



# The President's Daily Brief

October 22, 1976



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~~Top Secret~~ 25X1

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FOR THE PRESIDENT ONLY

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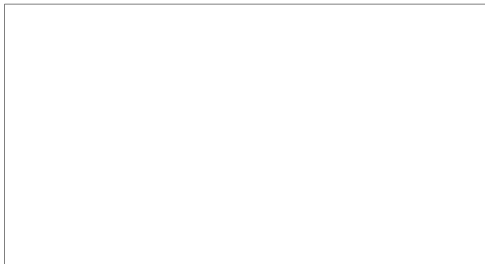
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EGYPT-SYRIA: *The reconciliation between Egypt and Syria during the Riyadh conference this week was an abrupt about-face for President Sadat.*

Other moves taken by Sadat recently seem designed both to refurbish his Arab leadership credentials and to put the US and Israel on notice that Egypt is determined to press Washington for a new negotiating initiative on the Middle East soon after the presidential election. These moves are:

--Egypt's call on Wednesday for a meeting of the UN Security Council to discuss Israel's "repressive measures" in the occupied territories;

--Cairo's efforts to arrange a meeting between Foreign Minister Fahmi and Soviet Foreign Minister Gromyko which would be the first such meeting in almost two years; and

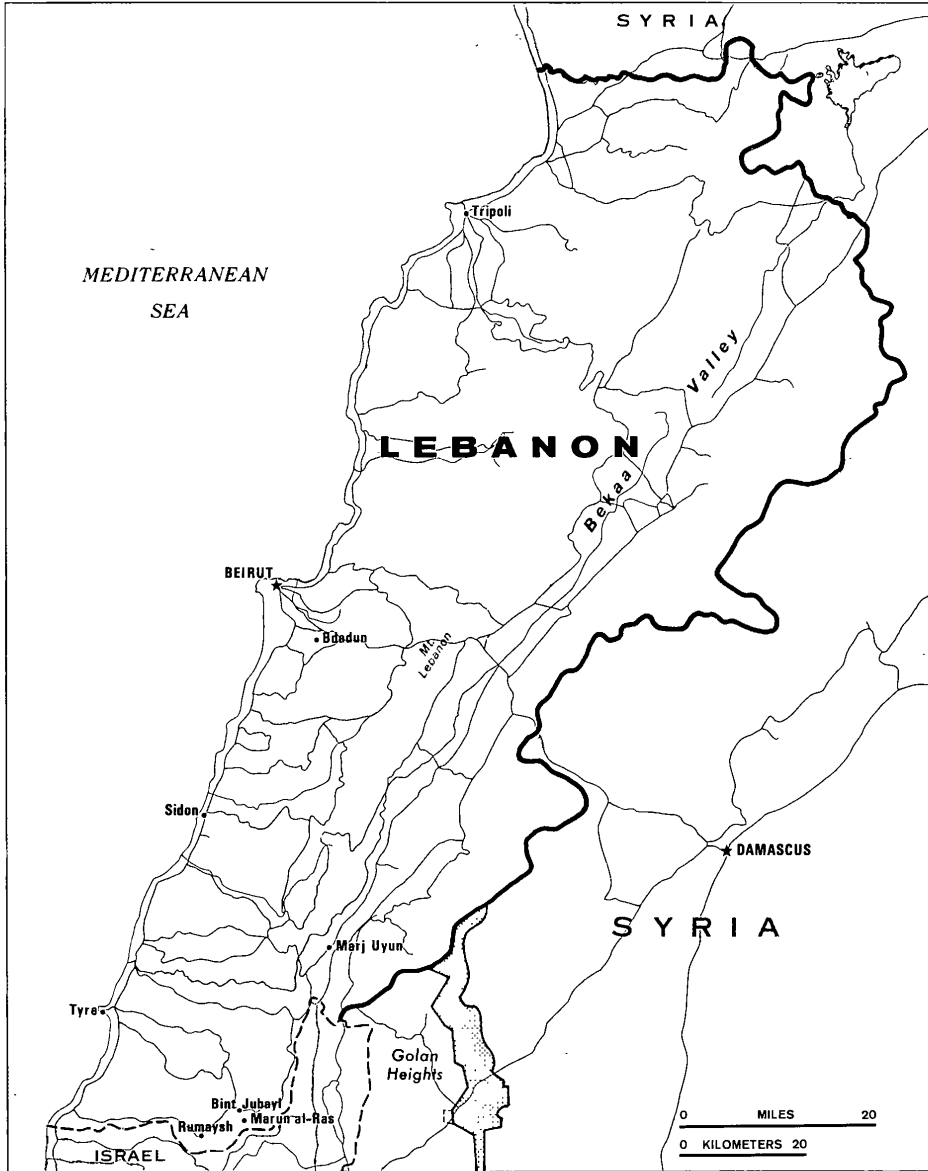


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*Sadat's reconciliation with Syria is the most dramatic and significant of his recent moves.*

The UN initiative, the overture to the Soviets, and the approaches to Libya are all largely tactical steps that cost Sadat little. The rapprochement with Assad, however, has involved important concessions and a radical departure from policies Sadat has pursued for the past year. Sadat in effect recognized Syria's supremacy in Lebanon.

