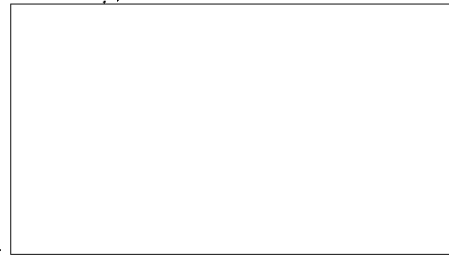




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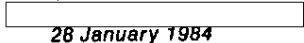
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National Intelligence Daily

*Saturday
28 January 1984*

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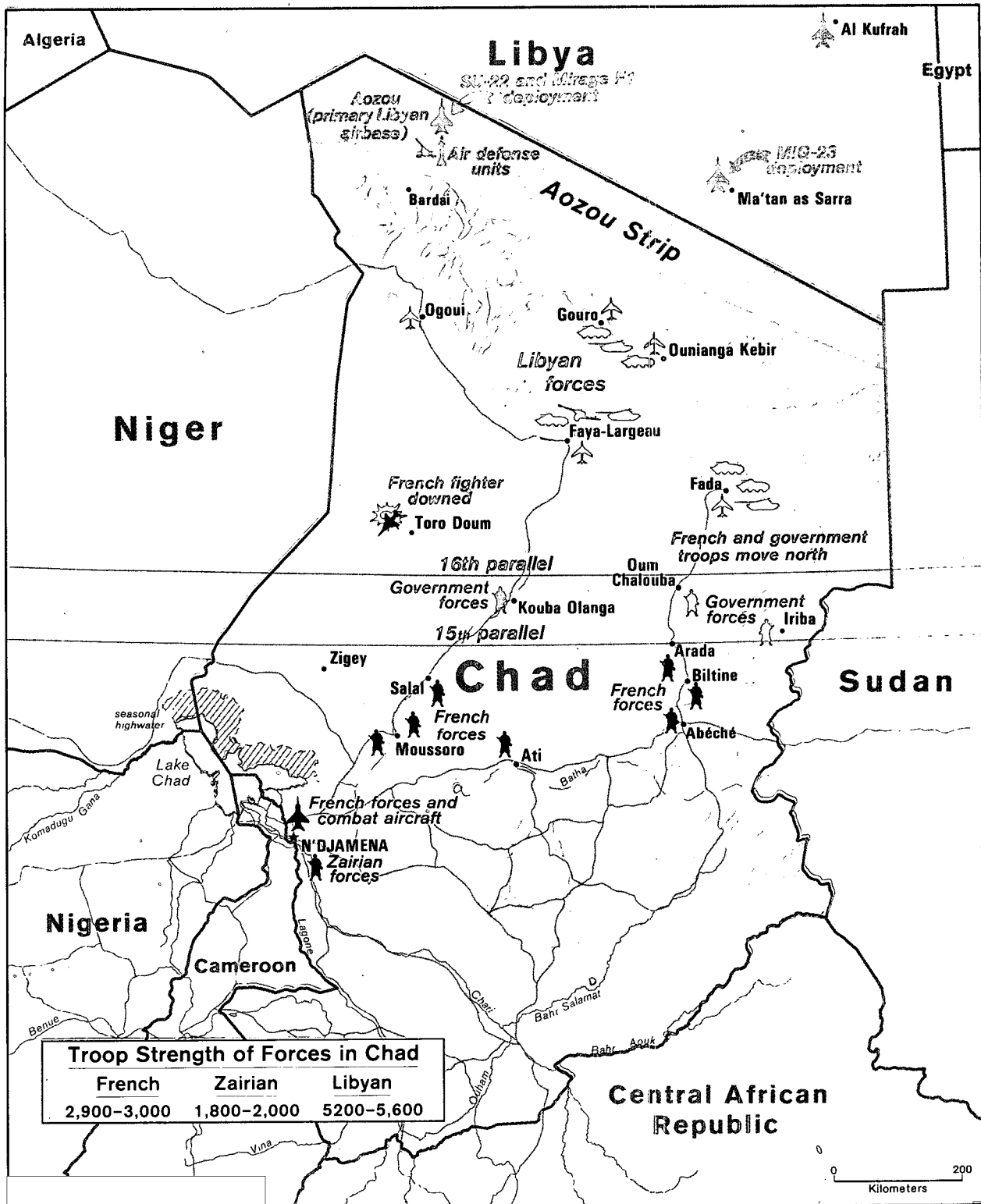
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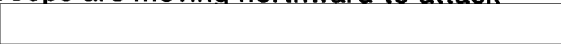


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CHAD-FRANCE-LIBYA: Indications of Conflict

French and Chadian Government forces are moving north in Chad, and the Libyans are reinforcing their air units. 

