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(Security Classification)

CONTROL NO.

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday July 19, 1977

CG NIDC 77-166C

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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

DIA review(s) completed.

**Top Secret**

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State Dept. review completed

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Approved For Release 2007/03/07 : CIA-RDP79T00975A030200010079-9

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National Intelligence Daily Cable for Tuesday, July 19, 1977.

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

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RHODESIA: Parliament Dissolved

25X1 [redacted] Branding the US-UK settlement effort "unacceptable," Rhodesian Prime Minister Smith yesterday dissolved parliament and called for a general election on August 31. Smith stated that he intends to seek a mandate for an independent settlement based on sharing power with moderate black nationalists. [redacted]

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25X1 [redacted] //Smith has been under growing criticism from Rhodesia's whites and particularly from hardliners within his own party, who believe he has not been moving forcefully enough in seeking a settlement. Whites are divided, however, over what form a settlement should take; some are arguing in favor of a settlement based on the South African concept of separate development. The pre-election debate is likely to be particularly contentious.//

25X1 [redacted] //Smith announced that he could not accept, nor could he offer to white Rhodesians, any settlement proposal based on the concept of one-man, one-vote because whites are outnumbered 20 to 1. Moreover, both he and his security advisers have consistently rejected the possibility of any group other than the currently constituted Rhodesian security forces maintaining order during a transitional period to independence.//

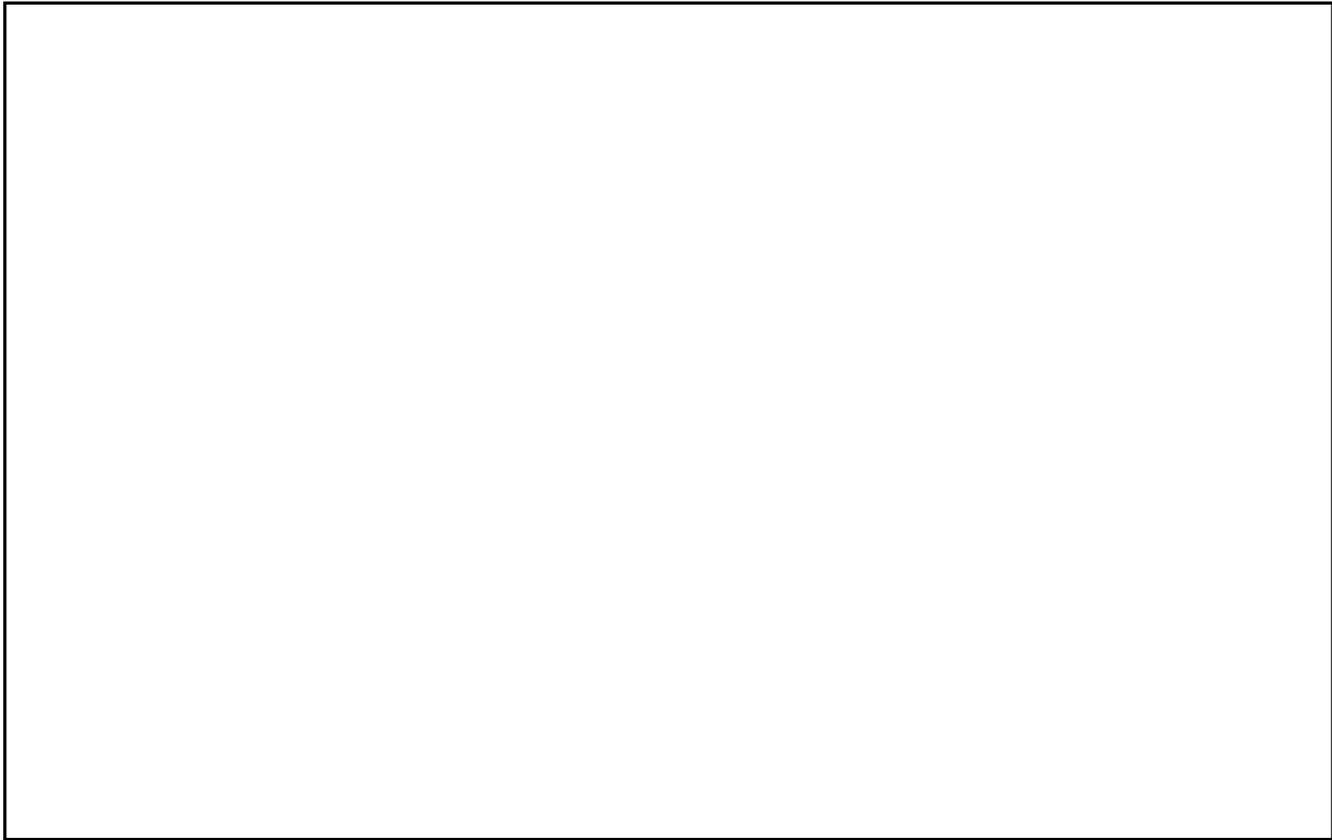
25X1 [redacted] //Smith undoubtedly has the full support of his military advisers, who must have taken into account the prospect of an upsurge of guerrilla operations by the Patriotic Front in response to Smith's announcement. Smith declared that his government would increase its operations against the guerrillas and was prepared to adopt "ruthless" measures. His security advisers apparently are confident they can hold out for the short term.//

