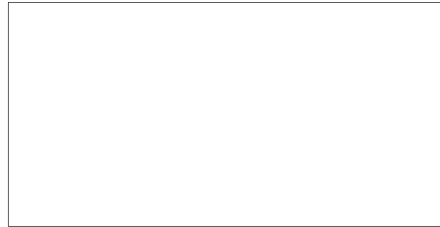




**Director of
Central
Intelligence**

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*Tuesday
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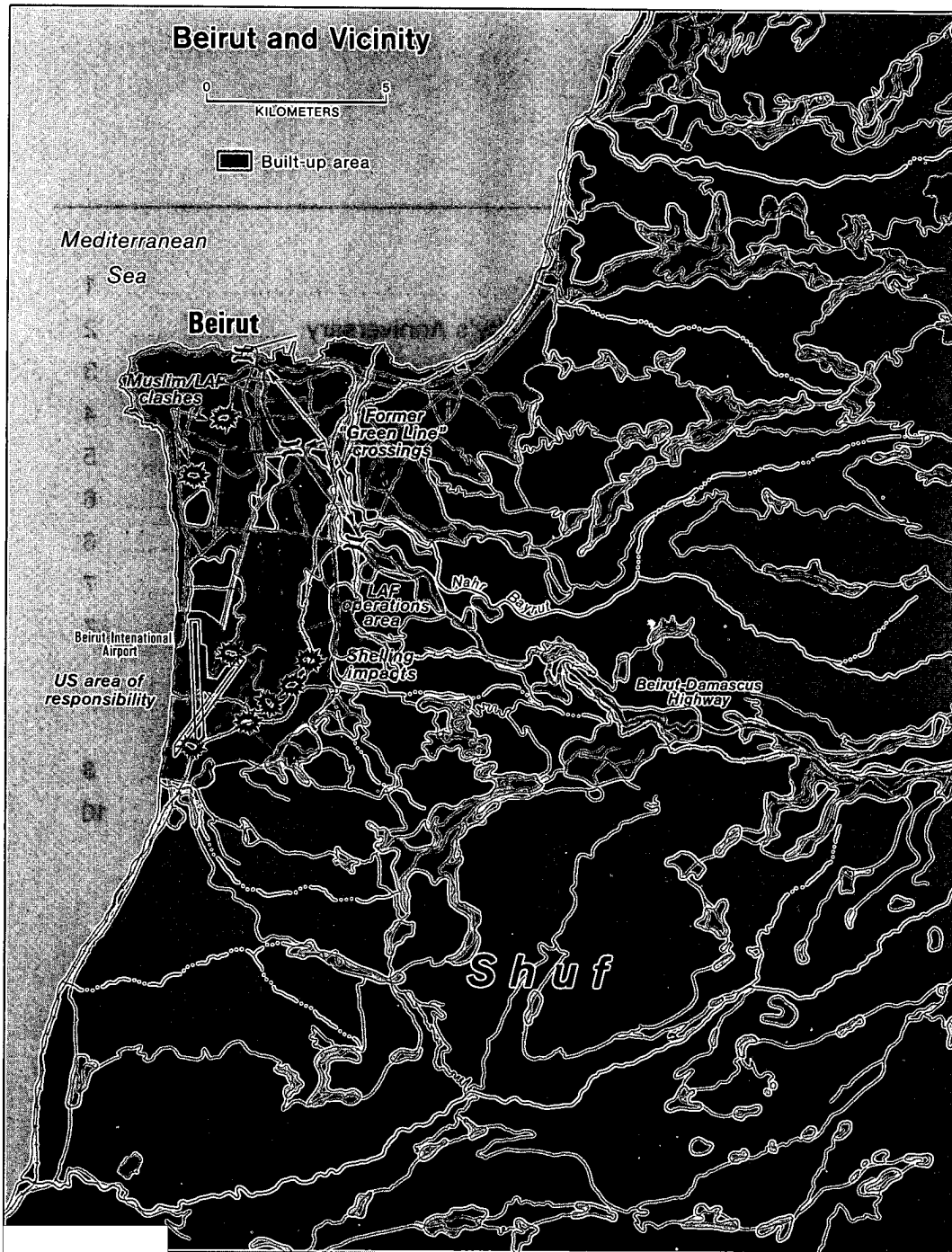
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LEBANON: Fighting in Beirut

The Lebanese Government's deployment of three Army brigades to south Beirut yesterday is likely to reinforce popular perceptions of President Gemayel as inept and increasingly desperate. 