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Chadian Government troops are moving northward to attack rebel troops south of Fada. 



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 Yesterday the French Ministry of Defense publicly announced that French forces would advance approximately 100 kilometers northward to establish control of the area as far as the 16th parallel.

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 Libya has sent six additional jet fighters to Aozou in northern Chad and four to Ma'tan as Sarra in southern Libya. 

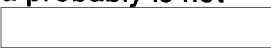
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Comment: The French are likely to support the Chadian Government's northward advance, but they would prefer to avoid a conflict with Libyan forces at Fada. 

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The reinforcement of the Libyan air defenses in Chad is in preparation for possible French airstrikes. The Libyan air inventory in Chad appears to have been increased to a level near that maintained during the fighting last summer. Although the air buildup increases Tripoli's ability to conduct offensive operations, Libya probably is not prepared to meet a strong French military response. 

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If the Chadian Government advance stops short of the Libyan stronghold at Fada, it would probably be engaged by Chadian rebels, perhaps with limited Libyan air and advisory support. An attack on Fada itself would significantly widen the conflict. 

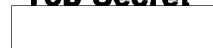
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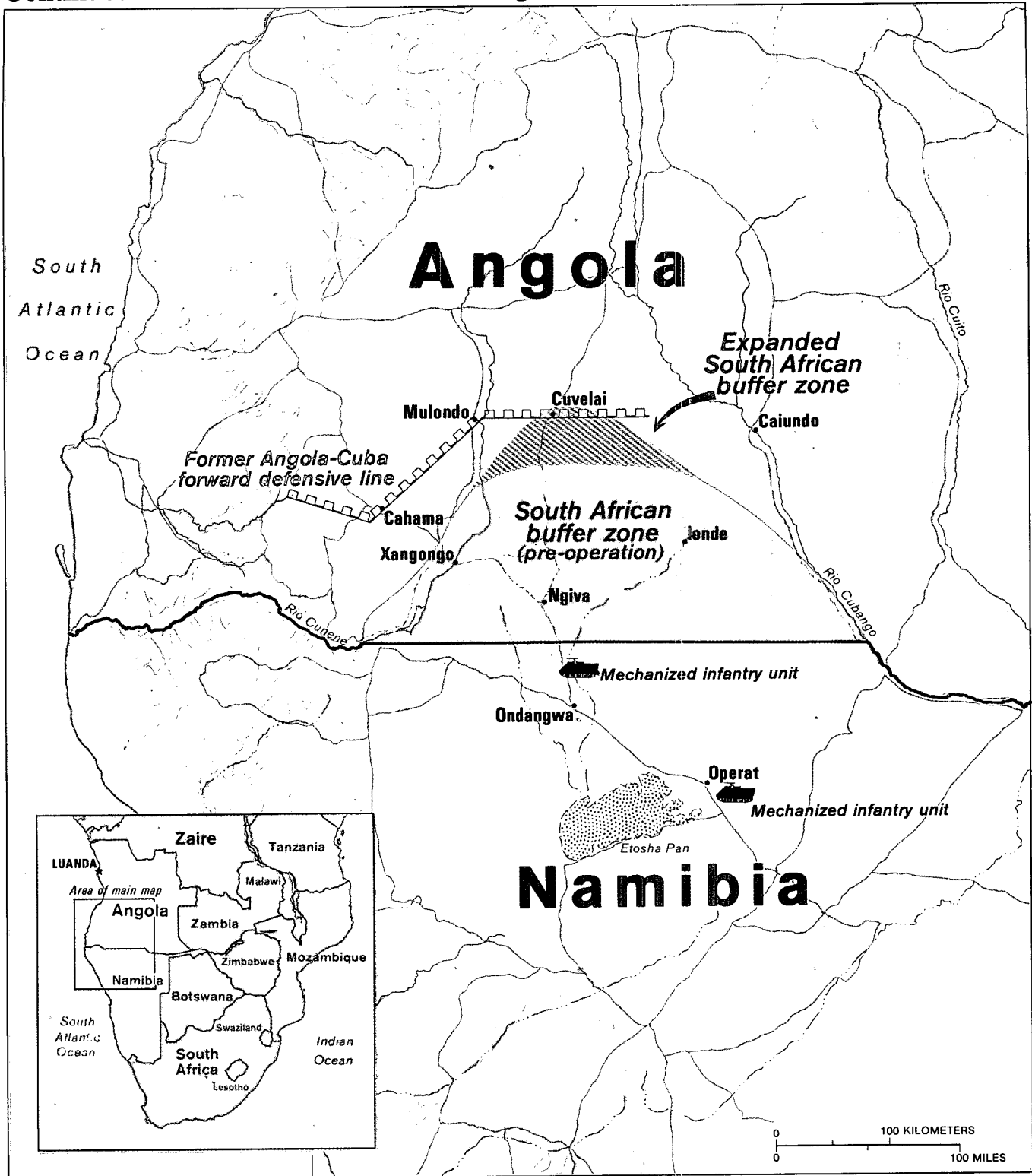
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Continued South African Presence in Angola



