



The President's Daily Brief

September 2, 1976



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Exempt from general
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exemption category 5B(1),(2),(3)
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FOR THE PRESIDENT ONLY

September 2, 1976

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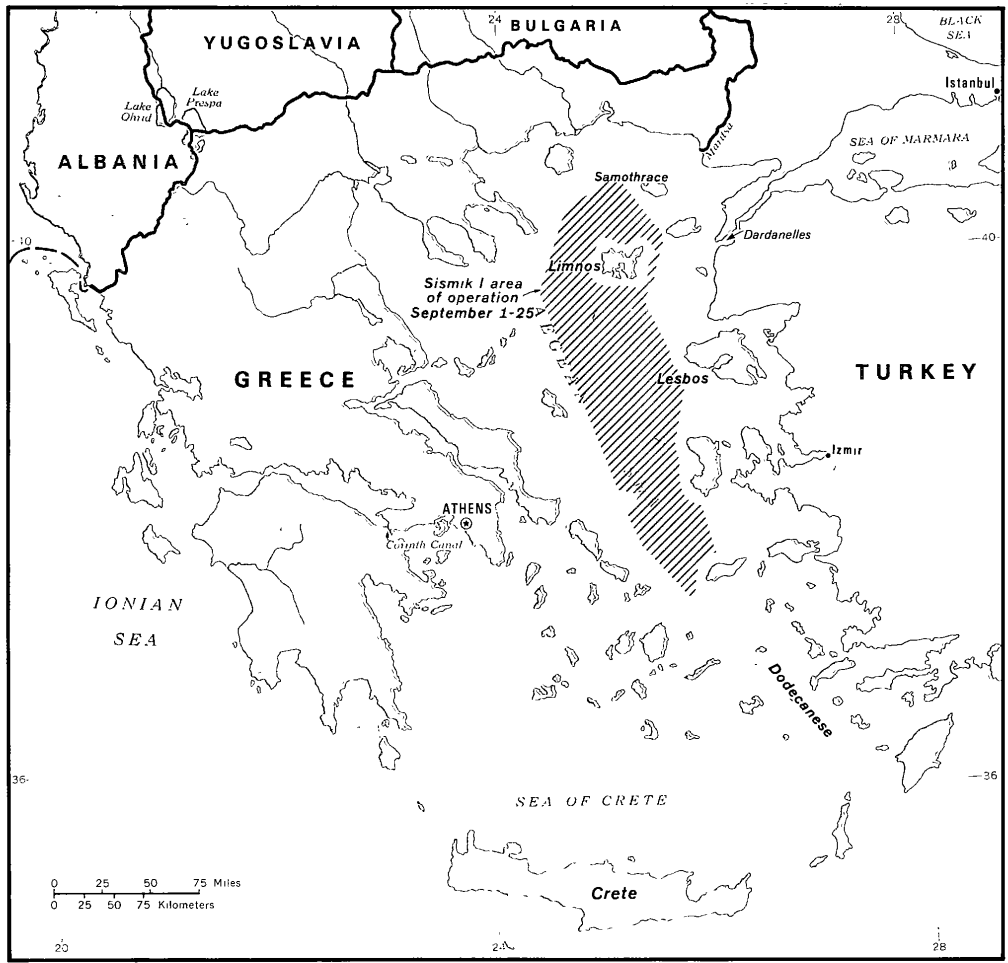
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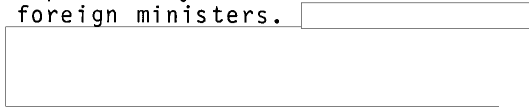
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TURKEY-GREECE: *The Turkish research ship Sismik I left Izmir yesterday morning on a mission that will continue through September 25. This fourth phase of operations is likely to heighten Greek-Turkish tensions again and could undermine recent UN efforts to get bilateral talks started on Aegean problems.*

The ship will avoid Greek territorial waters, according to an announcement by the Turkish navy, but its area of operation will encompass substantial portions of the Greek-claimed continental shelf--some of it west of Greek islands along the Turkish coast. The area comes close at one point to the Greek mainland itself and includes zones where Athens and Ankara have granted overlapping oil concessions.

The new Turkish move, at best, is almost certain to delay negotiations tentatively set for mid-September by the Greek and Turkish foreign ministers.

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Both governments will be alert to the possibility of incidents arising from the activities of the Sismik I and from a Greek naval exercise in the northern Aegean scheduled to continue through September 12.

