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GAMMA



President Asad of Syria

Middle East

USSR-SYRIA

Syria and the USSR apparently resolved some of their differences during Syrian President Asad's five-day visit to the Soviet Union last week. Relations between the two countries became strained last year because of disagreement over Syria's intervention in Lebanon.

On the eve of Asad's visit, the Soviets apparently delivered several MIG-21 jet fighters to Syria under existing arms agreements. This was the first delivery of a major armament in 1977 and the first delivery of aircraft in 10 months. After the 1973 Middle East war, Syria became the USSR's primary arms customer among Arab countries. Deliveries in 1976 totaled \$290 million and consisted mostly of sophisticated weapons ordered under an October 1975 accord.

The visit communique issued on April 22 stated that the two sides had considered "steps for further raising the level" of Syrian defenses and called for "further deepening" bilateral economic and technical cooperation. These phrases

suggest that the Soviets agreed to supply Syria with additional arms and economic assistance. Soviet participants in the talks, in addition to the top leaders, included Marshal Ogarkov, chief of the General Staff, and foreign aid specialist Skachkov.

The communique also included a statement that the Palestine Liberation Organization must be at any reconvened Middle East peace conference in Geneva "from the very beginning and on an equal footing." This language contrasts with what had appeared to be a recent Soviet shift away from insistence on Palestinian representation at the outset; it reflects the Syrian position.

Asad, in going to Moscow at this time, clearly wanted to ensure that Syria's relations with the USSR were patched up before his talks with President Carter in Geneva in May. Soviet leaders, for their part, were anxious to reverse the recent trend toward cooler bilateral relations in order to assure Syrian support for greater Soviet involvement in the peace talks. Both sides seem satisfied with the outcome.

Syrian media gave the trip heavy coverage, stressing the "strategic" nature of Syrian-Soviet relations and, by extension, Soviet recognition of the "key" role Syria plays in Middle East peace negotiations. The Syrians replayed portions of General Secretary Brezhnev's banquet remarks, including his statement that Israel, as well as the Palestinian people, has a right to an "independent state and secure existence."

USSR-ISRAEL

The Soviets have taken two unusual steps to stimulate Israeli hopes that the USSR will take a more balanced approach to sensitive Arab-Israeli issues. The moves appear to be aimed at improving the Soviets' chances of being accepted as intermediaries in the Middle East.

Late last week, Soviet military officers with the UN peacekeeping force in Egypt

entered Israel to visit UN offices in Jerusalem for the first time since the 1967 Middle East war. The Soviet officers refused to meet with their Israeli counterparts, but the visit could lead to such contacts.

The Soviets have long been interested in low-level, unofficial contacts with Israel that would not impact on their relations with the Arabs. The Israelis, however, have been leery of any steps short of restoring full diplomatic relations.

These initiatives follow General Secretary Brezhnev's apparent bow to Israeli sensitivities in remarks on the Middle East to the Soviet trade union congress last month. Brezhnev did not mention the Palestine Liberation Organization and did not attack Israel. Some Israeli officials were pleased that Brezhnev had spoken only of "preliminary" Soviet ideas that Moscow was "not imposing on anyone." His remarks were calculated to suggest that the Soviets could play a constructive role in future Middle East settlement talks.

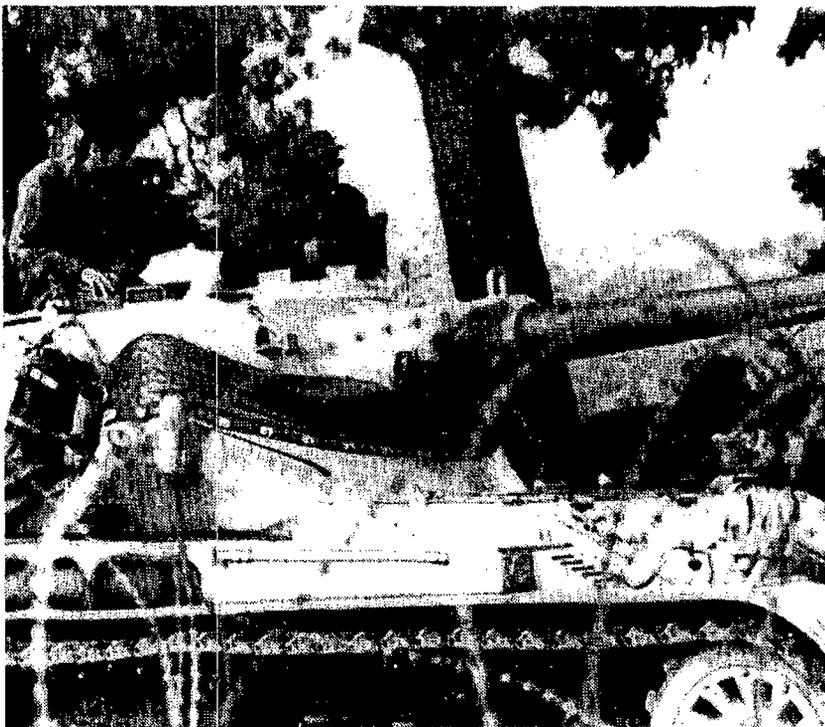
The Soviets do not appear to be ready to agree to an early restoration of diplomatic relations with Israel. Victor Louis, the unofficial Soviet spokesman, has privately observed that an Israeli presence in Moscow would become a focal point for dissidence and demonstrations and would assume a special role with regard to Soviet and world Jewry. Louis added that the present level of contacts offers advantages to both sides.

