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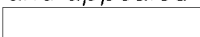
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USSR-US: Andropov's Remarks on Foreign Policy

General Secretary Andropov, in an emotional and highly defensive statement released yesterday, led off with a direct personal attack on President Reagan in an attempt to counter the impact of the President's address at the UN and appealed to West Europeans to oppose US INF deployments. 


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Andropov dismissed as illusory any expectations that the US Administration would change its "militarist" policy. He called the airliner incident a provocation and an example of "extreme adventurism" by the US. Andropov assured the Soviet people that the USSR's defenses were such that anyone would be "ill-advised" to test them. 


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In a more moderate tone, the Soviet leader also suggested that it would be in the self-interest of West European politicians to reject deployment of US missiles. At the same time, however, Andropov's statement contained no threat to walk out of the negotiations at Geneva and only a highly generalized allusion to Soviet countermeasures if INF deployments proceed on schedule. 

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Comment: Andropov's statement appears designed to offset the impact of the shutdown incident and the President's offer on arms control by portraying the USSR as the less intransigent party in the Geneva talks. His curt dismissal of any prospects for a change in US policy—his most emphatic statement on that score to date—suggests an effort to reinforce this message. His insinuation that Soviet military power serves to check US "adventurism" may have been aimed in part at justifying to the Soviet public the downing of the airliner. 

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The statement also probably was intended to demonstrate that Andropov is firmly in charge. Until now, the civilian leadership's silence on the airliner crisis had been broken only by brief restatements of Moscow's official position by Defense Minister Ustinov and Foreign Minister Gromyko. This prompted speculation in the West—and perhaps also in the USSR—that there was uncertainty or disarray in the leadership. 

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USSR-US: Potential for a Naval Incident

Harassment by Soviet naval ships, which have been aggressively monitoring US search efforts in the Sea of Japan for the South Korean airliner's flight recorders, increases the possibility of an incident. [Redacted]

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Over 20 Soviet surface ships have moved since Tuesday from their previous search area into the area where US naval vessels are trying to locate the airliner's recorders. [Redacted]

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There have been several serious violations of the Incidents at Sea Agreement of 1972 involving Soviet and US ships during the search. [Redacted]

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[Redacted]

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The Soviet Defense Ministry on 17 September called in the US naval attache to protest that US ships were maneuvering dangerously close to Soviet vessels in the area. The Soviet military newspaper *Red Star* on Tuesday took a similar line in criticizing US naval activity. It condemned US statements that Soviet ships were trying to thwart US search efforts. [Redacted]

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Comment: Movement of the Soviet ships into the US search area probably reflects Moscow's anxiety that the US may retrieve the recorders with their potentially damning evidence. The Soviets apparently have had no luck in recovering any major pieces of wreckage or equipment from the site. [Redacted]

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Moscow could be trying to provoke confrontation in the hope that the risk of armed conflict would cause the US to abandon the recovery effort. The Soviets also may calculate that they could persuade world opinion that any showdown was caused by provocative US naval activity close to Soviet territorial waters. Their diplomatic demarches and statements in the press suggest that they already have begun to build such a case. [Redacted]

