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The President's Daily Brief

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December 1, 1976

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Exempt from general
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exemption category 5B(1)(2)(3)
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FOR THE PRESIDENT ONLY

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USSR: *General Secretary Brezhnev yesterday summarized Soviet grievances with the US and expressed hope for expanded cooperation.*

The complaints voiced by Brezhnev in the course of a dinner speech honoring Secretary Simon were not new. The General Secretary was obviously using the occasion to reiterate the Soviet position in two areas--trade and arms control. His message was clear: the US is responsible for retarding progress in US-Soviet relations and must take the initiative in restoring movement.

Brezhnev was blunt, as Foreign Trade Minister Patolichev had been earlier in the day, regarding US trade policy toward the USSR. He stated that the Soviet Union rejects "any attempts to link trade with any political conditions and will not tolerate any interference in our internal affairs." He warned that US businessmen would continue to lose Soviet business unless the situation changes.

Brezhnev decried the anti-Soviet rhetoric of the recent US election campaign. Praising past Soviet proposals and US-Soviet agreements directed at curbing the arms race, he said the Soviet Union is prepared to go further in cooperation with the new administration "if it is prepared to act in the same spirit."

Brezhnev said that efforts to reach a new SALT agreement should be intensified, and that he expects such an agreement to be based on the Vladivostok understandings. He added that the USSR is prepared to discuss possible new steps to prevent the proliferation of nuclear weapons and to take other measures aimed at reducing the threat of nuclear war.

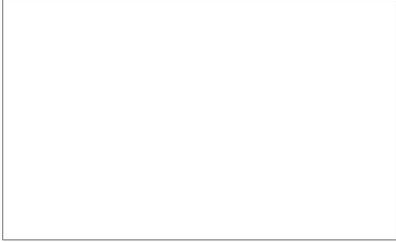
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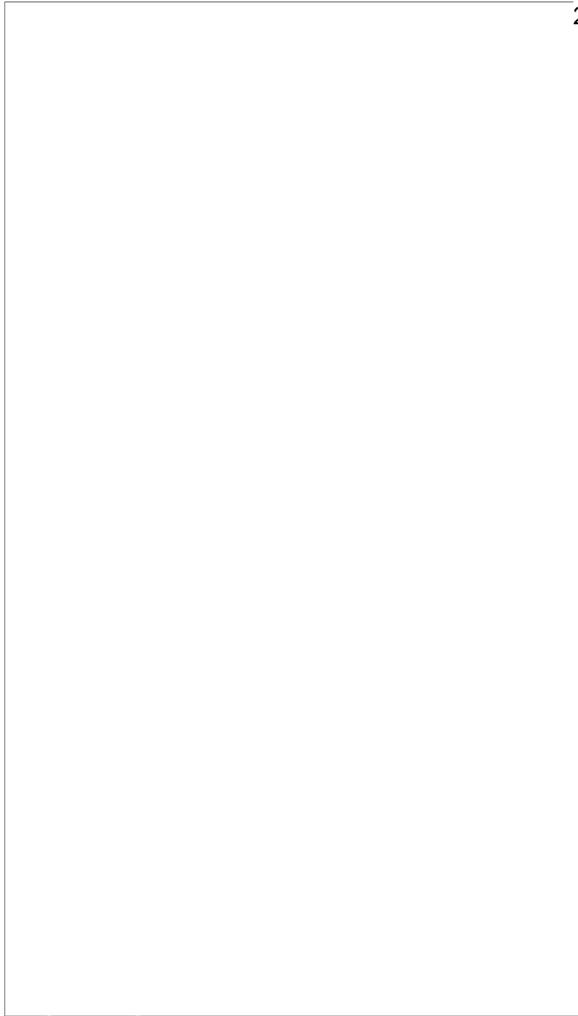
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CHINA: A meeting of the standing committee of the National People's Congress, China's legislature, opened yesterday in Peking chiefly to consider high-level government appointments and removals.

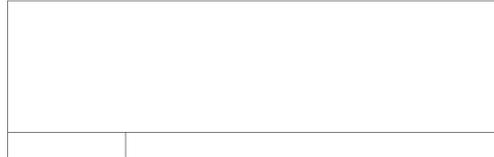
Changes are almost certain to include the replacement of the minister of culture, an ally of the four fallen leftists. Another probable candidate for replacement^{25X1} is Foreign Minister Chiao Kuan-hua.



