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The President's Daily Brief

June 7, 1976

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LEBANON: *Political consultations quickened in Beirut this weekend in an effort to forestall further Syrian military intervention.*

President-elect Sarkis met with rightwing Christian leaders on Saturday in another bid to lay the basis for a roundtable conference of the various Lebanese factions. On the same day, leftist leader Kamal Jumblatt conferred with the religious leader of the Sunni Muslims in Lebanon. Both leaders announced their support for an early conference. Jumblatt, however, continues to appeal for outside help against the Syrians.

On the diplomatic front, Libyan Prime Minister Jallud and an Algerian emissary arrived in Damascus Saturday in a further effort to mend the rift between Syria and the Palestinian-leftist alliance in Lebanon. This mission grew out of discussions of Syria's intervention at a meeting held in Tripoli the day before with Palestine Liberation Organization chairman Yasir Arafat and a two-man Iraqi delegation.

Jallud and the Algerian met with President Asad yesterday, but they apparently made little headway.

Factional violence erupted in Lebanon again this weekend, with the most serious clashes occurring in and around Beirut between Syrian-controlled Saiqa units and Fatah and leftist forces. There are at least a thousand Syrian regulars disguised as Saiqa operating in the Beirut area and some almost certainly participated in the clashes. This has given rise to charges from Arafat that Syria has launched a major offensive throughout Lebanon.

Although leftist and Palestinian spokesmen have taken a defiant line in public statements, the two

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groups generally have avoided a showdown with Syrian forces in eastern Lebanon. The formation Friday of a Palestinian-leftist command, excluding Syrian-controlled Saiqa units, may strengthen somewhat the de facto coordination that previously has existed among these groups.

[redacted] aircraft conducted ground attacks yesterday against leftist positions in the Baydar area east of Beirut. There are conflicting reports concerning the nationality of the aircraft. Although the airfield from which they took off is in Syrian hands, the aircraft probably were Lebanese.

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ARAB STATES: *Syria, Jordan, and, to a lesser extent, Egypt are feeling the pinch of reduced financial support from Persian Gulf donor states. Saudi Arabia--with Kuwait and the United Arab Emirates going along--has withheld war subsidy payments in recent months and has avoided major new aid commitments in an effort to make the recipients shape up financially and settle their political differences.*

Syria has suffered the largest drop in assistance. Last year Damascus received approximately \$800 million in Arab aid. So far this year, Syrian aid receipts from Arab countries have totaled only \$42 million.

Both Syria and Jordan have proceeded with ambitious spending plans based on expected Arab cash transfers, but they may soon be forced to scale down expenditures or to dig into foreign exchange reserves.

Egypt, although the beneficiary of sizable Arab aid early this year, must find additional funds to fill a \$1-billion payments gap; Cairo is counting on other aid sources, such as the International Monetary Fund and the major industrial countries, to make ends meet.

Thus far there is no sign of new Arab commitments. The Saudis are increasingly reluctant to provide

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large-scale handouts over which they have no control. A growing number of high-level officials are complaining that many recipients not only misuse Saudi assistance but treat it as a perpetual economic subsidy. Kuwait and other wealthy Gulf states are following the Saudi lead.

A severe economic crisis in any of the aid recipients probably would loosen the moneybags of Saudi Arabia and other Gulf states. Realizing this, Jordan and Syria can be expected to dramatize their problems in an effort to elicit more assistance.

EGYPT-SYRIA: The Egyptian government's decision on Saturday to close the Syrian embassy in Cairo and its own embassy in Damascus will have little practical effect. There has been almost no official contact between the two countries since October.

The move, however, will further complicate the Saudi-Kuwaiti effort to reconcile Egypt and Syria. At the time of the Egyptian announcement, the Saudi and Kuwaiti foreign ministers were in Damascus trying again to arrange a meeting of the Egyptian and Syrian prime ministers.

Syria is not yet prepared to close the door completely on the mediation attempt because of the financial leverage that Saudi Arabia is bringing to bear against Damascus. At the same time, however, the Syrians are being enticed with offers of aid from Libya to join in a bloc of radical Arab states.

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INDIA-USSR: Prime Minister Indira Gandhi's five-day visit to the USSR, which starts tomorrow, probably is viewed by both sides mainly as an opportunity to demonstrate their continued close ties.

