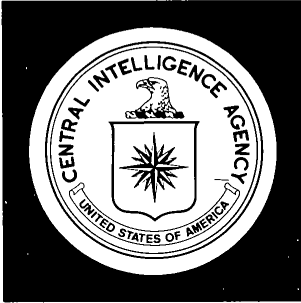


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The President's Daily Brief

September 30, 1976

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~~*Top Secret*~~



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exemption category 5B(1),(2),(3)
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the Director of Central Intelligence

FOR THE PRESIDENT ONLY

September 30, 1976

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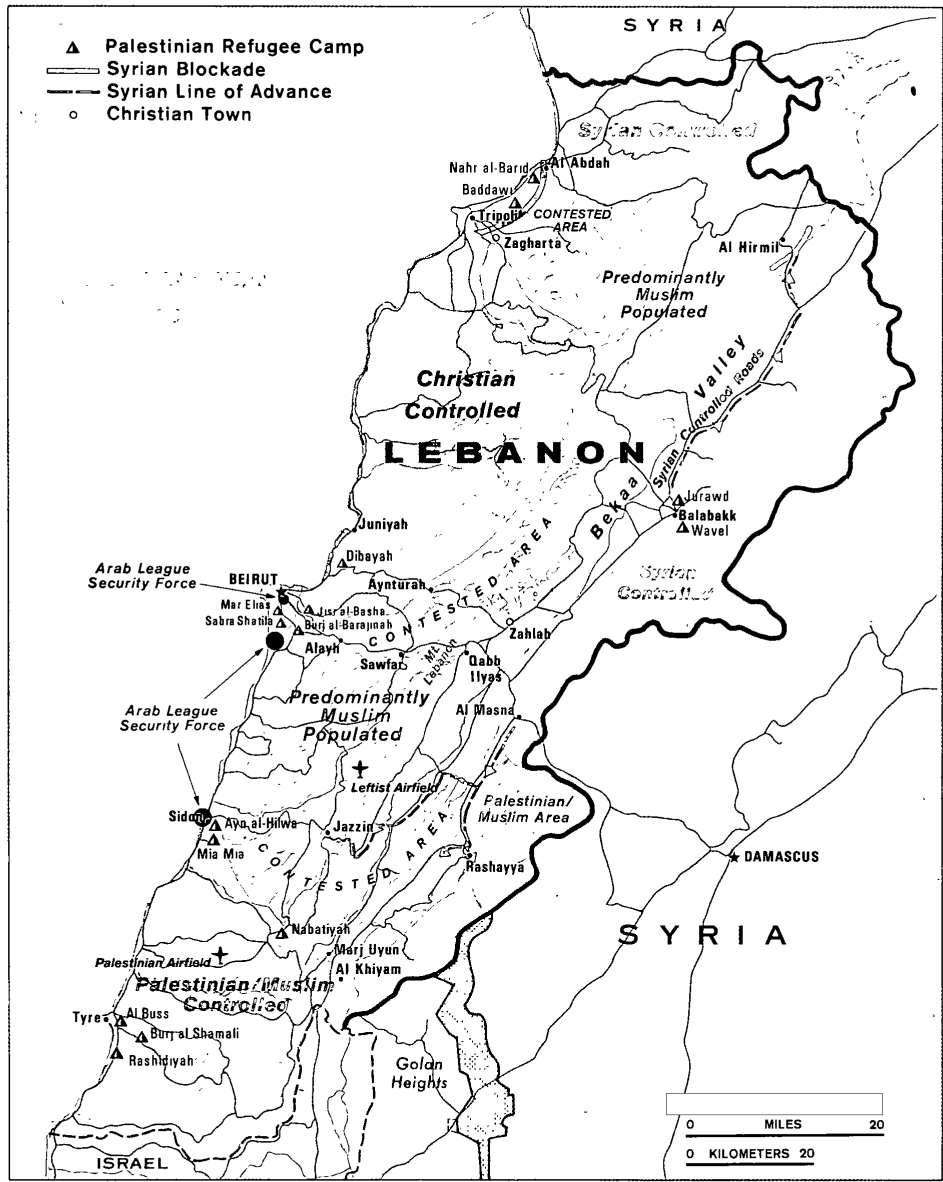
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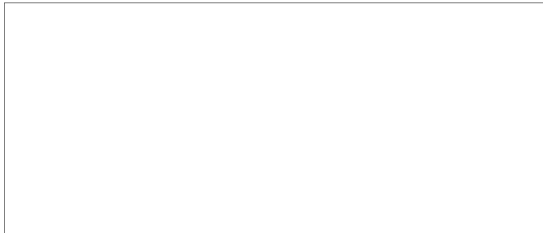


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LEBANON: *The Syrian offensive in the Mount Lebanon area resumed yesterday morning after two unsuccessful efforts--apparently initiated by the Palestinians--to arrange a cease-fire.*

The Syrians seem clearly to have gained the upper hand. Their advance has relied primarily on armor-supported infantry, although aircraft were used for the first time yesterday to bomb mountain peaks.