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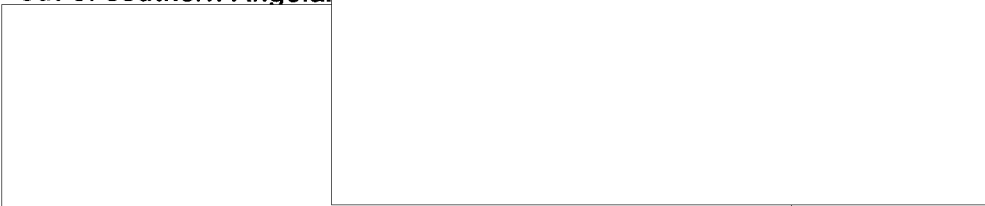
SOUTH AFRICA-ANGOLA: Status of Military Withdrawal

The South Africans have withdrawn most of their conventional forces from Angola, but some 1,000 reconnaissance and irregular troops continue to occupy bases in an expanded salient.



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[Redacted] two mechanized infantry battle groups and other infantry and logistic units have pulled out of southern Angola.



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Pretoria repulsed an Angolan attempt to retake Cuvelai and is prepared to reintroduce mechanized infantry units from bases in northern Namibia to prevent its recapture.



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[Redacted] the South Africans expected the Angolans to flee when attacked and were surprised at their willingness to fight. The Angolans for the first time used effectively positioned minefields and conducted counterattacks at night with armored vehicles.



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Comment: South African forces in Angola are approximately the same size and composition as before the latest military operation. The occupation of Cuvelai, which occurred after Pretoria's offer of a trial 30-day cease-fire, extends South Africa's salient northward by more than 50 kilometers.



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Any effort by Luanda to reoccupy the town almost certainly would draw a South African military response that would end any cease-fire. Pretoria probably would commit larger forces and introduce heavy armor in any subsequent incursion.



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NORWAY-USSR: Impact of Espionage Case

The recent arrest of an official in the Norwegian Foreign Ministry on charges of spying for the USSR will affect Oslo's continuing security policy debate, but is unlikely to do permanent damage to already cool bilateral relations. [redacted]

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The Norwegian Government yesterday recalled its Ambassador in Moscow following the arrest last week of Arne Treholt. The Soviet Embassy says the charge is unfounded and alleges that the case was deliberately timed to cause distrust at the meeting of the Conference on Disarmament in Europe in Stockholm. Norway has announced no further measures, but press reports indicate a number of Soviet diplomats have abruptly left the country. [redacted]

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Treholt had been under investigation for at least four years and has admitted passing classified information to the KGB. Oslo says it believes that Treholt probably has been an agent since the early 1970s, but that he had only limited access to NATO documents. [redacted]

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The government is mostly concerned about Treholt's role in influencing policy in negotiations with the USSR on the Barents Sea boundary and fishing rights. According to press reports, Treholt also wrote a speech in 1980 advocating a nuclear-free zone, a notion the Labor Party's left wing later established as party policy. [redacted]

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Comment: The long-term effect on relations with the Soviets probably will be slight, but the issue is certain to affect Norwegian security policy and politics. Oslo is likely to be less willing to compromise any time soon on the contested boundary in the Barents Sea, where Moscow hopes to exploit petroleum deposits. [redacted]

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The incident may halt the rising influence of the Labor Party's left wing because it casts doubt on the integrity of its causes. Labor also might find less public sympathy for its nuclear-free zone and nuclear freeze initiatives, which it had hoped to use to attract support from the coalition's centrist parties. [redacted]

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The case probably will not come to trial until 1985. The Conservative Party is likely to exploit it in the parliamentary elections slated for that year. [redacted]

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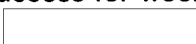


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TURKEY: Council of Europe Membership Controversy

Turkey's insistence on sending a delegation to the Council of Europe's Parliamentary Assembly session next week has become a point of honor for the Ozal government that could have far-reaching foreign policy implications. 