Gandhi considers India's relationship with Moscow is "special." She has long been partial to the USSR and favored socialist economic development over Western capitalism. Moscow's generous press sup-

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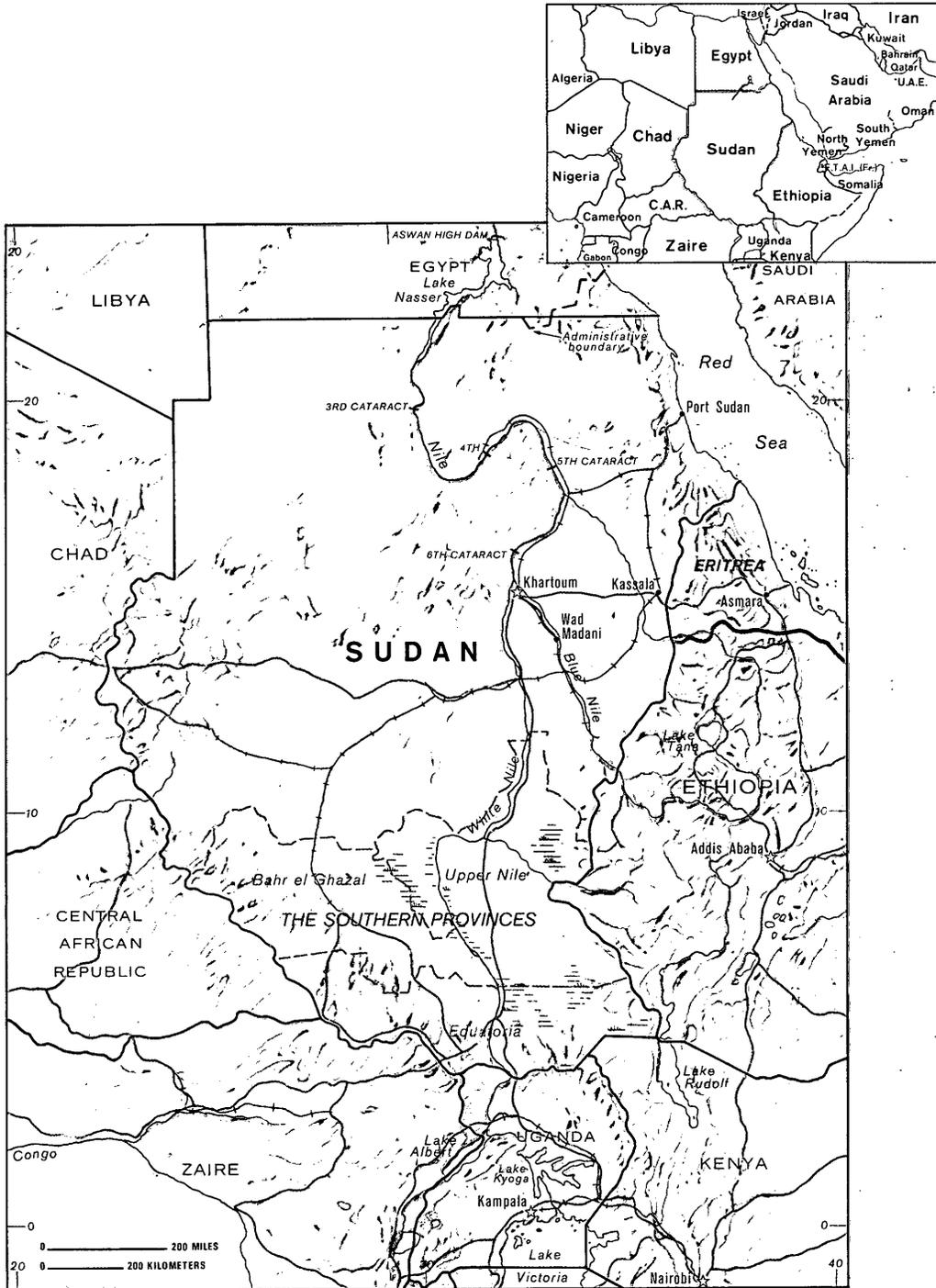
port for Gandhi's domestic actions has helped keep the Soviets high in her esteem.

