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The President's Daily Brief

May 3, 1976

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FOR THE PRESIDENT ONLY

LEBANON: *Political leaders continued their search over the weekend for a way to break the deadlock between supporters of presidential hopefuls Ilyas Sarkis and Raymond Edde before parliament meets on Saturday to select a successor to President Franjiyah.*

The speaker of parliament is moving to sound out Christian and Muslim leaders--including Edde's major backer, leftist leader Kamal Jumblatt--on a compromise candidate. A number of deputies reportedly will travel to Damascus today or tomorrow to discuss the presidential succession with Syrian leaders, who favor Sarkis.

Numerous cease-fire violations, meanwhile, continued over the weekend in Beirut, where Christian and Muslim militias exchanged small arms, artillery, and rocket fire. The fighting was particularly severe in the capital's port area, where Muslim leftists reportedly launched an attack on Christian positions.

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CHINA: *All of the active, Peking-based Politburo members except Chairman Mao appeared in the capital for May Day festivities.*

Radio Peking listed them in their usual order of rank, indicating no change in the hierarchy.

In keeping with the practice on May Day in previous years, the leadership broke into small groups to attend celebrations in Peking's parks. The groups were composed of a careful mix of moderate and leftist leaders in what appeared to be a show of unity in the wake of the ouster of Teng Hsiao-ping.

This was the first time that leading moderates Chu Te, Yeh Chien-ying, and Li Hsien-nien--all staunch supporters of Teng--had appeared with leftists in the leadership since Teng's fall. The three moderates had appeared individually, however, on previous occasions.

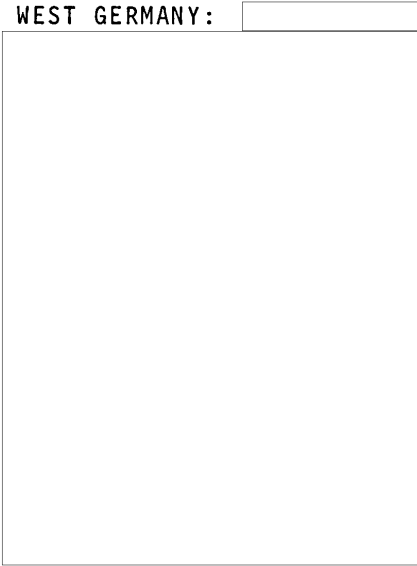
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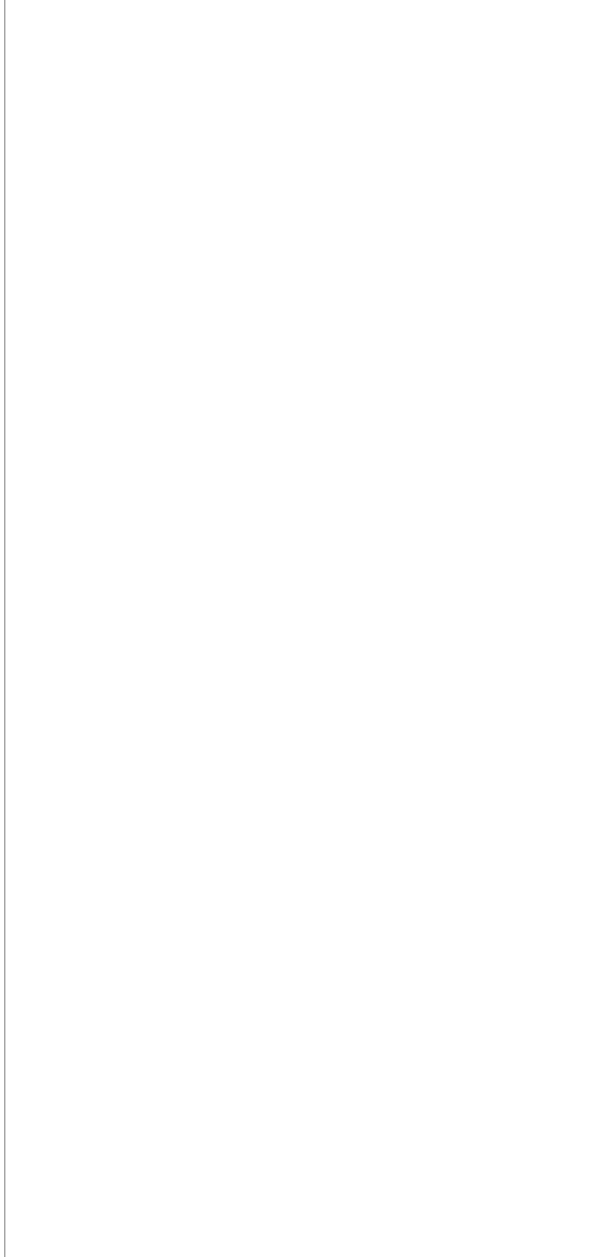
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WEST GERMANY:

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NOTES

The Chinese are expanding the Wu-chai missile test center, the second largest in the country.

The new construction there was first seen in satellite photography last fall. Photography in April confirms that the Chinese are building a large launch site and a control facility. If the present pace of construction continues, the new facilities should be complete in about a year.

