

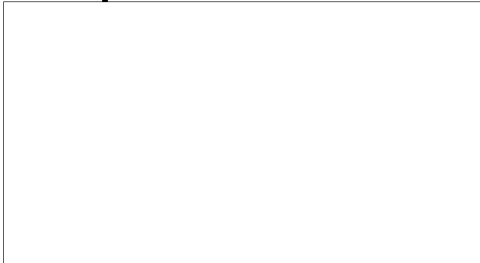


**Director of
Central
Intelligence**

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National Intelligence Daily

*Tuesday
6 March 1984*

~~**Top Secret**~~

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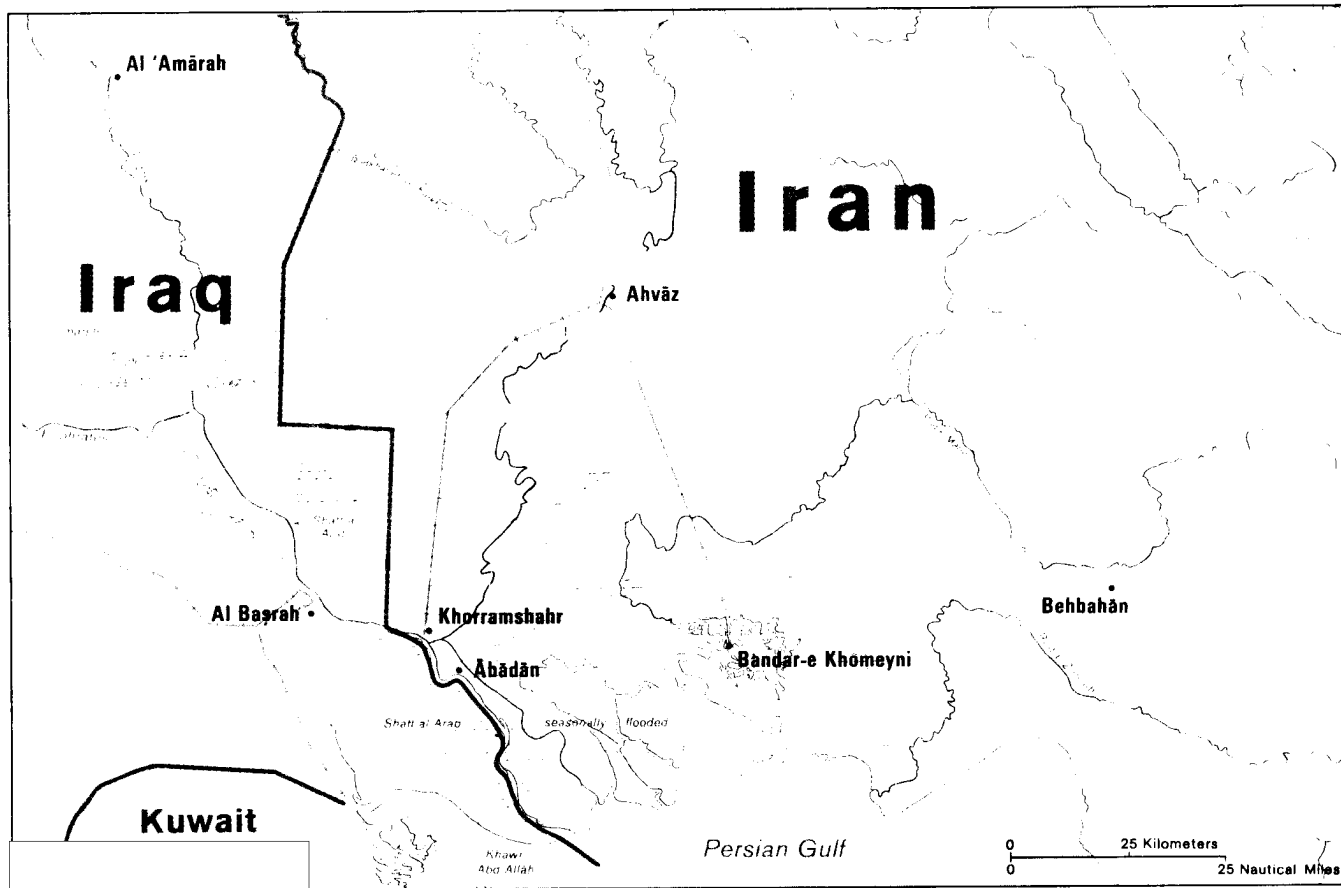


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IRAN-IRAQ: Iranians Prepare for New Attack

The Iranians are continuing their preparations for a major offensive in the Al Basrah area. [Redacted]

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[Redacted]

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[Redacted] the Iranians were shelling Iraqi defensive positions in the northern and eastern parts of the Al Basrah front and that they were continuing work on a pontoon bridge across the marsh. [Redacted]

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[Redacted]

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In a speech on Sunday, Ayatollah Khomeini criticized Iranians who want to end the war. He also denied Iran had suffered heavy losses in the recent fighting and castigated Iranians who argue that Iran should try to reach a settlement. [Redacted]

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[Redacted]

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Comment: Iran may be planning attacks both north and east of Al Basrah. The Iranians probably hope to use the new bridge to move more forces into the marsh area for an offensive to the south to outflank Iraqi defenses. The attacks could come late this week, when Iran completes redeploying troops to the south. [Redacted]

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[Redacted]

