

Top Secret 238

(Security Classification)

ROUTING			
TO:	NAME AND ADDRESS	DATE	INITIALS
1	<i>HK</i>		
2			
3			
4			
<input type="checkbox"/>	ACTION	<input type="checkbox"/>	DIRECT REPLY
<input type="checkbox"/>	APPROVAL	<input type="checkbox"/>	DISPATCH
<input type="checkbox"/>	COMMENT	<input type="checkbox"/>	FILE
<input type="checkbox"/>	CONCURRENCE	<input type="checkbox"/>	INFORMATION
<input type="checkbox"/>		<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>		<input type="checkbox"/>	RECOMMENDATION
<input type="checkbox"/>		<input type="checkbox"/>	RETURN
<input type="checkbox"/>		<input type="checkbox"/>	SIGNATURE
REMARKS:			
FROM: NAME, ADDRESS, AND PHONE NO.			DATE

25X1

25X1

Access to this document will be restricted to those approved for the following specific activities:

NATIONAL INTELLIGENCE DAILY CABLE

Thursday December 9, 1976 CI NIDC 76-287C

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

25X1

Top Secret

25X1

(Security Classification)

Page Denied



National Intelligence Daily Cable for Thursday, December 9, 1976.



25X1

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

25X1

CONTENTS

JAPAN: Political Report Page 1

LEBANON: Al-Huss Named Prime Minister Page 1



25X1

USSR-NORWAY: Fishing Zone Page 5



25X1

WESTERN SAHARA: Saudi Mediation Page 7

ARGENTINA: Military Retirements Page 9



25X1



25X1



JAPAN: Political Report

25X1

[Redacted] Japanese Prime Minister Miki has reportedly decided to resign as a result of the setback suffered by his Liberal Democratic Party at the polls on Sunday. Although Miki has not said publicly that he will step down, party spokesmen have indicated that his announcement is likely within the next few days.

25X1

[Redacted] Consultations now under way among party leaders are likely to result in the selection of former deputy prime minister Fukuda as Miki's successor. Fukuda was endorsed by a solid majority of Liberal Democratic members of the Diet before the election. Despite some efforts by Miki's supporters to lay part of the blame for the party's poor showing on Fukuda, he apparently retains the backing of much of the rank and file.

25X1

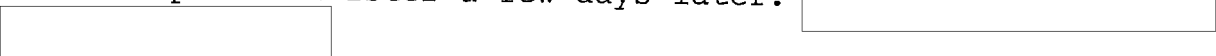


25X1

[Redacted] Still, Liberal Democratic leaders will probably need a week to consult party members before announcing Miki's successor. The party is likely to endorse its candidate at a general meeting on December 20, with the Diet formally electing the new prime minister a few days later.

25X1

25X1



LEBANON: Al-Huss Named Prime Minister

25X1

[Redacted] Salim Ahmad al-Huss, who was named prime minister yesterday by Lebanese President Sarkis, has been a close adviser to the President on economic matters. His appointment appears to indicate that Sarkis would prefer a non-political transition cabinet of technocrats, subject to his control, to guide Lebanon's initial post-war reconstruction and reunification.

25X1

[Redacted] Several weeks ago Sarkis also considered--but seems to have decided against--a government that would include a cross section of Lebanese religious and political factions.



25X1

[Redacted]

Al-Huss is a Muslim, in keeping with Lebanese precedent, but he is not known to have strong ties to Palestinian or Lebanese leftist leaders.

25X1

[Redacted] According to press reports, Christian faction leader Camille Shamun voiced support for the appointment, thus removing a major obstacle to the confirmation of al-Huss as prime minister. Earlier Shamun had opposed a technocrat-dominated cabinet and insisted that Christian factions be strongly represented in any new government.

25X1

[Redacted] Both Muslims and Christian leaders may now step up pressure to secure cabinet or other key positions for figures loyal to their respective factions.

25X1

[Redacted] Al-Huss is said to come from a middle-class Beirut professional family. He holds advanced degrees in business and economics and in the 1950s was a professor of economics at the American University of Beirut. Prior to his appointment as prime minister, al-Huss served as president of Lebanon's National Bank for Industrial and Touristic Development. [Redacted]

25X1

25X1

[Redacted]

25X1

[Large Redacted Area]

25X1

[Redacted]

