



**Director of
Central
Intelligence**

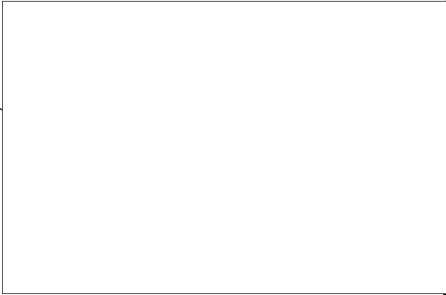
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CY# 285



National Intelligence Daily

*Friday
13 May 1983*

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CPAS NID 83-113.IX

13 May 1983

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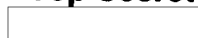
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POLAND-USSR: Polemics With Moscow

The rebuttal yesterday by the Polish weekly *Polityka* of the charges of ideological laxity levied on 6 May by a Soviet journal suggests that Premier Jaruzelski will stand by his moderate advisers and might use the incident to increase his credibility at home. [redacted]

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Polityka's low-key reply corrected quotations in the Moscow *New Times* article and cited Jaruzelski's speeches calling for reform and political accommodation with Polish society. An editor of *Polityka*, in talking with a US Embassy officer, seemed to enjoy the controversy and gave no sign of feeling intimidated. [redacted]

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Some Poles, according to a Western journalist, are trying to play down the event. They are suggesting that the *New Times* article also is an attack by Soviet hardliners on General Secretary Andropov because he allegedly has already endorsed Jaruzelski. [redacted]

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Comment: The Soviet article is the clearest indication of Moscow's concern about the failure of the Polish party to shake its lethargy. Airing this concern in *New Times* rather than in the more authoritative *Pravda* suggests, however, that the Soviets want to leave some room to maneuver. They may hope that the Poles will postpone their long-delayed Central Committee plenum on ideology until after Moscow has had a similar plenum, possibly next month. [redacted]

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The Soviets probably are frustrated by continuing signs that Jaruzelski does not trust the party apparatus and that he places more emphasis on building up the Patriotic Movement for National Rebirth and on establishing good ties with the Church to reach an accommodation with Polish society. [redacted]

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Slighting the party apparatus also irritates Polish hardliners. They may now be arguing more forcefully that, with the regime's control generally assured, it is time to turn the political reins over to party professionals. There are few signs that Jaruzelski will heed such advice. [redacted]

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Soviet efforts to influence developments in Poland through media criticism have sometimes backfired. Such criticism frequently has given new stature to those who are criticized and lends credence to their claims of seeking a Polish solution to problems. The Polish hardliners almost certainly will be encouraged by the Soviet criticism, and they may intensify efforts to discredit Jaruzelski or to undermine the Pope's visit. [redacted]

