



# The President's Daily Brief

*January 3, 1977*

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~~Top Secret~~<sup>25X1</sup>

Exempt from general  
declassification schedule of E.O. 11652  
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*FOR THE PRESIDENT ONLY*

January 3, 1977

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Chile-Peru: The Chilean army has been conducting war games near the Peruvian border for the past two months. We do not believe Chile or Peru is contemplating a military move in the near future. (*Page 1*)

Botswana-China: Two planeloads of Chinese arms apparently arrived in Botswana yesterday. (*Page 1*)

Note: Egypt-Libya (*Page 3*)

*FOR THE PRESIDENT ONLY*



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*FOR THE PRESIDENT ONLY*

CHILE-PERU: *The Chilean army has been conducting war games near the Peruvian border for the past two months.*

[REDACTED] 25X1

[REDACTED] Such maneuvers are not unusual, but in the current tense situation, there is some risk that Peru might misinterpret them. We do not believe Chile or Peru is contemplating a military move in the near future.

The two countries have an unwritten agreement to give each other advance notice of any exercises involving troop movements, but it has not always been rigorously observed. Although Chilean Defense Minister General Brady reportedly discussed the establishment of a "hot line" with Peruvian Prime Minister General Arbulu during his visit to Lima in October, we have no indication that it has been set up.

The Chilean navy's recent decision to arm fishing vessels for patrol duties could also prove troublesome. Chilean fishing craft have already strayed accidentally into Peruvian waters, and future incidents could lead to a hostile incident.

\* \* \*

BOTSWANA-CHINA: *Two planeloads of Chinese arms apparently arrived in Botswana yesterday.*

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The US embassy reports that Zambian air force planes delivered the shipments.

[REDACTED]  
[REDACTED] We do not know whether any advisers accompanied the shipments.

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*FOR THE PRESIDENT ONLY*

Botswana is deeply concerned over its inability to prevent border violations by Rhodesian security forces, and in early December appealed to the UN Security Council for help in halting these operations. President Khama has been seeking arms from both the US and UK, but has not wanted to pay their high cost.

The Soviet ambassador to Zambia and Botswana has stated publicly that the USSR is ready to give Botswana military help to repulse Rhodesian troops. President Khama, however, is uneasy over the USSR's aggressive role in southern Africa, and would prefer to keep Soviet influence to a minimum.

Khama probably views the Chinese as more acceptable partners, partly because the Chinese have played a low-key role in their sizable aid programs in Tanzania and Zambia.

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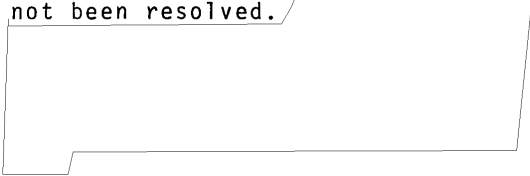
*FOR THE PRESIDENT ONLY*

NOTE

*One of the two Egyptian  
MIG-21 squadrons sent  
to the Libyan border  
area early last year  
returned last week to  
its former base near  
Cairo.*

This is the first military unit we have noted coming back from western Egypt since tensions rose between Egypt and Libya early last year.

It is unlikely that Egypt has any plans for military operations against Libya until at least next spring, when the weather will be more favorable. Nevertheless, we expect that most Egyptian forces already in the border area will remain there, if for no other reason than to remind Libyan President Qadhafi that his differences with Egyptian President Sadat have not been resolved. 25X1





*Top Secret*



# The President's Daily Brief

*January 4, 1977*



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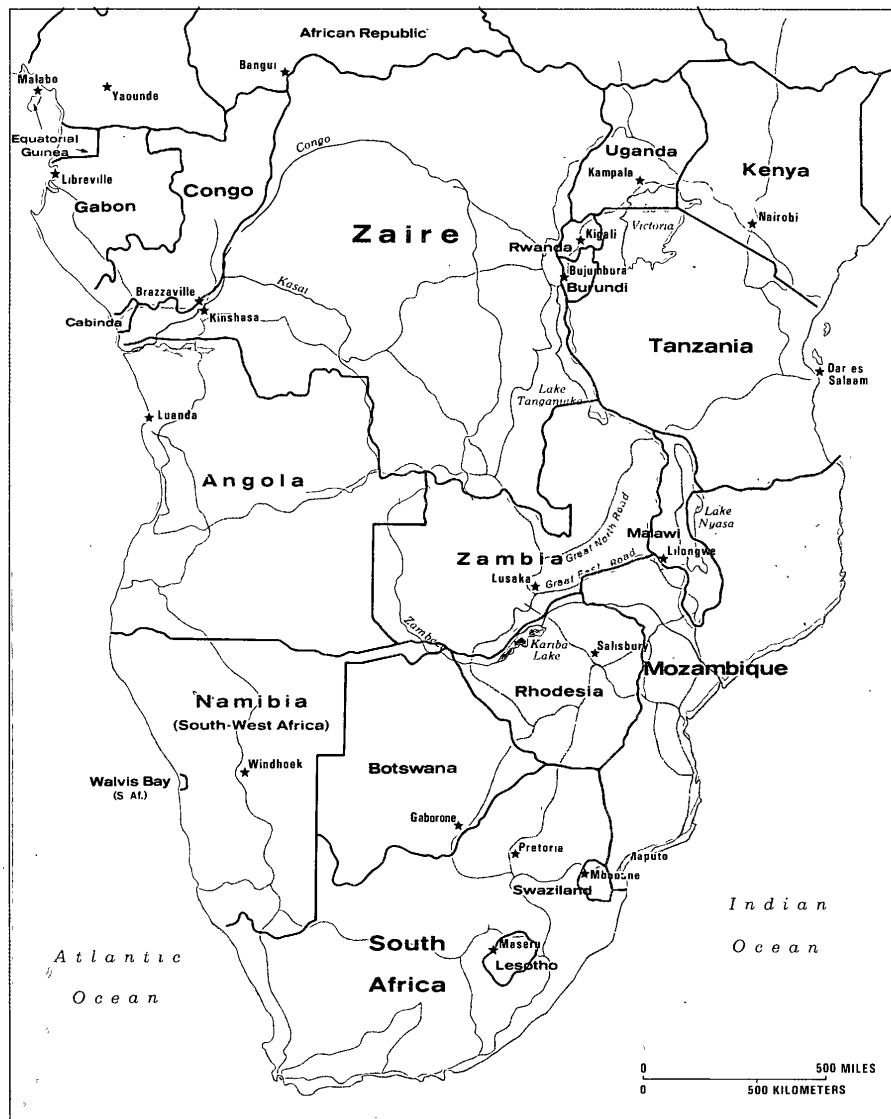
January 4, 1977

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Rhodesia: Rhodesian nationalist leaders and presidents of the front-line African countries reportedly are considering ways to improve the military performance of the Rhodesian guerrillas. (*Page 1*)

Note: India (*Page 2*)

*FOR THE PRESIDENT ONLY*



*FOR THE PRESIDENT ONLY*

*RHODESIA: Rhodesian nationalist leaders and presidents of the front-line African countries reportedly are considering ways to improve the military performance of the Rhodesian guerrillas.*

The recent Rhodesian army raids into Mozambique [redacted] have convinced most of the nationalists and their allies that the guerrillas are much weaker than had been assumed. The latest raids, which began two months ago, apparently have disrupted guerrilla plans for increased military activity. Action in eastern Rhodesia by guerrillas based in Mozambique has been generally at a low level since the raids began.

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The nationalists and the front-line presidents are said to be discussing the reintegration of the main guerrilla force, representing the Zimbabwe African National Union based in Mozambique, with the much smaller force of the Zambia-based Zimbabwe African People's Union. These two guerrilla groups were merged briefly in Mozambique early last year, but the joint force disbanded after the two factions engaged in armed clashes.

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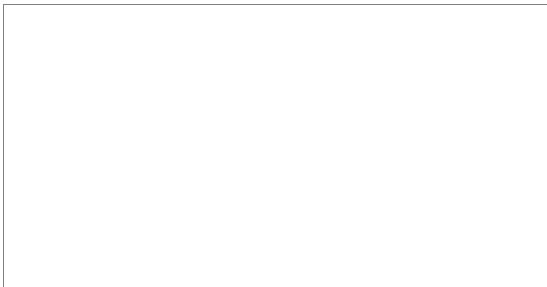
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*FOR THE PRESIDENT ONLY*

NOTE

*The Indian government arrested scores of Communists December 31 as a means of quashing a national protest planned by the Indian Communist Party against Prime Minister Gandhi's domestic policies.*

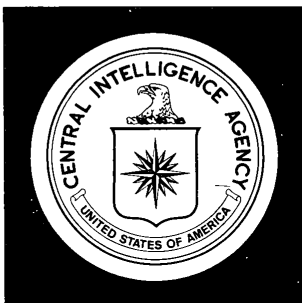
Increased Communist criticism of Gandhi's ruling Congress Party is another aspect of growing tension between the government and the Indian Communist Party and its impatience with restrictions imposed under the state of emergency.



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# The President's Daily Brief

*January 5, 1977*

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*FOR THE PRESIDENT ONLY*

January 5, 1977

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USSR: Soviet grain harvest losses exceed the tonnage imported annually from the US. (*Page 1*)

West Germany - Middle East: West Germany is seeking a role in the effort to arrange a Middle East settlement. (*Page 2*)

Rhodesia: Rhodesian black leaders have formed two new parties to operate inside Rhodesia. (*Page 3*)

France-Iran: The French have agreed to aid Iran in developing nuclear and solar energy programs. (*Page 4*)

East Berlin: East Germany has taken new measures to strengthen its claim to full sovereign control over East Berlin. (*Page 4*)

Note: Poland (*Page 6*)

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

*USSR: The USSR's need for sizable grain imports each year stems in part from excessive harvesting losses. We estimate that as a result of poor technology in growing and harvesting, at least 10 percent of the grain grown in the USSR is not harvested, a loss rate more than double that of the US.*

*Soviet harvesting practices also adversely affect grain quality, thereby contributing to further losses in the course of transportation, processing, and storage.*

Annual losses of unharvested grain may range from 15 to 25 million tons. If the Soviets could cut their loss by even one half, the increased yield would more than exceed the 6 to 8 million tons per year they have agreed to import annually from the US from 1976 to 1980. Without improved harvesting, Soviet grain production is expected to remain 10 to 15 million tons short of actual needs for several years.

Because of peculiarities in the varieties of grains grown in the USSR, the Soviets usually harvest their grain when the moisture content is too high for efficient harvesting and storage. Moist grain is prone to mechanical and biological damage, which reduces its value, especially for such uses as feed, seed, and strategic reserves.

Insufficient equipment, an increasing and unstudied use of chemical fertilizer, as well as slow progress in improving grain varieties are also factors in Soviet grain production and harvest losses.

Soviet measures to reduce grain losses do not appear adequate:

--New grain varieties will be introduced during the next few years, but they will be seeded in only one third of the grain area, and many of the new varieties have the same shortcomings as the old ones.

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*FOR THE PRESIDENT ONLY*

--A planned 50-percent increase in the number of farm trucks would not eliminate all of the bottlenecks in transportation of grain.

--New Soviet combine models are being introduced too slowly to bring rapid improvement in the combine fleet, and even the new models have design problems which limit their usefulness.

\* \* \*

WEST GERMANY - MIDDLE  
EAST: *West Germany is seeking a role in the effort to arrange a Middle East settlement.*

Foreign Minister Genscher said publicly last week that it would be "useful" if all those interested in a Middle East solution would take steps to promote the Geneva conference. He has recently talked to the ambassadors from Jordan, Saudi Arabia, Egypt, and Israel, stressing to the Arab ambassadors that the Palestine Liberation Organization should be persuaded to recognize Israel's right to exist.

Genscher also said that he intends to visit Jordan, Syria, and Israel in the next several months, and to host a visit by the Egyptian foreign minister in Bonn. He will urge that final borders should be "almost identical" with those existing in 1967.

Genscher apparently hopes for a discussion of the Middle East at a ministerial meeting of the EC scheduled for January 31, and he has said any EC endeavor on the Middle East would be made in "close coordination" with the new US administration.

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*FOR THE PRESIDENT ONLY*

The West Germans have also established direct contact with the PLO representative at the UN.

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How doggedly the West Germans will pursue their largely undefined diplomatic initiative is unclear. They will wish to wrap themselves in the EC mantle--and to consult with the US--but if they are not supported by their allies, they may abandon their effort.

\* \* \*

*RHODESIA: Rhodesian blacks have formed two new parties to operate inside Rhodesia.*

One of the parties, the Zimbabwe United Peoples Organization, is being founded by two black cabinet ministers who resigned from the government to form a "moderate party capable of negotiating a peace settlement" with the government.

