



Director of
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Page Denied

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25X1

Contents

	25X1
West Germany-Israel: Chancellor Kohl's Visit	2
	25X1
Grenada: New Jewel Movement's Prospects	4
Panama: Opposition Candidate for President	5
	25X1
Israel: Budget Cuts Approved	7
	25X1
Morocco: Efforts To Calm Unrest	9
Netherlands-UK: Naval Arms Cooperation Agreement	9
	25X1
USSR: Supercomputer Development Program	11
Nicaragua-China: Possible Diplomatic Ties	11
	25X1

Top Secret



25X1

24 January 1984



25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

25X1

WEST GERMANY-ISRAEL: Chancellor Kohl's Visit

West German Chancellor Kohl begins a six-day visit to Israel today that is likely to focus on proposed West German arms sales to Saudi Arabia. [redacted]

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This will be the first trip to Israel by a West German chancellor since Willy Brandt traveled there in 1973. The visit originally was scheduled for last August, but it was postponed when then Prime Minister Begin announced his intention to resign. [redacted]

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West Germany is offering a wide range of arms to the Saudis, partly to compensate for the decision made after Kohl's tour of the Middle East last October not to sell Leopard II tanks to Riyadh. A Saudi delegation visited West Germany last month, and press reports state that the Saudis are particularly interested in the Gepard antiaircraft tank and the Marder armored personnel carrier. [redacted]

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Comment: Despite differences over such international matters as Israeli settlement policy and the role of the Palestinians, arms sales pose the most contentious issue for Bonn and Tel Aviv. The two governments have important economic, scientific, and cultural ties, and Kohl will try to ensure that any sales to the Saudis will not seriously damage relations. Israeli Prime Minister Shamir, however, will argue pointedly that such sales would be a major blow to Israel's ties with West Germany. [redacted]

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Contemporary West German attitudes toward Israel are still influenced by memories of Nazi Germany's persecution of ethnic Jews, but Kohl believes that the generation of West German leaders now coming to power cannot be held responsible for the past. West Germans generally support Israel, recognizing its right to exist within secure and defensible borders. [redacted]

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Bonn needs Arab oil, however, and it would like to improve its political and economic ties with moderate Arab states. It also wants to promote the West German defense industry and exports. To justify arms sales, West German officials have cited Saudi Arabia's legitimate security needs. [redacted]

25X1

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25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret
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GRENADA: New Jewel Movement's Prospects

Leaders of the New Jewel Movement, the late Prime Minister Bishop's party, are seeking expanded ties with Caribbean leftists and increased international support in an effort to revitalize the party.

[Redacted]

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Former Prime Minister Gairy, who earlier announced he will not run in Grenada's elections, reportedly was greeted by some 200 supporters when he returned to the island on Saturday. Members of the governing Advisory Council fear Gairy's presence could lead to violence. The US Embassy believes that this is unlikely, however, because the people generally are nonviolent. [Redacted]

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Comment: Disillusionment among Caribbean leftists following Bishop's death probably will cause them to hesitate in rallying around the New Jewel Movement. The radicals from the French islands, who have demonstrated their willingness to use terrorism to publicize their demands, are likely to offer little more than moral support to the Grenadians. Havana also is likely to be cautious, at least in the short term. [Redacted]

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The New Jewel leaders face an uphill battle in revitalizing the party. Some unemployed Grenadian youths probably still admire Bishop, however, and they may provide a core of support. If the Advisory Council fails to establish a responsive government, the movement eventually could attract a popular following. [Redacted]

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Top Secret
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25X1

Page Denied

Top Secret
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PANAMA: Opposition Candidate for President

The intention of longtime opposition figure Arnulfo Arias to seek the presidency could prompt Defense Forces Commander Noriega to take preemptive measures. [Redacted]

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Arias announced on Sunday that he has agreed to head the presidential ticket of his party, the Authentic Panamenistas, and he named a banking official as his choice for first vice president. Formal acceptance of the slate is expected to require approval from the party's nominating convention, which has yet to meet. The US Embassy reports the party's secretary general is confident that several other parties will now join the Authentic Panamenistas, although earlier attempts to form an opposition alliance have failed.

[Redacted]

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The party official added that, if Arias is elected, he will not seek the removal of General Noriega so long as the military refrains from political activity. Arias also will push for the retirement of several high-ranking officers and try to end the military's involvement in various business ventures. In return, he will ensure that the armed forces receive the funding necessary to continue their professional development.

[Redacted]

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[Redacted]

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Comment: The military will have serious difficulty accepting Arias's candidacy because of his longstanding animosity toward the armed forces. His plan to retire some senior officers and curtail the lucrative business dealings of the military may push Noriega to consider postponing the elections scheduled for May. The announcement that Arias actually intends to run also will put more pressure on progovernment candidate Barletta, who lacks Arias's charisma and voter recognition.

