



Director of
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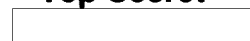


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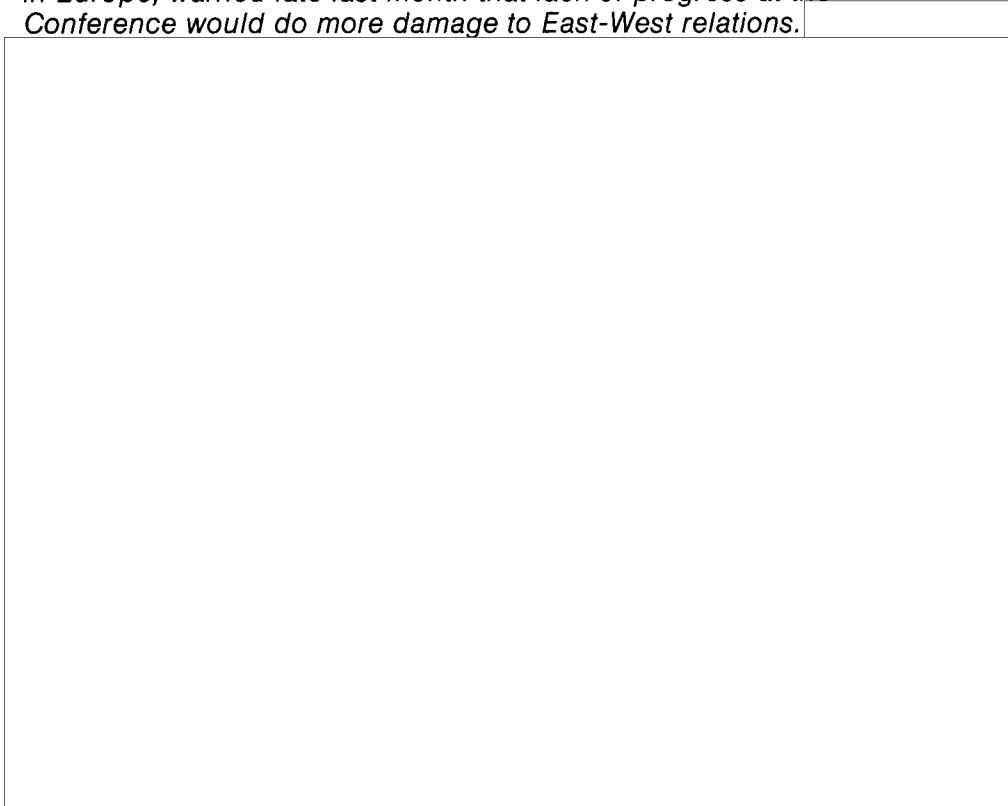


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USSR-US: Threats of Protracted Decline in Relations

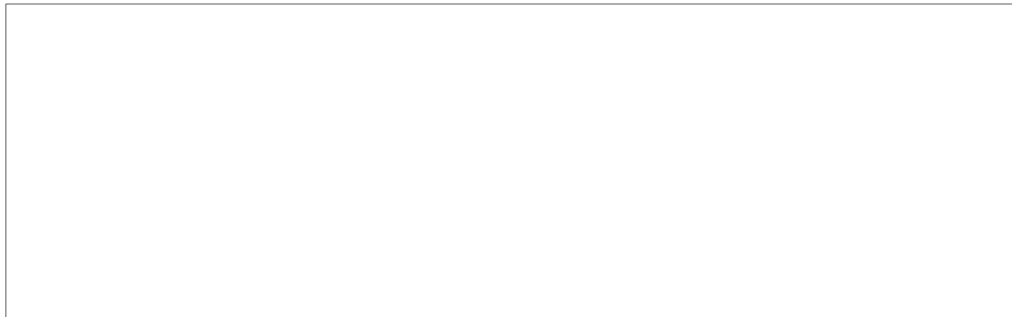
Soviet and East European officials, employing scare tactics aimed at eroding West European support for INF deployments and putting the West on the defensive at the coming Conference on Disarmament in Europe, warned late last month that lack of progress at the Conference would do more damage to East-West relations.

