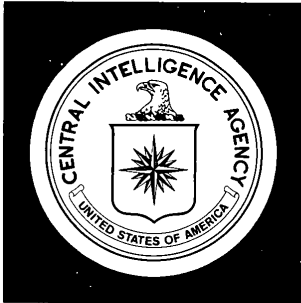


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# The President's Daily Brief

*November 16, 1976*

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*CHINA: The Chinese have publicly and authoritatively rebutted speculation that they might respond positively to recent Soviet gestures toward Peking.*

At a banquet last night, Vice Premier Li Hsien-nien lambasted the Soviets in such uncompromising terms that diplomats from the USSR and its East European allies walked out of the hall. The Soviet diplomats departed during Li's attack on "wildly ambitious" and "criminal" Soviet actions in Africa, a popular theme in Chinese propaganda for several months.

Had they stayed longer, the Soviet officials would have heard Li, who is likely to become premier soon, accuse the Soviets of creating "false impressions" about a relaxation in relations between the two countries. Li asserted that Moscow's "arrogant demands" that Peking change its policy were wishful thinking and said the Chinese would continue to carry out Chairman Mao's "revolutionary line in foreign affairs," a euphemism for China's opening to the US.

Li's remarks are almost certainly intended to dispel widespread foreign press speculation that a thaw in Sino-Soviet relations is in the offing. The Chinese are not likely to be inclined to consider seriously the sensitive issue of relations with Moscow while they are still busy putting their domestic house in order and before they can assess the attitudes of the new US administration toward China.

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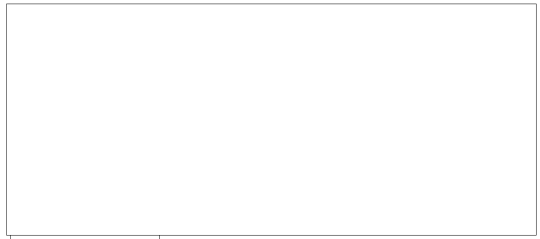

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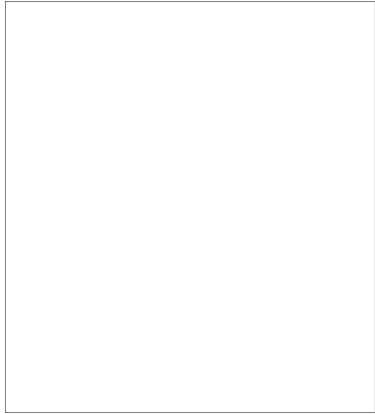
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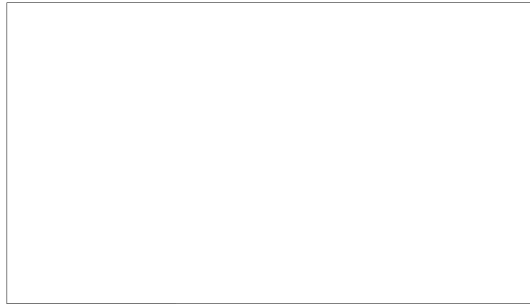
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NOTES

Saudi Crown Prince Fahd has been in North Africa since November 11 in an effort to resolve the Western Sahara dispute involving Morocco, Mauritania, and Algeria.

His mission is the most recent illustration of Saudi Arabia's increasingly active role in Arab affairs.

Fahd has met with King Hassan and Mauritanian President Ould Daddah, and arrived in Algeria yesterday to see President Boumediene. If the discussions are encouraging, the three North African leaders will be invited to Riyadh, where the Saudis will make an all-out effort to resolve the Western Sahara issue.

Prospects for a negotiated settlement, however, remain remote. According to the Saudi account, Boumediene recently indicated that a settlement should respect the views of all parties, including the Polisario Front guerrillas, who are seeking independence for the territory. The Moroccans, for their part, are unlikely to engage in any negotiations that accord the Front a significant role.

