



**Director of
Central
Intelligence**

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**Thursday
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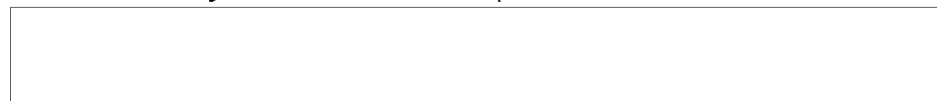
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POLAND:**Amnesty Ends**

The regime and released Solidarity leaders are engaged in delicate maneuvering to determine whether any form of accommodation is possible. [redacted]

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The government yesterday reported that only 585 of the 652 political prisoners have been released, but an official suggested the final results would not be known until the end of this week. According to Western press reports, the authorities have dropped charges against Lech Walesa's priest and have not intervened to prevent celebrations of the amnesty. [redacted]

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Released Solidarity leaders say they will not give up the struggle for independent unions but add that they need time to assess how to proceed. One has told the US Embassy that the opposition has to develop institutions to last over the long term and to avoid haphazard moves he said characterized the underground's strategy during martial law. [redacted]

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Premier Jaruzelski and other regime spokesmen have repeated their warnings that they will not permit a return to anarchy. Local officials have already warned several Solidarity leaders to stop their political activities. [redacted]

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Comment: The authorities hope that their warnings and popular resignation about the futility of open opposition will temper the attitudes and activities of the released prisoners. They probably are prepared to tolerate some activities by small groups and contributions to the widespread underground press, but not large symbolic reunions or efforts to reestablish contacts with workers. [redacted]

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The former Solidarity leaders are not likely to agree on a coordinated strategy for the time being. The individuals have long held differing opinions on how hard to press the regime. They are likely to debate informally on Walesa's status as well as on whether the opposition should change tactics and subvert the legal unions. Each of the prominent leaders is likely to focus on his own region and test the authorities' toleration for overt political activities. [redacted]

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AFRICA:

Reactions to Libyan-Moroccan Union

North African countries are dismayed by the unity agreement between Libya and Morocco, but Rabat still plans to hold a referendum on the treaty on 31 August. [Redacted]

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The US Embassy says Algeria sees the union as a tactical move by King Hassan to block Algerian efforts to promote regional unity and end the Western Sahara conflict. Algeria believes its friendship treaty with Tunisia and Mauritania is the vehicle for achieving those goals. [Redacted]

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[Redacted]

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Tunisian officials acknowledge the agreement's call for unity but emphasize Tunis's commitment to its treaty with Algeria. The Egyptian Foreign Minister calls the union "a joke" and says Hassan will suffer a serious loss of credibility by linking himself to Libyan leader Qadhafi. [Redacted]

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According to the US Embassy in Rabat, Moroccans overwhelmingly support the union as a move to defend Morocco's position on Western Sahara. [Redacted]

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[Redacted]

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Although Tripoli is portraying the union as the first step in Qadhafi's campaign to unify the Arabs, Syria is ignoring a Libyan invitation to join. [Redacted]

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[Redacted]

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Comment: Hassan is a master manipulator of opinion in Morocco and will see to it that the union receives strong support in the referendum. He may, however, be underestimating the extent to which his alliance with Qadhafi will jeopardize his support in the OAU on the Western Sahara issue. Qadhafi is likely to find that no other state will join his latest unity drive. Libya's ally Ethiopia has already questioned Qadhafi's judgment in joining with a supporter of the US. [Redacted]

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ISRAEL:

Weighing Emergency Economic Measures

Finance Minister Cohen-Orgad is considering emergency economic measures in response to the continued deterioration of the economy. [Redacted]

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Press reports state that the proposals include a \$1.5 billion cut in the government budget, imposition of new taxes, and a 50-percent increase in the price of basic commodities and fuel. The Finance Minister is also considering reforms in employee cost-of-living allowances. [Redacted]

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Cohen-Orgad intends to proceed with his plans, regardless of the status of negotiations to form a new government. He reportedly may invoke the government's emergency powers to carry out the plan if the Knesset rejects his proposals. The measures would then expire in three months, unless the Knesset reconsiders. [Redacted]

