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Weekly Summary

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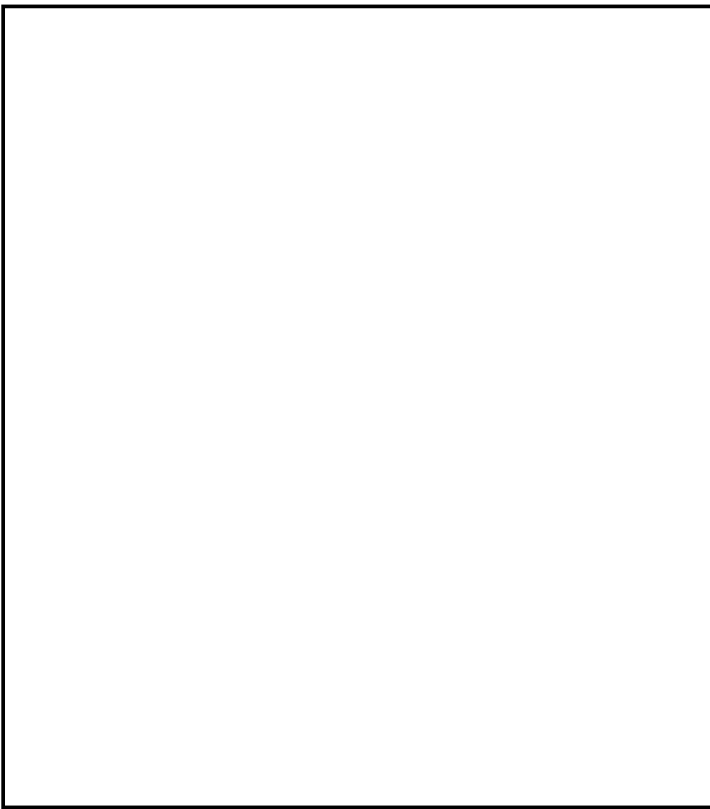


CONTENTS

November 19, 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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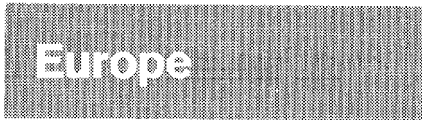


| | | |
|--|--|------|
| 1 Europe | United Kingdom; Italy; West Germany; France; USSR-Yugoslavia | |
| 4 Middle East | Lebanon; [redacted] Western Sahara; Iraq-Kuwait | 25X1 |
| 6 Africa | Rhodesia; [redacted] Zaire-USSR | 25X1 |
| 8 Western Hemisphere | [redacted] Brazil; Jamaica | 25X6 |
| 10 Asia | China-USSR; Japan-Korea-US | |
| 11 Israel: <i>The Impact of the Lebanese Crisis</i> | | |
| 14 New Soviet Efforts in the Middle East | | |
| 16 Jordan: <i>The King's Problems</i> | | |
| 19 USSR: <i>Five-Year Plan</i> | | |

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

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UNITED KINGDOM

1

Discussions are under way between the British government and representatives of the International Monetary Fund on terms for a \$3.9-billion credit.

Prime Minister Callaghan could accept moderately stringent economic policy requirements but, given its thin parliamentary majority and the possibility of a revolt of the left, the government would be unable to accept or to enact harsh economic policy guidelines without risking a confidence vote.

Prime Minister Callaghan would probably accept:

- Controls on monetary growth and domestic credit expansion.
- Gradual cutbacks in public sector borrowing over the next three fiscal years.
- Reduction of public spending as a percentage of gross domestic product.

The Labor government has succeeded up to now in persuading the unions to exercise restraint in wage contract demands, but relations are becoming strained in the face of high unemployment, declining real wages, high prices, and skyrocketing interest rates. Callaghan believes that harsh terms for a loan from the Fund might be the last straw and could upset the alliance with the unions.

The unions' cooperation has been a major factor in reducing inflation, curtailing strikes, and initiating steps toward halting some of the more extreme examples of featherbedding in British industry.

Labor's precarious majority in the House of Commons is also being sorely tested by the opposition parties in the Commons and by the Conservative-dominated House of Lords. Thus far, the opposition in Commons has succeeded in gutting one bill, while Labor has gained passage of another by the narrowest of

margins. Three more bills must be passed before the deadline on November 23, the end of the current legislative session.

Tougher tests for Labor will come next spring—home rule for Scotland, the budget debate, and the vote that follows. The budget is certain to include new



austerity measures as a result of conditions attached to the prospective loan by the Fund. If Callaghan can work out terms acceptable to both the government and the unions, he will have a good chance of remaining in office through next spring and, with luck, perhaps even into 1978.



ITALY

2-6

Prime Minister Andreotti last week got parliamentary approval of some key austerity measures. On the critical question of how to limit cost-of-living wage increases, he avoided a showdown by referring it to industrial and trade union leaders for solution.

A favorable vote on Andreotti's package was never in much doubt; the major nongovernment parties, including the Communists, had signaled their intention to abstain. Parliament approved in-

creased taxes and public service tariffs that had already been decreed, as well as new measures requiring self-employed workers and businesses to pay 75 percent of their income taxes in advance. These and other measures should bring in about \$6 billion in added revenue.

Andreotti thus has parliamentary sanction for his effort to reduce the government's deficit—one of the two main factors behind the country's persistent inflation. In extensive discussions with labor and management before the debate, however, he was unable to work out an agreed plan of attack on the equally important problem of wages.

Italian pay scales are tied by law to cost-of-living indices, and in the last three years wages have actually risen more steeply than prices. Some labor leaders, including Communists, have indicated that they might consider modifications in the wage structure, but they are reluctant to tamper with the so-called "escalator" mechanism itself—the more so as most workers regard the "escalator" as sacrosanct.

Faced with labor's resistance and knowing that the Communists could bring down his government, Andreotti tossed the wage issue to industry and the unions. He told them to come back in a month with an agreed set of proposals. If they do not, he added, the government would try to attack the question through a cumbersome system of fiscal transfers and 25X1 creased taxes, which the unions would prefer to avoid.

Andreotti's challenge provides the Communists with an opportunity to use their considerable influence with labor to work out an effective wage-restraint program and thus gain a large share of the credit should the austerity measures succeed. The Communists, however, also risk alienating rank-and-file unionists, which could further contribute to dissension within the party. If they do agree to hold down wages, the Communists are sure to demand compensation in the form of political or economic concessions they can tout as evidence of their influence.



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7-9

WEST GERMANY

US efforts to limit the spread of nuclear fuel enrichment facilities and reprocessing plants have provoked suspicion in West Germany and are likely to meet considerable resistance. West German industry spokesmen assert that the US proposals are aimed at restricting enrichment activity to the US and the USSR.

Government officials in Bonn probably consider this an overstatement, but they place a high priority on protecting the long-term interests of their nuclear industry. The West Germans fear that their reactor sales would suffer if an international agreement were to prevent them from offering a complete nuclear fuel cycle.

The West Germans argue that the safeguards embodied in major German sales agreements last July with Brazil and Iran adequately address legitimate concerns about nuclear weapons proliferation; they cite the Brazilian agreement as a model for the sale of nuclear technology in cases where the purchasing country has not signed the Nuclear Non-Proliferation Treaty.

The government views nuclear power as West Germany's major advanced technology industry. Over the past 20 years, the government has invested about \$6.5 billion in nuclear research and development.

Its desire to develop a nuclear power industry of global significance is linked to the question of jobs. Government projections show that higher than normal unemployment may persist in Germany through the early 1980s.

[Redacted]

The official policy on foreign nuclear sales has been a generally laissez-faire one. The government ostensibly requires an agreement guaranteeing the peaceful use of nuclear materials before approving export licenses. In fact, however, the government has allowed industry free rein in overseas sales. It has even facilitated

contacts by including key businessmen on official visits to various capitals.

In the future, the government may be forced to tighten up somewhat its procedures for nuclear sales, but it is unlikely to agree to any controls that will seriously threaten the potential of any key growth industry.

[Redacted]

FRANCE

10-12

The French National Assembly last week approved increased outlays for defense, adopting a 1977 defense budget of 60 billion francs—about \$12 billion at current exchange rates. This is a 20-percent increase over the 1976 budget; the real increase is about 11 percent after inflation is taken into account.

Operating costs have accounted for a growing portion of the defense budget over the past two years; this year, they will absorb about 59 percent. A major cause is the pay raise ordered to alleviate morale problems in the military. Rising personnel costs will make it difficult for France to meet its long-term goal of reducing the percentage of the defense budget devoted to operating costs.

