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NATIONAL INTELLIGENCE DAILY CABLE

Friday August 6, 1976

CI NIDC 76-184C

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday, August 6, 1976.

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

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LEBANON: Situation Report

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[redacted] The cease-fire mediated by the Arab League went into effect yesterday; it seems to be holding everywhere except in the vicinity of Tall Zatar and the nearby Muslim enclave of Nabaa. Christian forces launched a major attack on Palestinian-leftist positions in the area just before the truce was to take effect, and as of early this morning clashes were continuing.

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[redacted] The Christians claim they overran Nabaa early yesterday and forced several high-ranking Palestinian and leftist militia leaders to surrender. The attack apparently caused the postponement of the Syrian-Palestinian-Lebanese truce committee meeting scheduled for yesterday and brought militant warnings from the leftists.

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[redacted] Despite the cancellation of the tripartite meeting, arrangements for positioning the Arab League forces are still going forward. According to the truce agreement, League troops will man observation posts in Jazzin, Alayh, Aynturah, Tripoli, and in both east and west Beirut. These areas have been the scene of the heaviest fighting over the past several weeks. Syrian troops presumably will continue to patrol the Bekaa Valley.

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[redacted] League troops are supposed to take up their positions by Friday. Under the agreement, they are also charged with opening Beirut airport by August 15 and providing escorts for travelers to and from the airport.

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[redacted] None of the parties to the truce agreement is optimistic that it will hold up [redacted]

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[redacted]

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[REDACTED]

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[REDACTED]

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[REDACTED] According to press reports, Israeli authorities earlier this week detained three suspected Arab guerrillas found aboard two Lebanon-bound ships that were intercepted in Israeli territorial waters.

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[REDACTED] On Monday, an Israeli patrol boat stopped a Lebanese freighter on its way from Alexandria to Sidon. The boat was released the next day but one Arab passenger was detained and reportedly will stand trial before a military court on charges of belonging to the radical Popular Front for the Liberation of Palestine.

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[REDACTED]

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[REDACTED] Israeli authorities reportedly insist that they are only following past practice in searching suspicious foreign ships found inside Israel's territorial waters. They deny that they have set up a naval blockade of Lebanon. [REDACTED]

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[REDACTED]

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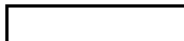
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TURKEY-GREECE: Aegean

