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NATIONAL INTELLIGENCE DAILY CABLE

Thursday August 25, 1977

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DIA review(s) completed.

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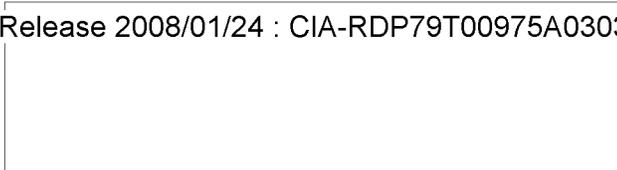
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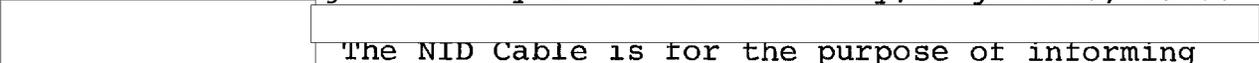
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National Intelligence Daily Cable for Thursday, August 25, 1977.

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

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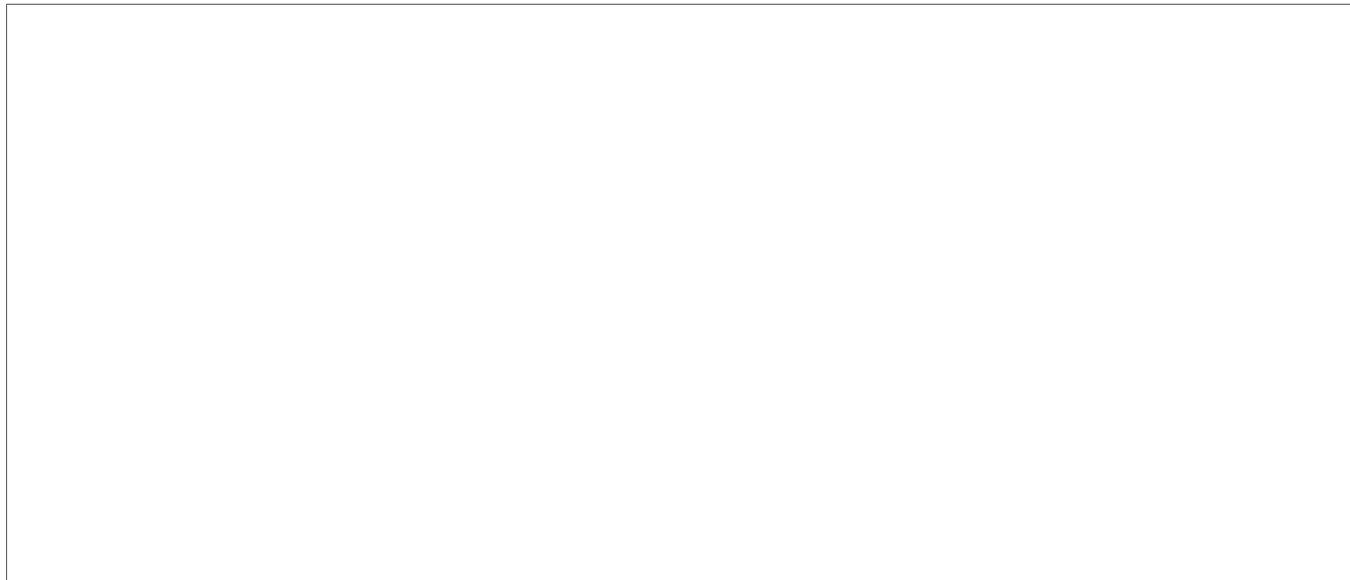


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**EGYPT-LIBYA: Prisoner Exchange**

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 //Egypt and Libya exchanged prisoners yesterday and apparently plan to take additional steps to consolidate the cease-fire established late last month. The exchange presumably indicates that President Qadhafi has accepted an agreement worked out between Egyptian War Minister Gamasy and a Libyan negotiator several days ago.//

