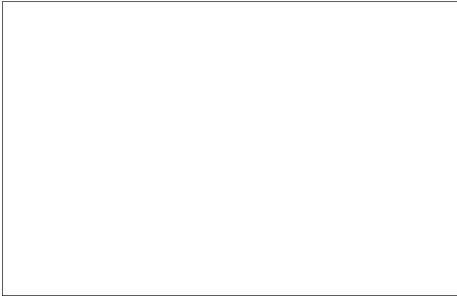




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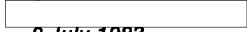
CY# 285

National Intelligence Daily

*Friday
8 July 1983*

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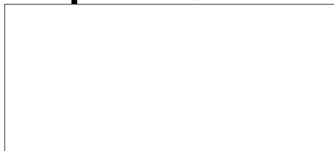


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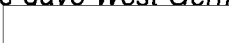


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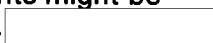


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USSR-WEST GERMANY: Discussions on INF

Soviet leaders gave West German Chancellor Kohl no sign of flexibility on INF. 

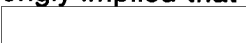
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Officials in Kohl's delegation say there was no indication during the talks on Tuesday that Moscow was willing to concede any US deployments. The Soviets maintained that SS-20s were needed to balance existing British and French systems. Defense Minister Ustinov indicated that a Soviet response to US deployments might be a lifting of its self-imposed freeze on SS-20 deployments. 


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The West Germans claim, however, that the tone of the private talks was more moderate and businesslike than Premier Tikhonov's dinner speech on Monday and other public Soviet statements during the visit would suggest. They asserted the Soviets hinted that some sort of understanding could be reached if deployments were postponed and that Moscow might be willing to drop the nuclear-capable aircraft issue and concentrate on missiles at the Geneva talks. The Soviets reportedly made no specific threat to break off the talks if deployments proceed. 

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The US Embassy in Moscow reports that *Pravda's* assessment of the discussions held on Tuesday was a forceful reiteration of the USSR's position on INF. It strongly implied that Kohl had not been swayed by Soviet arguments. 

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Comment: The Soviets' apparent belief that the visit was unlikely to produce any movement in the INF debate evidently has been borne out. They still appear to hope, however, that there is some chance of delaying INF deployment and thereby killing it. Soviet media commentary has criticized Kohl's consistent defense of the US position but has not been so harsh as to suggest a decline in Soviet-West German relations. 

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EL SALVADOR: Status of Government Offensive

The Army believes that the northern and central areas of San Vicente Department are now clear of guerrillas, and it plans to shift its attention to western Usulután Department. [Redacted]

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[Redacted] a battalion of elite government troops is to begin a sweep today west of Berlin in coordination with two battalions that are moving north from the Tres Calles area. Other units are being deployed on the western side of the Rio Lempa, in San Vicente Department, and along the Inter-American Highway to block and ambush fleeing guerrilla forces. Smaller government units will continue to patrol in northern San Vicente. [Redacted]

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The guerrillas, meanwhile, continue to receive and distribute military supplies in preparation for future operations. [Redacted]

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[Redacted]

Comment: Government casualties in San Vicente were light, because guerrilla units generally avoided combat and abandoned their base areas before the government troops arrived. A slow and halting execution of the Usulután operation may again allow the guerrillas to evacuate the area if they choose. Their continued acquisition of arms and ammunition, however, suggests they still plan to strike hard elsewhere. [Redacted]

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CHAD: Government on the Defensive

The government's position in the east continues to erode, and the Libyan-backed dissidents are preparing to attack Abeche soon. [Redacted]

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Almost all of President Habre's forces are withdrawing from Biltine toward Abeche. Biltine is the government's last defensive position before Abeche. [Redacted]

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[Large Redacted Block]

Comment: The prospects are dim for a successful government defense of Abeche. Habre's troops have been falling back since their major defeat at Faya-Largeau on 24 June, and they are facing shortages of arms and other equipment. [Redacted]

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The withdrawal of Habre's tribesmen from Abeche may portend growing ethnic splits and serious command and control problems. If tribal tensions continue to mount, government troops could break into rival factions. Moreover, new losses in the east are likely to continue to undermine military morale. [Redacted]