25X1 [redacted] Further incursions into Mozambique--and possibly incursions into Zambia as well--are likely in the near future. Manpower and equipment shortages are hampering the government's ability to contain the guerrillas once they enter Rhodesia. At-

tacks into Mozambique have been successful in disrupting guer-  
rilla offensives, however, and such attacks are likely to form  
the basis for the government's future operations.

25X1 [redacted] On the political front, Smith apparently believes  
that the prospect of an independent settlement will attract  
moderate nationalist leaders, such as Bishop Muzorewa and  
Ndabaningi Sithole. Both men have sizable support from blacks  
in Rhodesia but lack a military base and thus, in Smith's eyes,  
should be amenable to a political settlement. Both leaders are  
now inside Rhodesia seeking to broaden their popular base of  
support. They have publicly rejected any independent settlement  
in the past and are likely to distance themselves from Smith's  
latest move. [redacted]

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## PAKISTAN: Internal Political

25X1 [ ] Pakistan's new military government has stated repeatedly that it will hold elections in early October and that it will surrender power to civilians soon thereafter. The process, however, may prove considerably more difficult than the generals expected when they seized power two weeks ago. The government has decided not to delay trying to acquire a nuclear fuel reprocessing plant from France.

25X1 [ ] Chief Martial Law Administrator Zia-ul-Haq said in a press conference last week that the law and order situation would have to be "perfect" to hold a fair election. The military has already taken steps to limit expected campaign violence. The campaign will be relatively short, some activities such as processions will be banned, and the military is trying to collect weapons from potential demonstrators. Whether the campaign is violent enough to force cancellation of the election will depend more on the politicians than on any precautions the military takes.

25X1 [ ] There has been speculation that former Prime Minister Bhutto--whose followers could create widespread turmoil--might seek to prevent the election. One strategy open to Bhutto is to boycott the election and thus to present the military with a choice between cancellation and a meaningless vote. Many Pakistanis believe Bhutto is certain to lose, and he might reason that an extended period of military rule is to his advantage.

25X1 [ ] Bhutto now seems prepared, however, to contest the election, with "imperialists and reactionaries" two of his main targets. The US, which he has accused of interfering in Pakistani politics, could well be one scapegoat.

25X1 [ ] With the military coup, the opposition Pakistan National Alliance gained its original demands for Bhutto's removal and a new election. The alliance, however, is suspicious of Zia, who was generally regarded as Bhutto's man and who has made some public statements since the military takeover that could be interpreted as favoring Bhutto.

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[redacted] Speculation that the coup was actually ordered by Bhutto is probably baseless. Even if Bhutto and Zia were acting together, pressure on Zia from other senior officers would probably prevent him from carrying out his part of the deal.

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[redacted] The opposition will regard Zia's willingness to carry out several promises as indications of his sincerity.