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LIBYA-EGYPT: *A speech by Libyan President Qadhafi last night seemed clearly intended to avoid giving Cairo provocation for military or political action against him.*

Despite some harsh comments on President Sadat, Qadhafi said he bears the Egyptian President no grudge and would not break diplomatic relations with Egypt. Referring to Cairo's military threats, he asserted that, although Libya is capable of doing so, it will never use its military strength against Egypt.

Qadhafi announced the release of three Egyptians whom Libya had recently arrested on charges of

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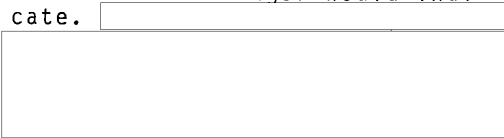
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spying for Egypt. He did not mention the expulsion of Egyptian workers from Libya--a threat he has repeatedly made.

Qadhafi's remarks on Egypt were part of a long, self-congratulatory exposition on the popularity of his revolution. His speech seemed designed to convince Cairo and any Egyptian-backed coup plotters that his regime is too soundly based to be toppled.

The Libyans are more concerned about the possibility of Egyptian action than Qadhafi's breezy dismissal of the danger would indicate.

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Qadhafi must see his present approach as one that permits him to appear before the Libyan people and the other Arab states as the reasonable party to the dispute and Sadat the unprovoked aggressor.

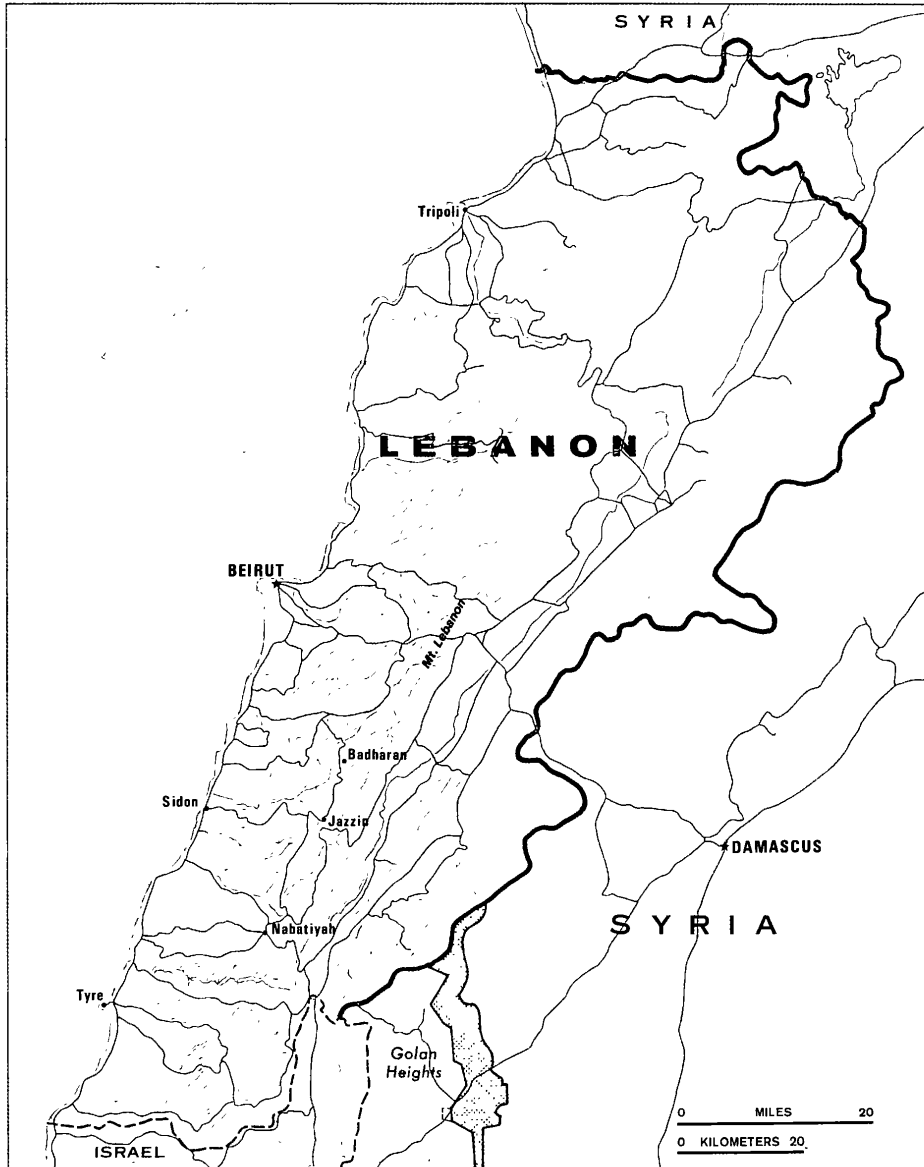
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LEBANON: No statement has been issued on the substance of talks between Lebanese president-elect Ilyas Sarkis and Syrian President Asad in Damascus on August 21. Sarkis has been quoted as calling Syria's role in Lebanon "positive."

