



Director of
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Intelligence

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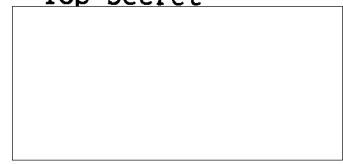
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JAPAN-US: Reactions to Nakasone's Visit


Japanese reactions to Prime Minister Nakasone's Washington visit have been generally positive, although the opposition parties have criticized his pledge to increase defense cooperation with the US. 

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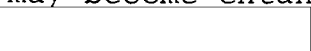


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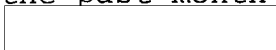
The extensive Japanese press coverage of the trip has focused on the two leaders' reaffirmation of the US-Japanese alliance, their establishment of a personal relationship, and their agreement on broad issues. Liberal Democratic Party members and Japanese business leaders have told reporters the talks were a step toward strengthening bilateral relations, although party leaders realize more has to be done on trade and defense. 

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According to the press, the Japanese were relieved that the Prime Minister was able to hold his ground on the beef and citrus issues. On defense, the Japanese Communists and Socialists have warned that Japan may become entangled in the US world military strategy. 

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Comment: Nakasone's pledge for further cooperation with the US on defense will be the subject of intense debate when the Diet convenes on Monday. If the opposition uses this issue to disrupt the Diet's activity over an extended period, Nakasone may dissolve the lower house and call for general elections. His popularity is rising, and he may hope to use this and his successful foreign policy initiatives over the past month to his party's advantage at the polls. 

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In the coming weeks the Japanese will try to determine the effect of the visit on bilateral ties and on Japan's foreign relations in general. 

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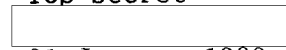


The Japanese also will be watching for indications of how much time they have to make further progress on trade and defense and probably will use Secretary of State Shultz's visit at the end of the month as one gauge. 

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CHINA-TAIWAN: Dispute Over ADB Membership

Chinese officials have told the US and other members of the Asian Development Bank that Taiwan has to be expelled from the bank before China will join, but Taipei for the first time appears to be trying to remain a member of an international financial organization even if China joins. [Redacted]

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[Large Redacted Block]

Chinese officials have privately lobbied other bank members since last November and have indicated China would withhold a formal request for admission until the Taiwan question was resolved by all the members. Yesterday, however, Chinese diplomats reiterated [Redacted] that Taiwan has to be expelled. [Redacted]

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Comment: Beijing's effort to join the bank could irritate smaller, less developed members, especially if China followed India's recent lead and requested large loans. Thus far, Beijing seems unwilling to guarantee that it will restrict its borrowing but has promised to consider the interests of the other borrowers. [Redacted]

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Japan and most other members have indicated they will support China's request for admission when it is submitted, but they appear to be awaiting a US decision on the question of Taiwan's seat. Despite Taipei's unprecedented effort to appear forthcoming on dual representation in the bank, Beijing has consistently rejected such a solution. It is unlikely to alter its view in this case. [Redacted]

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[Redacted]

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South American Debtors, 1982

	Amount (billion US \$)	Estimated US Bank Share (percent)
Brazil	85	25
Argentina	40	20
Venezuela	35	30
Chile	16	38
Peru	13	15
Colombia	9	33
Others ^a	12	30
South America	210	25

^a Bolivia, Ecuador, Paraguay, Uruguay



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[Redacted]

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SOUTH AMERICA: Debt Problems Spreading

The foreign debt problems of South American countries are becoming worse, with Brazil's cash crisis still acute, Chile facing a cutoff in credit, and Venezuela encountering new difficulties in refinancing its debts. [Redacted]

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Comment: South American debtors will have difficulty servicing their foreign debts, totaling some \$210 billion, because export earnings are falling short of repayment requirements. The confidence of bankers is fragile and often tends to waver. Each additional debt problem increases the likelihood that credit to the region will be cut back. [Redacted]

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[Redacted]

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The recent intervention by the Chilean Government in banking operations has intensified bankers' wariness of doing business in Chile. More cutbacks in lending are likely, increasing the chances a rescheduling will be required. Venezuela, which also is encountering difficulties in restructuring its maturing debts, could soon face a foreign exchange crisis. [Redacted]

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Argentina has nearly completed arrangements to meet its basic financial needs this year, but it would be in serious trouble if there is another international shortage of credit. It may encounter delays in securing the \$1.5 billion unified credit being organized by a large number of banks. Smaller US banks, increasingly concerned about political developments, may be unwilling to lend more to Argentine institutions. [Redacted]