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In the several hours of intense fighting that resulted, Beirut International Airport and US Marine positions came under heavy shelling from several points. Two Marines were killed and several wounded. The Lebanese Army halted its operations in the early afternoon. 

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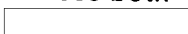
Clashes between Muslim militias and Lebanese Army units continued throughout the day in West Beirut. 



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Comment: The government may have hoped its use of force would discourage violence such as the small arms firefight on Sunday between Shia Amal forces and the Lebanese Army. Instead, the chances of further fighting have increased, and more clashes are likely to result in the closure of crossings between East and West Beirut. 

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If the Army becomes entangled in fighting with Muslim militias in Beirut, Army Commander Tannous probably will not send troops into the Shuf when the Israelis withdraw. The Army would have difficulty fulfilling its mission in the Shuf, and an attempt to commit forces both there and to Beirut is likely to be beyond its capabilities. 



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POLAND: Preparing for Solidarity's Anniversary

The authorities are using both persuasion and intimidation to hold down demonstrations tomorrow commemorating Solidarity's third anniversary. []

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The official media on Saturday took the unusual step of carrying extensive excerpts from a debate between former Solidarity chief Walesa and Deputy Premier Rakowski at the Lenin shipyards. The media reported Walesa's defense of Solidarity and his call for renewed dialogue as well as Rakowski's statement that there would be no return of Solidarity. []

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Walesa later told Western journalists that he had informed the authorities in Gdansk that tomorrow he would place a wreath at the monument outside the shipyards and would address others who might be present. The regime has mobilized extra police for this and other possible demonstrations. It also has arrested at least several hundred potential troublemakers, according to US Embassy contacts, and employed massive shows of force in Warsaw and Gdansk. []

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Polish bishops, in a carefully worded communique, have urged the regime to begin a dialogue and to resolve the question of amnesty for martial law offenders and other issues. Some local priests have endorsed participation in the planned boycott tomorrow of public transportation. []

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The US Consul in Poznan reports that workers remain angry but that they lack leadership and are not prepared to take on the regime. Several workers in a factory known for its militancy doubt there will be demonstrations tomorrow even though they hope some will occur. []

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Comment: The government's airing of the debate between Walesa and Rakowski may be intended to show it no longer fears Walesa and that it is confident it can control the streets. The regime also may hope that some will interpret it as a sign it is willing to talk with its critics. []

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Rakowski's comments clearly demonstrate, however, that the authorities are not willing to soften their attitude toward Walesa or Solidarity. The authorities also may be hoping to gain some credibility for the media. []

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CHILE: Conciliatory Moves

The government's concessions to the opposition have improved the atmosphere for negotiations, [Redacted]

[Redacted]

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Interior Minister Jarpa, following discussions with moderate opposition leaders, has authorized the return of more exiles, ended a five-year-old state of emergency, and announced that the government will soon offer a plan for legalizing political parties. Opposition leaders have acknowledged that these moves represent some progress, but they are making additional demands and still plan a fifth day of national protest on 8 September. [Redacted]

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[Redacted]

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Comment: President Pinochet may have strengthened his military backing by authorizing the concessions. He also has created a more positive atmosphere because the concessions, although limited in practical effect, are psychologically significant. Nonetheless, Jarpa has already indicated that the opposition's demand that Pinochet resign was unacceptable and that the government will not surrender its powers to limit civil liberties. [Redacted]

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USSR-CHINA: Andropov Encourages Dialogue

General Secretary Andropov's positive statements on China seem designed to set the stage for discussions this fall. [Redacted]

