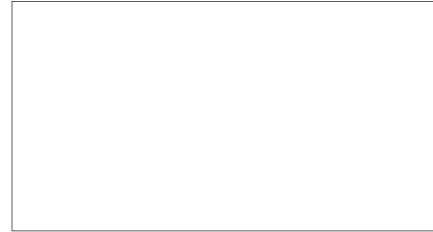




**Director of
Central
Intelligence**

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*Monday
19 September 1983*

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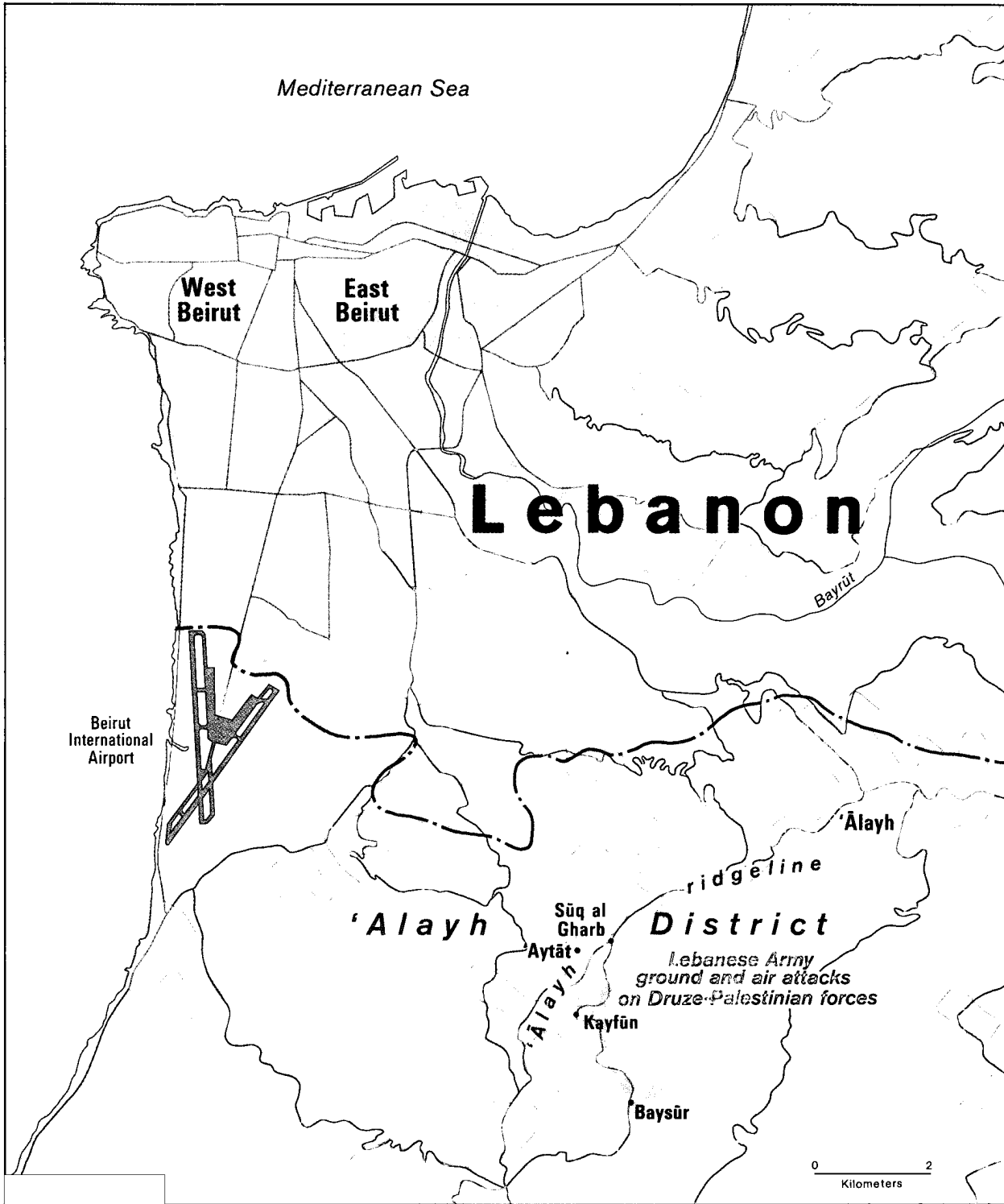