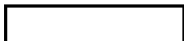
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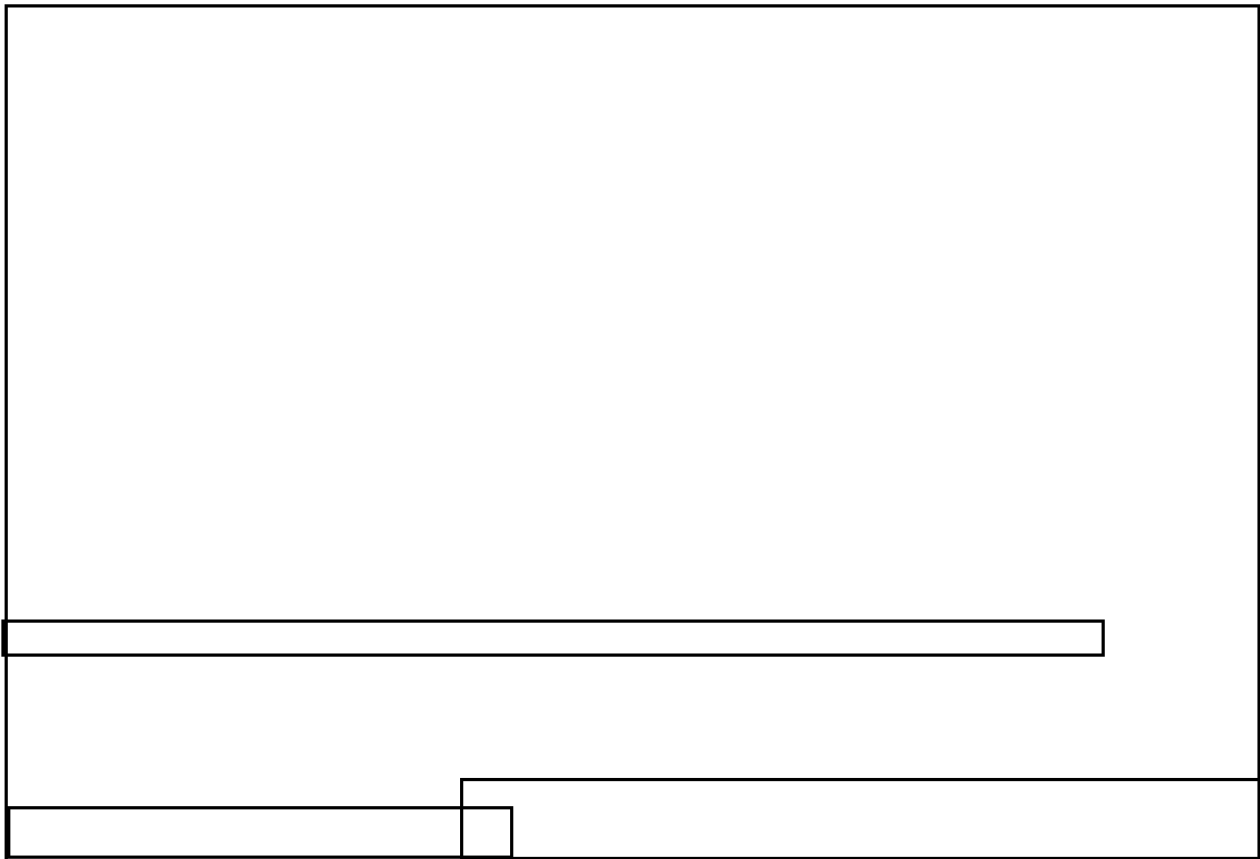
 Turkish Prime Minister Demirel announced yesterday that the Turkish research ship Sismik I would begin its second venture into the Aegean on Thursday evening. The planned area of operation for the ship increases the chances of a Turkish-Greek confrontation.

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 The Turkish navy notified mariners that during the period August 6 to 21, the Sismik I would be in an area that includes the territory between the Turkish mainland and the Greek islands of Limnos and Lesbos where both countries have conflicting claims on the oil and mineral resources of the seabed.

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 The Turkish ship might only skirt the disputed areas or make only a symbolic incursion to satisfy domestic critics of the government's Aegean policy.



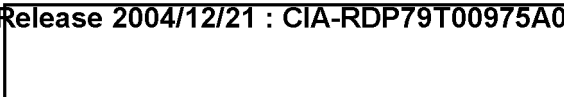
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NORTH KOREA: Government Statement

25X1 [] A North Korean government statement yesterday attacking alleged US war preparations in South Korea appears intended to enhance North Korea's position at the approaching nonaligned summit opening in Colombo on August 16. The North Koreans, who gained membership only last year, are planning to send a large contingent and President Kim Il-song probably will head it.

25X1 [] The statement--the first at this level directed specifically at US actions in the south since 1969--rejects the recently renewed US proposal for a four-power conference on Korea. Characterizing the proposal as "stalling tactics," the statement reiterates the standard North Korean demand for a unilateral withdrawal of US forces and the scrapping of the armistice agreement.

25X1 [] Since early this spring, North Korean propaganda has charged almost daily that the US is introducing new weapons into the south, conducting provocative military exercises, and keeping South Korean armed forces on a war footing. Pyongyang has warned that these developments have created a "grave situation" in which "war may break out at any time."

25X1 [] The new government statement repeats these charges and adds a slightly new twist--alleging that the US and South Korea have now "completed" war preparations and are ready to "kindle the fuse of war." Despite its characteristically harsh tone, the statement does not threaten any new or unusual countermeasures.