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The Soviet leader, in his *Pravda* interview on Friday, hinted at an interest in negotiations with China on arms control matters, and he proposed discussing confidence-building measures that could be taken in the border region. He said the USSR also is prepared for a dialogue on broad international security issues. [Redacted]

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Andropov made no dramatic new proposals and restated that Moscow does not intend to abandon its Vietnamese, Mongolian, or Afghan allies. Nevertheless, he indicated that Moscow will work for gradual improvement in ties with China. In addressing Beijing's concern that an INF accord could mean a redeployment of Soviet SS-20 missiles into Asia, he emphasized that both countries' security concerns could be discussed. [Redacted]

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The initial Chinese reaction has been cool. A Xinhua release on Saturday dismissed Andropov's statements as not substantive and criticized his implied refusal even to negotiate on the issues of Afghanistan and Kampuchea, two of China's three demands. The Chinese have rejected previous Soviet offers to discuss confidence-building measures and international security issues. [Redacted]

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Comment: Andropov's remarks on China—his first in public since he became General Secretary—probably outline the USSR's agenda for extensive bilateral consultations during the next two months. These include the visit to China next week of Deputy Foreign Minister Kapitsa, the first discussions by the two Foreign Ministers at the UN in over 20 years, and the resumption of political consultations in Beijing in October. [Redacted]

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The remarks seem to have been prompted partly by the recent improvement in Sino-US ties and by Secretary of Defense Weinberger's coming visit to China. Andropov, perhaps primarily for the Soviet domestic audience, stressed the urgent need to improve relations in view of the USSR's problems with the US. He also expressed confidence that Moscow and Beijing are agreed on the need to strengthen peace and thus free resources for domestic economic programs. [Redacted]

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URUGUAY: Troubled Transition

Political parties, despite a ban on political activities, are organizing domestic and international campaigns to promote the transition to civilian rule, scheduled for 1985. [Redacted]

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The main issue is the future role of the military. Over 200 people were briefly detained for taking part in antimilitary gatherings, student demonstrations, and nonviolent protests this month—the first in 10 years of military rule. Church leaders have increased their support of the transition. [Redacted]

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In addition, major party leaders have elicited statements of solidarity from Argentine counterparts and are planning trips to Europe and the US to gain support. These efforts are intended to test the government's ban early this month on political activity. [Redacted]

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President Alvarez has given no sign that he is willing to relax the ban. It is partly designed to intimidate politicians into granting the military freedom of action on security-related issues and to concede it a political role under a future civilian regime. [Redacted]

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[Redacted]

Comment: Although the political parties have wide popular support, their organizations have atrophied during military rule, and they probably will require at least several months to become effective again. Alvarez's support is somewhat limited in all the armed services. He is having to settle for a working consensus that the military should enjoy enough authority under a civilian regime to prevent a repetition of the leftist terrorism that developed in the early 1970s. [Redacted]

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Majorities on both sides appear to recognize the risks of protracted uncertainty, and they are likely to try to get talks going again soon. The lack of strong leadership on either side and the military's refusal to reduce its demands, however, suggest the process will continue to be difficult. [Redacted]

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PHILIPPINES: Precautions for Aquino's Funeral

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Comment: The government recognizes that the funeral could occasion widespread violence and unrest, but it probably will try to mollify the public by allowing limited demonstrations. [Redacted]

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[Redacted]

opposition leaders are trying to restrain radical elements in their own ranks from fomenting violence. It appears that both the government and the moderate opposition will try to avoid clashes that would be likely to result in repressive security measures. [Redacted]

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USSR-FRANCE: Gromyko Plans Visit

TASS announced on Sunday that Foreign Minister Gromyko is to visit Paris early next month. The French press reported yesterday that the visit is to take place next Monday and Tuesday. A presidential foreign affairs adviser says Paris wants Gromyko to stop on his way to CSCE closing ceremonies in Madrid, rather than arrange a special visit, to balance French Foreign Minister Cheysson's visit to Moscow last February. The adviser also says that President Mitterrand is likely to meet with Gromyko. [Redacted]