This new group, which may have been encouraged by white cabinet ministers, is unlikely to attract the support of any prominent black nationalists, but Prime Minister Smith will probably consider "negotiating" with it.

The other new party, the People's Movement, was organized by a nationalist who recently broke with Bishop Muzorewa's faction. Its announced purpose is to provide a voice inside Rhodesia for Robert Mugabe, leader of the Zimbabwe African National Union.

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*FOR THE PRESIDENT ONLY*

The government may clamp down quickly on the second group. Mugabe is anathema to Smith because his faction represents most of the Rhodesian guerrillas.

\* \* \*

FRANCE-IRAN: *The French have agreed to aid Iran in developing its nuclear and solar energy programs.*

Under the terms of agreements concluded with Iran, France will:

--Provide technical assistance to establish a nuclear research center.

--Train Iranian technicians to operate nuclear reactors.

--Provide Iran with two 900 megawatt nuclear reactors, to be in operation by 1982-1983, and give Iran the option to buy three more.

Iran's director of energy research believes solar energy is the most attractive alternative for rural electrification over the long term. A feasibility study has been completed, and a solar energy unit capable of producing 100 kilowatts of electrical and 200 kilowatts of thermal power is being developed. Iran hopes to use such units in small villages and for sale to neighboring countries.

\* \* \*

EAST BERLIN: *East Germany has taken measures apparently aimed at strengthening its claim to full sovereign control over East Berlin.*

New visa procedures have been imposed on all non-German visitors entering the East German capital from West Berlin. In effect, a visa valid only until midnight of the day of issuance is now required even for one-day visits.

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*FOR THE PRESIDENT ONLY*

Previously, such foreigners were permitted an overnight stay in East Berlin without a visa. The new regulation does not apply to West German citizens, permanent residents of West Berlin, or members of the Allied forces.

The East Germans also have removed border control points at the boundary between East Berlin and East Germany. The control posts were used primarily to ensure that visiting Westerners had proper visas for East Germany and to prevent Allied vehicles from straying beyond East Berlin. This removal at this juncture may be part of the Honecker regime's effort to get rid of those symbolic anomalies which undercut its contention that East Berlin is an integral part of East Germany.

East German leaders have adopted a more strident position toward Bonn recently, in part reflecting the leadership's sensitivity to West German media exploitation of East Germany's internal problems. West German officials are concerned that the Honecker regime may impose new procedures for West Germans wishing to travel to East Berlin. About 1,300,000 West Germans travel annually to East Berlin.

\* \* \*

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*FOR THE PRESIDENT ONLY*

NOTE

Polish leaders, using stop-gap measures to satisfy consumer demands, slid through the critical Christmas holidays without any new demonstrations.

The Poles remain skeptical of the regime's ability to come up with any real solution to the country's serious economic problems.

Any overreaction by the leadership to public criticism or imposition of stronger economic measures could, of course, lead to new outbreaks of public disorder.

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# The President's Daily Brief

*January 6, 1977*

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January 6, 1977

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USSR-Syria: [redacted]  
[redacted]  
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Tanzania-Rhodesia: [redacted]  
[redacted]  
[redacted]

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USSR-Iran: The USSR is attempting to expand its role in Iran  
to include help in developing nuclear power. (Page 2)

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Notes: USSR; Cuba (Page 4)

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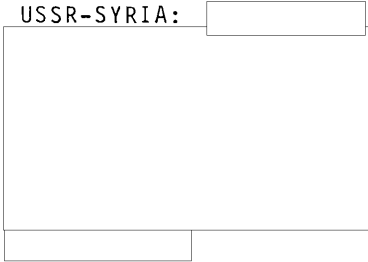
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USSR-SYRIA:



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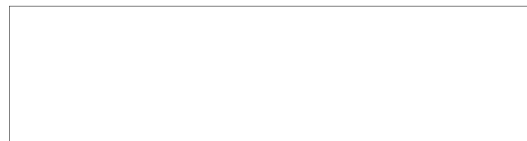
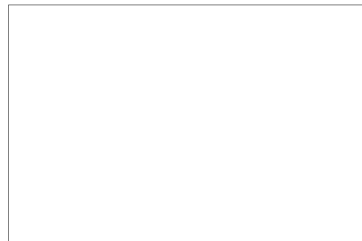


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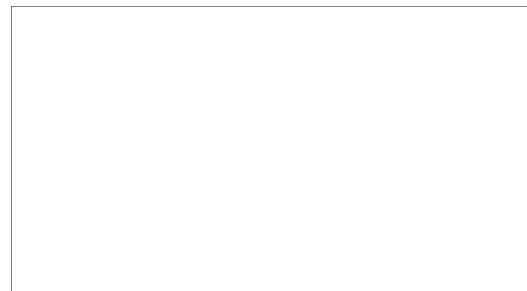
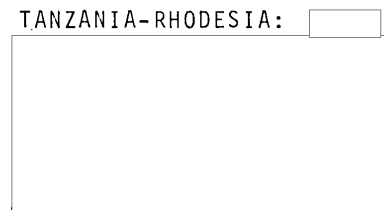
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TANZANIA-RHODESIA:



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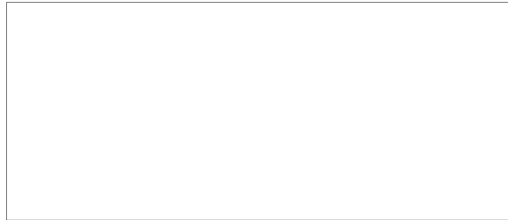


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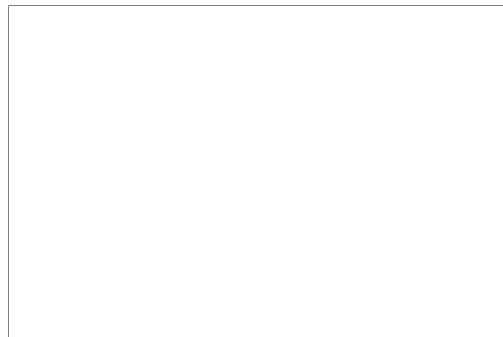
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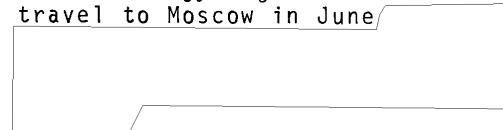
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USSR-IRAN: *The USSR is attempting to expand its role in Iran to include help in developing nuclear power.*



the two sides have signed a protocol on peaceful nuclear cooperation which includes the possible Iranian purchase of Soviet uranium enrichment services and technical assistance on nuclear fuel fabrication. The president of Iran's atomic energy organization will travel to Moscow in June

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Iran is now the largest customer for Soviet industrial equipment in the Third World. The Soviets have more than \$1 billion in construction contracts and are negotiating an expansion of the Soviet-built steel plant at Isfahan

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*FOR THE PRESIDENT ONLY*

and participation in the construction of a gas pipeline from Iran to Western Europe. Several months ago the two sides signed a \$3 billion trade agreement.

*The expansion of economic ties has recently been matched by positive political signals.*

Following Iran's decision to return a Soviet defector late last year and to permit a port call by Soviet warships and overflights by TU-95 naval reconnaissance aircraft, the political climate has improved significantly.

\* \* \*

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*FOR THE PRESIDENT ONLY*

NOTES

*The record grain crop confirmed yesterday by the USSR--223.8 million tons--can be attributed primarily to good weather and to some improvements in organizing the harvest.*

The 1976 crop compares with the previous record of 222.5 million tons in 1973 and the decade low of 140 million tons in 1975.

As in the past, the 1976 crop will presumably be subject to post-harvest losses. These derive from the high moisture content of Soviet wheat and consequent damage and deterioration in the course of transportation and storage.

Despite the good harvest, the USSR purchased 12.6 million tons of grain in 1976. These purchases were required partly because of the poor crop in 1975; 6.4 million tons were bought under the US-USSR long-term grain agreement which commits the Soviets to buy at least 6 million tons of US grain annually until 1980.

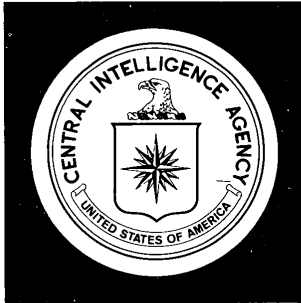
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*Another Cuban convoy left for Angola toward the end of December.*

This convoy--the sixth since May 1976--consisted of four ships. Earlier convoys completed their crossing in 15-20 days, and this group should arrive in Angolan waters around mid-January. We do not know what troops or cargo the ships may be carrying.

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# The President's Daily Brief

*January 7, 1977*

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January 7, 1977

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USSR: [redacted] 25X1

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Egypt: Egyptian officials are making a concerted effort to reaffirm Egypt's support for an independent Palestine. (Page 2)

USSR - Middle East: The Soviets are signaling the new US administration that they intend to be a part of any Middle East negotiations. (Page 2) 25X1 25X1

Rhodesia - South Africa: [redacted]  
[redacted] (Page 3) 25X1:1

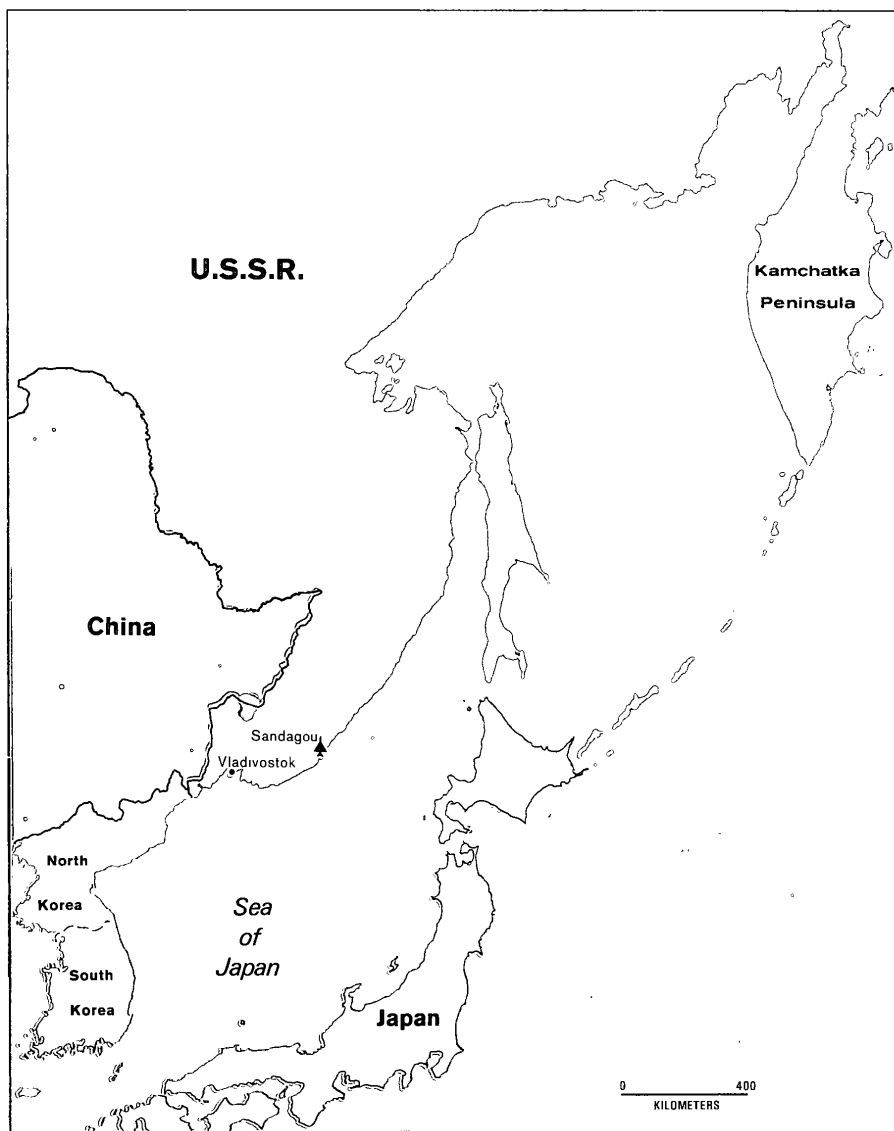
USSR-Mozambique: [redacted] (Page 3) 25X1

Lebanon: [redacted] 25X1  
terrorist incidents that occurred this week--all targeted at Christian interests. (Page 4)

Note: Sudan-Ethiopia (Page 6)

At Annex we review Vietnam's preoccupation with reconstruction since the end of the war. The Hanoi leadership has only tentatively defined its economic policy objectives, and economic performance has been unimpressive.