Damascus radio has emphasized that the two leaders stressed the need to continue Syria's "effort to establish peace" in Lebanon until political problems are solved and normal life restored. The leftist Beirut radio, however, said Sarkis asked the Syrians for a pledge to withdraw their forces so he can begin working on a solution.

It is entirely possible that Sarkis, while expressing appreciation for Syria's involvement in Lebanon--a position he is forced to adopt

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to retain his vital support from Damascus--has also said a public pledge of Syria's intended withdrawal is a political necessity if he is to have any chance of governing the country.

A second meeting between Asad and Sarkis will apparently take place soon, although no date has been set.

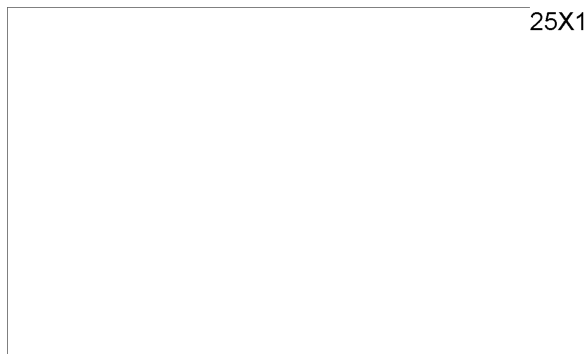
The leftist "central political council"-- a loose leftwing coalition headed by Kamal Jumblatt--has announced plans to establish its own "foreign office."

The "foreign office" is to have branches in France, Bulgaria, Libya, Egypt, and Cyprus and will deal with public relations, economic, and political affairs. The council also announced formation of a bureau of finance and a new security force of 2,000 men.

The military situation has been relatively calm.

The Christians claim to have advanced in the north, and the Syrians continue to consolidate their forces in the mountains east of Beirut and near Jazzin in the south. Clashes occurred again yesterday in the commercial district of Beirut.

The airfield at Nabatiyah in a leftist-controlled area of southern Lebanon has reportedly been completed.



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Overhead photography of mid-August showed that construction on the airstrip at Nabatiyah was almost completed. The runway will be able to handle transports such as the AN-12 and C-130. The Iraqis have about ten AN-12s; Libya has eight C-130s.

Most recent coverage of a second airstrip at Badharan showed construction still under way.

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ANGOLA-US: *Angolan President Neto's private message to Washington expressing interest in establishing normal relations probably was sparked by growing pressure from within his Popular Movement to make moves that could assist in gaining UN membership.*

The message, delivered to the US embassy in Stockholm on Tuesday asserted:

--Neto personally guarantees that the Cuban presence is not directed against US interests.

--Angola is not a "satellite" of the USSR, and its "alliance" with Cuba was based on wartime necessity. The Angolan government is "strongly determined" not to come under foreign influence.

--The Cubans are not in Angola for aggressive purposes but are there to train the Angolan army and to provide public health facilities.

--The Angolan government has a strong interest in joining the UN.

--Delays in gaining membership "create irritation" among the people and within the Popular Movement.

Neto, a proud man and a strong nationalist, probably would in fact like to reduce the Cuban presence

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if at the same time he can assure his security situation. He is in no position to force the pace of any reduction now, however, in view of present military and economic conditions in Angola and the absence of alternative sources of assistance. A substantial continued Cuban presence--probably on the order of at least 10,000 troops and advisers--appears likely for some time to come.

* * *

NAMIBIA: *Leading white politicians in Namibia have accepted December 1978 as the target date for the territory's independence from South Africa, but they are resisting the UN demand for popular elections before independence.*

South African Prime Minister Vorster has not taken a public stand on proposed steps toward independence, although he has stated that he would not block any measure that might be approved by a consensus of all ethnic delegations within the constitutional conference that the South Africans convened last year in Windhoek, the territorial capital. The South African press has speculated that Vorster will urge white settlers in Namibia to accept at least some proposals from the non-whites before the UN Security Council resumes consideration of Namibia on September 22.