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Khomeini's speech is another indication that large numbers of Iranians are weary of the high casualties and economic burdens of the war. Conservative senior ayatollahs who oppose Khomeini's policies may be willing to urge changes on Khomeini again if the dissatisfaction leads to protest demonstrations. Khomeini is in no danger of losing control, however, and he is unlikely to change his position. [Redacted]

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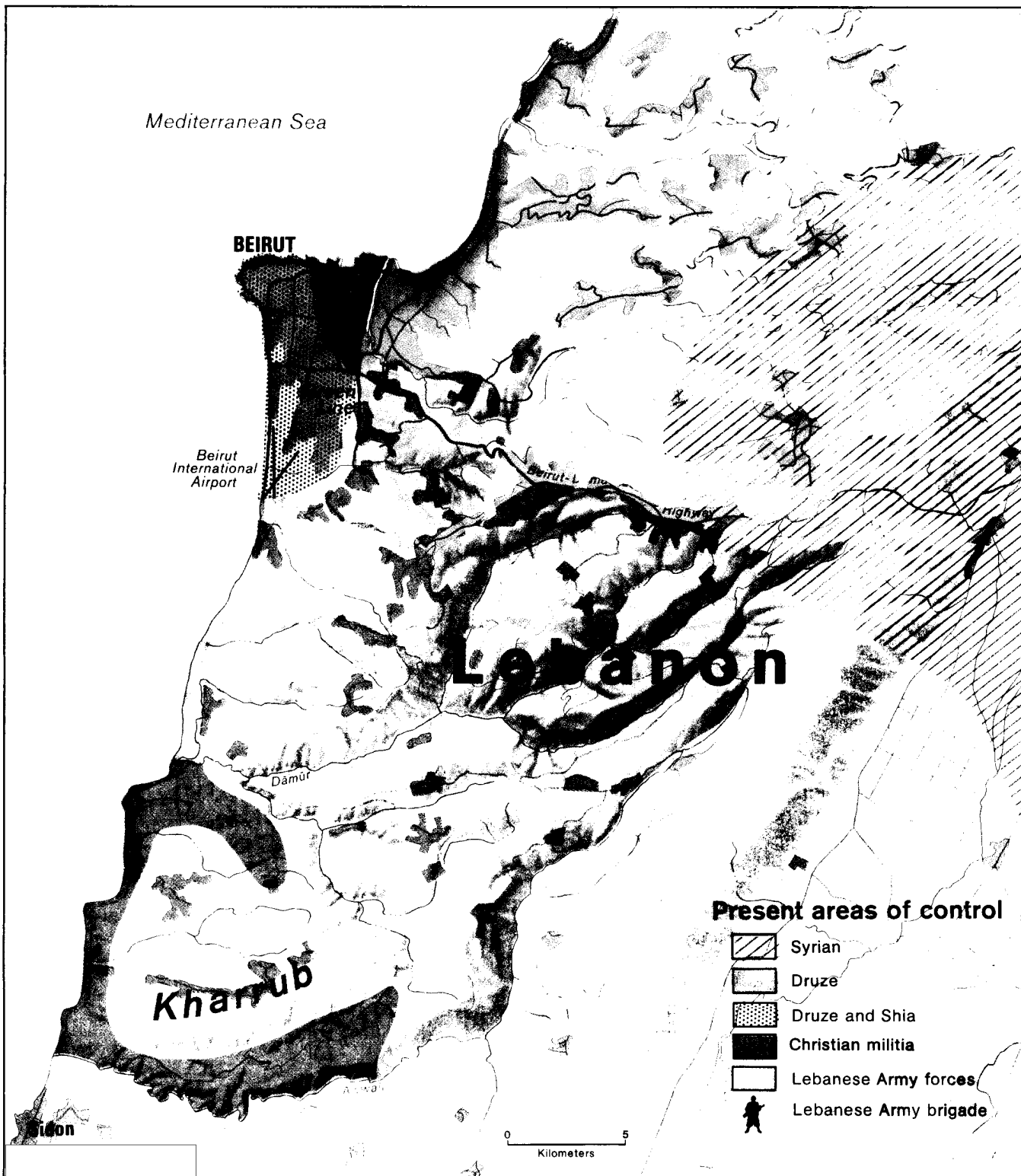
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LEBANON: Reactions to Abrogation of Accord

Reactions to the government's abrogation yesterday of the troop withdrawal accord with Israel have followed widely expected lines, and all sides appear to be weighing their next moves. [Redacted]

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Opposition leaders now are expressing their willingness to attend reconciliation talks in Geneva. Israeli Prime Minister Shamir has denounced the move, stating that Israel will go its own way to guarantee the security of its northern border. [Redacted]

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The command council of the Lebanese Forces Christian militia called for a unified Christian stand to resist all policies that Syria may try to impose on the government. According to press reports, however, the Christian Phalange Party politburo and central council met in joint session yesterday and reaffirmed confidence in President Gemayel. [Redacted]

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Fighting continued yesterday along the Green Line in Beirut and in the Kharrub region south of the Damur River, despite the announcement of a cease-fire. [Redacted]

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Comment: Christian hardliners will have to proceed cautiously. The Phalange supports Gemayel, and opposition on the part of the Lebanese Forces could isolate them from the rest of the Christian community. [Redacted]

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Any move by the Lebanese Forces to challenge Gemayel would risk Syrian pressure on behalf of the President. Some members of the Lebanese Forces probably want to avoid the kind of direct confrontation with Syria that occurred in 1977 and the possibility of Syrian-instigated fighting aimed at destroying them. [Redacted]

