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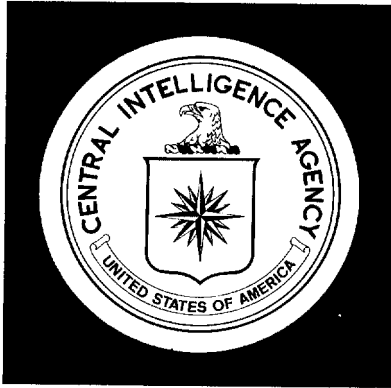
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# Weekly Summary

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September 24, 1976

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary,

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## Middle East- Africa

### LEBANON 1-2

Sulayman Franjiyah's term as president finally came to an end this week, and his successor, Ilyas Sarkis, assumed office—under less than auspicious circumstances. The lo-awated Sarkis inauguration took place only four days after the virtual collapse of the latest Arab League peace initiative and in the midst of a new upsurge of fighting in Beirut.

The breakdown on September 19 of tripartite talks that Arab League mediator al-Khuli promoted to work out a cease-fire and reconciliation between Syria and the Palestinians dimmed the already bleak prospects for a breakthrough in negotiations to end the 18-month-old civil war. It also increased the likelihood that Syria will soon resume military operations in Lebanon.

The most immediate effect of the deadlock was to trigger renewed fighting in Beirut, forcing a change in the venue of Sarkis' inauguration from the capital to Shaturah, a Lebanese town under Syrian occupation. Leftist leader Kamal Jumblatt and Muslim Prime Minister Karami boycotted the inauguration, but 65 deputies—a quorum—were on hand.

Before leaving office, Franjiyah stripped Karami, a long-time political foe, of most of his cabinet responsibilities, including the defense and finance portfolios. Franjiyah named his ally, Christian extremist Camille Shamun, who already holds the positions of interior minister and foreign minister, to the defense post and to the job of acting prime minister in Karami's absence. Shamun doubtless hopes to use his position as defense minister to gain a dominant role in the formation of a new Lebanese army.

Egyptian President Sadat and Syrian President Asad reportedly agreed this

week to attend an oft-postponed four-power Arab summit conference in Saudi Arabia. The meeting may take place sometime next week, after the Muslim holiday celebrating the breaking of the month-long Ramadan period of fasting. Sarkis and several other prominent Lebanese leaders apparently were instrumental in arranging the meeting in the hope that Asad and Sadat can be per-



sued to put aside their differences and work together to resolve the Lebanese crisis. (*An assessment of Sadat's rivalry with Asad appears on page 7.*)

There is no indication, however, that the two Arab leaders are ready to cooperate. Sadat doubtless welcomes the opportunity to gain a role in determining the shape of any political settlement in Lebanon. Judging by the continued harsh Syrian propaganda attacks on Sadat, however, Asad has agreed to attend the summit more out of deference to the Saudis than from any compelling interest in making up with Sadat. (*The prospects for President Sarkis' administration are reviewed on page 9.*)

### Soviets Shifting Positions

The USSR is cutting back its criticism of Syria in reaction, apparently, to recent Arab political activity concerning Lebanon. The Soviets seem to want to encourage all sides toward a political settlement, but we have no evidence that they foresee an early solution to the crisis.

The USSR is being more evenhanded toward the Syrians and the Palestinians in its public statements. On September 8, an authoritative "Observer" article in *Pravda* for the first time upbraided "leftist elements" of the Palestine Liberation Organization along with the Syrian government for failing to achieve a cease-fire. Soviet public statements on Syria have softened in subsequent weeks, and the central press has stopped calling for Syrian troop withdrawals.

On September 20, a Soviet diplomat in Cairo told US officials that Moscow is urging both the Syrians and the Palestinians to reach a compromise. The Soviets, he said, have been using "friendly persuasion" to try to get Syrian President Asad to adopt a more impartial position toward the Christians and Muslims in Lebanon, and at the same time have been pressing the Palestinians to be more accommodating with the Syrian leadership.

The Soviet official added that the recent visit to Damascus by Vladimir Vinogradov, the cochairman of the Geneva conference on the Middle East, was meant to put pressure on Syria.

An article in *Pravda* by Yuri Glukhov on September 19 called for a solution to the Arab-Israeli crisis as a prerequisite to ending the Lebanese civil war. Glukhov also emphasized the "urgency" of convening the Geneva conference.

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Chinese leaders stand in order of rank at the memorial service in Peking on September 18

## Far East

### NORTH KOREA - UN

18/19

North Korea, in a sudden turnabout, has withdrawn its draft resolution from the UN General Assembly's agenda. South Korea has followed suit. The North Korean decision appears to be a tactical one and does not mean that the communists are abandoning their long-standing effort to build international pressure against the US presence in South Korea.

The North Koreans probably detected some weakening in the support for their position at the UN this fall. Last year two conflicting Korean resolutions were passed, and the North was hoping this year to achieve an outright defeat of the South's resolution.

A number of recent developments had improved the prospects for passage again of South Korea's resolution. These include:

- The unusual display of dissent registered by 23 countries against North Korea's position at the non-aligned conference in Sri Lanka.
- An improved pro-South lobbying effort.
- The lack of enthusiasm among North Korea's traditional supporters for the harsh language of this year's draft UN resolution.

- Adverse publicity stemming from the Panmunjom incident in mid-August.

Although the move to defer debate runs sharply counter to North Korea's original objective, the North is already pointing to the decision as evidence that it is the responsible party seeking a reasonable approach to the Korea issue. North Korea took a similar line in the aftermath of the Panmunjom incident last month.

### CHINA 13-14

With the nine-day mourning period for Mao Tse-tung now over, the Chinese leadership has apparently decided to try to return to business as usual and to postpone temporarily efforts to arrange a successor leadership.

The top party personalities, arranged in strict protocol order, stood together before the Chinese people at the memorial service on September 18 for the first time in more than five years. Mao's unpopular wife, Chiang Ching, took her place in the lineup and was accorded no special public treatment by other leaders as the Chairman's widow.