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Sadat pledged at Riyadh to cease his arrangement with Iraq to transfer arms to the Lebanese leftists and Palestinians, and he apparently put Palestine Liberation Organization leader Yasir Arafat on notice that the PLO could no longer expect to play Egypt off against Syria.

[Redacted]

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Among the factors that probably contributed to Sadat's turnaround were [Redacted] Sadat's own realization that his efforts to stop Syria have been unavailing and have done Egypt more harm than good. Probably most important is Sadat's belated awareness that only through Egyptian-Syrian cooperation can he expect to achieve the progress in peace negotiations with Israel that he hopes for in the future.

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Sadat has undoubtedly hoped throughout the last year to force cooperation upon Damascus on his own terms. He apparently now believes that he cannot present convincing evidence that the Arabs themselves are ready for peace negotiations--and thus press the US into action--unless the Lebanon and the Egyptian-Syrian problems are resolved--even if on terms that do not fully satisfy him.

LEBANON: *The latest cease-fire is partially holding; each side has accused the other of violations.*

Artillery and rocket shelling continued intermittently in Beirut yesterday. The Christians accused the Palestinians of shelling in the Mount Lebanon area near Bdadun, although most positions in the mountains east of Beirut seem to have been generally quiet.

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UN observation posts along Lebanon's border with Israel reported that Christian forces yesterday attacked several villages in the vicinity of Marun al-Ras and that fighting was going on in Bint Jubayl and Rumaysh. The Christians, who have been fighting to improve their positions in the border area for the last several days, may have decided to press their attacks in retaliation for their loss of a village Wednesday to Palestinian and Lebanese Arab Army forces.

*Arab League Secretary General Riyad yesterday sent out invitations for a full summit conference in Cairo next Monday on the Lebanese situation.*

The summit is expected to ratify the agreement reached at Riyadh last weekend.

[redacted] the Cairo summit will also focus on recruiting for the expanded Arab League security forces. One result of this arrangement will be a delay in the enforcement of the Riyadh agreement. President Sarkis--who has been given authority over the League forces--might turn to Damascus to rein in Christian violators of the cease-fire, a move that could cause strains between the Syrians and their Christian allies.

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USSR-SYRIA: [redacted]

[redacted]

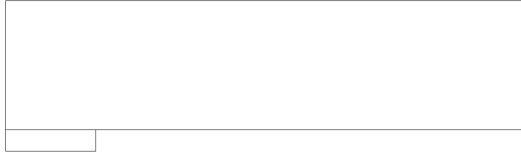
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SYRIA: *Syrian involvement in the Lebanese civil war has put a heavy strain on the economy, but not so severe as expected.*

Through a combination of reduced development spending and renewed Arab assistance, the Syrians have managed to weather the worst effects of their participation in the Lebanese conflict.

Although Syria claims that the war will cost \$2.6 billion in 1976, much of this amount represents personnel costs and other current expenditures which are being met by simply inflating the money supply. The foreign exchange cost of the war is probably around \$600 million for this year.

The estimated 1 million refugees that have flowed into Syria have caused chronic shortages of food and housing and have fueled the current 30-percent inflation rate, but many of the refugees have been absorbed into the labor force. Syria was suffering a labor deficit prior to the fighting in Lebanon.

Syria was hurt earlier this year when Iraq cut its oil pipeline transit payments and stopped selling light crude to the Syrians at concessionary prices. The Saudis stepped in and are now supplying most of Syria's light crude requirements.

Loans, primarily from other Arab countries and the US, should cover all but roughly one third of Syria's anticipated 1976 current

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account deficit of about \$975 million. With reserves estimated at \$1 billion at the beginning of 1976 and with several hundred million dollars in loan pledges still outstanding, Syria should be able to close this gap.