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Comment: This will be the first high-level French-Soviet meeting since France expelled 47 Soviets accused of espionage in April. The Soviets almost certainly will use the visit to try to persuade Paris to change its position on INF, particularly its refusal to allow French nuclear forces to be counted at the Geneva talks. Despite that issue and others straining bilateral ties, Gromyko presumably also will try to cultivate better relations. [Redacted]

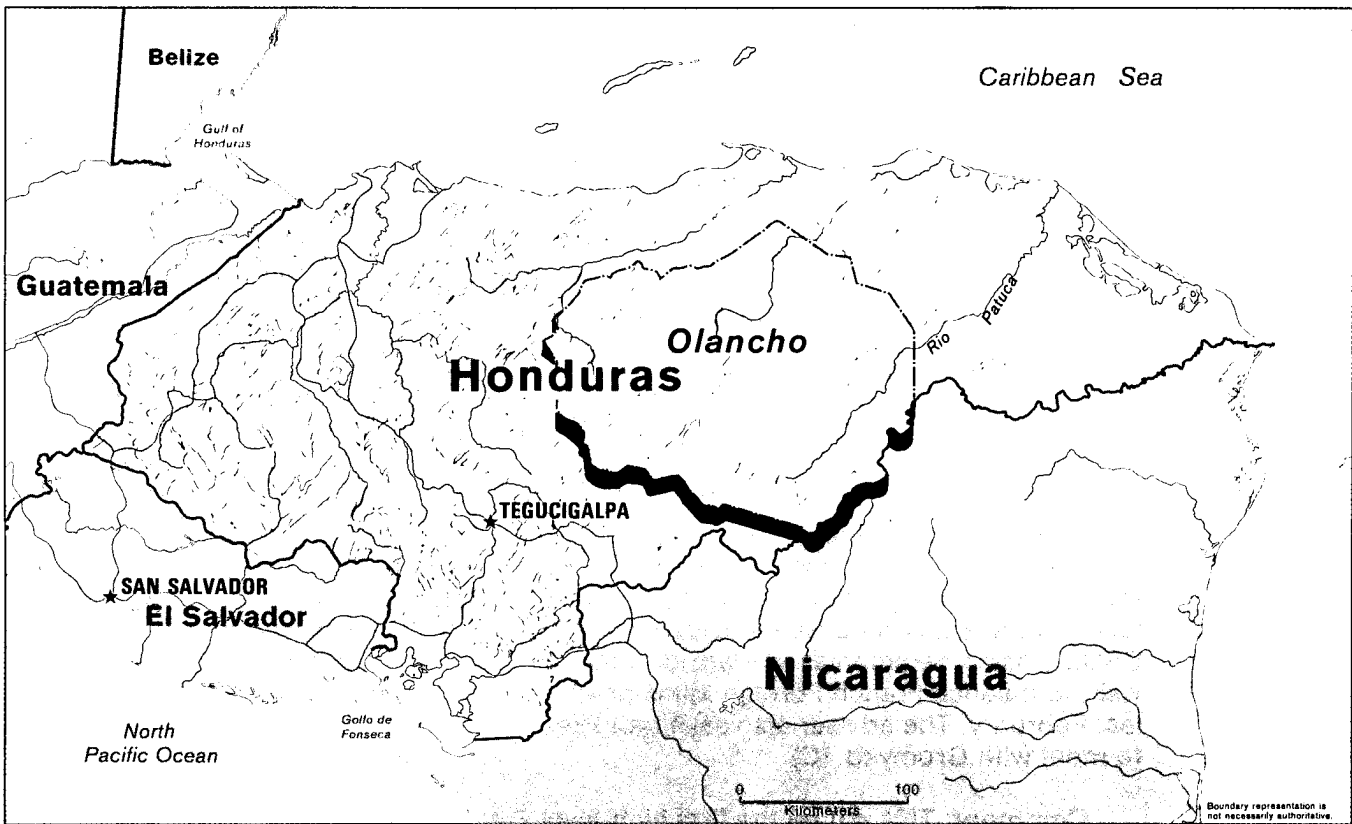
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HONDURAS: Counterinsurgency Operations