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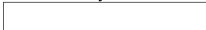
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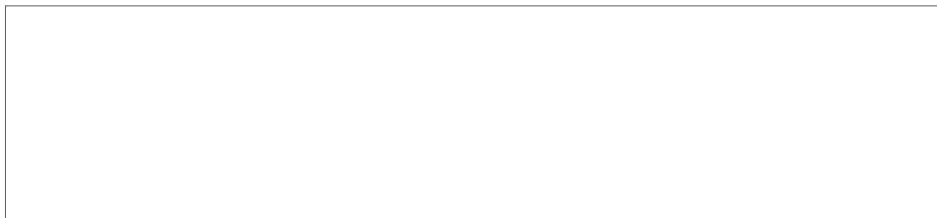
LEBANON: Government Drive Slows

The Lebanese Army offensive to drive Druze and Palestinian forces from the strategic Alayh ridgeline slowed yesterday, and the Saudi initiative to arrange a cease-fire continued. 

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Government ground attacks and airstrikes pushed Druze and Palestinian militiamen from the Aytat-Kayfun area toward Baysur on Saturday but did not inflict a major defeat. Fighting at Suq al Gharb and in the Alayh hills resumed today. 

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The US Embassy in Jidda reports that Saudi Prince Bandar has called on the Lebanese and Syrian Governments to ease the fighting while he carries a message from King Fahd to President Assad.



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Comment: Druze and Palestinian fighters are capable of mounting another offensive on Suq al Gharb and are likely to do so if the diplomatic stalemate continues. 

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The US naval gunfire into Syrian-held territory on Saturday probably boosted the morale of Gemayel and General Tannous. The show of support, however, probably also has hardened Gemayel's resolve against making concessions. 

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WESTERN EUROPE: Concern About Forces in Lebanon

West European contributors to the Lebanon peacekeeping force remain committed to participation but are expressing concern about possible adverse consequences of increased involvement in the fighting. [Redacted]

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French President Mitterrand and Italian Prime Minister Craxi agreed during their meeting late last week that their nations' contingents would remain in the Multinational Force but would operate strictly within the limits of existing agreements, according to Italian press accounts. Italian Defense Minister Spadolini has publicly stated, moreover, that Italy will not withdraw unilaterally from the force. [Redacted]

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[Redacted]

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Both France and Italy have called for the UN to take a greater role in efforts to solve the conflict in Lebanon. Over the weekend French Defense Minister Hernu publicly suggested that an expanded version of the UN Interim Force in Lebanon should become the driving force in securing peace. [Redacted]

25X1

Meanwhile, a senior British Foreign Office official has told the US Embassy in London that the size and mandate of the British contingent in the Multinational Force will not be expanded. He said the force should not support the Lebanese Army in ways that might be perceived as a direct challenge to the Arab world. The official also said that London would have to reconsider its presence in Beirut should the Lebanese Army collapse. [Redacted]

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Comment: The West European contributors share the concerns voiced by individual officials about adverse domestic reactions to military casualties in Beirut and dangers to their links with the Arab states. [Redacted]

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HUNGARY-US: Foreign Minister's Visit

Foreign Minister Varkonyi's visit to Washington, which begins today, is aimed at maintaining good relations with the US, despite the decline in East-West relations. [Redacted]

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Comment: Budapest has been able to expand relations with the US and the West generally by demonstrating loyalty to the USSR on most major issues while arguing that some deviation will not harm Moscow's interests. This latitude in foreign policy, which is second only to Romania's among the USSR's Warsaw Pact allies, probably has been improved by party chief Kadar's apparent close ties with General Secretary Andropov. Varkonyi may caution, however, that further deterioration in East-West relations will make it more difficult for Hungary to pursue its more independent policies. [Redacted]