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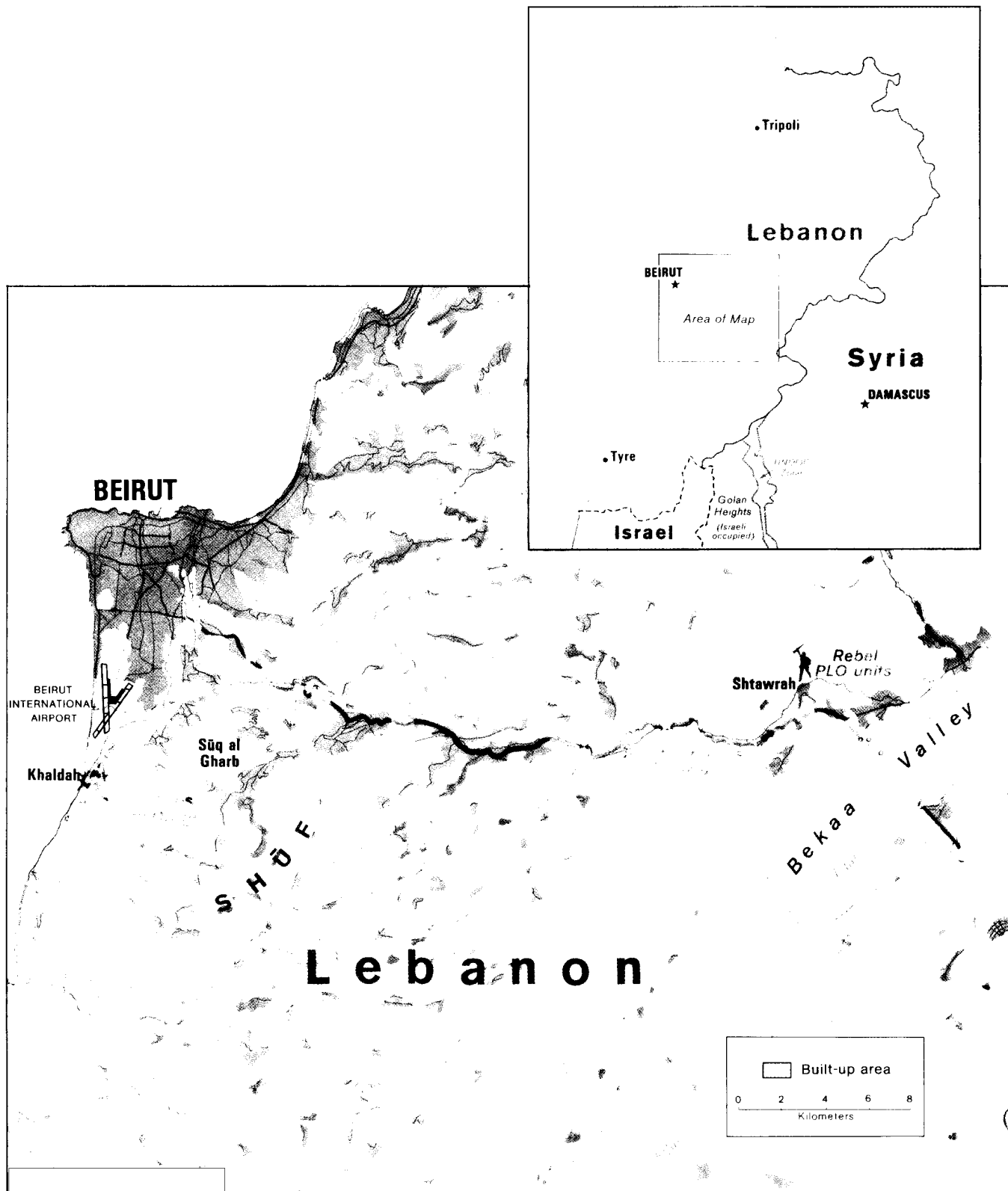
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LEBANON: Cease-Fire Violations

The number of cease-fire violations increased yesterday, and Druze threats to retaliate militarily apparently prompted the government to delay plans to reopen Beirut International Airport. [Redacted]

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Druze gunners shelled Army positions at Khaldah. Shia Amal fighters also exchanged gunfire with Army units in Beirut's southern suburbs. The 180 Army soldiers taken captive by Shia Amal militiamen over the weekend were released Tuesday night. [Redacted]

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A well-informed source of the US Embassy in Damascus says that Syria ordered Palestinian fighters to leave the Shuf region when the cease-fire went into effect on Monday. Rebel PLO units that participated in the fighting at Suq al Gharb have reportedly moved to the town of Shtawrah in the Bekaa Valley, just outside the Shuf. [Redacted]

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Meanwhile, the security committee charged with supervising the cease-fire held its first meeting yesterday. Representatives of the Lebanese Army and the various militias agreed to establish a joint liaison center to oversee the truce, but no decisions were taken concerning the selection of neutral observers. [Redacted]