Premier and party first vice chairman Hua Kuo-feng, who is now the de facto party leader, delivered a carefully balanced eulogy that avoided the excessive praise lavished on Mao at the height of the cult of personality in the 1960s. The

eulogy seemed designed to placate civilian and military leaders across the political spectrum and reinforced the notion that a collective leadership, composed of members of the major contending political factions, is now at work.

Hua included enough references to political struggle to appease the party's left wing but omitted explicit mention of some of the leftists' pet programs, a move that undoubtedly pleased the right. As he did in his first public speech on September 1, Hua went out of his way to praise the military.

Virtually the entire party Central Committee was in Peking during the mourning period, but most Central Committee members from the provinces returned home before Mao's funeral, thus failing to make use of an opportunity to hold a Central Committee meeting to discuss the succession issue. Party leaders may have postponed the potentially disruptive meeting in order to preserve the facade of unity displayed since Mao's death.

The contending political factions may be playing for time in hopes of strengthening their positions, and one of them may push for a meeting when it feels sufficiently strong. More conservative leaders would like to continue to tone down the campaign against Teng Hsiao-ping and emphasize production themes. Leftists will probably try to rejuvenate the campaign in an effort to discredit a number of rightists on the Central Committee.

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**Soviet Union**

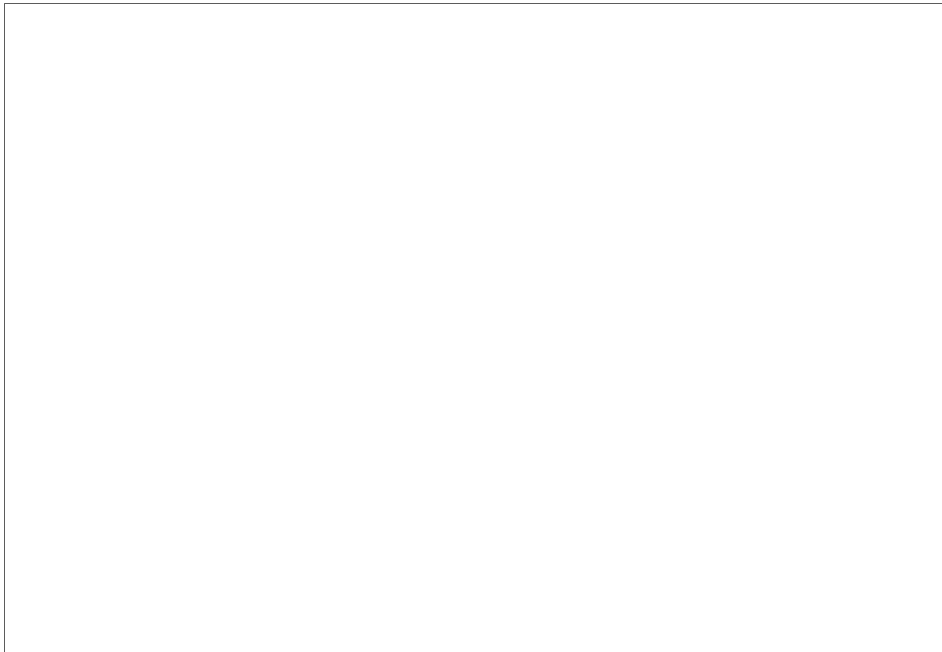
USSR-JAPAN 23-25

The Soviet decision to attack the Japanese government publicly both for its handling of the MIG-25 incident and for an unprecedented trip in early September by the Japanese foreign minister to the area of the Northern Territories is intended to put the onus on Japan for the deterioration in Soviet-Japanese relations. The Soviets probably hoped to elicit some conciliatory gesture from Japan, such as restricting US access to the MIG-25 or hastening the plane's return to the USSR.

Soviet tactics have not succeeded. Even before Moscow went public with its criticism of the Japanese, Tokyo had suggested that a more conciliatory Soviet tone—along with a satisfactory explanation by Moscow of the MIG-25 incident—was in order. Joint US-Japanese exploitation of the plane is now under way, and the director of Japan's Defense Agency has justified Tokyo's thorough examination of the aircraft by citing the need to improve Japan's air defense capabilities.

The MIG-25 incident has tended to obscure recent exchanges between the Soviets, the Chinese, and the Japanese on the Northern Territories. In July, the Japanese, in effect, asked the Chinese to stop supporting Japanese claims to the Northern Territories because Japan regards the problem as a bilateral matter between Moscow and Tokyo. The foreign minister's trip may not have been made so much to antagonize the Soviets as for domestic political purposes and to demonstrate to the Chinese that Japan can handle its own problems.

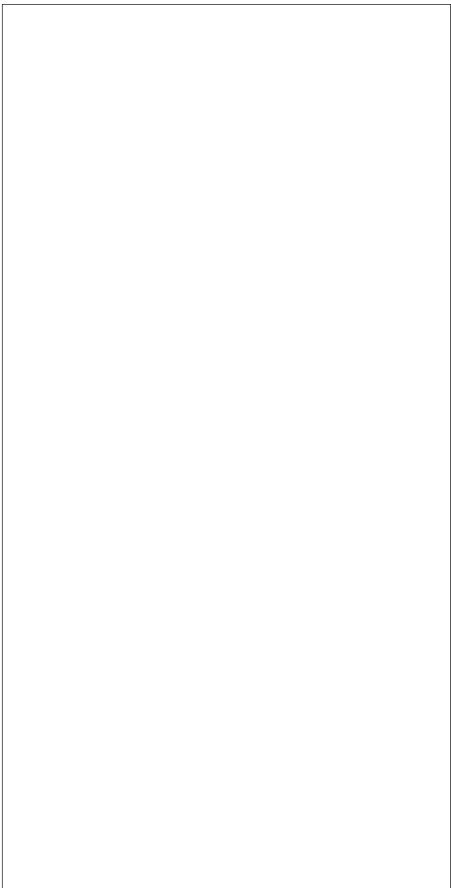
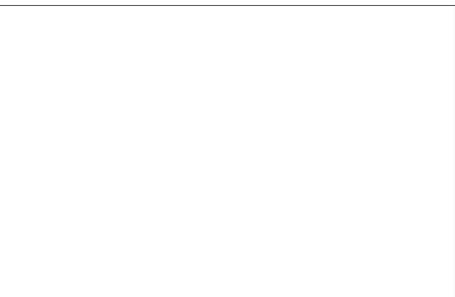
Moscow clearly does not see it that way. After Japan announced the trip, the Soviets informed the Japanese that henceforth the group of Japanese who visit the Northern Territories annually to



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pay their respects to the graves of their ancestors must have passports and visas. Until now, the Japanese have been admitted to the Northern Territories simply with their Japanese identity cards. The Japanese have refused to comply with the Soviet demands and canceled this year's visit.

