



**Director of
Central
Intelligence**

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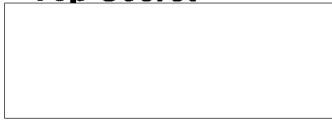
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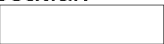


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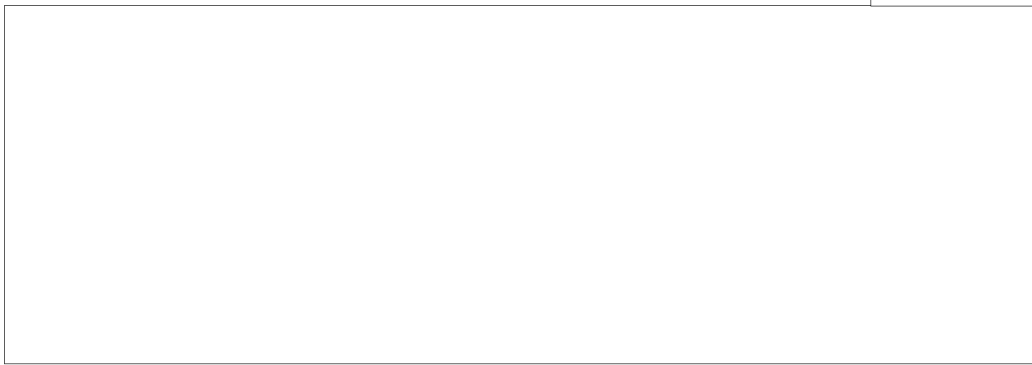
EL SALVADOR: New Guerrilla Attacks

Recent insurgent attacks against government forces and a key transportation target in the northern and central parts of the country will impair military mobility. 


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The guerrillas on Friday overran the 4th Brigade headquarters in El Paraiso and claim to have killed or wounded some 200 troops and to have captured 200 prisoners and nearly 300 weapons. According to the US defense attache, Army reinforcements—including elements of the elite airborne and Beloso battalions—quickly retook the garrison. In addition, the insurgents on Sunday blew up the Cuscatlan Bridge, the major transportation link with eastern El Salvador. 

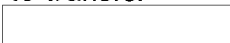
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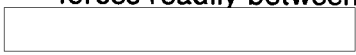
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Meanwhile, the Army on 28 December began a sweep of western Usulután, according to the US defense attache. Two immediate reaction battalions are involved, with a third battalion acting as a blocking force to the north. The defense attache reports only light contact with the guerrillas thus far. 

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Comment: The guerrillas evidently took advantage of the heavy concentration of Army forces in eastern El Salvador to strike in the northern and central regions. The attack at El Paraiso is the first time a brigade headquarters has been captured, and it could affect the Army's morale, which had been improving, following recent successes in the east. The destruction of the Cuscatlan Bridge will disrupt the transportation network and impede the military's ability to transfer forces readily between eastern and central El Salvador. 

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SURINAME: Labor Crisis Continues

The impasse between the government and striking bauxite workers continues, but Army Commander Bouterse's options for a peaceful settlement are dwindling. [redacted]

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Surinamese Government officials, in discussions with US Embassy officials during the weekend, reaffirmed their commitment to the safety of some 300 American citizens in Suriname. They stated that Paramaribo will continue to seek a peaceful solution to the labor crisis but indicated that, if the strikers refused the government's overtures, it would have to use armed force. According to Embassy reporting, Bouterse blames the strike primarily on Finance Minister Caldeira for prematurely announcing tax increases. [redacted]

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In a televised speech Sunday, Bouterse described the strikes as a "serious destabilization attempt masquerading as tax problems" and indirectly criticized the strikers as greedy. Striking workers at the bauxite plant of the Suriname Aluminum Company, which is under US management, refused to return to work yesterday because Bouterse failed to mention in his speech concessions that he reportedly had agreed to on Friday. [redacted]

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During the weekend, the capital remained calm with no signs of threats to US citizens. The Embassy commented that Bouterse appears to be continuing to test the situation and to avoid taking any decisive action. [redacted]

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Comment: With the US intervention in Grenada fresh in his mind, Bouterse will move carefully in dealing with the crisis, but he would be likely to use force to dispel the striking workers if he thinks the continuing strike challenges his authority or threatens his power. If he becomes convinced that forcible measures are necessary, he probably will try to avoid actions against US citizens or property. [redacted]

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Should violence break out, US managers of the aluminum company could be in danger of reprisals by radicals in the regime who blame the company for the strike. [redacted]