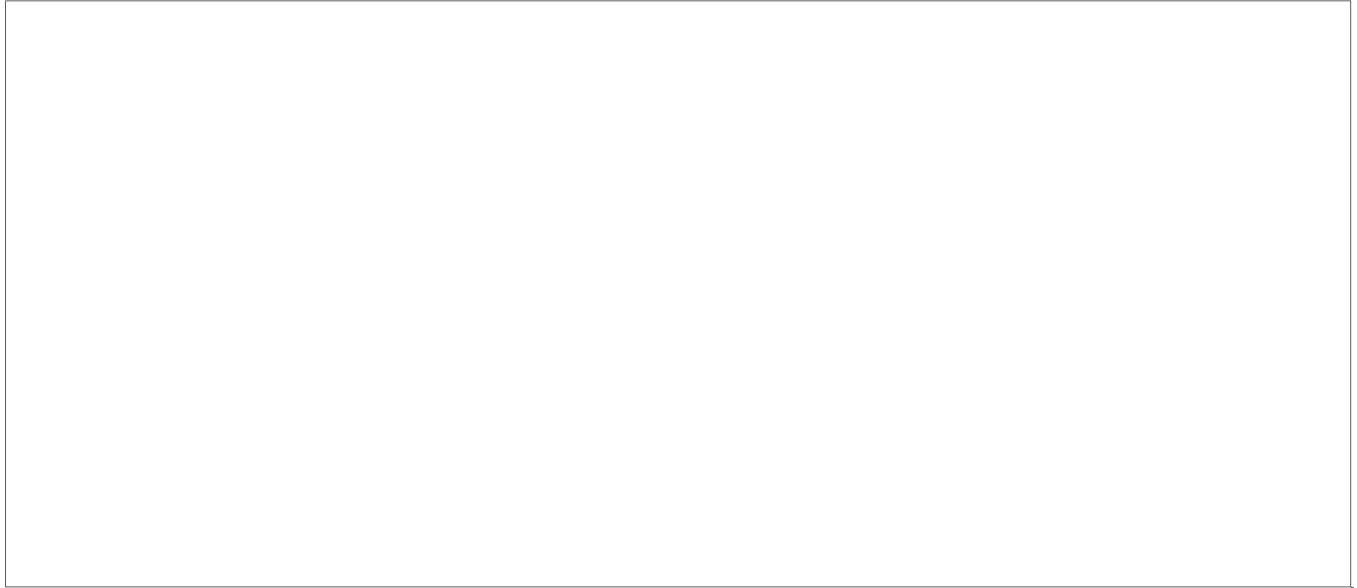
Page Denied

Next 1 Page(s) In Document Denied

25X1



25X1



USSR-NORWAY: Fishing Zone

25X1

25X1

[Redacted] The USSR may declare a restricted fishing zone encompassing nearly the entire Barents Sea, according to reports recently circulated at the North Atlantic fishing conference in Madrid. The Soviets are said to be taking this action in anticipation of the diversion of their trawlers from waters inside the 200-mile economic zone the EC plans to establish next month.

25X1

[Redacted] The Soviet delegate to the conference told US representatives that his government might extend its fishing waters on January 1. Both the Japanese and Polish delegates claimed to be fully aware of Soviet intentions. The Polish delegate confirmed that his government had received a note describing Soviet intentions to establish protected zones in most of the Barents Sea.

25X1

[Redacted] //The EC's announced intention to declare a 200-mile economic zone on January 1--the same day on which Norway plans to establish a similar zone--apparently convinced Moscow that it cannot remain a passive observer while West European governments lay claim to rich fishing grounds in the North Atlantic and adjacent seas.//



25X1

[Redacted]

25X1

[Redacted]

//Norway's announced plan to establish a fish conservation zone in the waters around Svalbard also may have contributed to Soviet anxiety. The Soviets catch approximately 450,000 tons of fish annually in these waters. A recent Oslo daily speculated that further restrictions on Arctic fishing could result in Soviet countermeasures, possibly including the establishment of a 400-mile economic zone from which EC fishermen would be excluded.//

25X1

[Redacted]

//The Soviets may base their claim to the Arctic seas on a decree they issued in 1926 establishing jurisdiction over islands in various sectors of the high latitudes between the Soviet mainland and the North Pole. The Soviets have taken an uncooperative attitude on negotiating with Norway an agreement resolving their conflicting positions concerning the demarcation line in the Barents Sea.//

25X1

[Redacted]

//Moscow's current tactic is to refuse to recognize that any jurisdictional dispute exists in this area, a position that may harden during bilateral negotiations next week.//

25X1

[Redacted]

25X1

[Large Redacted Block]

25X1

[Redacted]

[Redacted]

[Redacted]

25X1

WESTERN SAHARA: Saudi Mediation

25X1

[Redacted] //Saudi Arabia is making some progress in its effort to mediate Algeria's dispute with Morocco and Mauritania over Western Sahara.//

25X1

[Redacted]

25X1

[Redacted] //Saudi Crown Prince Fahd initiated the mediation effort in mid-November when he spent 11 days traveling in the three North African countries. Fahd recently told the US ambassador in Jidda that he had found Boumediene surprisingly

25X1

[Redacted]

[Redacted]

moderate. The Algerian leader asked Fahd to tell Hassan that Algeria is willing to seek a settlement agreeable to all parties.//

25X1

[Redacted] //Boumediene may in fact be exploring the possibility of reaching a face-saving compromise. Algeria has become increasingly isolated and Boumediene has lost prestige because of the continuing dispute. Both the Algerians and the Moroccans have begun to tone down their propaganda attacks against each other.//

25X1

[Redacted] //Achieving a negotiated settlement will nonetheless be a long and difficult process. We have no evidence that Boumediene has abandoned his position that the rebel Polisario Front, which is seeking independence for Western Sahara, should be included in the negotiations. Morocco would oppose any negotiations that included the Front, so long as the Moroccan armed forces are still fighting the guerrillas.//