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Little progress has been made in organizing the national reconciliation conference. The government has proposed that the first meeting be held in Saudi Arabia, but the Saudis are reluctant to host the conference. [Redacted]

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Comment: The reopening of the airport would give the government an important psychological boost. The Druze evidently want to prevent a return to business as usual. They presumably hope to keep pressure on President Gemayel until progress is made on the political issues that were not resolved by the cease-fire agreement. [Redacted]

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Although the Army apparently has maintained control of the checkpoint whose location precipitated the Amal militiamen seizing the 180 soldiers, the incident underscores the ability of the Shia Amal to exercise their power pending a general political settlement. [Redacted]

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Syria is anxious to maintain control over Palestinian units. It probably hopes that, by ordering the Palestinians out of the Shuf region, it can prevent them from breaking the cease-fire. [Redacted]

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Damascus also does not want Palestinians present when neutral observers move into the region. The Palestinians, however, almost certainly will return to Suq al Gharb if fighting resumes. [Redacted]

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BRAZIL: Figueiredo's Eroding Control

Protests against austerity are making it increasingly difficult for President Figueiredo either to enforce economic stabilization or to manage the accelerating process of political liberalization. [Redacted]

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The Congress last week repealed a government decree limiting wage increases, its first veto since the military takeover in 1964. According to the US Embassy, Congress probably will overturn the key wage law that is essential to the IMF-mandated austerity program when the law comes up for review next month. [Redacted]

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Labor, which has been divided and ineffective for the past several years, is resisting austerity. A walkout by as many as 250,000 sugar workers began on Saturday, and 50,000 other persons attended a Church-sponsored protest against unemployment on Sunday. In addition, a new militant group has called a general strike for late next month. [Redacted]

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The conflict over economic policy is affecting the President's control in other areas. Vice President Chaves broke with tradition and declared his candidacy for the presidential election in 1985, rather than wait for Figueiredo's blessing. [Redacted]

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Federal Deputy Maluf, who has a good chance of winning the ruling party's nomination against the President's wishes, recently boasted that he could prevent congressional repeal of the remaining austerity wage law. He indicated the President could not. [Redacted]

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[Redacted]

Comment: The administration could temporarily circumvent Congress by substituting a slightly modified wage decree, or it could offer political and economic concessions in return for opposition support of wage restraint. Defeat of the remaining austerity wage law would endanger the proposed new accord with the IMF and jeopardize further loan disbursements from foreign banks. [Redacted]

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The return to civilian rule is not yet in trouble, and massive social unrest seems unlikely. On the other hand, Figueiredo probably will not be able to name his successor. In addition, he is increasingly likely to have to relinquish power to civilian groups that oppose austerity. [Redacted]

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USSR-LEBANON: Reaction to Cease-fire