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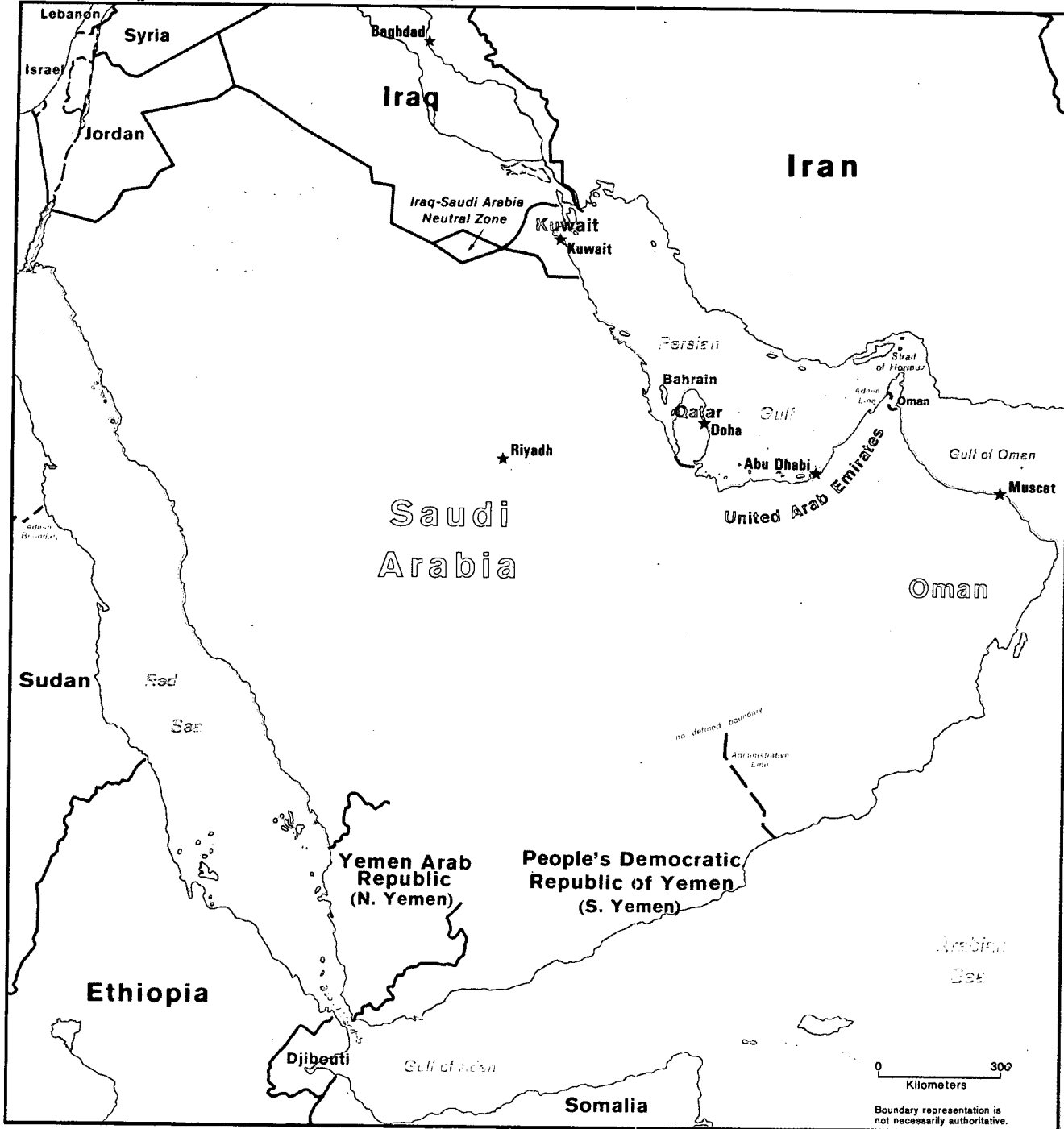
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Gulf Cooperation Council Members



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IRAN-PERSIAN GULF: Efforts To Improve Relations

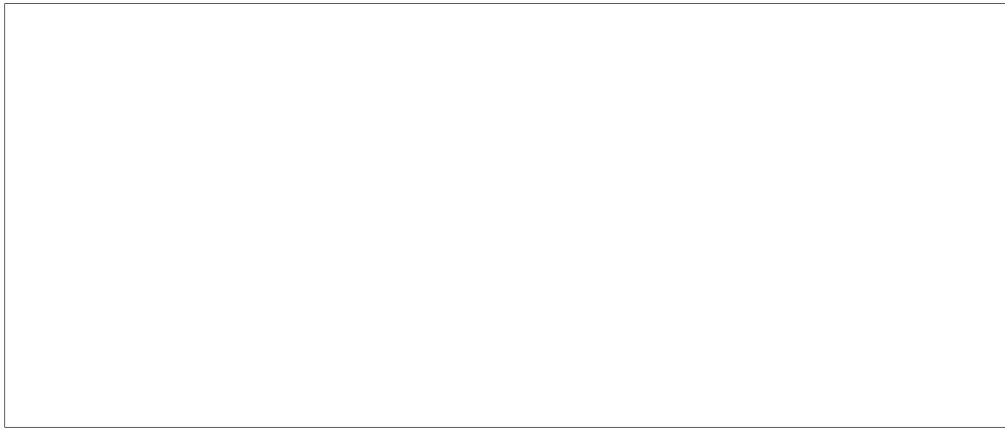
Iran has invited a delegation representing the six-member Gulf Cooperation Council to Tehran to discuss the war with Iraq and has told Saudi Arabia it wants to improve relations. [Redacted]

