



The President's Daily Brief

December 11, 1976

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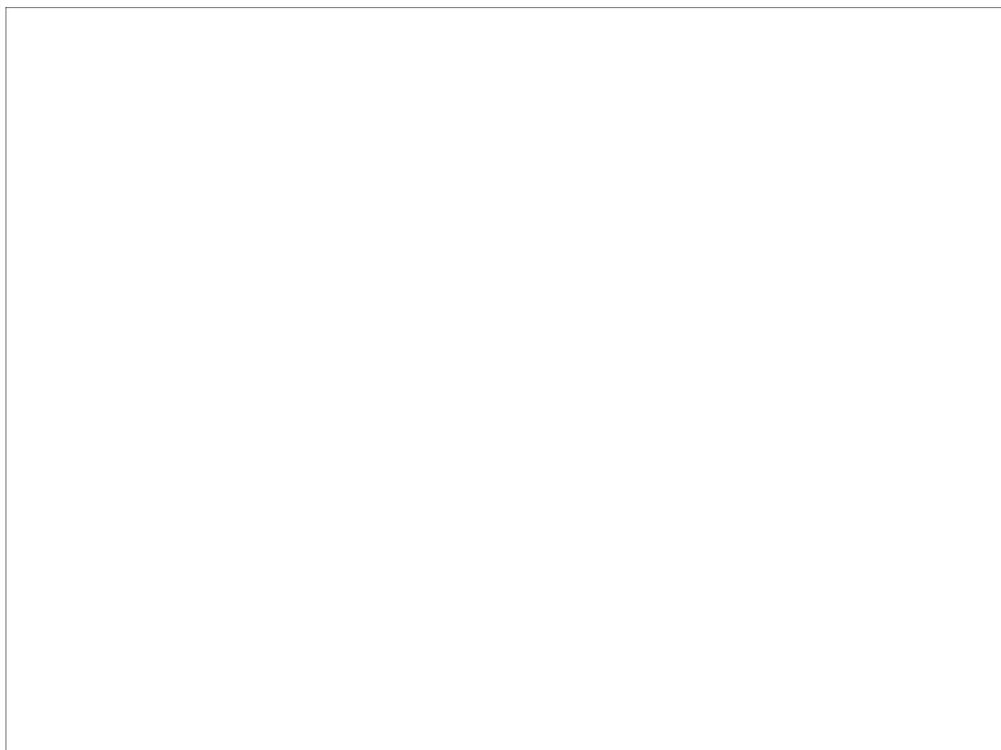
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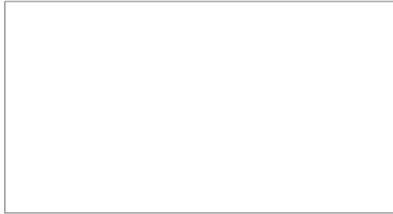
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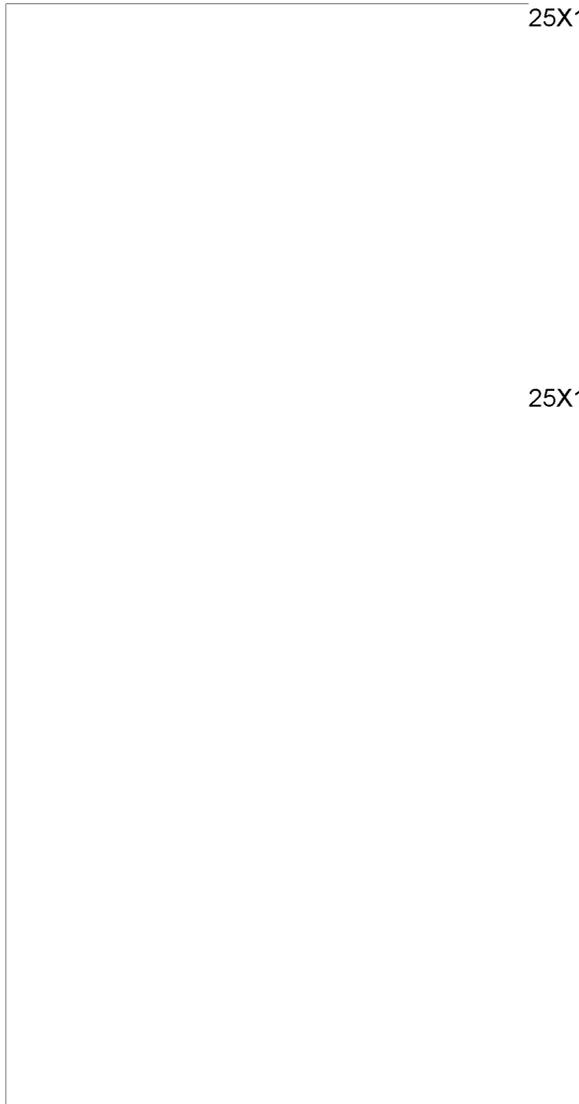