The Assembly approved the budget after Defense Minister Bourges announced that 1.3 billion francs for

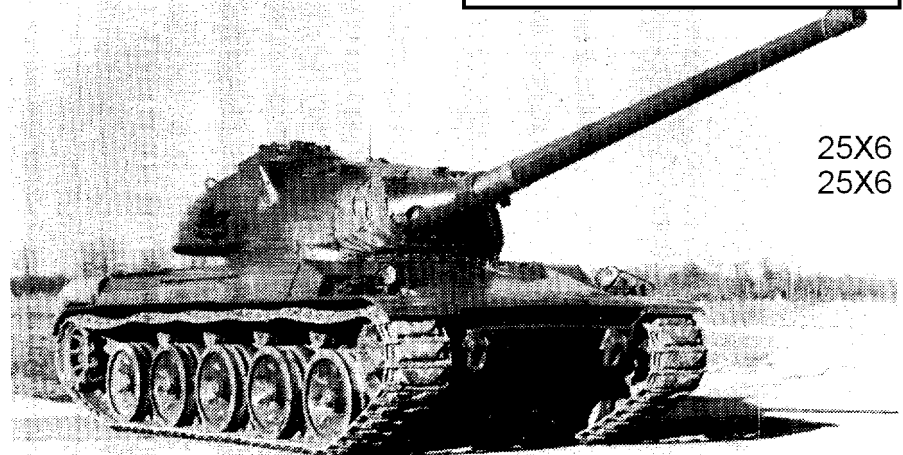
procurement of new equipment for the conventional forces had been added to the 58.4 billion franc budget originally proposed. Opponents had criticized the earlier budget for putting too much emphasis on paying off last year's debts and not enough on future defense needs.

The 1.3 billion francs will allow the air force to purchase more Mirage F-1 aircraft, the army to buy French AMX-30 tanks, and the navy to complete construction of a support ship.

The nuclear programs did not receive as large a share of the budget as they have in the past, but they retained their favored status, with emphasis on improving the quality of existing forces. Bourges told the Assembly that work will continue on the navy's M-4 submarine-launched ballistic missile and the S-3 intermediate range ballistic missile. He also said that by 1980, the S-3 will replace the 18 older S-2 missiles. The S-3 is designed to carry a one-megaton warhead to a range of 3,900 kilometers (2,100 nautical miles).

In addition, the current French nuclear-powered ballistic-missile submarine program apparently will be limited to five instead of six submarines. The fourth probably will enter service next year, and construction on the fifth already is under way. France's sixth nuclear submarine evidently will form the first of a new class of attack submarines.

[Redacted]



AMX-30 tank

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Tito and Brezhnev meeting early this year

USSR-YUGOSLAVIA N, S,

The communique issued after General Secretary Brezhnev's official visit to Yugoslavia this week shows signs of hard bargaining, but the Tito regime is no doubt pleased with the results.

To Yugoslavia, the key element in the text is Brezhnev's reaffirmation of Soviet promises made in 1955, 1956, and 1971 to respect the Yugoslavs' "separate road to socialism." The renewed promises by Brezhnev will probably receive wide attention in the Yugoslav media. The Tito regime needs them to build popular confidence in the future.

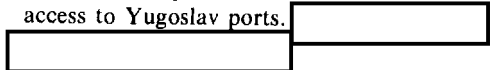
The communique described the at-

mosphere surrounding the talks as one of "cordiality, mutual understanding, and mutual respect." The word "trust" that Tito permitted in the communique after his meeting with Brezhnev in Kiev three years ago was missing. The omission seems to reflect Yugoslav wariness—revived in 1974 by a resurgence of pro-Soviet subversion—of the USSR's intentions toward Yugoslavia.

Another basic element in the document—reportedly sought by the Soviets—is a mutual pledge to end polemics over differences between the two countries. The argumentative Yugoslavs may find it difficult to abide long by the letter of this agreement.

The Soviets are undoubtedly pleased that the Tito regime agreed to expand party-government contacts and cooperation. Yugoslavia, however, managed to insert the word "voluntary" into a statement on the standards for cooperation in the communist movement as a hedge against imposition of Soviet views of discipline in foreign affairs.

The communique did not directly refer to military relations, but its broad phrasing on bilateral cooperation suggests the topic may have been discussed. We have no information as to whether Brezhnev requested increased naval access to Yugoslav ports.



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Middle East

LEBANON 16

Syrian units of the Arab peacekeeping force moved unopposed into Beirut on November 15, taking up preassigned positions on both sides of the confrontation line in the port and commercial districts. Similar units have begun moving into the Shuf region southeast of the city, and north from the capital to take control of the Christian radio station at Amshit and to open the road to Tripoli. About 7,000 Syrian troops have been committed to securing the Beirut area.

The Syrians have set up checkpoints on the approaches to Beirut in an effort to keep weapons out of the city and have begun arresting looters. Their main objec-

tives appear to be control of the main roads, port facilities, and airstrips. Beirut international airport is scheduled to resume operations on November 19.

A few thousand additional Syrian troops have apparently crossed into Lebanon in the past week to reinforce security units in the Shuf area and on the outskirts of Sidon. The peacekeeping forces are expected to enter Sidon and Tripoli by Lebanon's Independence Day, November 22.

Although the deployment of these forces has gone smoothly, Lebanese commander al-Haj and his staff fear there may be a resurgence of Palestinian-inspired subversion and terrorism in Beirut and elsewhere in Lebanon. President Sarkis reportedly has already appointed tribunals for Beirut, Sidon, Tripoli, and Zahlah to try cases of political sabotage.

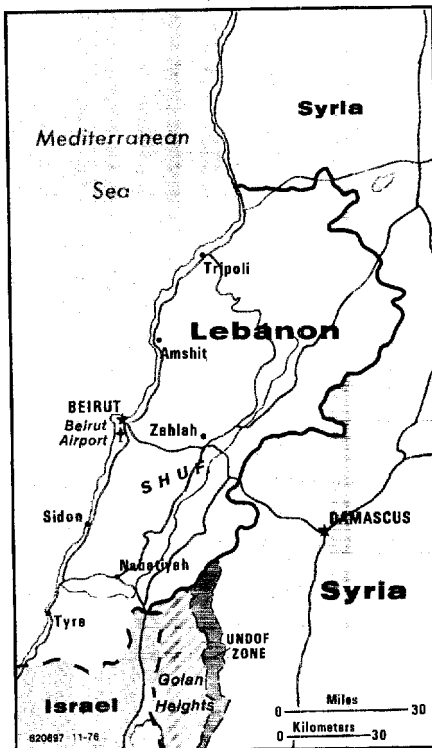
Palestine Liberation Organization chairman Yasir Arafat met this week with

Lebanese leftist leader Kamal Jumblatt to discuss the provisions of the cease-fire agreement and relations with Syria. Arafat apparently is trying to arrange a rapprochement between Jumblatt and the Syrians. Jumblatt seems willing, but the Syrians, who are attempting to undercut Jumblatt, are likely to turn aside Arafat's overtures.

Unrepentent Fatah hard-liner Salah Khalaf, meanwhile, has charged that the "conspiracy" against the Palestinian resistance is continuing. He insists that the fedayeen are entitled under the Cairo accords to continue their operations against Israel and to bear arms in southern Lebanon.

The Palestinians reportedly have moved large quantities of small arms, artillery, and ammunition to Sidon, Tyre, and Nabatiyah to avoid having them confiscated by Syrian troops. The Christians, likewise, are caching weapons in their areas. [REDACTED]

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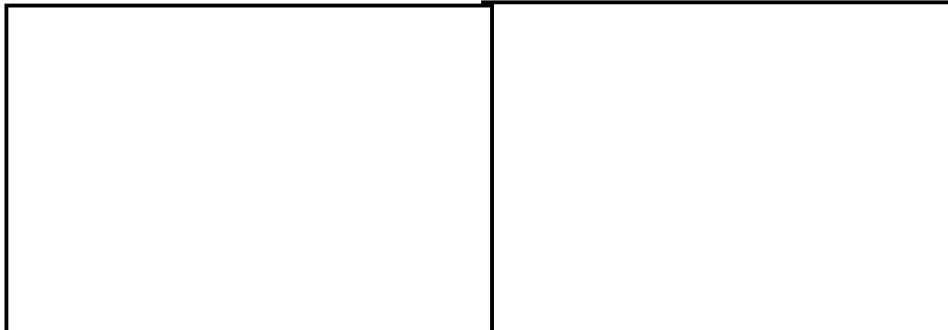
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WESTERN SAHARA

As part of Saudi Arabia's increasingly active role in Arab affairs, Saudi Crown Prince Fahd has been traveling in Morocco, Mauritania, and Algeria since November 11 in an effort to resolve the Western Sahara dispute.

