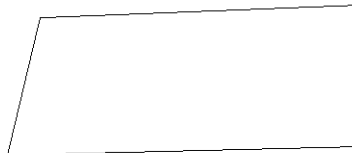




**Director of
Central
Intelligence**

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National Intelligence Daily (Cable)

9 August 1982

DIA review completed.

State Dept. review completed

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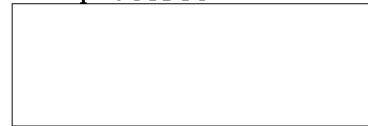
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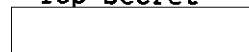
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ISRAEL-LEBANON: Withdrawal Discussions Continue

(Information as of 2300 EDT)

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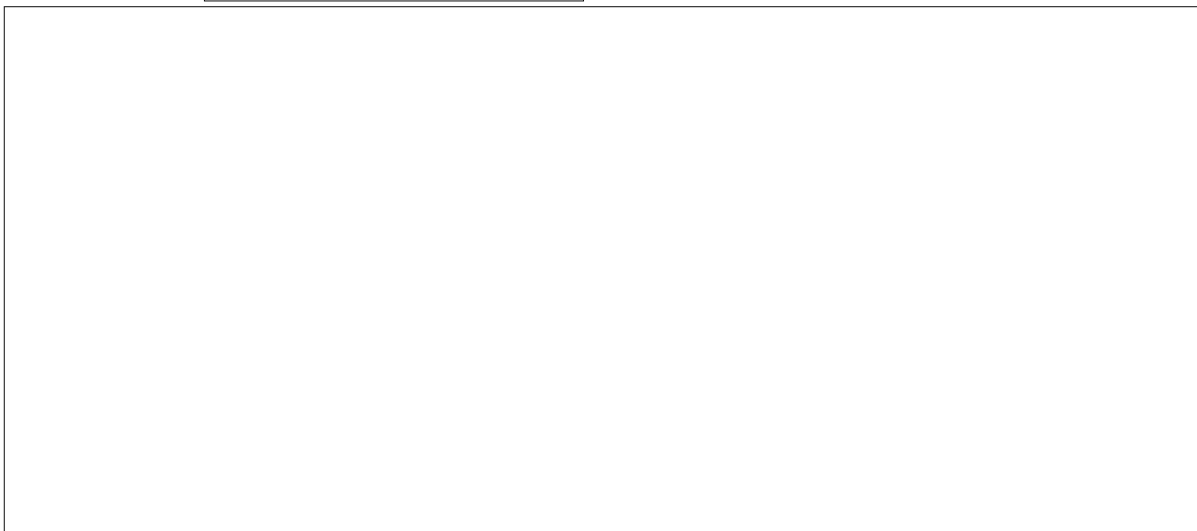
Israeli forces in Beirut have made no further attempt to encroach on PLO-held areas of the city but are maintaining pressure on the Palestinians through intermittent artillery and tank barrages.

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[Redacted] Prime Minister

Begin is showing more flexibility toward the question of a PLO withdrawal from Beirut. Defense Minister Sharon is adhering to a hard line. [Redacted]

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Israeli Harassment

Yesterday Israeli troops at a Lebanese Army installation at Juniyah, 15 kilometers northeast of Beirut, briefly blocked the exit of members of the US liaison team that had arrived by helicopter en route to Beirut to begin preparations for the multinational force. The US personnel were permitted to leave after the Israeli colonel in charge received information about the team's members, destination, and mission. [Redacted]

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Comment: The Israeli actions may, in part, reflect newly aroused suspicions that France, which has been publicly supportive of the Palestinians, is preparing to land a special force in Lebanon to rescue Yasir Arafat or other PLO leaders. [Redacted]

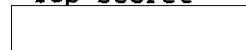
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[redacted]

Prime Minister's Statement

Begin said in a speech yesterday that he would allow up to 2,500 Palestinians to remain in West Beirut until the arrival of a multinational force. He also said there is a "basis to the assumption" that the Palestinians would leave soon, eliminating the necessity for Israel to press on in West Beirut. [redacted]