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While earlier media coverage in Suriname tried to calm public apprehension, the tone of Bouterse's speech probably was intended to set the stage for military action if the strikers do not agree to a compromise settlement. Although Bouterse may have promised concessions to the striking workers, he also apparently is trying to avoid the appearance of backing down. He may think that time is on his side, since the strike has not spread, but the loss of \$750,000 a day in government revenues portends serious difficulties for Suriname's faltering economy. [redacted]

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UN Security Council in 1984

Permanent Members

China

France

USSR

UK

US

Nonpermanent Members

Egypt ^a replacing Togo

India ^a replacing Jordan

Malta ^a

Netherlands

Nicaragua ^a

Pakistan ^a

Peru ^a replacing Guyana

Ukrainian SSR replacing Poland

Upper Volta ^a replacing Zaire

Zimbabwe ^a

^a Member of the Nonaligned Movement.

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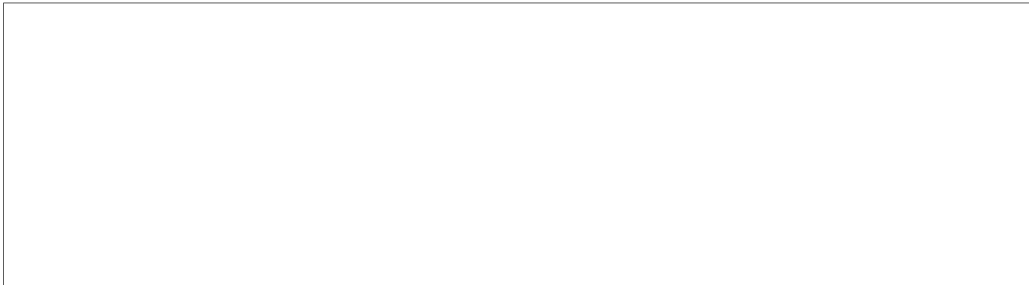
UN: Security Council's Role in 1984

The nonaligned majority and the West Europeans in the Security Council, as well as Secretary General Perez de Cuellar, will seek an expanded role for the UN this year in the Middle East and in other crisis areas. 


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France and Egypt are laying the groundwork for revival of their resolution on Lebanon. The original draft called for a cease-fire, withdrawal of all foreign forces, recognition of a Palestinian right of self-determination, and negotiations among all interested parties, including the PLO. The French and Soviets have consulted in Moscow, and the US Embassy there reports the Soviets are showing interest but remain noncommittal. 


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Nicaragua may exploit its presidency of the Council this month to publicize its claims of peaceful intentions and to urge a UN role in the Contadora process. South African attacks in southern Angola may cause Luanda to seek help from the Council. Turkish Cypriots might threaten to call for the withdrawal of UN forces from their area of Cyprus to assure that their demands receive attention. 

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Comment: European contributors to the Multinational Force in Lebanon are seeking UN sanctions for their presence there in order to strengthen domestic support for participation. Although the Soviets have backed Syrian opposition to expansion of the UN Force in Lebanon, they may consider a broader UN role a step toward their goal of an international conference on the Middle East and the removal of US forces from Lebanon. 

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USSR-ITALY: Criticism of Berlinguer's Initiative

Soviet officials reportedly told visiting officials of the Italian Communist Party last month that party chief Berlinguer's current efforts to restore the US-Soviet arms control dialogue were of little consequence. They said the Soviet party preferred that the Italian party take no initiatives other than to encourage the Italian peace movement to oppose actively the installation of cruise missiles at Comiso.

[Redacted]

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Comment: The Soviets have long been disgruntled by the Italian party's independent approach to the INF issue. They may believe that Berlinguer's initiative could undermine their own policies by proposing unilateral concessions by the USSR and less rigid conditions for resuming arms negotiations. Berlinguer has proposed the destruction of at least some SS-20s and the resumption of the Geneva talks, along with a six-month delay in NATO deployments.

[Redacted]

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GUATEMALA: Election Maneuvering

The draft electoral law proposed by the government is being criticized by most of the 37 political groups hoping to contest the elections for the constituent assembly next July. The US Embassy says the parties want the assembly to have broad legislative powers and to elect a provisional president. They are demanding that candidates be permitted to run on a national at-large basis. The rightist National Liberation Movement—the country's strongest party—is threatening to boycott the election unless revisions are made.

