



**Director of
Central
Intelligence**

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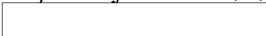
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IRAN-IRAQ: Fighting Continues

(Information as of 2300 EDT)

//Iran's forces continue to attack Iraqi defenses along the central portion of the Al Basrah front.// 

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Iran claims its forces overran the first line of Iraqi defenses and crossed a wide minefield to penetrate an additional 12 kilometers inside Iraq. The objective of the attack is to reach one of the two main highways between Al Basrah and Baghdad, according to an Iranian communique. 

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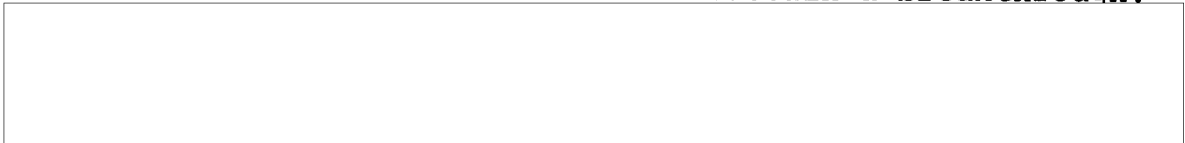
Iraq claims to have contained the Iranian attack.



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Comment: *//Iran is again attacking the central portion of the Al Basrah front, where Iraqi physical defenses are strongest. The planned second prong of the attack along the Shatt al Arab probably will not be carried out unless Iran is able to sustain a breakthrough.*

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Token Aid to Iraq

After government prodding, several Kuwaiti commercial banks agreed last month to lend Iraq \$38 million,



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Comment: The Kuwaitis probably consider the small loan a holding action to placate Iraq. The government has transferred \$6 billion in aid to Iraq since the war began but turned down an Iraqi request in April for an additional \$3 billion. Kuwait's leaders may want to avoid major new direct assistance until they are more confident of which way the war is going. 

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ISRAEL-LEBANON: Negotiations Under Way

(Information as of 2300 EDT)

The cease-fire is holding. Palestinian guerrillas reportedly have attacked Israeli forces in the Bekaa Valley. The PLO reportedly has submitted a plan providing for its withdrawal from Beirut. The Arab League committee on Lebanon yesterday issued a conditional call for a PLO withdrawal. The Soviets have criticized President Reagan's remarks on Lebanon.



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There were only minor incidents of firing between Palestinians and Israelis yesterday.



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[Redacted] described the pre-cease-fire shelling by Israeli forces on Wednesday as a "blitz" against most of West Beirut. The 90-minute barrage appeared to be indiscriminate and evidently was intended to weaken PLO morale and destroy PLO equipment.



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The Israeli military reported yesterday that an Israeli patrol routed guerrillas after they infiltrated Israeli lines in the central Bekaa Valley. The report said the incident was a "grave" violation of the cease-fire.



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Comment: There have been few if any PLO raids in the Bekaa Valley since Israel's attacks on Syrian positions in the valley last week. The Israeli announcement probably is intended as a warning that the Israelis are prepared to retaliate for any raid resulting in the death of Israeli soldiers.



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PLO Withdrawal Plan

According to press reports, Arafat met yesterday with Prime Minister Wazzan and former Prime Minister Saib Salam, the two principle intermediaries with the PLO. He reportedly outlined a plan providing for a withdrawal of PLO forces to Egypt, Syria, Iraq, and Jordan.



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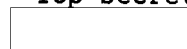
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Comment: The reports provided no details of the plan, but it apparently restates many previous PLO positions that the Israelis and Lebanese have said are unacceptable. Arafat's apparent willingness to talk about possible destinations, however, suggests he is establishing a tough bargaining position in anticipation that the negotiations will continue. 

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Arab League Meeting


The six-member Arab League ministerial committee on Lebanon yesterday said it was committed to the objective of getting the PLO to announce a decision to withdraw from Beirut. The committee, after two days of talks in Jidda, said the details of a departure should be worked out between the PLO and the Lebanese Government. The committee, which includes a PLO representative, also called for a lifting of the seige of Beirut and for implementation of UN resolutions calling for Israeli withdrawal. 