*FOR THE PRESIDENT ONLY*



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FOR THE PRESIDENT ONLY

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USSR:

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*FOR THE PRESIDENT ONLY*

EGYPT: *Egyptian officials are making a concerted effort to reaffirm Egypt's support for an independent Palestine.*

These officials are obviously worried about President Sadat's Washington Post interview last week suggesting that any future Palestinian state be linked to Jordan.

Cairo newspapers are taking the line that Arab solidarity is necessary in defining some "formula for coordination" between Jordan and a future Palestinian state, but are backing down from Sadat's insistence that some sort of confederal relationship "must be agreed upon."

Foreign Minister Fahmi indicated considerable discomfiture over the Sadat interview during a conversation on Monday with the US ambassador, insisting that Sadat had been expressing a personal viewpoint. Fahmi said Egypt might at some point encourage the Palestine Liberation Organization to form a confederation with Jordan, but he cited the rejection of Palestinian-Jordanian linkage by West Bank mayors as reason enough for not pressing the issue now. The foreign minister said he has assured PLO leaders that Egypt's position has not changed.

USSR - MIDDLE EAST: *The Soviets are signaling the new US administration that they intend to be a part of any Middle East negotiations.*

Moscow announced on Tuesday that it is withholding some \$4 million from its share of UN peacekeeping expenses for the Middle East. The Soviet move is a protest against the increased cost of US equipment and technicians introduced to monitor the Egyptian-Israeli disengagement agreement.

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*FOR THE PRESIDENT ONLY*

Immediately after the signing of the Sinai agreement in 1975, the USSR put the US and the UN on notice that it was opposed to the introduction of an American presence into the UN buffer zone and to the increase in the size and cost of the UN force. The USSR's failure to pay all of its peacekeeping assessment punctuates its efforts to revive the Geneva Conference and may presage a tougher Soviet position when the Security Council considers renewal of Middle East peacekeeping forces later this year.

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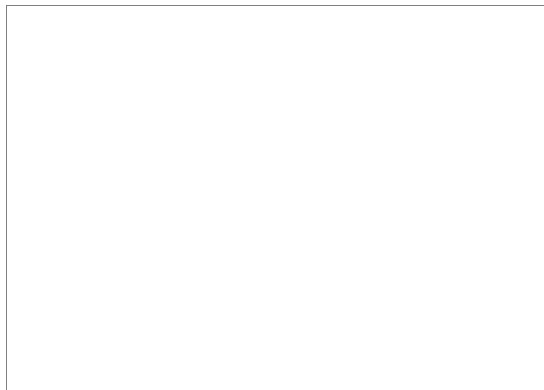
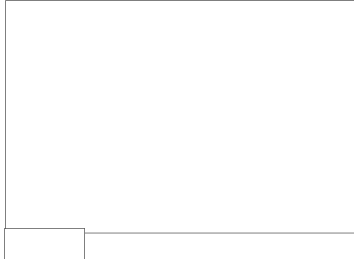
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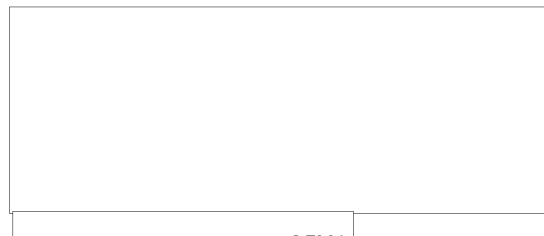
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RHODESIA - SOUTH AFRICA:



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USSR-MOZAMBIQUE:



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*FOR THE PRESIDENT ONLY*

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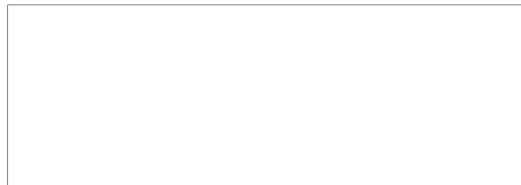
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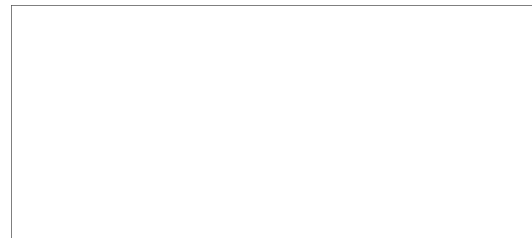


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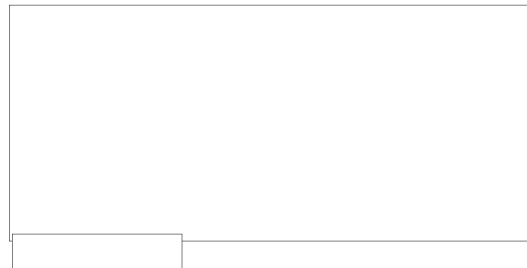
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LEBANON:



*terrorist incidents  
that occurred this  
week--all targeted at  
Christian interests.*



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Limited retaliation for this week's incidents has apparently taken place, but Christian leaders--even extremist Camille Shamun--have appealed for calm. President

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*FOR THE PRESIDENT ONLY*

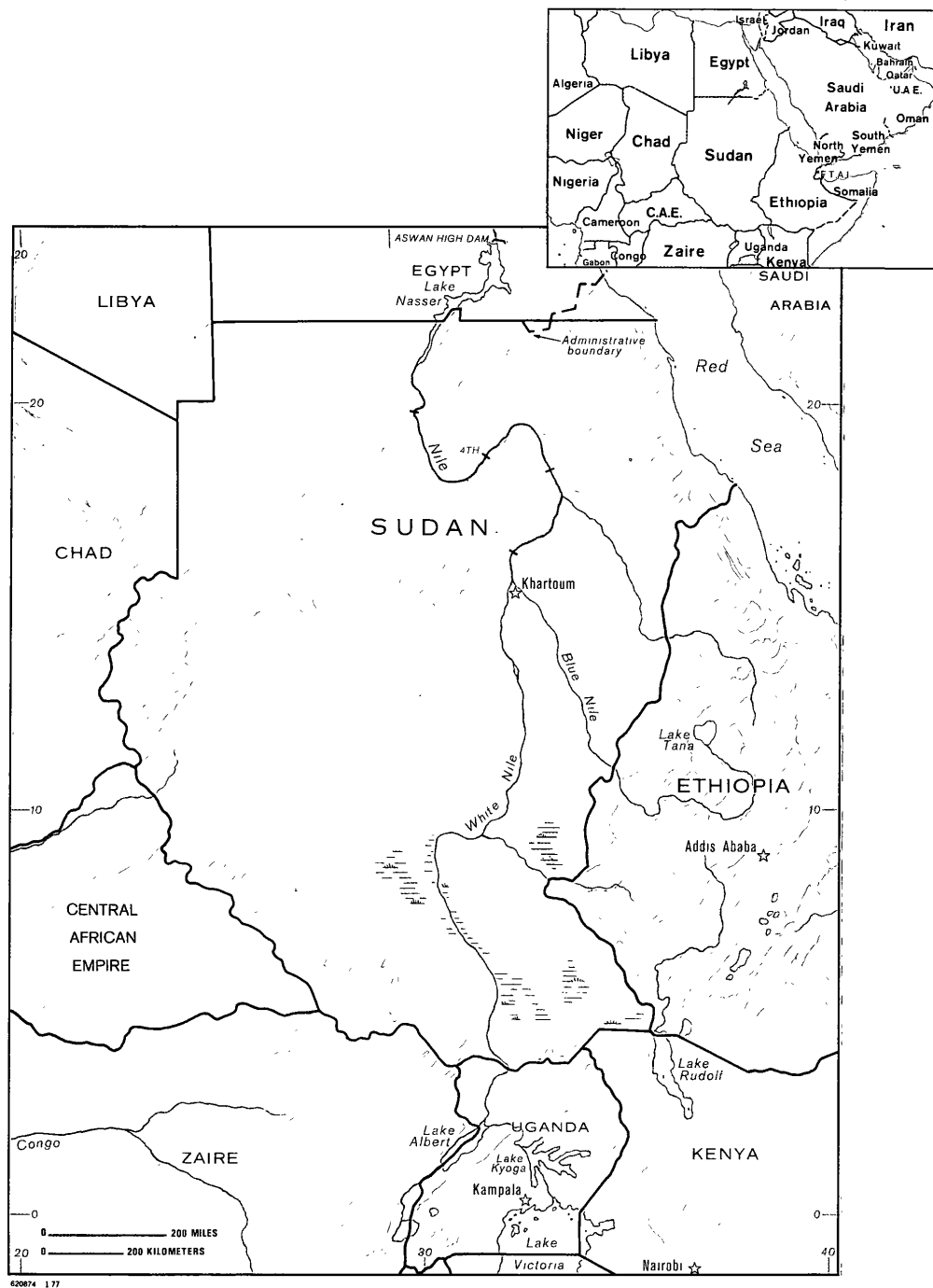
Sarkis has directed military and police officials to discover who is responsible, and leftist and Palestinian leaders have so far refrained from public statements that might inflame the atmosphere.

The fear of reprisals may spur government efforts to round up weapons, although it will also increase the reluctance of the combatants to hand them over. The government has announced that the quadripartite committee overseeing the cease-fire will meet today to make final decisions on how to enforce the collection of arms.

Lebanon's southern border has remained relatively quiet, although Arab security forces have not yet dared to patrol the area.

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*FOR THE PRESIDENT ONLY*

NOTE

*The Sudanese government is mounting a major diplomatic and public relations campaign charging Ethiopia with aiding rebels preparing to attack the Sudan.*

In his National Day speech on January 1, President Numayri threatened to close the border with Ethiopia, and to utilize Ethiopians living in the Sudan to export unrest across the border. Khartoum has withdrawn its ambassador from Addis Ababa, and Numayri's foreign policy adviser has met with the US, British, French, and Soviet ambassadors to repeat the President's accusations.

Little military action seems likely. The Sudanese are reportedly reinforcing the border, probably to prevent infiltration by the rebels.

At most, Khartoum may sponsor small-scale raids on the camps of Sudanese Ansar tribesmen in Ethiopia--who reportedly are receiving sophisticated weapons from Libya--as it did last November. Harassing operations by local units against Ethiopian forces near the border might also occur.

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## FOR THE PRESIDENT ONLY

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## ECONOMIC TRANSITION IN SOUTHERN VIETNAM

*Twenty months after the fall of Saigon, the Vietnamese leadership is still preoccupied with reconstruction efforts, and has only tentatively defined its economic policy objectives. Economic performance has been unimpressive.*

The pace of transformation to socialism in the South was the central economic issue at the recently concluded fourth congress of the Communist Party of Vietnam. Hanoi apparently realizes that its administrative and technical talent is too thin and that the social costs and potential for lost output are too great for it to revolutionize the South overnight.

The government has firm control of the general direction of the southern economy, but still depends to a large extent on the private sector for day-to-day operation. Official markets have been established for many products, and the government controls the banking system, raw material allocation, and most of the rice trade. It allows varying degrees of private ownership and management of production, however, and condones a large measure of private trade.

Agriculture

*The stickiest problem in the socialization of the South is agriculture.*

Rice is still produced mainly on small private plots, which jumped in number as a result of the land redistribution carried out under the Thieu regime. The new government is only slowly tightening control over supplies and sales. Expansion of communal production--akin to that of the North--has taken place mainly in new or rehabilitated acreage under urban and refugee resettlement programs, and in some areas long controlled by the communists.

Hanoi properly fears that rapid institutional change would disrupt the economy and interfere with increases in food output. The South used relatively modern, high-yielding rice production techniques before the takeover and was near self-sufficiency at a relatively high consumption level. Hanoi

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FOR THE PRESIDENT ONLY

*FOR THE PRESIDENT ONLY*

has been hoping that, under a unified economy, a large southern surplus could alleviate the North's chronic food deficits and provide exports as well. Since the takeover, however, output on new, communal acreage in the South has not offset the falloff in private production caused by market uncertainties, input shortages, and bad weather.

Moreover, poor management and bad weather have prevented any substantial gains in the North, and efforts to level diet standards by moving supplies from the South have met with little or no success. As a result, the North's food imports in 1976 approximated the 700,000-ton average of recent years.

Industry

*The new government also has moved more cautiously than it would like in socializing industry in the South.*

In contrast with the North, where large-scale, state-owned heavy industry is the rule, southern industry is characterized by small and medium-sized private firms that depend heavily on imports. The communist takeover dislocated this industry by cutting off imports, dampening demand, and losing many managers, technicians, and skilled laborers.

To help revive industry in the South, Hanoi not only has tried to assure a continuing role for Vietnamese private capital and management but reportedly plans to allow foreign firms possibly as much as 100 percent ownership in selected new export industries and a 50-50 share with the government in selected domestic industries.