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 //President Sadat first mentioned the secret agreement in a conversation with the US ambassador last weekend. At that time, the Egyptians were awaiting Qadhafi's acceptance of the proposal. Sadat told the ambassador only that the agreement called for a mutual pull-back of troops. The Libyans are to withdraw to Tobruk, with a small military unit remaining at Musaid; the Egyptians are to withdraw to Sidi Barrani, except for a small force that will remain at Sollum.//

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 Egyptian Foreign Minister Fahmi disclosed some of the terms of the agreement in a briefing for African diplomats late Tuesday. He did not mention the troop withdrawals, but stated that the two countries had agreed to establish cease-fire observation posts along the border and to halt propaganda exchanges. Fahmi apparently also alluded to the fact that the negotiations had been carried out directly between Egyptian and Libyan representatives. Palestinian chief Yasir Arafat, however, seems to be taking credit at least for arranging the prisoner exchange.



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[redacted] Egypt's decision to announce the agreement to a group of foreign diplomats is an attempt to undercut sympathy for the Libyans, who have with some success portrayed Egypt as the aggressor in the recent fighting.

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[redacted] //The announcement also suggests that the Egyptians are holding in abeyance plans to renew hostilities. A senior Egyptian intelligence official told the US defense attache yesterday that Egyptian forces would be prepared to attack Libya in two to three weeks if current efforts to reach a truce fail. The Egyptian expressed deep skepticism that Qadhafi would carry out the terms of the agreement, and said he expected a Libyan attack by September 1. He also stated that for military reasons Egypt does not intend to comply fully with the provisions for troop withdrawals. At the same time he admitted that neither the Egyptian public nor the military supports military action against Libya.//

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[redacted] US officials in Cairo report that the Egyptian government seems especially concerned about low morale in the military. Sadat and Gamasy have recently completed morale-building tours of the Western Military District, and Sadat is expected to visit military units in the Suez Canal area next month.

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[redacted] The mood in Tripoli remains upbeat, despite the deterioration of public and private services caused by the military mobilization. The Libyan media, while skirting direct attacks on Egypt, continue to play up Libyan successes in the last round of fighting and the support Libya has received from the international community. The press is giving greatest attention to the brisk pace of Qadhafi's activities in preparing to counter Cairo on both the diplomatic and military fronts.

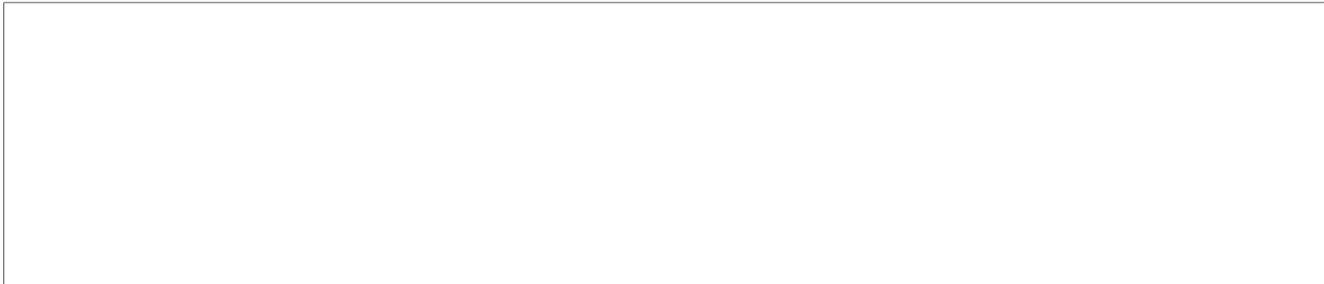
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Eastern Libya has also been hardest hit by the large-scale exodus of Egyptian workers and technicians, who have been leaving Libya voluntarily as a result of the fighting. At least 200 Egyptian families are now estimated to be crossing the border every day.

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LEBANON: Druze-Christian Conflict

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Although the situation in Lebanon's Shuf Region is now calm, the violence there on Sunday underscores the chronic confessional tension in Lebanon and the persistent mutual suspicion among parties to the conflict. The fighting has reinforced the Christians' sense of living under threat of attack and will aggravate their hard-line approach to the situation in the south and to the general problem of constitutional reform. It may also have increased the friction between the Christians and their erstwhile Syrian allies.