25X1 [] /Pyongyang wants the nonaligned conference to issue a political resolution supporting its position on the Korean issue, and it hopes such a resolution will contain language branding the US as the major source of tension on the Korean Peninsula. Pyongyang doubtless calculates that its statement yesterday will buttress its case.//

25X1 [] The statement makes no reference to a shooting incident that occurred in the demilitarized zone only a few hours before it was issued. The incident lasted only a few minutes and caused no casualties. Reports of random firings across the demilitarized zone have been frequent in the past but the last reported exchange of fire between northern and southern troops

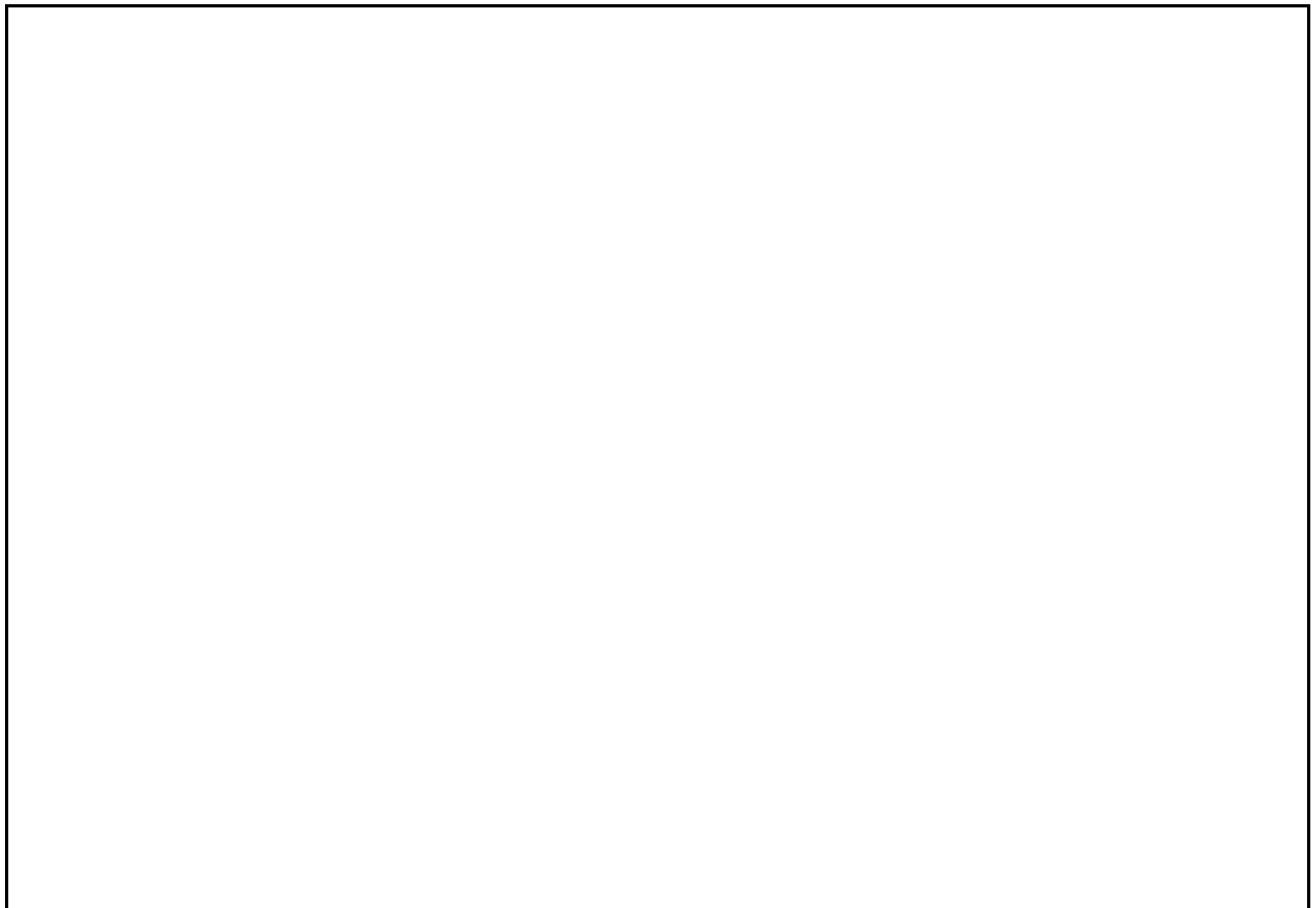
was in 1973. It is possible that the North precipitated the latest incident in order to give added impact to the government statement.

