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# The President's Daily Brief

*March 4, 1976*

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FOR THE PRESIDENT ONLY

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EGYPT - SAUDI ARABIA

*President Sadat obtained \$725 million in cash aid pledges during his trip last week around the Persian Gulf. This assistance will keep Egypt financially afloat until June, but Sadat still must get \$1 billion in balance-of-payments support for the second half of the year.*

According to our embassy in Cairo, the new Arab aid includes \$300 million from Saudi Arabia, \$200 million from Kuwait, \$150 million from the United Arab Emirates, and \$75 million from Qatar. Sadat also may have signed an agreement with the Saudis which formally acknowledges a previous Riyadh pledge of \$700 million in arms aid.

Sadat apparently is going to try to muddle through the second half of 1976 without a return to Saudi Arabia for more funds. Many Egyptian officials were distressed at the size of the Saudi contribution, having hoped for several times the amount they received.

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The impasse with Saudi Arabia has already inspired Cairo to patch up its relations with the International Monetary Fund. Last year, Egypt's refusal to devalue the pound as recommended by the IMF caused deferment of some \$300 million in loans. Cairo is now prepared to try a substantial devaluation and to consider other economic and financial reforms in the hope of reaching a compromise with the IMF.

Egypt also is seeking Chase Manhattan Bank sponsorship of a \$250 to \$500 million medium-term bank loan. Cairo is offering to reserve a portion of Suez Canal revenues for repayment to facilitate the loan. Cairo may also be able to draw on the Saudi-sponsored Arab aid fund before the end of 1976. It is still unclear, however, whether firm commitments for the \$2 billion fund have been obtained from all prospective participants.

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PLO-SYRIA

*Relations between the Palestine Liberation Organization and Syria are strained because of Damascus' continuing close control of events in Lebanon.*

The presence in Lebanon of at least 3,000 troops of the Syrian-controlled Palestine Liberation Army has raised fears among independent Palestinian leaders that Damascus will attempt to impose on the fedayeen in Lebanon the same strict regulations that govern Palestinian activities in Syria. Syrian President Asad has pledged publicly, in fact, that Damascus will guarantee Palestinian respect for past agreements restricting fedayeen freedoms in Lebanon.

Syria has not yet taken systematic or forceful steps to fulfill this promise



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Syria is unlikely to use its increased influence to attempt to place permanent restrictions on fedayeen activity in Lebanon or to wrest control of the PLO from Arafat and other independent Palestinians. Asad would not want to face the Palestinian and Arab criticisms that would follow an attempt to unseat the PLO leader.

Palestinian leaders have turned to Egypt to help offset Syrian influence, but Syrian views on issues related to Middle East peace negotiations will still dominate Palestinian councils.

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CHINA

*The latest round of domestic political ferment has not altered the main lines of Chinese foreign policy.*

Acting Premier Hua Kuo-feng indicated in his remarks at the welcoming banquet for former president Nixon last week that Peking's anti-Soviet orientation and its desire for working relationships with the US and other Western powers remain intact. There is no evidence at this juncture that China's relationship with the USSR is likely to become central to the current domestic political debate.

The anti-Soviet strains of Chinese policy remain in evidence. A brief lull in Chinese press attacks against Moscow coincided with the initial attack on "capitalist roaders" in the People's Daily and the announcement of Hua's temporary appointment. Within days, however, the Chinese press launched one of its harshest anti-Soviet propaganda campaigns. Peking has attacked Soviet domestic policies of special sensitivity to Moscow and Soviet foreign policy across-the-board.

Many Chinese spokesmen interpret the visit of former president Nixon as a sign of Peking's continued interest in developing relations with Washington. [redacted]

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[redacted] Peking had not fully anticipated the controversy the trip caused in the US.

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MOZAMBIQUE-RHODESIA

*President Machel's decision yesterday to close Mozambique's borders with Rhodesia will have serious economic consequences for both countries.*

Since up to half of Rhodesia's foreign trade passed through Mozambique, Prime Minister Ian Smith will now be under intense pressure to negotiate a settlement with his country's black nationalists.

The Rhodesians will try to make up as much of the economic loss as possible by increasing traffic through South Africa's transport links with Salisbury. The South Africans are not likely to disrupt their own commerce significantly to accommodate the Smith government, however.

Closing the border will mean a loss of revenue and increased unemployment in Mozambique. Food shortages will also pose a serious problem, since Mozambique has been dependent on Rhodesian wheat, corn, and meat shipments.

The Machel government probably is counting on British Commonwealth leaders to make good their pledge of last year to make up the revenue that would be lost by imposing sanctions.

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NOTE

*A study of the full text of Soviet Premier Kosygin's speech on Monday to the 25th party congress shows that he added no new details to economic plans for 1976 through 1980.*

Kosygin described the basic achievements of the previous five-year plan as stable growth and improved welfare for the Soviet people. He did not dwell on agricultural disappointments but did concede that the overall growth in the agricultural sector was low and had had an impact on light industry and food processing. He criticized investment waste and lagging technology.

Kosygin said the main task of the new plan would be consumer welfare. He stated that industrial goals are realistic and that, with the application of skilled management, they could even be surpassed.

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