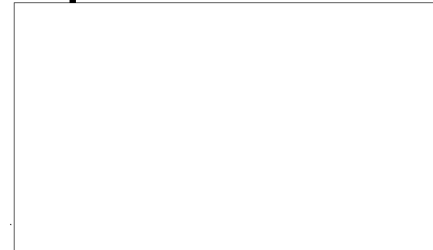




**Director of
Central
Intelligence**

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National Intelligence Daily

*Tuesday
18 October 1983*

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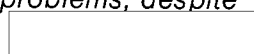
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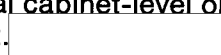
ISRAEL: Increasing Economic Pressures

Public doubts remain about the ability of Prime Minister Shamir's new government to handle the country's economic problems, despite the agreement yesterday on a new finance minister.



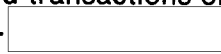
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Press reports indicate that the Herut Party's Yigal Cohen-Orgad has been named to the post. Members of the Liberal Party who threatened to leave the government if he were chosen have agreed to the appointment. Observers speculate that the Liberals received assurances of an additional cabinet-level or other senior position in exchange for their support.



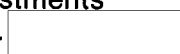
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Israelis continue to purchase US dollars and other foreign currencies, with the black-market exchange rate exceeding the official rate by at least 5 percent. The government has delayed collection of value-added taxes because many firms that had put their excess cash in stocks are unable to sell them. The Tel Aviv stock exchange, which has been closed for almost two weeks, reportedly will reopen for bond transactions on Thursday and resume share trading on Sunday.



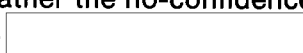
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Comment: It will not be easy for Cohen-Orgad to get the necessary cabinet support for required austerity measures. The two-hour strike last Sunday by 70 percent of the labor force complicates the task by demonstrating public determination to fight adjustments in the cost-of-living formula and lowering of living standards.



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The protracted haggling in the government over the choice of a new finance minister has further undercut Shamir's political position. His government, however, is expected to weather the no-confidence vote that may take place today or tomorrow.



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GRENADA: Radicals Taking Control

Former Deputy Prime Minister Coard appears to be in control, at least for now, but his unpopularity portends further instability. [Redacted]

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[Redacted]

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The state radio, according to an unconfirmed press report, announced yesterday that Coard is in command of the ruling party, with Bishop remaining as prime minister in a nonpolitical capacity. The US Embassy reports that Army Commander Austin said in a lengthy broadcast that Bishop has been suspended temporarily from the party pending the outcome of an investigation into the Prime Minister's "misdeeds." Official statements continue to deny that a power struggle is under way. [Redacted]

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Comment: The radical faction's control of the radio, its apparent backing by the officer corps of the armed forces, and Bishop's absence indicate that Coard now holds the upper hand. The generally apathetic population is unlikely to offer any sustained resistance to Coard's leadership, despite his unpopularity. [Redacted]

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Although both Bishop and Coard have strong ties to Cuba, Havana almost certainly is alarmed by the prospect of political instability in Grenada, its closest Caribbean ally. In addition, the power struggle in Grenada tarnishes the leaders there and opens opportunities for Western charges that Havana is involved. The Cubans apparently are not openly choosing sides until a clear winner emerges. [Redacted]

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If Coard ousts the moderate elements from the party, his hardline Marxist orientation probably will result in increased political indoctrination of the populace, an expanded role for the military in carrying out the revolution, and moves toward nationalization. A radical regime also might reduce Grenada's existing ties with the West and intensify efforts to spread the revolution to neighboring islands. [Redacted]

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USSR: Fuel-Air-Explosive Weapon

The Soviets have developed a system of using fuel-air explosives to kill heavily protected troops. [Redacted]

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[Redacted] the Soviets have used a multiple-rocket launcher system to bracket a target area with rockets that rupture and form a cloud about 1,000 meters above the target. Another rocket is fired into the cloud as it descends and mixes with air. This causes the mixture to detonate, which creates devastating pressure on the target area. [Redacted]

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This method solves problems encountered by those countries that use a single rocket to disperse and ignite the fuel. The single-rocket system delivers only a small amount of fuel and has problems in dispersing it at the correct altitude. In the Soviet technique, a large amount of fuel can be delivered. [Redacted]

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Comment: This weapon produces conditions similar to those found in accidental natural gas or dust explosions. By developing a workable delivery system for fuel-air explosives, the Soviets have added another weapon system that under proper weather conditions would be effective for attacking targets distributed over a large area.

