



Director of
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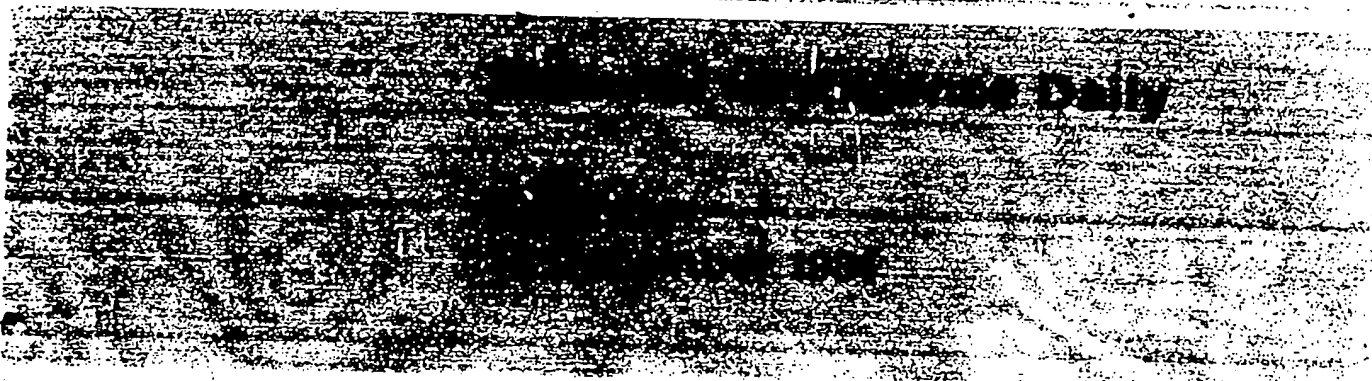
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15 December 1984

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b (3) B-3

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Date JUN 1999

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38

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B-3

b (1) b (3) **Contents**

[REDACTED]	1	
b (1) b (3) El Salvador: Political Maneuvering	2	B1, B-3
[REDACTED]	3	B-1, B-3

Notes

b (1) b (3) [REDACTED]	4	
b (1) b (3) [REDACTED]	4	
b (1) b (3) [REDACTED]	5	B1, B-3
[REDACTED]	5	

North Korea-South Korea: Dialogue To Resume

b (1) b (3) [REDACTED]	6	
[REDACTED]	6	
[REDACTED]	7	
[REDACTED]	7	

b (1) b (3) **In Brief**

Special Analyses

Iran-Western Europe: Terrorist Operations	9	
OPEC: Mounting Pressures	11	
Colombia: Negotiations With Insurgents	13	

B-1

B-3

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EL SALVADOR: Political Maneuvering

President Duarte is maneuvering to split the moderate right from the extreme right in preparation for the March election, but he faces several potential complications.

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The ruling Christian Democrats are negotiating with the moderate rightist National Conciliation Party to prevent Roberto D'Aubuisson's extremist Nationalist Republicans from extending influence over municipal and legislative affairs. The Conciliationists had formed a coalition with D'Aubuisson because they lacked other sources of funding.

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The Christian Democrats currently hold mayoralties in only 72 of the country's 261 municipalities and have 24 of the 60 seats in the Assembly. An alliance with the Conciliationists, however, would produce a legislative majority.

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The Christian Democrats enjoy several potential advantages. Moderate Conciliationists prefer to avoid dealing with the extreme right because it undercuts their hopes of occupying the political center and becoming the country's second-largest party. Duarte also has sufficient ministerial posts and party prestige to swing a deal.

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Nonetheless, ideological concerns and petty bickering prevented earlier Christian Democratic initiatives and could complicate the current talks. Conciliationists resent Duarte's failure to include them in his initial government lineup or to consult with them on key issues, including the recent dialogue initiative with guerrillas.

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Such resentment was reflected in recent rightist collaboration in passing an electoral law with provisions aimed specifically at preventing Duarte's son from running for mayor of San Salvador.