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President Sarkis is in a difficult position. The leftists have announced that unless he demands Syria's withdrawal from the mountains, he will be considered president only of Christian Lebanese.

Sarkis has so far made no public statements, although he seems to have been involved in various attempts to arrange a cease-fire. If the Syrian offensive should be a limited one, Sarkis might be able to salvage some of his previous standing with the leftist Lebanese. Should the fighting drag on, however, he would find it increasingly difficult to avoid identification with the Syrian position.

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Egypt continues to call for an Arab summit.

It would include the six members Cairo has been insisting on for the past week--Egypt, Syria, Saudi Arabia, Kuwait, Lebanon, and the PLO.

Syrian President Asad will be in no mood to attend such a gathering but could come under Saudi pressure to do so if the fighting is protracted. Leftist leader Kamal Jumblatt, who was in Cairo when the Syrian offensive was launched, flew to Saudi Arabia yesterday in an effort to enlist Saudi aid in stopping the Syrian drive.

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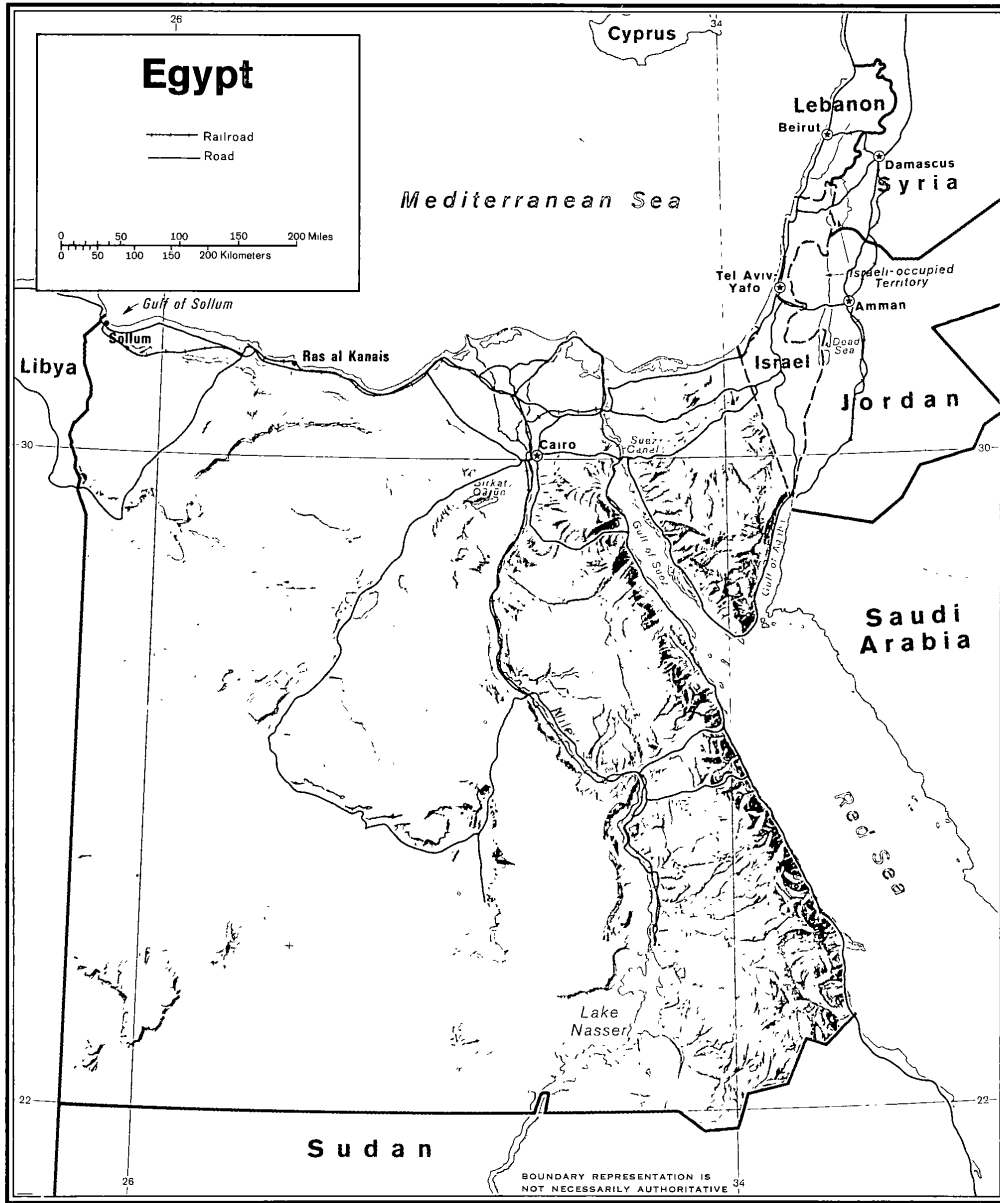
RHODESIA: Presidents Kaunda of Zambia, Machel of Mozambique, and Nyerere of Tanzania reportedly have agreed to take turns hosting unity talks between the two principal Rhodesian nationalist factions.

