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**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Friday September 3, 1976

CI NIDC 76-208C

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**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday, September 3, 1976



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

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USSR: Kosygin's Health

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[redacted] The appointment of Nikolay Tikhonov as Soviet First Deputy Premier, announced yesterday, is an initial step to deal organizationally with the serious illness of Premier Kosygin. The Soviet ambassador to Czechoslovakia told the US ambassador on Wednesday that Kosygin, 72, had suffered a heart attack and was now resting in a sanitarium.

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[redacted] Tikhonov becomes one of two first deputy premiers; the other is Kirill Mazurov, who has held the post since 1965. Tikhonov, 71, is General Secretary Brezhnev's protege and one of many officials with ties to Brezhnev's old region of Dnepropetrovsk in the Ukraine. He made his early career in metallurgy and as deputy premier has been responsible for that field and the coal industry.

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[redacted] If Kosygin's "heart attack," which probably occurred in early August, was a true myocardial infarction, he has already survived the most life-threatening phase of his illness. Individuals his age who have not developed major complications within three to four weeks have almost a normal life expectancy.

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[redacted] Kosygin, however, has not been well for some time, and his prospects following a serious attack for regaining sufficient strength to resume a vigorous schedule are not good. In any event, Kosygin's convalescence would probably last at least another month.

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[redacted] The leadership may have promoted Tikhonov to help with the heavy workload that Kosygin has carried. Brezhnev undoubtedly welcomed the opportunity to place an ally that high in the government to counterbalance the more independent Mazurov. Tikhonov may also be elected to the Politburo; Mazurov is already a member, as was former first deputy premier Polyanskiy.

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[redacted] The leadership has behaved routinely in recent weeks and has given no sign that Kosygin's illness raises the question of replacing him. Brezhnev continued his vacation in the Crimea and did not return to Moscow until this week, when the decision on Tikhonov was probably taken. Brezhnev left Moscow yesterday for Kazakhstan.



[Redacted]

25X1 [Redacted] If Kosygin should retire or die, however, his successor appears to be an open question. Mazurov, who rose in the Belorussian party organization, has the clearest claim to the job. Brezhnev may have wanted to ensure that his man, Tikhonov, served as first deputy in such an eventuality.

25X1 [Redacted] Mazurov, 62, is in indifferent health and was absent from public view all summer. He saw Brezhnev off to Kazakhstan, his first appearance since early June. His promotion would break the hold of the older generation on the top leadership posts.

25X1 [Redacted] Tikhonov could conceivably replace Kosygin but probably only after serving a period on the Politburo. His close association with Brezhnev would probably work against him with Kosygin and other members of the collective. He also is a member of the party's elder generation and could not be expected to be a long-term premier.

25X1 [Redacted] Although other choices for the premiership are also possible, the Mazurov-Tikhonov pairing has a temporary appearance and does not seem entirely suitable to serve under another premier. Both men are industrialists and do not complement each other as did Mazurov and Polyansky, an agriculturalist.

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LEBANON: Situation Report

25X1 [Redacted] The failure of President Asad and Lebanese president-elect Sarkis to comment on the results of their private meeting Tuesday has led to broad speculation in Beirut that they had major disagreements.

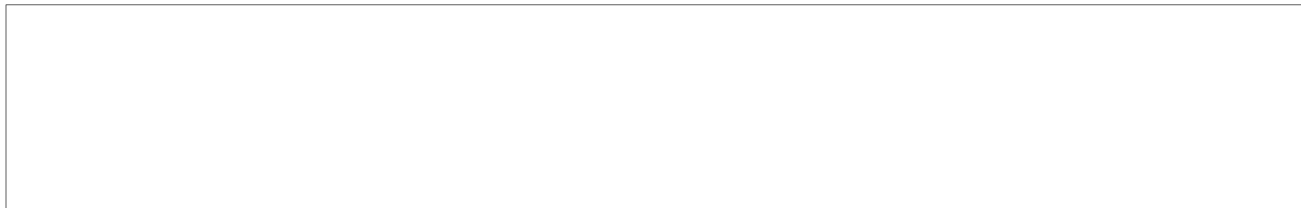
25X1 [Redacted] Sarkis failed to reach an understanding with Asad on the issue of Syrian troops in Lebanon. Press services quoting East European sources allege that Sarkis asked Asad to withdraw his troops but was told they would remain in Lebanon as long as fighting continued.