Foreign Assistance

*Vietnam remains heavily dependent on foreign assistance.*

We estimate that Vietnam would require annual imports on the order of \$1.3 billion over the next five years to sustain a real growth rate of 6 percent. It depends on imports for all petroleum and chemical fertilizer as well as most industrial materials. Food imports will remain high for several years to come. Exports are likely to finance only one third of an import bill of this magnitude.

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*FOR THE PRESIDENT ONLY*

Hanoi has been quite successful in lining up financial support. Aid promised by communist countries in 1976 may have been as high as \$1.3 billion. The USSR offered an estimated \$500 million, with China and Eastern Europe splitting the rest. How much was actually supplied is not known. Although communist aid commitments could exceed \$6 billion over the next five years, actual disbursements will be lower.

Since the end of the war, Vietnam has received commitments of about \$500 million in aid from non-communist nations. Major donors are France, Iraq, Sweden, Japan, and the Netherlands. Last year, Hanoi borrowed \$38 million from a consortium of international banks and received a \$49-million grant under the United Nations Development Program. Vietnam is eligible for assistance from the International Monetary Fund and the Asian Development Bank.

Vietnam also is looking to the West to help develop its offshore oil reserves because the communist countries lack the technology required. Prior to the fall of Saigon, Western companies had drilled a few promising exploratory wells offshore in the South China Sea. Hanoi has broached the possibility of resuming exploration with US, Canadian, Japanese, French, Italian, and Norwegian firms; the French and the Japanese so far appear to be Hanoi's favorites. There are, however, no firm indications of any forthcoming contracts for large-scale oil exploration and development.

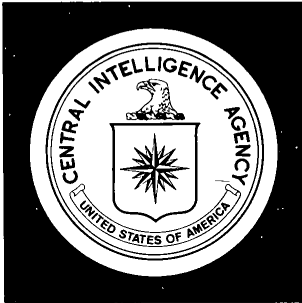
Prospects

*Vietnam's economic prospects for the next several years are reasonably good.*

The government's pragmatic approach toward socialization of the South, its acceptance of limited private enterprise, and its recent positive gestures to foreign investors indicate that Hanoi has, for the moment at least, placed economic growth ahead of ideology. Vietnam's attempts to reduce dependence on the USSR and the People's Republic of China and to establish more links with the world economy should encourage some inflow of funds, materials, and technology to improve output and, possibly, consumer welfare. Nonetheless, Hanoi's tolerance of capitalist incentives will probably wane as economic conditions and political control in the South improve.

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*Top Secret*



# The President's Daily Brief

*January 8, 1977*

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*FOR THE PRESIDENT ONLY*

January 8, 1977

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USSR-US: The Soviet media are describing the controversy in the US over intelligence estimates of Soviet strategic objectives as part of a campaign to "tie Carter's hands in foreign policy." (*Page 1*)

USSR-Egypt-Syria: The USSR is clearly concerned about the rapprochement between Egypt and Syria. (*Page 1*)

Notes: Ethiopia; South Korea (*Page 3*)

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

USSR-US: *The Soviet media are describing the controversy in the US over intelligence estimates of Soviet strategic objectives as part of a campaign to "tie Carter's hands in foreign policy."*

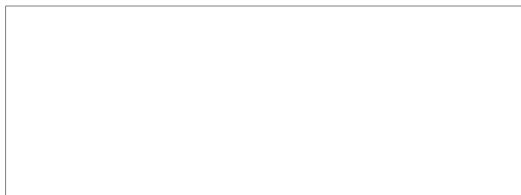
The press attacks are specifically directed at your administration-- a rare target of the Soviet media-- and they are unusually intemperate. You are accused of using your last days in office to damage detente, to increase military expenditures, and to deploy new strategic weapons systems.

One Tass article by veteran Soviet observer Valentin Zorin charges that you are attempting to "interfere openly in the affairs" of your successor. Soviet officials have privately implied that the Zorin commentary can be considered semi-official.

President-elect Carter continues to receive delicate handling from Soviet sources. Soviet news media repeatedly refer to his campaign commitments to detente and to continued cooperation with the USSR.

\* \* \*

USSR-EGYPT-SYRIA: *The USSR is clearly concerned about the rapprochement between Egypt and Syria.*



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The Soviets also interpret Saudi Arabia's growing influence in both Egypt and Syria as a setback to their interests throughout the Middle East. A Soviet diplomat in Cairo has privately accused the Saudis of acting as US proxies in the area, and has described the linkage between Egypt, Syria, and Saudi Arabia as an indirect US effort to reduce Soviet influence in the Arab states.

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*FOR THE PRESIDENT ONLY*

The major Soviet concern is that Syria, which has shared Moscow's opposition to the US-negotiated Sinai II accord, is falling in line with Egypt's view that the US holds the key to a comprehensive settlement in the Middle East. The delicacy of current Soviet-Syrian relations, however, precludes any heavy-handed direct Soviet criticism of the Syrians.

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## ERITREA: Insurgency



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*FOR THE PRESIDENT ONLY*

NOTES

*Insurgent activity in Eritrea is forcing the Ethiopian government to consider abandoning some outposts and consolidating its forces in order to maintain control of major cities and highways in the province.*

One government battalion has been under siege since mid-September and probably will not be able to hold out much longer. Its loss would be a major victory for the insurgents and would add to government morale problems, which have become serious in the face of continued rebel pressure.

The insurgents have been enlarging and improving their forces over the past two years. Although the government's military position is weakening, it has shown no greater willingness to consider a political settlement acceptable to the insurgents.

\* \* \*

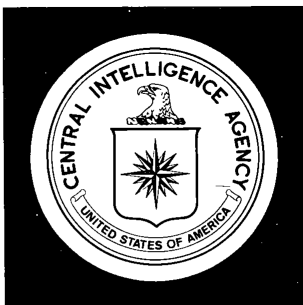
*South Korean President Pak reportedly plans a public statement next week in which he will link, for the first time, Seoul's long-standing proposal for a North-South nonaggression pact and the issue of US troop withdrawals.*

Seoul's foreign minister told Ambassador Sneider that Pak plans to say that if North Korea will agree to the pact, South Korea will not oppose US troop reductions. He added that the South Koreans expect Pyongyang to reject the pact proposal as it has done in the past.

The foreign minister claimed that Pak's aim is to give South Korea an image of greater independence and flexibility. A more important objective, however, may be to press the US to join Seoul in asking for a quid pro quo from North Korea such as a nonaggression pact. Seoul may also believe that North Korea's almost certain rejection could become an argument for slowing down any US disengagement.

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# The President's Daily Brief

*January 10, 1977*

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*FOR THE PRESIDENT ONLY*

January 10, 1977

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Greece: The US ambassador in Athens assesses the situation in  
Greece. (*Page 1*)

Notes: China; USSR (*Page 4*)

At Annex, we consider the principal developments in the Middle  
East over the past several months and draw some conclusions  
on prospects for negotiations.

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

*GREECE: US Ambassador Kubisch--assessing the situation in Greece--comments that two and a half years after the restoration of democracy, Greece is still in some ferment. Much depends on the continued leadership of Prime Minister Caramanlis, on the Greek-Turkish relationship, and on the US, whose interests and influence are substantial.*

Caramanlis' popularity as demonstrated by his 54 percent of the vote in the 1974 elections--which gave him a large majority in parliament--has probably slipped only slightly. When his term expires in 1978, he can ask parliament to elect him president, replacing the present figurehead president of Greece, whose constitutional powers actually overshadow those of the prime minister.

The opposition has been unable either to match Caramanlis' political skills or to come up with a convincing alternative to his leadership. The Prime Minister, however, cannot afford to ignore the opposition. Should he mishandle dealings with either Turkey or the US, his strength would decline rapidly.

*The military does not appear to pose an immediate threat.*

Although there is increased unhappiness with Caramanlis' leadership among some officers, particularly with what is viewed as his leniency toward the Greek Communists, this dissidence lacks organization and focus.

*The Greek economy appears to be ticking along as the country hopes and prepares for full membership in the European Community.*

A real growth rate of 5 to 6 percent is projected for 1977; inflation is down to a manageable (by Greek standards) 10 to 12 percent; unemployment is at a low 3 percent, in part because Greece has exported labor to the EC. The balance of payments and investment are economic soft spots.

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*FOR THE PRESIDENT ONLY*

*The risk of conflict with Turkey remains, especially as most Greeks are convinced that Turkey is in an expansionist phase.*

Greek leaders overwhelmingly prefer a negotiated settlement, however, and a broadening consensus seems to be developing on what might constitute an acceptable price.

On Cyprus, the Greeks would agree to two zones, a central government with limited powers, and a Turkish-Cypriot sector consisting of about 25 percent of the island. Caramanlis could defend such a settlement and has said he would break with Makarios if the Turks agreed to it and the Archbishop did not.

On the Aegean, Caramanlis has less room for negotiation, and consensus is more nebulous. He has publicly acknowledged that the Turks have "rights" in the Aegean, and the government is apparently prepared, in the course of the bargaining process, to give the Turks exploitative and other rights in the Aegean beyond the narrow strip of territorial waters they now possess.

Caramanlis recognizes the importance of Turkish elections next fall on the Greek-Turkish relationship. His awareness offers the US and the Turks additional, limited leverage in dealing with him and his government earlier in the year.

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*FOR THE PRESIDENT ONLY*

*There is growing agreement among all groups except the committed left that the US will--and should--continue to operate in and from Greece in a common defense.*

The completion of negotiations updating our defense cooperation with Greece will continue to depend largely on Caramanlis' perceptions of his own domestic and foreign policy needs. The US has retained thus far all of the operational facilities it really requires and has continued to operate virtually unhampered during the negotiations.

*Movement toward reintegration in the military structure of NATO has been slow, but Caramanlis appears sincere in his intention to return Greece to the alliance once the Cyprus problem is resolved.*

In the meantime, Athens would prefer some sort of halfway house under the NATO umbrella. Greece recently informed NATO of its willingness to return at least some of its nuclear-trained forces to NATO command.

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FOR THE PRESIDENT ONLY

NOTES

Chinese wall posters calling for the return of former vice premier Teng Hsiao-ping appeared in Peking between January 5 and 8--the period officially designated to observe the first anniversary of the death of Chou En-lai.

The same posters criticized Politburo member Wu Te, who may have had a hand in events leading to Teng's purge last spring. Many posters praised Chou En-lai or criticized the "gang of four."

Reportedly, no high-ranking leader has been associated with the memorial activities.

\* \* \*

Soviet Army General Viktor Kulikov has been appointed commander in chief of the Warsaw Pact armed forces, according to a Tass announcement.

Kulikov succeeds the late Marshal Ivan Yakubovsky, who died on November 30. Aged 55, Kulikov is the former chief of the Soviet General Staff.

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FOR THE PRESIDENT ONLY

*FOR THE PRESIDENT ONLY*

## THE ARAB PEACE OFFENSIVE

*The principal developments in the Middle East over the past several months have been:*

*--the reconciliation of Egypt and Syria;*

*--the willingness of Saudi Arabia to break with its OPEC partners on oil pricing and to use OPEC as a forum for underscoring the necessity for progress on the Arab-Israeli dispute;*

*--the imposition of a more durable cease-fire in Lebanon;*

*--the resignation of Prime Minister Rabin and the scheduling of early national elections in Israel.*

These developments have set the stage for the launching of a major Arab peace offensive led by Egypt and Syria and backed by Saudi Arabia. The Arabs have overcome the divisions in their ranks brought on by Syria's military intervention in Lebanon in March 1975, and they are now in a position to adopt a coordinated approach to peace negotiations. They are prepared to press the US to reconvene the Geneva conference and to accept the participation of the Palestine Liberation Organization in future negotiations. The key Arab states are seeking the creation of a Palestinian mini-state composed of the West Bank and Gaza and are urging the PLO leadership to endorse this goal and to abandon its military strategy against Israel.

Rabin's resignation was a calculated gamble aimed at undercutting the challenge to his leadership from his principal rival, Defense Minister Peres, and at securing broader backing from the rank and file of the ruling Labor Alignment. Rabin will remain as the caretaker head of a minority government until the elections planned for May 17. In the interim, he will not be able to commit Israel on substantive negotiating issues. Nevertheless, he is likely to strike a relatively moderate posture on negotiations and will attempt to consult

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*FOR THE PRESIDENT ONLY*A  
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*FOR THE PRESIDENT ONLY*

and coordinate negotiating strategy with the new US administration, partly with an eye to securing his own election victory. The Labor Party convention, planned for February to select a candidate for prime minister, and the ensuing national elections are likely to be the most significant political developments in the Middle East in the coming months.