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Comment: Moscow increasingly will pound away at these themes as the Conference approaches, hoping to cause tension between the US and West Europeans. Despite these alarmist tactics, the Soviets are pursuing contacts with the US while awaiting any new initiatives by Washington on arms control issues. The threat of economic countermeasures might have some impact on those West European countries who trade extensively with the USSR, but the Soviets benefit from such trade and are unlikely to follow through.

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NATO: Policy for Conference on Disarmament

Ambassadors from member countries of NATO on Wednesday failed to settle the remaining differences on the West's position for the Conference on Disarmament in Europe. [Redacted]

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The Allies still have not completed a package of proposals for the notification and observation of conventional military activities. The most contentious issue is prior notification of the transit of non-European forces through Europe. [Redacted]

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The UK and West Germany continue to reject compromise language that would exempt US out-of-area activities. The number of inspections of military activities each country has to accept and the extent of information to be exchanged on military forces also are unresolved. [Redacted]

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Over the past week several Allies have expressed concern about the effectiveness of Western strategy for countering Soviet tactics at the Conference. According to a British official, Moscow is aware of Allied dissension on the transit issue, and London assumes the Soviets will exploit this. [Redacted]

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[Redacted]

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Comment: The Allies are becoming increasingly worried that the West's complex package lacks public appeal and that NATO may appear to be insufficiently dedicated to reducing East-West tensions. Most Allies, especially West Germany and France, are likely to urge the West to offer proposals on nonuse of force and for constraints on conventional military activities, in order to counter expected Soviet initiatives. They also may want to discuss how to deal with an anticipated Soviet proposal at the Conference for a ban on chemical weapons in Europe. [Redacted]

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The US probably will find itself isolated on the transit issue if the USSR proposes including transits in notification requirements. Most Allies believe that this is a legitimate confidence- and security-building measure. They will emphasize that the credibility of the West will suffer if it insists on a loophole that obviously benefits the US. [Redacted]

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USSR-CUBA-ANGOLA: More Soviet and Cuban Aid

The Soviets and the Cubans, during unusual trilateral consultations with Angolan representatives in Moscow on Wednesday, apparently agreed to strengthen Angola's defenses against South Africa. [Redacted]

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TASS has reported that officials—who were not identified—of the three countries had discussed the Angolan situation in light of the South African offensive. As a result of the meeting, the USSR and Cuba reportedly agreed to provide aid for Angola “to strengthen its defensive capability.” [Redacted]

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Meanwhile, South African Defense Minister Malan told the US Chargé yesterday that South African conventional forces would be withdrawn from Angola in seven to 14 days. Malan noted, however, that reconnaissance units would remain in southern Angola. [Redacted]

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[Redacted] According to the Angolan Ministry of Defense, South African aircraft bombed the town of Caiundo on Tuesday. [Redacted]

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Comment: The trilateral meeting is the latest indication that Moscow and Havana intend to provide expanded backing for Luanda's military effort. The failure of the TASS report to identify the participants may indicate that top Soviet leaders were not involved. The injection of any substantial number of Soviets into Angola remains unlikely, but additional Cuban personnel will be required, particularly to operate sophisticated weapons systems. [Redacted]

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FRANCE-LEBANON: Future of the MNF

The French fear that the Multinational Force will have to pull out of Beirut in the next few months, and they want to coordinate an orderly withdrawal. [Redacted]

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The French Ambassador in Washington recently said that, if the situation in Beirut is not resolved in two or three months, public opinion in the contributing countries and Syrian intransigence will force withdrawal of the MNF. Paris would like to see the contributing countries take coordinated actions to replace the MNF with a UN force. It fears that if this is not done soon, the participants will have to withdraw their contingents in disarray. [Redacted]

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[Redacted]