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[redacted] The military situation remains relatively calm. The Palestinians have said they repulsed a Christian attack near Alma and engaged Christian troops near Chekka. Artillery duels and minor clashes continued in the south around Jazzin, in the Mount Lebanon area, and in Beirut. Although both sides are reinforcing their positions in these areas, there has been only a limited intensification in the fighting.

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[redacted] Israeli Foreign Minister Allon reiterated on Tuesday that his government will not tolerate a resumption of Palestinian terrorist attacks against northern Israel from bases in southern Lebanon. Allon's statement comes on the heels of clashes between Christian and Palestinian forces in the southern Lebanese village of Ayn Ibil, where villagers reportedly have requested Israeli military protection.

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[redacted] Lebanese leftist sources charged yesterday that Israeli troops and armored units had crossed the border in large numbers. We have no confirmation of this, however, and it seems likely that the Israelis so far have provided Christian troops in the south only limited support.

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[redacted] Israeli units have for some time conducted patrols along access routes on both sides of the border and occupied observation posts in southern Lebanon during daylight hours to guard against terrorist intimidation of southern Lebanese villagers and renewed cross-border terrorist raids. This patrolling probably has been increased. Early this week Israeli artillery units reportedly shelled suspected Palestinian positions near the border.

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#### KOREA: Reaction to Fishing Boat's Capture

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[redacted] North Korea has responded with unusual promptness and moderation to inquiries from Seoul about the South Korean




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fishing boat that strayed inadvertently into Northern waters earlier this week. Pyongyang may wish to avoid any steps that might complicate the negotiations on North Korea's proposal for new security arrangements in the Panmunjom Joint Security Area.

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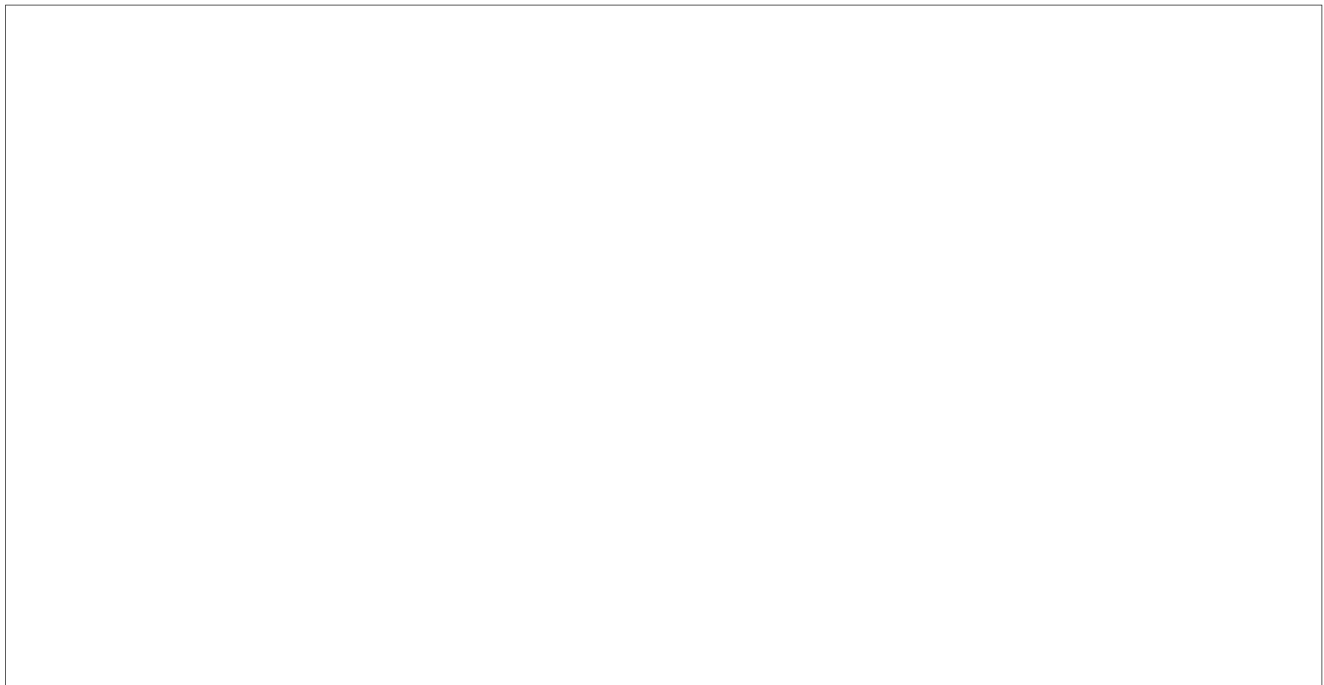
 In a statement on the boat incident issued by the North Korean Red Cross yesterday, the North indicated its willingness to cooperate in arranging an early release, provided Seoul confirms the identity of the boat and crew. In the past, the North has routinely delayed responding and then charged the South with provocation.