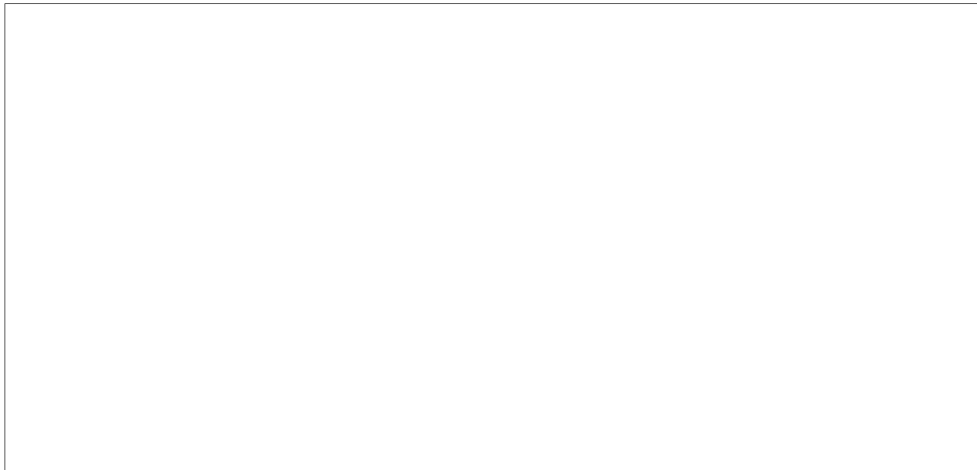
A Honduran Army counterinsurgency operation near the Nicaraguan border has captured several guerrillas from a group of over 100 who reportedly infiltrated into Olancho Department from Nicaragua last month. [Redacted] the prisoners all say they were trained in Nicaragua and Cuba. The Army is continuing its efforts to round up the remaining insurgents, who are said to be demoralized and hungry. [Redacted]

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Comment: The apparent attempt by Cuba and Nicaragua to start an insurgency in Honduras is doing poorly. The Army is taking effective action, and the remaining guerrillas pose little threat to internal security. Nevertheless, the Sandinistas are likely to continue sending trained insurgents into Honduras in order to put pressure on the government. [Redacted]

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Benigno Aquino



Ferdinand Marcos



The press has characterized Benigno Aquino as a man committed to democratic processes and integrity in government, but his political career shows that he was an opportunist, was frequently duplicitous, and was consumed with ambition to run the Philippines. The military distrusted Aquino because of his contacts with opponents of Marcos in the US and with Philippine Muslim rebels based in the Middle East. The business community doubted that Aquino could assure the political stability required for a healthy business environment. Like Marcos, Aquino switched parties when he found it advantageous. Both men came from provinces with traditions of political violence and both took part in it.


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Special Analysis

PHILIPPINES: Impact of the Assassination

The assassination of Benigno Aquino will make it more difficult for President Marcos to maintain internal stability at a time when he already faces major decisions about the economy and the coming National Assembly elections. Marcos also wants to insulate relations with the US from the fallout Aquino's death may produce, but he probably believes that bilateral relations are in for rough going in the months ahead. Over the longer run Aquino's murder almost certainly will polarize domestic politics by reducing the incentives for Filipinos to work within the system. [redacted]

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Since April, the country's external finances have become increasingly precarious. A restructuring of its \$23 billion in foreign debt is needed to prevent Manila from falling behind in its payments in the next year. The Central Bank has few liquid funds, and its short-term debt of \$2.5 billion requires immediate attention. [redacted]

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Smaller US and West European banks are likely to view Aquino's death as an alarm signal and further reduce credit lines to Philippine borrowers in an effort to reduce risk. Manila has been sounding out US officials for emergency financial assistance since early June, and its efforts probably will intensify at the first sign of critical payments problems. [redacted]

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Marcos also has to prepare for National Assembly elections next May. The elections will be an internationally recognized test of his willingness to liberalize domestic politics and strengthen the center of the political spectrum. His challenge is to find a way to ensure a victory by the ruling party, induce participation by moderate members of the opposition, and appear fair in setting the election rules. [redacted]