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INTERNATIONAL: Reactions to US Decision on Steel

The EC and Canada may retaliate against the US for placing quotas and countervailing duties on specialty steel imports. [Redacted]

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The principal EC trade policy committee is meeting today to consider a response. EC spokesmen said that the Community may decide to press Washington for trade concessions on other products by asking for compensation under GATT rules. Some EC officials are threatening retaliatory tariffs on US products if no accommodation is forthcoming. [Redacted]

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Atlas Steel, Canada's largest producer of stainless steel, has announced it will ask Ottawa for retaliatory duties on specialty steel imports from the US. Canada imports four times more US specialty steel than it exports to the US. [Redacted]

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In Japan, officials in the Ministry of International Trade and Industry have ruled out a GATT complaint. They also have said, however, that they would seek clarification on how quotas would be divided among countries. Last year Japan exported only \$30 million in specialty steel to the US. [Redacted]

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Comment: Industrial countries are reacting negatively because the new US restrictions reinforce their fears of increasing US protectionism. Moreover, their officials believe that the US violated the free-trade pledge made at Williamsburg. [Redacted]

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The economic impact of the US measures will be small. For the EC, the value of affected trade amounts to only \$170 million, or 0.4 percent of total EC exports to the US in 1982. Nevertheless, these new measures will affect some West European companies already hurt by weak demand and by restrictions on carbon steel and military equipment containing specialty metals. [Redacted]

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In Western Europe, French calls for additional EC protectionism may fall on more receptive ears. Canadian Prime Minister Trudeau probably will give a sympathetic hearing to the industry's complaint, partly to strengthen his government's popularity. Japan is unlikely to retaliate for fear of intensifying trade disputes with the US. [Redacted]

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MEXICO: Reining in Labor

President de la Madrid's toughness in dealing with crucial labor groups may serve to push problems with unions back several months.

[Redacted]

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Official labor unions have remained quiet in recent weeks despite the administration's unwillingness to make major concessions on wages. Pressure from organized labor has been strong and some businesses were prepared to concede more, but de la Madrid allowed minimum wages to rise only 15.6 percent in June. This increase lags far behind the rise in the cost of living. [Redacted]

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The President also has taken a hardline stance with Communist-dominated unions. According to press and US Embassy reports, a monthlong strike by nonacademic employees of the National University—Mexico's largest Communist-led labor organization—ended last week without a pay increase for the strikers. [Redacted]

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The administration was inflexible during bargaining sessions and was prepared to rule that the strike was illegal and to terminate the workers' contracts. Members of another leftist union were undercut by the announced liquidation of the government-owned company they were striking. [Redacted]

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Comment: De la Madrid's maneuvers will increase confidence in his ability to handle challenges to the system without resorting to repression. Although government-affiliated labor unions are disappointed over the continuing fall in real wages, they are unlikely to threaten new strikes until fall. [Redacted]

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The moves against leftist unions are the strongest in recent years. They put opposition leaders on notice that disruptive demonstrations will not be tolerated, and they probably will set back opposition efforts to build links with labor. [Redacted]

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The President's clear message to workers that nonconformity will be punished should help uphold the status of Fidel Velazquez and other progovernment labor leaders. Nonetheless, declining economic conditions will make peaceful government-labor relations difficult to maintain. [Redacted]

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YUGOSLAVIA: Western Aid Conditions Approved

The federal government earlier this week won a major victory in securing regional agreement to strengthen central financial controls.

[Redacted]

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A lengthy federal assembly session passed three laws to carry out federal guarantees for repayment of the Western financial aid package. The National Bank in particular will play a greater role in foreign debt management and in the distribution of foreign exchange.

[Redacted]

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Prime Minister Planinc asserted there was no acceptable alternative to meeting Western bank conditions on loan repayments. She predicted economic prospects would remain difficult through 1989—four years longer than previous forecasts.