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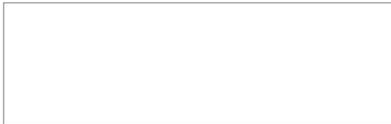


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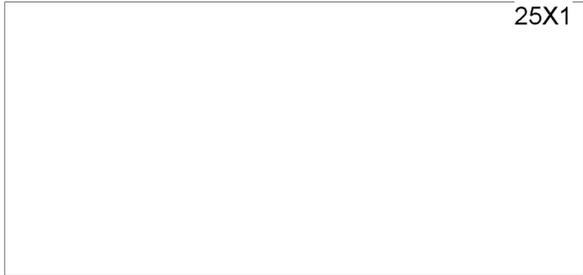


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RHODESIA: *Prime Minister Smith apparently still hopes to negotiate a settlement with "moderate" nationalist leaders that would exclude Robert Mugabe and most of the Rhodesian guerrillas.*

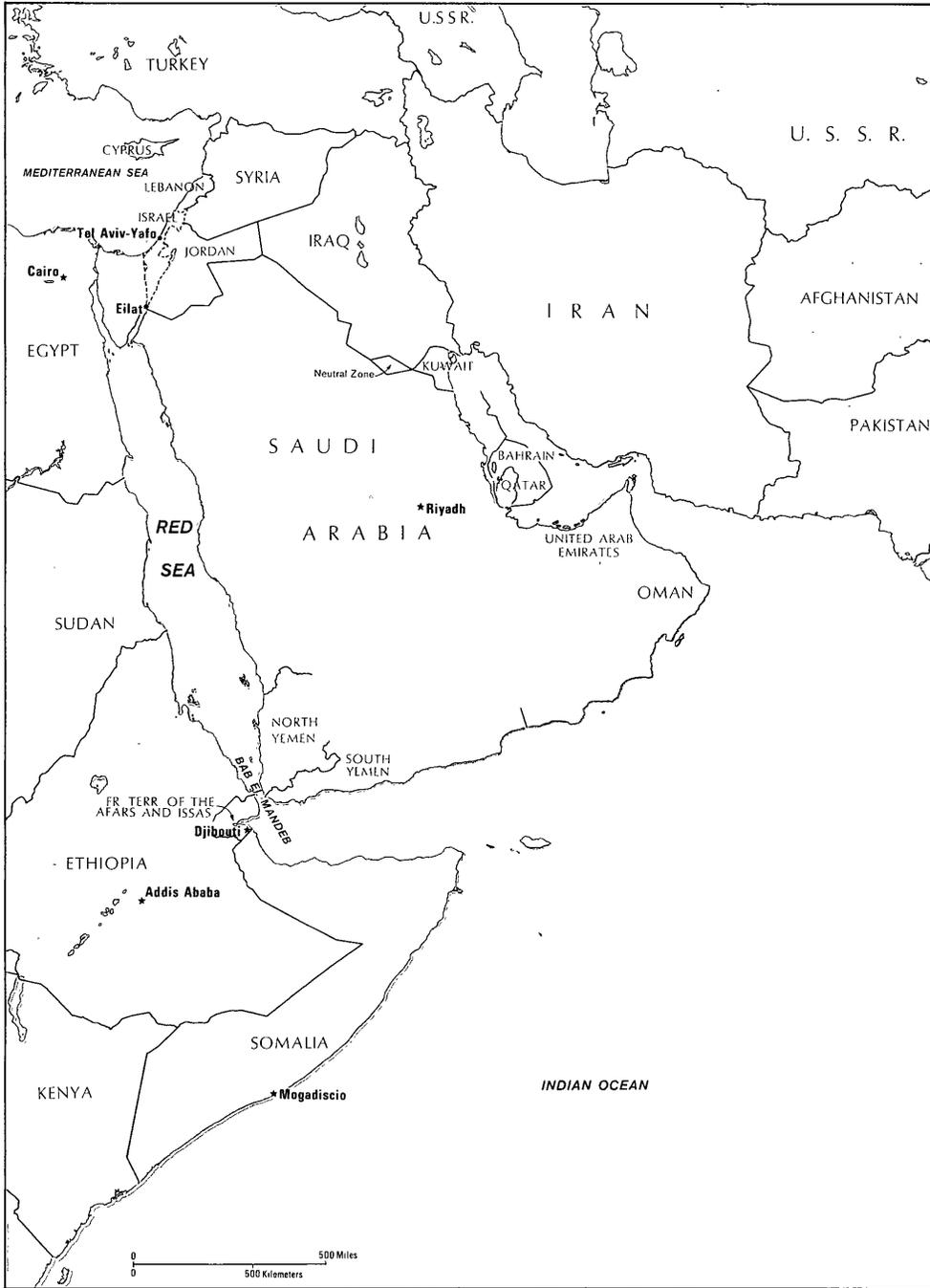
Rhodesian officials believe a new black party that will support a "moderate" settlement will soon be formed inside Rhodesia. They are said to believe that Bishop Muzorewa may be persuaded to join it if he is given a prestigious position. The officials hope that Joshua Nkomo--now allied with Mugabe in a "patriotic front"--and perhaps Ndabaningi Sithole may also be drawn into supporting such a settlement, giving it the backing of three of the four nationalist factions represented at Geneva.