Some Japanese are interpreting the Soviet seizure two weeks ago of three Japanese fishing vessels in the waters near the Northern Territories as Soviet retaliation for the foreign minister's trip. The Soviets, however, seize about 50 Japanese fishing boats a year for violating Soviet territorial waters, and the most recent seizures may have been coincidental.



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Europe

MALTA 34-37

Maltese Prime Minister Mintoff's Labor Party won a close but decisive victory over the opposition Nationalists in the parliamentary election on September 17 and 18.

The official count is likely to give Labor about 52 percent, which will translate into a three-seat majority for Mintoff in the new parliament. This is more than enough to guarantee the continuation of a strong Labor government for the next five years, given Mintoff's tight control of his party and the unwavering loyalty of the Laborites in parliamentary votes.

The result is a personal triumph for Mintoff, and he will interpret it as a mandate to continue his controversial foreign policy aimed at avoiding alignment with

either the US or the USSR. Since taking office in 1971, Mintoff has gradually loosened Malta's traditional ties to the UK and NATO and has sought to extract bilateral pledges of economic assistance and guarantees of Maltese neutrality from nearby Arab and European countries.

In recent months, Mintoff has directed his appeal mainly to Libya, Algeria, France, and Italy. Paris and Rome have temporized, but Libyan President Qadhafi and Algerian President Boumediene gave him public pledges of support in late August.

With the election behind him, Mintoff is likely to push harder for commitments from the French and Italians. Some Italian officials, including Rome's ambassador to Malta, are reportedly lobbying on behalf of Mintoff, but the Andreotti government is probably too preoccupied with domestic problems to formulate an official response any time soon.

There are signs that the French are interested in finding a way to guarantee Maltese neutrality, although Paris would probably want to avoid a treaty to that

effect, as suggested by Mintoff. The French have apparently concluded that there is no real prospect of tying Malta firmly to the West and that some form of guaranteed neutrality might be the best way to prevent the USSR from gaining substantial influence in Malta.

ITALY 38-39

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The opening of the Italian Parliament next week will mark the beginning of a crucial round of political maneuvering in which the legislature will be a more important political arena than in the past.

Prime Minister Andreotti's Christian Democratic minority government was able to take office last month only because the Communists agreed to abandon their traditional opposition status and join the Socialists, Social Democrats, Republicans, and Liberals in abstaining on his parliamentary confidence vote. Because none of these parties is represented in Andreotti's cabinet, the final shape of the legislative program will be influenced, more than in the past, by parliamentary debate—in which the Communists have the potential to play a dominant role.

Many Christian Democrats fear that their party could easily slide into a legislative accord with the Communists that could eventually set the stage for Communist chief Berlinguer's "historic compromise"—a governing partnership between the two parties. Christian Democratic leader Zaccagnini underlined this problem in a major address this week, in which he said that the new situation required the closest possible liaison between the party's leadership and its parliamentary delegation.

Meanwhile, Republican leader La Malfa—whose party joined the Christian Democrats in most previous coalitions—has provoked considerable controversy by asserting that the "historic compromise" has already occurred, for all practical purposes, and that its for-



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Supporters, with poster of Prime Minister Mintoff, celebrate victory

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malization is only a matter of time.

Recent meetings of various Christian Democratic groups have demonstrated that the vast majority of the party remains opposed in principle to Berlinguer's proposal. The Christian Democrats, however, have yet to agree on a strategy aimed at avoiding closer collaboration with the Communists. They remain at odds, moreover, on the broader question facing their party: how to establish a positive image based on something more than anti-communism.

For their part, the Communists are apparently having to deal with unease among the rank and file over the party's indirect support for a Christian Democratic government. In a major speech this week, Berlinguer went out of his way to try to convince Communist supporters that he is not selling out to the Christian Democrats.

Berlinguer forcefully rejected the thesis that his party is becoming social democratic and asserted that it would continue to pursue traditional communist goals within the Italian context. He assured his audience that the Communists would insist on a significant policy voice now and continue to work for full participation in the government.

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SWEDEN 40-42 A

The outcome of the election on September 19 gives Sweden's nonsocialist parties the opportunity to form their first government in more than four decades. The Center, Liberal, and Conservative parties will have a total of 180 seats in the new 349-seat parliament that convenes on October 4. The incumbent Social Democrats and their Communist allies won 169 seats.

The Swedish electorate did not reject social democracy but simply asked for a respite from the demands of a highly centralized government and the constantly growing burden of taxes needed to finance a comprehensive social welfare program.

Public concern about the government's plans to expand Sweden's nuclear energy program may also have contributed to the election outcome. Only the Center Party has a consistent record of opposition to the nuclear energy program and then only in recent years. Center Party chairman and probable new prime minister Thorbjorn Falldin had originally supported the government energy program, but became skeptical after studying potential environmental dangers. The Liberal Party never strongly opposed the energy program, and the Conservative Party supported it. Both of these parties were big winners in the election.

Once the euphoria of victory has worn



Thorbjorn Falldin

off, the nonsocialists face the problem of reconciling their long-standing differences over domestic policies and beginning negotiations for a coalition government. The apportionment of cabinet posts and the need to hammer out policy on a number of issues may be difficult. Coalition leaders may decide to resolve the nuclear energy issue by calling a referendum.

The Social Democrats will be closely watching the progress of the talks in the hope of exploiting any signs of a crack in the nonsocialist front. Despite Prime Minister Palme's promise to "give them a chance," he may try to woo the Liberals into a government led by his Social Democrats if the nonsocialists appear stymied in coalition negotiations.

If the nonsocialist parties succeed in forming a government, the Social Democrats, with their strong support in the Swedish labor federation, will be a formidable opposition. This will become apparent in the next six months when labor-management bargaining must take place on a national scale.