[Redacted]

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The laws were opposed by regional politicians, who regard any reconcentration of authority in Belgrade as a threat. The intensity of the fight embarrassed some federal leaders. Critics called the Western insistence on federal guarantees interference in internal affairs and questioned the leadership's ability to defend Yugoslav sovereignty.

[Redacted]

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The US Embassy reports that at one point Deputy Premier Dragan, Yugoslavia's chief negotiator and the cabinet's leading advocate of economic reforms, was nearly forced to resign. He had to go to Slovenia to argue the government's cause before his home republic grudgingly accepted the new measures.

[Redacted]

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Comment: The federal officials used a great deal of political capital in securing the passage of these laws, and they presumably made some behind-the-scenes deals. The leadership in Belgrade will have an even tougher fight on its hands when the government presents its long-term economic stabilization program later this year. The regional leaders will be anxious to prevent any further erosion of their authority.

[Redacted]

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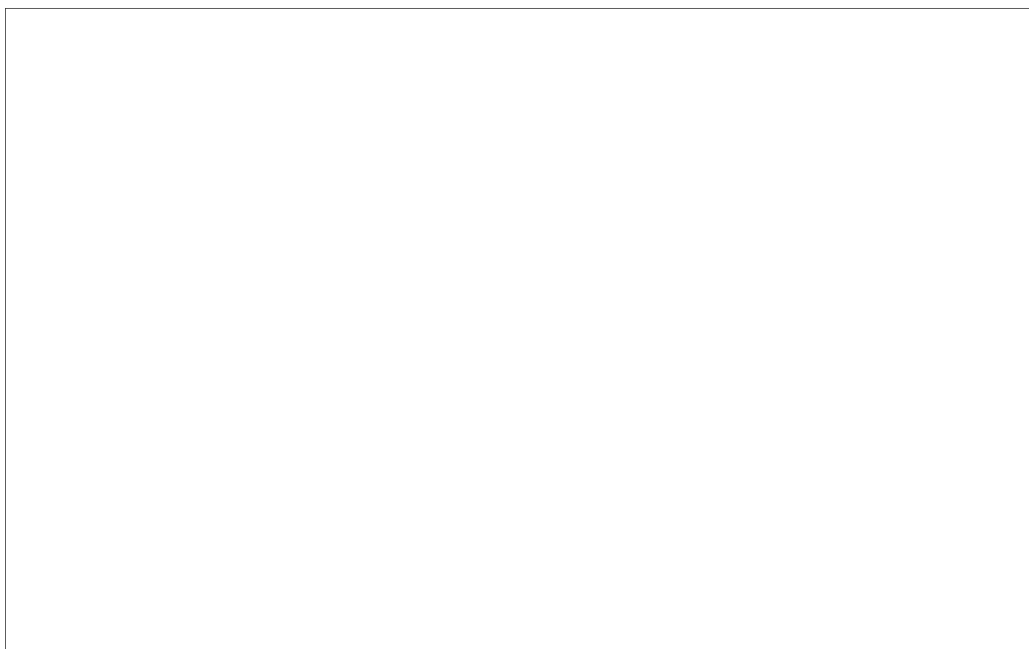
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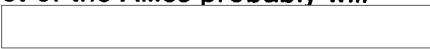


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NATO-POLAND: Awaiting a Move by Warsaw

At NATO meetings earlier this week, most of the Allies resisted an earlier proposal by the US for national demarches to Warsaw calling for the release of political prisoners in exchange for beginning talks on debt rescheduling. The West Europeans raised no objections to the planned unilateral US demarche to Poland. Although the West Germans said they had already spoken to the Poles, the other Allies said they would make no parallel moves unless approached by Warsaw. 

25X1

Comment: The Allies are likely to fear that hints of a softening of the West's position at this time would weaken Premier Jaruzelski's incentive to lift martial law, which they believe may occur by 22 July, Poland's National Day. At the same time, they are reluctant to link rescheduling to the internal situation in Poland. When Poland's Western creditors meet on 25 July, most of the Allies probably will support consideration of rescheduling. 

