



Director of  
Central  
Intelligence

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OCPAS/CIG

CY# 285

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# National Intelligence Daily

*Thursday*  
*5 January 1984*

~~Top Secret~~

CPAS NID 84-003.IX

5 January 1984

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**SURINAME: Bouterse Demands Return to Work**

*Army Commander Bouterse is adopting a conciliatory, but authoritative, posture, while trying to make Finance Minister Caldeira the scapegoat for the labor crisis.* 

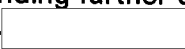
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In an interview televised on Monday, Bouterse told strikers that, if they did not return to work, Alcoa would close down the Suralco bauxite operation. According to the US Embassy, Suralco has denied making such an ultimatum. 


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Bouterse publicly blamed Caldeira for unauthorized imposition of new taxes, the labor unions for keeping the workers uninformed, and bauxite plant management for preparing to withhold new taxes. He complained that the workers had not taken their problems personally to him. 


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The Army Commander emphasized that some of the strikers' demands were not negotiable. He indicated, however, that tax increases would be postponed pending further discussions with the workers through union leadership. 


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In a talk yesterday with the US manager of Suralco, however, Bouterse reportedly said he had the options of using force to end the strike, rolling back some of the proposed new taxes, or making changes in his government. Although he appeared to favor the third option, he gave no clear indication of his next move. 

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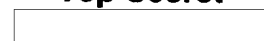
On Tuesday Fred Derby—the president of the bauxite union, who has been spurned by its membership—appealed to the strikers to return to work and let the union represent them in negotiations with the government. The Embassy indicates that the strikers did not appear receptive to Derby's speech. 

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**Comment:** If Bouterse decides to make governmental changes, he is likely at a minimum to remove Caldeira. 

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**NIGERIA: New Government Outlines Policies**

*Head of State Buhari has reiterated his pledge that Nigeria will meet its international obligations and follow through on austerity measures, but political pressures to find a quick economic fix could change his plans.* [Redacted]

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A Nigerian official has told the US Embassy that the former government's austerity budget announced two days before the coup is likely to be accepted by the military with only minor modifications. At the same time, Buhari has indicated publicly that unorthodox solutions may be required to turn the economy around. [Redacted]

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The Embassy reports that Buhari in a meeting with the diplomatic corps emphasized his desire for good relations with all countries. He cited corruption, unemployment, and economic mismanagement as reasons for the takeover. Buhari also cautioned foreign observers against "patronizing sentiments" about the end of Nigeria's civilian experiment. [Redacted]

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Military governors for the 19 states have been appointed, with senior Army officers predominating. Southerners and minority groups are better represented among the governors than on the policymaking Supreme Military Council. [Redacted]

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[Redacted]

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**Comment:** Buhari's promises to meet Nigeria's obligations and to impose austerity measures are encouraging, but they do not square entirely with his more populist statements made for domestic consumption. The new leader is likely to find that expectations raised immediately following the coup will make it even harder to win popular support for an austerity budget. Plotting by junior or middle-grade officers is likely if Buhari does not introduce enough reforms or if the regime is seen as too northern-dominated or too conservative. [Redacted]

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**CHINA-US: Visit of Premier Zhao Ziyang**

*Chinese leaders hope Premier Zhao's visit starting next Tuesday—the first ever by a Chinese head of government—will help promote smoother economic and political relations with the US and strengthen China's strategic position.* [Redacted]

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Chinese leaders are justifying the visit on strategic grounds. According to official Chinese guidance, they maintain that it will improve China's position in the Sino-Soviet-US triangular relationship and add to China's global stature. Some Chinese officials privately say the country's strategic position has weakened over the past year.

[Redacted]

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Premier Zhao stressed to a news conference on Tuesday that China wants relations with the US to develop in a "steady and sustained way." Zhao said that he would not urge the US to end arms sales to Taiwan. He would, however, call on the US to avoid actions or statements that obstruct peaceful reunification. [Redacted]

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Zhao told visiting US governors last month that China wants a further loosening of restrictions on technology transfer. He said it seeks greater investment by US firms. [Redacted]

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**Comment:** The Chinese attach special symbolic and strategic importance to the visit. Although they are no longer advocating a "united front" against the USSR, Beijing still wants to develop a relationship with the US that adds to the uncertainty in Moscow about the possible extent of Sino-US cooperation. [Redacted]

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The Chinese are particularly interested in promoting broader economic ties to facilitate their modernization program. Finally, they want to establish better personal relations with the President and key figures in the administration. [Redacted]

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Premier Zhao is aware that his handling of the trip will set the tone for the President's visit to China in April. He knows it also will reflect his own ability to manage important foreign policy matters. [Redacted]

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[Redacted]

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**TUNISIA: Bread Riots Subside**

*Sporadic violence may continue, but the government appears to have weathered the worst of the disturbances.* [Redacted]

