



The President's Daily Brief

July 30, 1976

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~~*Top Secret*~~ 25X1

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July 30, 1976

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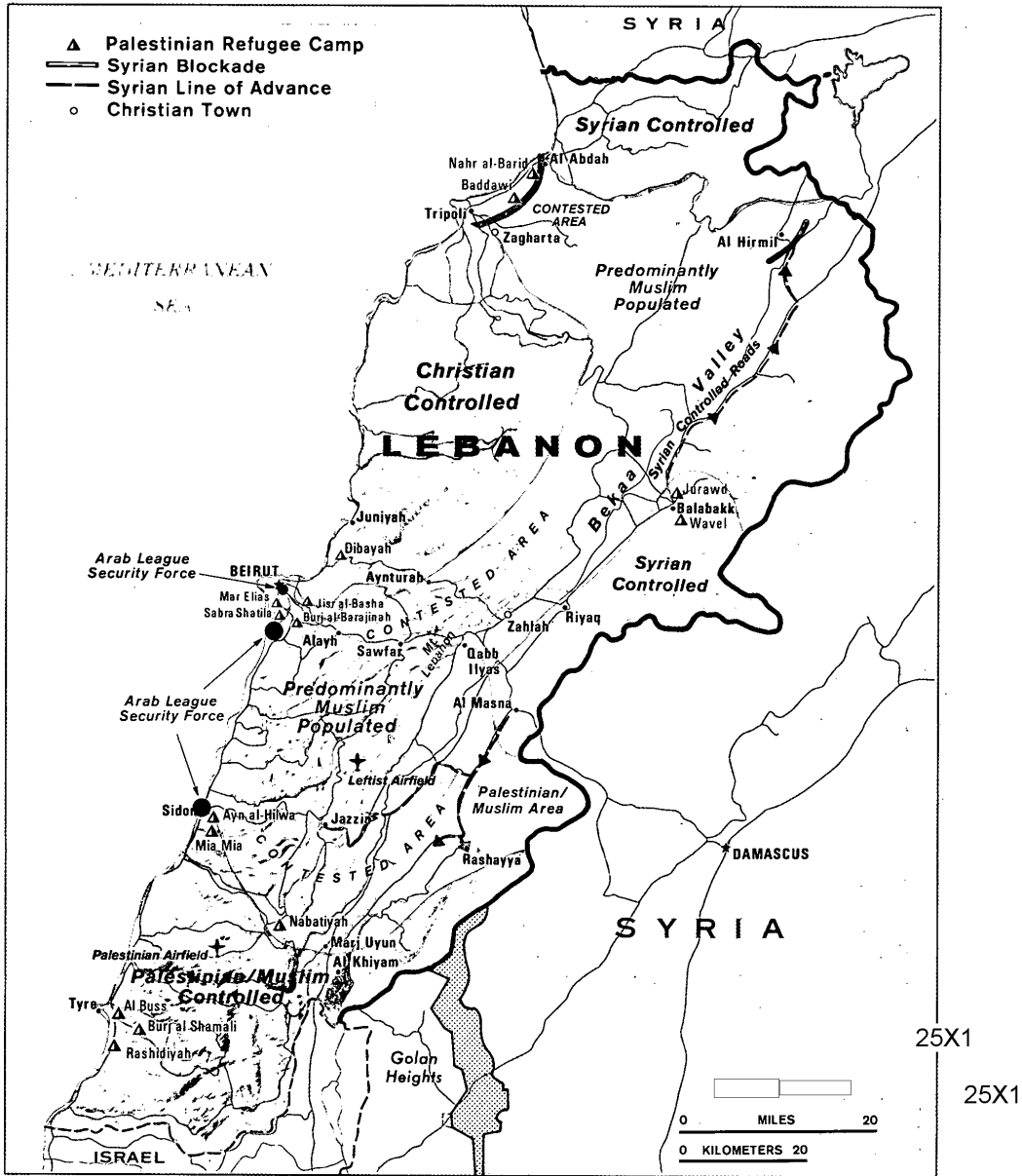
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LEBANON: *Syrian Foreign Minister Khaddam and Palestine Liberation Organization representative Qaddumi signed the Syrian-Palestinian accord last night, according to Damascus Radio.*

The accord calls for a cease-fire within 10 days, adherence to the Cairo agreement regulating Palestinian activities in Lebanon, and the opening of roundtable negotiations among the Lebanese under president-elect Sarkis.