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Relations With the US

In addition, Marcos is aware that considerable international attention will be focused on President Reagan's visit in November. He had expected to use the occasion to improve his status as a statesman and put the stamp of legitimacy on his government. Marcos now almost certainly fears that events connected to Aquino's death will force cancellation of the visit. [redacted]

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The President is likely to believe that his opponents in the US will seek to persuade their contacts in the US Government that Washington should cool its relations with Manila and try to promote demonstrations in several US cities. In addition, Marcos presumably expects the recently concluded review of the Military Bases Agreement with the US to come under special scrutiny when Congress considers it this fall. [Redacted]

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Short-Term Outlook

If Marcos's past record is any guide, he will maintain tight security but stop short of moves that would provoke a popular backlash. There has been little violence so far, and Filipinos show little inclination for organized political protest. Any use of heavyhanded tactics by the government in the aftermath of Aquino's death would further damage confidence in the government at home and abroad. [Redacted]

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Although Manila seems likely to weather the next few weeks, the assassination will permanently change domestic politics. Press reports say that the Communist Party has offered to support moderate opponents of the regime in an effort to inflict maximum damage on the government. Even if this offer is not accepted, new bridges are likely to be built among Marcos's diverse opponents, and this does not bode well for internal stability. [Redacted]

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The US Embassy reports that radicals are making considerable progress through propaganda approaches to young people. They are arguing that, because Marcos plotted the death of Aquino, legal political activism is pointless. The radicals claim that they are the only alternative, and this message is winning them new recruits. [Redacted]

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The opposition currently does not have the power to bring down the government, but its future prospects will depend heavily on whether it can overcome its internal divisions and present a united front. If the moderates boycott the election, they could lose their chance to play a role in the country's political future. [Redacted]

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Special Analysis

CHAD: Prospects for a Federation

French President Mitterrand probably has no definite plan for a federation in Chad, but various parties have proposed the idea in the past as a means to resolve the decades-long strife among Chad's warring factions. The French are likely to envision a federal structure that would provide considerable regional autonomy and a weak central government as the basis for a compromise among the 11 or so factions. [Redacted]

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Chad could be divided into zones, each of which would be controlled by one of the factions. Factional armies might be converted into provincial police forces, with each required to supply some men for a small "integrated" army. [Redacted]

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Each zone and faction presumably would be represented in the national government, with major groups likely to have a strong voice in national development, defense, and foreign affairs. A chief executive might be elected through a weighted voting system similar to the US electoral college. [Redacted]

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The government-in-exile of dissident leader Goukouni has publicly condemned federation. In pursuing the idea Mitterrand also will have to overcome the stiff resistance of President Habre, who is committed to regaining his home territory in the north. If the scheme gains momentum, Habre probably will look to the US for help in resisting French pressure. [Redacted]

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Obstacles to Federation

Even if the idea of a federated Chad were acceptable to the various Chadian elements and concerned African states, there would be many obstacles to its realization. Chad would have to jettison its colonial inheritance of a highly centralized administrative structure for an unfamiliar federal type of system similar to the one in Nigeria. The Nigerian system has taken decades and considerable bloodshed to evolve. [Redacted]

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Moreover, Chad's meager resource base is centered on cotton growing in the southern and central areas, and, under a federation, a revenue-sharing formula would have to be developed and enforced. A federation also would have to be propped up by massive international aid and presumably by supervisory forces provided by the OAU, UN, or individual African countries. [Redacted]

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A federated Chad might allow Libya to retain hegemony over the north. In addition, if a pro-Libyan faction ended up controlling eastern Chad, Tripoli would be in a good position to infiltrate Sudanese dissidents to their homeland. [Redacted]

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Short-term prospects for federation depend on France's ability to convince representatives of Chad's principal factions to sit at the bargaining table. Paris also has to gain widespread endorsement in Africa for a federation. Many Africans almost certainly would resist what would amount to the de facto partition of an OAU state. [Redacted]