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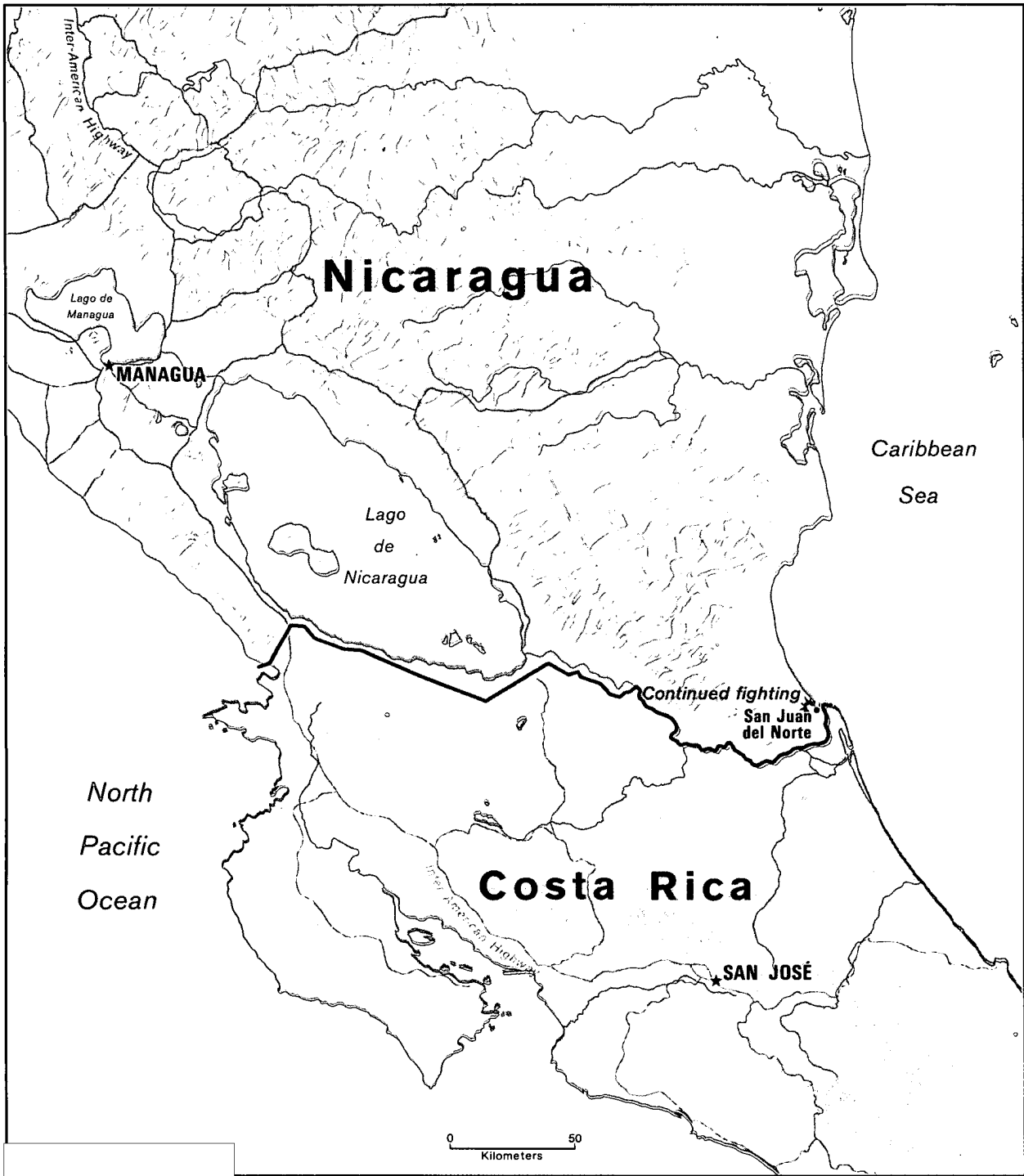
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NICARAGUA-COSTA RICA: Sandinista Protest

Managua has issued a protest requesting that San Jose prevent insurgents from launching further attacks from Costa Rican territory. Spokesmen for guerrilla chief Eden Pastora earlier this week said his forces still had the town of San Juan del Norte under siege. A Costa Rican official confirms that the insurgents released about 40 Sandinista prisoners to the Red Cross at the Costa Rican border. Meanwhile, the Sandinistas have announced plans to evacuate some 500 families from the border area. [REDACTED]