PLO chairman Yasir Arafat, according to an Egyptian news service, said that he had not yet approved the document. The provision for restricting Palestinian activity in Lebanon presumably is a bone of contention between Arafat and the Syrians [redacted]

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The agreement, as announced, contains no provision for Syrian withdrawal from Lebanon, but the Syrians may have assured Qaddumi that they would withdraw from Sawfar on the Beirut-Damascus highway.

Syria has promised several times previously to withdraw from Sawfar and has failed to follow through. Damascus may now calculate that it can afford this concession in the expectation that Christian forces advancing from the north could gain control of the area.

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Fighting in Lebanon appears to have picked up somewhat yesterday.

In Beirut, Christian forces renewed attacks on the Muslim district of Nabaa after a lull of several days, and leftist and Palestinian forces launched an attack into a Christian district of the capital.

Syria has reportedly urged that the evacuation of wounded from Tall Zatar--which has been repeatedly postponed--be allowed to proceed. Lebanese Interior Minister Shamun announced yesterday that he had agreed to the evacuation and would arrange details in a series of meetings today.

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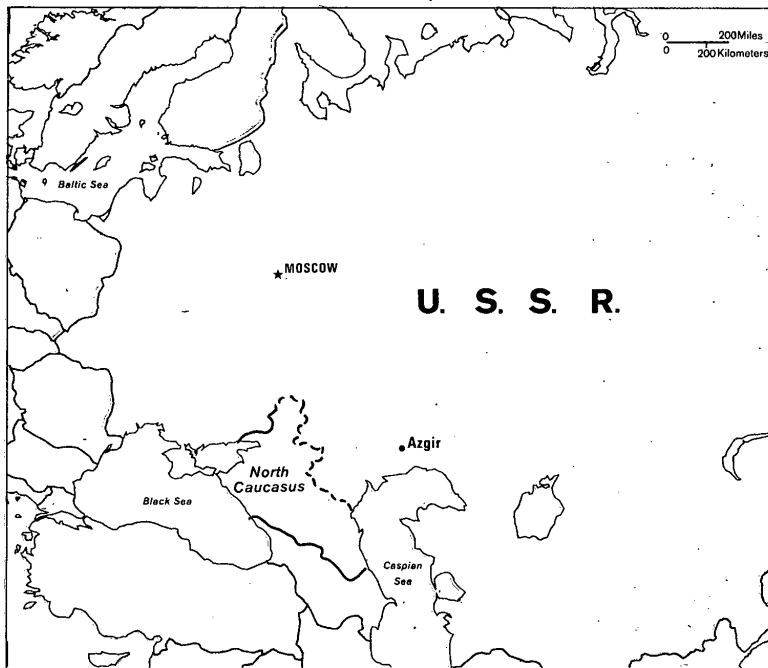
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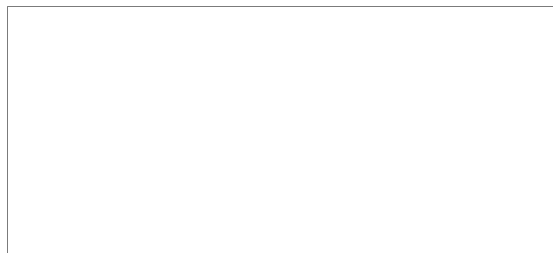
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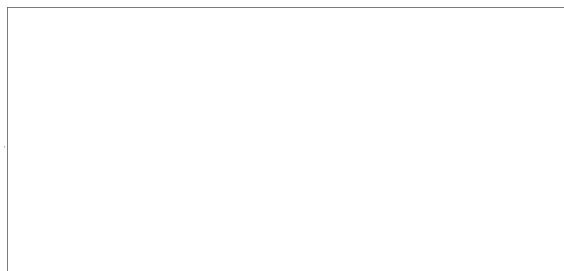
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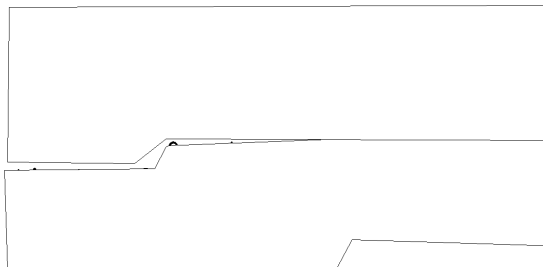


