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# The President's Daily Brief

*January 18, 1977*

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USSR-EGYPT: *A high-ranking Soviet diplomat at the UN arrived in Cairo last week to take soundings on breaking the impasse in Soviet-Egyptian relations, but he is not likely to be successful.*

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The arrival of a Soviet trade delegation on January 25 will be another test of Soviet and Egyptian willingness to normalize relations. According to the Soviet ambassador in Cairo, Moscow has decided to take a tough line in negotiations for a new trade agreement because of Egyptian efforts to undercut the Soviet role in the Middle East.

\* \* \*

USSR: *The USSR, in an effort to take the offensive against Western criticism of its sale of heavy water to India, has made its strongest statement to date on nuclear non-proliferation.*

The recent shipment appears to contradict declared Soviet policy, which holds that IAEA safeguards on all elements of the nuclear fuel cycle should be a precondition to any future exports of nuclear supplies. Nevertheless, in

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response to a US query about the sale, a prepared Soviet statement repeated previous Soviet proposals to strengthen and extend the guidelines of the Nuclear Suppliers Group and emphasized the Soviet view that the nuclear Non-Proliferation Treaty must be strongly supported and IAEA safeguards made more effective.

The statement also objected to the delay over completing a safeguards agreement between Euratom and IAEA. This underscores the Soviet insistence that international safeguards must be universally applied, and that Euratom safeguards are less than adequate substitutes for IAEA controls.

\* \* \*

*FRANCE-ISRAEL: France's handling of the Abu Daud affair, strongly defended yesterday by President Giscard, is unlikely to become a major domestic political issue.*

Both the left and right wish to avoid taking what could be interpreted as either a pro-Israeli or a pro-terrorist position.

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*The French hope the Daud incident will not seriously affect relations with Israel.*

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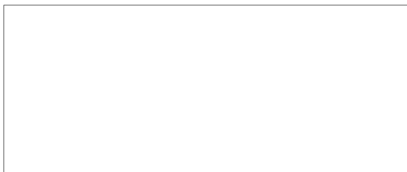
NOTES

Yugoslav President Tito  
leaves Belgrade today  
for three days of talks  
with Libyan leader Qad-  
hafi, followed by sim-  
ilar discussions in  
Egypt with Sadat.

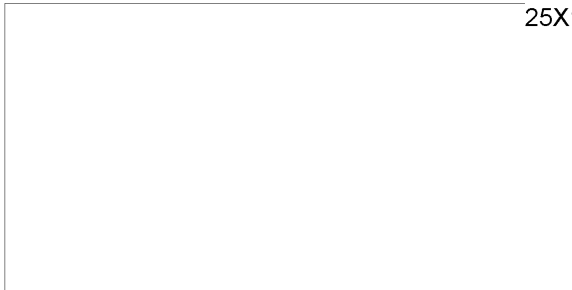
There are no indications that Tito's discussions with either leader will result in major changes in the positions of any of the parties on the basic components of a Middle East settlement.

Tito may try again to nudge Sadat to improve Egypt's ties with the Soviet Union and thus balance Cairo's relations with the super-powers. He may also believe he can help ensure that Palestinian interests are kept in the forefront as the Arabs prepare for a reconvening of the Geneva conference.

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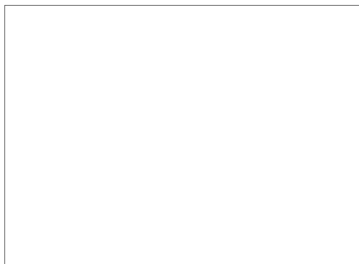


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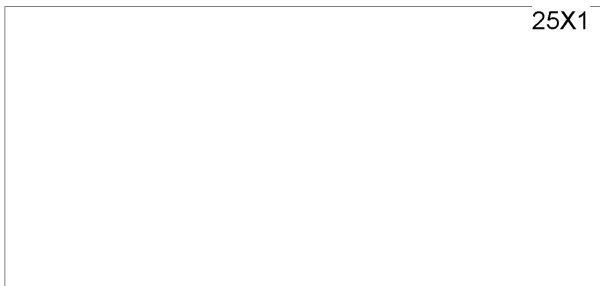


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UNREST IN CHINA

*The level of political disorder in China has declined since the arrest last October of the "gang of four," the leading leftists on the Politburo. In fact, the situation at the local level may be calmer now than at any time in the past decade.*

The "gang of four" had been the major instigators of conflict in the provinces. Local leftists, deprived now of support from national leaders in Peking, tend not to act on their own.