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[Redacted] Moreover, a senior French diplomat has told the US Embassy in Paris he believes that Lebanese public support for the MNF has dissipated, that President Gemayel's government has lost its credibility, and that the MNF will be completely withdrawn in three months. [Redacted]

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The French press has reported that Paris allegedly has decided to withdraw from the MNF. It also has noted the government's anxiety about the timing of the anticipated US withdrawal and the prospect of being left "holding the bag" in Lebanon. [Redacted]

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Comment: President Mitterrand probably believes that the MNF has outlived its usefulness, and he may be concerned that the US or Italy will withdraw precipitously. Paris almost certainly believes that coordination among MNF contributors will help to reduce the political repercussions that will inevitably be characterized by some as a Western desertion of the Lebanese Government. [Redacted]

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PLO: Political Failure in Tunis

PLO Chairman Arafat has been unable to reconcile his differences with other key PLO leaders, although he retains grudging support from a majority of the members of his own Fatah organization. [Redacted]

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[Redacted]

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The 55-member Fatah Revolutionary Council yesterday issued a resolution denouncing the actions of Syrian-backed PLO dissidents who fought Arafat in Lebanon and endorsing recent decisions of the Fatah Central Committee. The Central Committee had criticized Arafat for not consulting with other PLO leaders before his meeting with Egyptian President Mubarak, but it refrained from condemning the substance of the meeting. [Redacted]

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Comment: Arafat might want to break with PLO dissident leaders, but he needs the support of the influential Democratic Front for the Liberation of Palestine and Popular Front for the Liberation of Palestine. The two organizations had tried to mediate between Arafat and the Syrian-backed dissidents during the fighting in Lebanon. They also favored retaining Arafat as PLO chairman—although with restricted authority. [Redacted]

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Since Arafat's meeting with Mubarak, however, both groups have called for his removal. Failure to come to terms with them could cost Arafat the chairmanship or the Arab League mandate to act as sole representative of the Palestinians. [Redacted]

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In addition, some members of the Fatah Central Committee still resent Arafat's meeting with Mubarak and are generally dissatisfied with many of Arafat's policies. Before Arafat makes his next move in the peace process, he will have to adhere more closely to the principle of collective leadership. [Redacted]

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NICARAGUA: More Insurgent Attacks

The anti-Sandinista insurgents' overall strategy apparently includes the use of dramatic operations to attract publicity. [Redacted]

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[Redacted]

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The Nicaraguan Democratic Force claims it sank one of Nicaragua's French-built patrol boats at Potosi on Sunday. A source of the US defense attache claims that little damage resulted from a raid the previous day against installations at Masachapa. [Redacted]

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Earlier this week the insurgent group also announced that it has mined the entrance to Puerto Sandino in a further attempt to damage the Nicaraguan economy. A spokesman for the guerrillas said Lloyds of London has been notified of the mining so that it would warn ships not to use the port. [Redacted]

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[Redacted]

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[Redacted] Managua has announced that a battalion of national police is being sent north to help with the harvest. Press reporting states that a 41-man Cuban team arrived earlier this month, along with other international groups, to assist with the sugar harvest near Bluefields. [Redacted]

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Comment: The insurgents probably hope their recent flurry of attacks will convey an impression of growing momentum. Although the raids along the coast apparently have caused little damage, they should help improve insurgent morale and supply some short-term propaganda gains. The tactical situation in the interior seems to be at a stalemate, with both sides recording gains and losses. [Redacted]

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USSR-CHINA-US: Reaction to Zhao's Visit

Soviet reporting on Premier Zhao's visit to Washington suggests that the Soviets are concerned about the recent warming in Sino-US relations but still hope for movement on the Sino-Soviet dialogue. [Redacted]

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A TASS report on Wednesday attacked President Reagan and Secretary of State Shultz for "distorting" the USSR's Asian policy during the talks and for making "trite claims" about Soviet military superiority. It said Zhao did not react to the President's call for "mutual strategic plans and commitments," but reported that Zhao had noted that the importance of Sino-US relations exceeds normal bilateral ties. Earlier Soviet reporting on the visit had suggested that Washington was currying favor with Beijing by offering economic concessions, but it did not characterize China's response. [Redacted]