The new facilities are generally similar to those built at Shuang-cheng-tzu in the late 1960s. China may be planning to expand and perhaps accelerate development of large, liquid-propelled missiles. The most likely candidate is the CSS-X-4, which the Chinese are developing as an ICBM and space-launch vehicle.

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Panama is maintaining a hard public line on alleged violations of its territorial waters by US fishing boats.

The Torrijos government has officially demanded payment of \$100,000 in fines for each of the two US vessels charged with violations and now anchored in Canal Zone waters. Privately, it says it would be willing instead to issue "extraordinary licenses" to the two boats--for \$100,000 each. This, of course, would be a legal gimmick designed to get around the US legislation that calls for sanctions against countries that fine US fishing boats.

Even with a new negotiating round on the canal treaty beginning this week, Panama appears prepared to seize the two vessels when they leave the jurisdiction of the Canal Zone.

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Rhodesia announced this weekend that military reservists who have completed their term of service will be recalled to duty for an indefinite period. The government also is considering extending the term of service for white youths by six months.

These measures, when fully implemented, will heavily tax the Rhodesian economy by withdrawing civilians from the country's work force for prolonged periods.

Mobilization will probably be followed by new Rhodesian offensive operations against insurgents along the border with Mozambique. An offensive might appear for a while to have succeeded in reducing guerrilla activity

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UN CONFERENCE ON TRADE AND DEVELOPMENT

The atmosphere generated at the 4th Conference on Trade and Development--which opens in Nairobi, Kenya, on May 5--will be more important than any specific decisions the conference may reach.

The meeting is the latest in the dialogue between industrialized and developing states. This dialogue began in 1964 with the creation of UNCTAD and accelerated after the OPEC oil embargo of 1973-74. Frustration with the outcome at UNCTAD could be reflected in a tougher line by developing countries in subsequent economic and political negotiations.

The cornerstone of developing country policy at the Nairobi meeting and the most contentious issue between developing and industrialized states will be the proposal to create an integrated commodity program. This program calls for a common fund of \$3 billion--which would come primarily from industrialized states--to help support prices for 18 different raw materials. The program also calls for an expansion of existing mechanisms that provide compensation to developing nations when their earnings from exports of raw materials decline.

With the exception of the Netherlands and the Scandinavian countries, all industrialized countries oppose the program as formulated, but most concede the need to respond to the demands of developing countries for more stable export prices.

Other Issues

The developing countries may accuse the industrialized states of failing to make good on commitments for special treatment of developing states in the multilateral trade negotiations. The latter want the special tariff privileges now available to them expanded and made permanent.

In the realm of monetary reform, the developing countries will press for increases in lending from multilateral institutions. They want a direct link between aid levels and increases in IMF special drawing rights.

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Developing states demand a binding international code on transfer of technology. The industrialized states, for their part, largely agree on the need to improve the access of developing countries to new technology, but most will accept only a non-binding code.

Differences among Developing Countries

Most developing states recognize that unity in economic negotiations remains their major bargaining strength, and they will go to considerable lengths to maintain it. Inevitably, however, differences do exist--primarily between Africans and Latin Americans. These have to do chiefly with which products should be covered by the integrated commodities program and with the preferred access some developing states now enjoy in developed country markets.

Another divisive issue at Nairobi among developing countries could be that of debt problems if proposals should surface for a broad debt moratorium. Credit-worthy Latin American states are afraid that being lumped together with poorer states could damage their ability to borrow internationally. Almost all industrialized states reject a debt moratorium, but some would agree to a conference on debt problems with a limited agenda.

Industrialized States

The industrialized states have largely been reacting to policies advocated by the developing countries rather than forging their own program. Consequently, they have had less success in creating even the appearance of a common policy. Most governments are caught between political recognition of the need to continue a dialogue with the developing states and unwillingness to agree to potentially expensive open-ended programs.

The EC has yet to reconcile financially conservative German and liberal Dutch policy prescriptions. Conflicts within the Japanese government will make it impossible for Tokyo to do anything but line up with the more conservative countries. Any Japanese concessions will be aimed at improving Tokyo's relations with major suppliers of raw materials but will avoid Japanese involvement in broad commodity agreements.

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USSR

Soviet policy will continue to reflect both public support for the third world's striving for economic independence and private contempt for initiatives not bearing Moscow's stamp. Soviet media take the line that Moscow backs efforts by developing countries to defend their natural resources from predatory Western multinational corporations.

Moscow is embarrassed that the developing states now lump some communist states with the other industrialized states when they divide the world into rich and poor countries.

China

Peking will probably regard UNCTAD as another forum in which to blame the superpowers for the economic ills of the third world. China will be wary of any mechanism or agreement that would require significant financial contributions or imply surrender of Peking's right to pursue its own interests in world markets.

Effect of Nairobi on CIEC

A conference that avoids a major row between developing and industrialized states will reinforce discussions in Paris at the Conference on International Economic Cooperation.

[REDACTED] CIEC is the only existing forum for talks between oil producers and importers.

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