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Defense Minister Sharon met yesterday with Ambassador Habib in Beirut to discuss further the PLO's position on withdrawal. According to press reports, Sharon said after the meeting that no agreement on the Palestinians' withdrawal was yet possible because no Arab state had agreed to receive them. He also reiterated Israeli concern about the proposal for some units of the multinational force to arrive as the PLO withdrawal begins. [redacted]

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Defense Ministry sources are responsible for reports in Israeli media repeating accusations that the PLO agreement is only a fraud. Several newspapers, however, suggest this view is not universally shared in the government, and editorial writers are generally critical of the allegations that Habib is conniving to permit the PLO to remain in Beirut. [redacted]

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Comment: //Begin's remarks, besides offering a concession on the timing of the arrival of the multinational force, provides the first evidence that he believes an agreement for a PLO withdrawal is obtainable and is willing to bargain on specifics. Until now, he was convinced the Palestinians were lying about their professed willingness to depart. Sharon apparently still harbors such doubts.// [redacted]

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Supplies to West Beirut

Water reportedly has begun reaching West Beirut after the Israelis on Saturday reopened the main water line and the Lebanese completed repairs to a ruptured portion of the line. The Israelis on Saturday also permitted five Red Cross trucks carrying food and medical supplies to enter the western sector. [redacted]

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Possible Arab Summit

Arab foreign ministers are due to meet tomorrow in Morocco to discuss holding a summit meeting on Lebanon. Saudi officials hope that an agreement on PLO withdrawal from Beirut will lessen the pressure for a summit. [redacted]

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[redacted]

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EL SALVADOR: Political Pact

The agreement among the major parties to work toward common goals has strengthened President Magana's national unity government.

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At a meeting with Magana last week, leaders of the liberal Christian Democrats and the rightist parties ratified seven objectives. They included agreements on consolidating reforms, exploring solutions to end civil strife, promoting human rights, and furthering democratization.

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The pact also established three special commissions to pursue the objectives. In addition to one on human rights, there will be a peace commission that will include political, military, church, and labor representatives. Much of the peace commission's effort will be directed toward developing an amnesty proposal.

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The broadest powers fall to a political commission responsible for putting the pact into effect and setting dates for presidential elections. Magana will coordinate this group, which is to be made up of the three vice presidents, the ministers of defense and foreign relations, and representatives of the political parties.

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Comment: The objectives largely coincide with requirements for US certification. They also appear designed to help blunt the impact of the guerrilla coalition's propaganda campaign in Western Europe, which increasingly is depicting the Magana government as rightist dominated and thus ready to abandon reforms.

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The pact includes most goals Magana has been espousing since the inception of his administration. His success in having the diverse parties endorse them underscores his ability as a political conciliator and suggests he is rapidly taking the reins of power.

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In signing the pact, Constituent Assembly President D'Aubuisson leaves himself open to almost certain criticism by his ultraconservative constituents, many of whom believe he is cooperating too closely with more moderate political elements. D'Aubuisson's apparent exclusion from the powerful political commission suggests he may be becoming increasingly isolated.