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A number of West European delegates are dissatisfied with Turkey's democratic credentials and record on human rights and have threatened to block the seating of its delegation. Council officials have been trying without success for weeks to work out a compromise acceptable to Ankara. 


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Several US Embassies report, however, that there is a chance of working out a last-minute compromise that would allow Turkish delegates to be seated while various committees consider the credentials question. US officials believe such a process could take longer than the session is scheduled to last. 


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Comment: Many West Europeans want to avoid a showdown. One way would be to delay a vote on Turkish credentials until the Assembly session in May. By that time, local elections would have taken place in Turkey, and West Europeans worried about Turkish democracy presumably would have a weaker case. 

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If a vote takes place on the Assembly floor next week, however, a majority of delegates probably will reject the Turkish delegation. The Ozal government almost certainly would then make good on its threat to withdraw completely from the Council. 

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A decision by the Turks to withdraw could ultimately disrupt their relations with Western Europe on a broad range of issues. It even might scuttle Ankara's hopes to become a member of the EC. In addition, it would encourage the government—which already would like to improve contacts with Islamic nations—to play down relations with the West and increasingly seek ties to the Middle East and southwest Asia. 

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LEBANON: Impasse Over Status of Druze Officers

Druze leaders yesterday rejected Prime Minister Wazzan's offer to reinstate Druze officers who have deserted the Army since September. Druze spokesmen dismissed the offer as a meaningless maneuver by the government because the Army is continuing to shell Druze and Muslim positions in the mountains southeast of Beirut. Wazzan claimed that the offer was a serious attempt by President Gemayel to remove obstacles to the proposed security plan. [redacted]

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Comment: Wazzan's offer only partially addressed Druze demands that the deserters be promoted and paid all back wages. Druze leaders, who are apprehensive about a rumored Army offensive, doubt that Gemayel is sincere about the security plan and are in no mood to compromise. Their rejection of Wazzan's offer further reduces the possibility that the security plan will be implemented. Druze and Muslim militiamen seem prepared for a new round of heavy fighting. [redacted]

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ISRAEL: Bond Market Under Pressure

Government bonds linked to the consumer price index are being sold in such quantities that the Bank of Israel has been forced to intervene to prevent a sharp drop in their price. The US Embassy says the bank has bought \$100 million worth of the bonds this month—most just this week. Bank officials believe that recently imposed credit restrictions have prompted businesses to sell bonds to pay their bills. Civilian employees participating in a work slowdown at the Ministry of Defense are compounding the problem by refusing to issue checks to suppliers. [redacted]

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Comment: An erosion of public faith in the government's ability to deal with economic problems also may be a factor. Promises made to a small coalition party to ensure its vote on the no-confidence motion on Wednesday will undermine the austerity budget approved by the Cabinet last Sunday. Most Israelis probably believe that the Finance Minister will sacrifice his economic program to keep the government in office. If the selling wave spreads to the stock market, the government probably will be forced to spend large sums of money to prevent another collapse similar to the one last October. [redacted]

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[Redacted]

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USSR: Remarks on Arms Control Prospects

The Director of the Institute of the USA and Canada, Georgiy Arbatov, used an interview this week with an Italian newspaper to endorse the one-year moratorium on nuclear missile deployments in Europe proposed by the Palme Commission—a 17-nation group of politicians and arms control experts. Although Arbatov asserted that INF talks can resume only if the situation that preceded NATO deployments is restored, he called the moratorium proposal “a very important initiative” that could provide an opportunity to develop new approaches to deadlocked arms control talks. He also stated that British and French representatives eventually will have to participate in INF negotiations, although bilateral discussions between the US and the USSR will remain necessary. [Redacted]

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Comment: Arbatov is the first Soviet official to suggest publicly since the suspension of the START and INF talks that a moratorium on further deployments might break the deadlock. His approval of the moratorium proposal is in line with the USSR’s longstanding strategy of putting pressure on the US by selectively endorsing West European initiatives. The idea also reflects Moscow’s hope that any delay in NATO deployments would lead to increased public pressure for a permanent halt. Arbatov’s call for eventual British and French participation in INF talks is the most explicit Soviet statement to date on that issue. [Redacted]

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IRAQ-IRAN:

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Press reports from

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Baghdad state that Iraqi fighters on Thursday overflowed Tehran and a number of other Iranian cities and that artillery units fired on Iranian positions east of Al Basrah.