The US embassy in Pretoria believes Vorster may take no action until after his meeting with Secretary Kissinger this weekend and after consultations with his National Party leadership that are scheduled for September 10.

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Commentary in the Soviet media about events in southern Africa, particularly in Namibia, has been predictably negative and suggests that the Soviets are apprehensive over current US initiatives in the region.

Racial disturbances in South Africa and Rhodesian retaliatory raids into Mozambique have been convenient subjects for Soviet propaganda. In addition, the passing of the August 31 deadline set by the UN Security Council for concrete steps toward Namibian independence has prompted tirades against South Africa and its "imperialist" supporters.

Moscow's propaganda sees all western peace efforts in southern Africa as ploys to preserve "imperialist" control of the rich natural resources of the region.

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The leadership of the British Trades Union Congress should have little difficulty at the annual meeting next week in winning approval of either the new "social contract" governing the alliance between the TUC and the Labor Party or in getting the unions to re-endorse the current wage guidelines.

High unemployment, on the other hand, will cause continuing strain between the government and its union allies. Public sector unions, whose members will bear the brunt of planned government cuts in public spending, have been lobbying with the powerful manufacturing-based unions to resist further attempts to cut the budget.

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Chancellor of the Exchequer Healey, however, is unlikely to be pressured into shifting policies while curbing inflation still has priority over a quick reduction in unemployment.

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	<u>Netherlands</u>

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Mexican President Echeverria yesterday outlined new government policies to back the decision on Tuesday to float the peso.

He proposed strict government fiscal responsibility to eliminate excess spending and cut the budget deficit without reducing needed investment in public facilities, industry, and social services. To protect consumer purchasing power

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Echeverria called for price controls on essential goods, export and excess profits taxes, reduction of tariffs on raw materials and some other items, and special tax breaks for those who will suffer most from the effects of the depreciation.

To protect the value of the peso from excessive erosion, the national bank will intervene where necessary, relying on foreign exchange reserves of \$1.4 billion and drawing rights totaling another \$1 billion with the International Monetary Fund and other international financial sources.

The Mexicans hope these measures will hold the line on import prices, domestic inflation, and severe capital flight while bolstering export receipts, especially tourist earnings.

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USSR-LIBYA

The Soviet Union's relations with Libya, a country with long-standing distrust of the USSR, entered a new phase in May 1974. The change occurred shortly after Egyptian President Sadat stated that he would be relying less on the USSR for political and military support, and would be seeking alternate sources of assistance in the West. At its inception the Libyan connection, as far as the Soviets were concerned, was therefore a device designed primarily to put pressure on Cairo.

Soviet-Libyan arms agreements have also opened a financial windfall for Moscow, and the USSR is taking every advantage. The Soviets are charging Libya catalogue prices for weaponry in contrast to the concessionary prices offered to other Arab clients. No doubt the Libyans will be gradually moved along to more advanced (and higher priced) military items. More sophisticated equipment should also increase the total number of Soviet technical advisers in Libya as well as the number of Libyans sent to the USSR for military training.

Moscow's Military Investment

In view of the small size of the Libyan military establishment and the poor state of Soviet-Libyan relations as recently as 1973, the size and scope of Soviet military deliveries during the past two years have been remarkable. Following a \$730 million agreement in 1974 and an apparent supplementary agreement of unknown value negotiated during Premier Kosygin's visit in 1975, these deliveries have included:

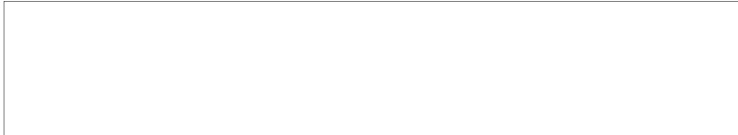
- More than 40 MIG-23 Floggers, a high-performance aircraft that will require an increase in the total number of Soviet technical advisers in Libya as well as the number of Libyans training in the USSR.
- Six TU-22 Blinders, making Libya the second Arab country (after Iraq) to receive this medium bomber.

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--Surface-to-air missile battalions, consisting of 66 SA-2, 31 SA-3, and 12 SA-6 launchers.

