

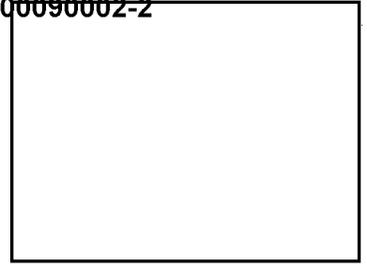


Director of
Central
Intelligence

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National Intelligence Daily (Cable)

10 May 1979

State Dept. review completed

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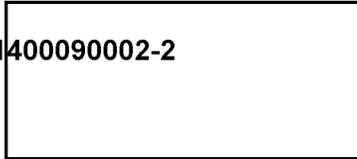
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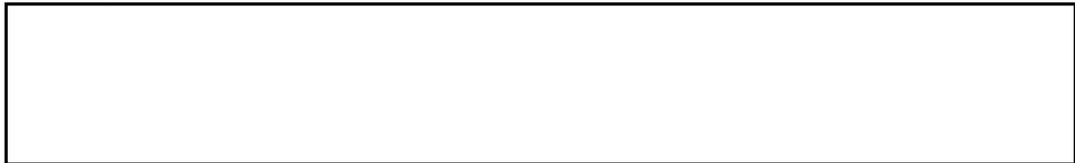
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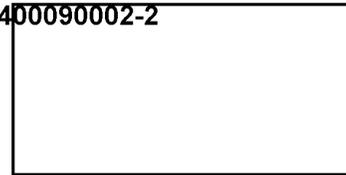
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SITUATION REPORT

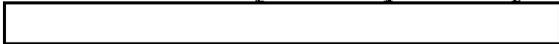
ISRAEL-LEBANON

The Israeli ground force units that crossed into southern Lebanon yesterday in pursuit of terrorists searched a sector occupied by the UN and then withdrew after a brief contact with a UN contingent. This was the first significant encounter between an Israeli military force on a mission and a UN unit, although there was no fighting. The ground force operation, combined with the Israeli air strikes earlier this week, may spark a new cycle of a retaliation in southern Lebanon.

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//The radical Popular Front for the Liberation of Palestine claimed responsibility for the terrorist attack yesterday morning that prompted the Israeli operation, and said the two survivors of the four-man attack had returned to their base. Until yesterday, the Palestinians had avoided responding to the Israeli actions of this week, perhaps in the hope that the cease-fire instituted a few weeks ago could be maintained. There is no sign that the Israeli attacks have significantly eroded the Palestinian capability for operations against Israel.//

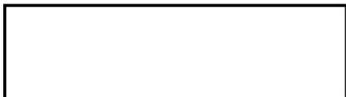


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//The recent Israeli raids, together with Prime Minister Begin's Knesset speech on Monday, will encourage the Christians in northern Lebanon and the commander of Christian militias in the south, Major Haddad, to be more intransigent toward the Palestinians, the Lebanese Government, and the Syrians. In his speech, Begin praised Haddad, declared Israel's readiness to strike hard at the Palestinians in Lebanon, and called for a Syrian withdrawal from Lebanon. Begin also made statements supporting Lebanon's territorial integrity and the UN force's presence in southern Lebanon, but Haddad, who last month declared the "independence" of the Christian-controlled southern enclaves, is likely to be less sympathetic to the statements. Haddad will probably conclude he has at least tacit Israeli support to enlarge the area under his control.//



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BRIEFS AND COMMENTS

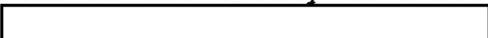
EGYPT: Dwindling Support

The suspension of Egypt from the Islamic Conference at the group's first plenary session in Morocco yesterday reflects the collapse of support for President Sadat even among Arab states favorably disposed toward the Egyptian-Israeli peace treaty. The motion to suspend Egypt, presented by Syria and Libya, was passed unanimously, although Oman and several African members abstained. 