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Comment: The Sandinistas evidently are putting up a strong defense of San Juan del Norte. The town would be useful to Pastora as a logistic base, and a victory there also would encourage his supporters. Sandinista measures to remove families from the area probably will increase the flow of refugees to Costa Rica, thereby adding to the tension between Managua and San Jose. It also may increase opposition in Costa Rica to President Monge's permissive policy toward anti-Sandinista activity in the country. [REDACTED]

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25X1**PANAMA: Foreign Policy Differences**

Foreign Minister Amado apparently has moved to soften the tough position adopted by National Guard Commander Paredes in Costa Rica last week. Amado has publicly suggested that Paredes's comments criticizing Cuba and Nicaragua for their involvement in Central America represent neither a threat nor a change in Panamanian policy. The US Embassy reports that conservative supporters of Paredes may have urged him to take the more outspoken line. Panama's extreme left is criticizing the statements, vowing to continue its revolutionary struggle in the region. [REDACTED]

25X1

Comment: The conduct of foreign policy continues to be diffused among several civilian officials and Guard officers. Amado's action probably reflects fears in the Foreign Ministry that Paredes's statements would undermine Panama's neutrality, including its role in the Contadora peace initiative. Despite leftist criticism of Paredes for his interference in policy-related matters, his tough anti-Communist policy is likely to strengthen support for his presidential aspirations among conservatives. [REDACTED]

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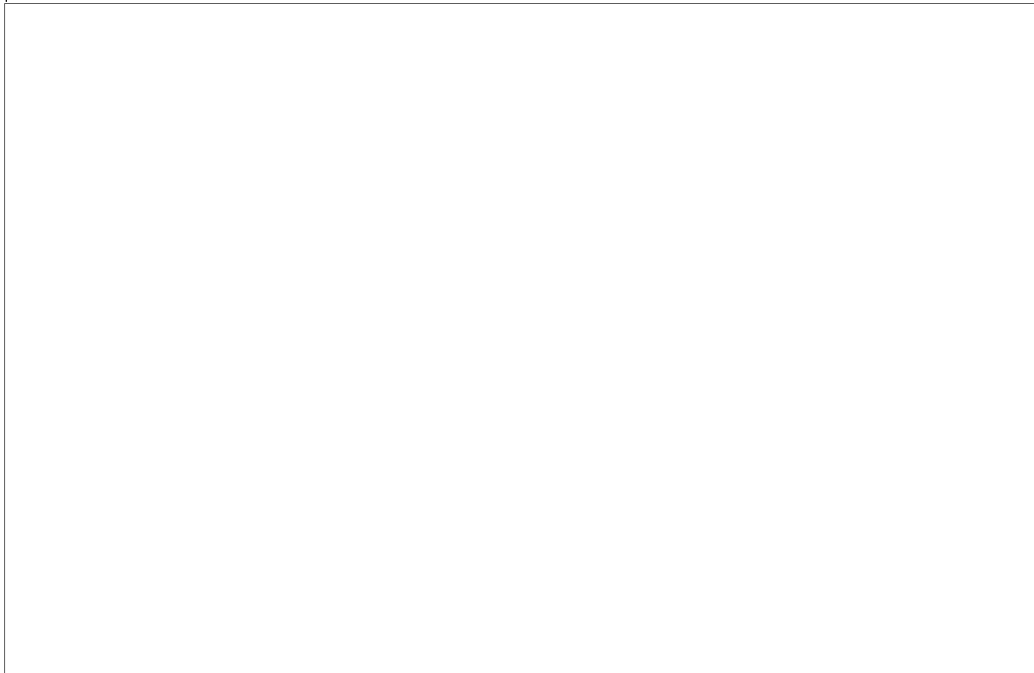
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SWITZERLAND-USSR: Soviet Official Expelled

Swiss security officials have confirmed that the Justice Ministry has ordered the expulsion of the Soviet Vice Consul in Geneva for collecting political, economic, and scientific information. [Redacted]

