

ROUTING

Top Secret 217

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday May 5, 1977

CG NIDC 77-104C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Thursday May 5, 1977.

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

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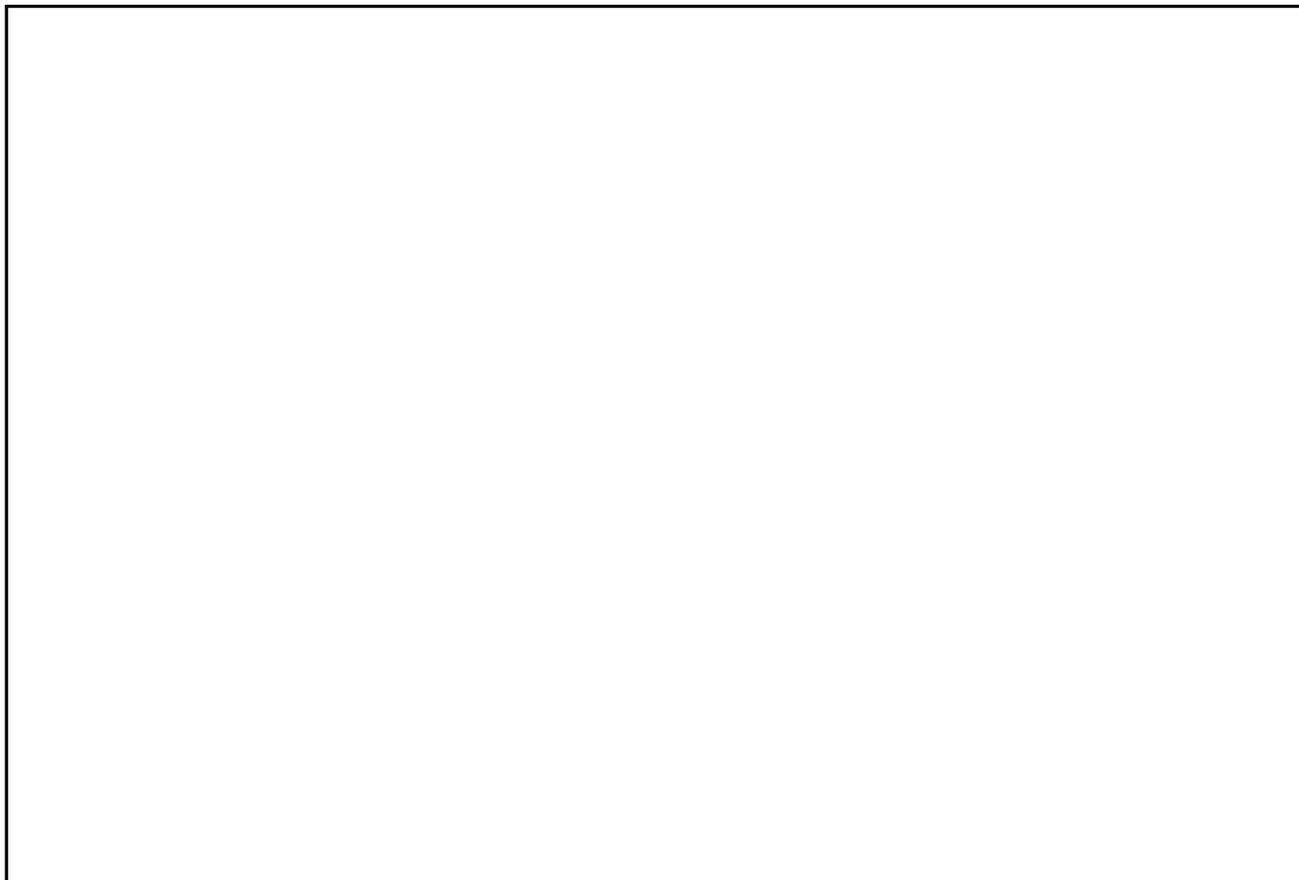
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ZAMBIA: Suing Oil Companies

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 Zambia plans to sue five international oil companies for breaking UN sanctions against Rhodesia. President Kaunda will use the suit for its propaganda value and to keep the issue of sanction violations alive; he probably realizes that it will have little chance of stopping oil shipments to Rhodesia.

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 The government intends to bring legal action against Shell (UK, Netherlands), British Petroleum (UK), Caltex (US), Mobil (US), and Total (France). South African refineries, owned and operated by the five companies together with the South African government, supply all of Rhodesia's oil. The oil companies maintain they are not in violation of sanctions because they do not sell directly to Rhodesia and are unable

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to control the ultimate destination of their product bought by others in South Africa. They contend that they must operate under the laws of the countries in which they exist.