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The Foreign Ministers of Kuwait and the United Arab Emirates—the Council members that have the closest ties to Iran—are to travel to Tehran tomorrow. The Foreign Ministers also are to visit Baghdad and then report to the Council. [Redacted]

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Comment: The Council members will remain skeptical about Iran's sincerity, but they believe the opportunity to try to end the war—and, more immediately, to cap the damaged oil wells—has to be explored. Iran may only be trying to drive a wedge between Iraq and its Arab supporters. Although there are signs that some Iranians are beginning to seek a political solution to the war, the Iraqi missile attack yesterday on the Dezful area probably will strengthen the resolve of Iranian hardliners. [Redacted]

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This is the first friendly approach by the Iranians to the Council as a whole, as opposed to selected members. In the past, Tehran has portrayed the organization as a threat to the Iranian revolution. [Redacted]

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Iran's conciliatory movement toward Saudi Arabia is also a change. During the past year, Tehran has tried to improve ties with individual Council states, particularly the UAE and Kuwait, but Tehran radio has had only the harshest criticism for the Saudi Government.



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IRAN: Clerical Power Struggle

Assembly Speaker Rafsanjani's political position may have been weakened by the regime's recent crackdown on the Tudeh Communist Party and the expulsion of Soviet diplomats. 


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Rafsanjani's place as leader of the prayers on Friday in Tehran—a major forum for political statements—was taken last week for the first time by an influential conservative cleric who has been critical of the Rafsanjani-led Assembly. Rafsanjani's conservative deputy presided over the Assembly last week, when about half the members praised the crackdown on Tudeh. 

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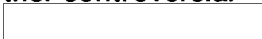
President Khamenei, a leading rival of Rafsanjani and head of the Islamic Republic Party, has announced that the current party congress will revise the leadership and confirm its program. Rafsanjani is deputy head of the party. 

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Comment: Khamenei may benefit, at least temporarily, from Rafsanjani's troubles. Nonetheless, the Speaker's setback does not mean that his political position has been irreparably weakened. He is one of the most powerful members of the regime, and a successful effort to weaken him would require the support of Ayatollah Khomeini.



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Despite his defeat on the Tudeh issue, Rafsanjani is still pushing hard for adjustments in Iran's war strategy. In a speech on Monday, he stressed the need to avoid high casualties and spoke out against an invasion of Iraq. His remarks reinforce indications from other sources that Tehran is reviewing its war policy and other controversial issues and that it may be preparing policy changes. 

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SOUTH KOREA-CHINA: Aftermath of the Hijacking

South Korea is cautiously optimistic about prospects for further contacts with China following the smooth negotiations on the hijacked aircraft, but Beijing is unlikely to be responsive. [redacted]

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Seoul is especially pleased that the Chinese agreed to use each country's official title in the signature block of the joint memorandum, which it views as an implicit recognition of the legitimacy of the South Korean Government. Both sides endorsed a cooperative approach to handling similar emergencies in the future. South Korea has announced that the hijackers will be arraigned after the aircraft and the injured crewman who is recuperating in Seoul are returned to China. [redacted]

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Comment: Beijing's determination to curtail such politically embarrassing incidents appears to have prompted its decision to deal directly with the South Koreans. It probably feared that other passengers or members of the crew might ask for political asylum, which Taiwan would exploit for propaganda purposes. [redacted]