Fahd has met with King Hassan, Mauritanian President Ould Daddah, and President Boumediene. Fahd, who is accompanied by Foreign Minister Prince Saud, will remain in the area most of this week. If the discussions are encouraging, the three North African leaders will be invited to Saudi Arabia for an all-out effort to resolve the Western Sahara issue.

Saudi Foreign Ministry officials say that they have undertaken this diplomatic

initiative because the success of the efforts of Saudi leaders with respect to Lebanon enables them to redirect their energies to North Africa, and because the Saudis allegedly believe that Algerian President Boumediene is now willing to find some solution.

In any event, we believe the prospects for a negotiated settlement soon are 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 are unlikely to engage in any negotiations that give the Front a significant role.

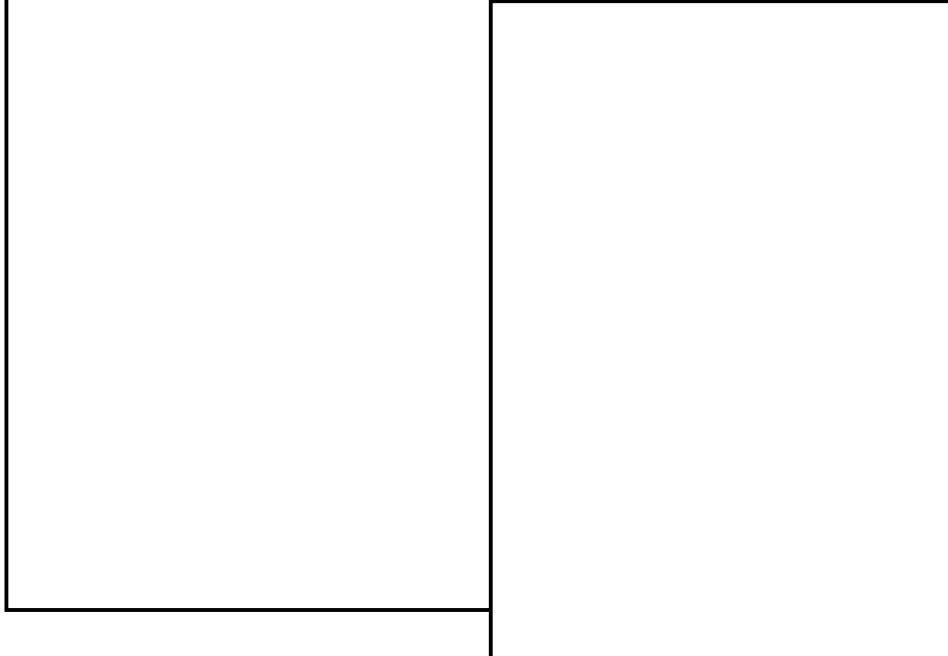
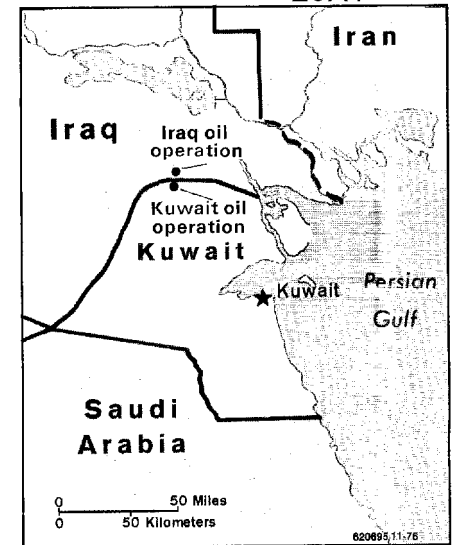
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IRAQ-KUWAIT 24-28

Oil-drilling operations under military protection by both Kuwait and Iraq at two points near their disputed border have added a new and urgent dimension to their long-standing territorial quarrel.

Kuwaiti Defense Minister Saad told the UK ambassador on November 15 that the Iraqis had recently bulldozed a road about a half mile into Kuwaiti territory and that a small number of Iraqi soldiers

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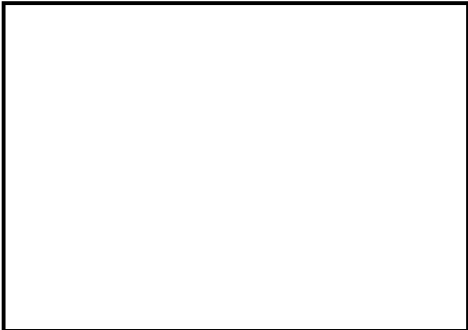
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had taken up a position near the road. The minister said Kuwaiti troops were blocking further construction or any attempt by the Iraqis to advance.

The incident is the third Iraqi incursion into Kuwait in two months. Iraq shows no sign of withdrawing two small detachments of troops that have been camped on the Kuwaiti side of the border since mid-September.

The Kuwait Oil Company began drill-

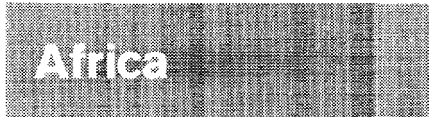
ing operations last weekend in what appears to be a government response to the recent Iraqi moves in the border area. The site of the Kuwaiti drilling, which was to be supported by tanks and 200 troops, is not far from an oil operation the Iraqis began earlier this month just inside their territory.



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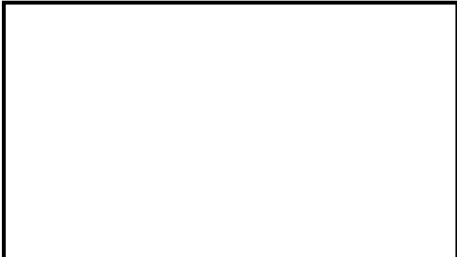
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RHODESIA 29-30

Disagreement over a date for Rhodesia's independence continued to delay progress at the Geneva conference this week. In addition to disputes between the black nationalists and the white delegation, rivalries among competing nationalist groups remain a serious obstacle to an agreement. Even should

everyone settle on an independence date, rivalries among the blacks will continue, and perhaps become even stronger, when the various parties try to come to grips with the specifics of forming a transition government.



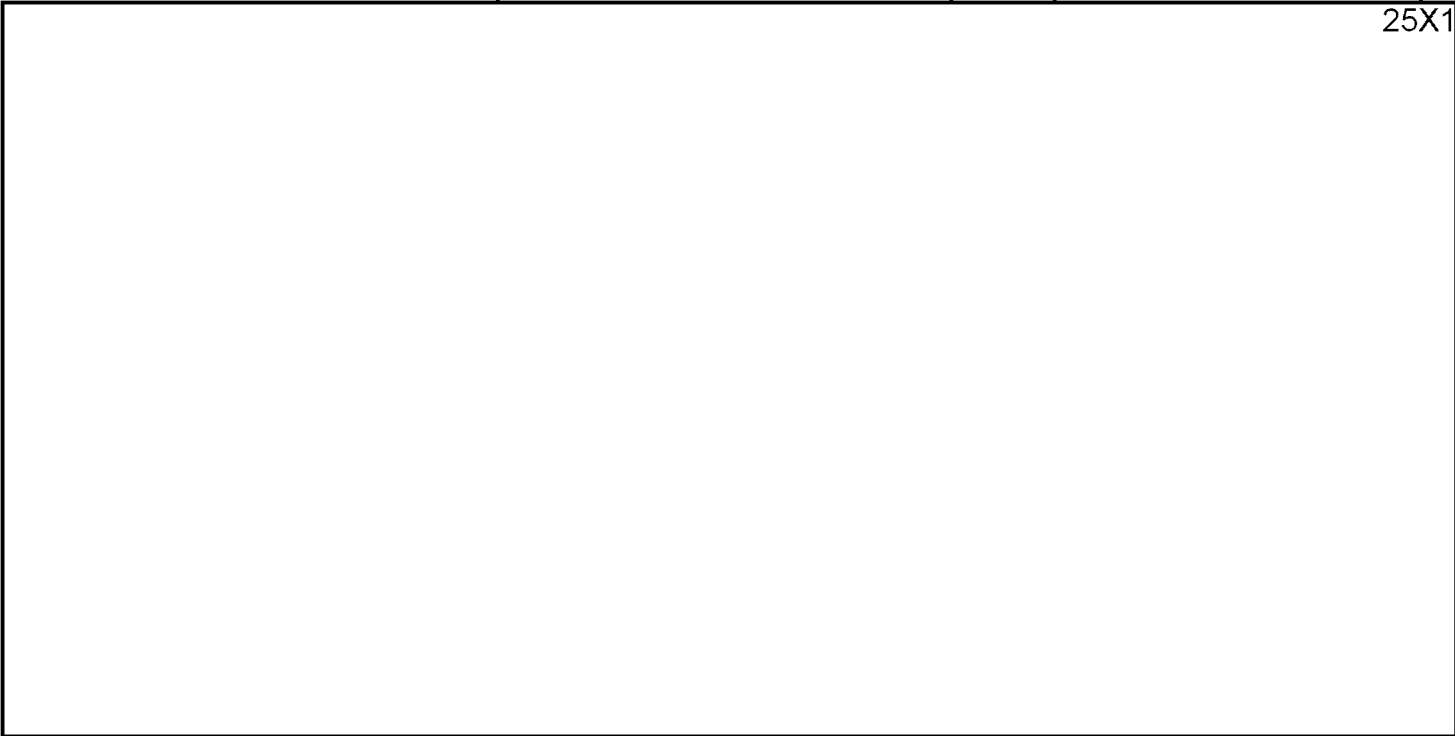
Nkomo believes he must maintain a tough position in concert with Mugabe because he lost prestige among Rhodesian blacks as a result of his break with the other nationalist factions to engage in abortive settlement talks with the Smith regime early this year.