[redacted] North Korean armed forces along the demilitarized zone remain in a high state of readiness [redacted]

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USSR-ROMANIA: Relations

[redacted] Romanian President Ceausescu seems to be using his current stay in the Crimea to put the best possible face on relations with the USSR.

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25X1 [redacted] On August 3, Ceausescu met General Secretary Brezhnev for "cordial and friendly" talks and reportedly "exchanged opinions" on the future course of the European security conference and communism in Europe. According to the Romanian news agency, they affirmed their determination to unite the "socialist bloc" on the basis of "proletarian internationalism" and expressed satisfaction about their "ever closer unity of views."

25X1 [redacted] The use of the term "proletarian internationalism"--which connotes Soviet leadership of the movement--appears to be a deliberate sop to Moscow. At home, Ceausescu usually claims, however, that the term embodies the principle of party independence. Ceausescu's visit to Soviet Moldavia the day before he met Brezhnev--apparently the first by a Romanian chief of state--was apparently another mutually conciliatory gesture.

25X1 [redacted] Ceausescu's conciliatory tack is in line with Romania's uncharacteristically good behavior at the recent CEMA ministerial meeting. Bucharest's continuing need for raw materials may be one reason for Ceausescu's tactical accommodation with Moscow. Recent reporting suggests that the Soviets have not committed themselves to meet Romanian requests for increased supplies of minerals.

25X1 [redacted] There are signs even so that Soviet-Romanian friction is still close to the surface on the long-standing Moldavian dispute as well as on other issues. Speaking in Romanian Moldavia before his Soviet visit, Ceausescu stressed regional achievements. On his arrival in Soviet Moldavia, however, a Soviet radio broadcast pointedly celebrated the anniversary of Soviet annexation of two former Romanian territories.

25X1 [redacted] In one speech Ceausescu adroitly mixed his nods to the Soviets with independent rhetoric and emphasized that the European communist party conference had confirmed the principle of equality among parties. He asserted that the Romanian party will consistently act to develop its relations with the Soviet party and all anti-imperialist forces--implicitly including the Chinese--under the "new unity" based on equal rights. Ceausescu reasserted Romania's determination to continue its identification with the nonaligned and developing world. [redacted]

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FTAI: Independence

25X1 [] France yesterday announced a timetable for granting independence to the French Territory of the Afars and Issas, the only remaining French territory on the African continent.

25X1 [] A referendum will be held in January and is likely to record an overwhelming vote in favor of independence. A constituent assembly will meet six weeks later to draw up a constitution, and the French Parliament will probably approve the final transfer of sovereignty by late June.

25X1 [] The announcement of the French plans followed a meeting in Paris between President Giscard and Abdallah Khamil, the FTAI's new president. Paris declared its intention late last year to grant independence, but delayed making specific plans while it attempted to create a coalition among the territory's rival political groups and to obtain international guarantees for its independence.

25X1 [] The French have had little success in either endeavor. The newly formed government, by increasing the role of the Issas, better reflects the ethnic composition of the territory, but the main Afar political party refuses to participate.

25X1 [] Neighboring Somalia--which wants to annex the FTAI--has refused to give firm guarantees that it will respect the territory's independence, and Paris has been unable to secure effective guarantees from the Organization of African Unity or the Arab League.

25X1 [] France has remained publicly silent on the question of maintaining a military presence after independence, but French officials have said privately that Paris is leaning toward a complete military withdrawal. The French are unwilling to commit themselves unilaterally to maintain peace among the territory's domestic political groups or between Somalia and Ethiopia. []

KUWAIT: Arab Boycott

25X1 [] Kuwait appears to be the major stumbling block to any formal relaxation of the Arab boycott of Western firms doing business in Israel.

[REDACTED]

[REDACTED] //Kuwait's inflexible position may reflect its fears of offending the large Palestinian community that makes up nearly 30 percent of its total 1-million population. Some Palestinian groups, which generally are politically passive, have become angered by Syria's military intervention in Leba-

[REDACTED]

MALAYSIA-USSR: Aid

[REDACTED] cancel impending negotiations with Moscow on a hydroelectric project that was to have been the USSR's first major aid venture in non-communist Southeast Asia since Sukarno was stripped of power.

