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Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Monday June 20, 1977

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National Intelligence Daily Cable for Monday, 20 June 1977

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

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ISRAEL: Labor Federation Election

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Likud, the Labor Alignment, and the Democratic Movement for Change are locked in a head-on battle for votes in tomorrow's Labor Federation election.

--Likud is seeming to make substantial inroads into another traditional Labor stronghold to reinforce the stunning mandate it won in last month's national election and to strengthen its ability to undertake major economic reforms.

--Labor is making a desperate effort to win at least a strong plurality, which would assure the continuation of its long-dominant influence in the Federation, check its disastrous erosion in popular support throughout Israel, and rejuvenate declining party morale.

--The Democratic Movement is aiming to duplicate its strong third-place showing in the national election in order to play a pivotal role within the labor movement and to increase its political bargaining leverage with Likud.

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Nearly 90 percent of Israeli workers are members of the Federation, which represents their interests in bargaining with the government over wages, working conditions, and most other economic matters. The Federation election is run much like the national election, with voters choosing among national party lists rather than individual candidates. Those elected tomorrow will serve as deputies to the Federation convention in September, which in turn will elect the membership of most of the organization's senior leadership bodies.

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Likud was slow in kicking off its campaign, partly because party leaders have been preoccupied with putting a new coalition government together. Likud leaders reportedly are counting on the momentum gained in last month's election to carry over into tomorrow's contest. Likud is seeking to buttress this momentum by staging last-minute rallies. The party is hoping, in particular, that its candidate for secretary general of the Federation, a Moroccan immigrant and a former construction worker, will be able to draw on his popularity among the North African immigrant working class.

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25X1 [] Likud also hopes that the announcement today of its right-wing government will further influence Federation voters. This could work against Likud, however, if a sizable number of voters are disappointed with the new cabinet.

25X1 [] For Labor, the shock caused by the party's election route last month apparently has roused some party and trade union volunteers, as well as kibbutz members, to work more actively in the Federation campaign. Labor leaders, moreover, are hoping for a backlash against Likud by voters who are concerned that:

--Likud's decentralizing the Federation's wide-ranging business enterprises could eventually lead to its emasculation.

--Likud's aim to curb Israel's current 35 to 40 percent annual rate of inflation could cause the party to accept some unemployment in government-controlled sectors of the economy.

25X1 [] Labor's past dominance of the national scene has been strongly reinforced by its leadership of the Federation, which provides the party another pervasive organizational network and control of important patronage benefits. Labor's share of the Federation vote, however, has been steadily declining, from over 85 percent in the late 1950s to 58 percent in the 1973 election. These developments parallel the disastrous downturn in Labor's parliamentary strength and have underscored for party leaders the importance of this year's Federation election.

25X1 [] Nevertheless, Labor unity has reportedly been damaged by a bitter rivalry between the party hierarchy and Labor leaders in the Federation over the composition of the party's election list. The party's campaign has been further hurt by a lack of funds stemming from debts incurred during the national election. There is also considerable dissatisfaction within the party and the Federation membership generally over the inept leadership of the Federation's secretary general, a high-ranking Labor official.

25X1 [] Should Labor win a strong plurality, it could still be unable to form a majority coalition within the Federation short of allying with the Democratic Movement. Some Democratic

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Movement leaders reportedly are sympathetic to Labor's plight. They hope the Democratic Movement polls well to help assure the survival of the labor movement generally and to enable it to constitute a stronger political opposition to Likud.

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[redacted] Others in the Democratic Movement believe a strong showing will strengthen the party's bargaining leverage with Likud, not only for a share of power within the Federation, but also within the Likud government should the two parties resume their coalition talks. Democratic Movement leaders, finally, are trying to capitalize on tomorrow's election to further strengthen the party's national image and to build its grass-roots support. [redacted]

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USSR: Brezhnev Visit to France

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[redacted] *The substantive results of the Soviet-French summit that begins today are likely to be meager, and the ceremonial and symbolic aspects of President Brezhnev's visit will thus loom large. The visit is Brezhnev's first opportunity to exercise the formal prerogatives of chief of state, a post he acquired only last Thursday.*

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[redacted] Both the Soviets and the French--albeit for different reasons--want to use the visit to highlight the allegedly "special" relationship that has existed between them since the rapprochement engineered by de Gaulle in 1966. Soviet relations with other Western powers have sagged in recent months, and Moscow wants to demonstrate the continued vitality of its detente policies. The Soviets would also like to slow or reverse the trend toward closer cooperation with NATO, which they have detected in French policies since President Giscard took office in 1974.

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[redacted] The French believe that such major state visits underscore France's role as a unique and important power and fortify President Giscard's image as a Western leader skilled in negotiating with the superpowers. Confronted with domestic problems that have become more intractable with the approach of a legislative election next March, Giscard has been counting heavily on foreign policy successes to help him win over a percentage

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of the French electorate that might mean a victory for his coalition over the Socialist-Communist opposition. Any domestic gains Giscard makes from the visit, however, will probably be short-lived.