Nkomo and Muzorewa have been in contact with representatives of the Smith government in recent months, but both nationalists remain highly suspicious of Smith's motives, and there has been little sign of agreement on settlement terms. Nkomo, in particular, fears that he will lose status among Rhodesia's blacks if he again negotiates unilaterally with Smith, and he seems determined to maintain his alliance with Mugabe.

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NOTES

The two Soviet IL-38 naval aircraft stationed in southern Somalia conducted reconnaissance operations on Thursday against a US naval force in the Indian Ocean.

This is the first such use of these antisubmarine aircraft by the Soviets since they began sending aircraft to Somalia in April 1975.

The US naval force was about 120 nautical miles off the southeast coast of Somalia at the time of the overflights.

The mission suggests that the Soviets intend to use the IL-38s for general reconnaissance in the Indian Ocean as well as for antisubmarine activity. The IL-38s currently in Somalia arrived on November 22

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Current negotiations involving Italy's unions, the government, and industry are testing the Communist Party's ability to deliver labor cooperation in reducing the country's soaring wage costs.

Prime Minister Andreotti's austerity program--a series of tax increases and public utility rate hikes approved by parliament last month--will not be very effective unless labor costs are reduced substantially.

During a month of negotiations, the unions have shown a willingness to reduce wage costs through indirect means--such as limiting absenteeism--but have resisted proposals to attack the problem directly through changes in the country's wage escalator mechanism, under which automatic quarterly wage hikes are granted in response to increases in the cost-of-living index. The unions have termed the

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escalator "untouchable," but the government and potential foreign creditors, such as the EC and IMF, believe that a basic modification of the escalator is essential.

Revision of the escalator appears to depend mainly on whether the Communists--who dominate the largest of Italy's three major labor confederations--can bring a majority of the unions along on the issue. The Communists argue that the escalator should not be considered sacrosanct, but they have had trouble selling even their own unions on that position.

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