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 North Korea's response is consistent with its behavior since the August 18 Panmunjom incident; it has attempted to portray itself as the more responsible party advancing constructive proposals for easing tensions allegedly provoked by the US and South Korea. Pyongyang has also recently toned down its propaganda somewhat, while continuing to warn that the danger of US-initiated hostilities has greatly increased. 

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THE NETHERLANDS: Lockheed Investigation

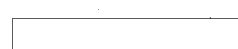
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 //The possibility of criminal proceedings against Prince Bernhard for alleged improprieties in dealings with Lockheed and other firms may have influenced Queen Juliana not to abdicate last week.//


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 //Although the Donner Commission failed to develop conclusive evidence on most of the charges against Bernhard, Prime Minister den Uyl reportedly warned the Queen that he might not be able to block criminal prosecution if she abdicated.//


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 //A complicating factor for the Queen and the cabinet was Princess Beatrix' reported reluctance to succeed her mother and the government's reported refusal to accept a regency for the nine-year-old Prince William.//


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 //The Dutch press has speculated that the Queen, as part of a possible understanding with the cabinet, may have agreed to postpone abdication--perhaps until after the parliamentary election next May.//

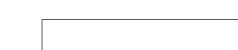
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 //The Dutch government's decision to investigate possible bribery of members of parliament in connection with recent military procurement contracts comes at a time when similar concerns are deepening in other West European countries.//

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 //The Greek government announced earlier this week that it began reviewing aircraft deals with Lockheed six months ago. The Norwegian government also has indicated that it is preparing to do the same and will request material from the US Senate Foreign Relations Committee to assist its investigation.//

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 //West Germany has already requested such material to determine the validity of charges in a newsmagazine that



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[redacted]

opposition leader Franz Josef Strauss--a former defense minister--accepted payoffs in the contract for F-104 Lockheed Starfighters in the early 1960s. Strauss and his party have characterized the Schmidt government's action as a political maneuver to discredit them in the four weeks remaining before the national elections.//

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[redacted] //Two British dailies have published reports that a former Lockheed executive has implicated an ex-cabinet minister in a \$1-million bribery scandal. The deal is alleged to have taken place during the Conservative Heath administration. A Labor member of Parliament is seeking an official inquiry, perhaps in the hope of uncovering evidence that would hurt the Tories.//

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[redacted] //Other allegations have surfaced in Italy, where a leftist magazine has published documents purportedly showing that Prime Minister Andreotti accepted \$28,000 from Lockheed in connection with aircraft sales. Andreotti has denied the allegation; at present, the press remains skeptical about the story.//

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[redacted] //The Spanish press is saying again that officials in Madrid are implicated in illegal business dealings and is speculating that the Justice Ministry will soon release information linking government officials to Lockheed payoffs. [redacted]

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#### SPAIN: Decisions on Reform Imminent

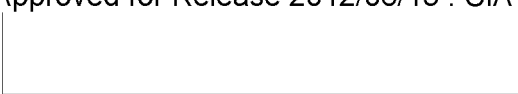
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[redacted] The Spanish government will make a final decision on the timetable and details of its reform program by September 15, according to Second Deputy Prime Minister Alfonso Osorio.

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[redacted] Osorio, who is close to both Prime Minister Suarez and King Juan Carlos, assured the US ambassador this week that newspaper reports of a delay in the constitutional referendum--scheduled by the previous government for October--were erroneous. He could not give a specific date for the referendum or the parliamentary election, but he emphasized that the government was doing everything it could to speed up the process.