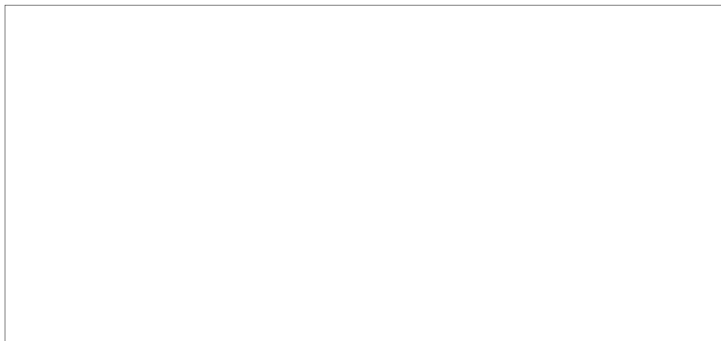


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The Libyans apparently have now received about half of the military equipment agreed to in 1974, and in return the Soviets have been receiving Libyan cash or oil upon delivery. More than \$200 million in Soviet military equipment arrived in Libya in 1975; deliveries remained high in the first half of 1976, when, we believe, Libya received materiel valued at more than \$120 million.

Soviet - East European Advisers

About 500 Soviet military advisers and technicians are now in Libya.



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In addition to 7,000-8,000 Yugoslavs active in all areas of the Libyan economy, more than 5,000 economic advisers from other East European countries are there under commercial contracts.

The East European advisers are serving under barter agreements with Libya paying for their services with cash or oil; two years ago, in fact, Libya was the major crude oil supplier to the East European countries because of these contractual agreements.

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Soviet Nuclear Energy Program

The Soviet Union has already begun construction of a nuclear research center near Tripoli that will mark the first contribution to the development of nuclear engineering expertise in Libya. [redacted]

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Construction is expected to be completed by 1979. The Soviets plan to establish a temporary port on the nearby coast by that time to avoid bringing necessary equipment through the crowded port of Tripoli.

Since Libya has no capability in the nuclear engineering field, a large number of Soviet technicians will be needed. These will include nuclear scientists and engineers as well as the skilled laborers required to build the facility. The Libyans are reportedly displeased with Soviet efforts to assure exclusive control over the Libyan program, and expect the Soviets to drag their feet in training Libyans in this field.

Frustrations in dealing with the Soviets probably prompted the Libyans to renew efforts to obtain assistance elsewhere. An agreement between France and Libya in March to build a nuclear reactor indicated that Tripoli will not accept Soviet domination over the Libyan nuclear program.

State Relations

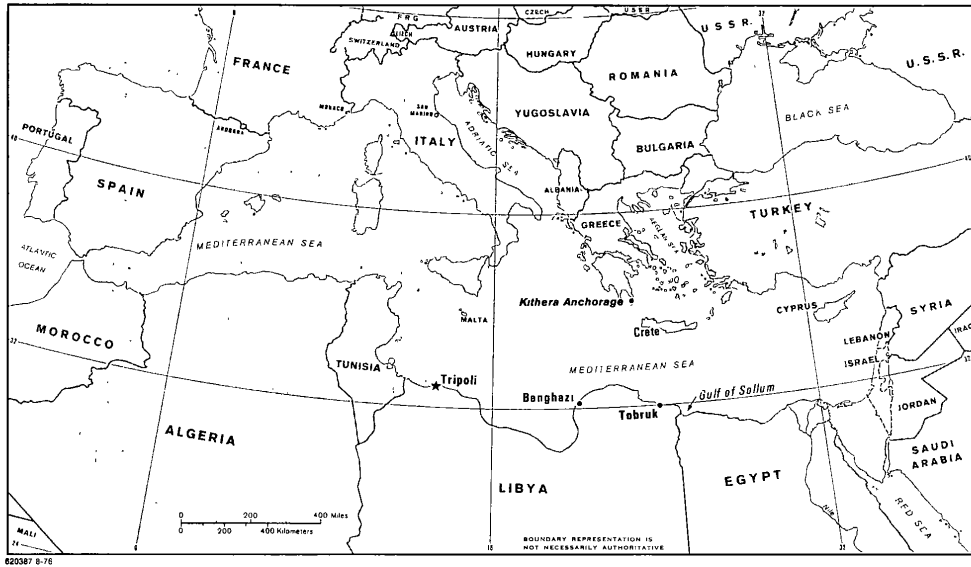
The increased Soviet military assistance given to Libya during the past three years has not led to political influence there or to access to Libyan military facilities. Qadhafi still deeply distrusts the Soviets and watches their presence carefully.

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[redacted] Soviet naval ships have not made a port call in Libya since Qadhafi came to power seven years ago.

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The three Libyan ports at Tripoli, Tobruk, and Benghazi, in any event, could provide little in the way of support and virtually no significant repairs. None has facilities that could approach those the Soviets have been denied at Al Qabbari in Alexandria.