Against this background, several conclusions emerge about the prospects for negotiations:

--The Arabs will expect the Geneva conference to reconvene, with the Palestinians present, soon after the Israeli elections in May. Without a US or Israeli initiative on the Palestinian representation question, however, there is no prospect for negotiations at Geneva or in any other forum.

--If the representation issue is resolved, Israel and the Arab states will agree to reconvene the Geneva conference. Egypt and Syria probably could win Palestinian agreement to participate in a joint Arab delegation if that were acceptable to the US or Israel.

--PLO Chairman Yasir Arafat appears willing to settle for a truncated Palestinian state made up of the West Bank and the Gaza Strip.

--Rabin might agree to a ceremonial reopening of the Geneva conference before the Israeli elections, but only if the Palestinians were not invited to attend at that stage.

--If Rabin remains as prime minister after the elections, he will have slightly more leeway in negotiations. If Rabin is unseated and a national unity government is formed, progress in negotiations will be more difficult.

--Neither the Arabs nor the Israelis are currently prepared to make significant concessions on fundamental issues in any new round of peace talks, but this does not preclude movement on some questions that previously appeared intractable. Significant substantive progress would require massive participation in the negotiating process by the US.

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*FOR THE PRESIDENT ONLY*

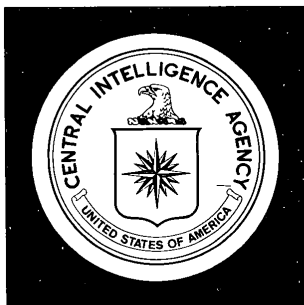
*FOR THE PRESIDENT ONLY*

--A continuing stalemate in negotiations would lead to an estrangement between the US and Egypt and Syria. Saudi Arabia is coordinating its actions with the Arab confrontation states, and is likely to increase the price of its oil in 1977 if no progress is made in peace negotiations. Saudi Arabia almost certainly will not take direct action, such as an embargo, against the US during the coming year.

--Even with a stalemate, the Arabs are not likely to initiate another round of military hostilities during 1977. Egypt's military supply problems and Syria's involvement in Lebanon have increased Israel's military advantage.

--The USSR will continue to press for a Geneva conference, where it believes it can best promote its own interests. The Soviets will follow the Arab lead on substantive and probably on procedural issues related to negotiations.

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# The President's Daily Brief

*January 13, 1977*

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January 13, 1977

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OPEC: Demand for Saudi crude has soared, and the success of Saudi Arabia's effort to hold down the price of oil will depend on how rapidly production can be expanded. (Page 1)

China-US: The Chinese continue to show concern about what they believe is insufficient attention to China by the incoming administration. (Page 2)

Israel: Defense Minister Peres faces some formidable obstacles in his quest for the Labor Party nomination for prime minister. (Page 3) 25X1

USSR-Syria: The Syrian threat to close naval facilities at Tartus to Soviet ships apparently [ ] may well have been an effort by President Asad to demonstrate his displeasure with Moscow's heavy-handed criticism of Syrian intervention in Lebanon. (Page 4) 25X1

Notes: USSR; France; Iran-Pakistan; South Korea; Iran-Oman (Pages 6, 7, and 8)

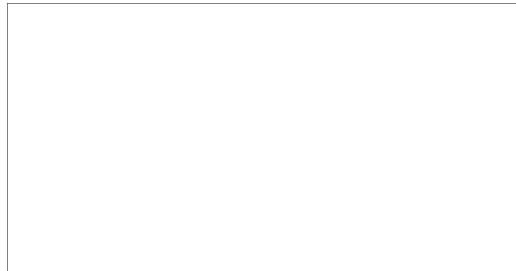
At Annex, we discuss the implications of East German actions since the beginning of the year that seem to be low-keyed probes of the limits of Allied forbearance on the Berlin issue and of Allied ability to coordinate a response during the transition between US administrations.

*FOR THE PRESIDENT ONLY*



*FOR THE PRESIDENT ONLY*

*OPEC: Success of the Saudi effort to hold down the price of oil will depend to some extent on how rapidly production can be expanded.*



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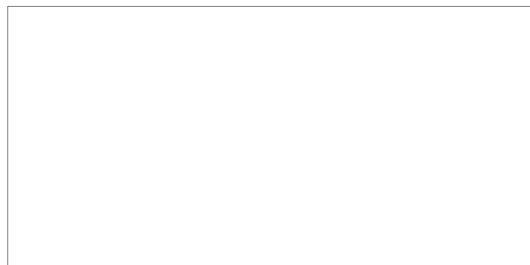
*Demand for Saudi crude has soared.*

Shell Oil alone has requested direct purchase of an additional 500,000 barrels per day. Many smaller independent and national oil companies have submitted orders and rescheduled tankers to lift more Saudi oil immediately.

Even if Saudi output should not rise, Iran and Kuwait will have to absorb a major portion of the production cuts--3 million barrels per day or more--that we estimate OPEC will sustain as companies unload excess stocks in January and February. In the past, Saudi Arabia has absorbed up to one half of these declines.

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*Iran's sales dropped by over 2 million barrels per day in early January, and Kuwait is resigned to a level of production that may drop to 1 million barrels per day or lower.*



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## FOR THE PRESIDENT ONLY

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CHINA-US: *The Chinese are continuing to show concern about what they apparently believe is insufficient attention to China by the incoming Carter administration.*

In a recent article in People's Daily, a group of Foreign Ministry writers called for talks between Peking and Washington on the Taiwan issue. This public appeal follows several private remarks since the US election that suggest the Chinese fear that the new administration will be so preoccupied with domestic affairs and with US-Soviet relations that little attention will be devoted to resolving the Taiwan matter--the chief obstacle to improved Sino-US relations. Some of these private remarks have included hints of Chinese flexibility on the Taiwan issue.

The public call seems designed to convey a positive atmosphere for negotiations that Peking clearly hopes will be seriously considered by the new administration.

The recent article called for resolving the dispute between China and the US "through negotiations without the use of force," language that dates from the 1950s when the two sides were actively negotiating a non-use-of-force agreement for the Taiwan area. The reference to not using force was in the context of a possible Sino-US confrontation over Taiwan and does not rule out the possibility that China might eventually resort to military means to "liberate" Taiwan. The article, however, implied no change in Peking's basic attitude toward the Taiwan issue.

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*FOR THE PRESIDENT ONLY*

In announcing the meeting last week of Chinese liaison office chief Huang Chen with Secretary Kissinger and his successor-designate, Cyrus Vance, Chinese media pointed approvingly to Vance's statement that US relations with China would be "guided" by the Shanghai communique.

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*ISRAEL: Defense Minister Peres faces some formidable obstacles in his quest for the Labor Party nomination for prime minister.*

He will have to overcome the ingrained opposition of Foreign Minister Allon's faction and of former prime minister Golda Meir and the Labor Party bosses who still hold his bolting the party in 1965 against him. Labor's left-wing coalition partner, Mapam, also opposes Peres and has threatened to break up its electoral alliance with Labor unless the Labor Party adopts a more explicitly dovish party platform on peace negotiations than Peres favors.

To complicate matters further, former foreign minister Abba Eban has also declared his candidacy in a calculated effort to woo Labor Party doves away from Prime Minister Rabin and, paradoxically, lock up the nomination for the more hawkish Peres. Eban, who holds a long-standing grudge against Rabin, has already indicated he would be willing to serve in a Peres cabinet.

*Any government headed by Peres would adopt a tougher, more independent line--particularly in tone--on Middle East peace negotiations than one led by Rabin.*

Peres, a protege of former defense minister Dayan, has as his main base of support the right wing of the Labor Party. Moreover, in the past Peres has been more favorably disposed than Rabin to the

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*FOR THE PRESIDENT ONLY*

re-establishment of a national unity coalition government with Likud, which takes a much harder line on territorial concessions and favors the annexation of the West Bank.

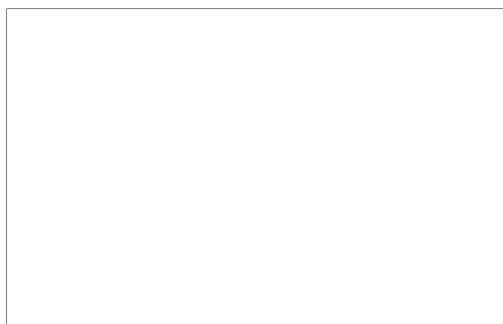
In recent interviews, Peres has indicated that he favors a resumption of the step-by-step approach instead of a reconvening of the Geneva peace talks, which he probably believes would only end in stalemate over the issues of Palestinian participation in the negotiating process and Israeli withdrawals from the West Bank and Gaza strip.

Peres has said he prefers a "functional" rather than a territorial agreement with Jordan over the West Bank. By this, he means an arrangement that would allow Jordan to reassert its civil authority over most of the area but permit the Israelis to keep their armed forces there and to continue to establish settlements.

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USSR-SYRIA: *The Syrian threat to close naval facilities at Tartus to Soviet naval ships may well have been a demonstration of President Asad's displeasure with Moscow's heavy-handed criticism of Syrian intervention in Lebanon.*



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*FOR THE PRESIDENT ONLY*

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The Syrians, unlike the Egyptians, have never been interested in an open break with the Soviets and do not want to jeopardize military relations. In fact, the Syrians may be building a little leverage for additional Soviet military assistance.

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

## NOTES

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*The US embassy in Moscow  
has learned [redacted]*

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*that in addition to the  
publicized explosion in  
the Moscow subway on Sat-  
urday there were at least  
two other blasts in the  
city the same day.*

[redacted] the  
three explosions, which [redacted]  
were "definitely" caused by bombs,  
represent a potentially serious  
challenge to the authorities as  
well as to the overwhelmingly non-  
violent Soviet dissident movement.  
[redacted] the explosions  
would be used by the authorities  
for serious new moves against dis-  
sidence of all kinds.

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French [redacted]  
[redacted]  
[redacted]

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The French government has become  
increasingly concerned over its  
balance-of-payments deficit, which  
totaled roughly \$6 billion in 1976,  
and probably will remain high this  
year.

French industrialists recently  
have pressed the government for  
measures to stem the rising tide  
of imports from countries with low  
labor costs.

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*FOR THE PRESIDENT ONLY*

Prime Minister Barre so far has rejected calls for protectionist trade measures and has instead opted for more general economic austerity measures to deal with France's trade imbalance. The government does not want to jeopardize the current multilateral trade negotiations, which it hopes can be completed by the end of the year.

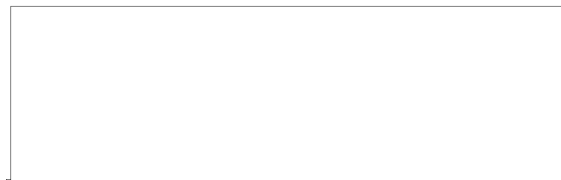
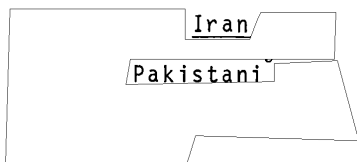
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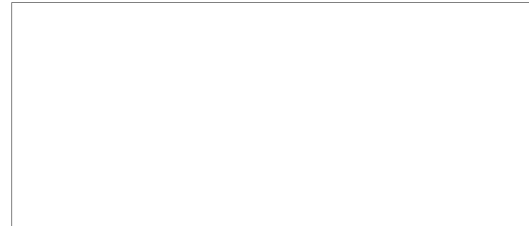
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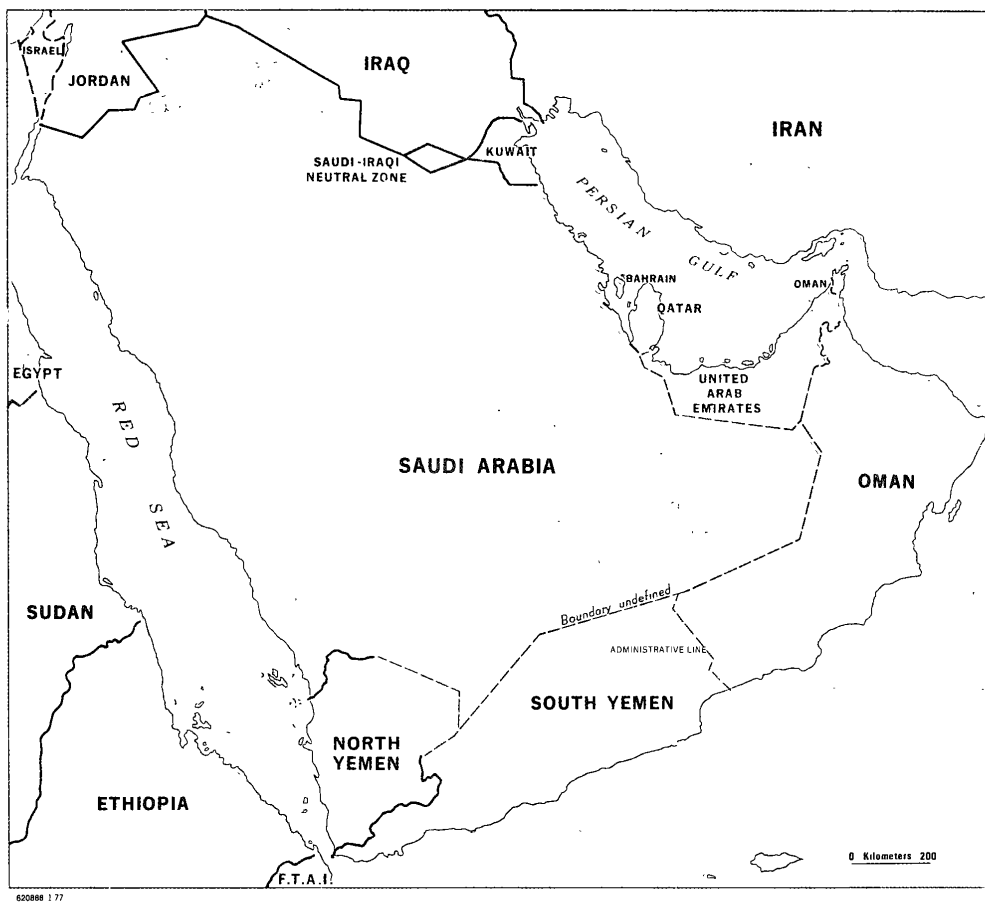
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*South Korean newspapers, including a government daily, are urging editorially that Vice President-elect Mondale visit Seoul at the time of his coming visit to Japan.*