[REDACTED] decision follows a series of Malaysian rebuffs to the Soviets and underscores Moscow's failure in recent years to make much progress in cultivating non-communist Southeast Asian states.//

[REDACTED] Since the early 1970s, the Malaysians have rejected Soviet proposals for increased trade and cultural contacts, a maritime agreement, a joint fishing venture, a joint shipping company, and a bunkering installation for Soviet merchant ships.

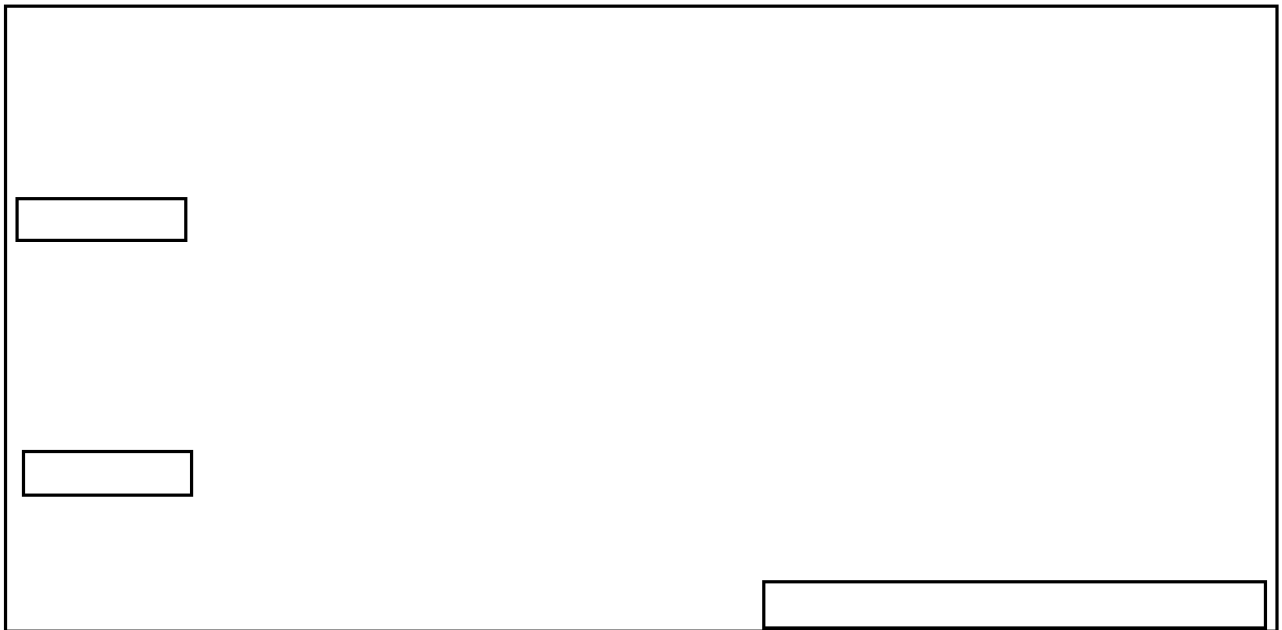
[REDACTED] In 1973, former prime minister Razak decided in the interest of Malaysian nonalignment to allow the Soviets to do

the feasibility study on an \$80-million dam project, with the understanding that the construction contract would also be awarded to the Soviets.

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[redacted] The feasibility study was completed last year, and the Soviets have been pressing for an agreement to begin the project. The hard-sell effort, however, has succeeded only in irritating the Malaysians.

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CHINA-JAPAN: Submarine Cable

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[redacted] the new Sino-Japanese oceanic cable system--the longest undersea-underground cable in the world--will give a major boost to communications between China and Japan.

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[redacted] The system will stretch 880 kilometers (550 miles) between Kumamoto Prefecture, Japan, and Shanghai, China. In Japan, the 480-channel, voice-grade telephone circuit will be interconnected with the rapidly expanding trans-Pacific submarine cable network which includes a new underwater cable link with the US mainland via Guam.