Mugabe apparently has been under pressure to stick to a hard line from members of the military wing of his Zimbabwe African National Union, some of whom would like the talks to fail. Several ZANU military figures in Mugabe's delegation left the conference earlier this month.

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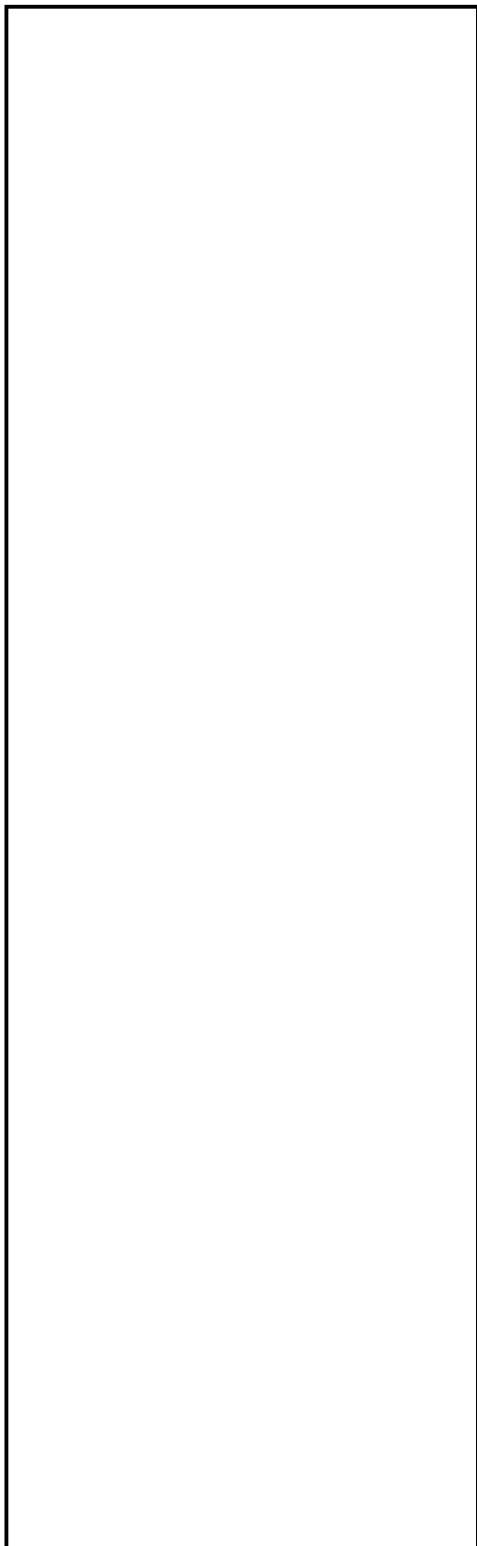


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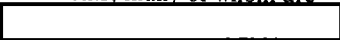
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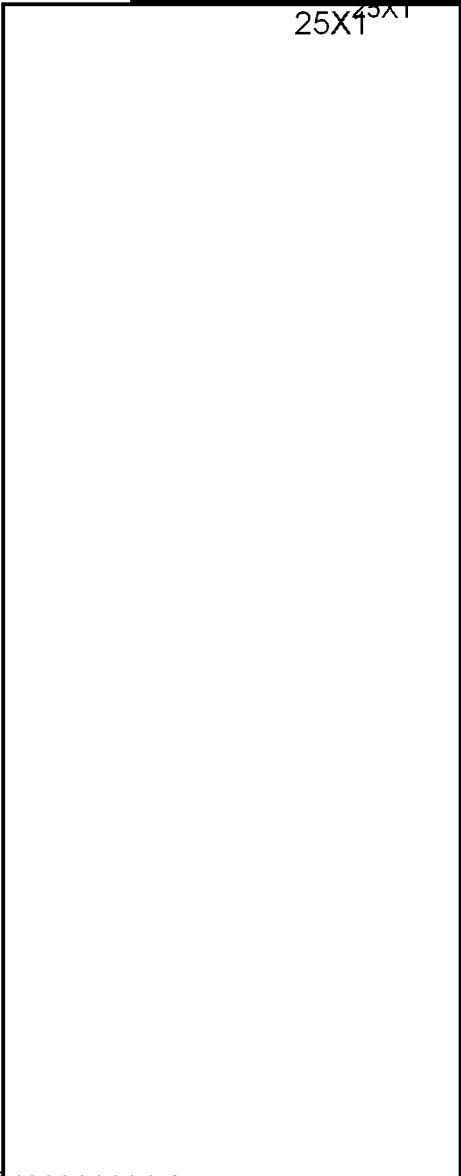
cooperative relations. The Soviet anniversary reception in Kinshasa was well attended by high-ranking Zairian officials, although Mobutu himself did not appear.

Mobutu certainly will move cautiously in expanding relations with the USSR. Even before the differences over Angola, he kept the Soviets at arm's length.

Nevertheless, Mobutu probably believes he must adapt to the strong position the Soviets have established in Angola and to the good relations they have with most of Zaire's other neighbors. Moreover, Mobutu would like to discourage any Soviet or Angolan support for Zairian dissidents, many of whom are in Angola.



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ZAIRE-USSR 44-45

Relations between Zaire and the USSR, brought to the brink of a diplomatic break by their support for rival groups during the Angolan civil war, may be on the mend. Any movement toward improved relations will probably be gradual, however, given President Mobutu's long-standing suspicions of Soviet intentions in southern Africa.

According to the US embassy in Kinshasa, the Soviet ambassador to Zaire recently returned from consultations in Moscow with instructions to do everything possible to strengthen relations and particularly to facilitate early signature of cultural and commercial accords. The Zairian commerce minister is preparing for a trip to Moscow to sign a commercial agreement.

Mobutu sent Soviet President Podgorny a congratulatory message on the occasion of the anniversary of the October revolution, something he did not do last year. The message expressed the wish of Zaire's official party to strengthen

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BRAZIL 50-54

Once the votes are tallied nationwide from Brazil's municipal elections of November 15, the pro-government party will probably be far out in front. The country's leaders, however, will be closely watching the performance of the opposition party. Earlier this year, President Geisel called the elections a national plebiscite for his administration, and his recent campaign activities have attracted broad attention to what ordinarily would be a minor political event.

The official results are slow in coming in. The most recent news reports indicate that the opposition is leading in Brazil's major cities, where its political base is strongest. The pro-government party is said to be winning in smaller towns and rural areas. There is no question that the

government will win overall as a result of its superior national organization, recently enacted campaign restrictions, and the fact that the opposition was unable to field candidates in approximately 1,000 smaller municipalities. The concern of the military-backed regime, however, is that its control of municipal offices may be cut from the 90-percent victory in 1972 to around 70 percent.

If Geisel is embarrassed by the showing, he may make major changes in the election laws, reorganize the party system, or restructure his cabinet.

[redacted] and wants to abolish current election practices that allow several candidates within the same party to compete for a single office.

More significant, however, is the fact that Geisel has made the elections a test of his policies. If the pro-government party does well, it should reduce the current uneasiness among prominent military officers and businessmen that constitute his most important constituency. If not, he will almost certainly be under strong pressure to reimpose authoritarian political controls and to exercise even more stringent regulation of the national economy.

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JAMAICA 60; 62

Jamaica's increasingly tight foreign payments position probably will result in more severe economic austerity measures over the next six months. Real gross national product has already dropped about 5 percent this year and unemployment has gone up to at least 25 percent of the labor force.