The papers express regret over the Vice President-elect's plan to visit "next door" without also coming to Seoul, in view of the linked security interests of the US, Japan, and South Korea. As yet, no government sources in Seoul have made approaches along these lines to the US embassy, but the press articles could presage an official suggestion.

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*FOR THE PRESIDENT ONLY*

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Iran has decided to  
withdraw part of its  
task force from Oman.

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[REDACTED]

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Iran has had a contingent of troops in Oman since 1972--now numbering 3,500 men--which has been a source of friction between Oman and its fellow Arabs. Problems also have arisen between Iran and Oman over Tehran's failure to coordinate some of its military activities in Oman.

Relations were strained in November when an Iranian reconnaissance plane was shot down by South Yemen along its border with Oman. The flight had not been cleared with Omani authorities. Qabus, unhappy over the resulting military tensions with the Yemenis and the renewed propaganda attacks from Arab radicals, may finally have yielded to his top military advisers [REDACTED]

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A small force in Oman will be sufficient to underscore the Shah's commitment to the Qabus regime. Neither the Shah nor Qabus wants to end the Iranian military presence entirely.

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FOR THE PRESIDENT ONLY

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SOVIET-EAST GERMAN ACTIONS IN BERLIN

*The East Germans since the beginning of the year have taken a series of actions aimed at unilaterally modifying the legal status of East Berlin, and exploiting ambiguities in the terms of the Quadripartite Agreement of 1971. It is not clear that what East Germany has done is specifically banned by the agreement.*

It seems likely that the USSR has authorized the East German moves with a view to continuing to probe, in a low-keyed manner, the limits of Allied forbearance on the Berlin issue, and of Allied ability to coordinate a response during the transition between US administrations.

Three new East German actions have been taken:

--Effective January 1, 1977, the passport regulations controlling travel between East and West Berlin were changed to require day visas for third-country travelers to East Berlin. These had not previously been required, and removed the main distinction between visa requirements for East Berlin and East Germany proper.

--Sometime during the first weekend in January, the border control posts between East Berlin and East Germany were removed. This eliminated one of the last visible proofs of East Berlin's status as an entity legally distinct from East Germany.

--In addition, on Tuesday, East German police began barring access to the West German diplomatic representation in East Berlin to East German citizens, who had been going there in large numbers to initiate emigration proceedings.

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FOR THE PRESIDENT ONLY

*FOR THE PRESIDENT ONLY*

East Germany remains in many ways an artificial creation, and the loyalties of its citizenry are at best questionable. Any action which can widen the legal and psychological gulf between East and West Germany and bolster the East German state's claims to legitimacy are to its obvious advantage.

Soviet motivation in permitting the East Germans to act as they have is somewhat more difficult to reconcile with other Soviet interests. It was, after all, Soviet pressure which compelled the East Germans to regularize their relations with Bonn, and the Soviets retain a large stake in keeping the German problem quiescent as long as the broad outlines of their policy objectives in the West remain unchanged.

*The Soviets may regard the sort of nibbling actions the East Germans have engaged in as a low-risk gamble.*

It is striking that none of the East German actions have directly affected Allied rights or prerogatives. Furthermore, the Soviets themselves have not taken any part in East German actions and can claim non-involvement. Finally, while the East German actions have violated the spirit of Four Power and inter-German understandings on Berlin, they do not yet appear to have violated the letter of any agreement. The Soviets may anticipate that it will be correspondingly difficult for the Allies to coordinate an effective response, particularly during a period when the US Government is in transition.

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*FOR THE PRESIDENT ONLY*

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# The President's Daily Brief

*January 14, 1977*

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Japan:

[REDACTED]  
[REDACTED] (Page 1)

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Rhodesia: Many whites are growing pessimistic about the possibility of a peaceful settlement and are making contingency plans to leave the country. (Page 2)

Notes: USSR (explosions); [REDACTED] France - Saudi Arabia; 25X1  
Arab States; Belgium-Libya; Nationalist China - China; Cuba-Mexico; Israel-Somalia (Pages 3, 4, 5, 6, and 7)

*FOR THE PRESIDENT ONLY*





*FOR THE PRESIDENT ONLY*

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*RHODESIA: Many whites are growing pessimistic about the possibility of a peaceful settlement and are making contingency plans to leave the country.*

One reason is economic. Some whites had hoped that Prime Minister Smith's acceptance of the principle of majority rule would result in the lifting of economic sanctions and the acceptance of Rhodesia as a member of the international community.

The increasing strain of military call-ups is another, perhaps more important, reason for growing unhappiness in the white community. Many businesses are now feeling a real pinch in the draft call-ups among skilled workers. The draft is now reaching almost all men of service age, and reservists believe that the length of their military tours will increase as the fighting intensifies.

Many white males believe that black rule is inevitable and question the wisdom of continuing to fight. White civilians have been shocked by the large number of wounded whites in the hospitals and are beginning to believe that the cost of the war is too high.

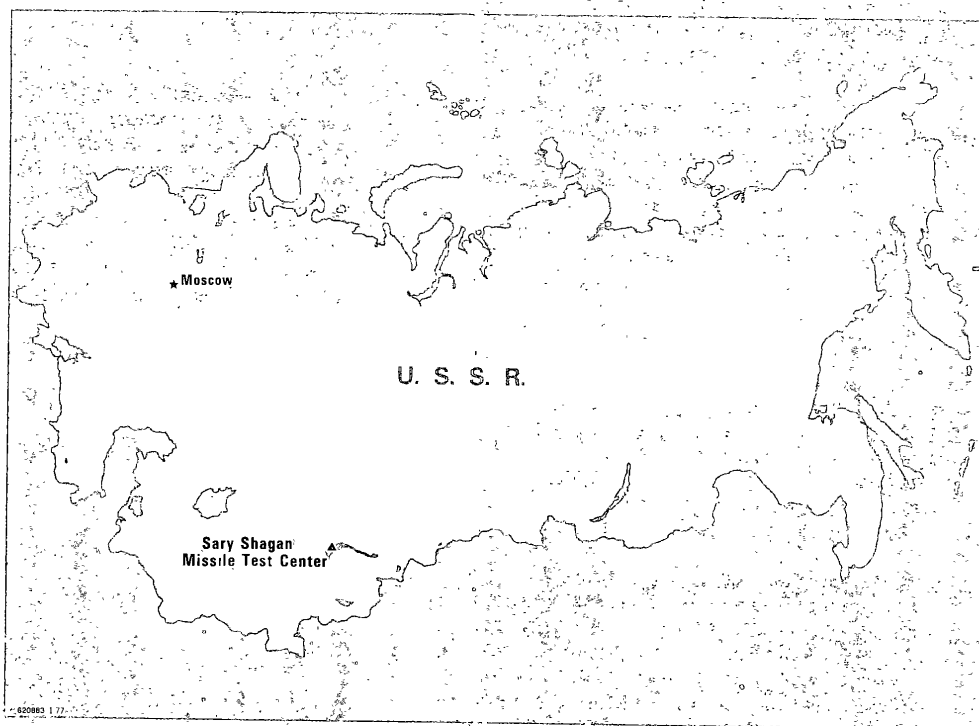
*Despite these signs of discontent, Smith's position does not appear threatened.*

The white community has no alternative but to support the Prime Minister, and the growing uneasiness has been at least partially offset by the recent success of Rhodesian army cross-border raids into Mozambique.

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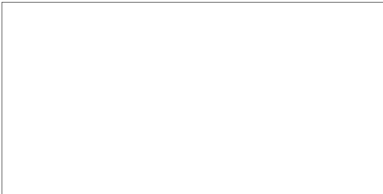
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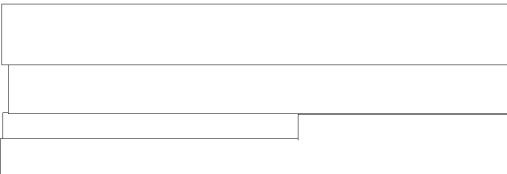
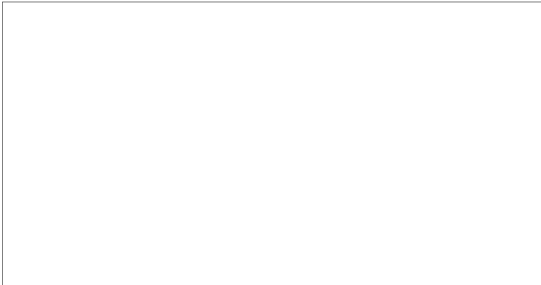


FOR THE PRESIDENT ONLY

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France is about to sign a new three-year agreement with Saudi Arabia that will allow two French oil companies to purchase directly 33 percent more Saudi crude than under their previous agreement.

The formal pact is likely to be signed during President Giscard's visit to Saudi Arabia later this month. Saudi Arabia is now France's largest source of crude oil, providing more than one-third of French requirements.

Although the announcement of the new agreement after the price division among OPEC states at Doha is merely coincidental, the increased access to Saudi oil should slightly reduce the average price increase that France will sustain.

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## FOR THE PRESIDENT ONLY

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*The foreign ministers of five oil-rich Arab States have pledged nearly \$2.8 billion over the next two years to the states confronting Israel.*

Each year, Egypt and Syria are to get \$570 million apiece, Jordan \$200 million, and the Palestine Liberation Organization \$28 million.

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The announced annual payments--by Saudi Arabia, Kuwait, Qatar, Bahrain, and the United Arab Emirates--are roughly equal to those paid in 1975 under pledges made at the Rabat summit of the previous year. The confrontation states thought those payments would continue indefinitely, but the donor states made only one round of payments of the Rabat subsidy.