#### The Impact Elsewhere in Europe

Perhaps nowhere in Western Europe were the Swedish election results followed as closely as in West Germany. Chancellor Schmidt's coalition Social Democrats, who face a close election on October 3, are probably worried that the defeat in Sweden may be a harbinger of trouble for their own party. Other European socialists believe there are signs of a shift to the right that will help all conservative parties.

In Finland, where the five-party coalition of Prime Minister Miettunen resigned last week, the Swedish result may benefit the local Conservative Party in municipal elections on October 17 and 18. The Finnish Conservative Party is the fourth largest in the country, but it has been excluded from government since 1966 because of Soviet distrust of its leaders and policies. The other nonsocialist parties could also receive a boost, and if a new parliamentary election is necessary there may be a significant change in the composition of the next Finnish government.

In Denmark, politicians will watch local polls closely in the next few weeks. Prime Minister Jorgensen's minority Social Democratic government has been tolerated by opposition parties for the past year because polls had indicated that there would be no significant changes in relative party strengths in an early election.

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Western Hemisphere

PANAMA 54

The government has apparently halted the student-incited protests over the cost of living that began on September 10. Hundreds of arrests, a strong show of force by the National Guard, and the temporary closing of secondary schools and the university seem to have quieted the situation for the moment. Government charges that the US was involved in the disturbances appear to have had little impact despite the wide media play they received.

The protests—the most serious the Torrijos government has faced since it took power in 1968—attracted support from worker groups and other organizations and from the public in the poorer sections of Panama City. There were millions of dollars of property damage but no deaths, largely because of restraint by the National Guard. General Torrijos was reluctant to crack down on the students on whom he has counted for support.

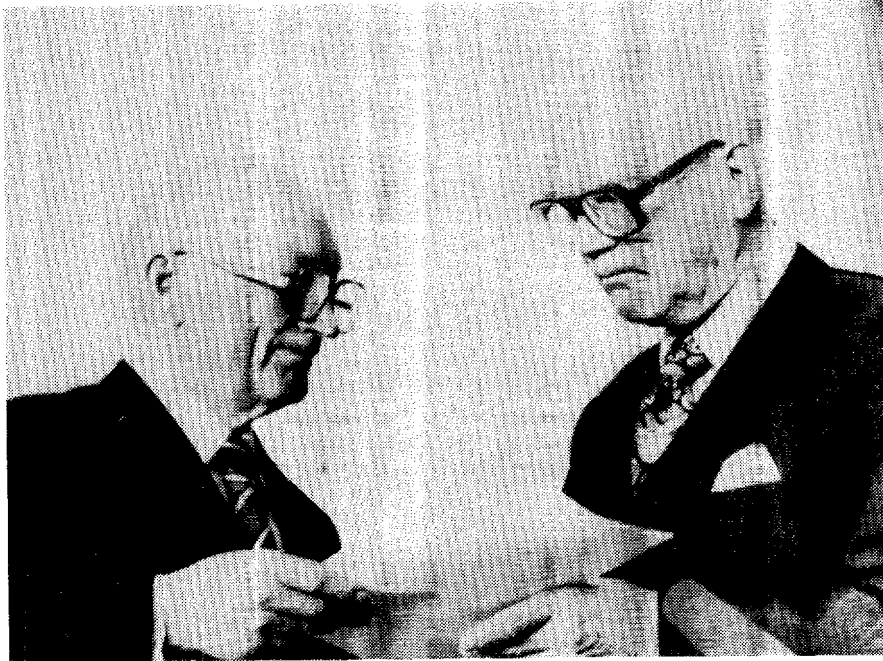
The regime attempted to make the US a scapegoat for the disorders, alleging the existence of a US “destabilization” campaign under the direction of intelligence agents. Following a familiar pattern, official spokesmen later backed off from these accusations, although still contending that a group of Canal Zone residents hoped to wreck chances for a new treaty between the US and Panama. The US serviceman arrested in Panama and charged with involvement in the disturbances will apparently be released shortly.

There is no short-term economic upturn in sight, and plans to impose austerity measures could cause further political problems. A new and more serious round of disorders may occur, and efforts to blame the US for Panama’s troubles are likely to be repeated.

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Prime Minister Miettunen (!) with President Kekkonen

FINLAND 43-45

Finland’s five-party coalition resigned last week after it failed to reach agreement on budgetary legislation. No succession is in sight, and Prime Minister Miettunen has agreed to stay on as caretaker.

The cumbersome nine-month-old coalition government, which included the Communists, nearly fell twice last spring over economic issues that still plague inflation-wracked Finland. Communist insistence on a budget that would provide for more jobs for Finland’s unemployed regardless of its inflationary impact proved irreconcilable with the positions of most other parties. Although the four other parties had a majority without the Communists, Miettunen decided to resign when the Social Democrats and his own Center Party disagreed on the level of agricultural subsidies.

There are a number of options open to President Kekkonen as he attempts to end the impasse; none promises a lasting solution. The most likely prospects appear to be a reconstituted coalition of the same

five parties or of the three nonsocialist parties and the Social Democrats. If these fail, political leaders might try to put together a minority government of the centrist parties that would rely on support from either the Social Democrats or the Conservatives, depending on the issue.

If these schemes also prove unworkable, Kekkonen may install a temporary government of nonpartisan experts to govern until a new election can be held. Kekkonen may first want to review the results of the municipal elections scheduled for October 17 and 18 to determine whether another national election would be likely to change the current line-up in Parliament.

A decision for an early election might be affected by the outcome of the West German election on October 3. If the West German Christian Democrats do as well as Swedish conservatives did on September 19, Kekkonen might be inclined to delay an election out of concern that a swing to the Finnish Conservatives might complicate relations with Moscow.

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*President Sadat sees Lebanon as the battleground for leadership of the Arab world, and he thinks Egypt is losing there to Syria. Sadat's rivalry with his Syrian counterpart is affecting his perspective on a variety of issues.*

58-62-67

## Egypt: Sadat's Rivalry with Syria

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[REDACTED]

[REDACTED] President Sadat continues to devote the major portion of his attention to developments in Lebanon, where Egypt's rivalry with Syria is being played out. Lebanon is the battleground, in Sadat's eyes, for the leadership of the Arab world—and Egypt is losing.