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The Army and opposition militias may be trying to prevent each other from preparing to occupy French positions along the Green Line in the event the French contingent of the Multinational Force withdraws. Christian militia forces in the Kharrub may have started the fighting there in order to demonstrate their independence from the government and their opposition to the cancellation of the accord. [Redacted]

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PHILIPPINES: Status of Assassination Investigation

The investigation of the assassination of Benigno Aquino is moving closer to implicating Armed Forces Chief of Staff Ver, a development that could have severe political consequences for President Marcos. [Redacted]

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The Agrava Board heard testimony last week from the children of the accused alleging Ver is involved in a coverup of the assassination plot. Ver has offered to testify before the Board, perhaps as early as this week, to refute the children's claim that their mother disappeared after having been taken to see him in January. [Redacted]

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The US Embassy reports that a prominent opposition leader may have information that links Ver to the incident but that he fears retaliation by Ver if he discloses it. The Board is widely expected to implicate senior military officers in the assassination. [Redacted]

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Comment: Ver is willing to take any action he believes necessary to protect his interests, including the elimination of witnesses who could implicate him. He may try to persuade Marcos to impede the Board's investigation. [Redacted]

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If the Board is allowed to determine its own course, it is likely to implicate the military. This would reinforce the public's belief that Ver was involved. [Redacted]

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The assassination could become a key election issue in the weeks ahead. If Ver interferes with the Board's proceedings, Marcos would be forced to make a tough decision. He would have to choose between sacrificing Ver or suffering even more severe political repercussions as a result of appearing to protect those responsible for killing Aquino. [Redacted]

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ARGENTINA: Debt Negotiating Strategy

The government apparently believes that foreign commercial banks will have to disburse new loans this month to avoid showing losses on their books, whether or not Argentina signs a letter of intent with the IMF. [Redacted]

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US banks face the prospect of having up to half of their Argentine portfolios fall into a nonperforming status on 31 March because of overdue interest payments. [Redacted]

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[Redacted]

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President Alfonsin and Minister of Economy Grinspun have stated that they will not accept an IMF program that might cause a recession, and negotiations with the Fund show no signs of being completed before the end of March. [Redacted]

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Comment: Argentina probably does not have enough international reserves to pay its overdue debts without obtaining new loans, but Grinspun is unlikely to rush into an unpopular IMF agreement. The government probably is counting on the pressure of time to gain more lenient terms from the IMF. [Redacted]

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Alternatively it may hope that the consortium of foreign banks—spurred by US members—will find a way to disburse new loans without a letter of intent. As a result of Grinspun's tactics, however, bankers are likely to take a harder line during debt rescheduling talks later this year for some \$20 billion due to be repaid in 1984. [Redacted]

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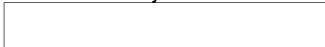
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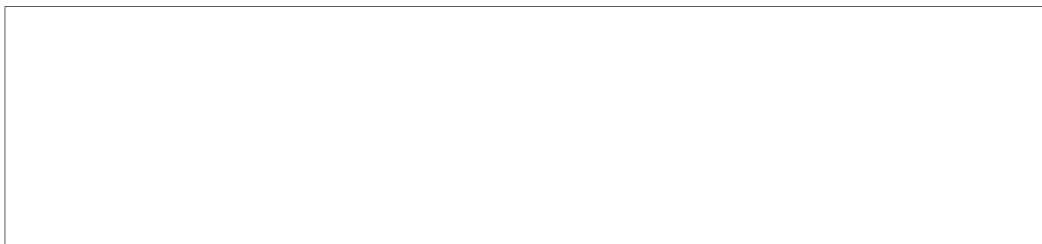


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TUNISIA: Possible Cabinet Changes

Continued unrest since the bread riots in January has prompted President Bourguiba to consider key cabinet shifts as a way of placating the populace. 


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The US Embassy reports the government also may be backing away from the phased 20-percent increase in the price of bread it announced after the riots. Instead, it is now considering a single symbolic increase of 5 to 10 percent. 

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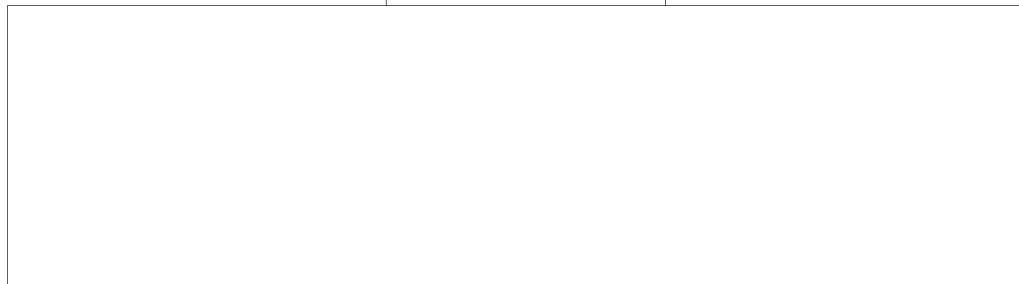
Over the past three weeks, strikes by bank, postal, and communications workers as well as teachers and other public employees have disrupted city services. 

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Comment: The riots in January have unleashed the frustration of workers who are angry with the government's procrastination in addressing labor demands. Union leaders, who supported the government during the riots, have begun to lose control of workers. They are unlikely to reassert discipline unless the government agrees to costly wage increases. 