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A recent article in a leading Soviet academic journal by a prominent specialist on Sino-US relations concluded that the US and China had, by mid-1983, arrested the decline in relations prompted by President Reagan's initial stand on Taiwan. It said Beijing and Washington subsequently laid the groundwork for a further improvement in ties, and it predicted additional progress in that direction during Zhao's visit and the President's planned trip to China in April. It also stated that there are limits to this process, however, because Beijing remains more cautious than it was in the late 1970s about working in concert with the US on world issues. [Redacted]

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Comment: Moscow is worried about the renewal of high-level exchanges between Washington and Beijing, but the Soviet media are treating China as the more reserved partner in the dialogue. The Soviets want to avoid a simultaneous weakening of their bargaining position in both capitals. [Redacted]

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The Soviets have stepped up public criticism of Chinese foreign policy in recent weeks. They are unlikely, however, to engage in unrestrained polemics with Beijing as long as they see some possibility for progress in the Sino-Soviet consultations. [Redacted]

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NIGERIA: Indecision on the Economy

The government of Head of State Buhari appears to recognize the seriousness of Nigeria's economic problems, but its failure to announce a specific recovery plan or to name a cabinet is contributing to a growing sense of indecisiveness. [Redacted]

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The government is continuing to round up civilian politicians and is detaining relatives of some key lieutenants of former President Shagari who are now overseas in order to force their return to Nigeria. The Army has begun an extensive series of changes in command assignments, amid reports of an increase in low-level military harassment of civilians. [Redacted]

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The Chief Justice told the US Embassy that the country is operating in a legal void because the military has not indicated what sections of the constitution of 1979 are still in effect. He sees serious legal difficulties ahead, especially if the government moves to prosecute former civilian officials. [Redacted]

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Comment: [Redacted]

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Widespread military reassignments probably will weaken authority and create hard feelings among some officers. The likelihood of plotting among field-grade officers will increase as senior officers assume administrative responsibilities and leave command of the brigades to majors and lieutenant colonels. [Redacted]

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CHAD: Prospects for Reconciliation Talks

The reported breakdown of OAU-sponsored talks in Addis Ababa may lead to renewed hostilities and could portend more Libyan meddling. [Redacted]

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A communique released by the OAU today said the talks had collapsed, according to press accounts. The US Embassy in Addis Ababa reported that the negotiations that convened on Monday were stalled over procedural disputes and rebel leader Goukouni's demand that he meet with President Habre rather than the stand-in delegation. OAU interim Secretary General Onu indicates that Goukouni is likely to seek recognition from other African governments as president of a separate Chadian state. [Redacted]

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Zairian officials are concerned that the explosion of a bomb in the luggage of four Chadians at Kinshasa airport this week was related to Zaire's support for Habre. [Redacted]

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Comment: The Libyans and dissidents almost certainly will blame the breakdown on Habre for failing to attend. To erode Mobutu's support for Habre, Libyan-supported Chadian dissidents may increase sabotage activities against Zairian targets. [Redacted]

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PHILIPPINES: Financial Developments

President Marcos yesterday named a new head of the Central Bank, but negotiations with the IMF are stalled because of disagreement on exchange rate policy. [redacted]

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Jose Fernandez, who heads one of the 10 largest banks in the Philippines, was appointed as the new governor of the Central Bank, replacing Jaime Laya. Fernandez has an excellent reputation in the international banking community and among local businessmen. [redacted]

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Marcos is resisting the IMF's demands for a floating exchange rate, and the IMF team left Manila yesterday without reaching agreement on preliminary actions needed to secure a new \$650 million balance-of-payments standby program. The team expects to return to Manila in two weeks for more discussions. The President reportedly is concerned about the political impact of further depreciation before the National Assembly elections in May.