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Comment: Head of State Mejia appears willing to revise the law, and he may agree to some at-large candidacies. Few of the parties have strong organizations outside of Guatemala City, and they probably fear that Indian leaders and other rural delegates could dominate the assembly if the proposed proportional representation system is used. Mejia is unlikely, however, to allow the assembly to name a provisional president. This would return the government to civilian hands before the military is ready to do so and damage the prospects of the new groups by denying them time to get organized.

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VIETNAM: Reduction in Foreign Trade Deficit

Hanoi announced last week that substantially increased exports have cut its foreign trade deficit to \$630 million in 1983, a 30-percent reduction from the level of 1982. The increase is primarily the result of growing sales of light handicrafts and seafood to Communist and Western countries. This announcement follows recent official statements projecting near self-sufficiency in food and a major increase in economic growth.

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Comment: The increases in production and exports are largely the result of favorable weather, export promotion activities, and incentive measures introduced in 1979 to overcome severe food shortages. They do not represent any fundamental improvements in the economy. Hanoi's reversal of some of the incentive policies may cut short the growth in food production. Moreover, despite the improvement in the balance of trade, foreign exchange reserves are practically exhausted and overdue payments of about \$300 million on the hard currency debt virtually preclude access to international capital markets.

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Special Analysis**NIGERIA: Implications of Military Takeover**

Nigeria's new and strongly nationalistic military regime appears to be dominated largely by senior northern Muslim officers. Head of State Major General Muhammadu Buhari has promised a vigorous campaign to curb corruption and improve living standards, but he probably is not yet fully aware of the extent of the country's economic crisis. Buhari's initial actions indicate that he does not plan to make major changes in Nigeria's generally moderate domestic and foreign policies. Washington may find Lagos more difficult to deal with, however, if the regime—frustrated by continued economic decline—seeks to make the West and the international financial community scapegoats for Nigeria's economic woes. Buhari's pledge to pursue a more "dynamic" role in foreign affairs also might lead to harsher criticism of US policy in southern Africa and to posturing to underscore Nigeria's nonalignment.

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The coup was motivated largely by concern over the economy and widespread corruption. [redacted] senior officers also moved to preempt "younger hawks," and Shagari's military chiefs acquiesced in, if not supported, the takeover. [redacted]

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The New Leadership

The government strongly resembles Nigeria's last military regime. It is likely to rely heavily on senior civil servants to staff key economic positions and to carry out policy. [redacted]

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The 17-member Supreme Military Council responsible for policymaking is dominated by Hausas and Fulanis, with a smaller number of minority tribesmen and southern Yoruba officers who served in the military government from 1975 to 1979. The extensive administrative experience of these officers will provide continuity and help to smooth the transition to military rule. [redacted]