The prospect of continuing economic decline may lead Prime Minister Manley to move the national election to December rather than wait until the constitutional deadline in May. He has asked parliament to permit him to reduce the period between the calling of an election

and election day itself.

Jamaica's current-account deficit is likely to reach a record \$270 million this year. Unless imports are cut back, Jamaica will probably accumulate at least a \$200-million current-account deficit next year. Export earnings have dropped 20 percent, mainly because of lower bauxite and alumina sales. Although bauxite and alumina exports are picking up, higher oil import costs will offset much of the gain. Tourism receipts, cut sharply because of growing civil unrest, show no prospects for improvement.

Manley still must borrow at least \$75 million more to cover his 1976 obligations. Otherwise, drawings on foreign exchange holdings would reduce the country's reserves to under \$100 million—less than six weeks' import cover.

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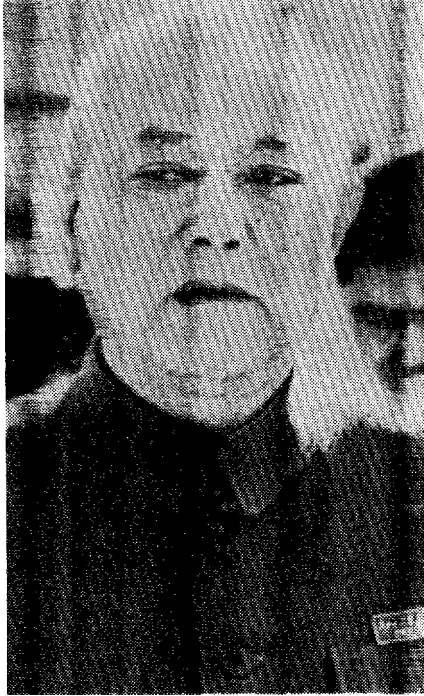
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Jamaica's recent efforts to round up new loans have fared poorly:

- The Organization of Petroleum Exporting Countries' Special Fund probably will not help.
- Canada last month promised \$25 million in short-term cash—part of a \$100 million package, the rest of which is longer term project credits.
- The International Monetary Fund added \$15 million this week.
- China refused a request for \$30 million.

Rising private capital flight and the government's difficulty in garnering large new funds point to a payments gap in 1977 that dwindling reserves would be unable to cover. Manley's settlement with Alcoa last month setting an eight-year ceiling on bauxite taxes leaves little chance of help from a bauxite tax hike.



Li Hsien-nien

It is likely that China finds little new in current Soviet blandishments. In any event, the Chinese are almost certainly disinclined to consider seriously the sensitive issue of relations with the USSR while they are still busy putting their domestic house in order and before they can assess the attitude of the new US administration toward China.



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63-65
JAPAN-KOREA-US

The Japanese government last week mounted a public campaign to underscore its desire for a continued US military presence in South Korea—an effort that clearly reflects Japanese concern over the future course of US - South Korean relations.

Over the past week or so, this theme has been emphasized in:

- A speech by Japanese Ambassador Togo in Minneapolis.
- An interview given by the Japanese ambassador in Seoul.
- Remarks by Japanese Defense Agency and Foreign Ministry officials.

Heavy Japanese press coverage and editorial comment reflect the apprehension that relations between Washington and Seoul may be strained for some time to come.

Public remarks by Japanese officials so far have not raised questions about the basic US commitment to defend South Korea. Still, the Japanese are clearly uneasy about the possible effects of alleged South Korean improprieties in the US and uncertain about the policies of the next US administration.

In orchestrating this public effort, the Japanese are showing little regard for North Korean sensitivities about a continued US troop presence on Korea. The North Korean regime has reacted vigorously to each official Japanese statement on the subject and is giving heavy play to press accounts of alleged South Korean improprieties in the US.



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CHINA-USSR 66

The Chinese have publicly and authoritatively rebutted speculation that they might respond positively to recent Soviet gestures toward them.

At a banquet on November 15 honoring visiting Central African Republic President Bokassa, Vice Premier Li Hsien-nien lambasted the Soviets in such uncompromising terms that diplomats from the USSR and its closest 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

China change its policy were wishful thinking and said the Chinese would continue to carry out Chairman Mao's "revolutionary line in foreign affairs," a reference to China's opening to the US.

Chinese officials seem to recognize that the USSR has had some success in portraying its initiatives since the death of Mao Tse-tung two months ago as serious efforts to reconcile differences. The Chinese have been asserting privately that these gestures are not genuinely conciliatory, and Li's remarks are almost certainly intended to dispel widespread foreign press speculation about the possibility of a thaw in Sino-Soviet relations.

Since Mao's death, Chinese propaganda has remained vociferously anti-Soviet. Given the foreign press speculation about possible relaxation in relations with the Soviets, however, the Chinese apparently believed it was necessary to address the subject of the Soviet overture directly and in a manner designed to put this speculation to rest.

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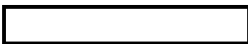
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Most Israeli leaders think the outcome of the Lebanese civil war has weakened Israel's long-term strategic position. They are not sure what to expect next from the Arab states but are not likely to change their basic approach to negotiations.

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Israel: The Impact of the Lebanese Crisis

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Most Israeli leaders believe that the collapse of Lebanon's political system and the rise in Syrian influence in Lebanon will inevitably lead to a weakening of Israel's strategic position—if not now, then surely in the long run. Prime Minister Rabin's government has felt powerless to prevent these developments. It would concede that Lebanon could have rapidly become a much greater threat to Israel had Syria not intervened in the way it did.

Israel's major concern last winter was that Syria might move without warning to impose a leftist Muslim regime in Beirut by military means. Such a step would have forced the Rabin government either to accept a fait accompli and face a storm of criticism at home, or to react by occupying southern Lebanon and running the risk of triggering a wider Middle East conflict.

The Syrians' split with the Palestinian guerrillas and their tactical alliance with the Lebanese Christians last spring thus came not only as a pleasant surprise to Israeli leaders but also did much to reduce domestic pressures on them to become more directly involved in the crisis. Even so, the Israelis remain wary of Syrian intentions.

The Pluses...

Israel has received a number of short-term benefits from the Lebanese conflict. The preoccupation of the

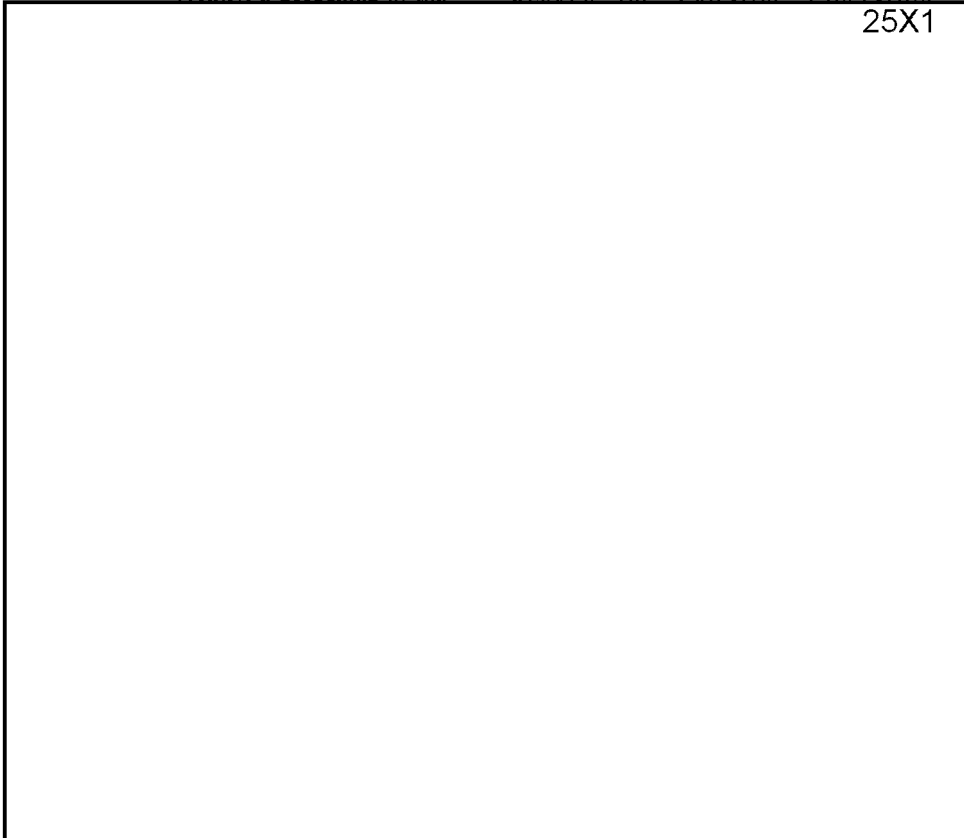
Palestinians, Syria, and nearly every other principal Arab state with Lebanon has resulted in:

- A virtual suspension of fedayeen terrorist raids on northern Israel.
- A relaxation of military tensions on the Golan Heights.
- A welcome breather from Arab pressures to resume negotiations for further territorial withdrawals.
- Until recently, a deepening of the

split between Israel's two main adversaries, Egypt and Syria, caused initially by Egypt's signing of the second Sinai agreement.