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The 12-bank advisory committee on rescheduling Manila's commercial debt met in New York on Tuesday. It agreed to recommend to Manila's smaller commercial creditors that the moratorium declared in October on principal repayments be extended another 90 days. [redacted]

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Comment: Laya's management of the Central Bank came into question following the disclosure that Manila had overstated its foreign exchange holdings by as much as \$600 million in order to maintain foreign credit lines. Marcos probably believed that a change was needed in order to restore Manila's credibility during sensitive financial negotiations with the commercial banks and the IMF. [redacted]

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Marcos's refusal to accept more flexible exchange rate management, however, could further delay receiving critically needed new financing. At a minimum, the IMF director will have to approve the new standby program before bridge loans from the US and other bilateral donors will be approved to tide the Philippines over until its debts are rescheduled. Commercial financing and debt rescheduling also will be delayed. [redacted]

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The longer the stalemate continues, the more serious will be the impact on the economy. It is already experiencing severe contraction because of the devaluation in October and the lack of adequate trade financing. [redacted]

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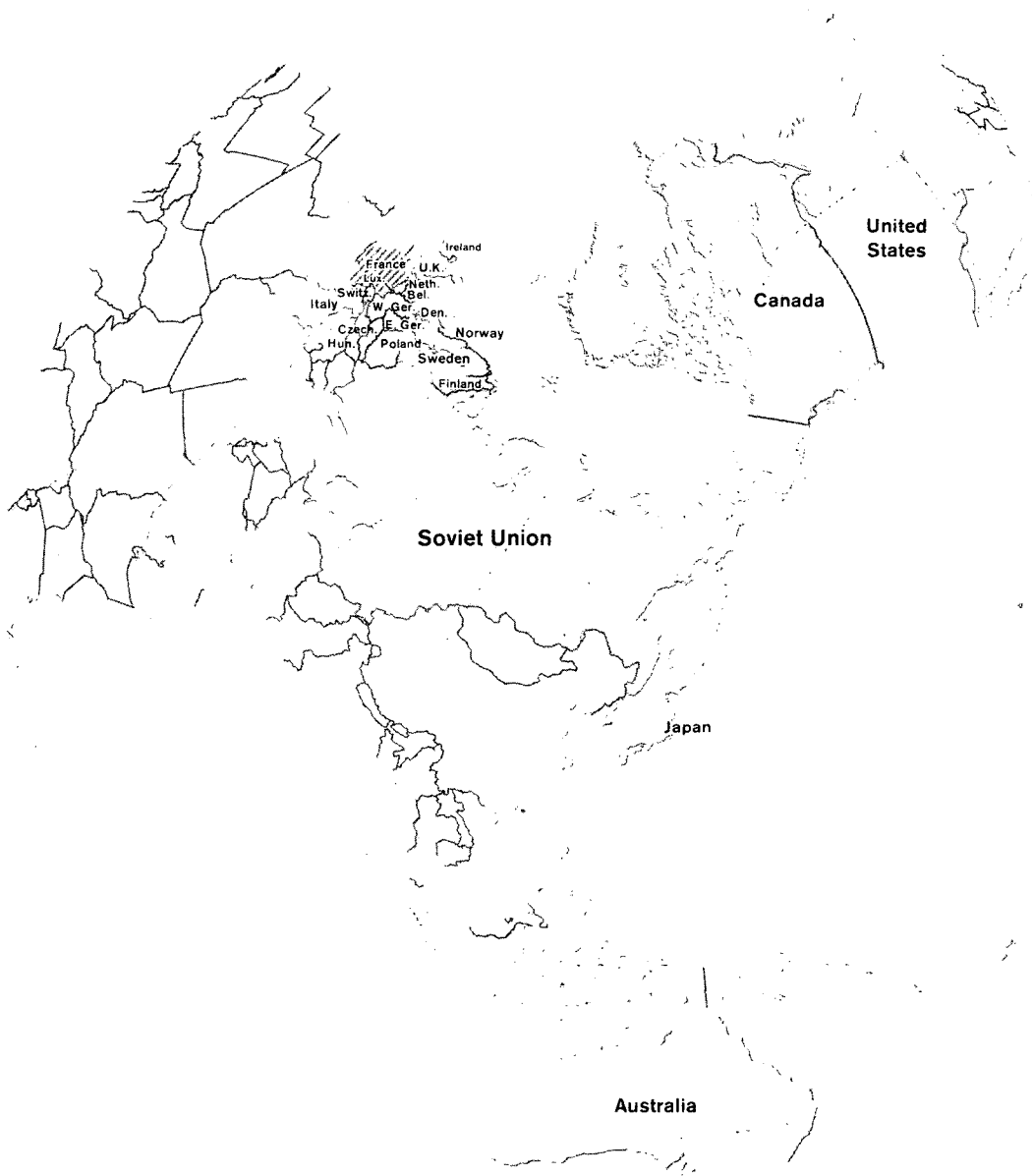
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Members of Non-Proliferation Treaty Nuclear Exporters Committee*