25X1

Varkonyi is likely to present Hungary's case against INF deployment. The Hungarians are concerned that NATO's INF deployments and Soviet counterdeployments could aggravate East-West tensions. They fear that this would damage Hungary's relations with the West and bring it more tightly under the USSR's control. [Redacted]

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[Redacted]

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The Foreign Minister probably will try to avoid discussing the Soviet shutdown of the South Korean airliner. Although Hungarian media have belatedly supported the Soviet line on the incident, Hungarian officials have been restrained in responses to recent demarches on the subject. The US Embassy in Budapest reports widespread concern in the government that the incident will hurt relations with Washington. [Redacted]

25X1

Hungary has reaped several benefits from its ties with the US, including the return in 1978 of the Crown of Saint Stephen and the acquisition of most-favored-nation trade status. Varkonyi probably will inquire about the prospects for obtaining most-favored-nation status on a multiyear basis, but will not push hard on this issue. [Redacted]

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EAST GERMANY-WEST GERMANY: Border Concessions

Changes in East German policy on border and travel issues fall short of West German expectations, but Bonn probably will view them as concessions in response to the \$400 million loan it announced in July. [Redacted]

25X1

East German leader Honecker told the Mayor of West Berlin on Thursday that as of 27 September children under 15 would be exempt from the minimum daily currency exchange requirement for Western visitors. He also promised a "modest easing" of the order requiring guards at the Berlin Wall to shoot at suspected escapees and unspecified "modifications" to controls on travelers. The Mayor told a US official that the concessions were "far too little," given Bonn's recent "forthcoming attitude," and said he was irritated by press reports that he had implied Honecker would make major concessions.

[Redacted]

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There are indications that the East Germans already have modified the shooting order. Several escapees have recently crossed into West Germany unharmed by either East German guards or automatic firing devices. Two East Berliners who recently escaped over the Wall reportedly believe that guards deliberately shot wide of them. [Redacted]

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Comment: West German leaders have been hoping for more substantial concessions, particularly an across-the-board reduction of the currency exchange requirement and elimination of the shooting order. Favorable media reaction to Honecker's moves could, nonetheless, help Bonn justify the \$400 million loan. Bonn's initial reaction has been cautious, and Chancellor Kohl insisted on Saturday that it was still East Berlin's move. [Redacted]

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A positive consensus on Honecker's policy changes is likely to develop in West Germany, which could open the way for another large loan next year. Any such development would be threatened, however, by any East-West confrontation over INF. [Redacted]

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CANADA: Control of Energy Development

Ottawa apparently intends to require greater participation by Canadian business in the production of offshore oil and gas. [Redacted]

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The government reportedly has intervened to increase Canadian participation in a development contract for the Sable Island natural gas field off Nova Scotia. According to a senior officer of a US energy company, Ottawa insisted that his company transfer work from a US firm's Canadian employees to those of a Canadian-based company. This intervention had delayed awarding the contract, and Energy Minister Chretien has asked to be informed early of future contract proposals. [Redacted]

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Comment: Sable Island is the first offshore project to reach the stage where large procurement of goods and services is required. It will be the first critical test of Ottawa's policy to require greater use of Canadian-made equipment and Canadian labor. [Redacted]

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Most foreign companies already have programs promoting Canadian procurement. As more projects reach the development phase, it will become increasingly clear how forcefully Ottawa intends to intrude in the procurement process. [Redacted]

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The National Energy Program originally required Canadian suppliers to be used where they were "competitive," but the term was never precisely defined. After international protests, the language was softened to the current admonition that Canadian companies receive "full and fair opportunity" to provide goods and services. Ottawa's recent intervention, however, suggests that it intends to be guided by the original wording. [Redacted]

25X1

The economic nationalists in the government remain powerful and support the stringent application of domestic procurement requirements. In addition, Chretien and other cabinet members may move to use the nationalistic appeal of the National Energy Program to court voters in preparation for a general election expected late in 1984. [Redacted]

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USSR-EGYPT: Official Visit

The head of the Soviet Foreign Ministry's Near East Department, Oleg Grinevskiy, arrived in Cairo yesterday for four days of talks with Foreign Ministry officials, according to Egyptian media reports. [Redacted]