Perhaps as a result, the Soviets until recently have been careful

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not to give Qadhafi any genuine political support vis-a-vis Egypt. Rather than get too closely identified with Qadhafi's aspirations, the Soviet press has usually referred to him merely to score points against Sadat.

The Soviets and Worsening Libyan-Egyptian Relations

From mid-March to late August, the Soviet press said nothing about Libya and was silent about the deterioration of Libyan-Egyptian relations, including Libyan charges in early August that Egyptian armed forces were moving to the Libyan-Egyptian border.

The silence was broken on August 29, when *Pravda* took note of the "worsening of the situation" on the border in an *Observer* article. Moscow uses the *Observer* affixation sparingly to give an authoritative stamp to a *Pravda* declaration. The choice of this vehicle is a clear sign that Moscow has come to realize that there is a real potential for hostilities between Egypt and Libya in the near future. It specifically warns of the danger of a "new military conflict" in the Middle East.

The article weighs in on Qadhafi's side and upbraids Egyptian leaders for threatening Libya. Moscow presumably hopes to deter Sadat from attacking Libya.

The article may also be designed to win favor with Qadhafi, who might well be pressuring the Soviets for some expression of support. The Soviets have also sent--for the second time--a delegation to Tripoli for Libya's national day observance. The gesture is muted, however, by the fact that the delegation is headed by a minor official.

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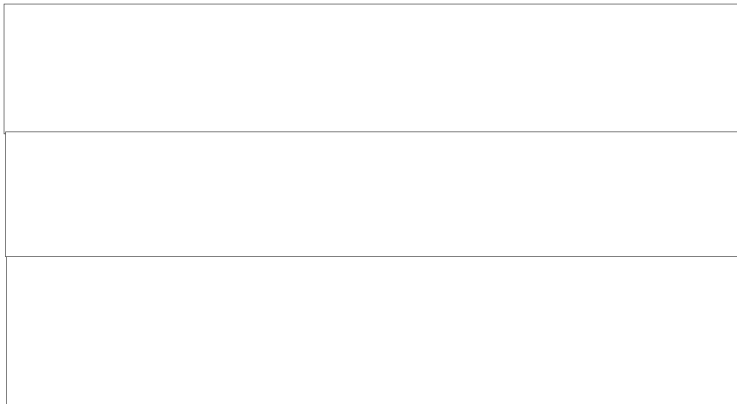
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The disposition of Soviet military forces thus far does not suggest any contingency planning for a further deterioration in the Libyan-Egyptian situation.

--The Soviets have not made any unusual ship moves or reinforced their Mediterranean Squadron, which currently is somewhat below its normal strength.



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An Assessment

The *Observer* article stresses Moscow's concern for avoiding war in the area that is already "one of the hottest points on the globe." Hostilities would almost certainly place the Soviets in a quandary. There would be pressures and temptations for Soviet involvement.

--Should hostilities break out, Libya would be sorely undermanned, and Qadhafi would probably appeal to the USSR for assistance.

--The Soviet position in the Middle East has been on the skids since the October war, and Moscow might feel tempted to recoup with some tangible sign of support for the Libyans.

--Moscow would hope that if Sadat is thwarted in Libya, his position at home would be seriously undermined.

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There are also factors that would give Moscow pause.

--The Soviets have reason to feel uncertain about Qadhafi's intentions and there would be pressures to continue to keep him at arm's length. The late Soviet defense minister Grechko once described Qadhafi as a "madman on top of the pile of gold."

--Any Soviet move on behalf of Libya could help Sadat at home because the Egyptians might rally around the flag at the first sight of Soviet intervention.

--The move would have an adverse impact on other countries in the Middle East where Qadhafi is no hero and suspicions regarding Soviet intentions exist.

--The Soviets would be concerned about how the US might respond in the area, and they would anticipate a significant political backlash in the US to direct Soviet intervention on behalf of Qadhafi.

On balance, we strongly doubt that Moscow's interests in Libya are great enough or its prospects for major gains in the region sufficiently attractive, to cause the Soviets to support Qadhafi with their own forces in the event of open war. We also think it unlikely--although we are less certain--that limited numbers of Soviet pilots or air defense personnel would fight on Libya's side.

There are a number of things the Soviets could do to deter the Egyptians from attacking--and the *Observer* article suggests that the USSR is looking for ways to do this. Possibilities include repositioning units of the Soviet Mediterranean Squadron or sending up Libyan planes with Soviet pilots. So far there is no evidence that such contingencies are being planned.

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