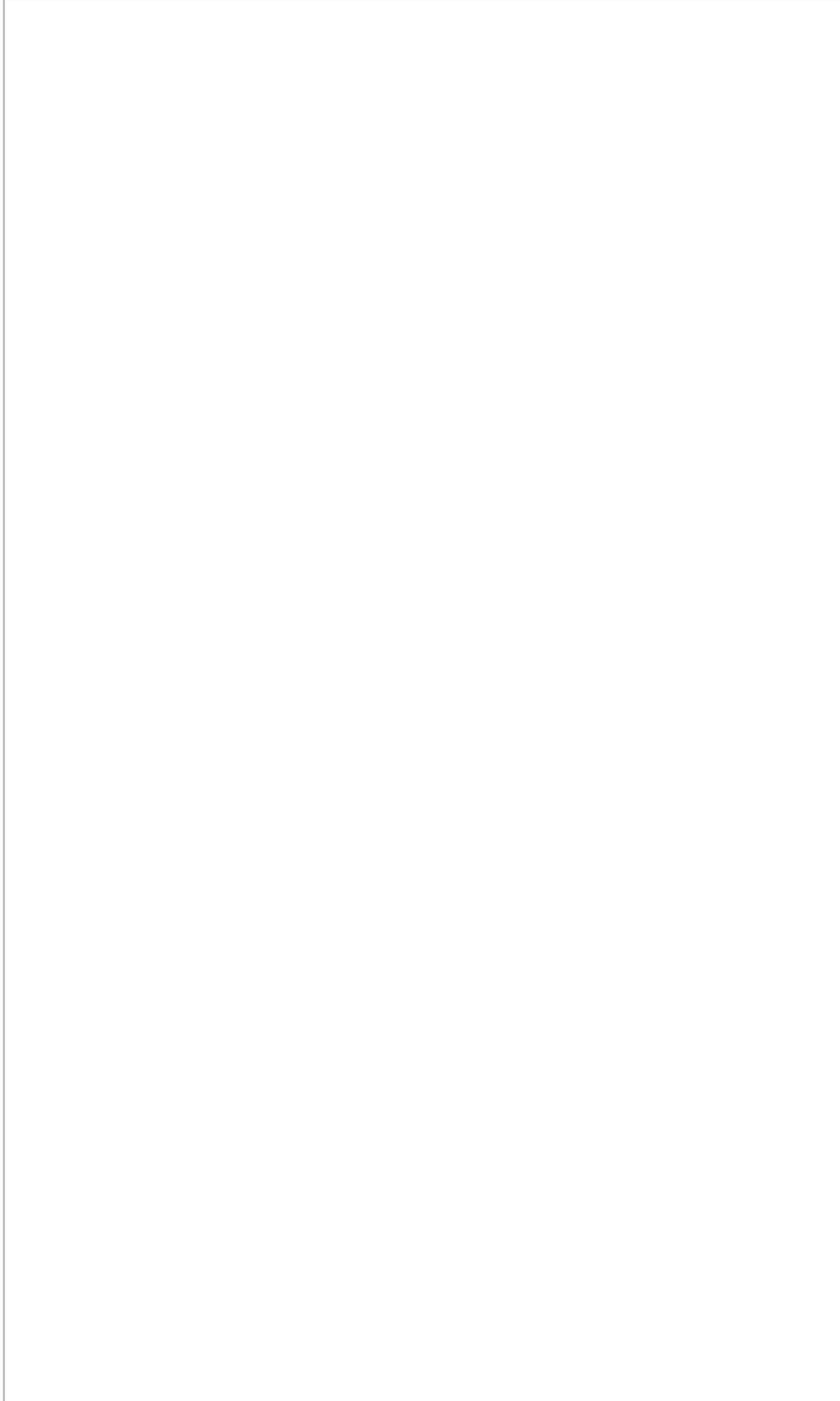
The Soviets have provided India with large amounts of military and economic assistance, though less than half the amount India received from the US. India, however, is now paying out more in aid and debt credits to the USSR than it is receiving in new commitments. Indian officials are under pressure to obtain more advantageous terms from Moscow.

Soviet leaders may register some concern over the more conservative trend in Indian economic policy during the past year. This trend reduces somewhat the publicity potential for showy Soviet projects that are concentrated in heavy industry.

The Soviets are likely to seek some assurance that Gandhi's recent decision to upgrade relations with Peking does not signify a shift away from Moscow. They are unlikely, however, to persuade Gandhi to reverse her refusal to meet their requests for permanent repair and supply facilities in Indian ports for Soviet naval vessels.