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Tunisian authorities, despite continuing incidents, have gained control over the widespread riots that broke out last week and have taken some measures to alleviate the economic grievances that started them. [Redacted] the combination of military and police action and the emergency measures announced by President Bourguiba on Tuesday have largely quieted the riots. [Redacted]

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Prime Minister Mzali, in a nationwide television address, said the government would stand firm on abolishing the bread subsidies but would take steps to ease the burden on the poor. Several provincial governors began increasing welfare subsidies to the needy two days ago. [Redacted]

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[Redacted]

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The Libyan news agency reports that senior Tunisian officials have arranged for a Libyan delegation to visit Tunis soon to discuss the disturbances, and a Libyan executive jet was seen at the Tunis airport yesterday. [Redacted]

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[Redacted]

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**Comment:** Tunisian security services presumably will monitor student groups who participated in the rioting. They will search for evidence of Islamic fundamentalist or Libyan complicity. [Redacted]

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[Redacted]

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Tunisia may have encouraged the visit by the Libyan delegation in order to revive bilateral ties. Tunis would want to avert any Libyan effort to exploit the disorders. [Redacted]

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**BULGARIA: Changes in the Leadership**

*Extensive personnel and organizational changes announced this week reaffirm party leader Zhivkov's political control and his continuing commitment to cautious economic reforms.* [Redacted]

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A plenum of the Central Committee on Tuesday endorsed a memorandum by Zhivkov on urgent economic and personnel issues and announced the largest shift of officials in recent memory. Chudomir Aleksandrov, formerly a party secretary with a technical background, and Yordan Yotov, the editor of the party newspaper, were promoted to the Politburo. [Redacted]

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Four new candidate members of the Politburo include two internal security functionaries, Interior Minister Stoyanov and party secretary Atanasov, and two economic experts, Grigor Stoichkov and Stanish Bonev. The plenum added Emil Khristov, an economist and reform advocate, to the Secretariat. [Redacted]

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Government changes include the consolidation of several ministries, the dissolution of four government commissions, and the promotion of new Politburo member Aleksandrov to First Deputy Prime Minister. Politburo members Todor Bozhinov and Ognyan Doynov will head the important but much criticized ministries of Energy and Raw Material Resources and Machine Building and Electronics, respectively. New candidate Politburo member Stoichkov heads the troubled Construction Ministry while retaining his post as deputy premier. [Redacted]

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**Comment:** These changes suggest that, after a reevaluation, Zhivkov is ready to move forward on economic reforms. The overall effect of the changes is to increase the influence of technical experts in the party hierarchy. At the same time the rise of conservatives like Yotov, Stoyanov, and Atanasov in noneconomic areas may be intended to reassure hardliners in Sofia and in Moscow that reforms will not undermine party control. [Redacted]

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The government changes will reduce the bureaucracy and give Doynov and Bozhinov—two key reform proponents—control over crucial ministries where resistance could obstruct reforms. These changes set the stage for a party conference to improve production quality scheduled to be held in the spring. [Redacted]

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**FRANCE-LEBANON: Aircraft Carrier To Leave Station**

The US defense attache in Paris reports that the French aircraft carrier Clemenceau—currently off the coast of Lebanon—is withdrawing to Toulon for unscheduled repairs. According to French Navy officials, the withdrawal is temporary and does not represent a change in the French Government's policy of keeping a carrier off Lebanon for the duration of the crisis there. They expect the ship to be back on station by the end of the month. France's second carrier, the Foch, currently is undergoing maintenance at Toulon following operations off Lebanon and reportedly is being kept ready to sail within three to four days' notice until repairs to the Clemenceau are completed. [Redacted]

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**Comment:** The absence of a carrier substantially reduces France's capability to support its forces in Lebanon. The Foch probably would need about a week to reach the area, if required. The approximately 20 fighters and fighter-bombers aboard the Clemenceau are the only readily available tactical air support for French forces. The French also have relied on carrier aircraft for reconnaissance and—on two occasions—for retaliatory airstrikes. [Redacted]

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**USSR-FRANCE: Claim About Delivery of Gas**

TASS announced on Monday that the Soviet gas export pipeline to Western Europe is now operational and that France received its first deliveries from Urengoy on New Year's Day, thus delivering a blow to US policy. According to a French Embassy official in Moscow, however, France has received gas from Urengoy through the existing domestic pipeline network since 1982. He denies that French imports were now being transported through the export pipeline. [redacted]

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**Comment:** It is unlikely that the export pipeline is operational and the claim appears to be propaganda to show that the US sanctions have been ineffective. Although pipelaying operations were finished last fall, construction of the compressor stations is incomplete.

