



The President's Daily Brief

March 26, 1976

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~~*Top Secret*~~

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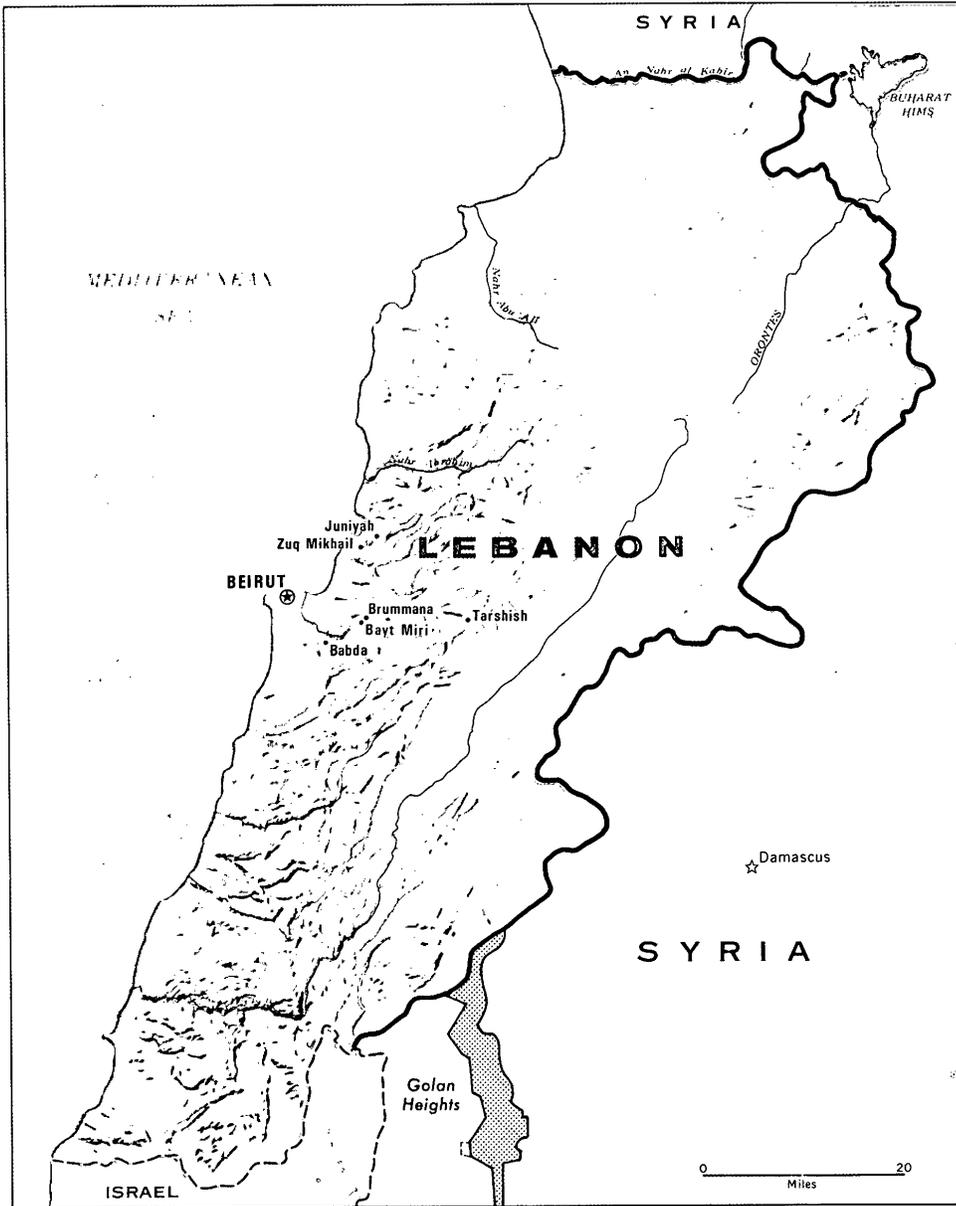
Lebanon: Syria yesterday withdrew its mediators from Lebanon, leaving Muslim and leftist forces free to pursue their offensive against the Christians. (Page 1)

OPEC: The OPEC oil ministers will meet in Jakarta in late May to decide whether to increase oil prices. (Page 3)

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FOR THE PRESIDENT ONLY



LEBANON

Damascus yesterday withdrew its mediators from Lebanon, leaving the way open for Muslim and leftist forces to pursue unhindered their offensive against the Christians. Syrian-controlled Palestinian units and Syrian regular forces have been ordered to remain in place, but not to interfere with Muslim and leftist military operations.

President Asad apparently concluded that only large-scale Syrian intervention could stop the fighting. This would have risked Israeli counter-action and would quite likely have been politically unacceptable to the Syrian military and the Baath Party. Both strongly sympathize with the Lebanese leftists.

Withdrawal of the Syrian mediation team has set off a wave of panic among the Christians, and Christian fighters in Beirut are now clearly on the defensive. Leftist and rebel Muslim army troops have advanced into the mountains east of the capital and reportedly are moving steadily on the Christian strongholds of Brummana and Bayt Miri.

President Franjyah, who was forced to flee the presidential palace at Babda yesterday, has set up temporary headquarters at Zuq Mikhail. He met there yesterday with Christian leaders.

