



The President's Daily Brief

June 16, 1976

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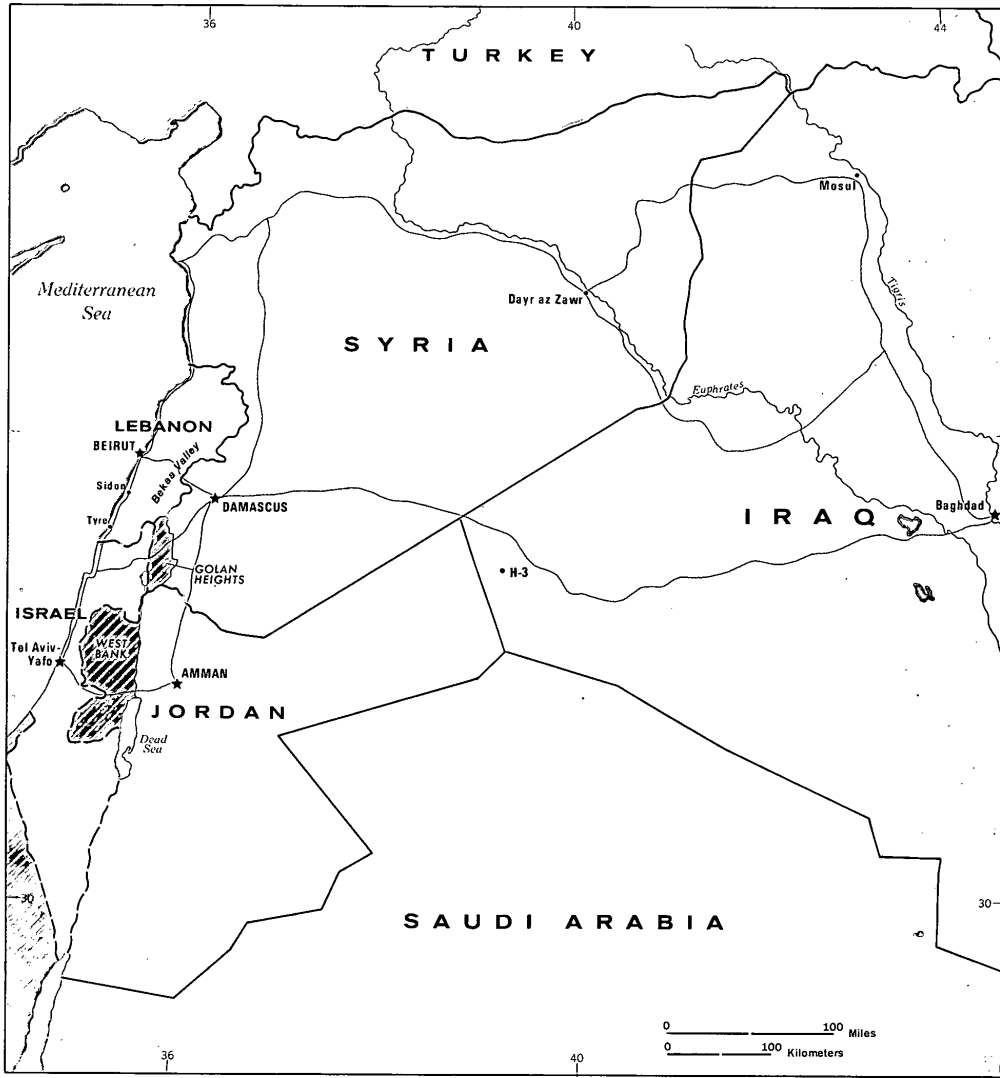
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FOR THE PRESIDENT ONLY



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SYRIA-LEBANON: *Syrian forces yesterday pushed deeper into Palestinian-controlled areas of southern Lebanon and continued to consolidate their positions in the Bekaa Valley in the east.*

The Syrians' drive into southern Lebanon is consistent with their apparent strategy of isolating the Palestinians in Sidon and Beirut and obstructing the resupply of the Palestinians through Tyre, now the only uncontested Lebanese port. The Syrians almost certainly will push on to the coast and probably block access routes to Tyre from the north.

In penetrating the south, where the Palestinians have been operating freely for years, Syria hopes to neutralize Palestinian and Lebanese Arab Army forces through control of the major towns and the securing of supply depots and arms caches. Damascus may also be anxious to prevent Palestinian units in the area from launching raids on Israel--a course which the Palestinians might adopt with the expectation of provoking an Israeli reaction against the Syrians.

Syria's operations further demonstrate to PLO leader Arafat that President Asad is determined to weaken the Palestinians and their allies and eliminate prospects of their receiving substantial aid from other Arab sources. Syria's action appears to reduce chances that Egypt or Iraq would see any utility in landing token forces in Tyre.

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We have received no official Israeli reaction as yet to the latest Syrian actions.

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FOR THE PRESIDENT ONLY

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On the diplomatic front, Libyan Prime Minister Jallud is again claiming to have secured Syria's agreement to a plan for a phased withdrawal from Lebanon.