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Private banks may again be called on to provide a quick infusion of cash to avert a financial crisis in one or another of these nations. Even so, cutbacks in imports and tighter exchange controls among South American countries will slow the recovery of many others from the global recession and hamper the repatriation of profits. At worst, South American borrowers may suspend repayments and resort to other extreme actions to alleviate financial problems, but at the expense of regaining the confidence of creditors. [Redacted]

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USSR: Efforts To Improve Propaganda

The leadership evidently is planning to reorganize the propaganda apparatus as part of a broad effort to have more impact on foreign and domestic audiences. 

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Since General Secretary Andropov took office, new chiefs have been appointed to head the Central Committee's Propaganda Department, the State Committee for Publishing, and the Komsomol youth organization. 

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 the First Deputy Chief of the International Information Department has been moved to a job with *Izvestiya*, that his superior also will be reassigned, and that the department may be abolished. Changes also are rumored that would affect several important newspapers, the management of Soviet radio and television, the Central Committee's Department of Science and Education, and the social sciences sector of the Academy of Sciences. 


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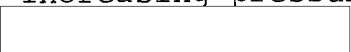
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An editorial in *Pravda* on Tuesday called on Soviet newspapers to eliminate boring articles, to print more pieces written by workers, and to provide more factual information on the day-to-day activity of party and other official organizations. 

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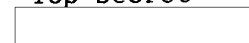
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Comment: The campaign is intended primarily to make propaganda directed at both foreign and domestic audiences more effective. The overhaul of the propaganda machinery also increases Andropov's control over this segment of the party apparatus. At the same time, by subjecting the work of lower level officials to closer public scrutiny, the regime is increasing pressure on them to improve their performance. 

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POLAND: Solidarity Leaders Speak Out

Solidarity leader Walesa and 13 of his colleagues jointly appealed yesterday for the release of the seven union leaders who were arrested in December for trying to overthrow the government. The appeal urges public support for an amnesty of all political prisoners, an end to reprisals against former internees, and stricter observance of workers' rights. The statement was given to Western journalists to ensure widespread distribution. [redacted]

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Comment: The appeal is the first such joint action by the former union leaders and indicates they have established enough contact to allow some discussion of tactics. Walesa's signature suggests he has decided to approach the regime more boldly, perhaps disregarding the advice of some of his cautious advisers. Although the authorities may not take immediate steps to retaliate directly against the union leaders, they could look for additional ways to intimidate Western journalists who are conveying their message. [redacted]

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PAKISTAN-AFGHANISTAN-IRAN: UN Mediator's Trip

UN Special Representative Cordovez today begins another series of visits to Islamabad, Kabul, and Tehran for discussions of the Afghanistan problem. The US Mission at the UN reports Cordovez will seek Pakistani concessions on aid to the insurgents and on direct negotiations with the Afghans. An aide to Cordovez has told the US Embassy in Islamabad that the representative may for the first time establish contacts with "refugee" leaders in Pakistan. In Kabul, Cordovez will sound out Soviet and Afghan officials on an eventual timetable for the withdrawal of Soviet troops. He also will try to develop further dialogue with Iran, which is becoming more interested in UN support for its Afghan refugees. [redacted]

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Comment: Cordovez presumably does not expect to secure major Pakistani and Soviet concessions on this trip. He probably hopes nevertheless that the tour will give new momentum to the UN mediation effort, particularly if he does meet with Afghan insurgent leaders in Pakistan. Cordovez had been reluctant to contact them there before because of the USSR's opposition to including them in the negotiations. [redacted]