[Redacted]

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In US tests, fuel-air-explosive weapons have blown open the hatches of armored vehicles, and casualties presumably would have resulted inside the vehicles. Troops protected from fragmentation munitions by bunkers, foxholes, caves, or body armor can be killed by the large blast overpressures caused by such weapons. In Afghanistan different versions of fuel-air explosives have been used from helicopters. [Redacted]

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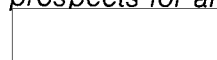
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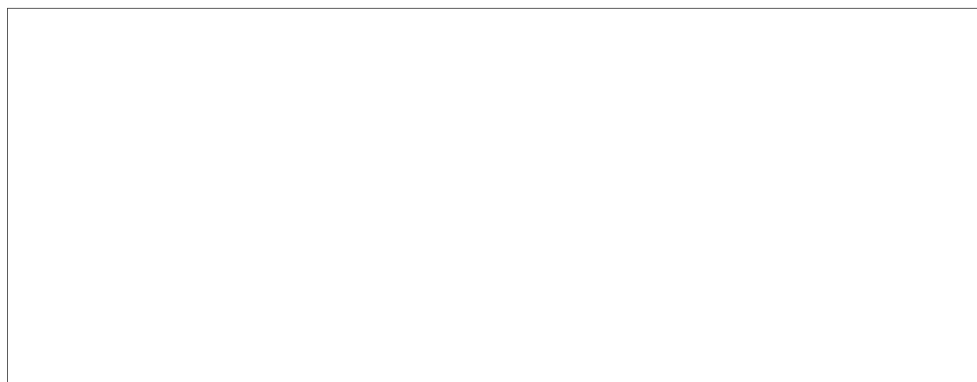
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URUGUAY: Problems With Transition Process

President Alvarez's maneuvering to stay in power after the scheduled transition to civilian rule in 1985 reduces prospects for an early resumption of negotiations on the constitution.



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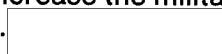
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The major political parties have reacted by issuing a manifesto condemning these actions and calling for immediate restoration of freedom of speech, which has been limited by a government ban since August. Moderate politicians, however, have privately told US Embassy officials that they would like to get the dialogue back on track.



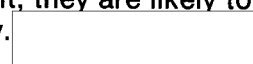
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Comment: Alvarez has long been known to harbor personal political ambitions, and he and his hardline backers are likely to continue to exploit uncertainty in the military council over how to proceed with the transition. Alvarez probably will continue efforts to prolong the process and increase the military's uncertainty to improve his presidential prospects.



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Although moderate civilian politicians are anxious to keep the door open to negotiations, they will have to appear responsive to their antimilitary constituencies or lose support to the more militant antigovernment opposition. As a result, they are likely to approach the renewal of the dialogue cautiously.



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PAKISTAN: Political Dialogue Begins

Press reports state that a top military adviser of President Zia met on Sunday with an important moderate leader in the opposition coalition to solicit his views on negotiations with political opponents and possible changes in government policy. The US Embassy says Zia earlier met with a moderate religious party leader and has hinted at the possibility of talks with other opponents. The opposition remains uncompromising, demanding an end to martial law and early national elections.



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Comment: Zia probably is seeking the cooperation of some members of the opposition.



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Further talks will be difficult and prolonged, as opposition leaders explore the extent of Zia's flexibility while protecting their own position.



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CHILE: Improved Atmosphere for Talks

The moderate tone of the protests last week is likely to improve the prospects for renewed dialogue between the government and the opposition, but progress will be slow. The largely leftist-organized demonstrations were not as violent or as broadly supported as generally expected. The US Embassy reports that activity was limited even in the normally volatile universities and the poorer districts of Santiago and the provincial cities. Middle class neighborhoods also were quiet.



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Comment: The diminished violence probably will enable the democratic opposition—which did not participate—to resume talks with the government during the next few weeks without jeopardizing its credibility with the public. The decline in the protest movement probably will strengthen President Pinochet's inclination to use the dialogue to delay the transition to civilian rule. Interior Minister Jarpa and other more conciliatory government figures will try to persuade Pinochet to take specific actions toward the transition.