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The proposals are aimed at curbing inflation and improving the balance of payments. The consumer price index increased by 12.4 percent in July, and the annual rate of inflation for the first seven months of the year now stands at about 380 percent. [Redacted]

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The Bank of Israel acknowledged last week that its foreign currency crisis is much more serious than previously reported. Foreign exchange reserves declined in July to \$3.1 billion. [Redacted]

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Comment: If implemented, the measures will reduce living standards and increase unemployment. Leaders of Histadrut, Israel's large trade union organization, are already upset about recent surges in the unemployment rate and probably will not cooperate in a government austerity program. In the past, finance ministers have resigned when measures to deal with economic deterioration have proved to be unpopular. [Redacted]

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ROMANIA:

Fortieth Anniversary Celebration

President Ceausescu will use the 40th anniversary of Communist rule to strengthen his international prestige, but widespread economic hardship and social malaise continue to weaken his domestic standing and increase Romania's vulnerability to Soviet influence. [Redacted]

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Representatives from more than 100 countries will attend the ceremonies today. The US and most NATO countries are sending ambassadors, and East German leader Honecker, Chinese President Li Xiannian, and perhaps PLO chief Arafat are coming. Moscow will be represented by Politburo member Vorotnikov. [Redacted]

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[Redacted]

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Comment: Food and energy shortages have moderated somewhat since last winter, but they remain serious, and supplies probably will not improve soon. Adverse weather has dimmed harvest prospects. Continuing layoffs and pay cuts for failure to meet overambitious production targets are adding to the population's misery. [Redacted]

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Public reaction has been limited mainly to grumbling, sporadic antiregime pamphleteering, and increased worker absenteeism. There also have been new signs of restiveness among the Hungarian minority. [Redacted]

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[Redacted]

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Romania has recently obtained Soviet agreement to increase deliveries of several raw materials—possibly including oil—partially in return for further investment in Soviet projects to develop raw materials. If fully carried out, these arrangements could increase Romanian economic dependence on the USSR. Moscow almost certainly would hope for more cooperation in foreign policy matters. Ceausescu, however, is unlikely to abandon the independent behavior that has become the hallmark of his regime. [Redacted]

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LIBERIA:

Tensions Increase

Monrovia remained tense yesterday following clashes between the armed forces and antiregime students during Head of State Doe's address to the Interim National Assembly. [Redacted]

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Soldiers reportedly injured some students when they fired into the crowd and beat several demonstrators who were protesting the arrest of opposition leaders accused of coup plotting. Doe afterward closed the university and dismissed its administration, claiming the institution fostered political opposition. [Redacted]

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Comment: Doe appears unaware or unconcerned that these actions have eroded the public good will he generated last month by ending the four-year ban on political activity. His speech to the Assembly suggests that several opposition parties will soon be banned. Doe apparently is also considering using threats—real or imagined—to his regime as a pretext to delay further or even to cancel the return to civilian rule scheduled for January 1986. [Redacted]

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Additional arrests of political leaders will further fuel public grumbling. Opposition parties remain in disarray, however, and are unable to fight Doe's moves. Student resentment continues unabated, but activists probably want to avoid a replay of the Army's overreaction yesterday. [Redacted]

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WEST GERMANY-POLAND: Foreign Minister Schedules Visit

West German Foreign Minister Genscher reportedly plans to visit Poland from 21 to 23 November. He will be the first high-level Western visitor there since martial law was imposed in December 1981. Other Western Allies also favor resuming high-level contacts in response to the Polish amnesty. Both Greek Prime Minister Papandreou and Italian Foreign Minister Andreotti are considering visits to Warsaw. [Redacted]

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Comment: Genscher's trip is part of a major effort by Bonn to maintain a high-level dialogue with Eastern Europe. West German officials admit that this goal has received a higher priority since INF deployments began, because of Moscow's cautiousness in pursuing improved relations with the West. Although Poland recently has supported Moscow's charges that revanchism is on the rise in West Germany, Genscher probably is encouraged by Warsaw's willingness to host him despite the Soviet campaign. Other NATO Allies share Bonn's view that better political and economic ties can ease East-West tensions and encourage further liberalization in Poland. [Redacted]

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CHINA-US: Reaction to Textile Rule Change