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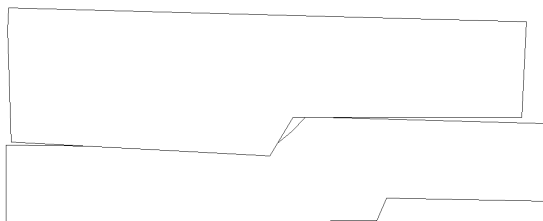
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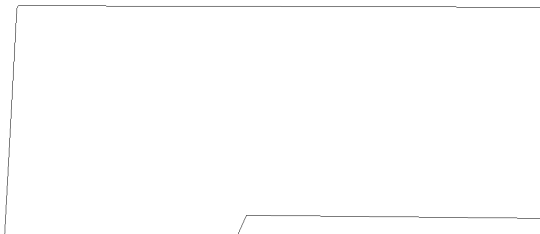


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GREECE-TURKEY: *The Turkish seismic research ship Sismik I entered the Aegean yesterday accompanied by a naval escort, according to a Turkish radio broadcast.*

A senior Turkish Foreign Ministry official informed the US embassy that the ship will spend about 10 days surveying in and around Turkish territorial waters before entering international waters, where it will operate until August 20. The extended stay of the Sismik I in Turkish waters still gives the two sides an opportunity to try again to devise a compromise formula to secure safe passage of the ship through contested waters.

Although both governments seem anxious to avoid a confrontation, they appear equally determined to avoid any moves that could weaken their claims in the Aegean or leave them vulnerable to attacks by domestic political opponents.

Tensions are likely to increase if there are no new talks or if they fail and the Sismik sails into disputed waters with a naval escort. The Greeks have indicated that the nature of the ship's activities will influence their reaction.

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The Greeks have responded initially to the Sismik's appearance in the Aegean by calling off the talks on Aegean air space rights set to begin this week in Paris and by stepping up efforts to monitor its movements.

According to the US defense attache in Athens, all of Greece's submarines put out to sea yesterday and there are press reports that some units of the Greek navy are en route to patrol near the Greek islands off the Turkish coast. Greek aircraft also are following the Sismik's movements.

There are no indications that Greek military units--beyond those placed on alert last week--have been placed in an increased state of readiness.

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KENYA-UGANDA-UK: Despite a flurry of mediation efforts and diplomatic activity, there has been little change in the Kenya-Uganda dispute since earlier in the week.

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OAU Secretary General Eteki held discussions with Kenyatta and other Kenyan officials yesterday. It is uncertain whether he will be

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going on to Kampala. Amin's renewed criticism yesterday of Nairobi's complicity in the Israeli rescue operation would appear to limit any Kenyan receptivity to mediation at this time.

Amin continues his own diplomatic initiatives with the Islamic states, presumably to seek relief from Uganda's economic plight. A Ugandan mission visited Sudan and Libya this week

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Amin so far appears not to have taken any major retaliatory steps against the 200 to 300 Britons still in Uganda following London's diplomatic break this week. The Ugandan leader has declared, however, that he is no longer obliged to compensate several thousand British Asians who lost property when he expelled them from Uganda in 1972.

