the amendment simply may be legalizing current practice.



Before the enactment of the 1967 law, draftees for the remote areas and East European garrisons were conscripted up to five months earlier than others. One declared purpose of the 1967 law was to remove the inequity in length of service for these personnel.



CUBA-JAPAN: Commercial Problems

25X1 [redacted] //Cuba is endangering its future credit with Japan--traditionally its largest non-communist trading partner--by refusing to pay Japanese exporters interest and warehousing costs for industrial goods awaiting shipment to Cuba. The Japanese refused to cancel the contracts because few alternative markets exist for the goods.//

25X1 [redacted] //As a last resort, exporters are likely to submit claims for Japanese government export insurance. This move would make Cuba ineligible for further insurance or for Japanese Export-Import credits, and would hurt Cuban efforts to increase sugar sales to Japan.//

25X1 [redacted] //The Castro government says it is unable to settle with exporters because of its current hard-currency shortage. Plummeting world sugar prices have cut Cuba's hard-currency earnings in half since 1975 and Cuba's debt with Western countries has doubled.//

25X1 [redacted] //Havana, moreover, has claimed that Tokyo's refusal last year to continue large, long-term sugar purchases made it virtually impossible for Cuba to accept Japanese goods on schedule. Cuban sugar exports to Japan, which averaged 1 million tons from 1969 through 1974, fell to 100,000 tons in 1976. [redacted]

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