Jallud has promised to establish a timetable for the withdrawal and to return to Beirut today.

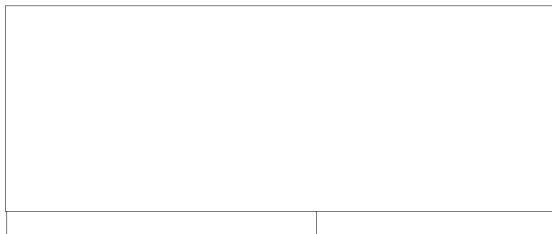
Despite the publicity given Jallud's announcement, the Syrians show no signs of easing their offensive in Lebanon and are probably still playing along with Jallud to gain time. Damascus reportedly has reassured the Lebanese Christians that it has no intention of withdrawing its forces until after president-elect Sarkis is installed in office.

Close coordination between the Christians and Syrians apparently prompted Lebanese President Franjiah and Interior Minister Shamun to agree in principle yesterday to the Arab League's plan to send a joint Arab peace-keeping force to Lebanon. The Syrians and Christians probably calculate that this endorsement will make for further delay while the League dickers to meet Christian conditions on the size and disposition of the force.

SYRIA-IRAQ-JORDAN:

Iraq reportedly is still moving forces toward the Syrian border. Jordanian forces remain on alert as Amman watches the situation in western Iraq.

Amman reportedly believes that Baghdad's moves are military posturing and has discontinued its reconnaissance flights along the Iraqi border. 25X1



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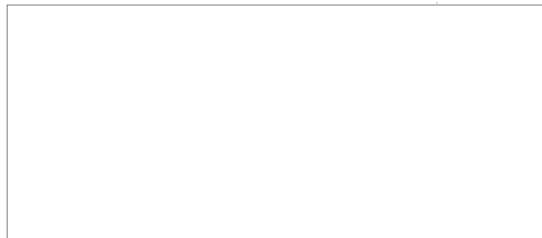


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USSR - MIDDLE EAST: *The USSR has reacted to continued Syrian military activity in Lebanon by appearing more responsive to the Palestine Liberation Organization. It also may be trying to put indirect pressure on the Syrians to disengage.*

Last Friday the USSR announced that a permanent representative of the PLO had arrived in Moscow. The establishment of a PLO office in Moscow had been pending for almost two years, and the Soviet decision to permit its opening at this time seems to be a calculated move toward the Palestinians. The Soviets also are now siding more openly with the PLO in their media coverage of the fighting in Lebanon.

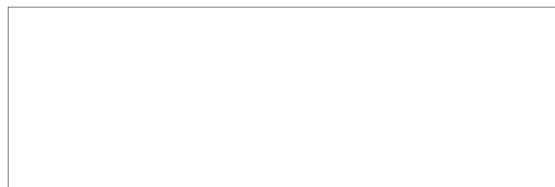
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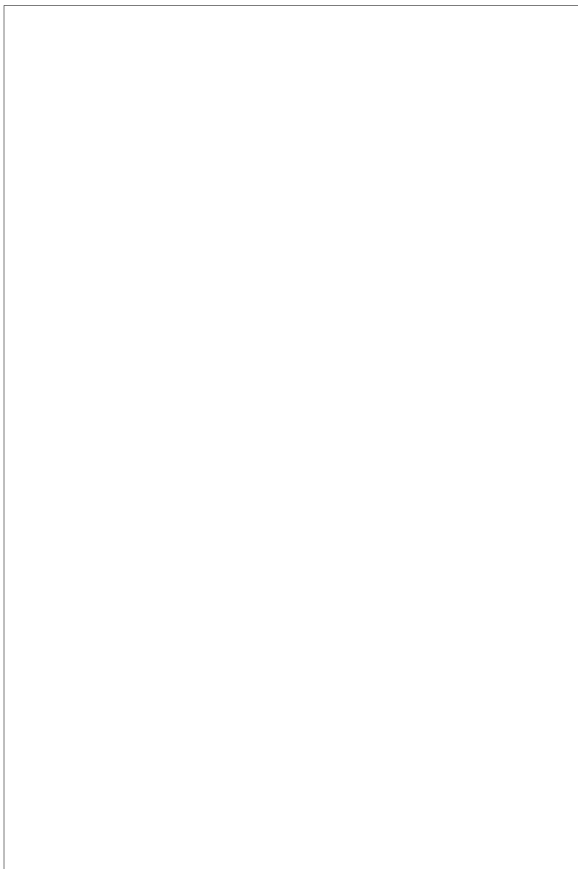
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ITALY: *Exchanges between Italy's major political parties are becoming increasingly bitter as the campaign for the election on June 20 and 21 enters its final days.*

The Christian Democrats are hammering harder than ever on their basic campaign theme that Communist accession to power would damage Italy's relationship with other Western governments and erode the country's democratic system. The Communists are attacking the entire Christian Democratic Party rather than concentrating, as they have earlier, on party right-wingers such as party president Fanfani.