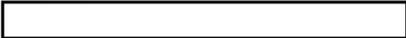
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The group of Arab League states nominally aligned with Egypt has shrunk in recent weeks to Oman, Somalia, and Sudan--the only League members that maintain diplomatic ties with Cairo. Oman and Somalia publicly support Sadat, but, like the non-Arab members of the Islamic Conference, are unwilling and unable to defend Egypt's case in international gatherings. 

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The lack of significant backing from Sudan is likely to be especially disappointing to Sadat. Sudanese President Numayri continues privately to approve of the peace treaty, but his government in recent weeks has taken a number of steps to avoid censure by the Arab majority. Sudanese public statements on the treaty have been equivocal from the outset. 

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Egypt realizes that it may face similar action during coming meetings of the Organization of African Unity and the Nonaligned Movement. Egypt's relations with Morocco are likely to be badly strained in the near term, because Egyptian leaders believe they were duped into not attending the meeting by Moroccan assurances that Rabat would oppose anti-Egyptian measures. 

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Syria's and Libya's roles in sponsoring the suspension resolution will heighten Egyptian irritation with them as well. Given the current state of Egyptian-Syrian relations, there is little Sadat can do to retaliate against Damascus. In the Libyan case, Sadat's determination to use both political and military action to undermine Libyan leader Qadhafi will be reinforced. 

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USSR - SAUDI ARABIA: Soviet Efforts to Establish Relations

//The Soviet Union continues to pursue its effort to establish a diplomatic presence in Saudi Arabia. Moscow has been trying to arrange meetings with Saudi officials to press the Soviet case for improving relations, and Soviet media have praised Saudi foreign policy in the wake of the Egyptian-Israeli peace treaty.//

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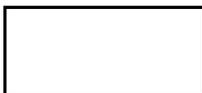
Soviet commentary, meanwhile, is designed to play on Saudi disenchantment with US policies in the Middle East. Previous Soviet approaches to Saudi Arabia have occurred when Saudi-US relations were strained, and the current Soviet overture is pitched to Riyadh's unhappiness over the US role in promoting the Egyptian-Israeli treaty. Moscow also appreciated the Saudi decision to break diplomatic relations with Cairo.

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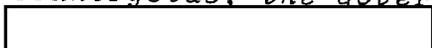
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AFGHANISTAN: Increasing Dissidence

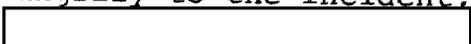
New violence occurred in Kabul this week. In the countryside, the government's control is steadily eroding.

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Yesterday, an Afghan helicopter gunship fired into an area near the Kabul airport, while others circled the area or moved beyond the airport. We do not know what provoked the operation or how long it lasted. Earlier this week, troops suppressed a serious riot outside the country's main political prison, badly beating a number of demonstrating women. The local public has reacted angrily to the incident, according to the US Embassy.

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In the provinces, there are some signs that the prolonged tribal insurgencies may be causing a shortage of troops in some regions. The Pakistani and Indian consuls in Jalalabad, the capital of Nangarhar Province, report that many Army units have been transferred to the northern part of the province, where the government's hold is precarious. Untrained civilians have assumed some security responsibilities, but both consuls report daily incidents of antigovernment violence in Nangarhar and predict renewed trouble in Jalalabad, where part of an Army garrison staged an abortive mutiny last month.

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Further violations of Pakistani airspace by the Afghan Air Force, including a strafing incident on Sunday, are increasing tension on the border. Most of central Afghanistan except for the principal towns is no longer in government hands and, in the northwest, insurgents remain in control of much of the area around Herat.

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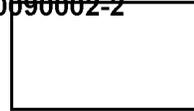
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SOUTHERN AFRICA: Food Shortages

A combination of drought conditions, flooding, and distribution problems in southern Africa will probably lead to severe localized food shortages by the end of the year. The problem is complicated in most of the region by poor agricultural methods and inadequate transportation, weak and corrupt governments, guerrilla warfare, and increasing numbers of refugees. The US Ambassadors to Zaire and Rwanda have declared those countries disaster areas to expedite US help, and the UN Food and Agriculture Organization is preparing for a major relief effort.