Thus far, the Israelis have shown no sign of being persuaded that the Soviets have changed their pro-Arab policy. The Israelis will probably not discourage such Soviet approaches, however. They presumably believe that any contacts on their part with Moscow could complicate Soviet-Arab relations by spreading distrust among the Arabs concerning the degree and duration of Soviet support.

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Christian rightist soldiers sit on their French-built AMX-13 tank

LEBANON 31-33

Cooperation between Syria and the mainstream Fatah Palestinian group—evident recently in southern Lebanon, where the two parties combined to check an Israeli-backed military drive by Christian rightists—was demonstrated in Beirut this week. Syrian and Fatah forces worked in close partnership to secure an area of the city where heavy fighting had occurred over the weekend between Syrian troops and Palestinian extremists.

The fighting had been sparked by the killing of two Syrian soldiers, which prompted Syrian peacekeeping forces to move to clear Palestinian extremists and Lebanese leftists from the area around two refugee camps on the outskirts of Beirut. Firing was heavy at times—the Syrians using tanks and artillery fire against Palestinian antitank rocket launchers and heavy machine guns—and

casualties were heavy, particularly among civilians caught in the crossfire. After a cease-fire took effect on April 25, Fatah forces assisted in patrolling the streets of the area while the Syrians concentrated on a house-to-house search for weapons.

The Syrian-Fatah cooperation may include an agreement to move against radical Palestinian groups in Lebanon in order to tighten control over rejectionist fedayeen commandos operating in both Beirut and southern Lebanon.

ARAB STATES 42-44

Finance ministers and central bankers from 20 Arab countries and the Palestine Liberation Organization formally established the Arab Monetary Fund last week. The new fund is the first regional

version of the International Monetary Fund and is intended to complement the facilities of the IMF.

The agreement on the creation of the Arab fund, which will operate from Abu Dhabi, was reached a year ago, but only recently have a sufficient number of states ratified it. It will help member states overcome balance-of-payments deficits, stabilize Arab exchange rates, facilitate development of Arab financial markets, and work toward the eventual unification of Arab currencies. The fund is initially capitalized at \$900 million, mostly in convertible currencies and, like the IMF, will offer short- and medium-term facilities at nominal interest or service charges.

The heaviest claimants on the fund's resources are likely to be its 13 non-OPEC members, all of which have balance-of-payments problems. By adding the facilities of the Arab fund to those of the IMF, short- and medium-term funds available for these 13 countries will nearly double in the aggregate. This excludes IMF compensatory financing for export shortfalls of basic raw materials.

Credit offered to Arab countries by the Arab Monetary Fund is likely to be made available with much less stringent domestic policy conditions than those demanded by the IMF. Many Arab and other debtor countries have found IMF terms objectionable.

The seven OPEC countries that are members of the Arab fund will, as a bloc, have voting control. Conservative states such as Saudi Arabia and radical states such as Libya, however, probably will be unable to reach agreement on conditions for borrowing.

The poorer Arab states have already received large amounts of long-term support or project assistance from the oil-rich Arab states. In 1976, Arab OPEC members transferred more than \$2.5 billion in bilateral economic aid to non-OPEC Arab countries. Small additional amounts were administered by the Arab Fund for Economic and Social Development, an Arab League multilateral aid agency.

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