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TURKEY: Selling State Enterprises

A new law allowing the government to sell inefficient state enterprises to private firms carries some potential political liabilities for Prime Minister Ozal. [Redacted]

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Ozal wants to funnel the proceeds into development projects he believes will help eventually to reduce Turkey's high unemployment rate. Opposition leaders on the left and the right of the governing Motherland Party have criticized the measure. [Redacted]

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Comment: The new legislation is consistent with other moves by Ozal to make the economy more responsive to market forces. It is likely to please organizations, such as the World Bank, which have long advocated reforming the state-owned firms. The firms account for nearly half of Turkey's industrial production and are widely viewed as a key structural problem for the economy. [Redacted]

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The law could become the most controversial part of Ozal's economic program and an issue in the local elections later this month. It is a dramatic departure from the tradition of heavy state involvement in the economy. [Redacted]

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Ozal could suffer politically if private investors who buy state firms fire workers. Layoffs would anger the labor unions, which are already asking for large wage increases and will soon be allowed to strike. [Redacted]

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Ozal may have difficulty selling some of the firms, particularly those that are overstaffed and poorly managed. To the extent he is successful, he will have cash for badly needed work on economic infrastructure projects. [Redacted]

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The only other source of funds for these projects is foreign borrowing. If international lenders are asked to increase their already substantial exposure in Turkey, they could prove reluctant. [Redacted]

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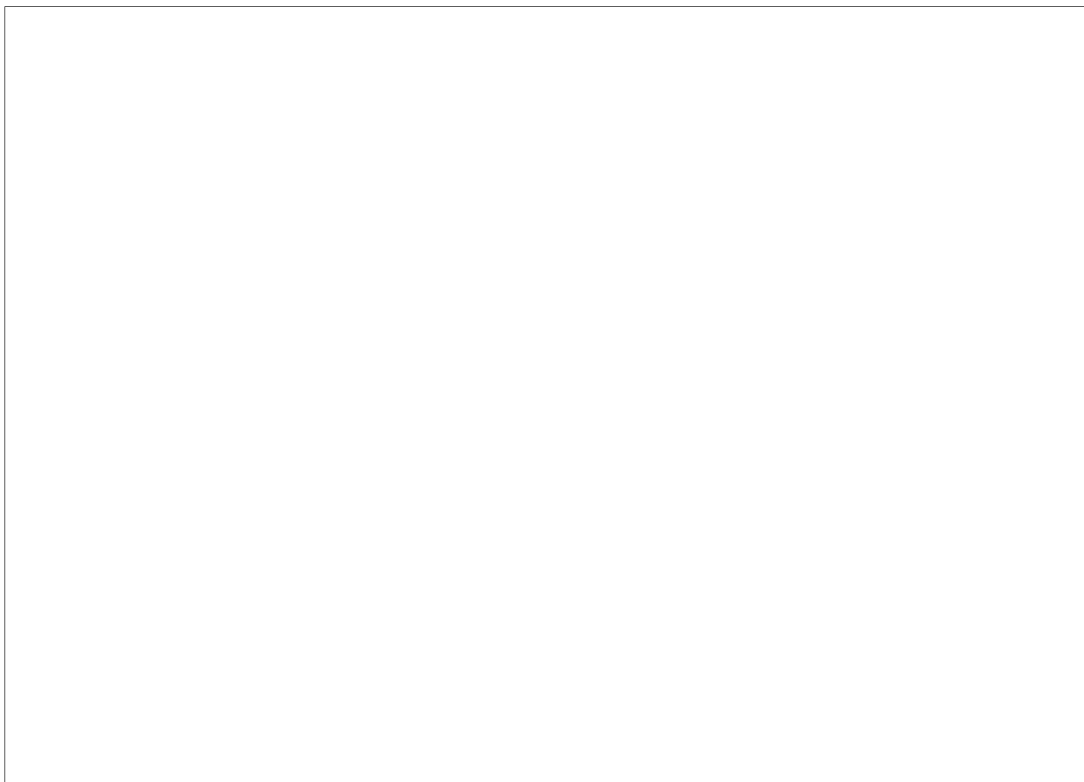
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USSR-SYRIA: High-Level Soviet To Visit

The Soviets and Syrians have announced that Politburo member Aliyev will go to Syria during the first half of this month. He was originally scheduled to go in February, but he postponed his visit when Andropov died. Aliyev will be the highest ranking Soviet to visit Damascus since Foreign Minister Gromyko traveled there in 1980. His talks will be the first at a senior level since November, when Foreign Minister Khaddam visited Moscow. [Redacted]

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Comment: Moscow probably hopes Aliyev's visit will be interpreted widely as reflecting the USSR's ability to play a major role in the Middle East. The Soviets presumably want to discuss how best to capitalize on the recent events in Lebanon. In view of President Assad's past reluctance to keep the Soviets informed about his strategy there, however, Aliyev's main task may be to gather information rather than give advice. He is likely to be especially interested in gauging the regime's stability after the recent infighting among Assad's key lieutenants. [Redacted]