In the two years following the 1973 war, Sadat conducted Egypt's foreign policy with confidence and an ability—shared by few of his fellow Arab leaders—to chart a long-range strategy. Egypt's isolation from the rest of the Arab world following the second Sinai agreement in September 1975, however, and its inability to counter Syria's rising influence have left Sadat floundering.

Sadat prides himself on his ability to act rather than merely react, but under present circumstances he seems unable to do more than react to Syrian actions. Sadat decries the Arab penchant for empty sloganeering, but he now finds himself in the company of radical Arabs who have nothing more in common than the negative goal of thwarting Syria. His overriding concern is to regain the stature he and Egypt have lost, and his policy is now affected heavily by his rivalry with Syrian President Asad.

### Egypt and Syria in Lebanon

Egyptian-Syrian competition for leadership in the Arab world is not new. Nor is Sadat's present antagonism toward Syria unprovoked. For the past year, Syrian officials and Syrian media have carried venomous propaganda attacks on

Egypt and Sadat personally, asserting that signing the Sinai agreement with Israel amounted to "treason" to the Arab cause.

The Egyptians' response has gone well beyond a mere defense of their position, however. Egyptian statements have openly advocated Asad's overthrow, declaring in tones that approach hysteria that the Syrian army is certain to "tread upon" the Asad regime for its "shameful" actions in Lebanon.

Sadat is actively attempting to thwart Syria's course in Lebanon. [REDACTED]

Egypt's political outlook is fundamentally opposed to that of the leftists it now is arming, and Egyptian policies would not be served by the rise of a radical government in Lebanon. Early in the civil war, in fact, Egypt sympathized with the Christians because it was concerned that a Muslim government would prove to be too radical. Sadat may calculate that the leftists will be unable to seize power even with his aid, but he no longer appears influenced by such longer term considerations; he supports the leftists simply because Syria does not.

The Egyptians have been attempting in the past two weeks to put themselves forward as mediators in the Lebanon problem, but this seems primarily a bid to pre-empt, or at least to share the credit for, Syria's mediation efforts. The Egyptians have thus far carefully selected their contacts, ignoring some of the Christian leaders—notably Camille Shamun—

whose acquiescence in any truce plan would be essential.

Sadat is apparently also, despite his reported agreement to meet with Asad and other Arab leaders to discuss Lebanon, still refusing to consider a reconciliation with Syria. This is something many Lebanese leaders have recently said is essential to a resolution of the Lebanon crisis.

### The Palestinian Factor

Syria's confrontation with the Palestinians has given Sadat a new opportunity to portray himself as the champion of the Palestinian movement, a role played with success by Asad last fall. This too has been motivated largely by a desire to counter Syria's progress in Lebanon.

The Egyptians have almost certainly been secretly pleased to see Palestinian wings clipped. They were themselves at odds with the Palestine Liberation Organization over the Sinai agreement before the Syrian-Palestinian conflict arose. Egypt has always believed that peace negotiations with Israel could proceed only if the PLO were under the strong influence of the Arab states, primarily Egypt.

Sadat seems to believe that if Syria tries to replace the PLO leadership with a leadership controlled from Damascus, the rank and file of the so-called moderate Palestinian organizations will break away and turn leftward, upsetting prospects for progress in Arab-Israeli negotiations.

Sadat's attitude toward the Palestinians is inconsistent in several respects. He apparently sees no contradiction between his professed fear that Syrian control of the

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PLO would cause a turn toward radicalism and his confidence that control exercised by Egypt would not have the same results.

Sadat also seems unprepared for the possibility that Syria and the PLO will reach an accommodation in which the PLO is responsive to Syrian influence but under something less than full Syrian control. In his present state of mind, Sadat would be unlikely to maintain amicable ties with a PLO closely associated with Syria. He is playing an all-or-nothing game that could leave him with nothing.

**Irritating His Friends**

Sadat has allowed his competition with Asad to dictate his policies in areas other than Lebanon. The rivalry has had a damaging effect on his relationship with his most important ally, Saudi Arabia.

The Saudis have made it clear that they sympathize with Syria's objectives in Lebanon, that they support the means Syria is using, and that they regard Egypt's actions there and its anti-Syrian propaganda as short-sighted, even dangerous. Sadat listens to their counsel but does not heed it.

Sadat is aware that there is little danger the Saudis will completely withdraw their support. They still place much stock in their partnership with Sadat. They have made an art, moreover, of avoiding firm stands on either side of any inter-Arab quarrel and, while they now sympathize more with Syria, they are unlikely ever to throw the full weight of their support behind the Syrians. Sadat has been able effectively to exploit this Saudi ambivalence.

The Saudis do, however, wield considerable influence by virtue of their financial assets and—for reasons related both to Egypt's poor financial management and to its disruptive tactics toward Syria—they have recently shown a greater reluctance to continue doling out money to the Egyptians without a political return. Egyptian-Saudi ties show signs of fraying, and Sadat risks a further deterioration in a relationship of critical importance to Egypt if he pursues his anti-Syrian policies.

**DIA POSITION**

DIA does not believe that Sadat continues to devote the "major portion" of his attention to developments in Lebanon, and we do not believe that Lebanon is the win-or-lose-all arena within which Egypt's rivalry with Syria is being decisively played out.

DIA's views are these:

With respect to leadership of the Arab world, Lebanon for Egypt represents a *nolo contendere* situation. Lebanon traditionally has fallen within the Syrian sphere of interest and Syria clearly holds the trump cards insofar as current Lebanese affairs are concerned. Egypt does not have contiguous borders with Lebanon, nor does Egypt have the military resources, given present circumstances, to decisively influence events in Lebanon. Egypt has never exercised hegemony over Lebanon; thus there is no reason why Lebanon should be perceived by Sadat as the "battleground" for leadership of the Arab world.

Sadat does perceive that Asad's influence has been enhanced by the

latter's actions in Lebanon, and Sadat is certainly concerned about what final effect any resolution of the Lebanese crisis will have on Asad's influence. At the same time, Sadat recognizes that there are many pitfalls into which Asad may potentially plunge.