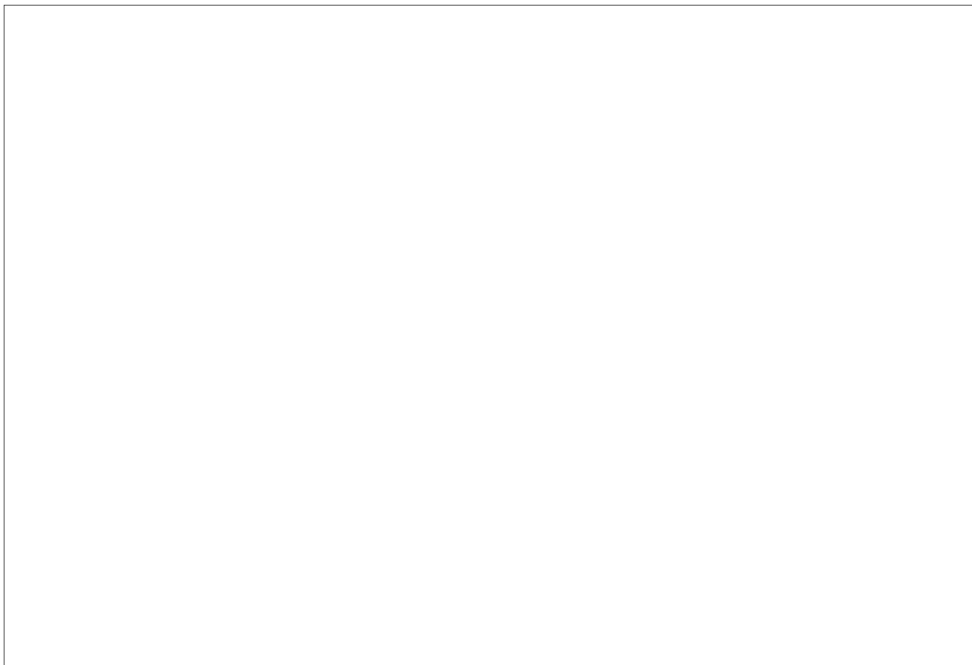
Foreign Minister Gromyko on Tuesday said the cease-fire in Lebanon is a positive development and urged the withdrawal of Western and Israeli troops. In addition, TASS issued an official statement yesterday calling the cease-fire an indispensable step toward restoring peace in the region, echoing Gromyko's emphasis on the need for Israeli and Western withdrawals. Soviet media are criticizing US attempts to claim credit for arranging the cease-fire and are attributing it to Arab mediation. 

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Comment: Gromyko is the first high-level Soviet official to criticize publicly recent US military involvement in Lebanon—characteristically, after tensions have subsided. The Soviets are likely to welcome the cease-fire because an intensification of the fighting would have increased pressure on them to provide direct military support for Syria's position in Lebanon. Nevertheless, Soviet leaders probably are concerned that talks involving the US, Syria, and Saudi Arabia could develop a solution to the crisis in Lebanon and eventually facilitate US-Syrian agreement on the broader Arab-Israeli dispute without the USSR's participation. The failure of Gromyko or the TASS statement to mention any withdrawal of Syrian forces is consistent with the USSR's strong support for Syria's claim that its presence in Lebanon should not be equated with Israel's. 

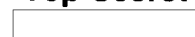


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ISRAEL: Efforts To Form a Government

Press reports state that there has been little agreement between Prime Minister-designate Shamir and Labor Party leader Peres in their discussion of Lebanon, settlement policy, and social and economic matters. If Labor joins the coalition, Shamir has offered to give the party the Foreign Affairs and Defense portfolios—and possibly Finance. According to recent public opinion polls, a solid majority of Israelis favor a national unity government that would include Likud, Labor, and the religious parties. [Redacted]

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Comment: There is virtually no chance of forming a grand coalition, but neither Shamir nor Peres wants to take the blame for breaking off their discussions. Shamir has little room for compromise on settlement and Lebanon policies. Peres does not want to be associated with Likud's unsuccessful economic policies or the stalemate in Lebanon. He also does not want to strengthen a government led by Shamir that probably will be weaker and more unstable than the one headed by Prime Minister Begin. Although the talks are likely to go on for a few days, Shamir probably will begin to concentrate on forming a narrow coalition resembling the outgoing one. [Redacted]

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PERSIAN GULF: Combined Military Exercise

The first combined military exercise of the Gulf Cooperation Council states—Saudi Arabia, Oman, Kuwait, Qatar, Bahrain, and the United Arab Emirates—is scheduled to begin in the UAE on Monday and to last for three weeks. Ground force units from all six countries will participate, with the largest contingents coming from the UAE and Saudi Arabia. These two states and Oman have engaged in extensive preparations. On Monday Tehran condemned the exercise as anti-Iranian. [Redacted]

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Comment: The Council almost certainly will proceed with the exercise, despite the Iranian denunciation and the heightened military tensions resulting from developments in the war between Iran and Iraq. As a result of recent Iranian threats, however, Kuwait has increased the vigilance of its security forces. It might reduce its participation in the exercise. Even if snags develop during the exercise, the efficient transport of troops and equipment to the UAE would represent a major accomplishment. [Redacted]