25X1

[Redacted] //Agreeing on a formula for consulting the Saharan people in a referendum is another contentious issue. The Moroccans are unlikely to accept Algeria's position that a referendum must include the approximately 40,000 Saharan refugees in Algeria.//

25X1

[Redacted] //Most of the refugees fled or were forced to leave the territory in late 1975 and early 1976. They probably were counted in the Spanish census of 1974, which found the native population of Sahara to be 74,900.//

25X1

[Redacted] //Rabat is even less likely to accept Algeria's condition that a full withdrawal of the Moroccan-Mauritanian administration precede a referendum on self-determination in Western Sahara.//

25X1

[Redacted] //Hassan has attached conditions of his own to his professed willingness to hold a referendum: a halt in guerrilla operations, consent by Spain to provide Morocco with a detailed breakdown of Spanish census figures for the territory, and the organization of a new census. The Moroccans almost certainly would rig any new census to ensure a favorable outcome in a referendum.//

25X1

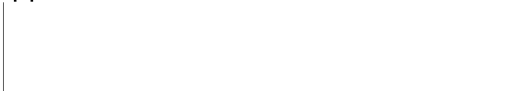
25X1

[Redacted]

[Redacted]

25X1

[Redacted]



ARGENTINA: Military Retirements

25X1 [redacted] President Videla, in an effort to strengthen his position, has used the annual December military promotion and re-assignment process to retire several army generals who have been at odds with his relatively moderate policies. Despite some grumbling, there appears to be no serious move afoot to thwart Videla's action.

25X1 [redacted] It appears that a total of eight generals will leave active duty. At least three of them are prominent members of the so-called hard-line wing of the army which favor harsh national security measures. They also oppose early conciliatory gestures toward civilian groups.

25X1 [redacted] The retirement of these hard-liners reflects the growing confidence of Videla and his supporters and apparently is intended as a warning to others who hold such views.

25X1 [redacted] The three retiring officers had occupied second-echelon positions, and their departure does not guarantee an end to pressures from conservatives. Two of the most prominent hard-line spokesmen remain in cabinet posts and two others command key regional army corps.

25X1 [redacted] If Videla manages to check the hard-liners, he will be in a far better position to proceed with important political moves he reportedly favors. Chief among these is the relaxation of at least some of the stringent controls on organized labor.

25X1 [redacted] Labor is the most influential civilian force and, potentially, the most important source of serious resistance to the junta. Growing worker restiveness is undoubtedly contributing to the President's resolve to ease some of these controls soon. Conservative officers have thus far blocked efforts to begin the normalization of labor activities. [redacted]

25X1

BRAZIL: Public Spending Cuts

25X1 [redacted] Brazil has announced that it will make major cuts in public-sector investment in 1977 to control inflation and to reduce the current-account deficit. The retrenchment will reinforce tight monetary and wage policies already in effect and




25X1




will help prevent further erosion of Brazil's credit standing despite its large, growing foreign debt.


25X1

 The cuts announced so far will slash public investment about 20 percent compared with this year's level. Because private investment, which accounts for about two thirds of the total, probably will continue the growth of recent years, overall investment will decline only slightly.


25X1

 Despite Brazil's assertion that some economic growth will be achieved next year, we believe the austerity program, if fully carried out, could halt economic growth in 1977. Consumer spending has already fallen off considerably in recent months.


25X1

 The new fiscal constraints will further weaken consumer demand as well as reduce investment. Although the government will try to avoid a recession, it believes continued economic constraints will be necessary to bring inflation under control and maintain Brazil's credit standing abroad.


25X1

 The spending cuts will fall most heavily on development projects for electric power, transportation, and communications. Housing construction also will be curtailed, and some agricultural development projects will be slowed. Only government investment in petroleum and iron and steel, two areas vital to Brazil's import substitution program, has been left untouched.

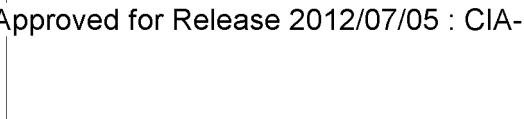
25X1

 The government will probably be unable to realize its hope of lowering the inflation rate to about 25 percent from this year's 50 percent. We expect prices to increase by at least 30 percent, largely because Brazil's indexing system will sustain much of the inflationary momentum built up this year. Rising import prices, particularly for oil, shortages of some imported goods, and higher interest rates also will keep the price level under pressure.

25X1

 Sluggish economic performance, along with direct import controls and steadily growing export earnings, should cut about \$1 billion from this year's \$6.0- to \$6.5-billion current-account deficit. This is a smaller cut than Brasilia expects.





Although net financing requirements will decline by a similar amount next year, gross borrowing will remain near the 1976 level because of the rise in repayments scheduled for 1977.

25X1



25X1



25X1

Page Denied

Top Secret

(Security Classification)

Top Secret

(Security Classification)