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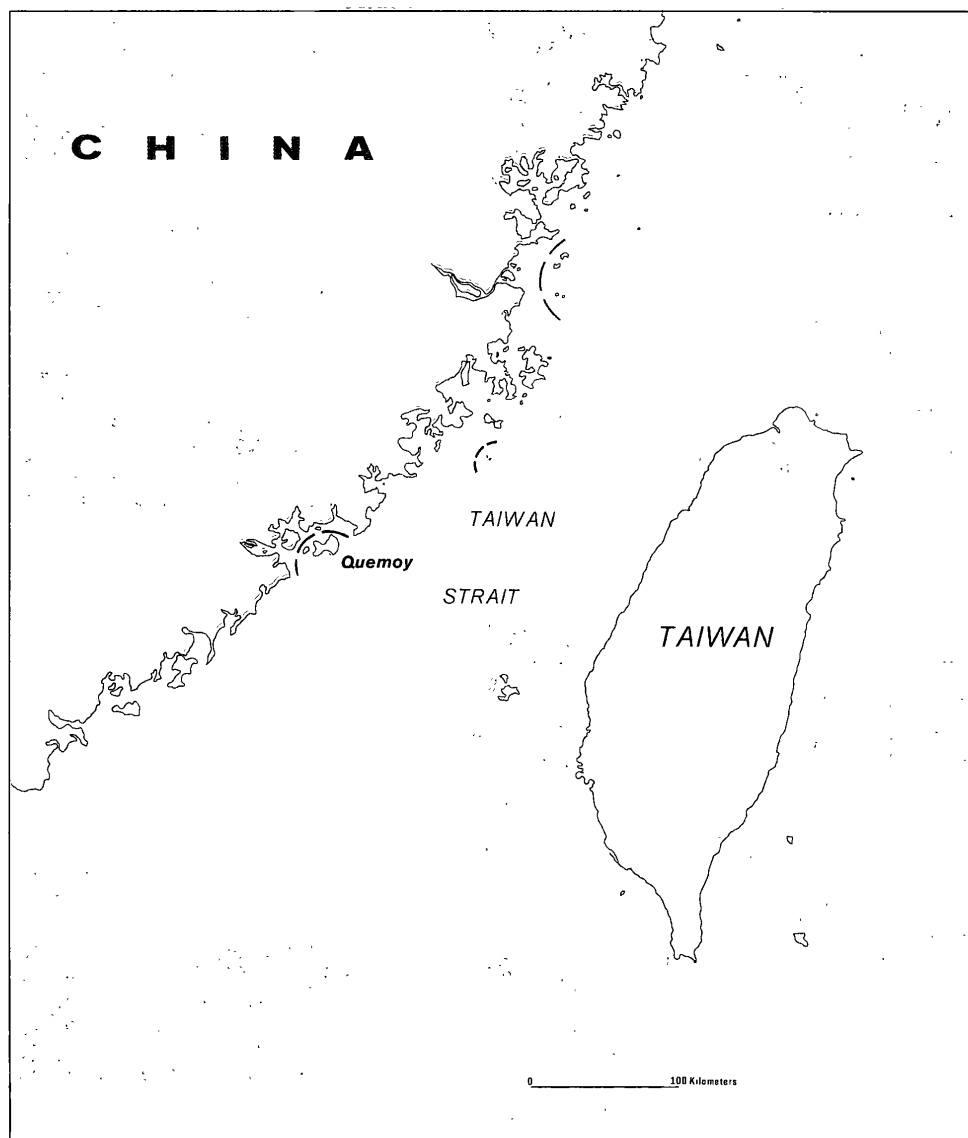
*Belgian officials have told the US embassy that they will advise their government to instruct two Belgian firms to attempt to renegotiate--and scale down--a preliminary agreement the firms have signed to provide Libya with an arms production complex.*

The Belgian cabinet will discuss the arms deal today, but is unlikely to reach a decision on it for some time.

The Belgian officials have requested US views on the proposed deal, but one Foreign Ministry official said Brussels would not welcome "arm-twisting." The official said that the US should not regard the demarche as a formal request for US views, but the US reaction--or lack of reaction--will be a major factor in the government's decision.

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FOR THE PRESIDENT ONLY

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Nationalist China last Saturday night sent fighters to the vicinity of Quemoy Island to reconnoiter two Chinese communist naval ships passing near the southern end of the Taiwan Strait.

Nationalist fighters frequently patrol in this area, but it is unusual for them to fly near the mainland coast at night. The Nationalists may have been reacting to increased Chinese naval activity in the area. Since January 4, more than a dozen Chinese naval ships have been active near the Strait.

The communists are also sensitive to military activities in or near the Taiwan Strait. On January 7, China sent several MIG-19s over the Strait in reaction to Nationalist fighters patrolling in the area.

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Cuba

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Israel

Somalia

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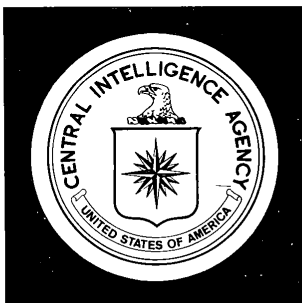
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# The President's Daily Brief

*January 17, 1977*

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*FOR THE PRESIDENT ONLY*

January 17, 1977

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Egypt-Jordan: The public call by President Sadat and King Husayn for a resumption of the Geneva talks and for a Palestinian state with strong ties to Amman appears designed to keep the pressure on the US and Israel to move toward serious negotiations--and on the Palestinians to accept some compromise on a Palestinian state. (*Page 1*)

USSR: A Soviet intelligence ship is in position to monitor today's scheduled initial test-firing of the US Trident SLBM from Cape Canaveral. (*Page 1*)

Thailand: The dissatisfaction of the Thai ruling military council with Prime Minister Thanin has prompted consideration of a new administration. (*Page 2*)

Notes: Benin; International (*Pages 4 and 5*)

*FOR THE PRESIDENT ONLY*



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*FOR THE PRESIDENT ONLY*

EGYPT-JORDAN: *The call by President Sadat and King Husayn for a Palestinian state with strong ties to Amman and for a resumption of the Geneva talks appears designed primarily to underscore Arab solidarity and to keep the pressure on the US and Israel for serious Middle East negotiations.*

*Sadat has also stepped up pressure on the PLO to accept a compromise solution.*

The joint statement issued this weekend insists on equal and independent PLO participation in the Geneva talks. By enlisting Husayn's support on this issue, Sadat hopes to discourage Israeli leaders from believing they can split the Arab camp on PLO participation in negotiations.

At the same time, Sadat is again suggesting the possibility of some compromise between the establishment of a West Bank Palestinian state and Israel's demand that the Palestinian question be resolved within a Jordanian context.

The PLO thus far has not rejected the idea of a truncated Palestinian state. Over the weekend, in fact, a PLO spokesman endorsed the idea of closer relations with Jordan. This moderate stance probably reflects the perception of PLO leaders that they have no alternative at this point but to follow the lead taken by the major Arab leaders.

Husayn, for his part, has probably gone along with Sadat for similar reasons, fearing that to oppose Egypt now would leave Jordan isolated in the Arab world.

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USSR: *A Soviet intelligence-collection ship is in position near Ascension Island to monitor today's scheduled initial test-firing of the US Trident SLBM from Cape Canaveral.*

The Soviet ship had been on this station last November, when the initial test-firing of the Trident missile was postponed. Instead of returning to its home base on the Black Sea, the ship conducted

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*FOR THE PRESIDENT ONLY*

operations between the Cape Verde Islands and French Guiana, and then made a port call to Guinea. The ship returned to the Ascension Island area by January 10.

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THAILAND: *Thai military dissatisfaction with Prime Minister Thanin may be reaching a crisis stage.*

The ruling military council has reportedly agreed to give Thanin another 60 days to demonstrate a greater ability to deal with the country's pressing political and economic problems. The council is already thinking in terms of a new administration, however.

The military leaders have been uncomfortable with Thanin almost from the time he became prime minister in October. His reputation as a well-known jurist of spotless integrity and as an academic specialist on counterinsurgency suggested he would be the ideal front man.

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*FOR THE PRESIDENT ONLY*

But Thanin's extreme right-wing views have been disquieting to many Thai and somewhat at odds with the consensus among the Thai leadership that a modus vivendi must be reached with their Indo-chinese neighbors. While he has been more restrained in his public pronouncements lately, the military are impatient with the general lack of movement on a number of national problems, including stalled relations with Hanoi and indecision on domestic economic issues such as foreign investment regulations.

*Some members of the military council would like the military to take a more direct role in running the government.*

The leaders of the council are concerned, however, that such a move would expose them as military dictators. They clearly would prefer to continue to mask the military's role with a civilian apparatus--a preference that may continue to be a restraint on dumping Thanin.

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In view of Thawi's unsavory reputation for corruption, his appointment would do little for the government's image. On the contrary, a government shakeup so soon after the October coup would only add to the impression of a tentative and fumbling regime little better than the parliamentary administrations it replaced in the name of stability and progress.

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*FOR THE PRESIDENT ONLY*

NOTES

*The US embassy in Cotonou anticipates a possible anti-white backlash following the unsuccessful attempt to overthrow President Kerekou of Benin (formerly Dahomey).*

Government troops repelled a small invading party, probably composed of European mercenaries and supporters of exiled opponents of Kerekou. Looking for invaders who may have stayed behind, government forces made a house-to-house search in the city. The residence of the US ambassador, unoccupied at the time, was apparently fired on by Beninese troops after two armed whites were seen nearby. Some whites also were reportedly shot in the street and others were taken to prison camps.



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*The world's five major natural rubber exporting countries--Malaysia, Indonesia, Thailand, Sri Lanka, and Singapore--are meeting in Geneva this week to discuss plans to bring the international rubber market under greater control.*

Their plans, first proposed last November, call for setting floor and ceiling prices for natural rubber and establishing a buffer stock to dampen price movements.

Market forces will prevent natural rubber producers from taking OPEC-like actions to rig price movements. Synthetic rubber producers have substantial excess capacity, and demand for rubber is expected to grow only moderately over the next few years. Nevertheless, oil-related increases in synthetic rubber costs should provide a lucrative and gradually rising floor price for natural rubber.

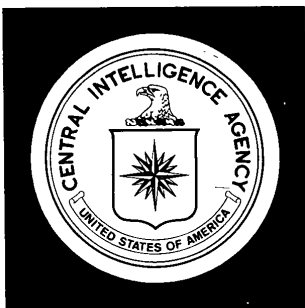
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*FOR THE PRESIDENT ONLY*

Rubber supplies are likely to be more than adequate to cope with the anticipated rising demand between now and 1980. By our estimates, natural and synthetic rubber industries together will have the capability to produce 15-16 million tons by 1980--some 15 percent more than projected consumption.

<b>Natural Rubber Production</b>		
	Thousand Tons	
	1975	1980
Malaysia	1,478	2,000
Indonesia	825	1,000
Thailand	349	485
Sri Lanka	149	190
India	136	185
Africa	208	260
Other	153	200
Total	3,298	4,320 <sup>1</sup>
<sup>1</sup> Minimum estimate		

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# The President's Daily Brief

*January 19, 1977*

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*FOR THE PRESIDENT ONLY*

January 19, 1977

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Egypt: Only strong police action or a reversal of the austerity measures imposed in an effort to reduce an enormous state budget deficit is likely to restore order. (*Page 1*)

Syria: President Asad has privately stated his determination to prevent Palestinian footdragging from blocking progress toward a Middle East settlement. (*Page 2*)

USSR-US: General Secretary Brezhnev has made a pointed call for progress on arms control issues between the US and USSR on the eve of President-elect Carter's inauguration. (*Page 3*)

Notes: Rhodesia; India; North Korea; USSR (*Pages 5, 6, and 7*)

*FOR THE PRESIDENT ONLY*



*FOR THE PRESIDENT ONLY*

*EGYPT: Only strong police action or a reversal of the austerity measures imposed on Monday is likely to restore order.*

In an effort to reduce an enormous state budget deficit, Egypt announced that it would reduce price subsidies on many consumer goods and impose much higher tariffs on others. Although a smaller deficit will reduce inflationary pressures in the longer term, the immediate effect of the austerity measures has been sharply increased retail prices on many goods.

Egyptian officials last night announced that they are "ready to review" the measures, but this will only partially defuse popular discontent. Continued violent demonstrations could threaten President Sadat's position, and the minister of interior has threatened to use force if the violence resumes.

Proposed curbs on military spending as an alternative to civilian austerity are believed to have been successfully resisted by the defense establishment.

*The government may have deliberately moved ahead too forcefully and rapidly in order to demonstrate to the International Monetary Fund that such reductions are politically infeasible.*

IMF officials, who have been urging reductions in price subsidies, are currently in Cairo. Sadat and Prime Minister Salim until now have resisted IMF demands even for gradual imposition of economic reforms lest this increase popular dissatisfaction.

*The US consulate in Alexandria reports that the demonstrators seem to have little organization or leadership.*

The same apparently is true in Cairo, indicating an alarming degree of spontaneity and a widespread depth of feeling over economic grievances, which had been

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

growing in intensity before the austerity measures were imposed. In this atmosphere, political agitators should have little difficulty stirring up further trouble.

\* \* \*

*SYRIA: Syrian President Asad has privately stated his determination to prevent Palestinian footdragging from blocking progress toward a Middle East settlement.*

Asad had told a Time correspondent in the course of an interview published this week that refusal of the Palestine Liberation Organization to attend the Geneva conference would not "cause paralysis" among the other Arabs.

Privately, Asad expressed himself much more forcefully, according to Time correspondent Wilton Wynn. He indicated impatience with the PLO's inability to devise a clear-cut policy on either negotiations or future Palestinian statehood.