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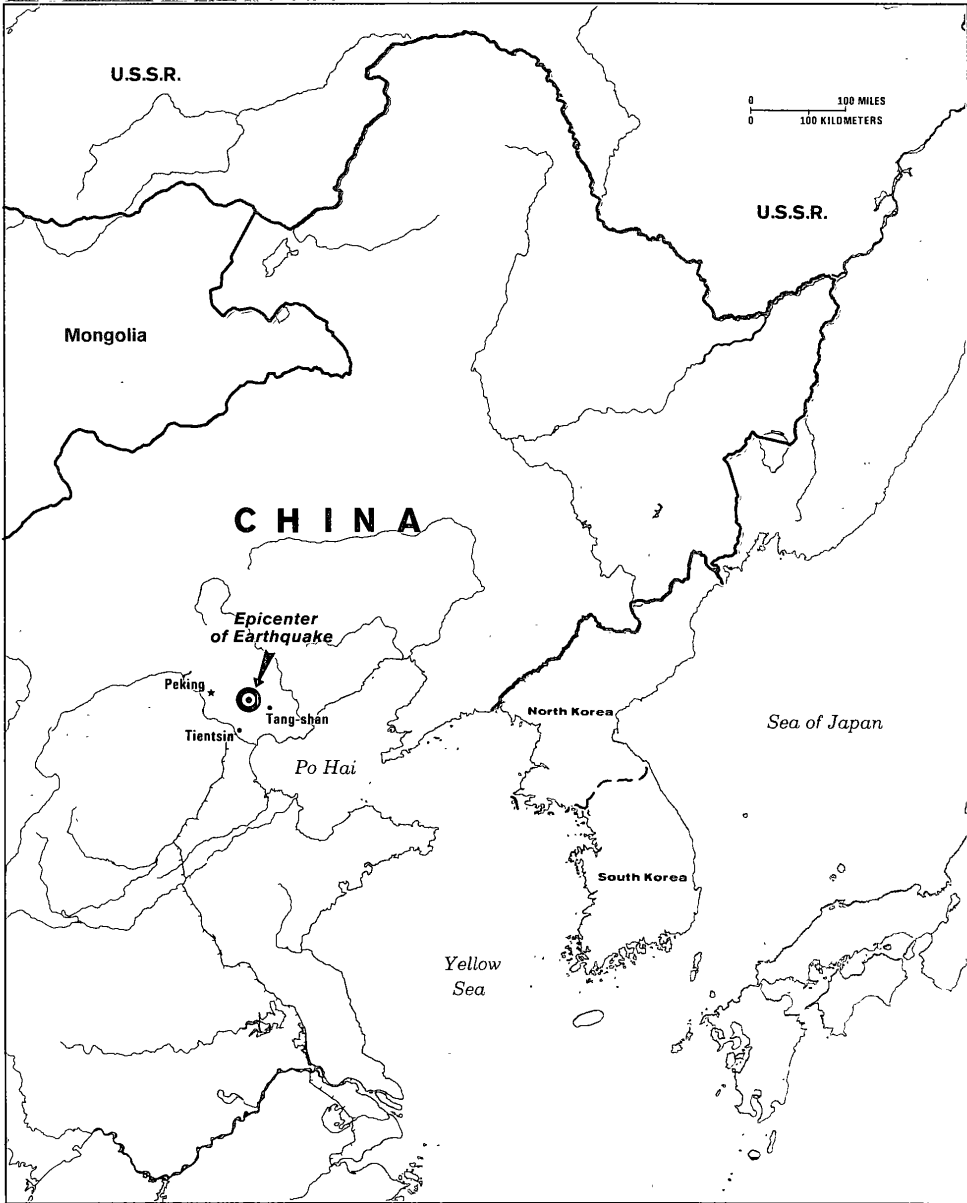
The predominantly Syrian peacekeeping forces took up most of their preassigned positions in the Lebanese capital yesterday without serious incident.

The forces occupied Beirut's port and commercial districts, the radio and television stations, and main government buildings. Other units moved into the Shuf region as far as Dayr al Qamar and north on the Beirut-Tripoli highway. The security force is planning to enter Tripoli next, possibly as early as tomorrow.