The Israelis believe their policy of "calculated restraint" toward Syrian intervention and their covert aid to the Lebanese Christians have also kept the growth of Syrian influence in Lebanon within acceptable limits and helped weaken the Palestine Liberation

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25X1

Organization.

Syria has thus far carefully heeded Israeli warnings not to cross the so-called "red line." Syrian forces have generally kept well north of the Lebanese-Israeli border and have been used primarily to block a leftist takeover in Lebanon and to rein in the Palestinians—objectives that parallel Israel's own aims in many respects.

Israeli support has helped the Christians to preserve some measure of independence and, of more immediate importance to Tel Aviv, to gain control over part of southern Lebanon once used by the fedayeen to stage terrorist attacks on Israeli settlements in northern Galilee.

...And Possible Minuses

Despite the pluses, the long-term consequences of what has happened in Lebanon are far less clear, and Tel Aviv is worried.

With characteristic pessimism, many of Israel's leading press commentators have

argued that whatever the outcome in Lebanon, it will ultimately be to Israel's disadvantage. They see Lebanon inevitably slipping from its status of relative neutrality into the ranks of the Arab confrontation states under the influence of a stronger, more aggressive Syria, and the closing of Arab ranks once more against Israel.

Some Israeli commentators have already expressed alarm over the reconciliation between Egypt and Syria, expecting the Arabs, at a minimum, to shift their anti-Israeli propaganda campaign back into high gear.

Foreign Minister Allon and Minister of Defense Peres, as well as other Israeli officials, have expressed similar concerns about the future. For the present, however, the Israelis are not particularly worried about the presence of Syrian troops in Lebanon.

Israeli chief of staff Gur recently discounted any immediate military threat,

noting that the current division of Syrian forces between Lebanon and the Golan Heights puts Syria at a relative military disadvantage. The Israelis also know and are probably counting on the fact that the Syrians are likely to have their hands full for many months in Lebanon.

South Lebanon

The Israelis will continue to keep a close watch, especially on southern Lebanon, for any indication of a change in Syrian intentions. The Rabin government has already warned Syria publicly, and apparently through diplomatic channels, that it will not tolerate a resumption of fedayeen cross-border operations from territory under Syrian control.

Israel does not under any circumstances want the Palestinian guerrillas to re-establish a strong presence near Israel's northern border. Ideally, the Israelis would like to see some kind of canton or federation system emerge in Lebanon that would leave the south free

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of hostile Palestinian forces and in the hands of Christian and Muslim groups friendly to Israel.

Consequently, the Rabin government will continue its so-called "good fence" program and its arms aid to Christian forces operating in the south.

- To encourage them to continue to look to Israel for support.
- To help them consolidate their hold over areas along the border from the coast to Bint Jubayl and farther north around Marj Uyun and al-Qulayah.
- To strengthen their overall bargaining position in the negotiations yet to come over Lebanon's future.

The Israeli government will continue acting cautiously. Thus far, it has kept its military involvement in the fighting in the south to a bare minimum and has even denied its obvious aid to the Christians, presumably in part to avoid offering the Arabs additional reasons for uniting against Israel and in part to avoid giving the US reason to ask the Israelis to stop.

Should the Palestinians decide to challenge the Christians' hold on this area, the Israelis would face an agonizing dilemma, especially if the Christians were in danger of losing. Defense Minister Peres indicated recently that Israel would do everything in its power short of open intervention to help its Christian allies.

The Palestinians appear too weak and preoccupied with surviving to mount such a challenge, perhaps for many months. It is highly likely, moreover, that Israeli pressure, combined with Syria's attempts to exert greater control over the PLO, will sharply reduce if not eliminate the fedayeen capacity for staging cross-border operations from Lebanon.

Beyond Lebanon

Despite its transient importance, neither the Israelis nor the Arabs have ever regarded the Lebanese crisis as anything more than a sideshow to the main Arab-Israeli dispute. Tel Aviv has already begun to focus on what the Arabs are likely to do now that the war is almost behind them, and especially on the implications for Israel of the Syrian-Egyptian rapprochement.

tian rapprochement.

In general, the Lebanese civil war does not appear to have changed Israeli thinking about Syria or the other Arab states in any basic way. The Syrian-PLO split has, at most, encouraged the Rabin government to believe that it may be possible eventually to reach a better accommodation with Syria.

Prime Minister Rabin still believes that the Arabs are not ready to make peace with Israel and that the best that can be achieved for now are more interim agreements.

The Israelis are uncertain about the significance of the Arab summit meetings last month. Rabin and other top Israeli officials have indicated they believe that Syria, in exchange for Egyptian recognition of its hegemony over Lebanon, has had to drop its objections to the Sinai agreement and to accept President Sadat's and the Saudis' approach to peace negotiations with its implicit reliance on the US as the catalyst for future

agreements.

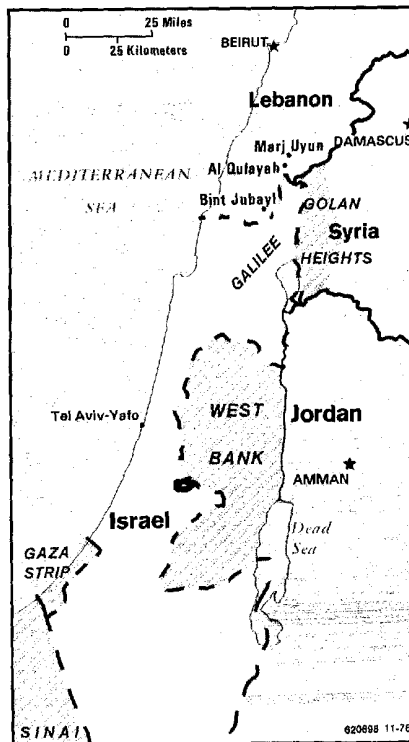
The Israelis expect at a minimum, therefore, that the Arabs will push for a resumption of the Geneva peace talks next year and increase their pressure on the US to extract concessions from Israel. Beyond that, the Israelis are unsure whether the reconciliation between Egypt and Syria will result in a softening of Syria's position or a hardening of Egypt's.

Before the Arab summits, Israeli press commentators and some senior Israeli officials suggested that a stronger, more self-confident Syria might turn out to be more flexible in negotiations. They indicated that they did not expect Syria to end its close association with the PLO, but they speculated that Syria might be prepared to drop its insistence on direct PLO participation in the Geneva talks, now that that tactic has outlived its usefulness.

More recently, Rabin has expressed concern that Syria, Egypt, and Saudi Arabia might put pressure on the Palestinians to abandon terrorism and moderate their political position in order to make it difficult for the US, and in turn Israel, to continue to deny the PLO a role in the peace talks. Israeli leaders especially fear that the US might go along with such a move.

Whatever tactics the Arabs adopt, the Israelis are unlikely to change their basic negotiating strategy. Rabin is no more anxious now than he ever was to move ahead rapidly toward additional agreements.

The Israeli government, therefore, will be ready to consider new approaches to negotiations, but will want to string them out. Time remains a valuable commodity to the Israelis in any future negotiations, almost as valuable as territory itself. Rabin wants more time to strengthen Israel's military defenses, to see whether the Arabs will live up to their past agreements, to test the sincerity of those Arab leaders who profess to be willing to live in peace with Israel, and to adjust psychologically and politically to shrinking security borders, if it comes to that.



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Soviet leaders apparently now think events in the Middle East will soon move toward a diplomatic showdown. They believe they must act quickly to avoid being left on the sidelines.

74-75; 77-78; 80-82

New Soviet Efforts in the Middle East



The USSR believes that the coming months may offer opportunities for moving toward resumption of the Geneva talks. The USSR is publicly committed to a comprehensive settlement between the Arabs and Israelis and has stated that it cannot be excluded from the diplomatic process. The Soviets realize that the installation of a new US administration could create a different diplomatic environment that might pave the way for the Soviets to return to the negotiating arena.

The Soviet proposal made on October 1 to resume the Geneva conference was a reminder that Moscow intends to take part in any major diplomatic activity affecting the area.