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The Chinese have played down the political implications of their talks with South Korea and are likely to believe they can limit the damage to their carefully cultivated relations with North Korea. They will proceed cautiously in any further dealings with Seoul about the fate of the hijackers to avoid giving Moscow an opportunity to exploit the incident with P'yongyang. [redacted]

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The South Koreans clearly will continue to look for ways to expand their dialogue with China, but they appear to have no illusions that an early breakthrough is possible. Seoul aimed essentially to strengthen precedents for handling such incidents and to establish a cordial negotiating atmosphere with Beijing. [redacted]

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North Korea almost certainly is somewhat troubled by the incident and probably has made a private protest to China. P'yongyang's official silence thus far, however, suggests it calculates that the incident is an isolated event that will not have a lasting effect on regional political relations. [redacted]

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**NETHERLANDS: Delaying Decision on INF**

Prime Minister Lubbers announced on Wednesday that his government probably will wait until after the end of the year to make its INF deployment decision because he does not expect the Geneva negotiations to yield clear-cut results before then. Lubbers added, however, that the Netherlands will proceed with deployment preparations in hopes of stimulating increased Soviet willingness to negotiate. The US Embassy reports that the Dutch announcement of a potential deployment site is expected at about the same time as publication of the 10-year defense plan, scheduled for September.



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Comment: The 10-year plan is likely to outline a program for reducing the number of Dutch nuclear tasks within NATO and for cutting defense spending below the 2-percent annual real growth rate the government projected last November. Dutch leaders argue that the reductions in nuclear roles are necessary to maintain support for INF deployment. Once the nuclear tasks issue is resolved, the Dutch will begin consultations with NATO—perhaps as early as next week—on their reduction plans. [redacted]

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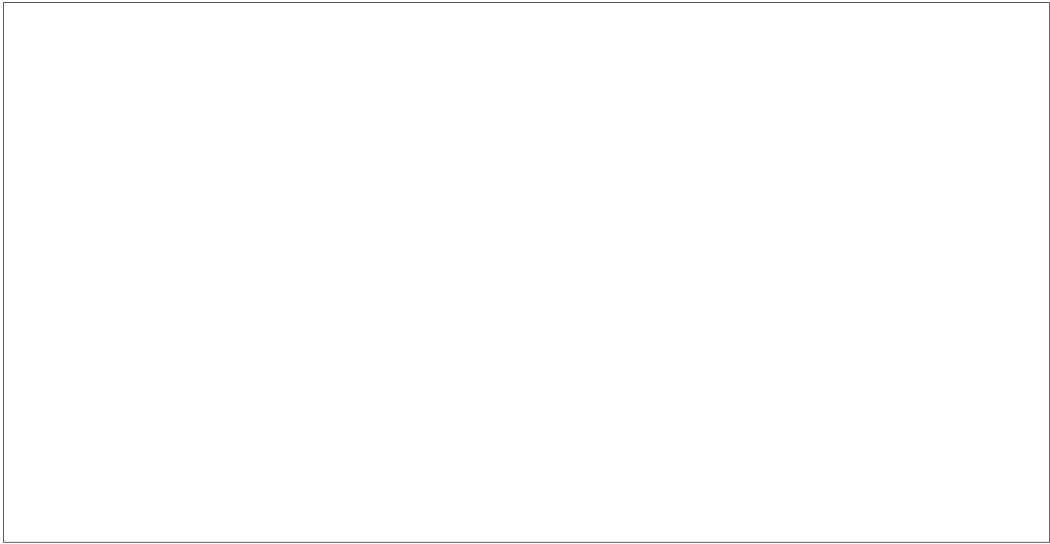
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USSR: Treason Trial

Soviet authorities probably hope that the treason trial of dissident Valeriy Repin—a member of the Solzhenitsyn Fund—will help discourage contacts between dissidents and foreigners. In March Repin publicly confessed to crimes he committed on behalf of the Fund, which aids political prisoners and their families through financial contributions from Soviet citizens and foreigners. He admitted that the Fund was used by foreigners to “collect intelligence information” and to “disseminate anti-Soviet material,” and he named both Soviet and US citizens allegedly involved. Sergey Khodorovich, the head of the Fund in Moscow, was arrested last month. 