The deployment of these forces has gone smoothly thus far, but the Lebanese commander expects a resurgence of underground Palestinian subversion and terrorism at

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some point. President Sarkis reportedly has established four tribunals for Beirut, Tripoli, Sidon, and Zahlah to try cases of political sabotage, including kidnaping and murder.

Palestinian leaders appear to be trying to focus attention on Israeli activities in southern Lebanon, presumably to try to make a case for retaining their heavy weapons.

\* \* \*

*The earthquake yesterday in the Tang-shan area of north China, which registered 6.5 on the Richter scale, will further complicate the massive reconstruction and relief effort underway in the important industrial and mining area of Tang-shan.*

The earthquake at Tang-shan on July 28, the most severe in the world in this century in terms of economic damage, registered 8.2 on the Richter scale.

Photography of mid-October had indicated that it would be at least mid-1977 before coal, electric power, steel, and transport facilities could be returned to full operation in the Tang-shan region. The earthquake area included some 250 industrial installations, which had accounted for more than 10 percent of China's total industrial production.

According to the US liaison office in Peking, damage in the capital area from yesterday's earthquake appears to be light. No American casualties have been reported. The Chinese Foreign Ministry has not yet given diplomatic missions any information about the effects of the latest earthquake.

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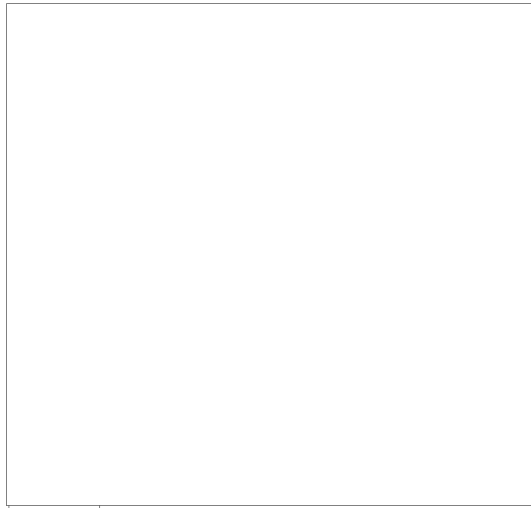
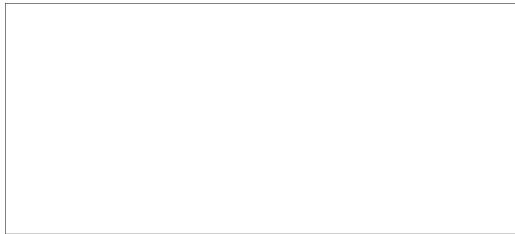
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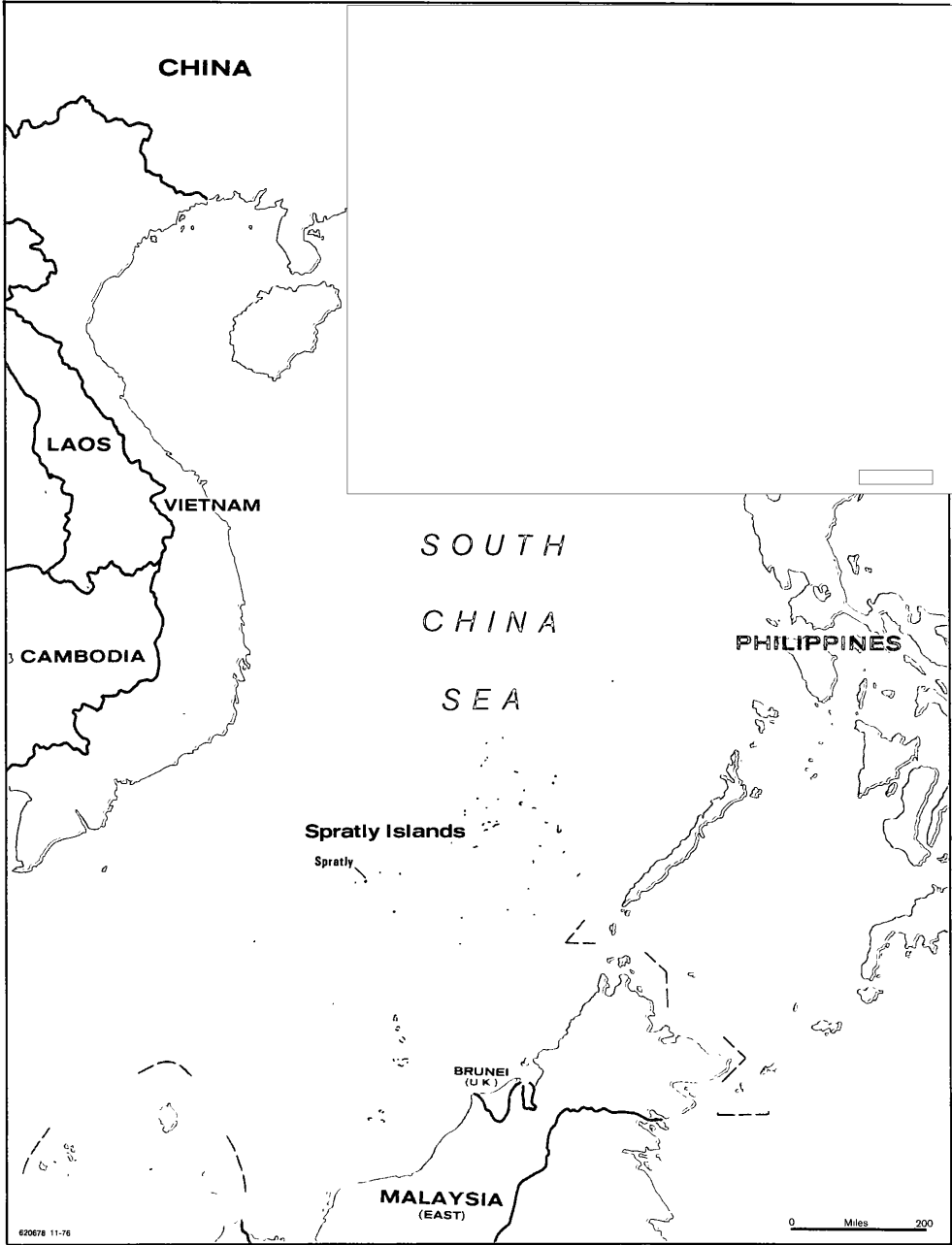
The new French defense budget for 1977 will amount to \$12 billion-- an increase of 20 percent over 1976 and a real increase of about 11 percent.