If the Geneva conference is reconvened, the Soviets could increase their chances of playing a significant role by improving relations with Egypt. The USSR is now making a fresh effort to explore rapprochement with Egypt. The Soviets have also moved to ease the strains on their relations with Syria that were produced by the Lebanese war.

The Soviets hope that Egypt is disappointed that it has not received more from the US and that Arab opposition to Egypt's separate dealings with the US limits the possibilities for another round of US-sponsored negotiations. The USSR can also exploit Arab anxiety about the new US administration and Arab opposition to the recent US-Israel arms deal.

Finally, the Soviets may feel compelled to act now because of Saudi Arabia's growing influence in Egypt and Syria and its contribution to arranging of a cease-fire in Lebanon. The Soviets undoubtedly believe that the Saudis are acting as US proxies in the Middle East and the USSR must be apprehensive about Saudi Arabia's success.

Approach to Egypt

The Soviet search for greater involvement in the negotiations in the Middle East has started with Egypt, the linchpin of Soviet efforts in the area for 20 years.

During the past four years, Soviet-Egyptian relations have suffered a series of setbacks; President Sadat expelled Soviet advisers, terminated Soviet use of Egyptian naval facilities, and unilaterally abrogated the Soviet-Egyptian friendship treaty. Egypt's search for the good offices of the US in a series of Arab-Israeli negotiations has been particularly irksome to the Soviets.

The USSR has also been concerned about Sadat's domestic policies. A political shift to the right has taken place, and key leftists in the government and the

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Arab Socialist Union have been purged. A parallel shift has taken place in the economic sphere, with some of Egypt's socialist institutions de-emphasized in favor of the entry of private Arab and Western capital.

There is little likelihood that the USSR can dissuade Sadat from these policies, but for the first time in more than a year the USSR is trying to break the impasse.

Soviet Foreign Minister Gromyko met with Foreign Minister Fahmi in Bulgaria on November 3 and 4 to explore the chances for rapprochement.



The terse communique issued at the end of the talks, however, indicated that both sides were still wary of each other and possibly that the discussions did not go well.

Egyptian Reaction

How the Egyptians will react to these inducements is not clear, but the USSR is probably confident of a reasonable response. Soviet thinking may run along these lines:

- Cairo expects more attention from the US if the Soviet-Egyptian connection can be revived.
- The Egyptian military would favor a resumption of Soviet military deliveries.

Syria

Soviet-Syrian relations have been strained as a result of the prolonged fighting in Lebanon, and the USSR is likely to make the first moves to repair the damage.

Moscow was clearly uncomfortable with the Syrian-Palestinian rift but could do little so long as Syria was pursuing its offensive and ignoring cease-fires supported by the USSR. The Soviets made their case both publicly and privately against President Asad's actions but, despite Palestinian importuning, never applied decisive pressure on the Syrians.



President Asad



Syrian Foreign Minister Khaddam



Asad, who had previously avoided public discussion of his differences with the USSR, went out of his way to be critical of the Soviets



Soviet press attacks were the most visible expression of Soviet displeasure. Officials in Syria linked the recent cutback in Soviet scholarships for Syrian students to Syria's involvement in Lebanon.

There has been no evidence that the USSR tried to use the usually responsive but politically weak Syrian Communist Party to put pressure on Asad. The Soviets were careful not to jeopardize their basic interests in Syria by unduly antagonizing Damascus.

The USSR is not optimistic about the success of the current cease-fire, but if it holds, the Soviets will move quickly to try to repair the damage done to relations with Syria. Brezhnev's speech to the Communist Party Central Committee plenum last month marked a step in this direction. In his discussion of the situation in Lebanon, he implied that Syria's involvement in "the orbit of military actions" had been in response to Lebanese Christian and Israeli actions.

The Soviet treatment of Syria is now couched in terms intended to smooth over differences. The USSR could make additional offers of military and economic assistance to counter residual Syrian bitterness. The Soviets delivered \$200

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million in arms to Syria in the first nine months of 1976.

Geneva Conference

The Soviet call for a return to the Geneva peace conference is similar to that Moscow made last April, but the Soviets apparently now believe that events in the Middle East will soon enter a critical phase and that they must move quickly to avoid being left on the sidelines. The USSR may also believe that this time the chances of reviving Geneva are enhanced because:

- Egypt does not consider independent negotiations under US auspices as a productive option.
- The US has apparently abandoned the step-by-step approach and accepts Geneva as the venue for comprehensive talks.

Moscow's Geneva proposal was carefully constructed to appeal to both the Palestinians and the Israelis.

The USSR stressed that Palestinian attendance would be "on an equal footing from the very outset," showing its continued support of the PLO's role.

The only new element in the Soviet position on the Geneva conference is calculated to appeal to Israel—an agenda item to "end the state of war" as a key aspect of any eventual settlement. The stress on "appropriate international guarantees" for Israel's existence and security might also be intended by the Soviets to placate the Israeli government.

Moscow originally suggested that the conference reconvene in October or November, but Brezhnev in his speech to the Central Committee plenum last

month pointedly avoided a specific time frame.

The Soviets have one serious problem in their attempted revival of Geneva. As long as they support the idea of a peace conference, they will be partly responsible for getting the proposed participants to attend. This will not be easy for a number of reasons:

- Egypt ostensibly supports a return to Geneva, but as long as the Soviet-Egyptian impasse continues, Sadat will refuse to close the door to US-sponsored diplomacy.
- Syria and Jordan have not embraced the Soviet proposal.
- The role of the PLO is a major representational problem.
- Israel has already responded negatively.

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Jordanians, including military men, are becoming more and more disillusioned over the government's failure to deal effectively with the country's domestic problems. At the moment, however, King Husayn's position seems to be still secure.

83

Jordan: The King's Problems

[Redacted]

King Husayn and other Jordanian leaders are coming under increasing criticism for failing to deal effectively with the country's domestic problems. Disaffection—caused mostly by a high rate of inflation—is especially noticeable among the East Bank, non-Palestinian population that has always provided the basic strength of the armed forces, the security services, and the monarchy.

In foreign affairs, Jordan—which has almost no ability to take independent in-

itiatives—is marking time. Jordan is slowly repairing the damage to its relations with Egypt and Saudi Arabia caused by its close ties to Syria, but has no effective strategy for dealing with its basic problems: Israel, the Palestinians, and the West Bank.

Jordan's political and military leaders are not well prepared to deal with the country's problems. Fortunately for them, these problems appear at present to constitute only chronic irritants. They do not seem to threaten Husayn's position.

Prime Minister Mudhir Badran has

concentrated on domestic matters since his appointment in July, but his lack of a political base and his limited access to human and financial resources make it difficult for him to demand sacrifices of the people or changes in the government.

Badran, moreover, apparently has only limited backing from the King, who is inclined to concentrate only on foreign and military affairs. Husayn only recently turned again to Jordan's economic and administrative problems, which he has always treated on a sporadic basis.

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The armed forces commander, Sharif Zayd bin Shakir, is an able officer but is widely regarded as [redacted] too Westernized, and determined to acquire military hardware at the expense of the well-being of his troops. He evidently has been reluctant to implement plans to reorganize and reduce the size of the army—steps necessary to improve pay and living conditions—lest he diminish his own power base.

Most of the other high-ranking army officers, who generally are drawn from the Bedouin who predominate in the army, are inept. They show no signs of having the managerial skill or royal contacts needed to deal effectively with the army's problems.

Army Complaints

Morale in the armed forces has seriously declined during the past year and is not likely to improve soon. Inflation has cut the purchasing power of the soldier's pay by half in the last two years. Despite a pay increase announced late last week, a junior officer is still paid less than an unskilled construction worker.

The pay problem has resulted in increased desertions and has prompted many soldiers to take a second job, which is illegal. It has also led an unprecedented number of officers and men to seek to resign.

Although the level of military unrest is higher than at any time in recent years, it has not yet resulted in any open rebellion such as occurred in the garrison town of Zarqa in early 1974. Enlisted men, however, are now openly critical of the army leadership and, less frequently, of the King himself.

There is no evidence that any group in the military is considering more radical forms of protest or a move against the King. Most army officers only want to attract the King's attention to their economic needs in the hope he will provide some relief.

Among senior officers, morale may improve when the US-supplied air defense system is finally installed and when other programs to upgrade army equipment are implemented.

Military commanders are hoping to provide regular salary increases to bolster morale over the longer term. This will require the negotiation of additional foreign financial subsidies, however, or a substantial reduction in the size of the army. One plan under consideration aims at a reduction from five to four army divisions.