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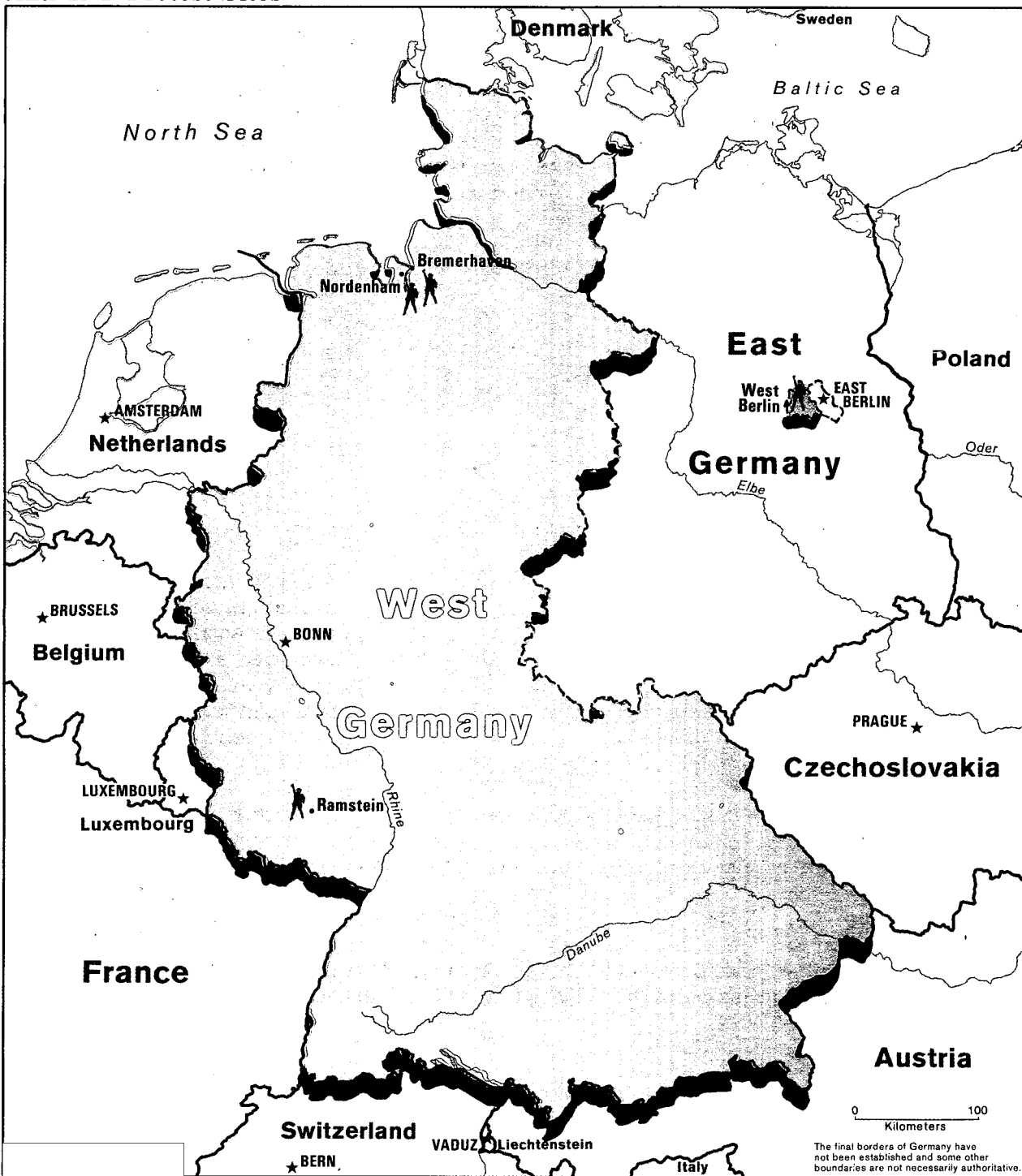
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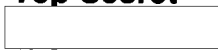
Anti-INF Protest Sites



