

The President's Daily Brief

January 27, 1976

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ANGOLA

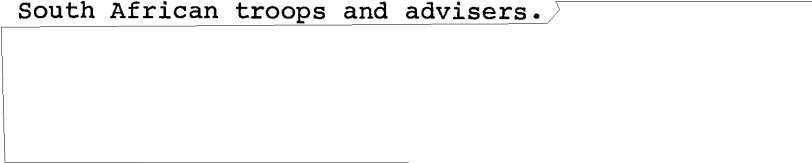
Following is our analysis of the present military situation in Angola.

The Popular Movement for the Liberation of Angola (MPLA), reinforced by about 11,000 Cuban troops and a continuing flow of Soviet military equipment, now holds a clear superiority of military power in Angola. The MPLA's military leaders are convinced that they can win a conventional military victory over their opponents in the very near future, perhaps within the next several weeks. We believe that this outcome is likely, although it will fall short of a total victory, in that at least small-scale guerrilla and insurgent activity will probably continue.

MPLA and Cuban forces have already destroyed the National Front for the Liberation of Angola (FNLA) in the north; the Front is not likely to pose a significant conventional military threat to the MPLA in the near future, though it may fight on as a guerrilla movement.

The MPLA side is confident that it can win a similar victory over the National Union for the Total Independence of Angola (UNITA) in central and southern Angola, and the MPLA and Cubans are now regrouping their forces for a concerted offensive against UNITA. This judgment of the MPLA is almost certainly correct. Although UNITA can be expected to put up stiff resistance, it does not have--without the combat participation and heavy weapons of South African forces--the ability to withstand the combined Cuban and MPLA forces.

UNITA's military position has been seriously undermined by the withdrawal of more than 1,000 South African troops and advisers.



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Given the present situation, the remaining forces in Angola opposing the MPLA cannot expect to receive any significant increase in aid--either materiel or manpower--from Zaire, Zambia, South Africa, or other nations. These nations are all in the process of rethinking their policies toward Angola and related questions. They are in every case more likely to make an accommodation to what they see as an emerging new situation in southern Africa than they are to expand their support to the UNITA and FNLA in an effort to preserve what they now think is unpreservable.

In sum, as the situation now stands, there is little to prevent the MPLA side from winning a conventional military victory, and in fairly short order. There is every indication that Soviet and Cuban aid will continue to arrive in Angola in amounts regarded by Moscow and Havana as necessary to finish the job quickly.

While the MPLA over the short term probably cannot totally eliminate guerrilla activity by its rivals, the MPLA and Cubans will be able to consolidate their military position throughout Angola. They will also succeed in tightening their administrative grip on Angola's major urban and economic centers and gaining control over the Benguela railroad. They will, at least initially, leave the rural population to fend for itself, as the Portuguese did before. Finally, they will probably avoid a direct military confrontation with South Africa by not challenging, with conventional forces, the South African forces in the far south of Angola around the Cunene hydroelectric project.

ISRAEL

We offer below our analysis of Israel's economic performance, in light of its pending aid requests and Prime Minister Rabin's visit.

Israel claims that it will suffer a balance-of-payments deficit of roughly \$600 million this year, even with continued austerity in the civilian sector, government budget restraint, and no cut in the aid package before Congress.

We believe that, following the large deficits of the past two years, Israel will be on the road to financial recovery in 1976. Certainly the need for austerity will remain, but the latest Israeli figures paint an overly pessimistic picture. Indeed, if all of the \$2.3-billion aid package is approved and import controls are not relaxed, a balance-of-payments surplus of about \$200 million will be within reach. Tel Aviv will probably ease import restrictions if a surplus seems likely.

For the rest of the decade and barring another war, the balance-of-payments situation should gradually improve, widening the options available to Israel to deal with its economic problems. While the availability of foreign exchange will remain a problem, the stabilization of military imports and the acceleration of export growth should allow Israel to loosen its import restrictions and still narrow its current-account deficit.

Israel's current economic difficulties have resulted primarily from sharp increases in the defense burden following the October 1973 war, and slowing export growth. Defense spending has more than doubled to an annual rate of \$4 billion, and arms imports have tripled over pre-war levels to more than \$2 billion. To deal with these problems, the government instituted an austerity program squeezing the civilian sector.

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Despite the austerity program, Israel's current-account deficit continued to mount and peaked at a record \$4.1 billion in 1975. Exports, hindered by sluggish US and European demand, were well below the 15-20 percent growth rate hoped for at the beginning of the year. Capital movement into the country rose, however, and with substantially higher US aid and short-term borrowing, the current-account deficit was covered without lowering foreign exchange reserves.