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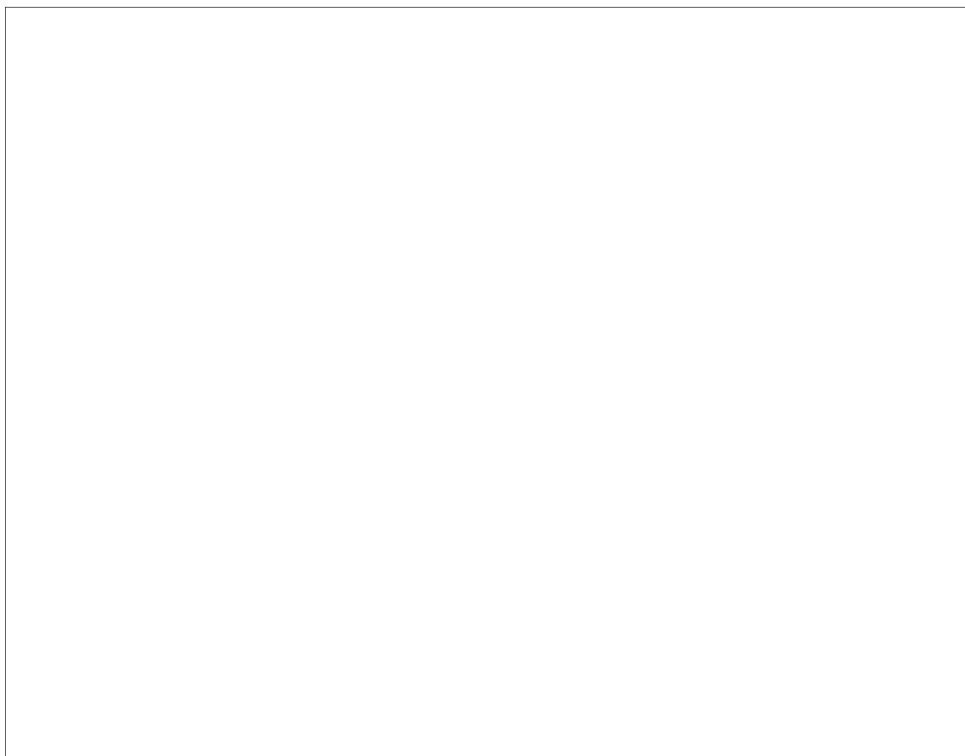
NETHERLANDS: Peace Movement's New Approach

The Dutch peace movement is adopting new tactics to try to compel The Hague to delay its INF basing decision. The leader of the Interchurch Peace Council says he will abandon the push for unilateral disarmament in favor of a multilateral approach. He plans to lobby for a postponement of the Dutch deployment decision to give the Geneva talks more time. Prime Minister Lubbers has rejected any delay in the Dutch decision beyond next June, however, unless there is the prospect of a positive result in Geneva. [Redacted]

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Comment: The softer tactics seem designed to widen the cracks in the parliamentary faction of the Christian Democratic Appeal, the senior coalition party. It includes a substantial antinuclear group. Party leaders continually avoid making a commitment on their timetable for a decision, and even Lubbers's statement has left room for further maneuver. A heavy turnout at the peace demonstration scheduled for 29 October, combined with the new multilateral approach, could cause the government to continue temporizing on INF. [Redacted]

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USSR-BULGARIA: Possible Visit by Soviet Leaders

A Romanian diplomat in Moscow says Premier Tikhonov is to accompany General Secretary Andropov on his visit to Bulgaria late next month. The US Embassy in Moscow notes that such a joint representation would be a marked departure from the Brezhnev years and could be intended to emphasize that the leadership is collective. An Asian diplomat has learned from Soviet and East European contacts in Sofia that Andropov intends to focus his talks on INF and on bilateral economic problems. [Redacted]