[redacted] this construction is proceeding fairly rapidly, and that at least 13 of the 40 line stations will be in the late stages of construction or be completed by April. This should provide more than enough power to meet new delivery obligations to Western Europe for this year. Even if construction should slow substantially, the USSR probably would be able to meet its commitments by using capacity available in the domestic pipeline network. [redacted]

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**OMAN: Implications of Cabinet Changes**

The appointment of two new ministers and other changes last Sunday represent a consolidation of power by nationalist advisers close to Sultan Qaboos, [redacted] Salim al-Ghazali, an ardent nationalist who was removed as de facto Defense Minister in 1981 at the behest of the British Chief of Defense Staff, has been appointed to the cabinet as Minister of Commerce and Industry. The US Embassy in Muscat says changes also were made to deal with corruption. The ministers who were replaced had extensive business holdings that created highly visible conflicts of interest. [redacted]

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**Comment:** The cabinet changes probably were engineered by Foreign Minister Alawi and head of the Palace Office al-Ma'mari. Both men have reputations as nationalists who encourage promoting Omanis into top government and military positions. Although pro-US and staunchly anti-Communist, they believe that Oman should receive greater compensation for US basing rights. The cabinet changes and other personnel moves expected later this year, including the first appointments of Omanis to head the Army and internal security service, probably will diminish British influence in the long term. [redacted]

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**Special Analysis****IRAQ: Possibilities for Exporting Oil**

*Iraq is pursuing several alternatives for increasing its oil exports, but over at least the next year there is little relief in sight for its slowly deteriorating economy. Extended negotiations and long leadtimes for new pipeline construction will increase Baghdad's frustration and could lead to the disruption of oil traffic in the Persian Gulf.*

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Expansion of the Iraqi-Turkish pipeline by the middle of the year will allow Iraq to increase oil exports by 300,000 barrels per day. Resumption of exports through the Persian Gulf are still blocked by the threat of Iranian attacks that prevents Baghdad from restoring its damaged export terminals in the Gulf.

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Poor political relations between Baghdad and Damascus preclude reopening the Iraqi-Syrian-Lebanese pipeline. In recent months, however, progress on Iraqi proposals to construct new pipelines through Saudi Arabia and through Jordan have given Baghdad hope for eventually increasing its oil exports.

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**New Oil Export Proposals**

Baghdad apparently has obtained Riyadh's agreement in principle to build an Iraqi link to the Saudis' pipeline to the Red Sea. The link could enable Iraq to increase its annual revenues by some \$5 billion by 1985.

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Riyadh's suspicions of Iraqi intentions after the war ends and concerns over potential retribution by Iran make the Saudis reluctant partners in the venture, and they still may delay it. Riyadh appears adamantly opposed to the Iraqi request to build a large, separate pipeline across Saudi territory to the Red Sea.

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As an alternative to the Saudi spur, the Iraqis have been talking with Jordan about the construction of an export pipeline to the Red Sea. This project potentially could provide at least \$15 billion annually in revenues but would take at least two years to complete. Although King Hussein reportedly favors the project, the proximity to Israel of the pipeline route concerns the Iraqis.

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[Redacted]

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Other possibilities for export pipelines have been discussed. These include a new line through Turkey and a Gulf-wide pipeline network terminating outside the Strait of Hormuz in Oman. There is little likelihood that any of these plans will go beyond the talking stage. [Redacted]

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**No Early Solution**

All of the proposals involve sizable financial commitments and have lengthy construction times. None of Iraq's alternatives provides immediate relief for its economic problems. Even the expansion of the pipeline across Turkey will not allow Baghdad to cover its current account deficit in the coming year. [Redacted]

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Only half of Iraq's projected deficit this year—estimated at \$5-7 billion—will be met by economic assistance from other Arab countries. The remainder will have to be financed by commercial loans and supplier credits or will require a further drawdown of Baghdad's already depleted foreign reserve holdings. [Redacted]

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Spending on development projects has been cut back in recent years, as has the importation of foreign goods, down an estimated 40 to 50 percent in 1983 from the \$20 billion peak in 1981. Continuing economic austerity will hurt civilian morale. [Redacted]

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The Saudis probably are hoping that the promise of a pipeline link will ease the Iraqis' concerns over their current financial plight and will induce them to defer adopting a more aggressive strategy in the war with Iran. The revenues alone would not be sufficient to alter Iraq's economic and strategic disadvantages, however, and would have to be supplemented with continued economic aid. Even a solution to Iraq's economic problems would not rule out an attempt by Iraq to end the war quickly by inflicting heavy damage on vital facilities in Iran. [Redacted]

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**Implications for the West**

Over the longer term, Iraq is likely to persist in its attempts to develop alternative pipeline export routes. Any significant increase in Iraq's export capability in the next two to three years could have a depressing effect on world oil prices in the absence of further production restraints by other producers. A pipeline route to the Red Sea through Saudi Arabia or Jordan would also ultimately enhance the security of Western oil supplies by providing an alternative to the vulnerable shipping routes through the Strait of Hormuz. [Redacted]

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