**France is not party to the NPT, but can be expected to honor any agreements reached in Vienna.*

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INTERNATIONAL: Nuclear Exporters To Tighten Controls

The major nuclear supplier countries hope to conclude an agreement later this month to extend export controls over centrifuge technology—a process that can be used to enrich uranium to weapon-grade levels. [Redacted]

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Nuclear exporting countries that are party to the Non-Proliferation Treaty will meet in Vienna on 24 January to add items relating to centrifuge technology to the list that specifies safeguards for sensitive nuclear components. Concerns over the proliferation risk associated with this advanced uranium enrichment process were raised in the late 1970s, following discovery of Pakistan's theft of centrifuge technology from Western Europe. Subsequently, the UK—supported by the US—proposed the addition of centrifuge-related items to the list. [Redacted]

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In a related initiative, a group of Western nuclear suppliers will gather in Vienna on 17 January to continue discussions on new controls for reprocessing technology, which is used to extract plutonium from nuclear waste. [Redacted]

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Comment: The two meetings are a major breakthrough in the effort to broaden the consensus among nuclear suppliers about the need for export controls. Japan and several West European governments have long been reluctant to inhibit or restrict the private sector. [Redacted]

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The Soviets have stated they support additional restrictions on centrifuge-related items. If they are asked, they probably will support additional controls over items related to reprocessing technology. France, which is not party to the Treaty, has been active on an unofficial basis in the supplier discussions and is likely to honor any agreements reached in Vienna. [Redacted]

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India, Argentina, and other developing nations that are hostile to additional restrictions on nuclear trade probably will condemn what in their view are illegitimate actions by a cartel of nuclear suppliers. [Redacted]

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TURKEY: President Vetoes Election Law

President Evren's veto yesterday of the National Assembly's local election law could lead to his first political struggle with Prime Minister Ozal. [Redacted]

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Evren responded to objections by both major opposition parties by returning the bill to the Assembly for "technical reasons." It will go to committee for review and then to the full Assembly for another vote. [Redacted]

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If the law is passed again unchanged, the President will be constitutionally required to implement it. If the Assembly revises the bill, however, Evren again can choose either to carry it out or return it to the legislative body. [Redacted]

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Comment: Evren and Ozal probably had an early tacit agreement to proceed with the original bill on local elections. In the meantime, however, Ozal's political opponents inside and outside the Assembly began charging that portions of the bill gave unfair advantage to Ozal's Motherland Party. This opposition seems to have played a role in changing Evren's mind. [Redacted]

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By vetoing the bill, Evren may hope to help prevent Ozal from adding to his political base by making substantial gains in the local elections. Evren may even see his veto as an attempt to restrict the number of parties participating in the elections. [Redacted]

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Ozal now has to decide quickly whether he will resist Evren and the combined opposition. If he does, he probably would win in the Assembly, but his delicate relationship with Evren could be damaged seriously. Even if he does win, moreover, the law almost certainly would then be subject to a lengthy challenge in court. [Redacted]