--Zia promised to withdraw troops now fighting pro-opposition tribes in Baluchistan province. Bhutto's party swept this opposition stronghold in the last election after the opposition boycotted it asserting that a fair election there was impossible. Zia, however, qualified his promise, saying that the withdrawal should not be so precipitous as to create a vacuum. The military might move too slowly to satisfy the alliance.

--Zia also promised soon to release leading politicians from both sides who are still in custody. He may, however, try to delay as long as he can in hopes of postponing the unofficial opening of the election campaign. Some opposition leaders are unhappy with Zia's decision not to release Khan Abdul Wali Khan, a leading opposition figure who was jailed in 1975 on charges of plotting the secession of Baluchistan and the North-West Frontier--the two provinces along the Afghan border.

--Zia has announced that the Federal Security Force will be reorganized. The opposition will want major changes in this paramilitary organization generally regarded as loyal to Bhutto--if not its disbanding.

--Zia has appointed a respected judge as chief election commissioner. The opposition will judge the commission more by the other members--not yet named--and the exact powers given the commission.

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[redacted] Even if the military does hold an election, the results may give it second thoughts about handing over power. An alliance victory would threaten to give control of the two frontier provinces to politicians whom many in the military regard as

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separatists. A close race, or a surfacing of the deep differences among the nine parties in an Alliance government, would threaten instability. A victory by Bhutto would raise charges of collusion between Bhutto and the army, and the Alliance might take to the streets again.

25X1 [redacted] At this stage, the military seems determined to hand over power, and no senior officer now seems to have any desire to perpetuate military rule. Despite the difficulties it could face, the military will probably make every effort to establish civilian rule, even if both the election and the new government have serious flaws. It is possible, however, that by October the military might conclude that either the election or the subsequent transfer of power will have to be delayed. [redacted]

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ISRAEL - EL SALVADOR: Aircraft Sales

25X1 [redacted] //Air force officials from El Salvador met last week with an Israeli sales team to discuss the purchase of Israeli Mirage fighter aircraft and associated military equipment. The proposed purchase could intensify tension between El Salvador and Honduras.//

25X1 [redacted] //The aircraft under consideration probably are used Mirage IIIs. [redacted]

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25X1 [redacted] Israel has supplied El Salvador with most of its current inventory of 17 jet fighters.//

25X1 [redacted] //In 1973, Israel's sales of fighter aircraft to El Salvador and Honduras led to an arms build-up between the two countries. A new sale to El Salvador could provoke a similar reaction and may intensify tension that developed in 1969 when relations between the two countries were severed over a border dispute.//

25X1 [redacted] //The acquisition of Mirage aircraft would give El Salvador a decisive air advantage over Honduras, although El Salvador's air force would be severely taxed by the maintenance requirements. [redacted]

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ARAB BOYCOTT: Effects on Israel

25X1 [redacted] *Israeli business and government leaders have increased their calls for direct US action against the Arab boycott of firms doing business with Israel. The boycott has not, in fact, affected Israeli trade, but it has discouraged foreign investment in Israel.*

25X1 [redacted] The government has been under heavy pressure from the Israeli press and public to do something about the boycott, and has lobbied for US anti-boycott legislation. Israeli officials, however, have varied their assessment of the actual or potential damage of the boycott--stressing it when speaking with US officials, playing it down with potential investors.

25X1 [redacted] The Israelis assert that Arab threats to blacklist foreign firms are retarding new foreign investment, licensing arrangements, patent exchanges, and joint ventures and are discouraging foreign participation in trade fairs, trade missions, and joint chambers of commerce. They also contend that the boycott is uprooting long-established commercial ties with key foreign firms.

25X1 [redacted] Although the boycott has not affected trade--commodity exports have doubled since 1972 and imports have nearly tripled--it has been a major factor in the drop in foreign investment from a record \$250 million in 1973 to \$75 million last year. According to the US embassy, US investment has all but dried up and the number of US business visits since the 1973 war has fallen drastically.