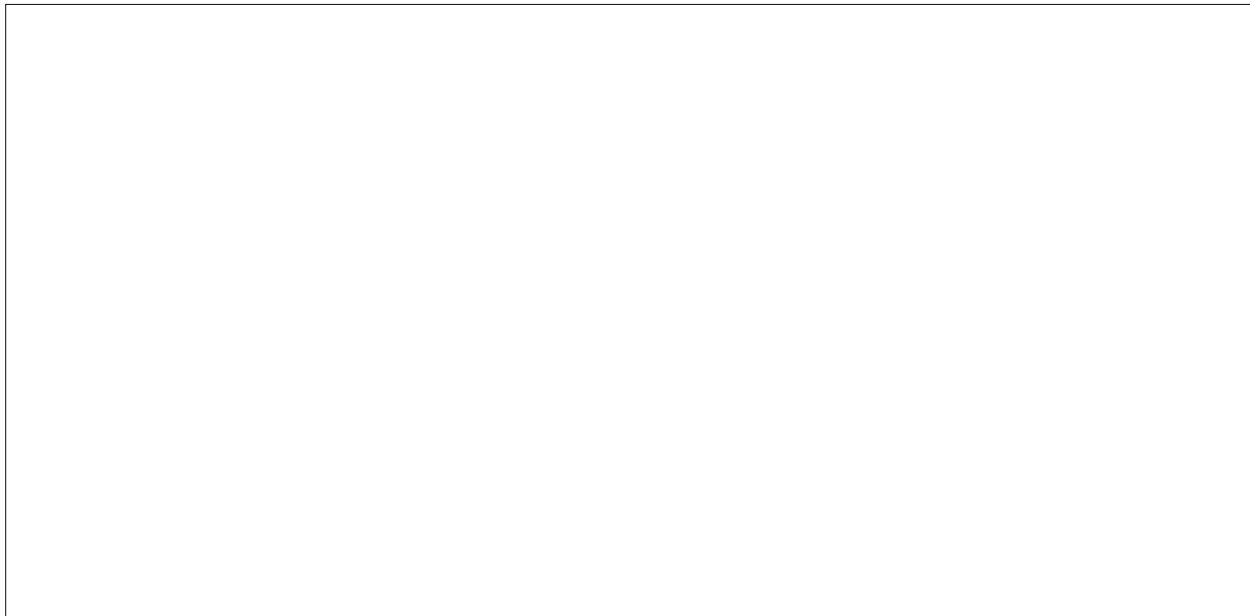
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OAU: Summit Collapse

The collapse of the OAU summit in Tripoli over the weekend brings into the open the breach between African radicals and moderates over the question of membership for the Polisario Front. Faced with the absence of a quorum of two-thirds of the OAU's 51 members, the heads of most of the delegations still in Tripoli are meeting separately to discuss regional problems and to plan for a summit later in the year. Libyan leader Qadhafi and other radicals are citing the breakdown of the summit as another example of US interference in African affairs.



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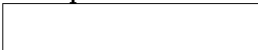
Comment: The failure to hold a summit is a severe blow to Qadhafi's prestige. It also deprives him of the legal means to accede to the organization's chairmanship-- a long-sought foreign policy objective.



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CHINA-JAPAN: Friction Over Taiwan

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//The Chinese have criticized the recent visit to Taiwan of a senior Japanese Liberal Democratic Party delegation, calling the trip an effort to create "two Chinas." The New China News Agency has attacked the "official" nature of the visit as tantamount to treating Taiwan as an independent political entity.

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Comment: China usually ignores such visits, but its current concern over US policy toward Taiwan, the textbook controversy with Japan, and Taiwan's press coverage of the visit have increased Chinese sensitivity. Beijing almost certainly will continue to pay close attention to Tokyo's dealings with Taiwan.

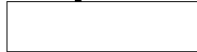
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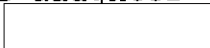


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PHILIPPINES: Mrs. Marcos Named to Executive Committee

President Marcos on Saturday appointed his wife and three other officials to the Executive Committee, an 11-member body that would act as a caretaker government in the event of Marcos's death in office. The move follows the recent unanimous endorsement of the First Lady's membership by a ruling party caucus presided over by the President. Marcos awarded his eldest daughter "observer status" on the committee in late July. 

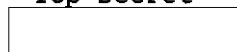
Comment: //The appointment substantially enhances the political fortunes of Mrs. Marcos and reverses the President's longstanding commitment to avoid institutionalizing a family dynasty. Two of the other three appointees also are closely linked to the first family. The timing of the appointment is surprising, because it comes five weeks before Marcos's scheduled state visit to Washington. Although it may be intended to increase Mrs. Marcos's prestige, it has already rekindled rumors the 64-year-old Marcos is in failing health.//

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SPECIAL ANALYSIS

USSR: Impact of Another Poor Grain Harvest

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[redacted]

//A fourth consecutive poor grain harvest will thwart Moscow's plans to improve food supplies and become less dependent on grain imports. The USSR probably will import some 50 million tons during the marketing year that ends next June, including substantial amounts from the US. Extending the current lull in purchases would be costly, and Moscow is likely to resume buying large quantities soon. The grain problem almost certainly will increase political tensions among Soviet leaders.// [redacted]