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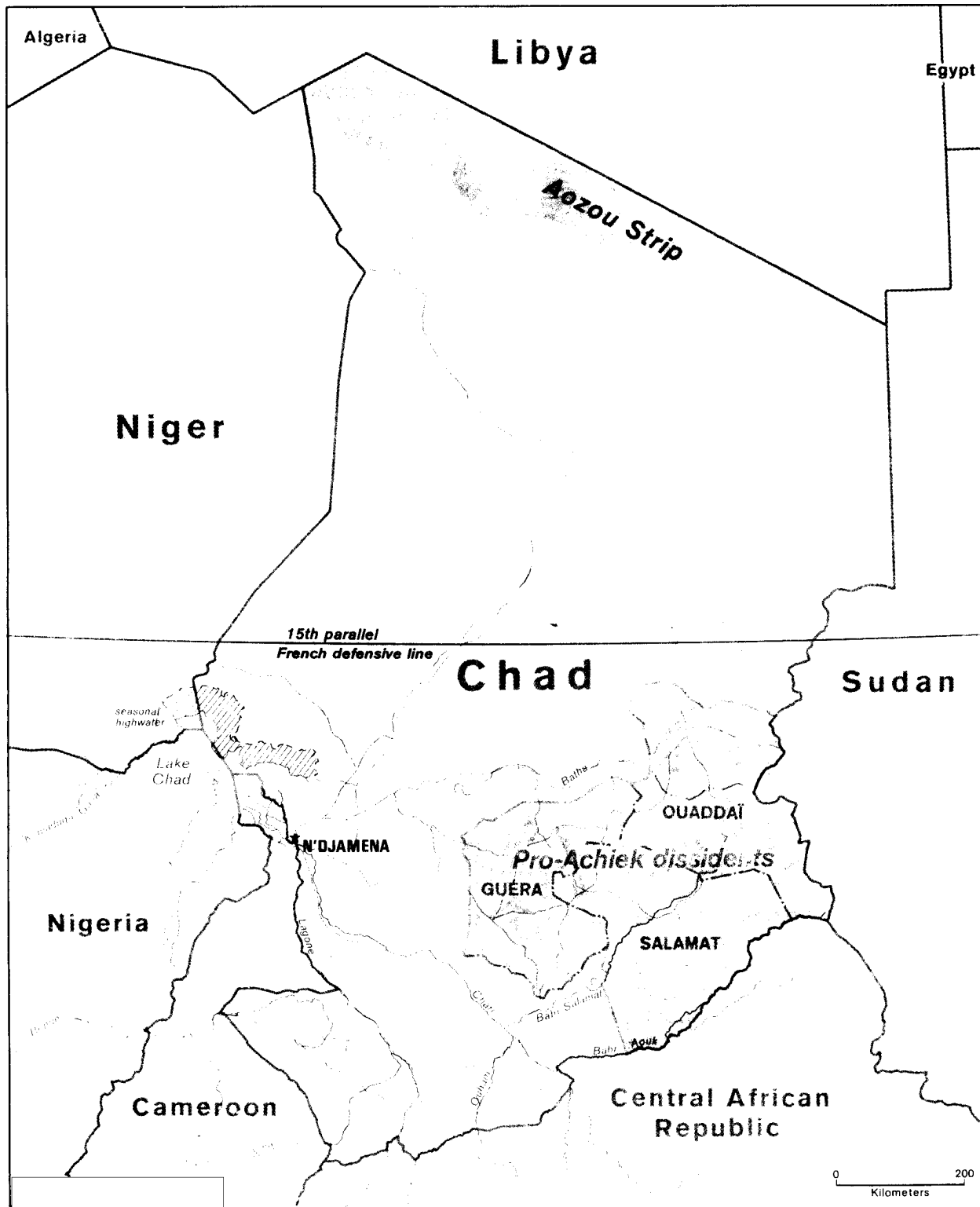
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Dissident Activity



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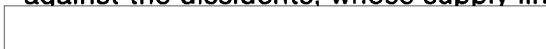
CHAD: Planned Government Operation

The government is assembling about 2,000 troops for a major clearing operation against 1,000 to 1,500 dissidents in central Chad. The sweep will encompass much of Guera and Salamat Provinces and [redacted] logistic preparations and operational planning have been extensive. Dissident activity in central and southern Chad has grown in the past several weeks. Libya has increased the flow of rebels, arms, and funds to the weakly defended central region. [redacted]

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Comment: The sweep zone is the operating area of dissident chieftain Achiek Ibn Oumar, who the Libyans are suggesting as an alternative to both President Habre and dissident leader Goukouni to head a new government in N'Djamena. The buildup of dissident forces in central Chad is important to Libyan efforts to increase pressure on Habre, and it may strengthen Achiek's standing in dissident circles. Habre's sweep is intended to weaken Achiek's prospects. Government troops should enjoy some military success against the dissidents, whose supply lines are long and insecure.



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EL SALVADOR: Strikes Continue

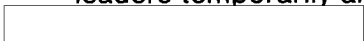
Workers in the public sector have rejected the government's offer of a 10-percent wage increase and more organizations may join the unions that are on strike. According to the US Embassy, a general strike could develop, paralyzing the capital and other urban centers. Water workers are among those on strike, and water is being cut off in some sections of the capital and in other cities. To prevent sabotage, Army units are guarding water facilities. [redacted]

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Comment: The insurgents reportedly have been planning to use leftist labor unions to disrupt the presidential election, and the striking unions are unlikely to accept readily any new proposals offered by the government. To maintain public services during the crucial election period, the government may detain strike leaders temporarily and place utilities under military control. [redacted]

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Muslim Fundamentalist Activity



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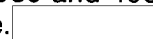
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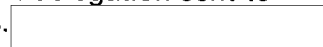
NIGERIA: Religious Rioting in the North

The government is relying on Army troops to put down weeklong riots by Muslim fundamentalists in the capital of the state of Gongola. Many of the religious fanatics have escaped from the area, and neighboring states are taking measures to guard against the spread of disturbances. The US Embassy, citing press accounts, reports that the Army used artillery to quell the riots and that 1,000 people may have been killed. Followers of the minority Maitatsine sect were involved in similar disturbances in northern cities in 1980 and 1982 that resulted in the deaths of several thousand people.