The talks will convene soon in Maputo, Mozambique, for a few days and then will shift to Dar es Salaam in Tanzania.

The presidents appear to have decided that Joshua Nkomo, leader of the Zimbabwe African People's Union, should be the principal nationalist leader in planning for an interim government. He is the most widely known nationalist leader, and his group apparently has the stronger political organization inside Rhodesia.

Most of the guerrilla forces inside Rhodesia are loyal to the rival Zimbabwe African National Union, but its leadership is more fragmented. Robert Mugabe has emerged as its chief spokesman, but there are indications that his influence over the group's military commanders is limited.

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The talks between the two factions could be difficult, and there is no assurance that any alliance would last beyond the period of an interim government. Nkomo's group will seek to protect its political position, while the Zimbabwe African National Union tries to exploit its greater military strength.

The third major nationalist leader, Bishop Muzorewa, seems to have been excluded from the presidents' unity efforts. Muzorewa has virtually no guerrilla forces of his own but does have some political standing inside Rhodesia.

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EGYPT-USSR: *An Egyptian destroyer yesterday fired on and possibly sank two Soviet mooring buoys in the Gulf of Sollum just outside Egyptian territorial waters,* [redacted]

[redacted]

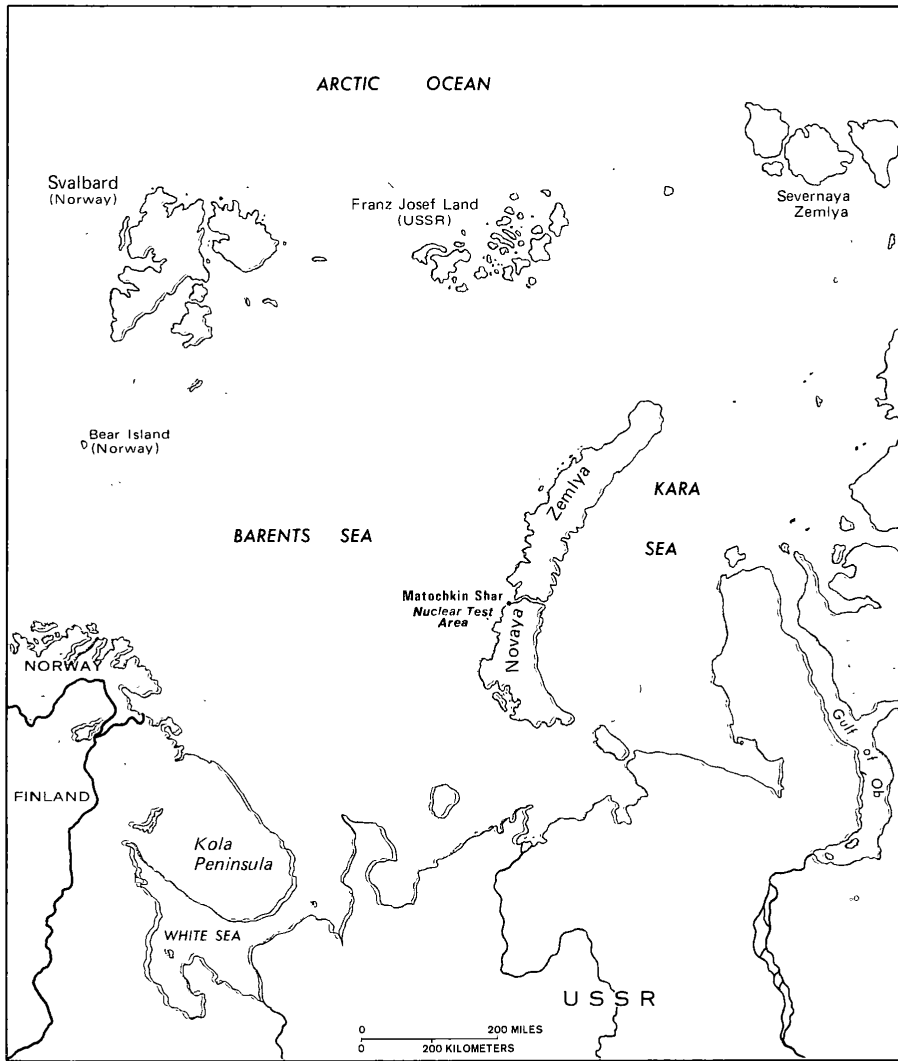
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The Egyptian navy has scheduled the third of four exercises in the gulf for this week, and closed the area to foreign shipping on Monday. Continued Egyptian naval activity in the gulf--including the use of live ammunition--probably convinced the Soviets to abandon the Sollum anchorage at least temporarily.