Sadat is a shrewd and very pragmatic politician; recognizing early on that his ability to influence the Lebanese situation was limited, he decided that it was not in Egypt's national interest to become deeply involved because there was nothing significant to be gained, as compared with what could be lost. Since there is much territory yet to cover and there are many options open to both leaders, DIA believes that Sadat elected a "wait and see" strategy.

DIA believes that Sadat's "overriding concern" is that of solving Egypt's domestic ills, not the least of which is territory occupied by the Israelis. The stature of Egypt in the Arab world, while important, is clearly a secondary consideration.

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**Personal Antagonism**

Governing, and particularly the conduct of foreign policy, are highly personalized matters for Sadat. He is jealous and protective of Egypt's position of leadership in the Arab world and of his own personal standing as the premier Arab leader. When his leadership is challenged—as it now is being challenged by Syria—he reacts as if to a personal affront.

He is allowing his attitude toward Syria to affect his perspective on relations with Syria's friends. He criticizes the Saudis, for example, in sarcastic speeches about their financial "generosity."

He sees Soviet conspiracies with Syria where none exist. Finally, he is increasingly jealous of the US relationship with

Syria, convinced that the US is urging Syria on in Lebanon, and reluctant to talk frankly with US officials in Cairo about Egyptian attitudes toward the Lebanon problem.

Sadat once talked of his goals for Egypt and the Arab world; he talks now in his speeches of little else but his hatreds—of Syria, of Libya, of the Soviets, of his domestic opponents.

He once avoided direct discussion of his leadership of the Arab world, confident that he was exercising it by example; he now speaks continually

about Egypt's worthiness to lead the Arabs. Sadat knows that Egypt is not leading, and there is little he can do about it.

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*Lebanon's new president faces imposing obstacles; to a large extent, resolution of the civil war depends on factors beyond his control. Even so, his pragmatism and his commitment to reconciliation open some new chances for an end to the conflict.*

68-70

## Lebanon: Presidential Turnover

[redacted]  
The inauguration of President Ilyas Sarkis on September 23 by no means promises an end to Lebanon's civil war. It will create some new frictions as alliances shift to accommodate the new Christian leader, and it could prompt extremists to initiate new violence. Over the long term, however, the replacement of the intransigent Sulayman Franjijah with a leader committed to reconciliation opens up new chances for ending the conflict.

In the eyes of many Lebanese, Franjijah bears personal responsibility for what has happened in Lebanon. He became a symbol of Christian "tyranny" to the country's Muslim majority. He often provided left-wing leaders with justification for their militancy and discouraged conservative Muslims from seeking a settlement as long as implementation would be under Franjijah's auspices.

Christian extremism flourished under Franjijah's leadership. He never had a broad following, and his often parochial viewpoint was easily manipulated by former president Camille Shamun and Shamun's militant Christian allies. The end of Franjijah's presidency allows those Christians seeking a compromise to speak out more forcefully against extremism.

Franjijah's departure may also provide combatants on both sides a face-saving pretext for softening positions they know to be untenable. Leftist leader Kamal Jumblatt has made Franjijah's removal a personal cause and may now welcome the chance to temper his militancy as his conservative Druze constituency has been

urging. Jumblatt is probably also worried about his growing isolation from key leftist and Palestinian allies, some of whom have been saying that they must make concessions.

With Franjijah gone, the relatively conciliatory leaders of the Christian

Phalanges Party will be better able to persuade their followers that compromise is necessary. [redacted]

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Many Phalangists sympathized with Franjijah's determination to serve out his term and came to believe the argument that any compromise by the Christians will erode their political dominance. The transfer of power to another Maronite Christian president should help refute this argument.

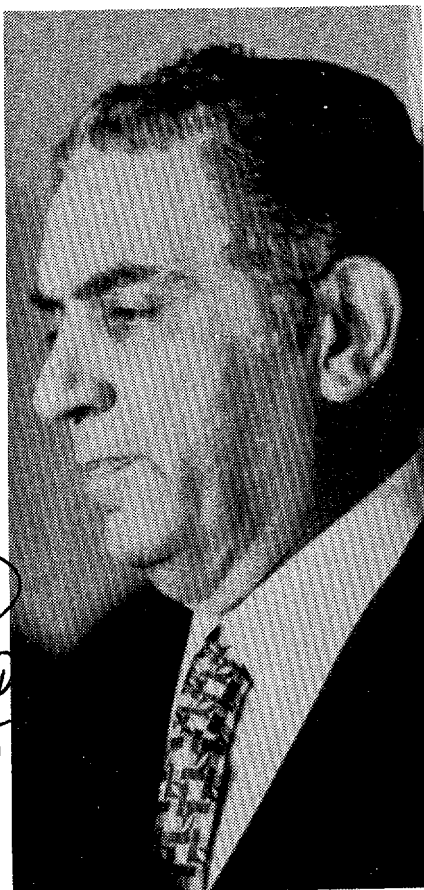
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### Sarkis' Dilemmas

The psychological impact of Franjijah's departure will be an important asset to Sarkis and, coupled with his own determination to forge a settlement, will help create an atmosphere for serious peace talks. This effect may be only transitory, however, and Sarkis will be working not only against time but against a number of serious liabilities.

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President Ilyas Sarkis

As long as this dispute festers, Sarkis cannot even begin to cope with differences among the Lebanese, and he stands to lose stature as the conflict drags on. Although the Syrians have recently shown a willingness to give negotiations with

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Palestinian leaders one last try, they seem no less determined to dictate terms and are preparing to take new military action if the talks break down.

The Syrians recognize that new fighting could hurt Sarkis, and they would like to avoid that if possible. They see Sarkis primarily as an instrument for fulfilling their own policy goals, however, and not necessarily the only one.

Syria's determination to bring the Palestinians to heel has already placed Sarkis in an awkward position. Sarkis is acutely aware that he must retain the respect and confidence of the Palestinians if he is to have any chance of negotiating a durable peace. On the other hand, he is beholden to the Syrians for his election four months ago, and he can rely on no other source of power to give credible backing to his leadership.