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//Although accounts of Sunday's incident vary, it appears to have been touched off when a number of armed Druze--a religious and ethnic minority, loosely Muslim--who were members of Walid Jumblatt's Progressive Socialist Party, fired on Christians attending a requiem mass; 14 Christians and three Druze were killed.//

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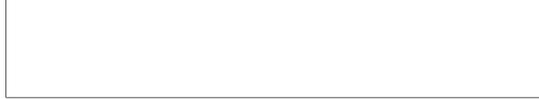
//Tension quickly spread throughout the Shuf and undoubtedly contributed to otherwise unrelated incidents in neighboring villages. While Jumblatt condemned his followers and tried to calm the situation, the Christians--instead of calling for restraint--lashed out at the failure of the Arab security forces to react more strongly and threatened to call out their militias.//

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//The Syrian-dominated security forces did manage to keep the lid on the situation. On Tuesday they moved against both Druze and Christian villages, arresting suspects and confiscating weapons in house-to-house searches.//

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25X1 [redacted] //Attempts to implement the third stage of the Shtawrah agreement--involving Palestinian withdrawals in the south--have meanwhile been postponed, perhaps indefinitely, primarily because of a recent flare-up of artillery duels and reports of an impending Israeli attack.//

25X1 [redacted] moderate Palestinian leaders have also reconsidered their decision to withdraw in the south because of recent Christian aggressiveness and increasingly hard-line statements.//

25X1 [redacted] Christians in the south--supported by Israeli fire--and the Palestinians there continue to engage in artillery duels. US defense attache sources in the south believe that the rejectionist Palestinians are now using heavier artillery and rockets, which they presumably received through the port of Tyre.



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WEST GERMANY: Kayser Space Program

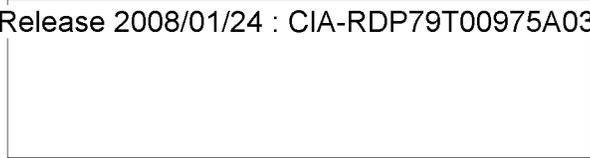
25X1 [redacted] //A private company founded by West German scientist Lutz Kayser is attempting to develop the capability to launch satellites now considered uneconomical by Western space agencies. The corporation signed an agreement with Zaire for a test range, and the first test firing took place in May. Exaggerated accounts in the European press were followed by Soviet and East European charges that West Germany is conspiring with Zaire and South Africa to develop a military missile program directed at Angola, Zambia, and Tanzania.//

25X1 [redacted] //Kayser was involved in the V-1 and V-2 programs during World War II. In 1974 he founded a private joint-stock corporation, Orbital Transport- und Raketen- Aktiengesellschaft, to develop applications for his rocket technology research. The West German government has shown little interest, but the corporation reportedly has already acquired enough funds for its development program.//

25X1 [redacted] //Earlier this year, the corporation contracted with Zaire for a test range of some 100,000 square kilometers in Shaba Province. Zaire was chosen not only because of its vast unpopulated area, but also because West German legislation permits extensive tax write-offs for investment in underdeveloped countries.//



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//A single-stage rocket was reportedly launched on May 17. The eight-meter-long rocket weighed two and a half tons and had four liquid propellant engines that produced 12 tons of thrust. It reached an altitude of 10 kilometers and traveled 4 kilometers down range. Two more tests are scheduled this year.//

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//Kayser hopes to use clusters of these single-stage rockets to develop a space launch booster--a novel approach. The first tests of a two-stage rocket--composed of 12 single rockets in the first stage and four in the second--are scheduled for next year. Kayser believes he will be ready to launch a test satellite by 1979 and that a final satellite booster comprised of 400 individual rockets clustered to form several stages will be ready by 1980.//

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//The scientist asserts that his space booster will be able to put 10 tons into a near earth orbit. The program has not yet attracted any customers and is unlikely to do so until the multiple-stage rocket has been tested successfully. West German tax legislation, however, will probably continue to make the program attractive to investors.//

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Kayser's work is drawing fire from Moscow. Last week, the Soviets presented Bonn a demarche expressing concern over the reported development of a West German rocket test site in Zaire. The Soviets asserted that the site has a clear military potential and would give impetus to "the nuclear-missile arms race" in new regions of the world and would be in violation of international agreements.