Once the Egyptian exercises are over, Soviet naval ships will almost certainly return to the Sollum area. The Soviets formerly

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had access to anchorages in Egyptian waters at both Sollum and Ras al Kanais, but Cairo terminated the arrangement at the latter in June.

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IRAN-USSR: *The Shah's handling of the flight to Iran last Thursday of a defecting Soviet mail-plane pilot appears intended to minimize friction with Moscow.*

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Moscow is demanding return of both pilot and plane under the terms of a hijacking agreement it claims is in force between the two countries.

[Redacted] 25X1

[Redacted] Under the International Convention on Refugees, which Iran adhered to last month, Tehran is obliged to grant asylum to bona fide refugees and may not force them to return to their homeland.

* * *

USSR: *The Soviets conducted a nuclear test at their Matochkin Shar Test Area on Novaya Zemlya yesterday.*

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It is possible that the Soviets intend to test at this site only until the Threshold Test Ban Treaty is ratified, but they could declare Matochkin Shar a weapons test site and continue using it under that treaty. If the Soviets should decide on the latter, they would be required to provide information on calibration tests and geological data.

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CUBA: *Prime Minister Fidel Castro acknowledged in a speech in Havana Tuesday that the Cuban economy is experiencing serious problems because of low sugar prices.*

Castro stated that the 60-percent reduction in world sugar prices since last year is forcing Cuba to reduce sharply hard-currency expenditures. He said that if Cuba is to meet the repayment schedule on its mounting debt with the West, a cut in imports will be necessary.

Imports from the West, which totaled \$1.7 billion in 1975, have already been curtailed. They were down by an estimated 25 percent during the period from January through May. Earlier this month, Cuba suspended purchases from Japan, its leading non-communist trading partner.

Castro said imports from communist countries will be maintained. These imports, which amounted to \$2.1 billion or 55 percent of total purchases last year, are estimated to reach \$2.4 billion in 1976.

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Because of its mounting debt with the West, Cuba will not be able to maintain hard-currency borrowings at last year's level. This year Havana has drastically reduced Eurocurrency borrowings and appears unwilling to draw substantially on some \$1.5 billion in Western trade credits.

A shift in purchases to communist countries is severely limited because they do not produce in quantity most of the items Cuba gets from the West. It cannot turn to the USSR for additional hard currency support because Moscow is suffering a foreign exchange crunch of its own.

The reduction of imports from the West will force Cuba to revise downward its five-year plan for 1976 to 1980. The production of manufactured goods--particularly consumer goods--will be sharply curtailed.

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NOTES

The first official Chinese commentary on Secretary Kissinger's African mission indicates tacit approval of the talks, but falls short of explicit endorsement. The unsigned commentary also portrays US actions in Africa more favorably than has generally been the case in the last year.