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//Almost no grain region in the USSR has escaped some crop damage this year. The main spring wheat belt in the southern Urals, northern Kazakhstan, and western Siberia was especially hard hit by hot, dry winds and by drought in mid-June and early July.// [redacted]

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//Grain production this year probably will total only about 165 million tons. Poor weather during the harvest, which is under way in the European USSR, could contribute to a crop even lower than the unofficially reported 158-million-ton harvest in 1981.// [redacted]

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//With a crop of 165 million tons, the USSR would need an additional 65 million tons of grain. The internal distribution system, however, probably can accommodate only about 50 million tons of grain imports during the marketing year. The resulting 15-million-ton shortfall is likely to lead to some distress slaughtering of live-stock and eventually to reduced meat supplies.// [redacted]

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Foreign Grain Available

//If the Soviets were to buy nearly all their import requirements from sources other than the US, they would concentrate on seven exporters that account for about 40 percent of the world grain trade. These sellers could export roughly 83 million tons, about half of which probably will be sold to other customers. Moscow may have

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[redacted]

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[Redacted]

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already spoken for 17 of the remaining 42 million tons, and it could conceivably purchase all or most of the remaining 25 million tons from non-US sources.// [Redacted]

[Large Redacted Block]

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Importing the Grain

//Imports of grain probably will cost the Soviets \$6-6.5 billion this year, nearly 20 percent of the USSR's hard currency import bill. Although Moscow's financial position has improved in recent months, the USSR will continue to rely on short-term credit to help finance grain purchases.// [Redacted]

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//The USSR is likely to purchase substantial amounts of grain from the US, perhaps even more than the 15.5 million tons bought in 1981. Moscow would have to pay more to buy all its grain from sources other than the US. As exporters became aware of the Soviets' intention to avoid purchases from the US, they would force the USSR to pay some premium for the grain it needs.// [Redacted]

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//Only the US can export large amounts of grain throughout the year, and the USSR would have less flexibility in scheduling imports. Canadian shipments taper off as winter closes the St. Lawrence Seaway, limited storage capacity in Argentina requires Buenos Aires to ship grain as it is harvested, and, in Australia, port strikes are a recurrent problem.// [Redacted]

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//Some 60 percent of Soviet imports are coarse grains for feed. Without coarse US grains, the USSR would have to substitute wheat for about 7 million tons of feedgrains, paying premium prices.// [redacted]

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[redacted]
Imports during August and September are likely to be less than three-fourths of the monthly average needed if the USSR is to secure 50 million tons for the year.// [redacted]

//Several factors may be contributing to this lull. Moscow may have a different view of the crop prospects for this year, and it may be delaying purchases in the hope of getting better terms. In addition, reallocating scarce hard currency for grain may be a temporary problem.// [redacted]

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The Political Dimension

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//Political considerations also may be affecting grain-buying strategy. Moscow may be postponing purchases from the US in reaction to US economic sanctions. Soviet leaders, moreover, may hope that the lull is creating uncertainty about US export prospects and that this will lead to demands in the US to normalize trade relations with the USSR.// [redacted]

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This fourth consecutive harvest shortfall almost certainly will intensify conflicts in the leadership, especially in the current succession environment. Tight meat supplies this year would increase the likelihood of more widespread rationing and could lead to some protests. Under these circumstances, the leadership will feel increased pressure either to satisfy consumer desires or to tighten controls over a population that has become more demanding, less believing, and less pliable during Brezhnev's tenure. [redacted]

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Outlook

Whatever the reasons for the lull in buying, the risks to the Soviets of waiting much longer are mounting. Delaying purchases is compressing delivery schedules,

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threatening port congestion, and increasing the chances internal transport facilities will be overcrowded in late summer and early fall when domestic crops have to be moved to storage. [redacted]

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The Soviets probably will import enough foodstuffs this year to maintain the nation's diet close to current levels. Opposition may develop in the leadership, however, to importing substantial amounts of grain in the future. Concern that the country could become hostage to Western economic pressures, combined with hard currency stringencies, could create significant support in the leadership for limiting dependence on foreign agricultural commodities, especially on US grain. [redacted]

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