25X1 [] The Zambian government is unlikely to freeze local oil company assets because this could cause a disruption of its own oil distribution system. The major oil distribution company in Zambia is 50-percent owned by Shell and British Petroleum, which operate as one company there. Mobil and Caltex have smaller marketing organizations in Zambia.

25X1 [] Programs over the past 12 years to implement British and UN sanctions and to develop facilities independent of Rhodesia have been costly to Zambia. The UK-imposed oil embargo in 1966 cut off oil supplies to Zambia from Rhodesia's Umtali refinery, forcing Zambia to import oil by air until 1968 when a pipeline from Dar es Salaam was completed. Zambia's Ndola refinery began production in 1972 and currently meets all of the country's petroleum needs.

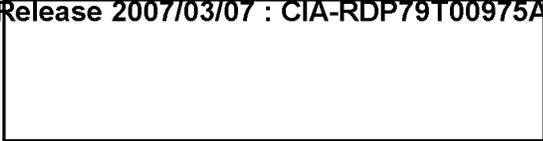
25X1 [] The latest action could jeopardize Mobil's proposed investment in a lube oil blending plant in Zambia, a project that could bring significant foreign exchange savings to Zambia. []

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PAKISTAN: Opposition Proposal

25X1 [] *The opposition has announced terms it would accept to end Pakistan's political crisis, but it is unclear whether Air Marshal Asghar Khan--one of the most important opposition leaders--has agreed to give up his objections to any compromise. In order to force Prime Minister Bhutto to accept its terms, the opposition threatens to resume its street campaign against him on Friday.*

25X1 [] The opposition's proposal is very close to one that some sources say Bhutto offered opposition leaders about a week ago. Under the proposal, most of the opposition's original demands--including new national and provincial assembly elections under military and judicial supervision--would be granted. In a seeming effort to paper over disagreement within the opposition about the need to oust Bhutto, the proposal calls for his immediate resignation but would then allow him to be appointed head of an interim coalition government.



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[Redacted] Although Bhutto might still agree to these terms, he apparently believes his position has improved since negotiations with the opposition began, and presumably is now less interested in a compromise that could mean the end of his political career. The opposition says it has already given several proposals to Bhutto and that he is deliberately delaying an agreement.

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[Redacted] Bhutto's political position, however, could deteriorate if the opposition is able to stage demonstrations as violent as those last month. On Friday it plans processions throughout Pakistan, including the three largest cities where demonstrations will be in defiance of martial law.

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[Redacted] In the meantime, the government's campaign against the US continues. The newspaper campaign may have peaked on Monday, when the US was accused of everything from genocide against American Indians to smuggling arms to the Pakistani opposition. One leading paper devoted three fourths of its front page to anti-American stories. There was less anti-American material in the newspapers yesterday, but the US embassy expects the campaign to continue at a fairly high level. [Redacted]

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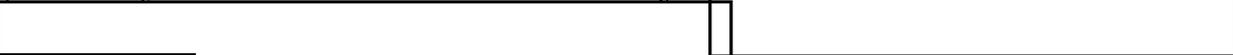
ZAIRE: Government Victory

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[Redacted] Zairian troops, backed by their Moroccan allies, apparently stood their ground during heavy fighting Sunday. The Katangans are said to have retreated in disorder. The government offensive is expected to resume now that Zairian forces have regrouped. Twenty-one Egyptian air force personnel reportedly arrived in Zaire on Monday. [Redacted]

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[Redacted] The battle, which may have been the largest of the two-month-old conflict, appears to have been a victory for the government. Sources of the US embassy in Kinshasa report that the Katangans abandoned weapons and supplies during their retreat. The government task force reportedly was ordered to resume the offensive yesterday.

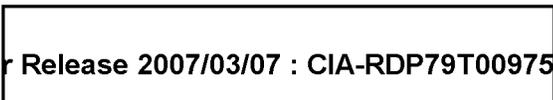
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[Redacted] the government advance initially had

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been delayed because the Moroccans wanted to allow Zairian troops time to reorganize and spearhead the offensive. Relations between Zairian and Moroccan troops appear to be good despite some isolated discipline problems with the Moroccans that arose in Kolwezi before the current offensive began. Moroccan troops participating in the offensive are operating primarily in a support role.

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[redacted] The military situation around Kafakumba and Kapanga is unchanged. The Zairian high command is reorganizing Kamina's defenses and a new forward command post has been established to the southwest. The commander of the government battalion that recently fell back from Kafakumba has been replaced.