Sarkis has so far been able to dissociate himself from the military moves Syria has made and to skirt the broader and more controversial questions concerning his future authority over Syrian troops in Lebanon and the conditions under which they will be asked to withdraw. Now, he

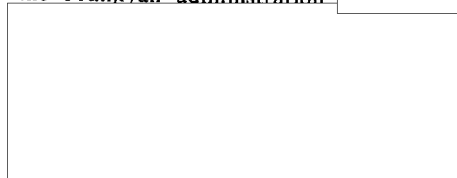
will be held responsible for Syria's actions in Lebanon and will come under intense pressure to establish ground rules for the presence of Syrian troops and a timetable for their withdrawal. However deftly Sarkis handles these issues, he is bound to alienate some key players in the dispute.

The new President also faces difficulties in dealing with Lebanese Christians. He has no popular base within the Christian community nor is he part of the established Christian leadership. He has started to regroup associates of his political mentor, the late president Fuad Shihab, but it will take some time for him to establish any significant authority over the existing Christian power blocs. Sarkis must remain in the good graces of present Christian leaders if he is to have any constituency at all.

At the same time, he must persuade the Christians to acknowledge their minority status and to accept a diminution of their political prerogatives and a more flexible approach to the reunification and reconstruction of the country. In this effort, his most formidable opponent will be Camille Shamun.

Shamun has a long-standing grudge against Sarkis stemming from Shamun's intense rivalry with the Shihab regime. Shamun has never publicly endorsed Sarkis and accepted his assumption of the presidency only as an expedient for protecting the Christians' current alliance with the Syrians. Shamun also believes Sarkis' efforts to negotiate with the Palestinians and the Lebanese left are futile and perhaps not in the Christians' best interest.

Sarkis may not be without allies in dealing with Shamun. Phalanges Party chief Jumayyil criticized with unusual sharpness Shamun's blatant manipulation of cabinet posts during the final weeks of the Franiivah administration.



Shamun, moreover, may be on a collision course with the Syrians who intend to play a central role themselves in rebuilding the Lebanese government and military. Their current cooperation with Shamun is for the purpose of cutting the Palestinians down to size and of ultimately balancing off the strengths of all the major combatants. They presumably would have no compunction about limiting Shamun's power if it begins to interfere with their own objectives.

**Prospects**

The immediate obstacles in Sarkis' path and the sheer magnitude of the task before him make his prospects for success bleak. Resolution of the conflict to a large extent depends on factors beyond his control; Lebanon has become the victim of broader problems in the Middle East.

We know little about the approach Sarkis intends to take with regard to specific issues, but he has already set a positive tone. As a Christian, he is no doubt committed first to protecting Christian interests, but he has nevertheless found common ground even with Kamal Jumblatt on issues of social and economic change. He recognizes his dependence on



Camille Shamun

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the Syrians, but he has been able to convince many Lebanese leaders that he is committed to protecting Lebanon's independence.

Finally, he is a man who emphasizes

practicality. His pragmatism will offend his fellow Christians as well as the Muslim left—both of whom see their struggle in moral as well as political terms—but it may put Sarkis above the

endless wrangling over which side is right and which is wrong. It will also help him to set attainable goals and realistic priorities where there have been none.

*Non-communist countries are importing more oil at higher prices this year than last, and we expect their oil bills to be nearly 20 percent higher for the year as a whole. Prospects are for continuing increases next year in both price and volume.*

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## Oil Sales Rising in Volume and Price

Higher volumes and prices pushed the oil bills of non-communist nations to a record \$60.6 billion in the first half of 1976. We expect the total cost for 1976 to reach \$127 billion, 19 percent above the 1975 level.

Higher oil import volume accounted for more than half the increase in oil bills. Imports were 27-million barrels per day, compared with 25-million barrels per day in the first half of 1975.

Because of the price hike imposed in September 1975 by the Organization of Petroleum Exporting Countries, the average price of imported oil in the first half of 1976 was 9.5 percent above the level a year earlier.

Import volumes in the seven major industrial countries—the US, UK, France, Italy, West Germany, Japan, and Canada—in the first half of this year were roughly 8 percent above levels a year earlier. US oil import volume jumped nearly 13 percent.

Net oil imports of non-OPEC developing countries as a group grew to an estimated 3-million barrels per day in the first half of 1976, up 10 percent from the first half of 1975. Import growth in the stronger economies such as South Korea and Taiwan has been particularly rapid, running close to 20 percent annually. Increasing oil production, primarily in Mex-

ico and Egypt, has kept the overall developing countries' deficit from skyrocketing.

Despite the recent slackening in the pace of economic recovery in several major countries, the volume of oil imports by the seven major industrial countries in the second half of this year will be 11 percent above the volume for the first half of 1976 and 17 percent above the average 1975 rate. Stockpiling in anticipation of the expected December OPEC price hike will account for some of the increase. We expect imports by the small developed countries to rise by about 2 percent in the second half of 1976.

### Prospects Next Year

In 1977, oil bills will be determined mainly by the price decision taken by OPEC oil ministers at their December meeting. At the 1976 volume, each 1-percent change in price will have a \$1.3-billion effect on non-communist countries' oil bills. If economic activity continues to rise as expected in 1977, the oil import bill could reach \$152 billion.

The increase in oil bills next year will not be evenly distributed.

Even without a price hike, the US bill would increase by roughly \$6 billion in 1977 because of rising consumption and declining production. A 15-percent OPEC price rise would add \$5 billion, bringing the oil import bill to \$44 billion next year, compared with \$32 billion in 1976.

We expect the volume of Japanese oil imports to increase 5 percent in 1977. A 15-percent rise would boost Japan's oil bill to roughly \$28 billion next year, compared with \$23 billion in 1976.

Britain's oil bill will fall substantially because of rapidly rising North Sea production. France and Italy, which lack alternative energy sources, will import substantially more oil next year. Import bills are likely to rise by about \$2.1 billion and \$1.7 billion respectively. The West German bill will rise by \$2 billion.

Canada's net oil import bill will more than triple in 1977 because the expected 5-percent rise in oil demand will have to be covered entirely by imports.

The expected \$25-billion increase in oil bills next year should not, of itself, prove an unmanageable burden for the consuming countries. It will, however, exacerbate existing economic problems for many.