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Comment: The Vice Consul has been identified as a member of the KGB, and his activities suggest that he was a science and technology officer. He is the fifth Soviet official to be expelled from Switzerland this year, but the first accused of scientific and economic espionage. Well-publicized expulsions this year suggest a tougher Swiss security policy and heightened government concern over the 650 Soviet diplomats in Geneva. [Redacted]

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Special Analysis

CHILE: Both Sides Regrouping

The third national day of protest, scheduled for next Tuesday, will be a more nearly true test of the opposition's strength than previous demonstrations. Both the government and the opposition have suffered setbacks and are reevaluating their strategies. Political party and union leaders will have to foment widespread protests throughout the summer, however, to weaken the strong backing President Pinochet is receiving from the Army and to force him to adopt a more rapid transition to democracy. [redacted]

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In May and June the opposition mobilized demonstrators mainly from the middle class—including many former government supporters—to stage largely nonviolent protests over high unemployment, the country's huge foreign debt, and the record number of bankruptcies among farmers and industrialists. The protests also reflected impatience with President Pinochet's timetable for returning to civilian rule in 1989. In addition, the opposition made it clear that it wants the government to authorize the return of thousands of exiles. [redacted]

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The opposition lost its momentum late last month when a walkout by copperworkers and an attempt at a national strike—called to protest the arrest of the president of the Copperworkers' Confederation—collapsed quickly. Preparations were poor, backing from political coalitions was weak, and the government arrested protest leaders, fired strikers, occupied mines, and censored the press. [redacted]

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At the same time, Pinochet made some concessions aimed at undercutting support for the opposition. The government announced wage increases for public employees, granted debt relief for farmers and small businessmen, authorized the return of 126 exiles—including several prominent opposition leaders—and promised citizens they could soon make a greater contribution to the legislative process. Most of the copperworkers fired for striking were rehired, and the Interior Minister—a hardliner—met with labor leaders to discuss their grievances. [redacted]

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Pinochet coupled these concessions with a warning that a third national protest would not be tolerated. The caution was reiterated by the new garrison commander in Santiago, who apparently was appointed because his predecessor was unwilling to use troops to

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repress the protest last month. When the National Union Coordinating Group—a major labor confederation—announced its support for the protest yesterday, security agents promptly raided its headquarters and arrested five leaders. [Redacted]

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Strategies Under Review

Both sides seem to be reevaluating their positions. [Redacted]

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[Redacted]

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The President has no long-term strategy. [Redacted]

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[Redacted]

The opposition groups, which coalesced in early spring, now are troubled by lack of cooperation between labor groups and political parties and by friction among the parties. Many labor leaders were disappointed by the lack of support from political leaders during the strikes. [Redacted]

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Some younger union leaders believe the opposition parties have been inept in dealing with Pinochet and that only labor actions have induced the government to pay attention to opposition demands. In the aftermath of the strikes, unions are focusing their attention on their separate interests—copperworkers are seeking to have their president released and all fired miners rehired while truck owners are emphasizing debt relief. [Redacted]

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The political coalitions, which believe the strikes were premature and ill advised, are trying to reestablish themselves as the leaders of opposition activities. The National Development Project and the Christian Democratic Party are the major organizers of the protest set for next Tuesday. [Redacted]

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Outlook

Both political coalition leaders and unionists will try to renew their cooperation. [Redacted]

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The opposition still hopes to persuade the military to press Pinochet to make concessions or, failing that, to remove him from power. US Embassy and attache reports, however, indicate that the Army's support for Pinochet remains solid. [Redacted] press accounts, on the other hand, generally suggest that his support among the more liberal but less influential Navy and Air Force officers may be slipping. [Redacted]

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The President's continued refusal to undertake some substantial political reforms and economic adjustments are increasing the likelihood of confrontations between the government and the growing opposition. To undermine the backing Pinochet is receiving from the Army, however, the demonstrations would have to be much larger and more widespread than they have been so far. If this occurs, Pinochet probably would be urged by the military to adopt a shorter transition timetable, accelerate the return of exiles, and revise his economic policies. Refusal would risk removal from office by the military. [Redacted]

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