[Redacted]

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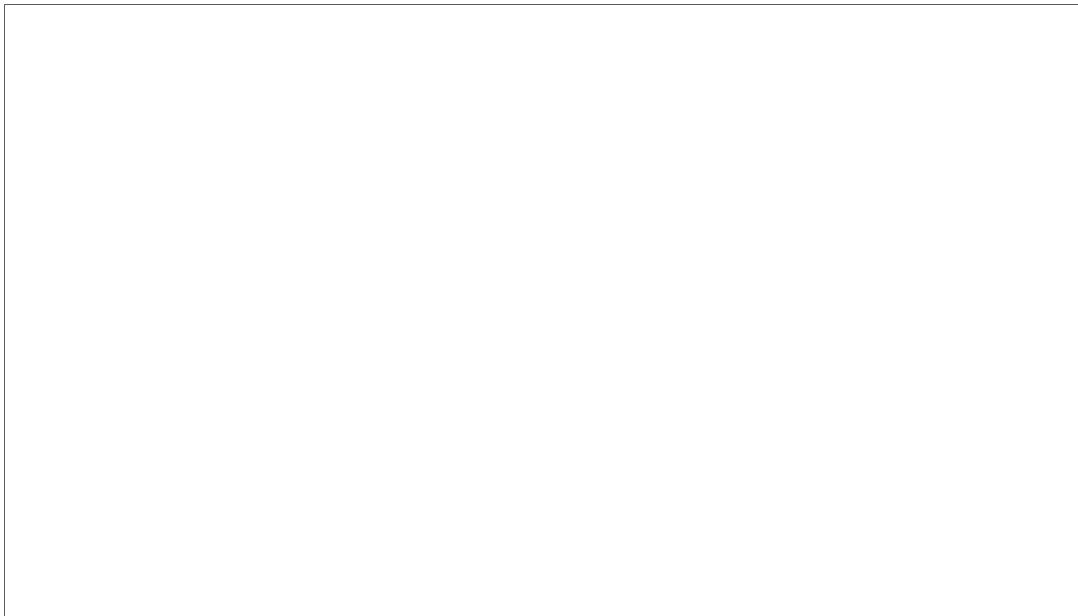
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Next 1 Page(s) In Document Denied

Top Secret

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ISRAEL: Budget Cuts Approved

The Israeli Cabinet on Sunday unanimously adopted a budget that calls for substantial spending cuts to demonstrate that the government is taking steps to reduce the inflation rate of nearly 200 percent and to improve the balance of payments. Most ministers agreed to trim their expenditures by about 9 percent in real terms, according to press reports. Reductions are planned in outlays for settlements, defense, education, and welfare programs. Meanwhile, 3,500 engineers at Israeli Aircraft Industries joined 60,000 workers already striking or on work slowdowns to demand higher wages.

[Redacted]

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Comment: Prime Minister Shamir threatened to resign in order to get his fractious coalition to agree on the budget. Shamir wants to present a united front during the debate in the Knesset tomorrow on a no-confidence motion. These budget cuts, however, are unlikely to be carried out. Reductions have not been implemented in the past, and ministers have become adept at using "unanticipated" price rises to justify exceeding their spending ceilings.

[Redacted]

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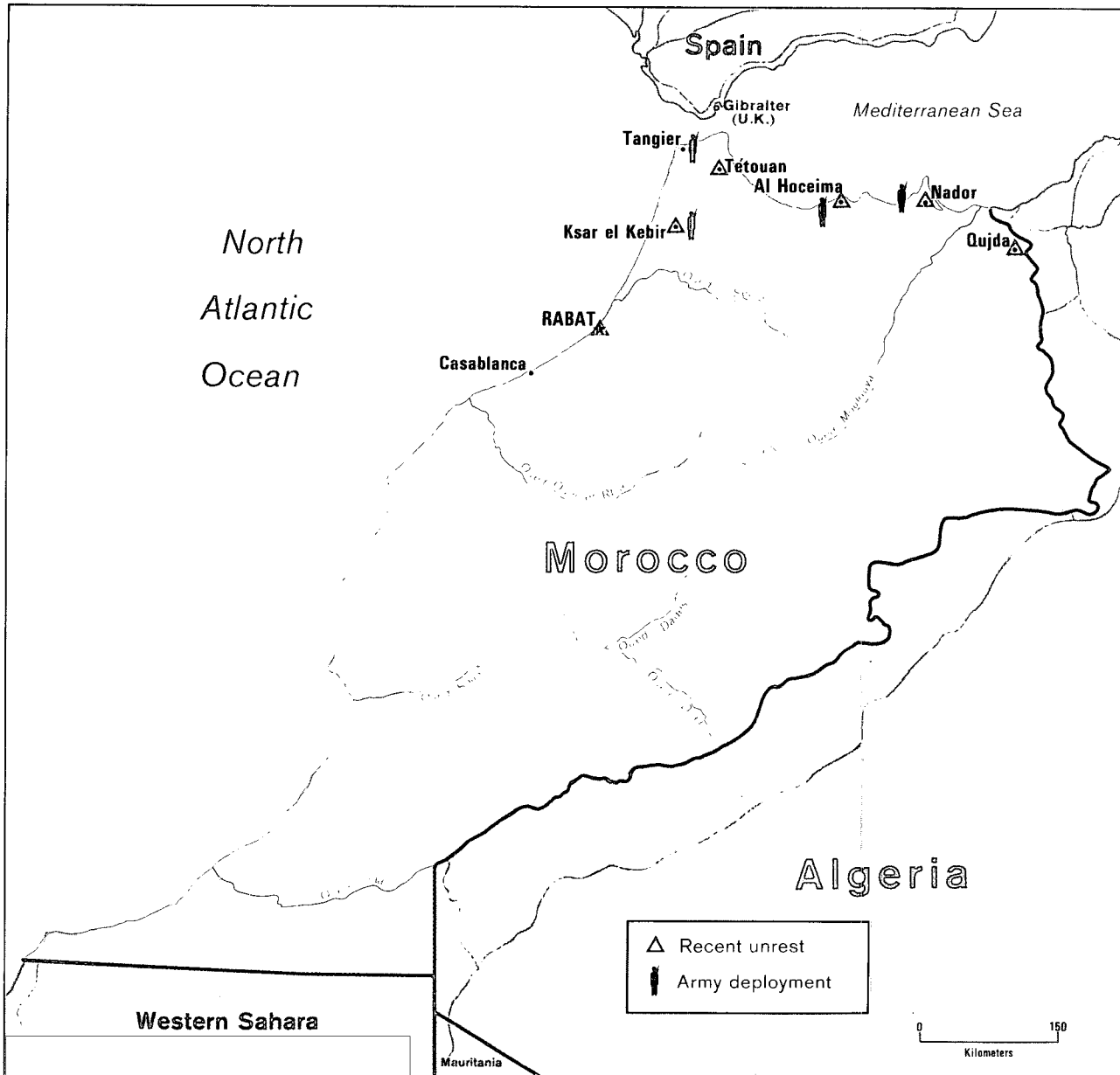
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Next 1 Page(s) In Document Denied