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WEST GERMANY: Anti-INF Protests

Press reports state that demonstrations last weekend in the Nordenham and Bremerhaven areas, at Ramstein Airbase, and in West Berlin attracted fewer participants than organizers had predicted. After discussions with police, protesters blockading the US barracks at Bremerhaven agreed to allow some military vehicles to enter the compound. [redacted] violence-prone groups were discouraged by the elaborate preparations made by the authorities. Organizers of the protest at Ramstein failed to attract enough people to blockade the airbase. [redacted]

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Comment: Some danger of violence by small groups remains, but the radicals' inability to incite large-scale rioting or to destroy military property in their Bremerhaven stronghold suggests that such activity may be rare in other areas. Leaders of the peace movement are hoping that the reduced turnout last weekend—caused in part by bad weather—is not a precedent for next Saturday, when the biggest demonstrations are planned in major cities. [redacted]

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WEST GERMANY-SAUDI ARABIA: Decision Against Tank Sale

A West German diplomat in Saudi Arabia has told a US Embassy official that Bonn has decided not to sell Leopard 2 tanks to Saudi Arabia. The diplomat says Bonn does not really want to sell the Saudis any military equipment, despite pressure from West German industry, and it believes that a smaller arms package will be easier to defend politically. The Saudis reportedly are aware of the decision, and the West Germans do not expect them to raise the issue during discussions in Bonn later this year on Saudi equipment needs. [redacted]

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Comment: West Germany may be prepared to discuss the sale of infantry fighting vehicles, antiaircraft systems, or naval equipment. The decision against Leopard 2 tank sales will not affect Saudi armor procurement plans, which center on the purchase of US-built M-1 tanks. [redacted]

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USSR-EASTERN EUROPE: Annual CEMA Session

The annual CEMA meeting of Soviet and East European premiers opens today in East Berlin. The meeting reportedly is to set the stage for the long-delayed CEMA summit that Moscow has been urging and that could take place during the next few months. A senior Bulgarian official says the summit was made possible by an agreement to discuss longstanding differences on a bilateral basis only.



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Comment: The principal disagreements over further economic integration are unlikely to be resolved at this session. The East Europeans have been generally successful thus far in resisting Soviet initiatives that would curtail their contacts with the West. The communique from the Warsaw Pact Foreign Ministers' meeting last week, for example, stressed the commitment to carry out the measures contained in the Madrid CSCE document, which call for increased East-West cooperation.



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HUNGARY: Impending Political Reforms

The party Central Committee decided on Thursday to abolish as of next January all district administrative units, which form the middle level in the local government hierarchy. This measure is designed to decentralize decisionmaking on local issues and cut costs. The US Embassy estimates that the move will eliminate some 3,500 party and government jobs. Earlier this year the party decreed that each village elect its own council and that all seats in local councils and 90 percent of those in the next national parliament—to be elected in 1985—be contested by at least two candidates.



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Comment: These reforms could lead to a democratization unique among the Soviet-dominated countries in Eastern Europe, although much will depend on the degree of choice the regime offers to voters and on how much power and responsibility it transfers to elected bodies. Under the best of circumstances, the reforms will be circumscribed by the leadership's desire to move cautiously and to heed Moscow's concerns. The reforms also may meet with conservative resistance, particularly because many orthodox party members who have moved out of the central apparatus in recent years will lose their current jobs.



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Special Analysis

ISRAEL-LEBANON: Tel Aviv's Policy in Southern Lebanon

The Israelis have concluded that prospects for a strong central government in Beirut that would be willing to implement the agreement reached in May are remote. As a result, they are preparing for a long stay in southern Lebanon. Tel Aviv's policy is centered on building good relations with the majority Shia population there in hopes of creating a stable security situation that will permit a further reduction of troop strength. This policy is running into difficulties, however, largely because the Shias are becoming more resentful of Israeli occupation practices. This development probably will force Tel Aviv to adjust its policies in the near future. [Redacted]

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[Redacted]

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Tel Aviv hopes to establish good relations with the Shias in southern Lebanon. [Redacted] the majority of the Shias share Israel's concerns about Palestinian infiltration and appear willing to work with the Israelis in preventing the PLO's return to the area.