The Western press has erred in treating Chinese accounts of the past activities of the leftists as a description of the current situation. To our knowledge, there was only one attempt to organize open local resistance to the arrests of the leftists last October. It occurred in Shanghai, long a leftist bastion and the home of three of the four leaders concerned, and was stopped before it could gain momentum. Military units throughout China were not put on alert at the time, an indication of the new leadership's confidence in its ability to handle local situations.

On three subsequent occasions, Peking resorted to brief military intervention to restore order at local levels. These episodes have been the object of considerable recent attention in the Western press, but in all three cases, the unrest had developed well before the fall of the senior leftists.

Pao-ting

The only area in which unrest appears to have intensified after the fall of the Peking leftists is Pao-ting, a city near Peking. Last spring local leftists in Pao-ting apparently raided a military arsenal, prompting a strong reprimand from the capital. [redacted] local military units, believed loyal to the leftists, were themselves involved in partisan political activity and perhaps went so far as to distribute weapons to their civilian followers.

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After the fall of the "gang," the situation in Pao-ting again became serious as local leftists resumed their disruptive activities. Intervention by other military units stationed in the area quickly restored order, although not without some bloodshed. Foreign Ministry officials have described the current situation there and elsewhere in China as calm.

*The Pao-ting situation points to an especially delicate problem for Peking--how to deal with those senior military officers who were aligned with the leftists or who were in general sympathy with them.*

The majority of the military leadership at regional and provincial levels appears to be aligned with the new leadership. The allegiance of at least one military regional commander, however, is questionable. Li Te-sheng, politburo member and commander of the Shen-yang Military Region, seemed especially vociferous in his attacks last year on former vice premier Teng Hsiao-ping. The propaganda from that region and from the area where Li has previously served was harsher than other attacks on Teng, and party chairman Hua Kuo-feng indicated immediately after the fall of the senior leftists that Li's province deserved attention.

The leadership will probably move cautiously on this problem in order to avoid refueling factional fires. Although the case of Li Te-sheng may now be under investigation in Peking, no action is likely until the leadership is confident that the matter can be resolved with a minimum of disruption.

The Military's Role in "Rectification"

*The military has assumed a leading role in the campaign to identify and punish local followers of "the gang of four."*

One of the more important aspects of Peking's efforts to eliminate leftist factionalism was the publicity given the use of military troops, either through radio broadcasts or the circulation of official directives.

Peking's demonstrated willingness to use troops and the obvious fact that the military can be relied upon to put down leftist disruptions should prevent major

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unrest. The coming "rectification" campaign--a housecleaning of local administrative organs that will probably result in the removal of lower level leftist officials--presents Peking with an opportunity to reduce sharply, if not totally end, local factionalism.

Problems Persist as Factionalism Recedes

*Once the purge of local leftists has been completed, Peking will still face problems at the provincial level.*

The leftist ideology represented by the "gang of four" has a constituency throughout the country, and the removal of disruptive leftists will not end disputes over how best to implement policies established by Peking. Pressures from younger party members for a larger share in local administration will also continue to mount.

The most likely source of friction at the local level will be the new leadership's approach to economic development. The expected heavier reliance on economic incentives to boost production could result in a spiral of rising expectations that Peking will not be able to meet. Strikes for higher wages have been a periodic problem for several years, and the clamor for more and better creature comforts can be expected to become a growing problem for Peking.

In short, China's fundamental ideological, generational, and economic problems will persist and become more prominent as the political factionalism of the Mao era recedes. But post-Mao conflict over policy issues promises to be less explosive and divisive than the open political warfare of the past decade.

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