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If the Christians do declare for partition, the greatest immediate danger would come from any response to a call they might make for outside help to protect their truncated state. Concern would be high throughout the Arab world that Israel might respond to a Christian call for help.

Leftist military successes have resulted in part from the increasingly active support leftists are receiving from the independent fedayeen groups, particularly Yasir Arafat's Fatah. Arafat recently formed a loose alliance with Lebanese leftist leaders to refurbish his revolutionary credentials and to protect Palestinian interests against the rapidly growing Syrian influence in Lebanon.

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FOR THE PRESIDENT ONLY

Israeli officials have not reacted publicly to the latest developments in Lebanon, but Chief of Staff Gur told an interviewer only a few days ago that his forces are following developments across the border very closely, "so as not to act too soon or too late." Yesterday, Israeli aircraft flew reconnaissance missions over Lebanon for the second day in a row.

Israelis supporting intervention argue that Israel should move quickly to fill the power vacuum in southern Lebanon before radical Arab forces do, and that pre-emptive action now would be easier than dislodging such forces later. They also maintain that failure to act would be read as a sign of Israeli weakness and that Israel must help Lebanon's Christians survive.

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OPEC

The OPEC oil ministers will meet in Jakarta in late May to decide whether to increase oil prices. Chances are good for a continuation of the current price freeze until the end of the year or, at worst, an increase smaller than last October's rise of 10 percent. Saudi Arabia, which wants no price increase, again holds the key.

Events in the oil market in recent weeks have strengthened the Saudis in dealing with both the companies and other members of OPEC. The competitive position of Saudi oil has improved, and Saudi oil is now underpriced with respect to both lighter and heavier crudes. Their strengthened position and the preoccupation of the price hawks with other issues may mean that the Saudis can have their way without having to expend much political capital.

Riyadh seems to be taking a harder line than in the past in favor of extending the freeze on oil prices. Since the last OPEC meeting in September, Oil Minister Yamani has repeatedly stated that the Saudis will insist on continuing the price freeze until the end of the year.

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It also appears that Saudi Arabia has managed again to win Algeria's support.

The Shah of Iran is trying to increase Iranian oil output and guarantee that it will stay high. He no doubt will push hard at Jakarta for the highest possible price rise.

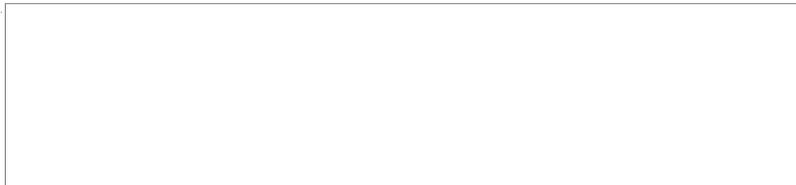
At previous meetings of oil ministers over the past two years, the Iranian delegation has cited the rise in import costs as one of the main justifications for pushing up oil prices. The fact that the price of OPEC imports from the industrialized countries has fallen should strengthen the position of those opposed to a major price increase.

EGYPT-USSR

A senior Egyptian official alleges that Soviet General Secretary Brezhnev sent President Sadat a letter promising to discuss new arms agreements and to reopen debt negotiations. Sadat received this letter a few days before he made his speech recommending abrogation of the Soviet-Egyptian friendship treaty. Sadat had told Ambassador Eilts that the letter refused any further Soviet military or economic assistance.

Sadat proceeded with the treaty abrogation despite the communication from Brezhnev, according to the official, because he regarded the promised aid as merely a manipulative effort to keep him from announcing any anti-Soviet moves in his scheduled speech on March 14.

Sadat probably remembered past instances in which Moscow failed to follow through on concessions promised just before he was to make a major speech. This occurred last July when the Egyptian minister of finance was hastily summoned to Moscow on a promise of progress toward debt renegotiation a few days before Sadat was to speak publicly. The minister was kept cooling his heels until after the address and was then sent home empty-handed.



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If the Soviet letter was as conciliatory as reported, Sadat could be embarrassed if word of the letter should leak or if the Soviets should choose to publish it. Publicity would not help Sadat's efforts to convince the Egyptian military that all attempts to secure more arms from Moscow have been fruitless.

NOTES

Prospects for an Icelandic-UK fishing agreement--which seemed to have improved a few days ago--have declined once more.

Iceland has refused a British request for clarification of certain issues in the Reykjavik proposal conveyed to the UK last weekend. Foreign Minister Agustsson has now made clear that Iceland's proposal was put forward on a take-it-or-leave-it basis and should not be viewed as an opening for further negotiations. Reykjavik has also demanded that London drop its opposition to the draft free trade agreement between the EC and Iceland that would assure the latter continued access to West European markets.

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Panama's chief negotiator in the canal treaty talks, Juan Tack, has reportedly resigned.

General Torrijos may have to handle the negotiations even more gingerly than heretofore. Tack is said to be unhappy with the course of the talks. If he decides to criticize publicly any of the government's compromise positions, he could force Torrijos into a more defensive, hard-line negotiating posture.

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West Germany plans to provide Egypt limited economic aid and trade credit guarantees when Sadat visits Bonn next week.

Bonn will provide about \$40 million in capital aid and trade credits of some \$52 million. [Redacted]

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