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25X1 [redacted] According to Osorio, the government's effort to sound out opposition leaders was one reason for the delay in completing the details of the program. In particular, the government wishes to delay until after the meeting on Saturday of the Democratic Coordination--an alliance of opposition parties that includes the Communists.

25X1 [redacted] The main stumbling block remains the insistence of certain opposition leaders--at least in public--on legalization of the Communist Party as the price the government must pay for cooperation by the left. The government has refused but has moved a considerable way toward de facto toleration of the Communists.

25X1 [redacted] Government-opposition cooperation may also be hampered by the government's decision last weekend to ban the media from reporting on documents being considered by the cabinet. The ban, apparently designed to curtail leakage of deliberations until the decisions have been made, has aroused opposition suspicion about the government's sincerity.

25X1 [redacted] Osorio confirmed that the cabinet is considering whether to scrap the previous government's detailed constitutional referendum in favor of a much simpler formula which, after approval by parliament, would be submitted to referendum.

25X1 [redacted]

#### UK: Trade Union Congress Meeting

25X1 [redacted] //The labor movement's concern over the state of the British economy will be the main theme at the annual meeting of the Trades Union Congress next week. Conference topics will include the country's record postwar unemployment rate, cuts in public spending, long-term wage restraint, and industrial democracy.//

25X1 [redacted] //The Congress leadership should have little difficulty winning support for the new "social contract," the social-economic principles governing its alliance with the Labor Party. Labor will also probably endorse again the current wage guidelines; earlier this summer a special Congress meeting approved the "phase two" guidelines by a 20-1 margin.//



[REDACTED]

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[REDACTED] //Consumer prices rose 24.2 percent in 1975, but inflation has slowed noticeably this year largely because of union cooperation in restraining wages. Prices, which increased at an annual rate of 12.5 percent during the first seven months of this year, rose only 0.2 percent in July.//

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[REDACTED] //Because of the March-June drop in sterling, however, consumer prices are expected to increase somewhat more rapidly in the next few months as the higher cost of imported materials and fuels reaches the retail level. In addition, Britain's worst drought ever will push food prices--and consumer prices in general--up even further. A single-digit inflation rate is not likely before the second quarter of next year.//

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[REDACTED] //Continued inflation will cut into workers' real earnings, since basic pay increases are limited to a 4.5-percent average for the year ending next July. Average earnings, however, are likely to rise an additional 2 to 4 percent.//

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[REDACTED] //Most workers will go along with wage restraint, but unemployment is another matter. Although the jobless rate, which hit a new high of 1.5 million in August, will probably begin to decline gradually by the end of the year, the prospect of persistently high unemployment will continue to strain government-union relations.//

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[REDACTED] //Public sector unions, whose members will bear the brunt of planned government cuts in public spending, have been pressing the powerful manufacturing-based unions to resist further spending cuts which the government might have to make this winter. As an alternative, one large union is calling for import controls and tightened currency exchange regulations.//

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[REDACTED] //Union leaders were apparently unable to persuade Prime Minister Callaghan to take new measures to spur employment during a lengthy meeting earlier this week. The Labor government allocated more than \$750 million over the last year to save or create jobs, and announced last month a \$43-million program to create jobs for marginally trained youths entering the labor market.//

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[REDACTED]

[Redacted]

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[Redacted]

//Callaghan is unlikely to agree to any basic shift in economic policy at a time when controlling inflation still takes priority. There have been some hints that the government may give the unions a formal role in initiating investigations of alleged dumping by foreign manufacturers.//

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[Redacted]

//Callaghan might find it politically expedient, moreover, to grant some minor concessions in the area of selective import controls. Although the Labor government has opposed controls on grounds that they are counterproductive and invite retaliation, Callaghan is keeping the door open in case he concludes they would improve relations with the unions.//

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[Redacted]

//Largely in response to union pressures, London temporarily imposed controls last December on imports of shoes, textile goods, and TV sets and components. The controls were largely token, however, covering only about 1 percent of British imports. At present, the most likely candidates for controls are textiles, shoes, and appliances.//

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[Redacted]