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The Foreign Ministry appears, in any case, to be in for a major shakeup.

Chinese ambassadors to Canada, West Germany, France, Italy, Japan, Turkey, and the United Nations have all been recalled, apparently permanently. Some of these men may be in line for new posts at home. Nearly all are identified to some degree with China's more outward-looking foreign policy of the 1970s.

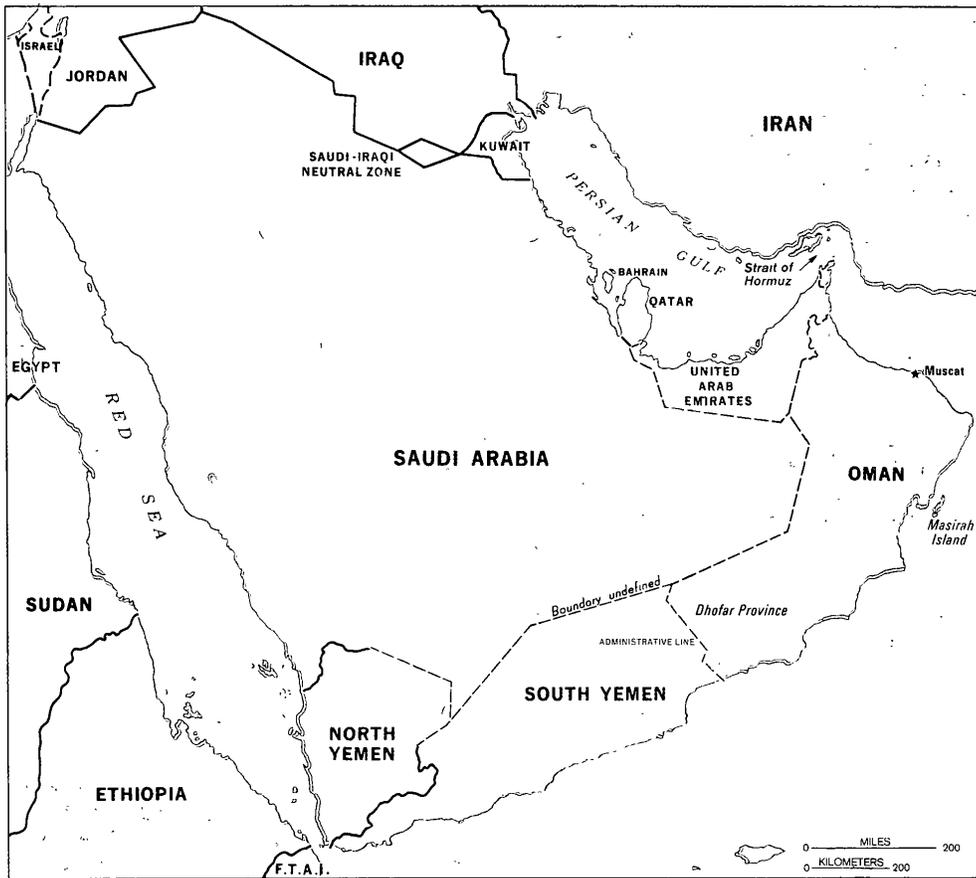
This fact, in addition to the extensiveness of the Foreign Ministry shakeup, raises questions about a possible readjustment in current foreign policy lines. Since the death of Mao, the Chinese have been at pains to emphasize continuity in their foreign policy.

Yesterday party chairman Hua Kuo-feng--plainly trying to capitalize on the immense popularity of the late Chou En-lai--nominated Chou's widow for the position of one of the vice chairmen of the standing committee of the National People's Congress.

Wu Te, vice chairman of the congress and a good bet for chairmanship of the NPC--a position roughly equivalent to head of state--called for continued criticism of Teng Hsiao-ping. It has been rumored that Teng would be rehabilitated now that his major detractors have fallen, but Wu's comment strongly suggests that Teng's rehabilitation is unlikely in the near future.

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Persian Gulf foreign ministers were unable to agree on a formula for closer cooperation on regional issues during a two-day conference in Oman last week.

The attendance of Iraq at the meeting ensured its failure. Iraqi leaders support regional cooperation only among Arab states--thus excluding Iran. They refuse, moreover, to discuss regional cooperation on security matters.