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FOR THE PRESIDENT ONLY

Communist chief Berlinguer, in an interview with the country's leading newspaper yesterday, implied that he sees NATO as a way of protecting the Italian Communists from Soviet interference.

He said he felt "safer" in NATO than he would outside of it and suggested that his party would not be able to pursue an independent path if Italy were aligned with the Soviet bloc.

The Communists have previously explained their acceptance of Italian membership in NATO by saying that they favor the eventual dissolution of both NATO and the Warsaw Pact. They say that in the meantime, however, they do not want to upset the European balance of power by pulling Italy out of NATO.

Berlinguer's latest effort to emphasize the Italian party's differences with Moscow seems to signal his concern that the Christian Democrats may be making headway in arousing fear among Italians about the consequences of voting for the Communists.

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RHODESIA: Morale has fallen among the black members of Rhodesia's security forces as a result of increasing casualties,

[redacted]

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Racial tensions also are surfacing within the security forces as black casualties exceed white losses.

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The government's effort to control the insurgents depends heavily on the black troops, who make up almost two thirds of the police and about half of the army. Most blacks evidently joined the military to obtain a job, and some are uneasy about fighting against the insurgents.

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FOR THE PRESIDENT ONLY

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Black morale may well have been what Prime Minister Smith had in mind when he announced plans on Monday to promote some blacks in both the army and police force to officer rank. Previously only whites could be commissioned as officers.

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JAMAICA: The country's ailing economy received a boost last week at a meeting of Commonwealth Caribbean leaders when Prime Minister Eric Williams of Trinidad and Tobago promised generous financial support of Kingston.

Trinidad pledged budgetary and balance-of-payments aid amounting to \$77 million over the next five months. The aid will do much to alleviate Jamaica's problems and will give Prime Minister Michael Manley room for maneuver as he prepares for national elections, which apparently will be held late this summer.

Manley, however, was less successful in achieving his political goals. He was unable to persuade Williams to endorse charges that the US is engaging in a campaign of "destabilization" in the Caribbean. Manley and other government officials, however, continue to claim to home audiences that the CIA is interfering in Jamaica's internal affairs.

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FOR THE PRESIDENT ONLY

NOTES

Conversations between Cuban radio operators in Angola and Congo suggest that another Cuban convoy returning troops to Cuba may have left Angola in the past several days.

A previous convoy that included at least one troop transport arrived in the Cuban military port of Mariel from Angola on June 9. Shortly thereafter, busloads of soldiers, presumably from the convoy, were seen in Havana. A Western press correspondent put the number of troops at "about 600." We have no other information on how many troops were involved. The Cuban government has so far failed to comment on the convoy's arrival.

* * *

The Greek ambassador to NATO has expressed concern about the two-day Turkish air exercise that began yesterday over the Aegean.

Turkey has asserted its version of the limits of Greek airspace in previous exercises--the most recent from June 2 to 5. No incidents have occurred during these earlier exercises despite strident statements by both governments.

* * *

The Uruguayan armed forces high command is moving quickly to restructure the government in the wake of former president Bordaberry's ouster last weekend.

Interim President Demichelli will serve only a few months. A newly formed "Council of the Nation"--composed of senior military officers, cabinet ministers, and conservative civilians--will then elect a new chief executive.

Whoever is picked will be another figurehead. Armed forces leaders will still rule and will continue Uruguay's conservative policies. Relations with the US will remain good.

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CANADA--MODERATE RECOVERY

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[redacted] the Canadian economy is recovering from a year of stagnation. We believe the economy will grow 4.5 to 5 percent this year.

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Ottawa is now concentrating on controlling inflation. The current expansion, however, will do little to cut the present 7.1 percent unemployment rate before the end of 1976. Feeling the brunt of anti-inflation policies, organized labor has grown more outspoken in its opposition to Trudeau.

Industrial output jumped 2.5 percent in the first quarter of this year--the strongest gain since late 1972. Since consumer demand is slowing, the pace of industrial recovery in the coming months will depend largely upon the strength of Canada's export markets.

Ottawa hopes to achieve moderate growth this year through increased foreign demand, especially in the US. Total exports rose 13 percent in value and 8 percent in volume during the first quarter of 1976 over the first quarter of last year--the sharpest increase in two years. Increased overseas demand is now reinforcing the spillover effects from the US economic recovery.

Export growth and improved terms of trade will probably lead to a small trade surplus in 1976, compared with a trade deficit last year of \$800 million. Despite the surplus, Canada will still register at least a \$4-billion current account deficit compared with \$5 billion in 1975. The deficit probably will put downward pressure on the Canadian dollar later this year.

The wage and price controls program, implemented last October, is dampening consumer spending. The controls have had small impact on price rises thus far, but Ottawa should be able to limit increases to 8 percent by year end.

Any improvement in economic conditions will help to bolster the government's sagging political fortunes, although the Tories claim some credit since they originally suggested wage and price controls.

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