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Comment: The committee's statement commits its Arab members--Saudi Arabia, Kuwait, Syria, Lebanon, and Algeria--more firmly than previously to the concept of a PLO withdrawal from Beirut. The Arabs are also being careful, however, to maintain solidarity with the PLO. 

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Soviet Commentary

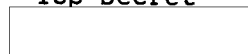
The Soviets lost little time criticizing President Reagan's remarks on Lebanon on Wednesday. TASS yesterday charged the comments reflect an interest in establishing a "pro-US regime" in Beirut. TASS also attacked Ambassador Habib's mediation effort and denounced alleged US attempts to prevent the UN from playing a role in settling the crisis. 

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Comment: This sharper criticism of US mediation efforts presumably reflects Moscow's continued frustration at its exclusion from attempts to resolve the crisis. Ambassador Habib's discussions with Syrian President

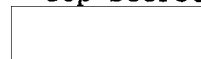
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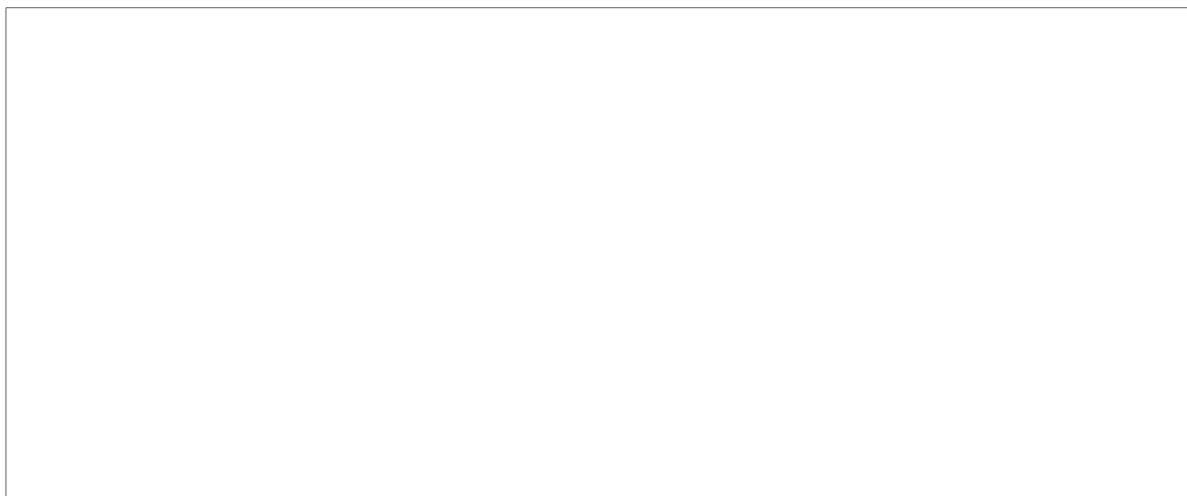


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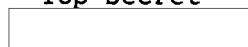
Assad and other Arab leaders may have especially rankled the Soviets. They may want to signal Syria and the PLO that the USSR opposes a US-sponsored settlement that would include a US military presence in Beirut. 

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SPAIN: Suarez To Form New Party

Former Prime Minister Suarez's resignation from the governing Center Democratic Union and his intention to form a new party make it doubtful that the Center Democrats will remain the chief alternative to the Socialists. [redacted]

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Suarez's defection damages party President Lavilla's attempts to hold the party together by making changes in its secretariat and streamlining Prime Minister Calvo Sotelo's cabinet. So far, Lavilla is having little success. [redacted]

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Some Suarez loyalists have indicated they are prepared to follow the former Prime Minister, and other party dissidents have already helped to form two new center-right parties, one liberal and the other Christian Democratic. [redacted]

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Comment: The Center Democratic Union has lost nearly one-fifth of its parliamentary delegation since 1979, and its losses could increase if Suarez's venture prospers. Suarez probably will receive more support when the new party is formally organized. [redacted]

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Although both liberal and Christian Democratic dissidents have promised to support the Center Democrats in the legislature, the government has been clearly weakened by this series of defections. Elections this fall appear more likely than ever. [redacted]

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//The weak position of the liberals and Suarez's associates in the new party secretariat may prompt more defections. Many of Lavilla's natural allies in the party have already bolted. A small Center Democratic Union caught between an alliance of center-right parties and a center-left grouping led by Suarez would have little to offer voters.// [redacted]

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PANAMA: Regional Security Plan

President Royo is promoting an inter-American security system, parallel with the OAS, that presumably would exclude the US, but it has not gained wide hemispheric backing. 