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Comment: General Buhari, who visited the scene of the riots, has responded firmly to the first direct test of his government's ability to maintain authority. The episode, however, has temporarily diverted the regime from its priority goals of economic recovery and curbing corruption. There are no reports of foreign meddling in the rioting. Buhari has sought to court the larger Muslim community, and he included a leading Muslim in a recent government delegation sent to Saudi Arabia to discuss oil and economic issues.



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JAMAICA: IMF Negotiations Resume

The IMF last week agreed to resume negotiations with Jamaica for a standby loan after Kingston paid \$37 million in overdue debt to the Fund. Jamaican officials plan to cut capital and current expenditures by reducing or eliminating food subsidies and by dropping 4,500 workers from the government payroll. The Jamaicans also have been authorized to negotiate a more flexible foreign exchange-rate system, according to US Embassy sources. Meanwhile, the government received another economic setback last week when Reynolds Metals announced its decision to terminate its mining operations in Jamaica in favor of cheaper bauxite sources in Africa.



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Comment: The IMF may insist on further cuts in recurrent expenditures, particularly in light of the loss of over \$25 million in government revenues that had been expected from Reynolds this year. The opposition will blame Prime Minister Seaga for the country's growing unemployment, which has been aggravated by budget cuts and the loss of 200 jobs from the Reynolds operation, and for rising inflation. Seaga is likely to intensify his search for alternative markets for Jamaican bauxite, including increased purchases by the US for its stockpiles.



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CANADA-US: Cruise Missile Testing Issue

The antinuclear coalition yesterday asked a federal court to halt the cruise missile tests scheduled for today, pending a ruling by the Supreme Court on the constitutionality of the cabinet's decision to permit them. The Federal Court has indicated it will respond quickly to the request. In an effort to reduce criticism from peace groups, Ottawa postponed announcing the date of the test until the last minute. [Redacted]

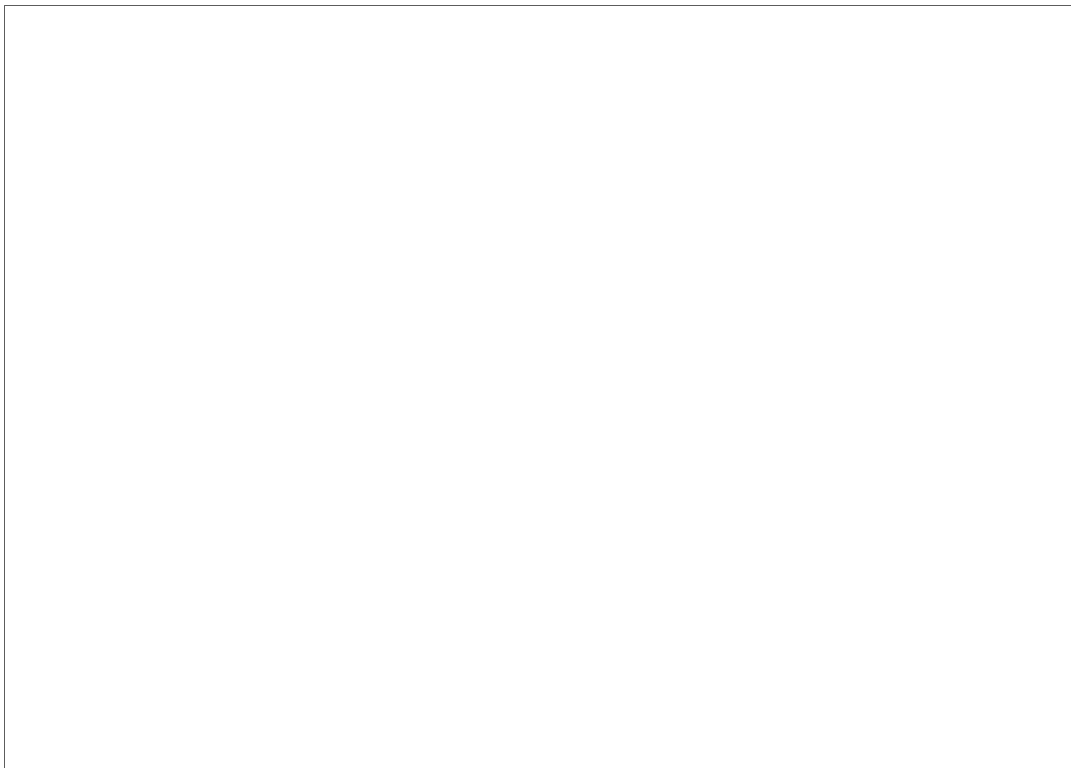
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Comment: The tests in northern Alberta almost certainly will touch off limited demonstrations across the country. The antinuclear coalition appeared to have lost much support following a ruling by an Appeals Court last December that stated the government had the constitutional power to permit the tests. Nonetheless, the actual start of testing, the impending return of warmer weather, and preparations for a federal election this year probably will give new impetus to protest activities. Polls show that an increasing number of Canadians—although still not a majority—support the testing. [Redacted]