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[redacted] The Sino-Japanese cable will transmit telegraphic, telex, facsimile, and radio broadcast transmissions as well as telephone communications, and will supplement the 11 Intelsat satellite circuits and a small number of high-frequency radio telephone circuits presently in use between the two countries.

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[redacted] The cost of the \$22.6 million project was shared equally by the two countries, but Japanese companies supplied most of the equipment, training, and technology.

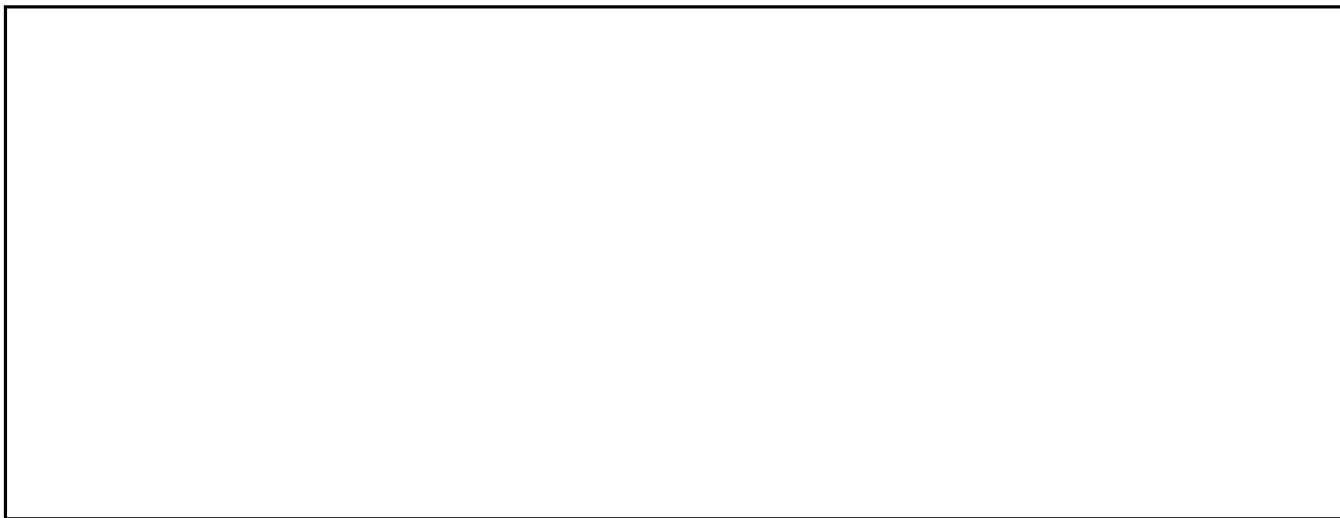
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[redacted] one of the first bilateral agreements concluded between China and Japan since diplomatic relations were established in 1972 and allows Japan to serve as a major international relay center for China's growing world-wide communications.//

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[redacted] Peking appears to be the major beneficiary. China has secured an enormous amount of technology from Japan at very little cost. Moreover, China will be able to prevent Japan and possibly other nations from linking Taiwan to the cable network. Peking has refused to link onto any cable that ties into Taiwan, and with the future operation of the new cable at stake, Japan is likely to discourage efforts by other nations in the network to link with Taiwan. [redacted]