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JAPAN: Speculation is now settling on Yasuhiro Nakasone, secretary general of the Liberal Democratic Party, as the next major political figure to be implicated in the Lockheed affair.

Nakasone has been linked to the scandal since it erupted in February, partly because he occupied a key position in the former Tanaka government. A major Japanese daily reported yesterday that Nakasone's name was listed in the Lockheed-related data previously received by Japanese prosecutors from Washington.

The prospect of Nakasone's involvement presents Prime Minister Miki with a problem that is potentially more serious than Tanaka's arrest. Nakasone was appointed to a key party post by Miki and is also Miki's single major political ally. Even if Nakasone is not named by the prosecutors, suspicion will build both within and outside the party that a partial cover up is under way. Nakasone's arrest, on the other hand, would generate strong--perhaps overwhelming--pressures for Miki's resignation.

So far, Miki has not committed himself as to whether he would resign if one of his party officers or cabinet members were implicated. He is publicly building a case for remaining in office by closely associating himself with the need for thorough party reform.

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ITALY: *Italy's prime minister - designate Andreotti's cabinet list--presented yesterday--suggests an attempt to create a fresh image.*

The new Christian Democratic minority government contains several new faces and some technicians. In a departure from tradition, no former prime ministers except Andreotti himself are included.

President Leone will swear in the government today, and it will face its first confidence vote next Wednesday in the Senate, followed by one in the Chamber of Deputies the following week. Communist abstention will be needed for it to survive.

Italy has increased its foreign currency reserves by \$1,120 million through lira sales since last month's general elections.

The inflows also have enabled Italy to repay all of the \$500 million drawn on its swap facility with the Federal Reserve Bank of New York. The exchange market intervention accompanying the reserve increases has kept the lira, which closed at 835.3 to the dollar yesterday, remarkably stable since the elections.

In addition to the election outcome and the normal influx of summer tourists, several other factors have contributed to the lira's recent strength. The import deposit scheme, which requires a 50 percent non-interest-bearing deposit on most foreign purchases, has been a useful instrument for absorbing liquidity and stabilizing the exchange rate. High interest rates also have helped.