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Comment: Tikhonov's inclusion in the delegation would suggest that economic issues will be prominent on Andropov's agenda. The Soviets may discuss CEMA issues and urge Sofia to bring trade with the USSR more nearly into balance. They also may ask the Bulgarians to shoulder a greater share of the cost of their military establishment. Personal relations between Bulgarian party leader Zhivkov and Andropov are believed to be cool, and they could be aggravated by Soviet demands on economic issues. [Redacted]

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CANADA: Problems With Interceptor Force

The US defense attache in Ottawa reports Canada has grounded most of its CF-101 interceptors because of airframe fatigue problems. Canada contributes approximately 40 CF-101s, or three squadrons, to North American air defense. Canadian officials reportedly expect that up to three-fourths of the force will be grounded. Repairs are not expected to begin until late next month, and two to three aircraft per month will be repaired. [Redacted]

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Comment: The CF-101s are to be replaced with new CF-18 fighters beginning in June 1984. The Canadians probably will repair only a limited number of aircraft with the rest continuing to operate under restrictions or being retired early. The unavailability of aircraft will diminish the ability of the Canadian armed forces to meet their air defense commitments, including increasing requirements to intercept and escort Soviet aircraft flying to and from Cuba. [Redacted]

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ARGENTINA: Military Issues Warning

Government leaders have warned that continued strike activity could disrupt the transition to civilian rule. The admonition follows several weeks of extensive wildcat strikes by workers demanding higher wages to keep up with soaring inflation. More work stoppages are planned, including a general strike scheduled for Monday.

[Redacted]

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Comment: The transition probably is not threatened by the unrest, although some military officers might support a delay of the elections scheduled for 30 October. The unions are concerned that the new government will impose wage constraints, and they will continue to push for increases from the weakened military government. The military probably will respond by trying to open a dialogue with the unions, possibly through Church mediators, but it will be hard pressed to make new wage concessions. The government may decide to mollify the opposition by holding the presidential inauguration several weeks earlier than the currently scheduled date, 30 January. [Redacted]

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SPAIN-UK: Study Commissions on Gibraltar

Madrid and London, following a meeting earlier this week between their foreign ministers, have agreed to set up commissions of experts to study the Gibraltar problem. A Spanish official says the meetings will address all topics, including sovereignty. The Spanish Foreign Ministry has stressed, however, that these talks do not mean that negotiations over the future of Gibraltar are imminent. [Redacted]

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Comment: Spanish officials are likely to be concerned about Prime Minister Thatcher's recent assertion that the UK will oppose Spain's entrance into the EC until the borders are opened. They may use the meetings as a device to reverse their refusal to open the border unless London agrees to begin negotiations on sovereignty. The Spanish may have unrealistic hopes for progress because the British want to play down the sovereignty question and Gibraltarians remain opposed to Spanish rule. Spanish politicians could end the whole dialogue if they were to publicize London's willingness to talk about sovereignty at the expert level as a major concession. [Redacted]

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Special Analysis

PHILIPPINES: Short-Term Political Outlook

President Marcos, in an attempt to stem growing popular unrest, has drawn the line with his opponents and instituted new security measures. Nevertheless, he has failed to absolve the government of blame in the assassination of Benigno Aquino or to take conciliatory measures that would help restore calm. If he does not act soon, it appears increasingly likely that there will be no improvement in the political situation before President Reagan's scheduled visit. [REDACTED]

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Sporadic incidents of violence have continued since the mass demonstrations near the central post office in Manila on 21 September and the subsequent violent clashes between government security forces and 10,000 marchers near the presidential palace. Although the security situation has not gotten out of hand, preparations by both the radical and moderate opposition for major demonstrations timed for the President's visit are under way. [REDACTED]

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As public disaffection with the government has intensified, new fissures are appearing in the military and in the business community—two of Marcos's key constituencies. The officer corps is divided over rumors of military complicity in the assassination. A new group of antigovernment businessmen has "passed its first test," according to one opposition leader, by organizing the protests in the financial district during the last two weeks. [REDACTED]