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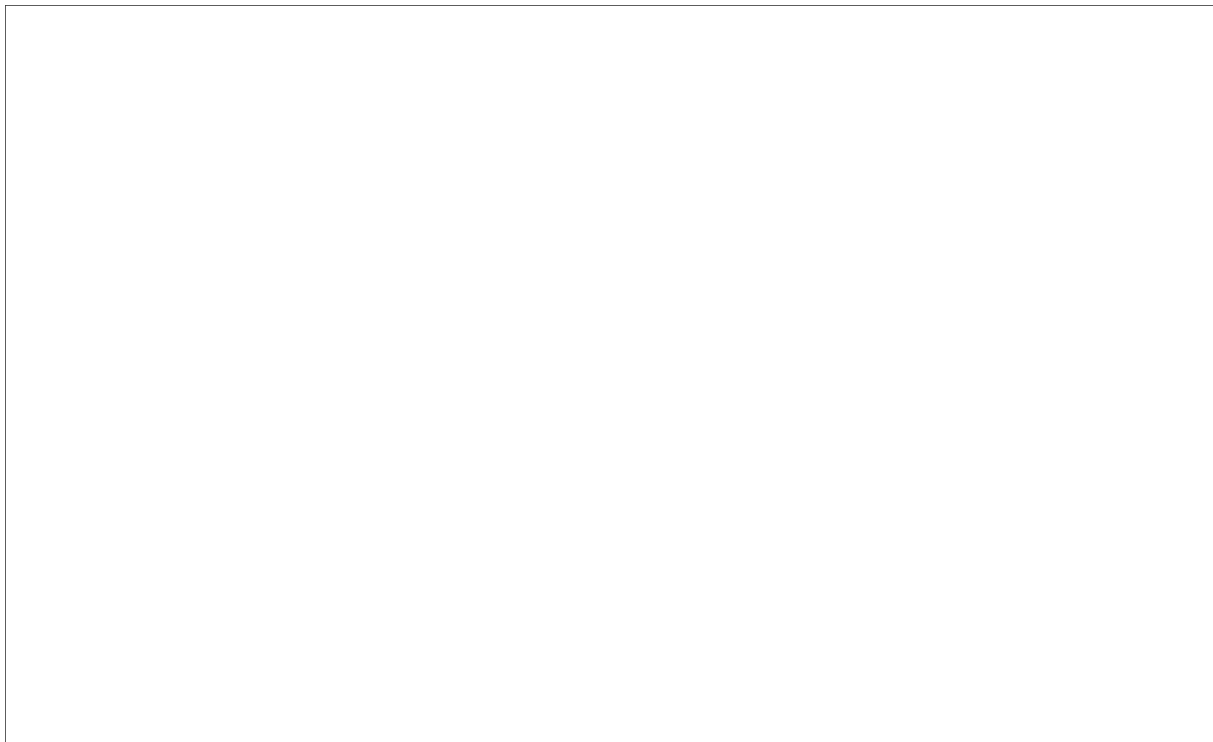
LEBANON: Financial Problems

Lebanon's central bank has told President Jumayyil it will not lend his government foreign exchange funds for reconstruction until the cash-starved treasury can assure steady collection of tax revenues, according to press reports. Customs duties, Beirut's main source of income, dropped last year to just \$106 million--barely half of the total in 1980. The Lebanese Forces, a powerful Christian militia, has refused to turn over control of several lucrative illegal ports to the central government. 

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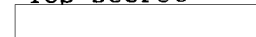
Comment: This rebuff to Jumayyil from the central bank probably precludes a major government-financed reconstruction program. Banking officials reportedly are worried about maintaining the value of the Lebanese pound and are reluctant to add the government's substantial debt as long as Beirut's ability to collect taxes is so limited. The Arab states of the Persian Gulf are unlikely to aid Jumayyil while Israeli forces remain in Lebanon or if he goes too far in normalizing relations with Israel. The World Bank also has been reluctant to provide reconstruction loans. 

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Special Analysis

USSR-SYRIA-ISRAEL: The SA-5 Issue

The Soviets, Syrians, and Israelis all have high political stakes in the controversy over the introduction of Soviet SA-5 surface-to-air missile units into Syria. Moscow wants to strengthen its credentials as a force to be reckoned with in the Middle East and to scuttle US peace initiatives. Tel Aviv views the greater Soviet commitment to Syria as a threat to Israel's freedom of action and an incentive to Syrian President Assad--whose bargaining position has been strengthened--to pursue more hawkish policies. Domestic political considerations and the impact on US relations, however, will strongly influence any Israeli decision on whether to launch a strike. [redacted]

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The USSR's move evidently is designed to reverse the setbacks it suffered as a result of Israel's invasion of Lebanon. It appears aimed at reestablishing a Soviet position of influence in the region, countering the US military presence there, thwarting Washington's current dominance of the peace process, and restoring the reputation of Soviet arms. [redacted]

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By introducing the SA-5s, the Soviets probably intend to send a message to the countries of the region and to the US. To the Syrians and other Arabs, it is an affirmation that the USSR is a reliable counterweight to Israel and the US and is determined to strengthen Arab military capabilities. To the Israelis, it is a warning that they can no longer attack a Soviet ally in the Middle East with impunity, and to the US an admonition to rein in Israel. [redacted]