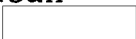
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The proposal by Royo--a strong critic of the US position in the Falklands conflict--was first outlined in his speech to the UN General Assembly's special session on disarmament last month. He repeated it this week during his visit to Venezuela, when he also disclosed plans for a meeting of foreign ministers next December in Panama to include Cuba but not the US. 


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Royo's initial proposal for a new security system was endorsed by Venezuela and Nicaragua. Other countries have put forward a number of alternatives, including Peru's suggestion that any new hemispheric organization should include both the US and Cuba. Opposition to a new system has come principally from Chile, Brazil, Colombia, Uruguay, Costa Rica, and El Salvador. 

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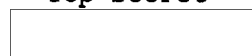
Comment: Despite some public support for Royo's initiative immediately after the fighting in the Falklands, the lack of wider acceptance within the Latin American community may force Royo to reconsider his scheme. 

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Most Latin American governments are likely to be interested in seeking a redefinition of inter-American relations that would help them strengthen their bilateral and multilateral bargaining positions with the US. They probably would not oppose a conference that emphasizes general consultations on Latin American political and security-related matters. 

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[Redacted]

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BOLIVIA: Vildoso Under Fire

The shaky base of the new government under President Vildoso is prompting early challenges from military and civilian leaders. [Redacted]

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//Vildoso has been unable to remove hardline military officers associated with the discredited Garcia Meza regime, and some have been given new assignments. [Redacted]

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[Redacted]

[Redacted] Vildoso also had to install a weak compromise choice as Army Chief of Staff.// [Redacted]

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The press is reporting the political parties, trade unions, and business community have rejected the government's call for elections next April. They are said to favor either elections before the end of this year or reconvening the congress elected in 1980 to name a civilian president. Vildoso, who has been in power only nine days, has already received two resignations from the cabinet. [Redacted]

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The President is being criticized for failing to start action to alleviate the worsening economic situation. [Redacted]

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[Redacted]

Comment: The lack of support for Vildoso makes it unlikely that he can consolidate his hold on power. Failure to allay military and civilian discontent could paralyze the new government and lead to Vildoso's ouster by yet another ambitious military officer. [Redacted]

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[Redacted]