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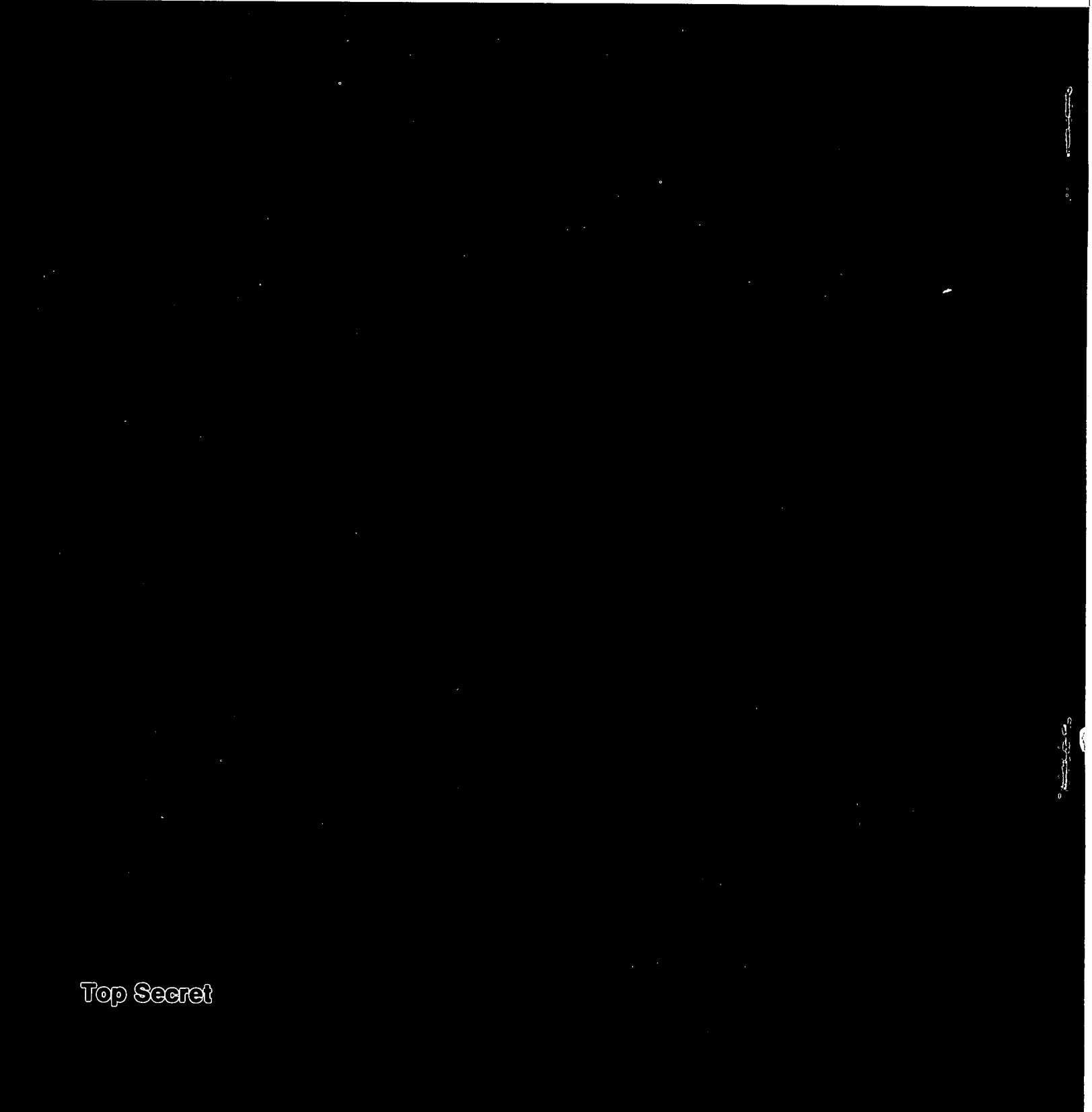
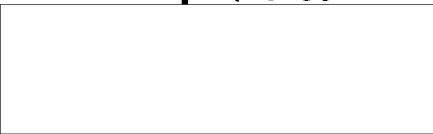
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