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Zaire and Zambia appear to be hardest hit. Severe malnutrition and localized starvation have been reported in Bas Zaire since October, and a survey of the area north of the Zaire River in December showed malnutrition to be as acute as that in the Sahel in the early 1970s. Thousands of refugees from the Angolan civil war are in Bas Zaire area. Starvation has also been reported in Zambia's "war zone" along the Rhodesian border, where thousands of refugees also have gathered.

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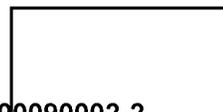


Despite drought-reduced crops, both South Africa and Rhodesia have grain to sell, and lesser amounts are available in Kenya. South Africa has offered enough on a cash basis to meet Zambia's entire shortfall, but some of the neediest people will not be able to buy grain at the high prices that the tight supply situation will dictate. Zambia alone is seeking 450,000 metric tons of white corn or the money to buy it from the US and the EC.

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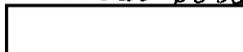


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NICARAGUA: Somoza Retains Military Edge

//President Somoza still holds a military edge over the Sandinista guerrillas, but his prospects for retaining power for the last two years of his term depend on a number of factors, including the country's serious economic downturn, widening political polarization, and the guerrillas' resilience.//

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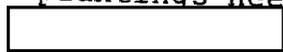
//The National Guard is now attempting to trap a large Sandinista force in the area around Nueva Guinea. The guerrillas should be able to capitalize on the jungle terrain, heavy rains, and--if necessary--nearby sanctuaries in Costa Rica. Although the guerrillas have proven generally inept in large-scale operations, their persistence, apparent success in acquiring recruits and arms, and growing proficiency in hit-and-run actions make it unlikely that the Guard will soon be able to eliminate them.//

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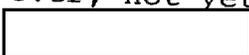
//Somoza's prospects depend not only on the guerrillas' capabilities, but also on a number of economic and political variables. The International Monetary Fund will probably decide later this month, for example, whether to buttress the sagging economy with \$66 million in standby and other funds that could free up to \$200 million in commercial bank refinancing. There also is some question whether cotton growers will proceed next month with the large-scale plantings needed to generate vital export earnings.//

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//The annual cycle of Guard retirements and reassignments at the end of May could affect its resolve or loyalty, though Somoza has handled this problem skillfully in the past. In the last two weeks, he has taken the political offensive by arresting over 20 opposition leaders on a variety of charges. Some opposition moderates in fact reportedly are beginning to support the Sandinistas in the belief that they will eventually prevail. The widespread popular sympathy for the guerrillas has, however, not yet translated into significant civil dissent.//

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NORTH YEMEN: New Appointments

In a move to strengthen his shaky political base, North Yemeni President Ali Abdallah Salih on Tuesday announced the formation of a 15-member Consultative Council and the addition of 60 representatives to the Constituent Assembly. Since both bodies can only make non-binding recommendations, Salih may be attempting to coopt various political groups and individuals without giving up any real power. He instructed the Council to "study" domestic and foreign issues. Its members, most of whom have previous government experience, include tribal leaders, Baathists and other radicals, moderates, and right-ists. [REDACTED]

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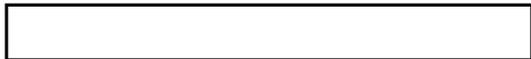


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SPECIAL ANALYSIS

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INTERNATIONAL: UNCTAD Conference



The centerpiece of the North-South dialogue this year is the fifth session of the UN Conference on Trade and Development, which opened Monday and runs for four weeks in Manila. While few if any major substantive issues are likely to be settled, the principal result of UNCTAD V will be to set the atmosphere and agenda for the North-South dialogue during the early 1980s. The Conference will probably establish some sense of priorities among the multitude of economic issues under negotiation between developed and developing countries and assess progress toward meeting the demands that the developing countries made at UNCTAD's fourth session in 1976. In a broader sense, however, most developing countries view UNCTAD as a political forum in which to pursue their goals of increasing direct transfers of wealth from industrialized countries and of gaining more control over international economic processes. 

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The Manila conference is unlikely to experience the kind of confrontational rhetoric that characterized North-South relations in the mid-1970s. The recent conclusion of a framework agreement on the common fund for commodities should improve the atmosphere. Better preparation by the delegations and growing experience with North-South exchanges are likely to lead to fairly technical discussions. 