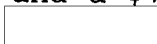
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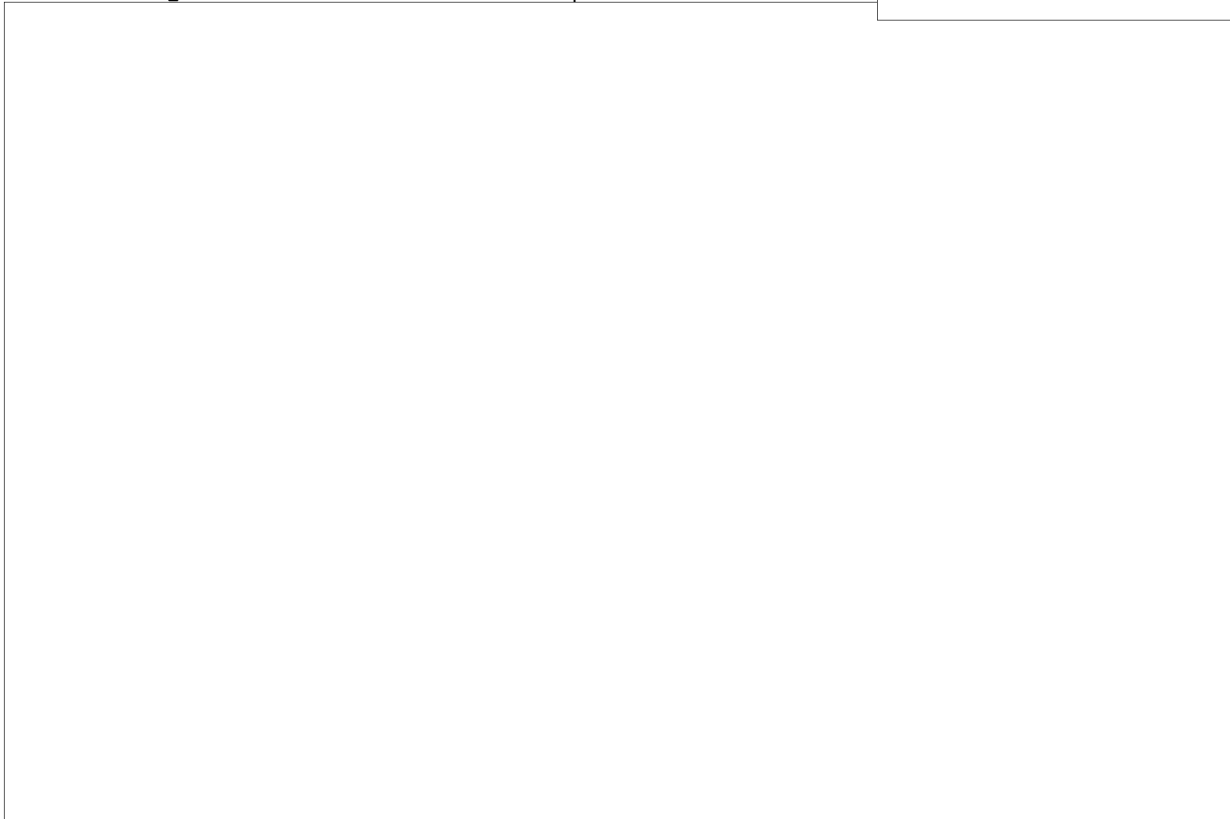
GRENADA-USSR: Closer Ties

Prime Minister Bishop, leading a delegation on his first official trip to Moscow, has tightened relations with the Soviets, who until now have deferred to the Cubans in aiding the three-year-old Marxist government. Bishop and Soviet leaders signed several agreements, including a pact on party-to-party cooperation and a five-year trade agreement. According to press reports, Grenada received a pledge of \$1.4 million to purchase steel, flour, and other goods and a \$7.7 million credit to buy unspecified equipment. 

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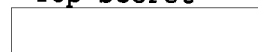
Comment: Although Bishop's visit comes amid signs of growing Soviet interest in encouraging Caribbean radicals, Moscow was silent on his expression of concern about "imperialist threats" and avoided any public commitment to the security of his regime. The presence of key military and security officials among Bishop's entourage, however, indicates possible talks on military assistance did occur. Grenada already has received training and a variety of older Soviet weapons from Cuba. 

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ECUADOR: Pressure on the President



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popular unrest--
either strikes or civil disturbances--appears to be
increasingly likely and that President Hurtado's ability
to form an effective coalition in the congressional ses-
sion opening on 10 August is questionable.//

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Comment: Any outbreak of unrest could give the
military plotters a pretext for attempting a coup. The
economy will constrain wage hikes, and the unruly congress
probably will not pass legislation needed for economic
progress.

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YUGOSLAVIA: Troubles in the Party Leadership

the final day of the 12th
Party Congress held late last month was marred by a
display of regional rivalries. Delegations from Bosnia-
Hercegovina, Croatia, Kosovo and Vojvodina tried unsuc-
cessfully to block the election of the 23-member Presidium
of Dragoslav Markovic, an aggressive Serbian leader.
Markovic's efforts to restore Serbia's control over
Vojvodina and Kosovo Provinces have provoked many non-
Serbs, who see his actions as threatening renewed Serbian
hegemony in Yugolsavia.

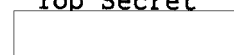
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Comment: This was the first major dispute among
party leaders since Tito's death in May 1980. Any exten-
sion of regional rivalries into other policy deliberations,
particularly on ways to strenghten the troubled economy,
could cause serious problems.