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The demarche coincides with new accusations about West German military and nuclear cooperation with South Africa from a group possibly funded by East Germany and with Soviet charges that West Germany is aiding a South African nuclear weapons program. The timing suggests a Soviet-directed propaganda campaign to embarrass West Germany and the West Europeans at a time when they are trying to increase ties with black Africa and to counter Soviet influence in the area.

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TURKEY: Devaluation Possible

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Turkey will devalue the lira tomorrow or Friday, in an attempt to cut the trade

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deficit. The Demirel government has been reluctant in the past substantially to devalue the lira or to implement other austerity measures, arguing that exports would pick up as economic recovery continues in major markets and that devaluation would discourage imports vital to Turkey's economic development.//

25X1 [redacted] Foreign exchange reserves have been fluctuating between \$500 million and \$700 million for four months--at best 45 days of import cover. Turkey has staved off a further draw-down of reserves by restricting import payments to such priority items as oil and military goods.

25X1 [redacted] Turkey owes an estimated \$700 million to \$800 million for imports and \$300 million in overdrafts with foreign banks. Foreign exchange deposits by foreign banks totaling \$385 million will come due for redemption or renewal by the end of the year; Turkey has been having trouble meeting demands for redemption of such deposits for several months. Potential creditors are waiting for the government to work out a loan agreement with the International Monetary Fund, which would commit the Turks to an austerity program. Ankara reportedly will soon initiate discussions with the IMF.

25X1 [redacted] Imposing such a program would be politically painful for Prime Minister Demirel. It would threaten the very high rates of growth--the current five-year plan calls for annual real growth of 8 percent--that have become the norm in Turkey. Slower increases in production would make it even more difficult to absorb the expansion of the labor force; unemployment is already an estimated 20 percent in urban areas. Demirel may nevertheless be forced to take austerity measures to keep the benefits of devaluation from being washed out by inflation. Consumer prices are currently rising at an annual rate of 25 percent. [redacted]

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EL SALVADOR: Terrorist Activities

25X1 [] *The series of bombings throughout El Salvador last weekend was probably an attempt by terrorists to goad the government into repressive action. Despite its obvious concern, especially in view of the visit of the King and Queen of Spain scheduled for mid-September, the government plans to investigate the incidents through regular channels. It will prosecute any suspects as criminals, and not as subversives.*

25X1 [] *The left-wing Peoples Revolutionary Army has claimed responsibility for the 27 bombs that exploded at approximately the same time early on Sunday. Six bombs were in the capital, and the others in major cities and towns across the country. Apparently by design, property damage was minor and only a few people were slightly injured. The wide scope and the coordination of the bombings suggest that the terrorists were not only seeking publicity but were also serving notice on the government of their potential for countrywide activity.*

[redacted]

25X1 [redacted] In an apparently unrelated incident, another terrorist group kidnaped a prominent Salvadoran doctor earlier this month. As ransom, the group demanded--and got--a large cash payment and the publication of a manifesto on the front page of four leading newspapers.

25X1 [redacted] Salvadoran officials believe the terrorists are primarily interested in negating improvements President Romero has made in the country's human rights image since he assumed office on July 1. Although its recent moves in this direction may be mere windowdressing, the new administration will probably make every effort to avoid a return to overt repression, at least until the provocation is more severe. [redacted]

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PHILIPPINES: Martial Law Relaxed

25X1 [redacted] *Philippine President Marcos' much-publicized modification of the martial law decrees appears more limited in scope than his sweeping rhetoric had implied. He nonetheless believes that the gesture will improve his human rights image at a time when he is pressing for the resumption of negotiations with the US on the military bases agreement.*

25X1 [redacted] Marcos' amnesty decree reaffirms earlier directives that applied only to low-level detainees who wish to return "voluntarily" to the folds of the law. By most official accounts, there are close to 4,000 detainees in the Philippines. Prominent political detainees, such as former senator Benigno Aquino--Marcos' chief political rival before his imprisonment shortly after martial law was declared in 1972--will not be affected by Marcos' announcement.