The higher oil bills will intensify current account problems in some countries. Italy and France, after achieving near balances in their current accounts last year, have already seen their balances shift into the red.

The expected oil price hike will also hit hard at the current accounts of some countries such as Greece and Portugal, which have experienced deficit problems over the last few years.

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*Emigre terrorists, particularly Croatians, have been a thorn in the side of the Yugoslav regime since its inception. They have been unable to mount a serious challenge to President Tito but may try to test the new regime after his death.*

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## Yugoslavia: The Emigre Problem

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The recent hijacking of a TWA aircraft by Croatian emigre terrorists underlines a problem for Yugoslavia as it prepares for the period after President Tito's death. Emigre attempts to create serious instability in Yugoslavia are likely to intensify after Tito dies or becomes incapacitated.

The emigres, badly divided even within their own nationalist sub-groups, have never been able to mount a direct, concerted challenge to Tito, but their opposition constantly nibbles at the leadership's confidence that Tito has created a unified, multinational state that will hold together when he is gone.

The regime has tried to intimidate the emigres. In the past two years there have been at least 11 unsolved murders of emigres abroad. Many, if not all, were probably ordered by the Yugoslav secret police. Yugoslav officials tend to react intemperately to emigre acts of violence, often in ways that undermine Yugoslavia's case as the victim of terrorism.

### Croat Emigres

The Tito regime's most serious emigre problems are with the Croatians. Organized Croat opposition from outside Yugoslavia was led initially by the fascist Ustashe, the group that ran the pro-Nazi Independent State of Croatia during the war. Most of the key Ustashe leaders have died or gravitated into smaller, even more extreme emigre organizations. With their passing, younger emigres of the postwar generation—many of whom grew up in Yugoslavia—have replaced them.

The Croat emigre opposition is now made up of several major groups, which have defied attempts to unite them. The current umbrella organization, the Croat National Council, resulted from an effort two years ago to impose common goals and strategies, but it has had rough going because of jealousies and the rigid autonomist ideals of the four major founding groups.

At present, the Council is reportedly torn by sharp disagreements between "moderates" and "radicals" over the desire of the moderates to break totally with the movement's early fascist-Ustashe origins, and thus to attract Western sympathies.

The Croat National Committee, based in West Germany, is a much older organization that has also tried to adopt a more respectable image. It is affiliated with the Croat National Council, but, unlike the umbrella organization, its leadership endorses violence. On occasion, the National Committee has even indicated that it would accept Soviet aid—if offered—in overthrowing Tito.

Several other Croat groups are openly terrorist. They provide most of the manpower for terrorist attacks on the Tito regime.

- The Croat National Resistance and its unruly offshoot, the Drina Group, have conducted attacks on Yugoslav officials abroad and have carried out bombings and other sabotage in Yugoslavia. Yugoslav Ambassador Rolovic was assassinated in Sweden by the group five years ago.

- The Croat Liberation Movement (known by its Croatian acronym,



President Tito

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HOP) is largely made up of younger militants with a smattering of old Ustashe hands. HOP leaders are dedicated and ruthless.

- The extremely radical Croat Revolutionary Brotherhood is regarded by moderates in the National Committee as totally unpredictable. The Brotherhood took credit for an abortive guerrilla raid into Yugoslavia in the summer of 1972.

- The Croat Liberation Army has in recent years conducted several daring—but unsuccessful—assassination operations against prominent men in Tito's regime.

Several other anti-Tito Croat groups exist, but they are generally weak and ineffective. A number of emigrants have made halting efforts to organize a nominally communist opposition abroad that might attract disaffected Croat leaders within Yugoslavia.

#### Serbs

While the Croats are the regime's primary concern, Belgrade is also sensitive about Serb emigres—particularly those who might exploit lingering sympathies for Draza Mihailovic's Chetniks of World War II. Except for occasional actions by a group called Fatherland, Organ of Serb Fighters for Freedom, the

Serb emigres do not often resort to terrorism.

To some extent, Tito's nervousness about Serb emigres stems from his failure to develop a strong and reliable power base in Serbia. The Serbian party has been ravaged by several major purges in the last decade, and no single leader can realistically claim to speak for Serbian interests. In this vacuum, the emigres have been able to pose ready, attractive answers without employing the desperate measures of their Croat counterparts. At least three Serb leaders in exile have been murdered in the past two years.

#### Terrorism

Until a few years ago, Croatian terrorist groups worked from apparent safe havens mainly in West Germany, Spain, Portugal, and Australia. Growing international revulsion against terrorism has complicated their efforts, and many terrorists have been expelled or their organizations made unwelcome in a number of Western countries.

Most of the funds for the terrorist groups are evidently donated by Croat organizations in the US and Western Europe that on their own do not undertake overt actions against Tito's government. Recurring rumors have circulated that Croat terrorists have been trying to

establish links with the Irish Republican Army and to attract financial aid from Western governments or—failing that—Libya. There is no evidence that they have succeeded.

We do not know how much support the emigres have inside Yugoslavia. The evidence of collaboration by resident Croats with the emigres is spotty. There is residual distaste among many Croats for Ustashe atrocities against Serbs during the war. The assassinations of non-Croat diplomats abroad presumably have kept alive fears that the emigres are fanatics.

Belgrade has tried to counter the emigre threat by:

- Pressing foreign governments to deny them bases of operation.
- Undermining the new "responsible" groups that pose a more difficult problem because they usually abide by the letter of the law.
- Eliminating as many troublesome emigre leaders as possible and in ways that could set the emigre groups against one another.
- Identifying and isolating any potential sources of support for the emigres either in Yugoslavia or among the 850,000 Yugoslavs temporarily employed abroad.

These measures may help to ensure that no coordinated, strong challenge to the Titoist system emerges, but they cannot stop terrorism or greatly influence the groups that finance and otherwise support the terrorists.

When Tito dies, available evidence suggests that the regime will tighten internal security controls in expectation of a wave of desperate acts by emigre terrorists. We expect that the borders will be watched closely, special counterterror operations will begin immediately, and suspected troublemakers will be arbitrarily detained.

These steps will provide no guarantees against terrorist attacks on Yugoslav installations and personnel abroad, however, and they will not prevent daring—if suicidal—actions within Yugoslavia itself.

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