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If Ozal does not fight back or a compromise bill can be agreed to, his political relationship with the more powerful President would not be seriously damaged. He would still be able to pursue long-range economic reform and major foreign policy initiatives without the immediate likelihood of interference from Evren. [Redacted]

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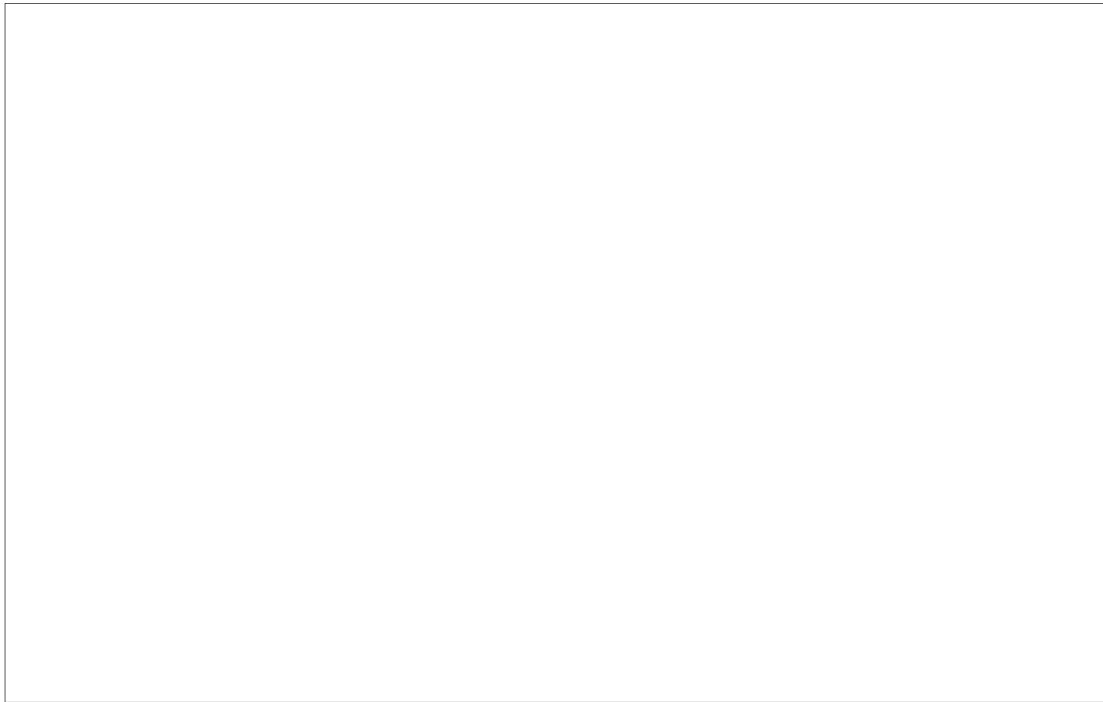
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ROMANIA-USSR: Consultations on INF

Romania has proposed bilateral discussions with the USSR on "reducing the number of missiles in Europe," [Redacted]

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[Redacted] The Romanians have suggested that Deputy Foreign Minister Dolgu visit Moscow later this month or in February, but the Soviets have not yet responded. Dolgu visited Moscow last November for talks on INF and later held similar discussions in Washington. The Romanians have publicly criticized both INF deployments in Western Europe and Soviet plans for counterdeployments in Eastern Europe, and they have called on the two sides to return to the Geneva arms talks. [Redacted]

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Comment: The Romanians may hope to come up with new INF proposals acceptable to Moscow that could lead to a resumption of the Geneva talks. Romania's "compromise" proposals to date generally have supported the Soviets' position, but they apparently have encountered little enthusiasm in Moscow. The Soviets reportedly have been particularly annoyed by the implication in Bucharest's statements that the USSR shares the blame for the current impasse.

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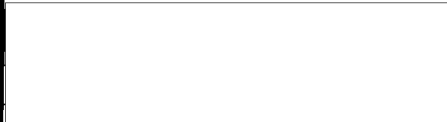
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