[Redacted]

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[Redacted]

Comment: The Iraqi overflights were intended to warn Tehran that Baghdad can retaliate with airstrikes deep inside Iran if an offensive takes place.

[Redacted]

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[Redacted]

JORDAN-IRAQ: Pipeline Agreement

Jordan's King Hussein and Iraq's Deputy Prime Minister Ramadan agreed in principle yesterday to the "immediate" construction of a pipeline across Jordan to the Red Sea, according to the US Embassy in Amman. Baghdad is insisting on US participation, and it intends to award the construction contract directly to a US firm. Representatives of the firm are scheduled to begin negotiations early next week in Amman.

[Redacted]

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Comment: It will take up to two years to build the proposed pipeline, which will have a capacity of 1.5 million barrels per day. The project will cost a minimum of \$1.5 billion, and government guarantees probably will be necessary to ensure that financing is available—most likely from the oil industry. The prospect of increased oil revenues would give a psychological boost to the financially pressed Iraqis and remove some of the domestic pressure to intensify the war. It also may induce Iran to revise its war-of-attrition strategy.

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SUDAN: Relations With the South

Influential southern leaders, encouraged by the regime's conciliatory gestures, have decided to try to negotiate a political settlement with the government, [Redacted]

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[Redacted] In recent days President Nimeiri and some of his closest advisers have met with a number of leading southern politicians, including some released from jail earlier this month. [Redacted]

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Comment: Some of the southerners, now inclined to negotiate, until recently were contemplating active opposition to the government. They are sure to demand greater autonomy for the south in any talks. Even if these political leaders reconcile with the regime, several armed dissident factions will continue their operations. [Redacted]

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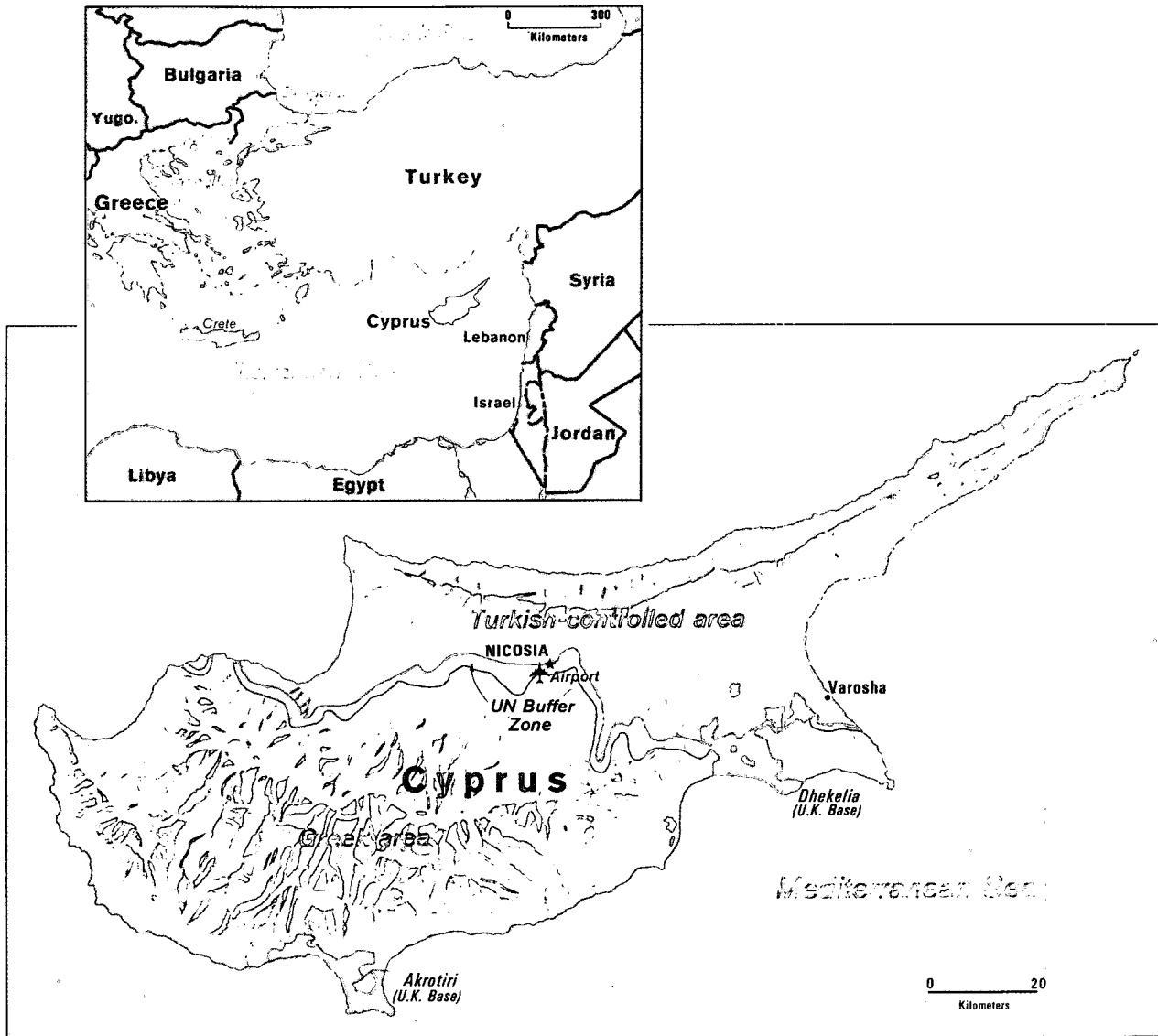
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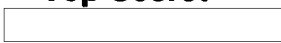