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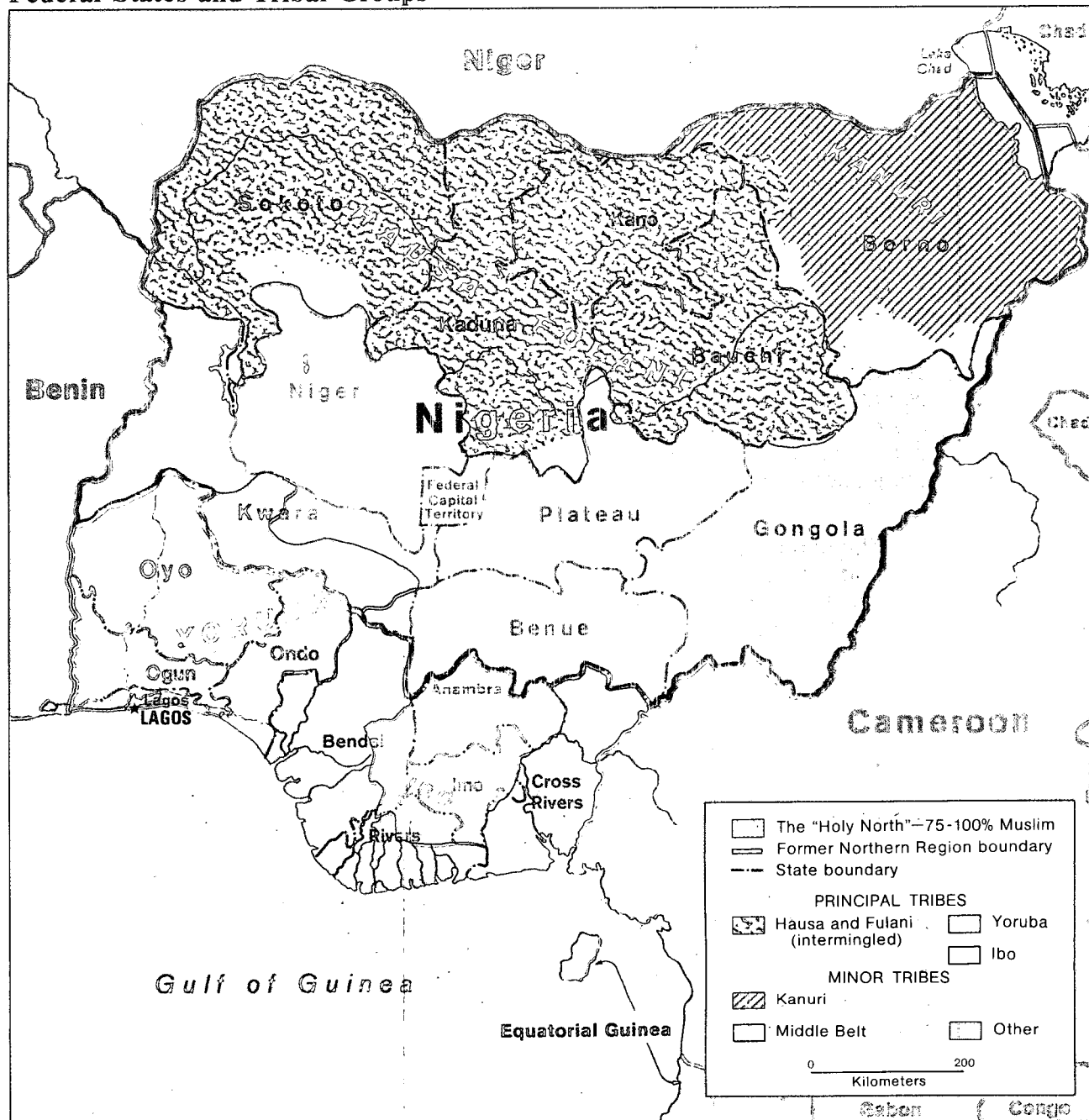
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Federal States and Tribal Groups



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An early test of the regime, however, will be its ability to forestall ethnic grumbling. It almost certainly will be necessary for the government to provide for wider representation by non-northerners in cabinet and gubernatorial appointments. [REDACTED]

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Economic Morass

Buhari will quickly find that he has few options for dealing with Nigeria's worst economic recession since the civil war in 1967-70. The military will have to contend with reduced revenues that last year were half of their peak of \$22 billion in 1980. [REDACTED]

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To make ends meet, the Shagari government during the past year cut imports to the lowest level since 1977 and allowed short-term trade arrearages to mount. This had left Nigeria with major shortages of essential consumer industrial goods, record unemployment, and total unpaid bills that were last estimated at \$6-7 billion by the middle of last year. [REDACTED]

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The new head of state has yet to announce a comprehensive economic recovery plan. There is little the new government can do, however, to increase government revenues, given current world oil conditions. Buhari has pledged not to break with OPEC, and the government probably will seek—at least initially—to resume negotiations with the IMF for a \$2.5 billion loan and with international banks to reschedule the remaining \$5 billion in short-term arrearages. [REDACTED]

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Such negotiations could prove more contentious under the more nationalistic military, and delays in reaching an agreement will only make economic conditions worse. Buhari has promised to meet Nigeria's "genuine" financial commitments, but the military could take a harder line against what it sees as externally imposed and unreasonable demands—including devaluation—made by the IMF and international financial institutions. [REDACTED]

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Relations With the US

Buhari—for the most part—is pragmatic, pro-Western, anti-Communist, and strongly nationalistic. Although the military will seek to maintain cooperative ties with the US, Buhari will try to distinguish his regime from the more conservative, inward-looking Shagari government that was criticized by some Nigerians as being too accommodating to the West. A more strident and activist foreign policy could ensue, with greater emphasis on "Nigeria first" and nonalignment. [REDACTED]

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Lagos, particularly, is likely to become more outspoken publicly in its criticism of US policy in southern Africa. During his participation in the last military regime, Buhari was considered part of a strongly nationalistic faction that supported Angola, Namibian independence, and sanctions against South Africa. [Redacted]