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Unrest in Morocco



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Top Secret

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24 January 1984

Top Secret

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MOROCCO: Efforts To Calm Unrest

King Hassan has promised an end to food price increases in an effort to calm the situation, but young radicals may try to provoke additional incidents. In an address to the nation on Sunday, Hassan spent little time on economic issues and accused Marxist-Leninists, Iran-inspired Islamic extremists, and "Zionist secret agents" of causing the unrest. He emphasized that those responsible for the disturbances would be dealt with severely. Meanwhile, the US defense attache reports that more Army troops have been airlifted to troubled locations and that the country is generally calm. [Redacted]

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Comment: The King's address and the police and military presence probably will reduce the likelihood of large-scale strikes. Isolated incidents, however, are possible. [Redacted]

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NETHERLANDS-UK: Naval Arms Cooperation Agreement

Dutch officials have told the US Embassy that the Netherlands and the UK have signed a letter of intent to cooperate in defense procurement. If the agreement is carried out, the Dutch will use British-built gas turbine engines in their new class of eight to 12 light frigates, and the UK will purchase the Dutch Goalkeeper close-in air defense system for the Royal Navy and drop development of its own system. The British will initially purchase six Goalkeepers, but they will buy more only if the price is right and the system is judged suitable for use on existing ships. [Redacted]

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Comment: The British and Dutch have a long relationship in naval procurement. Although Dutch naval officers expressed a preference for competing US-built engines, The Hague probably was attracted by British willingness to purchase Dutch equipment on a government-to-government basis and by the 100-percent offset offered by the British firm. The UK's choice of Goalkeeper—reportedly in competition with a modified version of the US Phalanx and several other systems—would be the first major export order for the Dutch system. [Redacted]

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Page Denied

Next 2 Page(s) In Document Denied

Top Secret

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USSR: Supercomputer Development Program

Soviet Academy of Sciences vice president Velikhov was appointed late last year to head a program to accelerate the USSR's development of ultra-high-speed computers. Velikhov, a former chief of laser and nuclear fusion programs, has had extensive experience supervising classified weapons-related research and has a reputation as an effective administrator. [Redacted]

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Moscow plans to develop a more advanced family of El'brus-series computers. The current series—the USSR's most advanced machines—are not as capable as Western supercomputers.

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[Redacted]

Comment: Velikhov's program is likely to be assigned a high priority. The overall increase in the USSR's development effort probably is a response to the highly publicized US and Japanese programs. Moscow recognizes that it is about 10 years behind the West in supercomputer capability. Supercomputers have many applications in weapon-system design, cryptology, meteorology, and large-scale scientific modeling of physical systems. [Redacted]

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NICARAGUA-CHINA: Possible Diplomatic Ties

A Sandinista official recently told the US Embassy that he would visit China soon to discuss establishing diplomatic relations.

[Redacted]

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Comment: The Sandinistas probably hope that relations with China would strengthen Nicaragua's claim to nonaligned status. Taiwan has maintained diplomatic relations with all the Central American countries, and the loss of Nicaragua would be a psychological victory for China. Beijing is taking advantage of its improved relations with Moscow to expand ties to states aligned with the USSR. Managua's interest in replacing \$12 million in trade and Taipei's limited economic aid is the only apparent obstacle to establishing ties. [Redacted]

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Page Denied

Next 3 Page(s) In Document Denied

Top Secret

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