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[redacted] [redacted] [redacted] four Egyptian pilots and 17 technicians arrived in Zaire on Monday. Press reports indicate that they probably will be sent to Kamina, the Zairian air force's main base in the south. We have no indications that any of the promised Egyptian medical personnel have yet arrived.

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SCANDINAVIA: Labor Problems

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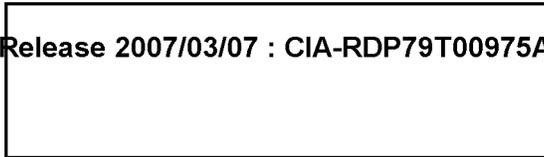
[redacted] *Finland, Sweden, and Iceland are having problems with organized labor that are threatening government stability as well as economic recovery.*

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[redacted] Leftist parties in Finland have called for a vote of confidence today, asserting that the minority centrist government is unable to cope with unemployment despite recent success in concluding wage agreements with some key unions.

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[redacted] The government coalition parties and their supporters may not have enough votes in parliament to defeat the leftist challenge. If they lose, the government of Prime Minister Miettunen would be forced to resign.

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[redacted] If the government resigns, President Kekkonen might insist that Miettunen try to put together a majority government including the three small coalition parties and the large Social Democratic Party. Kekkonen would like to have a majority government behind him when he visits Moscow later this month, and the current problem could provide the means to form one without calling an election.

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[redacted] The government is expected to play up its recent successes in concluding wage agreements with several unions. When labor-management negotiations failed earlier, the government appointed a mediator to conduct wage talks with leaders of the individual unions within Finland's four labor federations. The negotiator arranged several settlements in unions in the industrial sector, but not without a series of troublesome strikes. The negotiator is now working among the technical unions with only modest success.

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[redacted] The Swedish government, the first center-right government in more than 40 years, may soon face a general strike if the four-month-old wage agreement negotiations are not resolved. On April 30, labor negotiators representing 1.3 million workers banned all overtime work as a first step in attempting to get the negotiations off dead center. Although employers have not yet taken any counteraction, they may be emboldened to do so if they conclude that the government would approve.

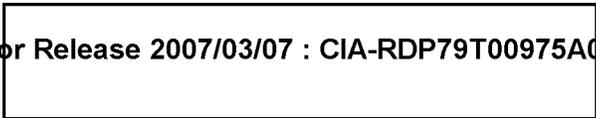
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[redacted] The contract now under discussion is likely eventually to boost labor costs an average of 10 to 12 percent. Employers seem resigned to the increase, but insist that labor guarantee a substantial rise in productivity, which has dropped because of absenteeism. Both sides were to meet again this week, but chances for an early settlement appear slim.