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The USSR probably sees its greater military involvement in Syria as a counter to US peacekeeping contingents in Lebanon and the Sinai Peninsula, which it views as bridgeheads for US military intervention throughout the Middle East. The Soviets are likely to hope their move will contribute to tensions in the region, thereby hindering US-sponsored Lebanese and Arab-Israeli peace settlements. Moscow also may calculate its increased backing for Syria will make Jordan's King Hussein and PLO chief Arafat think twice about pursuing the US peace formula. [redacted]

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The Soviets may believe [redacted]
[redacted] that the Israelis will not attack the sites. They could not have embarked upon the project, however, without taking into account a substantial risk of such an attack. They probably are prepared to respond to a successful strike by reestablishing the SA-5 complexes, by strengthening surface-to-air missile defenses around them, and perhaps by dispatching fighter aircraft units to fly combat air patrols. [redacted]

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Even these augmented defenses would be unlikely to prevent determined Israeli follow-on strikes. The Soviets might calculate, however, that Israel would be unwilling to continue indefinitely paying the increasingly high military and political price of repeated attacks. [redacted]

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At the same time, there is at least an even chance Moscow would go beyond these steps in response to a successful Israeli strike. The Soviets might assume a more direct role in running the entire Syrian defense network, as they did in Egypt in 1970. This action probably would involve the deployment of a much greater number of Soviet air and air defense units. [redacted]

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[redacted] Defense Minister Sharon and the military at some point probably will urge a strike if there is a sharp increase in the level of tension between Israel and Syria. There would be some advantages in attacking in the next few weeks, after most of the equipment is in place but before the sites are operational. [redacted]

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There almost certainly would be substantial opposition to such a move in the cabinet, however, with many ministers seeing little popular support for the kind of all-out conflict that could follow. They also are wary of new strains with the US. A decision to launch an attack, moreover, probably would be made only after securing opposition support in the Knesset's Defense and Foreign Affairs Committee. [redacted]

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On balance, these factors make an immediate strike doubtful. Over the longer run, however, recurring crises and the persistent threat to Israeli freedom of action in periods of tension are likely to tip the scales in favor of an attack. [redacted]

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Before approving a strike, Prime Minister Begin would weigh carefully the political considerations, particularly the possibility of new strains with the US. He would explore other alternatives, including some form of tacit agreement with Syria on ground rules for employing the system. [redacted]

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The Israeli military, however, would almost certainly insist on including suppression of the SA-5s in any contingency plans for major hostilities with Syria--whether in Lebanon or Syria itself. It would argue it cannot rely on tacit understandings about the rules of engagement because the Israelis believe the Soviets would use the missiles over Lebanon if Syria insisted its security was at stake. [redacted]

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Implications for US-Israeli Relations

The Israelis, in stressing to US officials that the missile deployment has to be seen primarily as a Soviet challenge to US interests in the region, probably are

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motivated in part by their interest in getting the US to shelve the peace process and focus instead on the Soviet threat. They may hope a closer military relationship with the US [redacted]

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[redacted] would undercut Washington's relations with the moderate Arabs. [redacted]

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Israel also may adopt an even tougher negotiating position on Lebanon. It may insist that the deployment of the SA-5s makes it all the more imperative that it receives ironclad security arrangements that include early warning stations in southern Lebanon. [redacted]

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Syrian Attitudes

Syria's confidence in its air defense network was shattered by the experience during the war in Lebanon but will be restored by the SA-5s. At this point, Assad will be likely to view his military position in Lebanon as less precarious. [redacted]

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The SA-5 itself, however, is only one of many factors that Assad would consider in determining whether he would order his troops out of Lebanon. Syria's current overall military readiness to confront Israel would be a more important factor for Assad to consider. Even with the SA-5 system, Damascus still has a long way to go in improving its overall force structure before it gains the confidence to undertake a major military gamble to achieve political ends. [redacted]

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The Syrians have long sought stronger Soviet backing to help offset US support of Israel, and Syrian foreign policy positions at least in the near term are likely to reflect closer cooperation with the USSR. Assad and many of his supporters in the Army have been wary, however, of an extensive Soviet military presence and have been unwilling to give Moscow a veto over their military or foreign policy. This is unlikely to change, but the greater Soviet involvement in Syrian defenses could become a point of friction--as it was with Egypt in the early 1970s. [redacted]

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