25X1 [redacted] Other factors, including the depressed state of the economy, however, also have been important in the decline in foreign investment. The security situation and a recent spate of business failures, strikes, and embezzlements have tarnished Israel's reputation with prospective investors. Frequent devaluations, moreover, have eroded the yield from portfolio investment. [redacted]

USSR: Exercise Karpaty

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[redacted] The Soviet military exercise Karpaty--announced last month in compliance with the 1975 Helsinki accord--officially ended Saturday. The exercise, which began on July 11 and took place in the Carpathian Military District, was highly publicized in the Soviet press. Although Western countries have sent military observers to previous exercises, this is the first time the Soviets invited such observers from West Germany, France, Switzerland, and Italy. These countries, the Warsaw Pact states, plus Yugoslavia and Austria, sent observers. The Soviets may change their policy of refusing invitations to NATO exercises that are announced under the Helsinki accord.

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[redacted] The Helsinki accord calls for notification 21 days prior to maneuvers involving more than 25,000 troops and taking place within 250 kilometers of a frontier with another European conference participant. The accord does not, however, require extending invitations to observers.

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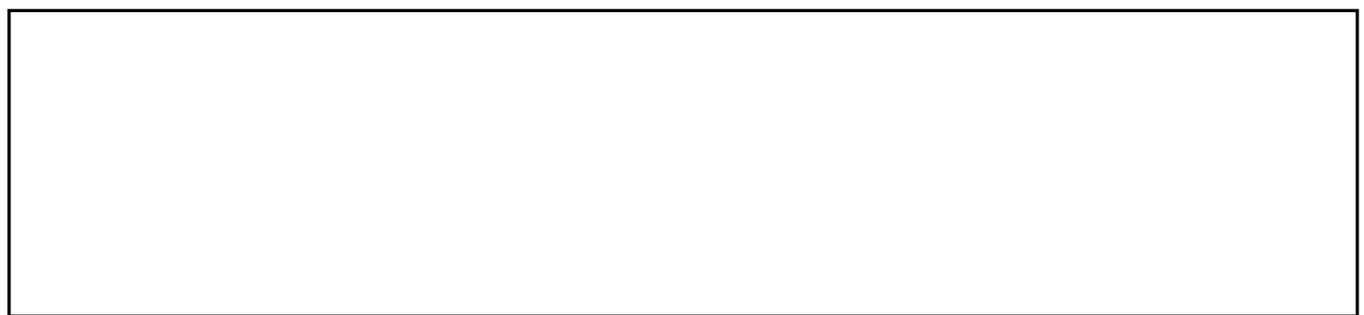
[redacted] Exercise Karpaty, which coincided with the Helsinki follow-up talks in Belgrade, may have been designed to underscore Soviet acceptance of military "confidence-building measures." In a recent conversation with the Belgian defense attache, the Soviet military attache in Bonn stated that if he received an invitation to observe the fall NATO maneuvers, he would accept.

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[redacted] Exercise Karpaty was publicized as the largest Soviet air and ground maneuver in over a year. As many as 27,000 men were to participate. The exercise apparently featured a series of demonstrations staged for the observers, including mock tank battles and a river crossing. [redacted]

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BRIEF

Egypt

25X1 [redacted] In an exclusive interview published yesterday in Egypt's leading newspaper, President Sadat laid out the basic principles of Egypt's position on peace negotiations with Israel. The interview, in conjunction with a speech Sadat delivered last weekend, was intended to put Egypt's views on record before the beginning of official talks between President Carter and Israeli Prime Minister Begin. The tone and emphasis of Sadat's remarks suggest that he was also trying to make a positive impression on the US and undercut emotional arguments he anticipates Begin will present in Washington.

25X1 [redacted] Sadat broke no new ground and repeated at several points Egypt's insistence that Israel withdraw from all occupied territory and allow the Palestinians to establish a state on the West Bank and Gaza. He stressed, however, that a "drive toward real peace" would allow Israel for the "first time in history to live in peace as a Middle East nation with recognized borders."

25X1 [redacted] Sadat also welcomed all Egyptian Jews who have left since 1948 to return to Egypt with full rights. In extending the invitation, Sadat stressed that the Arabs' conflict has always been with the policies of expansionism and "racism," not with Jews, whom he described as "people of the Book." [redacted]

Approved For Release 2007/03/07 : CIA-RDP79T00975A030200010079-9

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