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Comment: The move against Repin follows a recent increase in Soviet press allegations of US espionage activities in the USSR. The arrest of Khodorovich may indicate that he also will be charged with treason. 

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MEXICO: Strike Threats

The government probably will try to avert possible strikes by granting workers a larger wage increase than currently promised. Labor leader Velazquez is threatening strikes against some 11,000 companies, including the government oil monopoly, to persuade the government to allow a more favorable wage settlement. One opposition party is calling for a general strike, but Velazquez stresses that his demands are nonpolitical. [Redacted]

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Comment: President de la Madrid recognizes that organized labor's loyalty is important to continued political stability, and he is likely to agree to a small concession on wages. The Minimum Wage Commission probably will add about 5 percentage points to the promised 12.5-percent hike and could make it effective several weeks sooner than its scheduled start in July. Although labor leaders understand the necessity for maintaining austerity, they are likely to continue to urge the government and business to accept still higher minimum wages to deflect complaints from the rank and file that their interests are being ignored. [Redacted]

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PANAMA-US: Potential Presidential Candidate's Visit

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[Redacted] The US Embassy reports that Paredes would like to meet with senior US officials to underscore his acceptability to Washington. He is undecided about his candidacy and retirement from the Guard, but he reportedly does not plan to remain as Guard Commander beyond December. [Redacted]

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Comment: Paredes probably believes the visit will strengthen sagging support for his candidacy and restore his standing as a national leader. Unfounded charges of impropriety made by Paredes against the US Ambassador earlier this year raised questions about his suitability for high public office. Panama's business community had hoped to benefit from improving US-Panamanian relations and was particularly upset by the incident. [Redacted]

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AUSTRIA: Government Formed

The Socialist Party and the liberal Freedom Party almost certainly will endorse the new coalition, negotiated during the fourth round of talks since the national election on 24 April. The government will be led by former Vice Chancellor Sinowatz, who was selected earlier by former Chancellor Kreisky as his successor. Press reports say the smaller Freedom Party will get the justice, defense, and economics portfolios and three state secretary posts. The parties agreed to a compromise on the tax increases proposed by the previous government, which had been the major obstacle during the negotiations. [redacted]

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Comment: The Socialist and Freedom Parties together hold a comfortable nine-seat majority in the parliament, and individual defections are unlikely to threaten the coalition's stability. Major changes in foreign and domestic policy are improbable. With Kreisky's departure, however, the government will attract less attention abroad. [redacted]

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TAIWAN: Setback for Key General

Taipei announced earlier this week that General Wang Sheng has been shifted from director of the powerful General Political Warfare Department to head of the Joint Operations Training Department. The change separates Wang from the new domestic intelligence collection organization established under him only last month. In addition, the General's powerful subcommittee of the Kuomintang Central Committee, which was established in 1980 to deal with Beijing's reunification initiatives, reportedly has been abolished. [redacted]

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Comment: Wang's efforts to increase his influence may have irritated President Chiang, who has always opposed the concentration of too much power in the hands of any one subordinate. Nonetheless, the General retains an extensive network of proteges and supporters, including a large faction on the Central Committee. [redacted]

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Special Analysis

FRANCE: Mitterrand's Problems Increasing

Recent demonstrations by students and small businessmen have marred the second anniversary of President Mitterrand's election. There are few similarities between the current unrest and the massive student and worker upheaval which nearly toppled President de Gaulle in 1968. French officials are concerned, however, that disturbances could spread as the government's austerity measures take hold in coming months. Mitterrand probably will be able to resist widespread pressures to abandon austerity, but at the cost of increasing public dissatisfaction with his domestic policies.