Another topic that probably will come up is assistance for India's nuclear program. The USSR is now the most likely source of heavy water needed for India's reactor program. It is uncertain, however, whether Moscow will be willing to supply heavy water in the face of New Delhi's insistence on its right to conduct additional nuclear tests.





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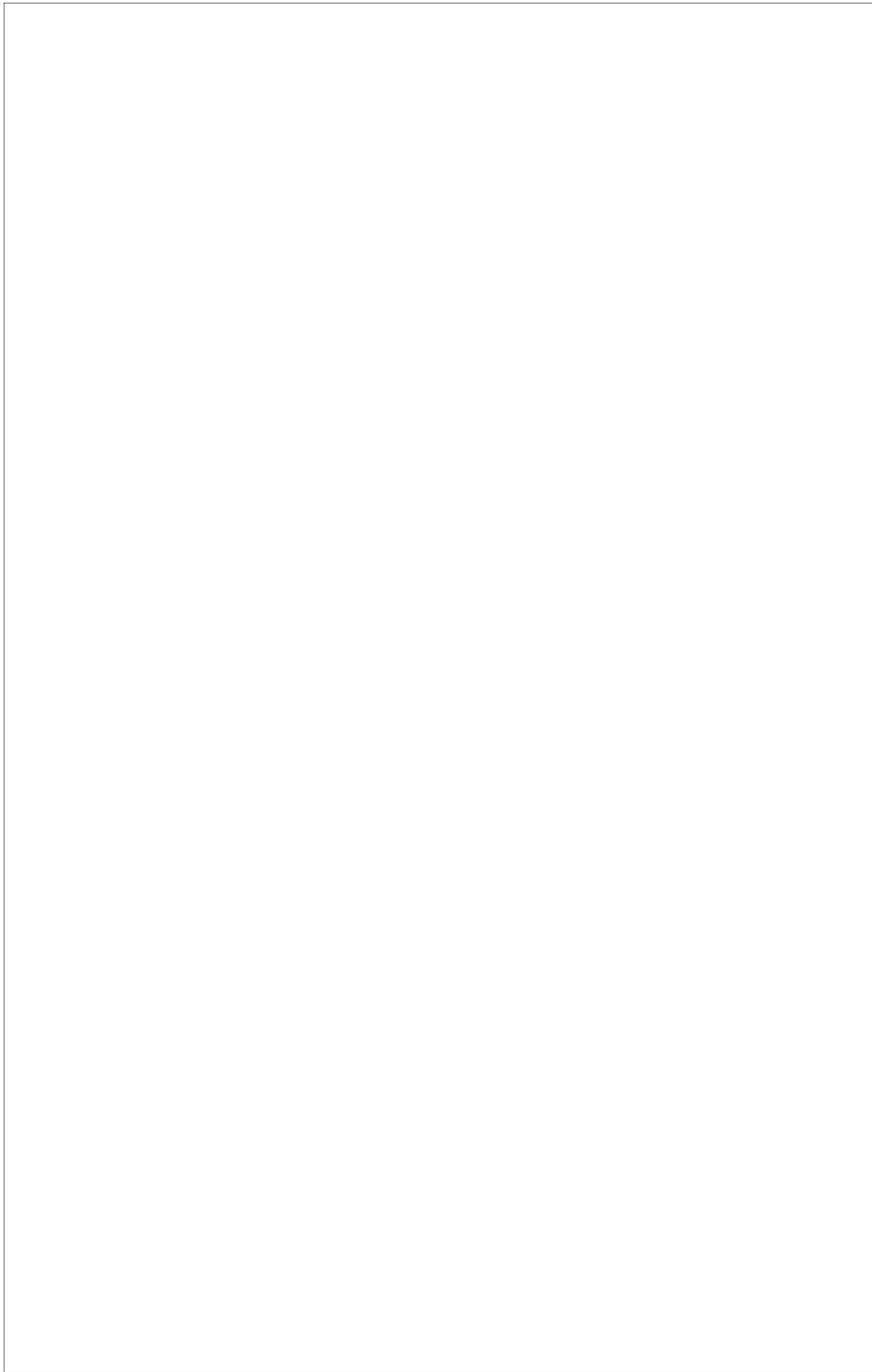
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