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Even so, major gains for Soviet and Libyan influence are unlikely. Although Moscow and Tripoli may see advantages to the collapse of Nigeria's US-style civilian government and the potential for a more independent Nigerian foreign policy, Buhari's strong nationalism and Lagos's need for Western trade, aid, and investment will make significantly closer ties difficult in the near term. [Redacted]

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Outlook

The new regime probably will try to buy time to deal with the economy by focusing attention on the corruption and inefficiency of the former civilian government. Trials of Shagari's key lieutenants for corruption and criticism of the former President's economic policies will provide at least a temporary image of firm and decisive leadership but are not likely to deflect attention from the country's financial crisis for long. [Redacted]

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The likelihood of a continued soft world oil market makes prospects for an economic turnaround poor. The military will quickly be confronted with the same narrow and politically unappealing choices that faced Shagari. [Redacted]

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Buhari is likely to find himself unable to keep promises to improve living standards without first imposing prolonged and painful austerity measures. The stability of his government ultimately will rest on its willingness and ability to address the roots of the economic malaise—overdependence on oil revenues, a bloated bureaucracy, unproductive agriculture, and inefficient, import-dependent industries. [Redacted]

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Buhari also will find it difficult to control the political and ethnic rivalries that will now shift from the political arena to the armed forces and that over time will strain the military's cohesion. Although military discipline and the chain of command appear to have survived the coup, lower-ranking personnel who favor more drastic action could become increasingly disenchanted with a government dominated by generals if few changes appear likely. Other economically troubled West African governments and their concerned militaries will be watching Lagos closely as a model to emulate or avoid. [Redacted]

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Special Analysis**USSR-LIBYA: Expanding Ties**

Libyan leader Qadhafi's reported plans to visit Moscow early this year underscore the gradual improvement in Soviet-Libyan relations over the last two years. Political contacts and military cooperation between Moscow and Tripoli probably will continue to develop as the US expands its military presence in the region and as Moscow is able to exploit Qadhafi's increased sense of vulnerability. This cooperation could improve the Soviets' ability to monitor activities of the US Sixth Fleet. On the other hand, differences over ideology and approaches to an Arab-Israeli settlement, as well as Moscow's wariness about Qadhafi's stability, will continue to limit the relationship.

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The head of the Soviet Foreign Ministry's Near East Department reportedly told an Egyptian diplomat recently that Qadhafi would arrive in Moscow early this year, meet with General Secretary Andropov, and sign a treaty of friendship and cooperation. Since the two sides agreed "in principle" nine months ago to sign the treaty, progress toward closer relations had seemed to falter.

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Soviet officials had privately suggested the treaty negotiations had been put aside, and Soviet media have been ignoring it.

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Expanding Ties

Qadhafi has turned to the USSR because he has come to feel more threatened by the US since 1981. High-level political contacts in the 1970s were rare, but in 1981 Soviet and Libyan leaders met on three separate occasions, including a visit by Qadhafi to Moscow. Qadhafi's second in command, Major Jallud, also visited Moscow that year and conferred with Premier Tikhonov and top military officers.

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Jallud was again in Moscow last March, when the two sides announced the agreement in principle to sign the treaty of friendship. The commander of the Libyan Air Force arrived in Moscow in December for talks with his counterpart.

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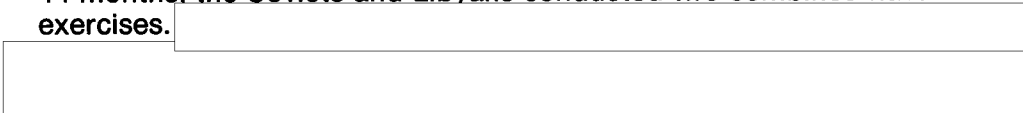
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The pace of military cooperation picked up considerably when Qadhafi began allowing Soviet naval warships and naval aircraft to make periodic visits to Libya in the summer of 1981. Over the past 14 months, the Soviets and Libyans conducted two combined naval exercises.