China has joined the ranks of textile exporters protesting a US proposal to change its method of determining the country of origin of textile imports. Beijing formally warned last week that it will not comply with the rule change, which it believes violates both international and bilateral agreements on textile trade. The Chinese imply that the unilateral rule change would disrupt its trade relationship with the US. According to the US Embassy in Beijing, they estimate that the change could cost them 100,000 jobs and \$300 million in trade. [Redacted]

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Comment: Textiles are an important part of China's trade with the US—representing nearly half of its \$1.5 billion in exports during the first six months of this year. The US proposal may provoke a repetition of Beijing's embargo in 1983 on selected US goods. The most likely candidate for any retaliation would be grain, which accounted for 24 percent of China's \$1 billion worth of imports from the US through June. Other possibilities are logs and synthetic fibers.

[Redacted]

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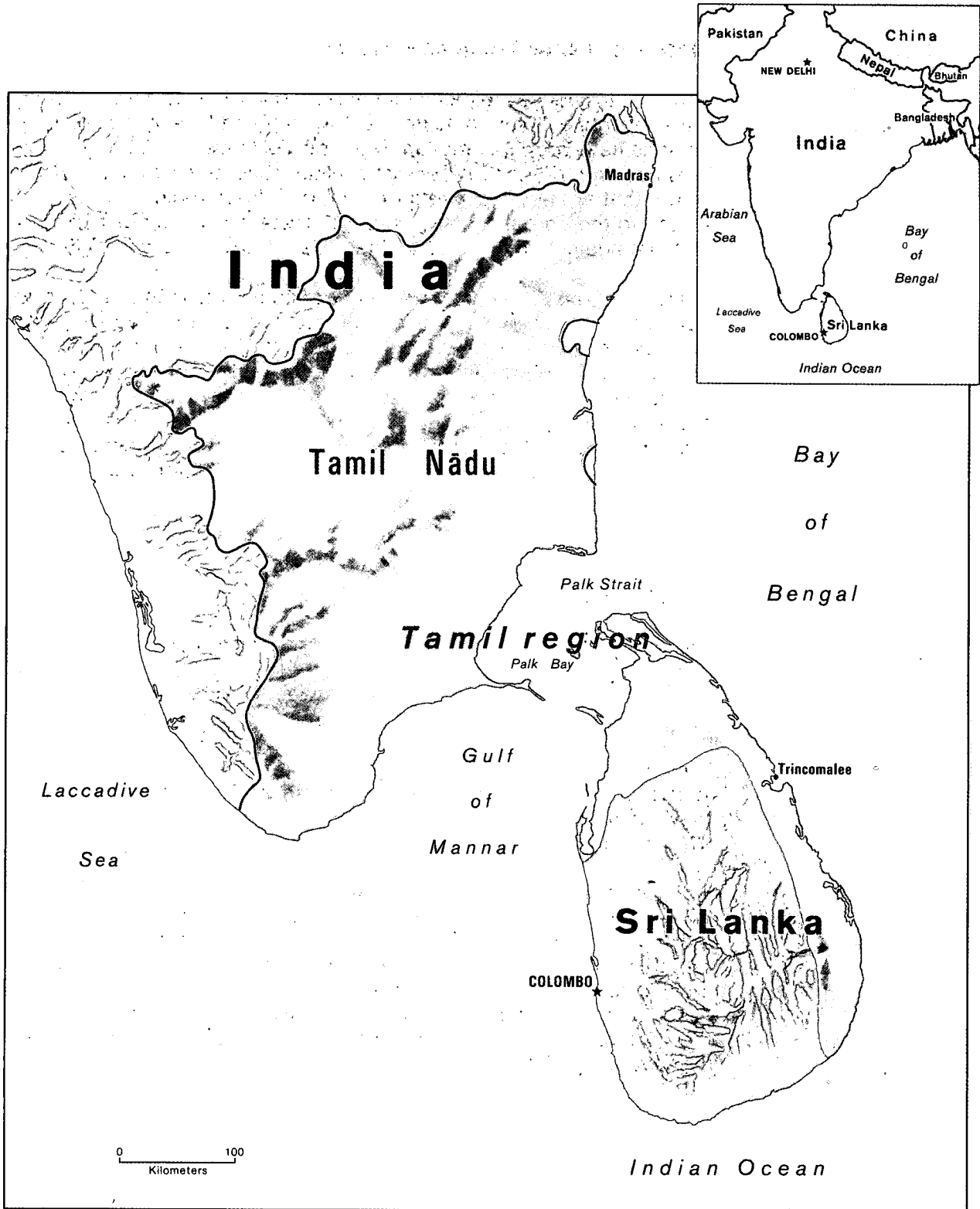
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INDIA-SRI LANKA: Stance on Intervention