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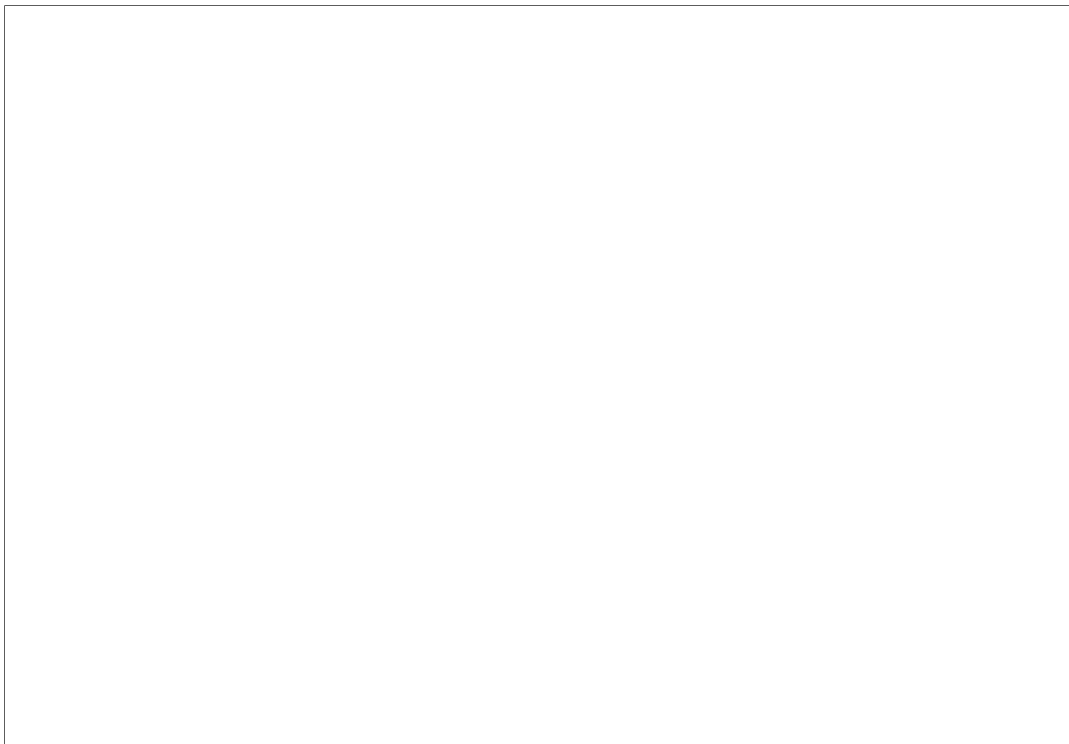
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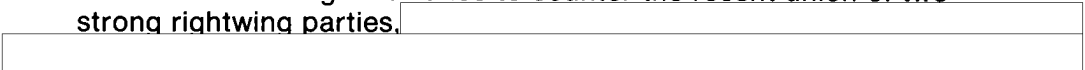
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GUATEMALA: Election Preparations

The government's assurances that it will not tamper with the constituent assembly election scheduled for 1 July and a decision by the OAS to send observers have encouraged political organizing. Leftists are forming an alliance to counter the recent union of two strong rightwing parties.



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Demands from left and center parties for honest elections prompted Chief of State Mejia to emphasize that the Army will not transport or count the ballots. The government has announced that more than 1.5 million voters are registered, but US Embassy sources say the election has produced little interest among the Indians.



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Comment: The government apparently is overcoming some of the skepticism about its commitment to honest elections, and many parties are belatedly trying to form alliances or register enough members to participate. Leftist parties are unlikely to be able to challenge the right wing for control of the assembly. Nonetheless, their participation will add credibility to the election. The limited participation of Indians, about half of the country's population, however, will subject the election to criticism by domestic and foreign political observers.



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USSR: Criticism of Economists


Pravda recently published a decree—the first under General Secretary Chernenko’s leadership—that criticizes the Institute of Economics in Moscow for superficial analysis of economic problems. The Institute is instructed to focus its research on current problems and to prepare recommendations for economic experiments that are acceptable under the Soviet system. 

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Comment: The decree almost certainly is intended as a general criticism of Soviet economists for not producing politically, ideologically, and bureaucratically satisfactory proposals. At the plenum of the Central Committee last June, Chernenko criticized economists for dragging their feet in preparing realistic solutions. Publication of the decree underscores the leadership’s intention to redirect economic research toward analyses that are politically more practical and to introduce and evaluate economic experiments before producing the draft plan for 1986-90. 

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COSTA RICA: Foreign Exchange Crisis

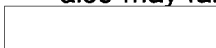
The imminent exhaustion of foreign exchange reserves has prompted Costa Rica to suspend payments on debt owed to foreign governments and to request a meeting of the Paris Club to reschedule about \$100 million in bilateral debt payments falling due this year. San Jose is trying to secure some \$50 million in emergency financing from foreign governments and commercial banks until the IMF and US begin disbursing aid in a few months. Commercial bankers reportedly are reluctant to extend emergency financing because they believe it will merely defer the financial crisis until midyear. 

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Comment: San Jose’s failure to devalue its currency as much as the IMF had recommended last year is largely responsible for the crisis. A devaluation now probably would not cut imports much until May or June. If Costa Rica does not secure emergency financing, it also may fall behind on its commercial debt service. 