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CYPRUS: Turkish Settlement of Varosha

UN officials in Cyprus have told the US Embassy that a dozen Turkish families recently were allowed to occupy vacant houses in a section of the Greek Cypriot town Varosha. The town was evacuated during the hostilities of 1974 and cordoned off by Turkish troops. The move is not yet widely known. Varosha has long been a focal point in the intercommunal talks, and Turkish Cypriot leader Denktash earlier this month proposed that the UN take control of a large part of the town as an interim step toward partial Greek resettlement.

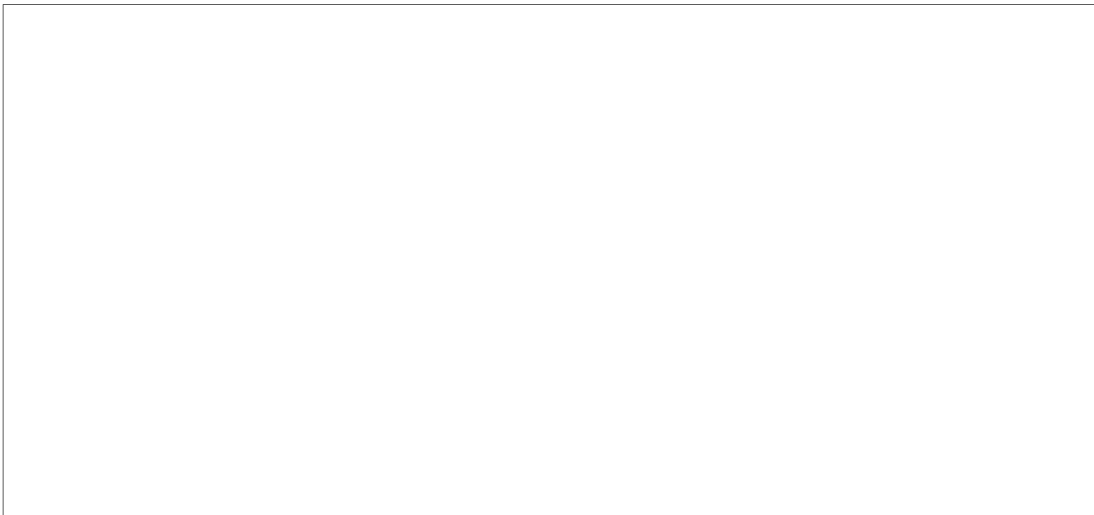


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Comment: The Turkish Cypriots could move to settle all sections of Varosha not offered to the Greeks in Denktash's proposals. Both Denktash and Ankara probably hope to goad the Greek Cypriots into accepting their terms for a Cyprus solution, but Greek and Greek Cypriot leaders are likely to harden their stance against negotiating with the Turks. Denktash also may believe this action will appease those Turkish Cypriots who are demanding that Varosha be opened up for settlement.