25X1 [redacted] //Beyond its general objectives, Moscow would like to persuade France to act as an intermediary on certain contentious East-West issues, especially the current dispute over human rights in the USSR, which the Soviets fear will become a focal point of the conference now under way in Belgrad. Brezhnev will work hard to persuade Giscard that the survival of detente may be threatened by further Western criticism of the internal workings of the Soviet system.//

(U) This was one of the main points of an interview that Brezhnev granted the French newspaper *Le Monde* last week as part of the stage-setting for his visit. Echoing a line already established by Soviet press commentators, Brezhnev drew a fine distinction between "ideological struggle" and "psychological warfare." The former, he said, was inevitable as long as the East and West adhered to different social systems, but the latter was unacceptable and dangerous.

25X1 [redacted] Brezhnev did not elaborate, but in other contexts the Soviets have made it clear that they regard President Carter's stand on human rights issues as an impermissible intrusion into their internal affairs.

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MOZAMBIQUE: Condemning Rhodesia

25X1 [redacted] *President Machel has apparently decided to launch a vigorous diplomatic offensive to secure worldwide condemnation of Rhodesia.*

25X1 [redacted] In a speech on Saturday, Machel stated that Rhodesia's military strikes into Mozambique had reached unprecedented levels and announced he had requested an emergency session of the UN Security Council. According to UN officials, an invitation has been issued to UN members to attend informal consultations on the request this morning.

25X1 [redacted] The speech itself was less bellicose than many observers in Maputo had expected and seems to have been designed for international rather than domestic consumption. Machel's case for appealing to the UN was well documented, and his presentation was devoid of the polemic phraseology Mozambican officials and media sometimes use when appealing to local audiences.

25X1 [redacted] Although he was mildly critical of those outside powers involved in seeking a negotiated settlement of the Rhodesian problem, Machel refrained from mentioning any country by name and, perhaps more importantly, he did not indicate he is turning his back on the current Anglo-American consultations.

25X1 [redacted] Machel's appeal to "socialist" countries to intensify their "militant support" of Mozambique suggests that he is hoping for more military assistance for his beleaguered army from the Soviets and the Cubans, Mozambique's traditional suppliers. There has been speculation in the diplomatic community in Maputo on why Machel had not gone to the UN before. His decision to do so now may in part be an attempt to dramatize his country's vulnerabilities to the Rhodesians and to provide justification for requesting significant new Communist arms shipments. [redacted]

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USSR-YEMAN: Aircraft Deliveries

25X1 [redacted] *North Yemen reportedly received 12 MIG-17 and 4 MIG-15 fighter aircraft from the Soviets during the first week of*

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June. The delivery probably comes under a \$25-million agreement for ground and air equipment signed in November 1975 and is the first to be made to North Yemen in three years. These aircraft may enable President Hamdi to keep his small air force operational and may also help postpone North Yemeni plans to acquire MIG-21s pending a Saudi decision on financing Western-manufactured fighters for North Yemen.

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[] The delivery had been expected since President Hamdi told the US ambassador last month that additional MIG-17 aircraft were coming. At that time, North Yemeni Foreign Minister Al-Asnaj and Chief of Staff Ghashmi expressed hope for improved military ties with the West and for early deliveries of US equipment, particularly F-5 aircraft. The foreign minister pointed out, however, that until significant amounts of Western equipment are delivered, North Yemen will maintain its Soviet arms relationship.

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[] The Saudis have been aware of reports that North Yemen might soon receive Soviet aircraft. They will not be pleased with the reported deliveries but are likely to accept the justification that without firm commitments for Western aircraft North Yemen must continue to rely on the Soviets, at least in a limited way.

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[] The delivery of MIG-21s, however, would cause deeper concern in Saudi Arabia and might strain North Yemen's close defense relationship with the Saudis. Acceptance of the MIG-21s would entail continued long-term dependency on Soviet advisers and training--a situation the Saudis wish to prevent. []

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SOUTH KOREA: Nuclear Issue

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[] Public discussion of security matters in South Korea is focusing increasingly on the issue of nuclear weapons. According to the US embassy in Seoul, the possibility of South Korea developing an independent nuclear weapons capability is being linked directly to the withdrawal of a US nuclear presence. This concern reflects in part Seoul's desire for what it regards as an assured deterrent against North Korea. The South Koreans also view the nuclear weapons option as a lever that can be used against the US.

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25X1 [redacted] South Korean press coverage of the nuclear arms issue increased following the visit to Seoul in late May of a high-level US delegation to discuss the troop withdrawal. Initially, press play focused on foreign reports speculating on the retention of the US nuclear umbrella:

--President Carter's interview in a US weekly magazine in late May, which was widely hailed as an indication that this protection would continue.