//The unions also can point to the deterioration in Britain's foreign trade balance to justify import restraints. After a trade deficit of \$837 million in the first quarter, Britain registered a deficit of \$1.7 billion in the second quarter and \$933 million in July. The substantial worsening of the trade account was due to a sharp rise in the volume of imports, particularly North Sea oil and gas equipment, and slower growth in exports.//

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[Redacted]

//The meeting next week should also provide a clear indication of union attitudes toward wage controls after "phase two" pay guidelines expire next summer. Most unions prefer a return to free collective bargaining. But they also recognize the need for a planned and orderly return that would avoid runaway wage demands and reduce the danger of rekindling inflation.//

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[Redacted]

//The British have had considerable success in initiating and administering wage controls, but have had a bad record in ending them. It is still too early to predict with certainty that Britain will do better this time, but if the unemployment situation has improved by next spring, the unions and the government would be in a unique position to consider a long-term wage restraint program.

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MEXICO: Echeverria's Speech

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 The attendance by president-elect Lopez Portillo at President Echeverria's state of the union speech on Wednesday, together with Echeverria's remarks on the presidential succession, seem designed to dispel fears that Echeverria is reluctant to step down and in fact intends to extend his term of office.

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 Declaring that Mexico had passed the age of personalistic rule, Echeverria said, "I shall therefore turn over the supreme mandate of the republic to Jose Lopez Portillo with all my hopes and certainties as a Mexican citizen." He defended his continuing intense activity in office, which some feel is an indication that he does not want to relinquish political control, by saying that to do less would create a political vacuum in which "minority groups" would impose their will upon the majority.



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[Redacted] The remainder of his six-hour speech defended and praised his administration's accomplishments. Echeverria explained his decision to float the peso and outlined the policy to accompany it. He took a few oblique but unmistakable swipes at the US, but in the US embassy's view, the criticisms were generally milder and less direct than in his past speeches.