[Redacted]

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Comment: Grinevskiy is the highest level Soviet diplomat to pay an official visit to Egypt since former President Sadat expelled the Soviet Ambassador in September 1981. He is likely to recommend the earliest possible exchange of ambassadors. Moscow probably views Cairo's willingness to receive Grinevskiy as an important step in this direction. [Redacted]

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USSR-US-LEBANON: Heightened Concern

Moscow evidently has concluded that the increased involvement of US forces in the fighting in Lebanon requires a more assertive Soviet response. Over the weekend TASS noted both a US Marine officer's statement that warships of the Sixth Fleet had fired upon Syrian-controlled areas east of Beirut and a Syrian pledge to retaliate, and charged that US "interference" in Lebanon has entered a "new phase." *Pravda*, claiming that US forces are now openly suppressing "patriotic forces" in Lebanon and threatening Syrian troops, said the Soviet "people" are outraged by the US "interference."

[Redacted]

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Comment: The Soviets probably hope to signal both Damascus and Washington that they are not standing idly by, but their reaction remains cautious. *Pravda's* claim that the Soviet "people" are outraged does not commit the prestige of the government, much less the leadership, and falls far short of a warning. There has been no authoritative media commentary since 31 August.

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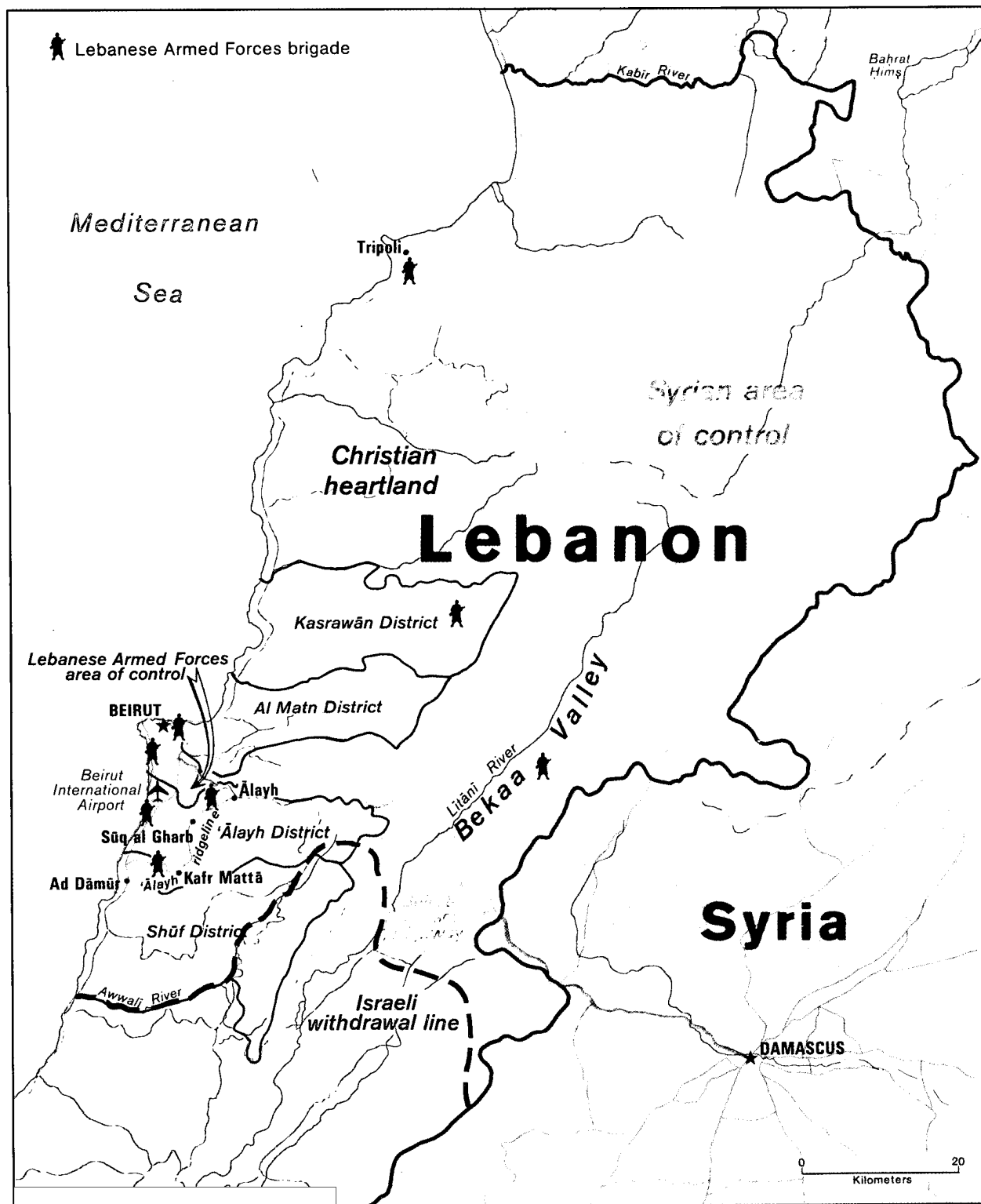
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Special Analysis