The inflationary pressures that are hurting army personnel and middle-class civil servants are not likely to abate. These pressures result from world-wide inflation

and the rapid expansion of the Jordanian economy. Domestic growth and the movement of foreign businesses and capital to Jordan from Lebanon have created and are likely to sustain inflationary shortages of labor, developed land, and imported goods.

East Bank Sentiment

A combination of minor political developments over the past few months has led East Bankers—middle-class urban residents and rural Bedouin alike—to question increasingly their customarily positive views of the King and his dedication to protecting their interests.

Conservative Bedouin leaders complain that their legal prerogatives have been reduced by the establishment of modern courts, and that they are not adequately represented in high government and army posts. In fact, the current cabinet does not include any spokesman for Bedouin interests, and the Bedouin lost their highest ranking representative in the army through his forced retirement early this year.

East Bankers also are upset over the lifestyle of the King, his family, and his advisers. Religious conservatives, who complain about the royal family's Westernized, jet-set behavior, were offended by the fact that Husayn was abroad for most of the recent month of Ramadan.

More sophisticated middle-class urban residents are also critical of the royal family and its hangers-on. The middle class, which customarily has been a principal recipient of civil service and other government benefits, is now alarmed and envious that full employment, increasing land prices, and widespread corruption have made unskilled workers and the upper classes the chief beneficiaries of Jordan's rapidly growing economy.

The Palestinians

In public, King Husayn has consistently affirmed Jordan's adherence to the decision of the Arab summit in Rabat in 1974 that the Palestine Liberation Organization is the sole legitimate representative of the Palestinians. This stand has quieted the previously intense debate about the rights of the Palestinian majority on Jor-



Commander in chief bin Shakir



Prime Minister Badran

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culture and information, Adnan Abu Awdah, who acts as prime minister when Badran travels outside Jordan. Awdah works to preserve Amman's ties to selected West Bank officials and at the same time attempts to undercut the appeal of the current PLO leadership in the area.

Awdah's success will be limited both by Jordan's lack of substantial funds to distribute on the West Bank and by the reluctance of the more nationalistic group of West Bank mayors elected last spring to be seen cooperating with the Jordanian government.

Arab Relations

Jordanian officials are uneasy that they played no significant role in the inter-Arab talks that led to the current cease-fire in Lebanon. They are nonetheless relieved that Syria and Egypt have at least temporarily reconciled their differences. Amman's consistent backing of Syria had led to serious strains in Jordan's relations with both Egypt and Saudi Arabia.

Husayn seeks as a matter of principle to temper his close association with Syria by maintaining good relations with Egypt and the conservative Persian Gulf states. This has been facilitated in recent months by the removal of the pro-Syrian former prime minister, Zayd Rifai, and by the successful negotiation of Saudi funding for a US-supplied air defense system for Jordan.

Prime Minister Badran is much less enthusiastic than his predecessor about the merits of Jordan's recently developed military and economic cooperation arrangements with Syria, but he has made no attempt to terminate them. With foreign affairs even more firmly in the King's hands, relations with Syria are likely to continue essentially unchanged for the foreseeable future.

Jordan's involvement in Lebanon has been limited. Husayn probably would be willing to contribute limited numbers of Jordanian troops to the Arab peacekeeping force in Lebanon, but he is not likely to be asked, as this would be unacceptable to the Palestinians [redacted]

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dan's East Bank by inhibiting independent Palestinian political activity in Jordan.

The King's nominal concession of the Israeli-occupied West Bank to the Palestinians, where they constitute virtually all of the Arab population, has had its greatest impact on Jordan's domestic politics. The King has used this concession to clear the way for increased Hashemite-Bedouin political dominance on the East Bank. Although Palestinians are allotted a quota of portfolios in the Jordanian cabinet, are heavily represented in the civil service, and serve in increasing numbers in the army, the King has made clear that there is no room for the organized pursuit of Palestinian nationalism in Jordan.

The Palestinians also have been intimidated by Jordan's support of Syria's involvement in the Lebanese conflict. Several prominent members of the Palestinian community in Amman were arrested last summer following their public criticism of Syria's military moves against Palestinian forces in Lebanon.

Husayn's success in keeping the Palestinian issue quiet is a major domestic victory. Palestinian nationalism represents the greatest long-term threat to the Hashemite monarchy.

Manifestations of East Bank - Palestinian rivalry are likely to surface again in

Jordan's domestic politics whenever Jordan and the Palestinians are called on to participate in—or stand aside for—a new round of general Middle East peace negotiations.

Peace Talks

Husayn's public position is that he will participate in a new round of negotiations if asked to do so by the parties already involved. He says he will do so only as a spokesman for a confrontation state, however, and not as an aspirant for control of the West Bank.

Despite this stand, Husayn probably continues to view the future of the West Bank as bound up with that of Jordan. He would still like to see the two banks of the Jordan reunited in a federation in which the Palestinians would play an autonomous but subservient role. The two areas even now are joined by commercial and family ties.

Officially, Jordanian spokesmen show no interest in occasional statements by the Israelis that Jordan must be involved in any negotiations on the future disposition of the West Bank. Privately, however, the Jordanians probably welcome such statements. They continue to take cautious steps to protect or enhance their limited political influence in the area.

Jordan's West Bank policy is implemented by the activist minister of

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*The new Soviet five-year plan has relatively modest goals.
Even so, prospects are not good for their fulfillment.*

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USSR: Five-Year Plan

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[redacted]
The Soviet economy has not regained the momentum it lost because of the crop disaster last year. Even the improvement the Soviets expect next year probably will not get the economy back on the schedule established by the tenth five-year plan (1976-1980).

The five-year plan was nevertheless formally ratified by the Supreme Soviet and a party plenum in late October virtually unchanged from the version presented to the 25th Party Congress last March. Although the plan goals are relatively unambitious, the prospects for fulfillment are not good.

A 3-percent growth in gross national product is projected for 1976, compared with the planned average annual growth of 5 percent for 1976 to 1980. Industrial production grew by an estimated 4 percent during the January to September period—the lowest rate since World War II—largely due to a decline in processed food production, which is suffering from last year's harvest shortfall.

The estimate for a low GNP growth rate this year also rests on a projected 1-percent growth in total farm output. Although the harvest—particularly of grains—was good, livestock production is likely to drop by 13.5 percent.

A Slow Start

Few details of the 1977 plan were disclosed last month, but most goals seem surprisingly modest in view of the fact that the economy will be bolstered by a good supply of agricultural raw materials. The growth rate planned in 1977 for industry, for example, is only 5.6 percent compared with the average annual rate of

6.5 percent projected in the five-year plan.

Given the slow start in 1976, the Soviets must sustain high rates of growth throughout the remainder of the five years if the 1980 targets are to be met. Industry would have to grow by an annual average rate of almost 7 percent and agriculture by more than 6.5 percent in 1977 to 1980. Both rates exceed the Soviet record since 1970 and seem beyond reasonable expectations.

The final version of the five-year plan leaves intact the main thrust of the version released in March:

- Relatively rapid industrial growth.
- Ambitious farm targets backed by a large allocation of resources.
- Continued pledges to the consumer.
- Slower growth in new investment with emphasis on completing old projects.
- Stress on increasing productivity.

The final goals for consumer goods output, industrial materials, agricultural output, and investment are at the upper end of the range given to the party congress last March. A few targets are at the lower end, particularly those for total industrial output and producer goods. Only the labor productivity goal falls below the original target. The lowering of this goal is particularly ominous for the Soviets since they must now depend largely on increases in productivity for growth.

A Forceful Presentation

General Secretary Brezhnev's unusually frank and forceful presentation of the plan to the party plenum identified the areas most crucial for the plan's success

as agriculture, investment, and productivity. While indicating that the economy was not doing particularly well in these areas, his tone was optimistic.

According to Brezhnev, the most pressing task in 1976 to 1980 is to improve the performance of agriculture. In a rare acknowledgment of the close competition for resources, he called the investment allocation to this sector "a tremendous sum" that necessitated "curtailing some of the requirements of other branches of the economy."

Brezhnev said that neglect of the consumer sector by production and planning organizations would not be tolerated. He called for "achieving breakthroughs in the entire sphere of consumer goods output and services," identifying the satisfaction of consumer demands as a major prerequisite to the success of the five-year plan. Although acknowledging the looming labor shortage, Brezhnev offered no solutions other than a general appeal for a more rational use of labor.

The latest industrial investment figures show that most funds will continue to go into those sectors that are deemed important to scientific and technical progress—chemicals, petroleum, metallurgy, electronics, and the heavy machine building industries. Brezhnev called the implementation of the investment program "probably the central problem" and admitted the difficulties of achieving a large boost in the stock of plant and equipment with minimal investment funds. He promised adoption of new measures to speed up the process of completing unfinished construction projects.

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