Operating costs will absorb about 59 percent of the new budget, largely because of the pay raise ordered to alleviate morale problems in the military.

Nuclear programs did not receive as large a share of the budget as they have in the past, but they retained their favored status. Work is to continue on the M-4 submarine-launched ballistic missile

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and the S-3 intermediate range ballistic missile. The current French nuclear submarine program apparently will be limited to the production of five submarines.

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Vietnamese have constructed a small airfield and support facilities on Spratly Island, one of a chain of disputed islands in the South China Sea.

The graded earth runway, which will be only 575 meters long when completed, can support small utility and transport aircraft and, most likely, combat aircraft. Vietnam will probably use the airfield to supply its garrison on Spratly and as a base for maintaining surveillance of the other islands in the area.

Vietnam, the Philippines, the Peoples Republic of China, and Nationalist China all claim the Spratly Islands chain and, with the exception of Peking, each maintains a small military presence there. The Philippines also has a slightly larger airfield on one of the six islands it occupies and has flown T-28s, C-47s, and C-123s. None of the claimants is likely to initiate military action in the Spratlys at present, but this could change if oil were discovered near the islands.

\* \* \*

Peru and the USSR continue to expand their relationship.

The Peruvian government is considering a new military agreement with the USSR--in addition to the recent one covering the purchase of SU-22 fighter-bombers.

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[redacted] Peru and the USSR have also recently signed agreements to expand scientific and technical cooperation. 25X1

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Despite the gradual increase in ties with the USSR, it is unlikely that Peru's current government will return to the strident third-world, anti-US posture of former president Velasco, particularly as long as Peru needs financial assistance from the US.

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