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SPECIAL ANALYSIS

LEBANON: A Bashir Jumayyil Presidency

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//Phalange militia leader Bashir Jumayyil is the frontrunner in the contest for the presidency in Lebanon. His opponents are trying to force a stalemate by preventing a quorum of 62 legislators from assembling. Jumayyil is calling for a new order in Lebanon, free of factionalism and guaranteeing security and equality to all. His past record suggests, however, his real preoccupation would be with ridding Lebanon of the PLO and Syrian presence and eradicating the country's armed militias. His goal of restoring Maronite Christian dominance could lead to the creation of a one-party state.//

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//Jumayyil probably believes the US and Israel share his goals, including the establishment of Maronite Christian hegemony in Lebanon. This is important to him because he knows that only through US and Israeli leverage can the PLO and Syrians be evicted. Since the end of the Lebanese civil war in 1976, Jumayyil has seemed to look forward to a crisis that would produce that effect.//

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//After assuming the presidency, Jumayyil would move quickly to legitimize his militia--the strongest indigenous military force--by "merging" it with the Lebanese armed forces.

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//While seeking to avoid committing his army to the Palestinian solution, Jumayyil would use it to accelerate the process already under way of taking over areas under Israeli control and consolidating the Phalange presence.

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Control of Maronite Areas

//In Maronite Christian areas, Jumayyil presides over a well-established parallel administration with a system of taxation, military training, and public services. This mechanism has functioned throughout the destruction and disruption brought about by the fighting. As president, Jumayyil would use the authority of the government to expand this system throughout the rest of Lebanon.//

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//Day-to-day administration in non-Christian areas would continue to be carried out by local officials. Consultation with the Phalange, however, would be necessary in all major decisionmaking. The greater education and experience of the Christian population ensures that most top civil and administrative posts would be in the hands of Christians.//

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Jumayyil has intimated his proposed new order will involve some type of constitutional revision. He has declined to elaborate on this, however, until strong central authority has been reestablished in every part of Lebanon.

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Dealing With Other Factions

//Jumayyil would prefer a political accommodation in which Lebanon's factions would acquiesce in a system of Christian dominance. This will be difficult to achieve.//

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//Toward this end, Jumayyil has been building bridges to some groups, particularly the Shia, which is the largest and potentially strongest Muslim community. He also is aware the legitimacy of his administration could be challenged if he fails to obtain at least grudging cooperation from the Sunni community.//

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//Suspicion of Jumayyil runs deep, however, particularly among Sunni Muslims, Druze, and leftist factions. In addition, many of his coreligionists question his motives.//

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[redacted] //Jumayyil is regarded as a tough military leader rather than a politician or statesman. He is surrounded, moreover, by uncompromising Maronites. Older, tradition-oriented Christians see Jumayyil as an upstart. They know he is disdainful of the clan politics of his father's generation and believe correctly he will work to break the grip of the remaining family political bosses.//

[redacted] //Continued Israeli backing of the Christian renegade officer Major Haddad in the south presents particular problems for Jumayyil. The Israelis would insist he reach some sort of understanding with Haddad, which could allow Haddad to play a spoiler role in Jumayyil's plans.//

[redacted] //Rival Christians in the north would be less of a problem. Once the Syrians have been neutralized, Jumayyil would be likely to settle scores with former President Franjiyah.//

[redacted] //Jumayyil's moves against Christian rivals would be an extension of the ruthless campaign he has waged in recent years to consolidate his control. In 1978, in an effort to establish Phalange domination over other Maronite groups, Jumayyil's militia attacked the Franjiyah home in the north, killing Franjiyah's son, daughter-in-law, and three-year-old granddaughter. In 1980, Jumayyil displayed the same coldbloodedness in neutralizing the militias of the rival Shamun clan.//

Prospects

[redacted] //Jumayyil would face heavy odds in attempting to forge a unified and stable Lebanon. The task would require tempering firmness with a degree of patience and flexibility not characteristic of his past performance. If he were to resort to the violent tactics of the past, he could propel the country toward further fragmentation and another round of civil war.//

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