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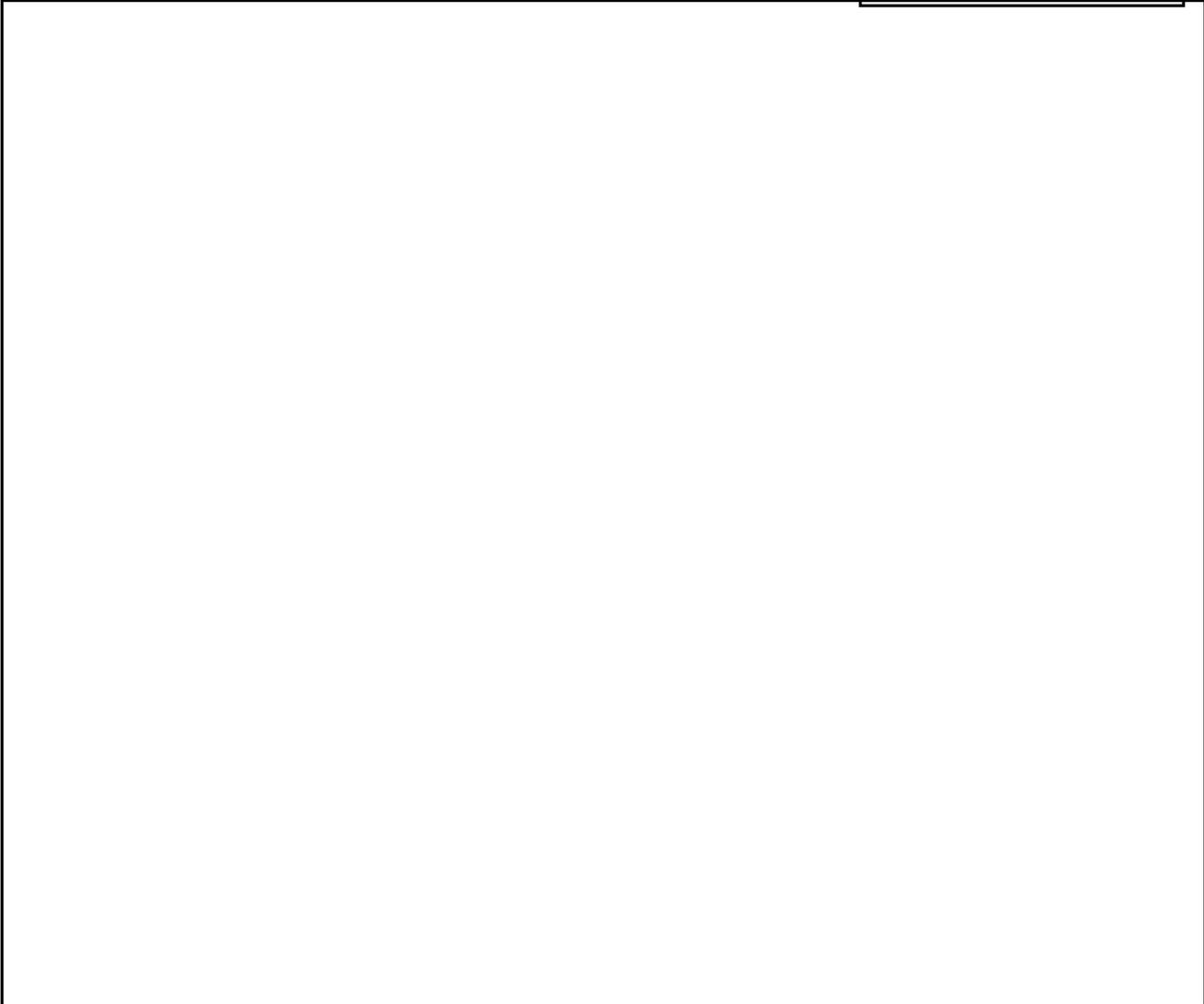
[redacted] In Iceland, where the wage agreement expired on May 1, negotiators are narrowing the gap on terms linking wages and cost-of-living increases. Although labor leaders have made such linkage the focus of the negotiations, employers believe the eventual settlement will result in a rise of more than 40 percent in base salaries plus cost-of-living increases.

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25X1 [redacted] If workers' demands are not satisfied, the powerful Icelandic Federation of Labor might call a general strike. Such action, however, would not be directed at toppling the government, which probably could ride out a strike of short duration. The current dispute is not likely to disrupt functions at Keflavik or the other US facilities in Iceland. [redacted]

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ARGENTINA: Former President Arrested

25X1 [redacted] *The arrest yesterday of former president Alejandro Lanusse for suspected financial wrongdoings in office has strong political overtones. Three other top officials of the military government that General Lanusse headed in the early 1970s are also being held. The outcome of the case will provide some measure of the strength of the hard-line and moderate factions in the regime.*

25X1 [redacted] Lanusse will be questioned about serious improprieties in a government contract for construction of an aluminum plant. The case has been under investigation for several years, but relatively little has been heard about it recently, and many Argentines had probably assumed the matter would be dropped.

25X1 [redacted] In addition, the case has been overshadowed by recent developments in the spectacular Graiver scandal, which purportedly links prominent citizens--including former government officials--to the terrorist Montoneros.

25X1 [redacted] Political motives are at least as important as other considerations in the move to bring Lanusse to justice. His alleged misdeeds were not unusual or surprising by Argentine standards, and any number of officials could be called to account for similar improprieties.

25X1 [redacted] For some time, however, Lanusse has drawn the ire of the current military regime, and has particularly angered so-called hard-line officers. His criticisms of the government's harsh security practices, his high public profile, and his apparent ties to prominent newspapermen have led some Argentines to conclude that he is appealing to important civilian sectors as a potential political leader. The regime is not prepared even to consider the re-emergence of normal politics, despite President Videla's conciliatory ways. Military distrust of Lanusse is further heightened by the fact that he paved the way for the return from exile of Juan Peron.

25X1 [redacted] At least some officers in the regime are clearly bent on discrediting Lanusse. At the same time, the government is portraying its effort against the former president as proof that it will clean out wrongdoing no matter where it is found,

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even among brother officers. The politically cynical Argentines are not likely to accept this argument at face value, and Lanusse could even emerge from his troubles as a martyr.

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[redacted] The conduct of the case against Lanusse and the Graiver investigation could provide a rough gauge of the relative strengths and weaknesses of hardliners and moderates. If the campaign becomes more aggressive and wide-ranging, it will also become apparent that hardliners are gaining the upper hand.

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