In 1976 the current-account deficit probably will improve by \$300 million. With exports increasing as a result of recent trade agreements with the EC and the US, and with the recovery in luxury exports as the world economy picks up, the trade gap should narrow. The estimated increases in assistance from world Jewry, US aid, and other capital inflows should more than cover the current-account deficit.

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LEBANON

Spokesmen for the major Christian political parties have now been joined by leaders of Lebanon's small, ultraconservative Christian groups in approving, in principle, the Syrian peace initiative. None of the Christian leaders, however, has yet accepted the detailed political reforms proposed by Syria.

Continued progress in political negotiations appears to result primarily from the assurances of Syrian Foreign Minister Khaddam that forces of the Palestine Liberation Army now in Lebanon will be returned to Syria as soon as a settlement is reached. According to press reports, Khaddam has said some PLA troops could be returned within ten days.

Prime Minister Karami, by formally withdrawing his resignation, has demonstrated confidence that negotiations will succeed. In addition, he is again talking about forming an expanded and more representative cabinet that would include members of Pierre Jumayyil's Christian Phalanges Party and Kamal Jumblatt's Progressive Socialist Party.

Today is the deadline for the withdrawal of all private militiamen from the streets of Beirut. The separation of forces so far has proceeded on schedule, but the two most difficult areas--the hotel district and the encircled Palestinian refugee camps--have been left until last, and trouble could still develop over them.

The government has appealed to civil servants in all public security departments to return to work today. The internal security force, which ultimately will be responsible for maintaining civil order, virtually disappeared during the heavy fighting last week.

The security force in Beirut would now have great difficulty performing even normal police functions if the Palestine Liberation Army were withdrawn.

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The Israelis have greeted the cease-fire and the Syrian peace initiative with mixed emotions. There is general relief that the tensions over Lebanon have decreased and that the bloodshed has at least temporarily ended.

On the other hand, there is concern that Syria has appreciably strengthened its influence in Lebanon and may eventually turn Lebanon into another Arab confrontation state against Israel.

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The Soviet Kresta-II - class cruiser that left Conakry Saturday is continuing south along the African coast. It probably will rendezvous with the landing ship in the Gulf of Guinea sometime today or tomorrow.

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Cuba is installing fuel storage tanks at an airport near Georgetown, Guyana, to facilitate the airlift to Africa.

Texaco, which has had the only refueling facilities at the airport, has refused to supply Cuban aircraft involved in the airlift. The Cubans have been prohibited from refueling in Barbados, the Azores, and Canada. [redacted]

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The Soviets are expressing public satisfaction with Secretary Kissinger's visit to Moscow last week, an event well covered by their media.

Although Soviet media have reported that the discussions covered a wide range of problems, these accounts have focused exclusively on the strategic arms issue. Moscow's positive coverage of the visit has been tempered by frequent reminders that "certain US circles" are increasing their resistance to improved relations with the USSR. *Pravda* mentioned, for example, that the draft US budget contains a substantial increase in military spending. The Soviets have also resumed the highly critical press treatment of US affairs that has been typical in recent months. During the Secretary's visit, negative material, although not eliminated, was sharply reduced.

* * *

The Soviet Union has taken measures since late December to project an image of compliance with the CSCE accord, especially in the area of emigration.

These moves, which include the sudden permission to emigrate granted to several prominent Jewish dissidents, go hand-in-hand with a tougher official posture toward dissident activity. The most important changes in the emigration procedures are a reduction in fees and the cutting of some red tape. Jewish activists in Moscow have already expressed skepticism that the changes--almost wholly unpublicized within the USSR--will actually lead to freer emigration.

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The government of Panama is promoting press stories of a major breakthrough in the canal treaty negotiations to divert attention from anti-government protests.

Panamanian newspapers are headlining reports that the US has agreed to transfer the canal back to Panama in 1995, to reduce the size of the Canal Zone up to 90 percent, and to agree to inter-American arbitration of future disputes. The press implies that final agreement is near partly because of Torrijos' warning to US Ambassador Bunker late last year not to return to Panama for further negotiations without specific proposals. The government's media campaign is part of an effort to draw the heat from public protests against the widespread arrest and exiling of prominent administration critics.

* * *

A Jordanian air force delegation was scheduled to begin a visit to the USSR yesterday to evaluate Soviet military equipment for possible purchase.

The visit reportedly grew out of a recent Soviet offer to sell 12 MI-6s, the world's largest operational helicopters, at one third the price of comparable equipment. The delegation also hopes to see MIG-23 and MIG-25 jet aircraft and the SA-9 tactical surface-to-air missile system. During a recent visit to Syria, King Husayn is said to have been impressed with Soviet armament, particularly MIG-23 aircraft.

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