*Asad's remarks--both public and private--are a marked departure from his position a year ago, when he demanded that any further Arab-Israeli territorial negotiations must involve the PLO.*

His willingness now to negotiate without the PLO if it is not ready, and his public notice to the Palestinians that he will not wait long for their acceptance of negotiations are an indication of his increased confidence since the Lebanon intervention and the Palestinian setbacks last year.

Zuhayr Muhsin, leader of the Syrian-controlled Saiqa fedayeen organization, who was undoubtedly reflecting Asad's views, told the Time correspondent that it might be possible to hold the Geneva conference without the PLO. He said that later the PLO could discuss its "status"--presumably meaning independent statehood or an arrangement with Jordan--directly with the Arab states.

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*FOR THE PRESIDENT ONLY*

*Asad's public position goes further than that of Egyptian President Sadat, although actually the two leaders probably are not far apart.*

Sadat has been privately trying to force the PLO to make concessions. Publicly, he still insists that the PLO must attend the Geneva conference and must gain independent statehood.

Except for minor tactical differences, Asad's public remarks essentially express Sadat's private desires. Asad's move in going public should make it easier for Sadat to continue his effort to bring the PLO to a more accommodating posture.

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*USSR-US: General Secretary Brezhnev has made a pointed call for progress on arms control issues between the US and USSR on the eve of President-elect Carter's inauguration.*

In a speech yesterday, Brezhnev urged the completion of a SALT II accord based on the Vladivostok outline "in the nearest future," adding that the USSR was prepared to conduct "businesslike talks" on improving the Nonproliferation Treaty and reaching agreement on mutual force reductions in Central Europe. He noted that discussions on the latter could be held at "any level and at any venue."

The Soviet leader also got into the US intelligence controversy over Soviet strategic objectives by terming allegations of Soviet efforts to reach superiority in the arms race as "absurd and totally unfounded." Soviet media have hitherto ignored the fact that a central issue in the US debate is whether Moscow is trying to achieve military superiority.

Soviet commentary has also failed to acknowledge that the Soviet civil defense program is at issue

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*FOR THE PRESIDENT ONLY*

in the current debate, although Brezhnev stressed that the Soviets will continue to "perfect their defenses" and "never sacrifice the security of their country."

Meanwhile, Soviet analysts are becoming less cautious in evaluating the new US administration's cabinet and are giving for the most part positive ratings.

--Harold Brown was described as a dove on disarmament, who has called for "radical steps" in that field.

--Cyrus Vance was similarly described as favoring arms limits and better US-Soviet relations.

--Michael Blumenthal was noted for favoring increased foreign trade.

These open remarks point toward an early private sounding of President-elect Carter's position on East-West relations, particularly in the area of arms control. The Soviets for the next few months undoubtedly will present their own intentions in the best possible light in order to gauge the responses of their counterparts.

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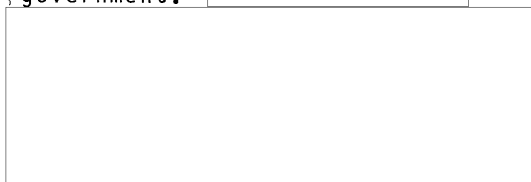
*FOR THE PRESIDENT ONLY*

NOTES

*The South Africans have announced that Prime Minister Vorster and Ivor Richard, British chairman of the recessed Geneva conference on Rhodesia, will discuss new British proposals for a UK security role in a Rhodesian transition government.*

Richard, who will then meet with Rhodesian Prime Minister Ian Smith, would like to have strong backing from Vorster to help persuade the Rhodesians to accept the new proposals. Smith will not find the British proposals easy to accept.

The black nationalists and the white Rhodesians each have demanded control over the defense and security ministries in a transition government. 25X1



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*Indian Prime Minister Gandhi has opted to hold an election for the lower house of parliament in March, reversing an apparent earlier decision to wait until 1978.*

A number of factors probably contributed to her change of mind:

--She has made progress in her efforts to gain control of politics in the 22 states.

--She has had considerable success in intimidating the opposition. The recent release from prison of many opposition politicians reflects her confidence in their inability to present a serious challenge to her, and is an attempt to give the election an appearance of fairness.

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*FOR THE PRESIDENT ONLY*

--Her son Sanjay has increased his political following and, as the result of extensive touring, is now a nationally known figure. The Gandhis appear to have defeated efforts by pro-Soviet Communists and Congress Party left-wingers to limit the growth of his influence.

--The economic situation is good, but it could deteriorate substantially if next summer's rainfall is scant.

Gandhi may have felt that an election would help India's international image, especially because neighboring Pakistan, and probably Sri Lanka, are holding elections as scheduled this year.

\* \* \*

*A North Korean party and government delegation headed by Premier Pak Song-chol is scheduled to arrive in the USSR today for a three-day visit.*

This will be the first opportunity for a high-level exchange of views in nearly a year, but the visit is not likely to produce much in the way of substance. Little sophisticated Soviet military equipment has been observed in North Korea in the past three years. Moscow

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is continuing to assist on a number of industrial plant projects.

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Soviet - North Korean relations have been decidedly cool in recent years. The USSR recognizes that Chinese influence is predominant in Pyongyang and sees Soviet interests as being best served by preserving the status quo on the Korean peninsula. During the tense period following the Panmunjom incident last August, Soviet

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*FOR THE PRESIDENT ONLY*

officials, in private remarks to the US, quickly dissociated the USSR from what they termed President Kim Il-song's penchant for adventurism.

The North Koreans probably will make another attempt to arrange a visit by Kim. He wants a visit to balance his highly publicized trip to Peking in the spring of 1975, but because of Moscow's desire to get off to a good start with the new US administration, the USSR is not likely to receive Kim any time soon.

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*Two Soviet naval IL-38  
antisubmarine warfare  
aircraft flew yesterday  
from Tashkent to Somalia,*



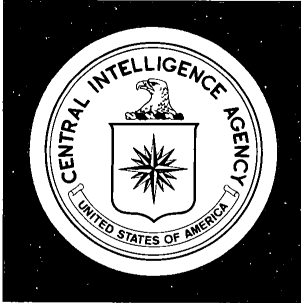
Soviet IL-38s last visited Somalia from November 22 to December 14. On December 9, they flew a maritime reconnaissance mission over a US naval task group, led by the amphibious assault ship USS Guam, then en route to a port visit at Mombasa, Kenya.

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# The President's Daily Brief

*January 20, 1977*

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*FOR THE PRESIDENT ONLY*

January 20, 1977

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Egypt: The events of the past two days have seriously eroded President Sadat's image at home. (Page 1) 25X1

Cyprus: President Makarios has agreed to talks with Turkish Cypriot leader Denktash under UN auspices to draw up guidelines for new talks. (Page 1) 25X1

West Germany - France: [REDACTED]  
[REDACTED]  
(Page 2)

Notes: USSR-India; OPEC; Yugoslavia; Benin (Pages 3 and 4)

At Annex we discuss European concerns over the impasse on Cyprus.

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

EGYPT: *The events of the past two days have seriously eroded Sadat's image at home.*

Discontent over economic grievances has been a problem over the last year, and Sadat's popularity had already diminished as a result. Much of the wrath of the current demonstrators is directed personally at him.

The regime's chief support, the military establishment--which itself is feeling the economic pinch--has thus far remained loyal as indicated by the army's role in quelling the riots. Certain military units, however, have been confined to base indefinitely, and scheduled leaves have been canceled, possibly indicating that the government fears some military personnel might join the demonstrators.

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*Leftist organizers--believed to have led many of the demonstrations--may be able to sustain the momentum of the riots.*

Prime Minister Salim could become a victim of the government's ill-considered actions--the imposition and then suspension of harsh austerity measures. Salim is still active, but President Sadat may hope to deflect criticism from himself by setting Salim up as a scapegoat.

\* \* \*

CYPRUS: *President Makarios has agreed to meet Turkish Cypriot leader Denktash under UN auspices to discuss the present impasse in negotiations and to draw up guidelines for new discussions.*

Talks between representatives of the two communities have been stalled since last February. Makarios stipulated that the coming meeting not be held until late this month so that he could assess the outcome of the visit to Washington of former Cypriot negotiator Clerides.

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*FOR THE PRESIDENT ONLY*

UN representatives on Cyprus are cautiously optimistic that the meeting may lead to a resumption of talks. Turkey, with its eye on US congressional approval of the defense agreement negotiated last March is anxious to show some forward movement on Cyprus. [redacted] 25X1

[redacted] 25X1

At Annex we discuss European interests in Cyprus and the intention of European officials to raise the Cyprus question with Vice President Mondale during his visit next week. 25X1

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WEST GERMANY - FRANCE:

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[redacted]

[redacted]

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[redacted]

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*FOR THE PRESIDENT ONLY*

NOTES

Soviet President Podgorny plans to visit India within the next couple of months.

The USSR may be seeking reassurances that Gandhi's recent criticism of leftists in her own party and the pro-Moscow Communist Party of India are not a reflection of deteriorating Soviet-Indian relations.

Moscow is setting the stage for the Podgorny visit by moving to resolve outstanding economic problems with India. The most important gesture is a proposed four-year trade deal that would save India about \$100 million in foreign exchange annually.

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Qatari Oil Minister Al Thani is trying to work out a compromise on oil prices.

Al Thani, currently the president of OPEC, has already talked with Kuwait and Iran, the two cartel states most seriously affected by the impasse on prices. Any attempt to resolve the price issue would require the concurrence of both Saudi Arabia and Iran. Neither has indicated a readiness to compromise.

\* \* \*

Yugoslav President Tito is cutting short his Middle East tour.

Tito's trip was intended to add some momentum to Arab efforts to achieve solidarity on issues involved in Middle East negotiations. His return home is an indication of the urgency he attaches to filling the vacancy created by Premier Bijedic's death.

He probably also recognized that President Sadat was preoccupied with the current rioting in Cairo.

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*FOR THE PRESIDENT ONLY*

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*The situation in Benin  
remains tense.*

All US citizens in the capital of  
Cotonou are accounted for, but  
Beninese security forces are ar-  
resting many Caucasians in their  
search for the mercenaries left  
behind when the coup force fled.

*FOR THE PRESIDENT ONLY*



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## EUROPEAN INTERESTS IN CYPRUS

*European officials intend to raise the question of Cyprus with US Vice President Mondale during his visit next week. They have already tagged Cyprus as the major external concern of the European Community in early 1977, and are now trying to develop a new plan, in cooperation with the US, aimed at resolving the conflict.*

The Nine may approve a plan for breaking the impasse in negotiations at the foreign ministers' political cooperation meeting scheduled for January 31. Some officials hope that, with the understanding of the US, this plan could be presented to UN Secretary General Waldheim before Congress takes up legislation on US-Greek and US-Turkish agreements. Additional scenarios are being proposed by UN and European officials.

European interest in a Cyprus settlement springs in part from concern that Greek-Turkish tension undermines NATO's position in the eastern Mediterranean. The EC also has a special involvement with Greece and Turkey as associates and prospective members. Negotiations on Greek membership are under way, but Turkish membership is not likely for some time. This makes it difficult for the EC to maintain a balanced policy toward the two countries.

Turkey fears that Greece, through membership, will gain the advantage of participation in EC political talks on Cyprus and other Mediterranean issues. This has led Turkish officials to propose that Ankara be included in such talks even before Turkey becomes a full member of the EC.

Among European countries, France has taken a position fundamentally favoring Greek interests, perhaps because of French emphasis on the role Europeans can play to support democratic government in Greece. French concern for Greece is also part of a policy of trying to balance German influence within the EC.

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

Recently French officials have been reported to oppose any Soviet involvement in a Cyprus settlement. They therefore question the wisdom of a predominant US role in Cyprus talks lest it elicit a Soviet reaction.

In contrast, Germany has been solicitous of Turkey, largely because of Turkey's important but uncertain future role in NATO defense. While Paris received Turkish Foreign Minister Caglayangil noncommittally in early November, his visit to Bonn in mid-December brought a promise from German Foreign Minister Genscher to do everything possible to meet Turkey's requests.

The Europeans are pondering a response to a Council of Europe report harshly critical of Turkey for alleged violations of the Convention of Human Rights in Cyprus following the 1974 invasion of the island. The report is on the agenda of a meeting next month of the Council's Committee of Ministers. Turkey has threatened to withdraw from the Council of Europe if the report is accepted.

Both Germany and France hesitate to antagonize Turkey on this issue but believe that they cannot compromise without undermining the credibility of their defense of human rights in Soviet bloc countries and Berlin, particularly in the context of the CSCE review in Belgrade this summer. Ireland, which is chairing the February session of the Council of Europe has asked for US guidance. British officials may try to avoid a clash with Turkey in that forum by stressing legal and procedural questions that may dispose of the report.

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