In previous commentaries on Namibia and Rhodesia, China rejected negotiations and urged "armed struggle." The new commentary, issued while Secretary Kissinger was still in Africa, suggests that China now supports a negotiated settlement in southern Africa to pre-empt increased Soviet involvement there.

The positive tone of the official and unofficial commentaries on US actions in southern Africa contrasts with earlier Chinese charges of US softness in the face of Soviet initiatives in Africa.

* * *

The Greek and Turkish foreign ministers are to meet tomorrow in New York for a further round of procedural talks on the Aegean dispute.

At their first meeting on Monday each raised questions that indicate prospects for significant progress remain poor, although the Greek side did make a significant concession. According to Greek officials in Athens, Foreign Minister Bitsios proposed that bilateral negotiations begin soon at the technical level to determine sovereignty over the Aegean seabed. Athens had previously maintained that direct talks should be limited to drawing up terms of reference for a joint application to the International Court of Justice.

On the question of Turkish research in the Aegean, Bitsios reportedly reiterated that negotiations could not take place while exploration continued. He apparently also balked when Turkish Foreign Minister Caglayangil asked

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the Greeks to withdraw their unilateral application to the International Court for a delimitation of Aegean seabed rights.

According to the Greeks, Caglayan-gil hinted that domestic political considerations could limit Ankara's ability to compromise even if negotiations should begin.

* * *

North Korea may be considering some kind of "peace initiative."

In a recent conversation with the head of the Romanian UN mission, the North Koreans reiterated their interest in opening talks with the US. A Hungarian diplomat at the UN passed to US officials on September 22 a report that the North Koreans were "studying" the US proposal for a four-power conference on Korea while awaiting Peking's agreement before indicating a willingness to participate.

Any diplomatic initiative probably would involve primarily a repackaging of earlier proposals. But the North Koreans may display greater flexibility than before in their effort to draw the US into the long-proposed bilateral talks on a "peace agreement" to replace the 1953 armistice agreement. As part of this effort Pyongyang might downplay its demands for the immediate dissolution of the UN Command and the withdrawal of US forces and attempt instead to convey an impression that a phased disengagement of the US military presence would be acceptable.

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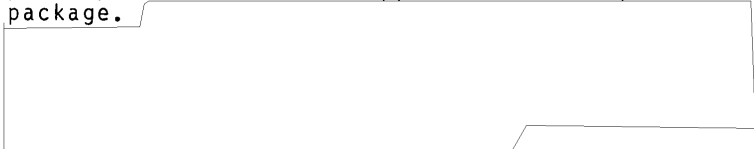
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POLAND

The strikes and rioting against price increases last June continue to dominate the political atmosphere in Warsaw. Party and government leaders are still postponing decisions on critical economic problems, but have warned, in increasingly frank terms, that a long period of belt-tightening is ahead.

Party leader Gierek's status within the leadership is clearly weaker than it was before June, and a certain amount of jockeying for position is under way. Some efforts are reportedly being made to find a scapegoat for the country's economic difficulties and particularly for the June disturbances.

The relationship between Gierek and Prime Minister Jaroszewicz appears to be strained, apparently because the Prime Minister and other government experts pressed Gierek to approve the June price package.



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The need for dramatic corrective economic measures comes at a time when Poland's options are limited. Poland has little flexibility in foreign trade because of its severe problems with hard-currency balance of payments, and the Soviet Union is unlikely to provide any significant assistance.

Warsaw's decision to freeze food prices for at least another year will aggravate the supply problem. Wages cannot be frozen without creating adverse worker reaction, nor can the regime force the farmer to increase agricultural deliveries without irritating yet another segment of the population.

Poland's only viable option is to increase supply by importing extraordinary amounts of grain and fodder. Most will come from the West, requiring over \$1 billion in hard-currency expenditures.

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Poland's burden of hard-currency debt and the need for extraordinary imports of grain and fodder for at least another year will force Warsaw to cut back even more severely on imports of industrial materials. As a consequence, Warsaw may well have to reduce its economic growth plans. Before doing so, however, it is likely to seek help from the West in refinancing or rescheduling part of the debt.

Grappling with these problems and with the after-effects of the June riots has put the leadership to its most severe test since the ouster in 1970 of former party leader Gomulka, Gierek's predecessor. Gierek and his colleagues know that without demonstrable improvement in the economy, they cannot regain the confidence of a public that is increasingly conscious of its own power. The leaders will take no action that could result in another upheaval that would almost certainly mean the end of their tenure.

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