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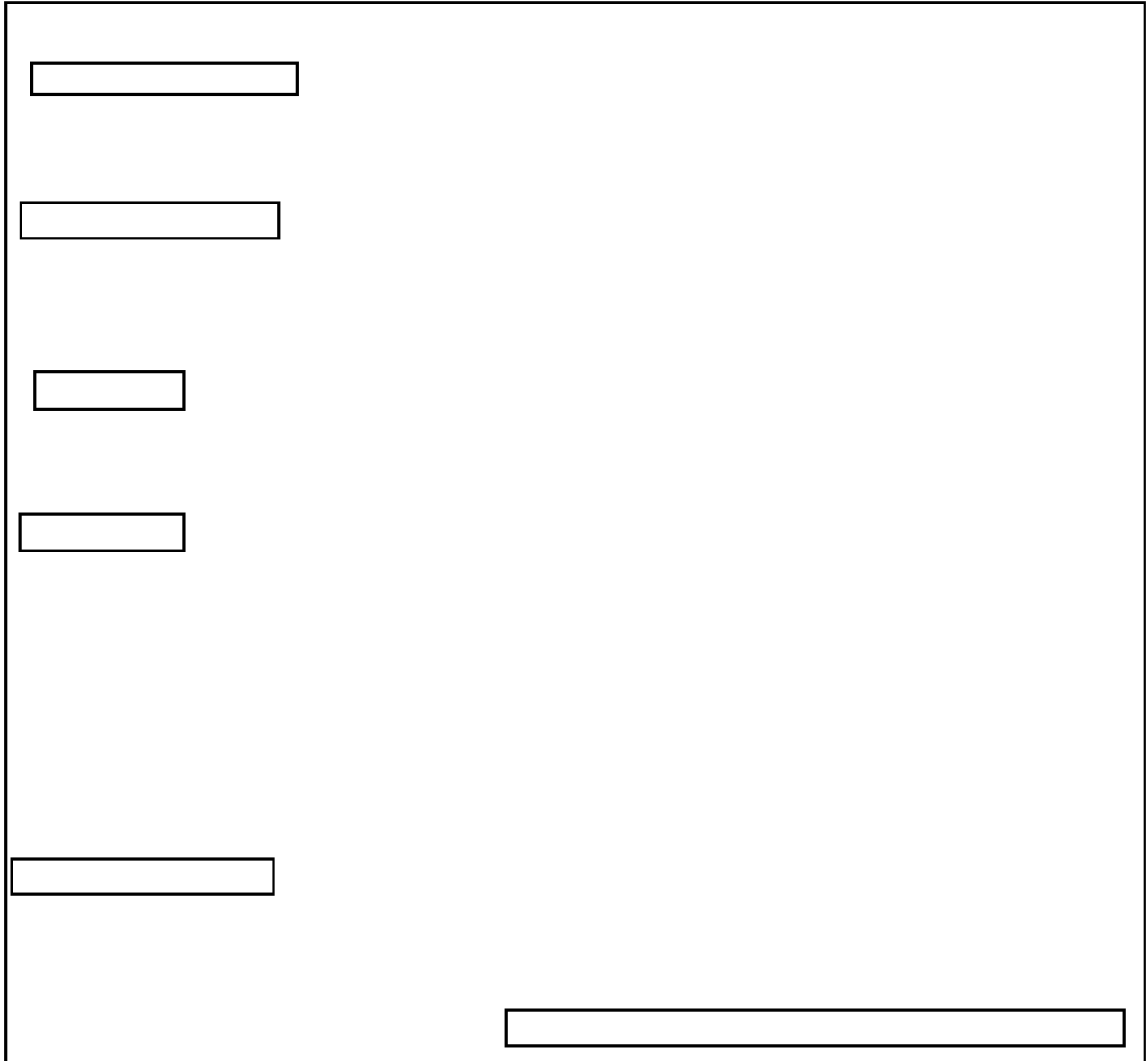


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ARGENTINA: Economy

The Argentine military government, with a trade surplus of \$400 million for the first half of 1976, now predicts a surplus for the year of \$800 million to \$900 million. In June the government was forecasting only a \$250-million surplus; still earlier it had projected an export-import balance.

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[redacted] Recession-induced reduction of demand has created about half of the surplus. Import estimates have been lowered from \$3.5 billion to \$3.1 billion, and export prospects have improved because producers are energetically seeking foreign outlets for goods for which domestic demand has dwindled.

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[redacted] The outlook for a good wheat crop--exports will begin in November or December--accounts for most of the remainder. Export estimates have risen from \$3.5 billion to \$4.0 billion.

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[redacted] If trade earnings reach the level now predicted, Argentina may be able to strengthen substantially its foreign exchange reserves. It will still need most of the \$1 billion recently promised by US and European commercial lenders to pay its 1976 debt maturities. Many of these credits, however, are extensions of previous loans rather than new credits.

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[redacted] Gross reserves already have rebounded from \$600 million at the end of 1975 to \$1.4 billion in July. Net reserves, however, are probably still negative. [redacted]

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