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[Redacted]

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To permit an eventual further drawdown in their troop levels, the Israelis also are trying to expand Major Haddad's Christian militia while creating new militias among the local Sunni and Shia populations. Haddad's force, which is the strongest and best equipped in the south, is manning checkpoints and augmenting Israeli security patrols. [Redacted]

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Haddad's forces are too small to assume broad policy functions, however, and most of the southern Shias resent them. Recent Israeli threats of an imminent withdrawal to the Zahrani River probably were intended to prod the Sunnis in Sidon to accept Tel Aviv's offer to organize a militia under their auspices. [Redacted]

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Growing Resentment

Many of the Shias initially welcomed the Israeli invasion as a means of eliminating the Palestinian presence in the south, but their attitude toward the Israelis has changed. An increasing number of southern Shias now endorse the anti-Israeli stand adopted by the Shia Amal movement based in Beirut. Following the arrest of prominent Amal members by Israeli authorities in June, most Shias participated in several protest strikes. [Redacted]

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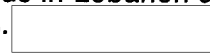
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Much of the Shia resentment is caused by what appears to be growing Israeli military involvement in day-to-day aspects of life. According to press accounts, for example, Lebanese villages are now required to obtain Israeli approval for their budgets, and Israeli officers are reviewing all judicial actions taken by local courts.



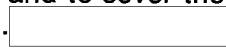
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Israeli economic policies in the south also have contributed to the alienation of Shias. Israeli businessmen have marketed farm products and other goods in Lebanon at prices far below those of comparable local products.



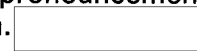
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In addition, public bus routes now operate between northern Israel and southern Lebanon, and Haifa is open to Lebanese merchants as a duty-free port. Lebanese businessmen have denounced these moves as an attempt to make the south dependent on Israel and to sever the links between northern and southern Lebanon.



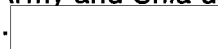
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The Shias in the south probably are resigned to an Israeli presence, but they are unlikely to cooperate as fully as Tel Aviv expects. They are susceptible to the anti-Israeli pronouncements of the Shias in Beirut and of the Shia clerics in Iran.



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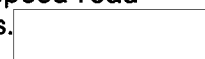
The shooting of two prominent pro-Israeli Shias in southern Lebanon during the past three months will dissuade other Shias from collaborating openly with the Israelis. The clash over the weekend between the Army and Shia demonstrators in An Nabatiyah will add to the friction.



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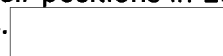
Security Situation

The Israelis have nearly completed construction on a series of strongpoints along the Awwali River and the western slopes of Jebel Baruk that allows them to control access from the Shuf with a force of less than 1,300 troops. They also are continuing work on a series of interlocking strongpoints in the Bekaa Valley and a high-speed road network connecting the strongpoints to the Golan Heights.



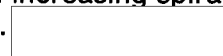
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The network probably will be completed by the end of the year. The Israelis then will be able to hold their positions in Lebanon indefinitely with as few as 8,000 troops.



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Meanwhile, Israeli casualties from terrorist attacks continue to mount despite the withdrawal from the Shuf. Although the frequency of attacks has decreased, growing resentment by local Lebanese in the southern coastal area is likely to result in an increasing spiral of violence as the Israelis adopt harsher measures.



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The Israeli Army already is putting pressure on Prime Minister Shamir's government to close the Awwali River bridges to vehicular traffic from the north in order to control arms smuggling and car bombs. Tel Aviv does not want to give the impression that it is implementing de facto partition, however, and is unwilling to close the bridges. [Redacted]

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Outlook

The Israelis would like to withdraw completely from Lebanon, but they see little hope of doing so now. They believe such a move would jeopardize the security of northern Israel and would hand Syria a major victory. [Redacted]

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Tel Aviv also is concerned about the expansion of the Syrian and PLO presence in southern Lebanon. It is unlikely to undertake further unilateral withdrawals without corresponding pullbacks by Damascus and the Palestinians. [Redacted]

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Although the public clearly is tired of Lebanon, most Israelis reluctantly support the government's policies and appear willing to tolerate small numbers of casualties as long as the Syrians and the PLO remain in Lebanon. [Redacted]