LEBANON: The Army Stretched Thin

The Lebanese Army is stretched to the limit as it controls Beirut and the northern part of the Alayh ridgeline dominating the capital. Casualties, fatigue, tensions among the religious groups in the Army, and desertions are eroding its strength. Prolonged fighting probably would split the military along confessional lines. [Redacted]

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Since repulsing a Druze-Palestinian assault at Suq al Gharb on 11 September, the Lebanese Army has consolidated its positions on the ridgeline extending from Alayh to Ad Damur and appears capable of withstanding Druze and Palestinian attacks. With increasingly effective support by its artillery and the entry of the recently rehabilitated Lebanese Air Force, the Army has broken up several attacks and mounted limited offensive operations. [Redacted]

25X1

No Reserves

The Army has committed almost its entire combat force to bring about its relative success in preserving government authority in a limited area. Of the Army's eight-brigade strength on paper, four brigades are nominally at 70-percent strength, one is at 40-percent strength, and the rest, for practical purposes, are nonexistent. [Redacted]

25X1

The five strongest brigades are in the Beirut area—either on security duty in the capital or holding the ridgeline. Of the virtually nonexistent brigades, two are under Syrian control in the Bekaa Valley and Tripoli, and one is facing the Syrians in the Kasrawan and Al Matn Districts. [Redacted]

25X1

Lacking reserves, the government would be hard pressed to face an uprising by Amal militiamen in West Beirut or Druze-Syrian attacks in the Kasrawan or Al Matn Districts. Casualties since the fighting began—reportedly 60 to 80 killed and 390 to 430 wounded—have further reduced the Army's strength, though many of the wounded have returned to duty. [Redacted]

25X1

Confessional Tensions

The Army, apparently worried by the possibility of disintegration, has tried to deploy troops on a confessional basis. Heavily Christian battalions police Christian East Beirut and hold the Alayh ridgeline against the Druze. Muslim-led and -manned battalions are deployed in West Beirut. [Redacted]

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Recent reporting suggests, however, that increasing numbers of Muslims are deserting, particularly from battalions in West and south Beirut.

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[Redacted]

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Many of the deserters probably are recent volunteers or draftees. Many volunteers no doubt intended from the first to obtain training and then desert to their own militias. Reservists who have been called up are even less reliable.

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As Muslims desert, the Lebanese Army necessarily becomes increasingly what its opponents fear—a Christian army protecting Christian interests. Even among the officers there are reports of mistrust, with Christian officers intentionally keeping their Druze colleagues ignorant of operational plans.

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The Army becomes more closely identified with the Christian militia as the fighting continues. Its defense of Suq al Gharb—a Christian stronghold—reportedly is viewed by Muslims as an example of close cooperation with the Lebanese Forces.

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Outlook

The Lebanese armed forces have performed well in combat, proving that they can hold their own against irregulars and militia. Confessional differences, however, are proving to be a damaging weakness. If the fighting continues, the Lebanese Army's strength and credibility will continue to erode.