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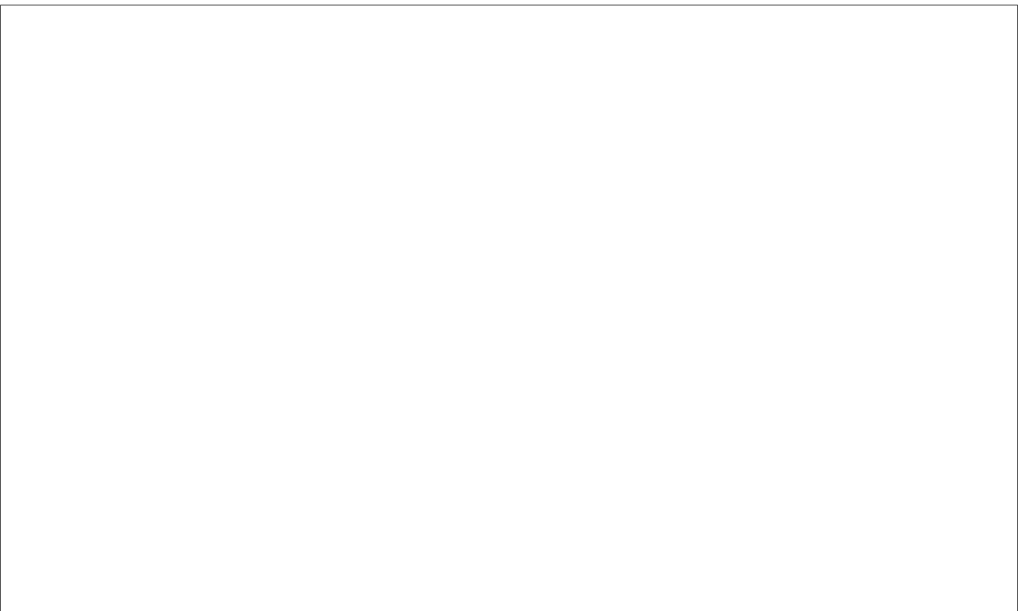
In addition, the Soviets are completing a new airfield with a 4,400-meter runway at Al Jufrah that could accommodate medium bombers equipped with air-to-surface missiles. Libya, however, does not yet have such aircraft,



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The Soviets, however, could use Al Jufrah for IL-38 reconnaissance aircraft that currently deploy to Libya. Another—and less likely—possibility would be the deployment of naval strike aircraft to the airfield as a counter to the US presence in the Mediterranean.



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Differing Objectives

The USSR has long valued Libya's active opposition to US activity in the Middle East, its efforts to foster the emergence of radical

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regimes, and its hard currency purchases of Soviet arms. The Soviets also presumably have welcomed Libyan efforts to undermine pro-Western governments in the region. [Redacted]

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Despite these shared interests, Moscow and Tripoli differ over long-term objectives. The Libyans aspire to head an Arab and Islamic bloc of nations that will challenge the supremacy of the superpowers. [Redacted]

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The differing approaches by the USSR and Libya to a settlement of the Arab-Israeli dispute are a matter of public record. The Soviets support Israel's existence within its pre-1967 borders and have openly criticized "extremist Arab circles" for calling for the elimination of a Jewish state. [Redacted]

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Qadhafi's willingness to support dissident groups in pro-Western countries serves Soviet interests, but the Soviets are worried about his erratic behavior. [Redacted]

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[Redacted]

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Moscow has not always provided the support Qadhafi seeks. Its generally cautious approach was evident during the fighting last summer in Chad. The USSR gave Libya some logistic support, including assistance from some Soviet technicians at Aozou airfield in northern Chad and made a demarche in Washington cautioning the US about any military action against Libya. [Redacted]

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[Redacted]

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Outlook

Military and political ties between Moscow and Tripoli are likely to continue to improve if US military involvement grows in the Middle East and North Africa. Qadhafi realizes that the USSR is his best source of support to counter US pressures, and the Soviets clearly value Libya as a check on Western influence in the region. [Redacted]

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Expanded access to Libyan ports could become an important convenience to the Soviet Mediterranean Squadron. Nonetheless, Libyan access is not crucial to the Soviets' ability to maintain the squadron, and development of major facilities is unlikely. Regular

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deployments of naval reconnaissance aircraft to Libya, on the other hand, would improve the Soviets' ability to monitor the US Sixth Fleet.

[Redacted]

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Frictions over political strategy and military access will continue to limit the relationship even if a treaty of friendship and cooperation is signed. Such a treaty—like the 10 the USSR has with other Third World countries—would not involve any firm Soviet military commitment to Libya. Moscow wants to avoid being made responsible for any of Qadhafi's actions that might lead to a direct clash with the US.

[Redacted]

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The Soviets, however, may calculate that such a formalized relationship will reassure Qadhafi and deter US action against Libya. The Soviets also may hope that a treaty would serve to remind the US of the USSR's determination to strengthen its influence in the Middle East. At the same time, the USSR is likely to try to reassure Egypt and Algeria that such a treaty would pose no threat to them.

[Redacted]

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