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Tough Moves by Marcos

Marcos has abandoned the policy of "maximum restraint" that was in evidence at Aquino's funeral. He has banned firearms and "unlicensed" demonstrations and threatened to arrest people in the business community, the church, and the radical opposition. Marcos also has charged dozens of individuals with sedition, and the military has revived security checkpoints in selected areas of Manila to check for weapons. [REDACTED]

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Although Marcos seems increasingly intransigent in dealing with public disaffection, he has told US officials that he is considering several gestures of reconciliation. These include strengthening the independent commission of inquiry into Aquino's death, liberalizing the election code, and reporting the results of the government's own investigation. Government officials say these measures will be put into effect in the next few weeks. [REDACTED]

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Status of the Investigation

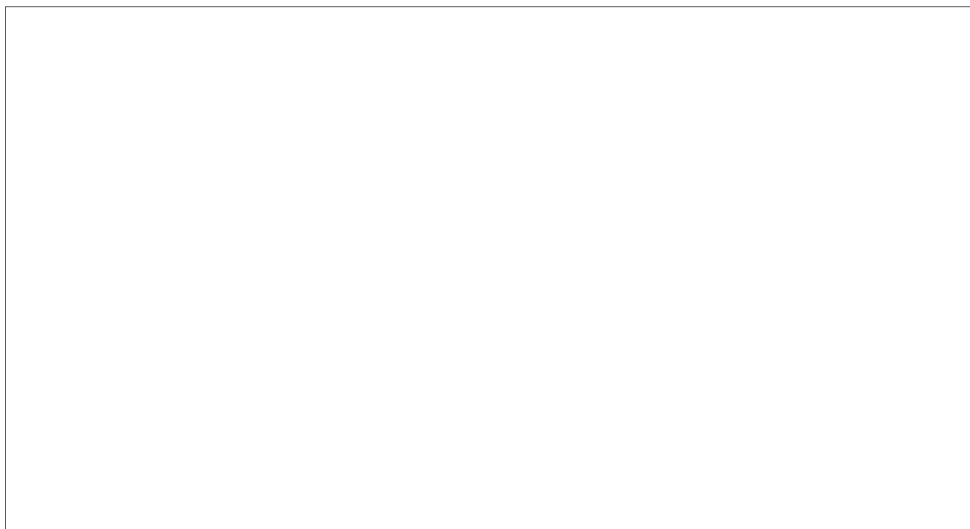
On the surface, the investigation into Aquino's assassination appears to be at a standstill. The independent commission has suspended public hearings, following the filing of several suits by opposition groups that challenge its legality on the grounds of separation of powers. [Redacted]

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The commission may reconvene on 10 October, presumably with several new members appointed by Marcos. The investigation being conducted by the metropolitan police also has foundered. [Redacted]

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Prospects for More Protests

With new security measures in place, there are no obvious flashpoints that would produce widespread unrest in the next two weeks. The moderate opposition remains in disarray, while its leaders complain to US officials that radical groups, especially those allied with the overtly non-Communist National Democratic Front, are gaining influence through better organization. [Redacted]

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The moderates want to strengthen antigovernment sentiment over the near term by organizing further demonstrations, but they are unlikely to achieve a major success. The radicals want to conserve their resources for the President's visit. [Redacted]

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Decisions that Marcos may make in the weeks ahead almost certainly will dictate the course of political events. It is unclear what information he is getting about the investigation and the demonstrations. He recently complained to US officials that he cannot trust the judgment of close associates, however, and there are rumors of cabinet changes. [Redacted]

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The US Embassy believes Marcos is being misled by his advisers about public disenchantment with his government and the investigation. This situation reportedly led to the abortive progovernment rally on 20 September in Manila's financial district.

[Redacted]

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In any case, the President's hard line appears certain to provoke more demonstrations. President Reagan's visit or the public perception of a government whitewash in the investigation would provide the impetus for additional outbreaks of violence.

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