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There is, nevertheless, a pervasive feeling among developing countries that negotiations since 1976 have progressed slowly, and that the developed countries--pre-occupied with inflation, unemployment, and energy problems--are losing interest in the Third World. These perceptions will probably drive the developing country participants to use the conference in an attempt to re-invigorate the North-South dialogue. 

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The developing countries view UNCTAD as the primary forum for dealing with developed countries on wide-ranging

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economic problems, especially as they relate to development. Their initiative led to UNCTAD's creation in 1964, and they would like it to become even more effective and to take on broader responsibilities. Following closely on the dramatic North-South standoffs of 1974 and 1975, the fourth session narrowed the gap between the groups on several issues. Since then, negotiations have continued more amicably on a variety of topics, most notably the integrated program for commodities, the common fund, technology transfer, and debt relief measures. [redacted]

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To prepare for this UNCTAD session, the developing countries first met in regional groups in Caracas, Colombo, and Addis Ababa to produce separate position papers. Then in February, the entire Group of 77--the developing countries' caucus--held a ministerial meeting in Arusha, Tanzania, to synthesize these papers into a unified position for Manila. On the whole, the document that emerged was moderate in tone. This consensus, however, partly disguises differences within the group on the importance of each issue, and especially the clash of attitudes between richer and poorer developing countries. [redacted]

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Since late last year, various working groups of the Organization for Economic Cooperation and Development have met to prepare a collective position for the developed countries, although differences remain among these nations. The Nordic nations, as usual, are most forthcoming on all aspects of resource transfers. Japan will be under particular pressure to offer concessions or to pledge new assistance because of its important regional role. The Europeans as a group are anxious to appear cooperative in line with their general desire to avoid confrontation in North-South dealings. [redacted]

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Unlike the UNCTAD session in 1976, when commodity issues and debt were the most important topics, no central theme has emerged this time in developing country demands. Despite a broad agenda, several general issues will predominate. [redacted]

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//Early in the session, there will be a general discussion of the world economic situation and the broad concept of economic interdependence. This may prove

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to be the most politically charged discussion. Developing countries will take up a variety of grievances under the theme of interdependence of trade, development, and monetary issues and the need for basic structural reform of the international economic system. The Group of 77 views structural reform as the best means to achieve a new international economic order. The group can maintain at least a superficial appearance of unity on this issue and can create a political climate in which to discuss other economic issues. Sweeping calls for a major restructuring of the global economic system are among the most intractable of issues to the developed nations, and deciding how to respond could be a potential source of friction among them.//

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Trade will probably emerge as one of the most important topics on the agenda. Growing protectionism in developed countries is a major concern of the developing countries, especially the Latin Americans and East Asians. The Group of 77 is seeking commitments from developed countries to avoid restrictive trade actions and to pursue more actively redistribution of industrial productive capacity to developing countries. Furthermore, they want UNCTAD to oversee such commitments. Developed countries, under domestic political pressure to protect their industries, are bound to resist such demands.

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Dissatisfaction among developing countries with the results of the Multilateral Trade Negotiations will lead them to demand changes in some of the codes in the recently renegotiated trade charter. At a minimum, they want to increase the role of UNCTAD in this area, but developing countries have also discussed the possibility of proposing a global conference in the 1980s to renegotiate the international rules of trade. Developed countries will insist that the appropriate forum to discuss global trade issues is the General Agreement on Tariffs and Trade.

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The Group of 77 appears less unified on measures to reform monetary and financial systems. Basically the members want improved mechanisms that are more responsive to their development needs and participation in the decisionmaking processes of these institutions, such as

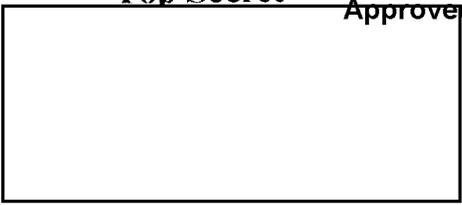
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