Iraqi diplomacy is aimed at blocking any regional formula that limits the movement of ships through the Strait of Hormuz. Iraq believes that Iran might use such restrictions against Iraq and its patron, the USSR.

Iran takes the position that the Persian Gulf is a closed sea from which foreign military power must be excluded. The Shah of Iran has been virtually the only advocate of a comprehensive multilateral security pact for the Gulf region. He regards such a pact as a way to consolidate Iran's already strong position and as a vehicle for employing Iran's power in a policing role.

Iran may be considering an adjustment of its policy toward Iraq in view of Baghdad's continuing refusal to cooperate on regional issues. The Shah may resume to some extent his previous policy of portraying Iraq as an agent of instability in the Gulf and seeking Baghdad's diplomatic isolation.

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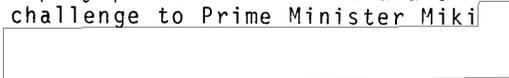
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The outcome of elections for the Japanese lower house on December 5 should enable the ruling Liberal Democratic Party to retain its majority in the Diet and control of the government.

The election is the LDP's first nationwide political test following the Lockheed scandal, the unprecedented indictment of a former prime minister, and an intense--and widely criticized--power struggle within the ruling party. Even so, the LDP should have little problem gaining 271 of the 511 seats at stake--enough to maintain full control of the legislative process in the lower house.

The extent of the LDP's victory will play a major role in former deputy prime minister Fukuda's challenge to Prime Minister Miki



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UN Secretary General Waldheim appears to have enough support to assure his re-election when the Security Council meets on Friday to choose a secretary general for the next five years.

Waldheim is confident that he will be re-elected, apparently because he believes that China--a permanent Security Council member--will go along with his candidacy. Waldheim also claims that he has the support of Guyana, one of the two Security Council members from Latin America.

Yesterday former Mexican president Echeverria formally announced his candidacy. The Mexicans apparently are counting on the Chinese to veto Waldheim's re-election.

China's intentions, however, are not known. The Chinese could repeat their 1971 action of vetoing

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Waldheim on the first secret ballot and then dropping their objections, permitting his election. The Chinese have repeatedly deflected requests for public support of Echeverria's candidacy by urging Mexico to round up broad third world support first.

Only the five permanent members can veto a candidate; the other four--the US, UK, France, and the USSR--support Waldheim's re-election.

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South African Prime Minister Vorster's meeting last week with a committee of the multiracial Namibian constitutional conference seems to have prevented a collapse of the conference, but to have made no progress.

The committee had requested the meeting because basic disagreements among the 11 delegations to the conference have stalled efforts to devise a multiracial interim government. Most of the white members of the committee have insisted on interim arrangements that would diffuse power among the existing ethnic homelands instead of setting up a strong central government as preferred by the nonwhites.

According to the US embassy, several who participated in the meeting indicated that Vorster stressed the urgency of reaching an early consensus on forming a government, but did not specifically encourage the white hardliners to compromise with the nonwhites.

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Soviet opposition to Saudi Arabia's increasingly active foreign policy in the Middle East and North Africa has led to unusually critical exchanges.

The New Times, an unofficial Soviet weekly often used to float trial balloons in foreign policy, ran an article on November 26 accusing the Saudis of promoting defense links between the US and Arab countries and supporting reactionary forces in Lebanon. One day later the Saudis responded, calling the USSR a "master of mischief and slander" against both communist and noncommunist governments.

Both states have previously avoided open hostile exchanges.

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The USSR is also disappointed over the lack of diplomatic relations with Saudi Arabia. The USSR broke these ties nearly 40 years ago

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India is harvesting a bumper grain crop for the second consecutive year.

Foodgrain production reached a record 118 million tons for the crop year ending in June 1976 and should range between 107 to 112 million tons this crop year. During the preceding four years, food output averaged only 102 million tons.

Grain import orders were suspended last spring. Barring a poor spring crop, which currently appears unlikely, no new import commitments are expected before mid-1977.

An overall economic upturn, in which the two good grain crops have been a major factor, is largely responsible for the calm political atmosphere that has prevailed in India since Prime Minister Indira Gandhi tightened her hold over the government in mid-1975. The absence of significant public discontent has enabled Gandhi to concentrate on restructuring the government along authoritarian lines and presumably played a large part in her recent decision to postpone national elections for a second year, until 1978.

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