--A June 7 Japanese press report on the nuclear capability of B-52 flights.

--A US newspaper story on June 12 referring to the nuclear capability of US air units in Korea.

25X1 [redacted] More recently, however, Seoul newspapers played up a report to the US Congress that tactical nuclear weapons will be removed from Korea when US troops are withdrawn.

25X1 [redacted] The possibility of South Korea developing a nuclear weapons capability of its own--long a taboo subject for public discussion--has received increasing attention. The press believes that it would be unrealistic to discourage discussion of nuclear armament, citing foreign studies on nuclear proliferation as proof that more countries are likely to develop a nuclear weapons capability in the 1980s and that South Korea should not be left behind.

25X1 [redacted] The South Koreans are making the point that they may have to embark on a nuclear weapons program if the US umbrella is withdrawn. In part this reflects Seoul's doubts about the reliability of the US defense commitment and its desire to develop an "absolute" deterrent against North Korean aggression.

25X1 [redacted] South Koreans generally recognize the problems nuclear development would pose for Korea, both in terms of regional stability and relations with the US. Even so, the issue is a highly emotional one in South Korea and there is a tendency to view a domestic program as a logical development if the US nuclear shield is withdrawn.

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[redacted] The embassy notes that, while there is no direct evidence the Pak government has deliberately inspired the discussion of the nuclear weapons question, the authorities probably are tolerating it. The government may think that any effort to squelch the dialogue would create greater anxiety. There are some in the government who view the nuclear arms option as a lever that can be used against the US. [redacted]

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CHINA: Foreign Policy

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[redacted] //A recently reported "shift" in the emphasis of Chinese foreign policy from the third world to Western Europe and Japan seems to be only an amplification of a trend, based on economic needs and enduring anti-Soviet goals, that dates at least from 1974.//

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[redacted] The alleged shift has a clearly economic motivation. Under chairman Hua Kuo-feng, the Chinese leadership is emphasizing rapid industrial development, which will ultimately require increased imports of industrial goods and technology, primarily from Japan and Western Europe. Peking thus wishes to expend more effort on developing good relations with its potential suppliers.

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[redacted] The political element in the shift stems from Peking's continuing attempts to stimulate anti-Soviet sentiment in Western Europe and Japan. China has endorsed West European unity against the USSR and promoted a strong NATO for several years. Peking's public advocacy that the formerly imperialist second world and the third world form a united anti-Soviet front dates from 1975. Chinese praise of French support for Zaire during the recent Katangan invasion exemplified the attempt to foster such cooperation.

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[redacted] Despite its increasing attention to the second world, Peking is unlikely to slacken its efforts to expand Chinese influence in the third world, particularly Africa. Peking still plays host to a steady parade of third world dignitaries. Sudanese President Nymayri, the president of Mauritania, and former Mexican president Echeverria recently visited China. [redacted]

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WEST GERMANY: Nuclear Policy

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[redacted] West German Chancellor Schmidt, during a joint press conference Friday with visiting French President Giscard, clearly stated for the first time Bonn's position on the export of certain kinds of sensitive nuclear technology. The new policy guidelines indicate that "for the time being" there will be no new authorization of export licenses for nuclear reprocessing facilities or technology, but reiterated Bonn's plan to honor its commitment to deliver a reprocessing plant to Brazil.

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[redacted] Schmidt said the French government was in full agreement with the new policy. The French in fact made a similar announcement last December, and Friday reiterated their intention to go ahead with a controversial nuclear sale to Pakistan.

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[redacted] Schmidt's declaration also contains an important re-statement of Bonn's hope that its contracts for the supply of nuclear fuel--primarily with Canada and the US--will be honored.

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[redacted] The temporary moratorium on export licenses appears to be another West German effort to reassure the US and other nations concerned about nuclear proliferation that the sale of a reprocessing plant to Brazil was essentially a one-time affair. The Schmidt government probably feels that this concession to Washington costs Bonn nothing because, aside from Brazil, none of West Germany's nuclear customers are insisting on the delivery of sensitive technology.

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[redacted] The declaration contains no reference to the export of uranium enrichment technology. A senior West German official has indicated that a parallel moratorium on the export of enrichment technology was considered inopportune because "other nations" have not made such a commitment. He also argued that

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a unilateral moratorium would pre-empt the British and the Dutch, who share responsibility with the West Germans in operating the tripartite ultracentrifuge enrichment facility, which is intended to serve both European and non-European nations.

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[redacted] Chancellor Schmidt leaves Bonn on July 6 to visit Canada and the US. He probably expects that his talks with both Prime Minister Trudeau and President Carter will dwell at length on the questions of sensitive technology and guaranteed fuel supplies. [redacted]

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