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Special Analysis**YUGOSLAVIA-US: President's Visit**

President Spiljak, during his visit to the US next week, will seek a demonstration of Belgrade's political importance to Washington and help in dealing with the IMF. The Yugoslavs have made no progress in controlling inflation, and political bickering is blocking structural reform of the economic and political sectors. Military impatience is increasing as the public loses confidence that the divided leadership can manage the country's problems under the present system.

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On the plus side, Yugoslavia has made substantial progress in improving its external financial position. Belgrade achieved a \$100 million surplus in its hard currency current account—as compared with a \$1.4 billion deficit in 1982—primarily by cutting back imports and by diverting exports from CEMA to the West.

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Total net foreign debt is virtually unchanged from the figure of \$18 billion in 1983, however, and Yugoslavia needs debt relief again this year. Devaluation, higher interest rates, import cutbacks, and other measures also have contributed to economic hardships. Real wages and the standard of living continued to decline in 1983, inflation accelerated to an annual rate of 59 percent, some consumer goods are in short supply, and energy shortages are forcing scheduled outages of electricity.

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Financial Needs

This year the current account is likely to improve less than it did last year, and a surplus of \$350 million is expected. The devaluation, combined with economic recovery in the West, may stimulate exports. Any increase in hard currency exports will have to be based on growing production, and Belgrade plans to increase hard currency imports of raw materials and intermediate goods.

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The Yugoslavs are not requesting new money this year, but they need to cover between \$2.9 billion and \$3.4 billion in maturing debt. If agreement with the IMF cannot be reached in the next month on prices, interest rates, and foreign exchange policies, foreign trade could be damaged and other economic dislocations could result. Spiljak and other Yugoslav leaders exaggerate US influence over IMF policies, according to the US Embassy, and expect Washington to push the Fund for concessions.

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Political Concerns

Uncertainty is increasing in Yugoslavia as Spiljak and most members of the collective Federal Presidency prepare to leave office in May as part of the constitutional rotation process. The Embassy reports that the popular mood is souring as legislation on reforms is stalled. The political stalemate—reflected in Premier Planinc's threats to resign over lack of action on key policy measures—has prompted even some prominent party members to criticize the leadership's irresolution. [Redacted]

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There is even increasing speculation of forceful military intervention in politics. Military leaders, including the Defense Minister and the Chief of Staff, have publicly criticized the political leadership's handling of the economic crisis and called for action against recalcitrant leaders. [Redacted]

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The Defense Minister last month attacked speculation about the Army usurping power, but he upheld the Army's right to "defend the revolution." [Redacted]

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[Redacted] many military officers believe they have to become involved in all aspects of decisionmaking. Despite such criticism, however, the military has pledged loyalty to the political system. [Redacted]

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Nevertheless, political pressure from the generals probably will increase. If continuing economic problems lead to popular unrest, military leaders will turn to civilian hardliners to restore stronger central authority. [Redacted]

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International Issues

Yugoslavia recently signed a trade protocol for 1984 with the USSR, its largest trading partner. In seeking US assistance with the IMF, Spiljak may implicitly threaten that Yugoslavia will turn more to the East rather than accept IMF demands for more austerity. Although the Soviets have complained to Yugoslav officials about Belgrade's economic ties to the West, Moscow cannot meet Yugoslavia's needs for financial support and technology. [Redacted]

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Yugoslavia has refocused some of its foreign policy initiatives on Europe as its prestige in the Nonaligned Movement has declined since President Tito's death in 1980. Belgrade is alarmed by the effect of US-Soviet rivalry on European security, and, while critical of both superpowers' policies on INF, blames NATO's missile deployments for

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aggravating regional tensions. Yugoslavia is an active member of the neutral and nonaligned bloc in the Conference on Disarmament in Europe, and it is urging its partners to submit their own list of confidence- and security-building measures. [Redacted]

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Belgrade supports the Arabs in their disputes with Israel, and it periodically tries to mediate between Iran and Iraq. The Yugoslavs have tried to avoid alienating either the US or Cuba on Central America. [Redacted]

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