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The principal target of student demonstrators is a proposed reform of the state-run university system that would lower entrance requirements. Although this would fulfill Socialist promises to "democratize" higher education, it also would impose new test requirements on students who are close to receiving degrees. The Education Minister defends this as a necessary step to reduce the disproportionate number of students in training for the liberal professions.

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The US Embassy reports that student leaders associated with conservative and rightwing parties have sought to capitalize on discontent over the reform among medical, law, and economics students by organizing strikes. They claim that their objective is to alter the reform rather than to challenge the government's authority. Students from traditionally "leftist" faculties of history and sociology generally have remained silent or have accused the strikers of trying to politicize student concerns.

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Small groups of rightwing extremists were responsible for most of the violent clashes with police last week, according to the US Embassy. Prime Minister Mauroy yesterday charged that rightwing extremists are using the continuing demonstrations to sow disorder. Opposition party leaders have been careful not to encourage the striking students to push the government too hard, fearing that it would benefit from a public backlash to any widespread rioting.

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Economic Grievances

The demonstrations by small businessmen reflect their anger over a number of the government's economic and social policies. They

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regard the recent austerity measures as the last straw. The businessmen, however, apparently have not made specific demands for changes in government policy and have not sought to temper their strong ideological opposition to Mitterrand. [REDACTED]

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The major labor unions are increasing their criticism of the austerity measures. Union leaders correctly view the measures as a significant shift away from the government's earlier preoccupation with reducing unemployment and maintaining real incomes of workers. Although one generally moderate union has called for a one-hour strike next Wednesday, the major pro-Socialist and Communist-controlled labor federations apparently have refused to join any nationwide protest. [REDACTED]

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Political Repercussions

Thus far, the government has been able to contain the scattered domestic unrest by combining a show of force—including quick police reaction in Paris—with conciliatory gestures. Mitterrand recently set the public tone for government actions by declaring that, while the state's authority has to be respected, he will not ignore legitimate complaints against specific policies. Although Mauroy yesterday rejected student demands to postpone parliamentary debate on the reform scheduled to begin on 24 May, he indicated that the government would consider significant amendments. [REDACTED]

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The government already has had some success on the labor front. Last week striking medical workers agreed to return to work following the government's decision to review its reorganization of the state-run hospital system. [REDACTED]

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Nevertheless, the proliferation of often unrelated protests evidently is eroding public confidence in Mitterrand's stewardship of domestic affairs. According to a recent poll, 53 percent of the voters disapprove of his performance over the past two years and only 33 percent approve. [REDACTED]

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In addition, a number of reports indicate growing disaffection in leftist ranks over the austerity measures. One top Socialist Party official, who is known for his hostility toward the French Communists, has publicly echoed Communist warnings that the measures are weakening worker support for the government. Leftwing Socialists are pushing for what promises to be a bitter debate on the measures at the Socialist Party congress in October. [REDACTED]

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Outlook

Despite the public protests and the criticism from his leftist supporters, Mitterrand will try not to make any major adjustments to

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his austerity program during the coming months. US Embassy reporting and press accounts indicate that the President and his most influential advisers believe that a premature return to expansionist policies and a sharp turn toward increased protectionism would wreck their hopes for economic recovery before the legislative elections in 1986. [Redacted]

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The government will face a formidable challenge to its policies next fall, when major unions are expected to push for wage hikes exceeding current government guidelines. Although union leaders probably will be more responsive to rank-and-file pressures for work stoppages, they will find it difficult to coordinate their actions effectively. In any event, they almost certainly will stop well short of trying to bring down the government. [Redacted]

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If labor unrest and civil disorder were to become widespread, some opposition party leaders probably would consider calling for an early legislative election. Mitterrand, however, would be likely to reject such a call. Any questioning by the opposition of the government's legitimacy could help to rally leftist support for Mitterrand, particularly if rightwing extremists were believed to be provoking violence. [Redacted]

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