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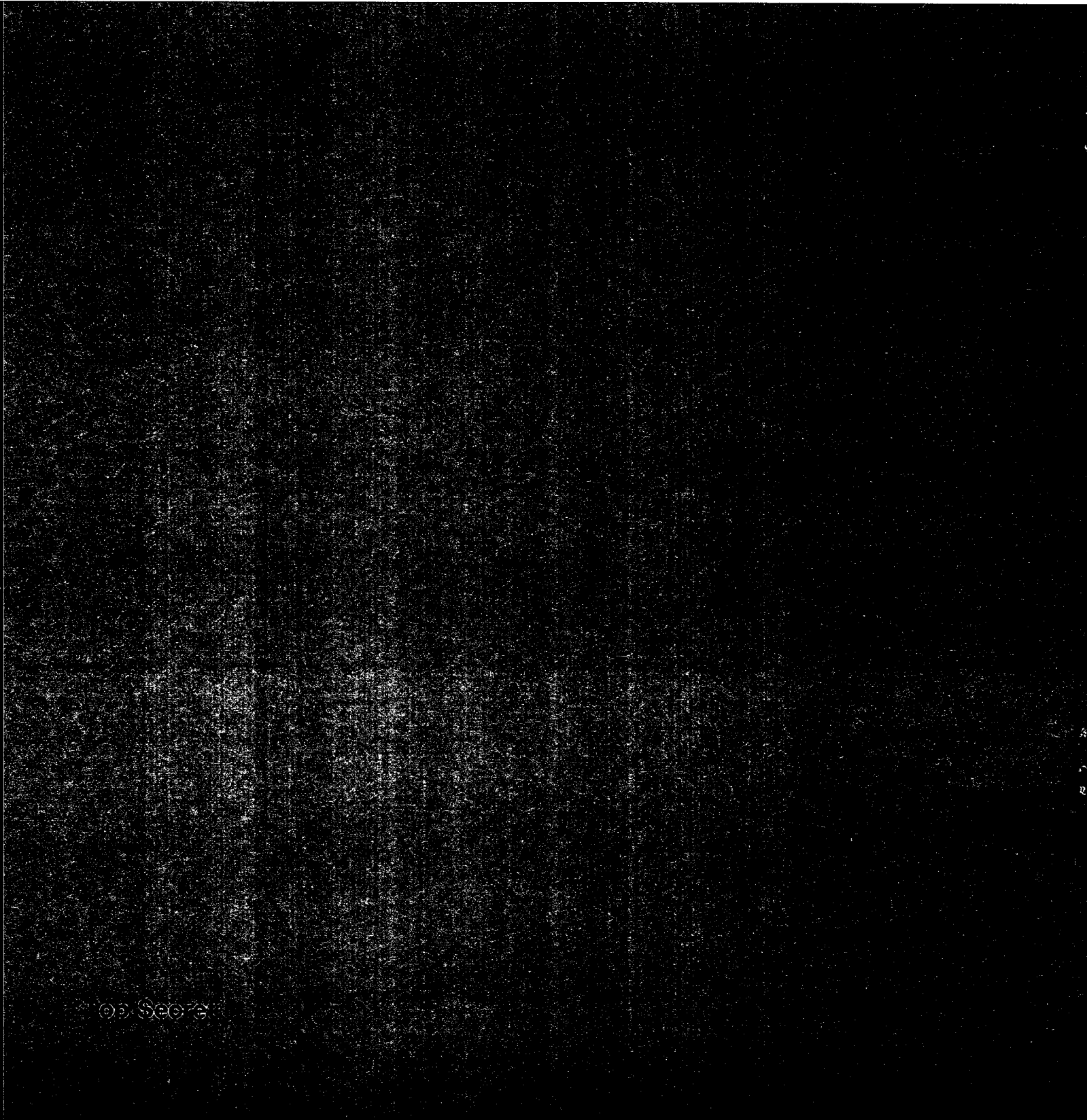
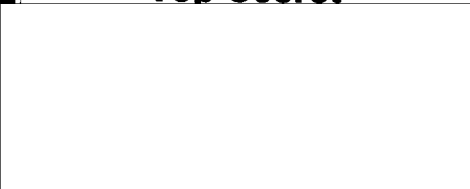
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