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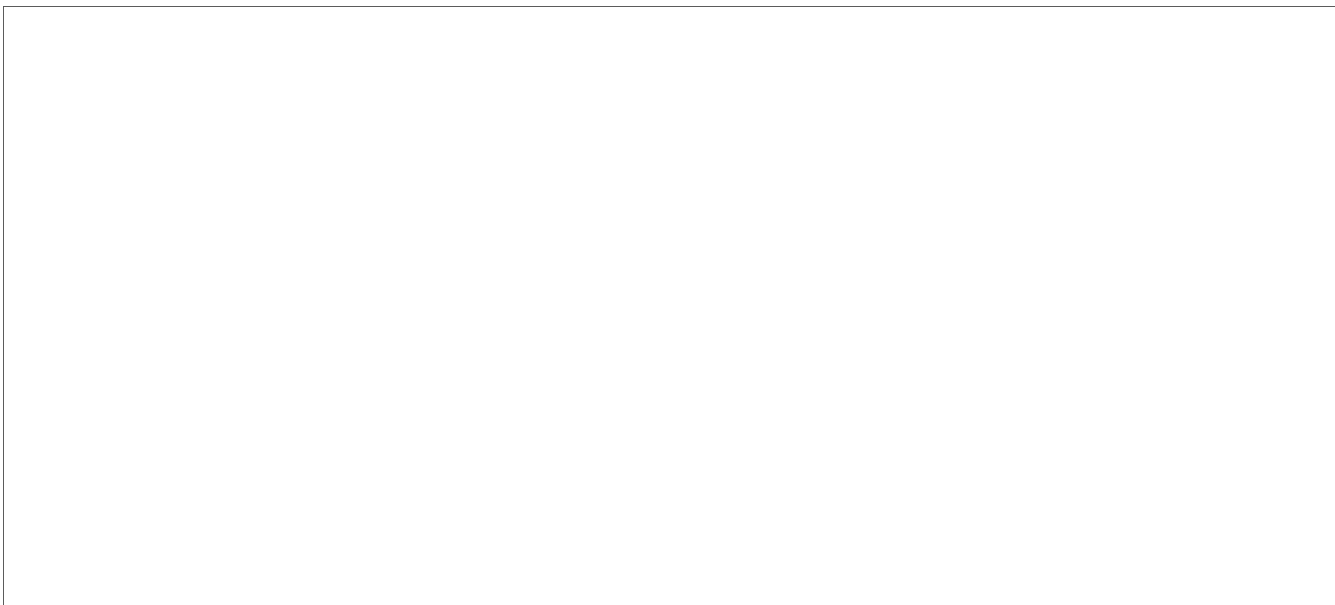
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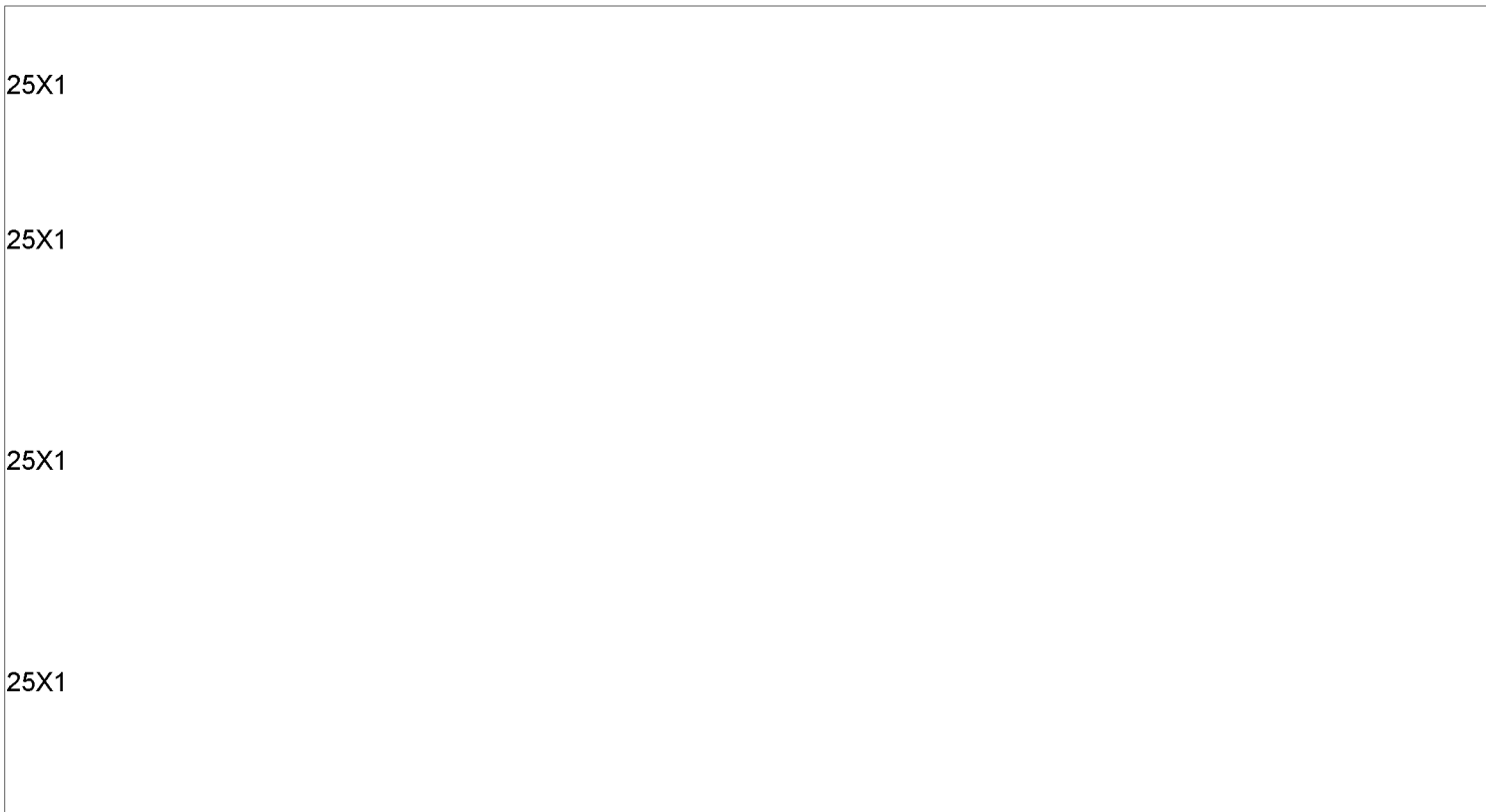
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