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Without a strong and credible Army, the government would be unable to extend its control beyond Beirut and the Christian heartland, and it would become what Muslims fear most—a Christian ministate allied with Israel.

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Special Analysis

SOUTH AFRICA: Implications of the Referendum

Foreign policy questions will have low priority in Pretoria over the next six weeks as the South African leadership prepares for the all-white referendum on the new constitution now to be held on 2 November. The outcome of the vote will strongly influence the government's stance on Namibia, racial reform, and other issues important to the West. Recent polls indicate the voters probably will approve the proposals to create separate parliamentary chambers for Coloreds and Indians. The dominant Afrikaner community is divided, however, and a negative vote by a majority of Afrikaners could place Prime Minister Botha in political jeopardy. [Redacted]

25X1

Parliament approved the new constitution on 9 September, but the government's action in forcing cloture will only heighten debate on the issues in the coming months. White politics have been consumed by the debate over the new constitution since the ruling National Party split over the issue last year. The controversy has pitted Botha against opponents on both the right and left. [Redacted]

25X1

The conservative Afrikaner parties believe the reforms will eventually lead to black majority rule by eroding Afrikaner political dominance. The liberal Progressive Federal Party, the largest opposition party, holds that the reforms are meaningless because they do not address the black majority and they can only promote racial conflict. [Redacted]

25X1

To meet this challenge, the National Party is conducting the most intensive media campaign in the history of South Africa. It has received approximately \$3 million in contributions from the Afrikaner and English business communities, according to the US Embassy. [Redacted]

25X1

In a bid to gain the support of Afrikaner voters, the government recently announced a 12-percent pay hike for the country's 1 million civil servants, most of whom are Afrikaners. The formidable National Party machine is working through cultural, social, and religious organizations to reduce defections by Afrikaners to the rightwing parties opposing the referendum. [Redacted]

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Botha also is seeking to offset the loss of Afrikaner voters by appealing to English voters. Although the latter are ambivalent about the reforms, they recognize that the Prime Minister's defeat would strengthen the role of conservative Afrikaners. [Redacted]

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The Prime Minister has obtained the endorsement of English newspapers, as well as that of a former leader of the opposition. The tactics of the National Party have frustrated the Progressive Federal Party, whose leaders believe that the referendum will win strong support in the English community. [Redacted]

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Botha on the Spot

The election will have no effect on the composition of the parliament, where Nationalists hold more than three-fourths of the seats. If Botha loses, wins by only a narrow margin, or fails to carry a majority of Afrikaner voters, however, his tenure as Prime Minister could be in jeopardy. [Redacted]

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Botha's embarrassment could lead the National Party to consider replacing him with a less reform-minded leader who could heal the splits in the Afrikaner community. A weakened Nationalist government would be less willing to negotiate a settlement on Namibia. It would be particularly opposed to a settlement that would allow its conservative opponents to attack it for selling out Namibian whites or allowing the South-West Africa People's Organization to come to power. [Redacted]

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A victory by Botha over the Afrikaner right might give him additional confidence in dealing with the question of Namibia, but it would not encourage him to try major new reforms. Botha would be more likely to concentrate on implementing the new constitution while continuing a limited reform program aimed at improving the economic well-being of urban blacks. He would, however, avoid new political initiatives that further strain the National Party and Afrikaner cohesiveness. [Redacted]

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Prospects

The Prime Minister probably will be able to make up the loss of Afrikaner voters by strong support in the English community. The most recent survey indicates that 61 percent of white South Africans approve of the new constitution. [Redacted]

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Security issues, however, could affect the outcome. Another major terrorist incident, a major SWAPO offensive in Namibia, or serious civil disorders by blacks could be seen by many whites as a failure of the National Party to protect their interests. In the coming weeks the government may seek to maintain the confidence of white voters by acting forcefully against insurgents or neighboring governments that support them. [Redacted]

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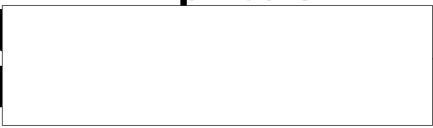
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