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EASTERN EUROPE: Drought Hits Winter Grain Crops

The continuing drought in several East European states has worsened prospects for winter grain production, according to reports from US Embassies. Winter grains normally account for almost half of total grain production in Czechoslovakia, Hungary, Romania, and Bulgaria. [Redacted]

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Comment [Redacted] winter grains entered dormancy last fall in poor condition, and the region will need abundant precipitation over the coming weeks to avert serious losses. Production shortfalls would intensify food supply difficulties, particularly in Romania. Decisions by some regimes to limit borrowing because of financial problems probably will limit imports. Efforts to improve trade balances in Hungary and Bulgaria would be hindered by a reduction in the amount of grain available for export. [Redacted]

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Speech Schedule Reflects Leadership Ranking

(In descending order)

Date	Leader	Comment
2 March	Chernenko	Topmost slot, as expected.
1 March	Tikhonov	Traditional for Premier.
29 February	Gorbachev	Senior Secretary under Chernenko.
28 February	Ustinov	Defense Minister now outranks other Politburo members.
27 February	Gromyko	Preceded Ustinov in last election in 1979.
25 February	Grishin	Moscow party chief now precedes other regional chiefs.
25 February	Romanov	Secretary . . . schedule shows he is not even close second in rank to Gorbachev.
24 February	Shcherbitskiy	Ukrainian party chief . . . preceded Grishin in 1979.
24 February	Solomentsev	Heads party discipline unit . . . high standing for new full member of Politburo.
24 February	Ponomarev	Secretary . . . senior among candidate members of Politburo.
23 February	Kunayev	Kazakh party chief . . . under Brezhnev, out-ranked other regional party chiefs.
23 February	Aliyev, Vorotnikov	Aliyev, First Deputy Premier, and Vorotnikov, RSFSR Premier, in proper rank as new full Politburo members.
9-21 February	Other candidate members of Politburo and secretaries	Spoke in roughly appropriate order of seniority.

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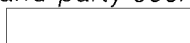
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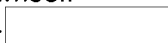
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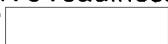
USSR: Views of the Leadership

Recent ceremonial speeches by Soviet leaders in their respective election districts suggest that the Politburo has decided to underscore policy continuity while making an effort to build up General Secretary Chernenko's image. The speeches, however, contain signs of differing views. For example, variations in the remarks on foreign policy suggest that the Politburo is not entirely agreed on whether to resume high-level negotiations with the US. Chernenko and party secretary Gorbachev were the most positive on this point. 


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Chernenko, who spoke last, suggested that a drastic improvement in relations with the US might result if Washington took the initiative on any of several less contentious arms control issues, particularly chemical warfare. He also reformulated Moscow's conditions for resuming INF talks, appearing to disassociate himself somewhat from the demand that US missiles first be removed. 


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A TASS commentary over the weekend picked up on this point. It said removal of US missiles is necessary for INF talks "to be effective," implying withdrawal is not a precondition for resumption. Gorbachev, now the senior party secretary under Chernenko, affirmed the USSR's readiness to take advantage of "any real chance for honest talks." 


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Foreign Minister Gromyko and Defense Minister Ustinov appeared more skeptical. Gromyko expressed doubt about the value of negotiating with the US now and challenged the sincerity of recent US statements in favor of improving relations. 

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Gromyko suggested that such statements had more to do with US election year politics. Ustinov said US assertions of its readiness to talk while continuing with missile deployments are a "deception." 

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The speeches indicate that, while Chernenko is inclined toward improving the dialogue, he will have to proceed cautiously to avoid opposition from his colleagues. This probably was one reason for his suggestion in his speech that it would be better to seek agreement on less contentious issues, rather than to grapple with the principal questions. 

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Completing Priorities

All speakers emphasized the need to improve the lot of the consumer, but there were hints that some Politburo members were uneasy about Chernenko's predisposition to favor consumers. He is the only Politburo member known to have stressed publicly the desirability of using the resources saved by arms control agreements for the consumer sector. The current concerns were especially evident in passages where consumer benefits are mentioned along with the need to maintain defensive power.



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Politburo members Romanov, Gromyko, and Ustinov stressed the standard national goals of developing economic and defensive strength first and consumer welfare second. Soviet media accounts of a speech by Chernenko to the Politburo on 23 February indicate that he gave consumer welfare first priority.



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In his election speech last Friday, however, Chernenko merely noted that the international situation had compelled the USSR to divert resources into defense. He said that this had not been done at the expense of social programs.



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Chernenko's Relations With His Colleagues

Chernenko touched on all current foreign and domestic policy issues in his speech without explicitly challenging any of his colleagues' concern. He said the progress made under Andropov will be safeguarded now through "collectively developed guidelines." His endorsement of the discipline and anticorruption issues, as well as the need for change in economic management, should allay the suspicions of some of his colleagues that he might backtrack on Andropov's programs.



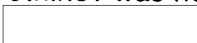
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Most of Chernenko's colleagues apparently have decided to build his image as a capable leader in their published speeches, although with differing degrees of support. For example, Gorbachev spoke at great length, but focused on Chernenko's "theoretical" contribution and said nothing about his leadership qualities.



25X1

Gorbachev was much more generous in his praise of Andropov's "precise understanding of urgent problems" and "sensitivity to the demands of the time." Gromyko was particularly cool, and RSFSR Premier Vorotnikov was notably perfunctory in his praise of Chernenko.



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continued

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[Redacted]

25X1

Ustinov praised Chernenko more than adequately but stopped far short of Romanov and Moscow party chief Grishin, who were the most effusive. Soviet media indicate that the election meetings to which they spoke adopted resolutions that described the Politburo as "headed by" Chernenko—an honorific formulation that had been used sparingly under Brezhnev and Andropov. The meeting that Premier Tikhonov addressed adopted the same resolutions. [Redacted]

25X1

Judging from the order in which the leaders spoke, the Politburo has sorted itself out into a hierarchy of status. The content of the speeches suggests that this is not an ordering by rank of Chernenko's strongest boosters but that it reflects power and protocol relationships worked out by the new leadership. [Redacted]

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[Redacted]

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