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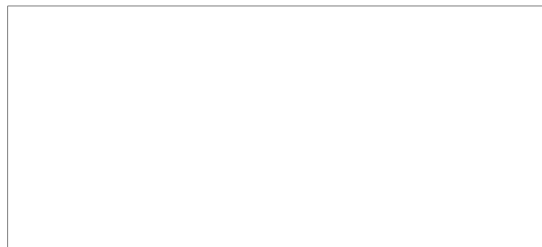
CHINA: Peking's official news agency last night confirmed the appointment of Hua Kuo-feng as Chairman of the Central Committee of the Communist Party and of the party's Military Affairs Commission.

It noted the promotion indirectly in a description of a mass rally held in Peking yesterday. It is not clear why the Chinese chose this method of publicly confirming Hua's elevation. A major leadership meeting is apparently still under way in Peking.

The news agency also referred for the first time explicitly to the antiparty clique of Wang Hung-wen, Chang Chun-chiao, Chiang Ching, and Yao Wen-yuan, saying Hua had smashed their conspiracy "to usurp party and state power."

The purge of radicals may have largely ended the protracted debate among China's leaders over foreign trade policy.

The debate had centered on the degree to which China would import foreign products and technology; the moderates had argued for gradually expanding foreign trade, while the radicals emphasized "self-reliance" and reduced imports.



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Earlier reporting had hinted that the dispute over foreign trade was chiefly responsible for Peking's failure to develop the new five-year plan that was to have begun last January.

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The recent announcement on the opening of the autumn trade fair in Canton asserted that Chinese trade groups will "make wide contacts" with foreign businessmen, with a view to "increasing trade."

Although the removal of uncertainty in the trade sector caused by the economic debate should expedite trade recovery, economic constraints that have limited trade growth since 1974 will continue to slow the development of imports.

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NOTES

Satellite photography

[redacted] shows that the Soviets have started dismantling at least 19 more older ICBM launchers--13 SS-7s and 6 SS-8s.

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The photogrpahy covers only 81 of the total 209 older ICBM launchers. The Soviets could have begun dismantling additional launchers and completed dismantling others not observed on this mission.

With the latest information, we have now identified at least 98 Soviet launchers in varying stages of dismantlement.

In late September the Soviets stated that 61 of the older launchers were fully dismantled, with work under way on 34 more. By late October the Soviets should have fully dismantled 67 launchers and have begun to dismantle at least 36 and possibly 52 more, depending on whether another D-class submarine has begun sea trials.

Photography from another photographic mission will be available for detailed study in several days. A more complete analysis of the dismantling of Soviet ICBM launchers will be available next week.

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Soviet reaction to the routine patrol now being conducted by two US Navy warships--a cruiser and a frigate--in the Black Sea thus far has been normal.

Soviet naval aircraft and ships, including two destroyers, have conducted surveillance. The US force entered the Black Sea on Tuesday and is scheduled to leave on Sunday.

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The oil industry is  
lifting large volumes  
of crude oil in advance  
of the expected OPEC  
price rise on January  
1, 1977.

Oil buyers, anticipating that the  
OPEC oil ministers will boost  
prices by 10 to 15 percent, be-  
lieve that gross savings from  
early buying will range from \$1.15  
to \$1.73 per barrel. Net savings  
will be considerably less because  
of additional costs of financing,  
moving, and storing the oil pur-  
chased. The practice will be  
profitable if the price increase  
is 10 percent or more.

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Zambia has freed a  
Rhodesian black nation-  
alist--Zimbabwe African  
National Union defense  
chief Josiah Tongogara--  
and three other ZANU  
officials who were on  
trial for murder in  
Lusaka.

Tongogara has wide influence among  
ZANU guerrillas and could play a  
critical role in the Rhodesian  
settlement attempt. [redacted]

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[redacted]

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Thailand's new National  
Administrative Reform  
Council shows increas-  
ing signs of splinter-  
ing into divisive  
cliques.

Admiral Sa-ngat, chairman of the  
council, clearly fears he is los-  
ing control of the situation as  
the result of maneuverings by sev-  
eral high-ranking army officers.

Sa-ngat hopes to frustrate the am-  
bitions of other officers by put-  
ting together a civilian adminis-  
tration rapidly. A cabinet has

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been appointed, heavily weighted with technocrats, and the new foreign minister, Upadit Pachariyangkun--currently ambassador to the US--apparently was chosen with an eye toward fostering better relations with Washington.

Public reaction to the arrests that have followed the coup so far seems to range from apathy to general approval. Initial fears that substantial numbers of students and other urban activists would join the rural insurgency appear to have been exaggerated. A few students have reportedly gone to Laos for training, but most of the formerly politically active students apparently prefer to clear their names and remain in school.

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