A senior Indian official has told the US Embassy that New Delhi will limit itself to urging a political settlement between Colombo and Sri Lanka's Tamil dissidents, despite growing demands from India's Tamil leaders for direct Indian intervention. Western diplomats say President Jayewardene believes that India may step up aid to dissident Sri Lankan Tamils or intervene militarily. Sources of the US Consulate in Madras confirm that the government of Tamil Nadu State is permitting the shipment of arms to Sri Lankan Tamils even after recent agreements between Colombo and New Delhi to stop the flow. [Redacted]

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Comment: New Delhi would directly intervene in Sri Lanka only as a last resort, if security there deteriorated sharply and resulted in a major influx of Sri Lankan Tamils into India. The Indian Government probably would prefer to stand by its agreement with Colombo. Nonetheless, New Delhi is unlikely to risk a political backlash from Indian Tamils by choking off their aid to Sri Lanka's Tamils. [Redacted]

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[Redacted]

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IRAQ-JORDAN: Impasse in Pipeline Negotiations

A senior representative of the prime contractor for the proposed Iraq-Jordan pipeline has advised an official of another firm that his company is no longer participating in the project, according to the US Embassy in London. The action is a result of Baghdad's insistence on US security guarantees for the pipeline and on favorable financial terms that the US and the banks will not provide. The representative says his company will reconsider if the Iraqis are willing to compromise. [Redacted]

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Comment: The contractor may be taking this position as a negotiating ploy to obtain concessions from Iraq. The other firm is likely to have passed the comments on to Baghdad. With progress being made on the Iraq-Saudi Arabia pipeline and a second Iraq-Turkey line, Baghdad probably believes it can let the impasse continue until its demands are met. [Redacted]

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AUSTRALIA: Election Budget

Canberra's budget for fiscal year 1984-85, released on Tuesday, contains new expenditure and revenue measures intended to encourage economic growth and cater to important interest groups. Press reports highlight incentives to private investors, increased social benefits, and tax cuts for middle- and low-income wage earners. The budget calls for a 13-percent increase in total expenditures. Revenue increases resulting from Australia's strong recovery are expected to keep the deficit to \$5.7 billion, a decline of more than \$1 billion from last year. [Redacted]

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Comment: Through increased social spending, the budget counters charges by Labor's left wing that the "Hawke conservatives" have abandoned the party's social mandate. The budget tax cuts will pacify organized trade unions—Labor's most important constituent. By making gestures to business and labor, the budget improves Prime Minister Hawke's chances in early elections expected late this year or early in 1985. [Redacted]

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In Brief

Middle East

— Inexplicably large number of floating oil drums reported off **North Yemen's Red Sea** coast where mines have exploded . . . adding to delays as ships maneuver to avoid them . . . possibly set adrift to generate confusion among minehunters. [Redacted]

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[Redacted]

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Americas

— **Nicaraguan** workers at state-owned brewery staged strike this week to protest low wages . . . first stoppage since right to strike restored on 6 August . . . Sandinistas will have to negotiate carefully to avoid repetition elsewhere. [Redacted]

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[Redacted]

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Africa

— **Tanzania's** inability to pay oil bills for last year prompting major suppliers to delay new shipments. [Redacted] may prompt repeat of oil crisis of a year ago. [Redacted]

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Terrorist Watch

Western Europe

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— French naval forces, according to the US defense attache in Paris, increased harbor security in Toulon this month because of a reported terrorist threat against French and US naval forces there. It is uncertain whether this threat is connected with the rash of bombings carried out this month in southeastern France by M-5, a previously unknown group.

[Redacted]

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— Recent reforms in the Italian preventive detention system may result in the release of up to 300 accused terrorists. The possible releases worry Italian security authorities, because they would jeopardize recent successes in combating terrorism.

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