25X1 [redacted] Despite his statement that he had ended the nationwide curfew, subsequent reports indicate that the Philippine military will soon designate critical areas of the country where the curfew will be maintained. Marcos' promise to hold local elections "not later than next year" will not affect his authoritarian rule.

25X1 [redacted] At a major international gathering of jurists in Manila this week, Marcos addressed the human rights question from the Philippine perspective. He defended his use of martial law to "restructure" Philippine society and asserted that his reforms

[redacted]

are being carried out under legal restraints. Marcos asserted that the Western and communist powers have turned the campaign for human rights into an ideological battle.

25X1 [redacted] In an attempt to win points among nonaligned nations, the Philippine leader observed that "it is regrettable that dogmatism has often resulted in the intervention of the strong in the affairs of the weak, to enforce an objective they consider universally ordained." [redacted]

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BRIEFS

China-USSR

25X1 [redacted] China's new ambassador to the USSR, Wang Yu-ping, departed yesterday for Moscow, according to an official Chinese announcement. Coming on the third day of Secretary Vance's visit to Peking, the announcement serves as a gentle reminder to the US that the Chinese have not closed the door to eventual improvements in state-to-state relations with the USSR.

25X1 [redacted] The move does not, however, signal any overall improvement in the hostile relationship between Peking and Moscow. Party Chairman Hua Kuo-feng forcefully reiterated Chinese opposition to the USSR in his speech to the party's 11th congress last week, saying differences between the two sides would continue for "a long time" and blaming the Soviets for the absence of any improvement in relations. Chinese propaganda continues to berate the Soviets in the strongest terms.

25X1 [redacted] The Soviets agreed to the assignment of the new ambassador in June. Wang is an experienced diplomat and has served in such sensitive posts as Romania, Cambodia, North Vietnam, and Cuba. He was China's first ambassador to Malaysia and left Kuala Lumpur in April. There has been no Chinese ambassador in Moscow since March 1976. [redacted]

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USSR

25X1 [redacted] Moscow radio yesterday broadcast a Foreign Ministry statement conveyed to the US embassy that chides the US for refusing to issue visitors' visas to several Soviet trade unionists earlier this month. According to the broadcast, the statement stresses that this action violates both the letter of the

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existing US-Soviet agreement on contacts, exchanges, and cooperation and the spirit of the Helsinki accord. Moscow's comment that this was not the first instance of US "discrimination" against Soviet citizens in visa matters undoubtedly referred to the US refusal in late April of visas to another group of Soviet trade union members. In early May, Tass publicized a relatively low-key Soviet diplomatic protest against that action.

25X1 [redacted] Although yesterday's Foreign Ministry statement apparently was also modest, the publicity for it betrays Moscow's continuing satisfaction at being able to point out, in the words of the broadcast, the inconsistency of US words and deeds on contacts among peoples. [redacted]

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USSR

25X1 [redacted] Two men associated with the Lithuanian branch of the Moscow-based group of dissidents set up to monitor Soviet compliance with the Helsinki accord have been seized by police, according to press reports from Moscow. Viktoras Pyatkus, a member of the local chapter, reportedly was arrested. Antanas Tserlatskas, who is close to the group, may have been detained only for questioning.

25X1 [redacted] The dissident monitoring group, which also has chapters in the Ukraine, Georgia, and Armenia, has been the focus of Soviet anti-dissident moves since early this year. Some 10 of its members have been arrested or convicted on various charges. Those under arrest in Moscow include the group's leaders: founder Yury Orlov, and members Aleksandr Ginzburg and Anatoly Shcharansky. No arrests of the group's members have been reported from Armenia or, until now, Lithuania. [redacted]

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