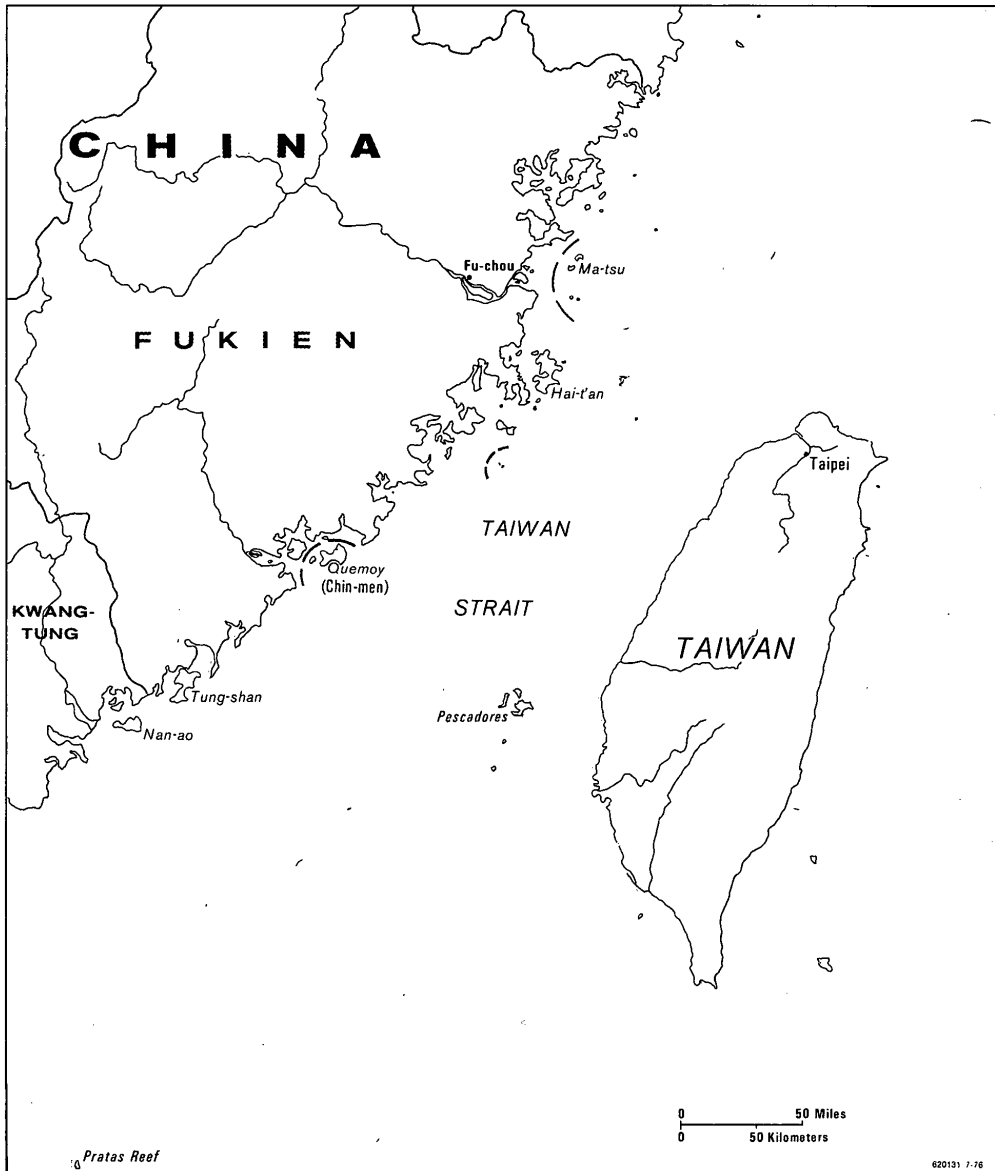
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The lira still faces an uncertain future. The composition of the new government and the rate of inflation will have an important influence on the lira's prospects.

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NOTES

No significant Chinese military exercise activity has been detected at the southern entrance of the Taiwan Strait since July 24 when air, ground, and naval forces conducted large-scale joint maneuvers near Tung-shan and Nan-ao islands.

Bad weather over the past several days probably caused at least a temporary stand-down in activity.

[redacted] several transport and bomber aircraft that had participated in the exercises returned, or were preparing to return, to their home bases early this morning. Naval, ground, and some air forces remain concentrated in the exercise area.

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The military maneuvers have clearly heightened concern on Taiwan, but the Nationalists have not placed any of their forces in a significantly higher state of readiness.

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A top Polish party official told the US ambassador on Wednesday that Warsaw will not raise meat prices this year.

The latest postponement of the badly needed price increases shows the regime's irresolution and its fear of the Polish consumer since the June riots. The party official admitted that this decision will involve considerable costs to the economy. He said that meat exports, an important source of hard currency, have been cut. He added that Poland will have to import approximately 100 thousand tons of meat before the end of the year, including some from China.

The official indicated that Poland expects to import considerable quantities of wheat from the USSR and "some" from the US. The USSR normally ships 1 to 2 million tons of grain to Poland each year, but last August Moscow suspended shipments because of its own poor harvest.

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A substantial share of Cuba's trade with non-Communist countries has gone to US subsidiaries since the partial lifting of the US embargo in August 1975.

In the past 10 months, foreign subsidiaries of US companies have been awarded sales contracts by Havana totaling \$293 million--the equivalent of one fifth of Cuba's estimated non-Communist imports in 1975.

Most of the business has been garnered by US subsidiaries in Canada, Argentina, and Western Europe. Purchases from Cuba by US subsidiaries thus far have amounted to only about \$2 million worth of tobacco and molasses.

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