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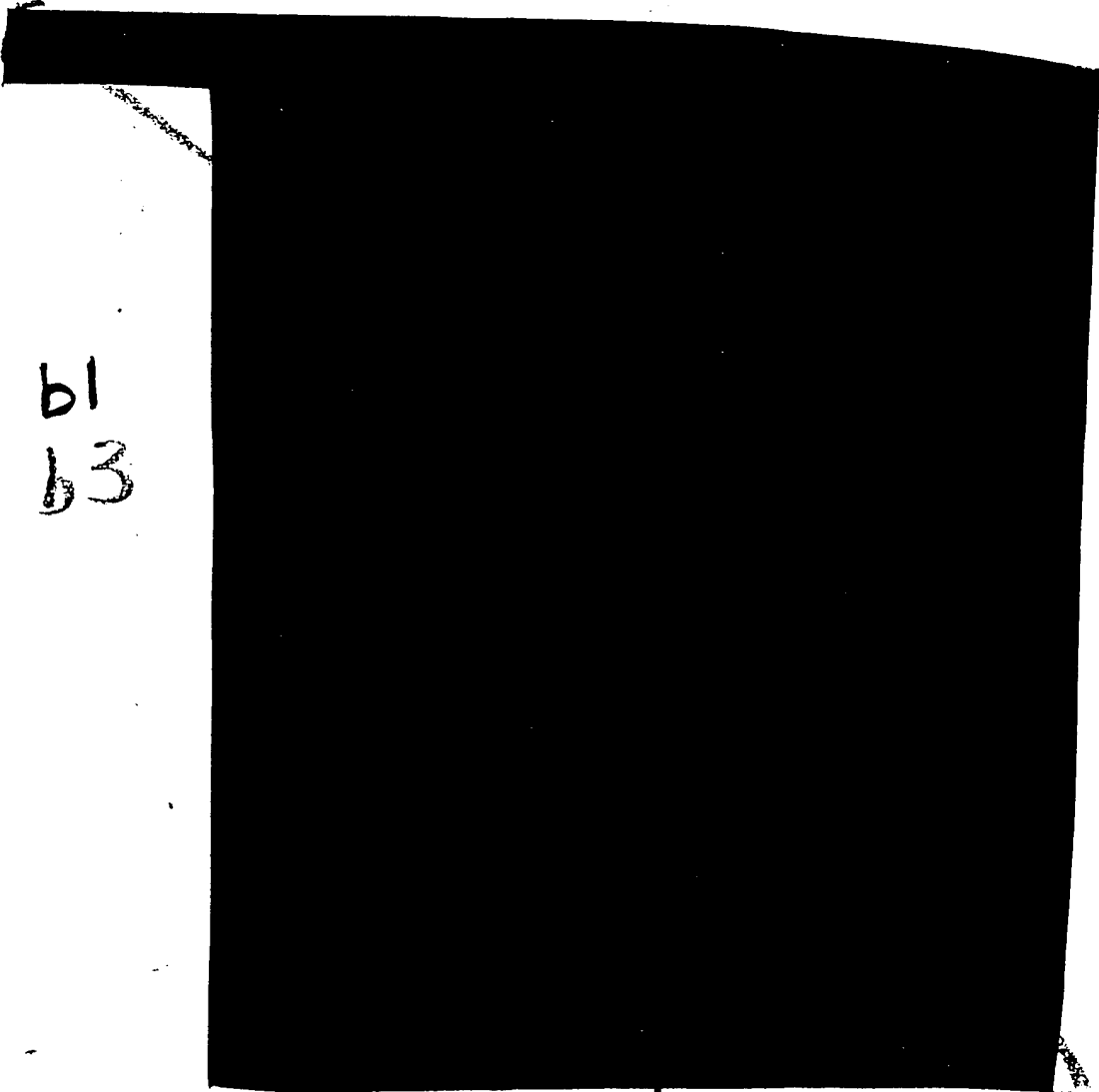
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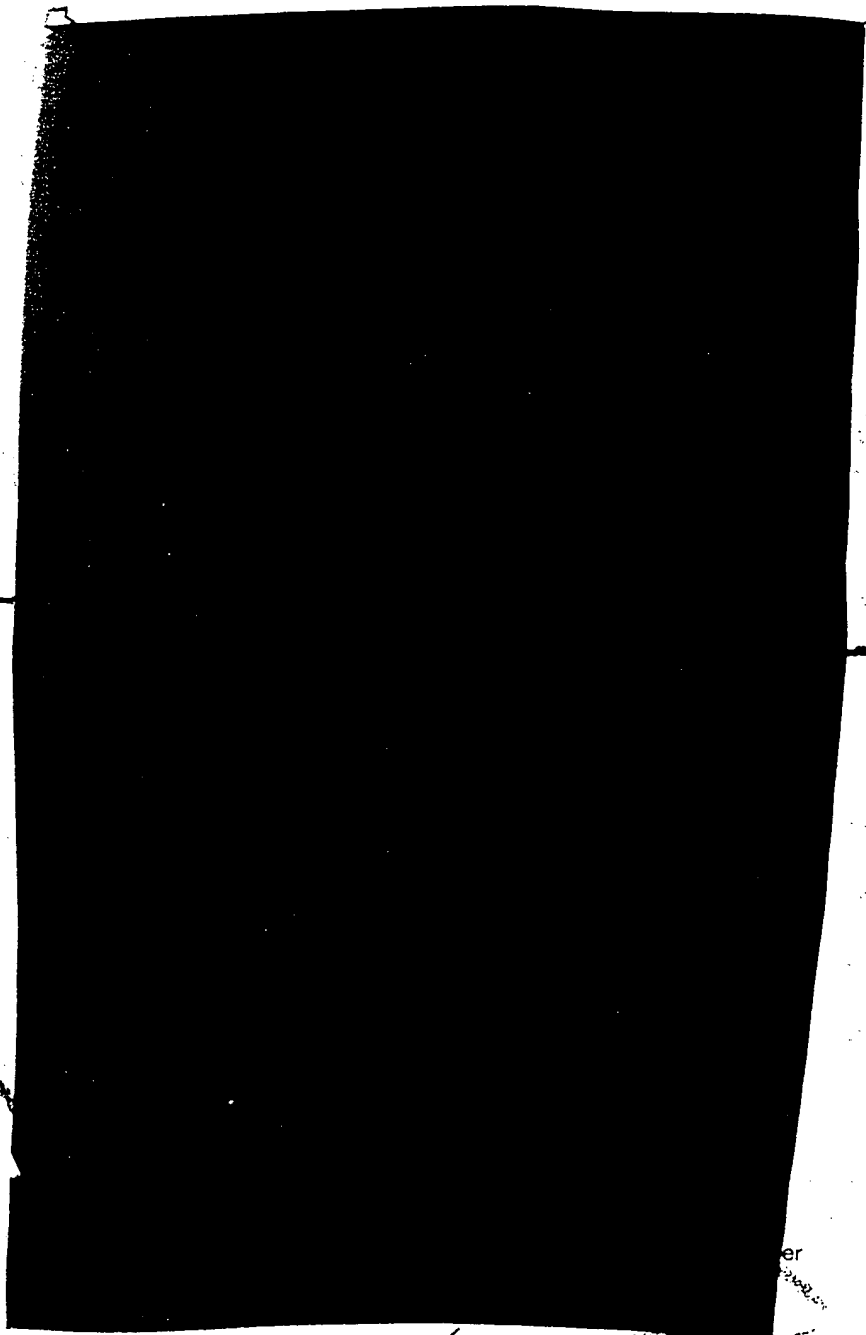
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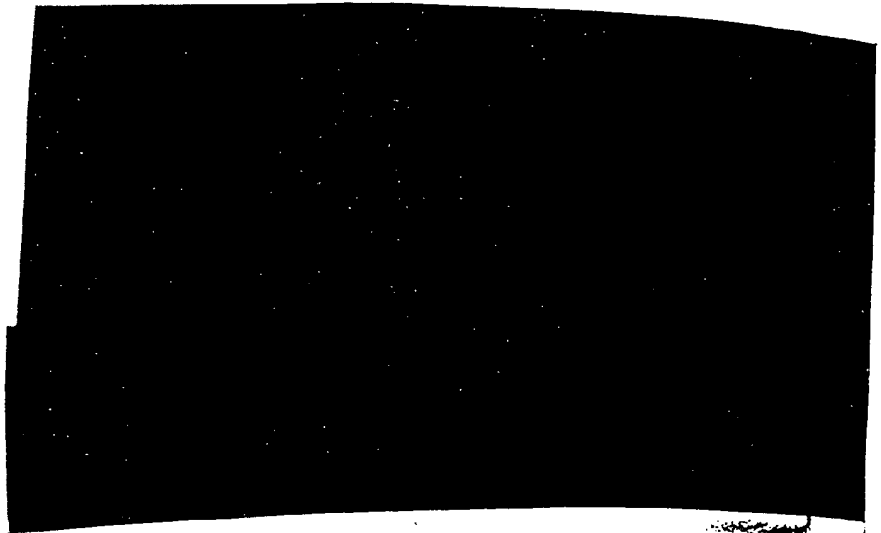
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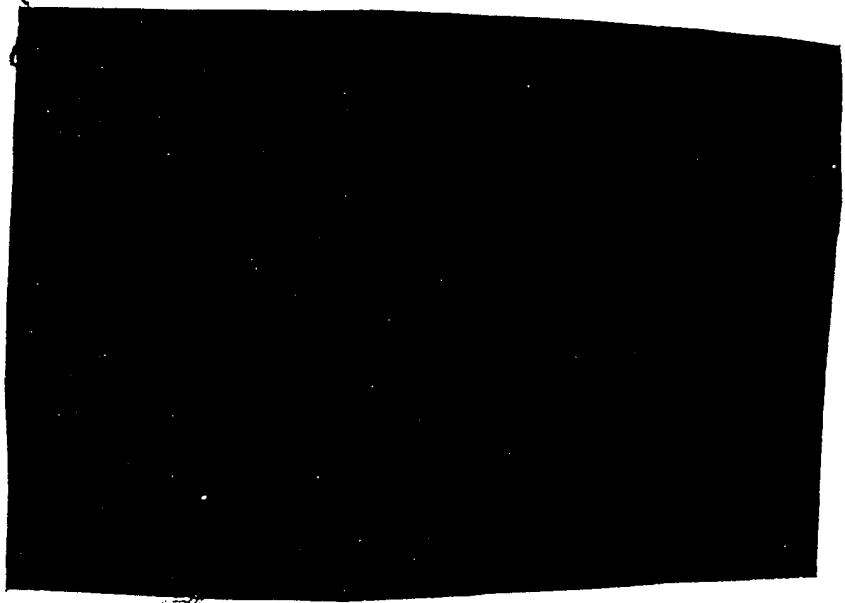
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NORTH KOREA-SOUTH KOREA: Dialogue To Resume

North Korea agreed yesterday to resume separate economic and humanitarian talks with South Korea next month. P'yongyang postponed a scheduled meeting earlier this month because of the tension surrounding the defection of a Soviet tourist at Panmunjom in late November. Seoul is expected to respond favorably to P'yongyang's suggestion of resumed trade discussions on 17 January and Red Cross talks on 23 January.

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([redacted]) North Korean media also continue to push P'yongyang's longstanding proposal for tripartite talks with the US and South Korea. The North Koreans probably believe, however, that to interest the US in this proposal they must show further progress in direct dealings with Seoul. [redacted]

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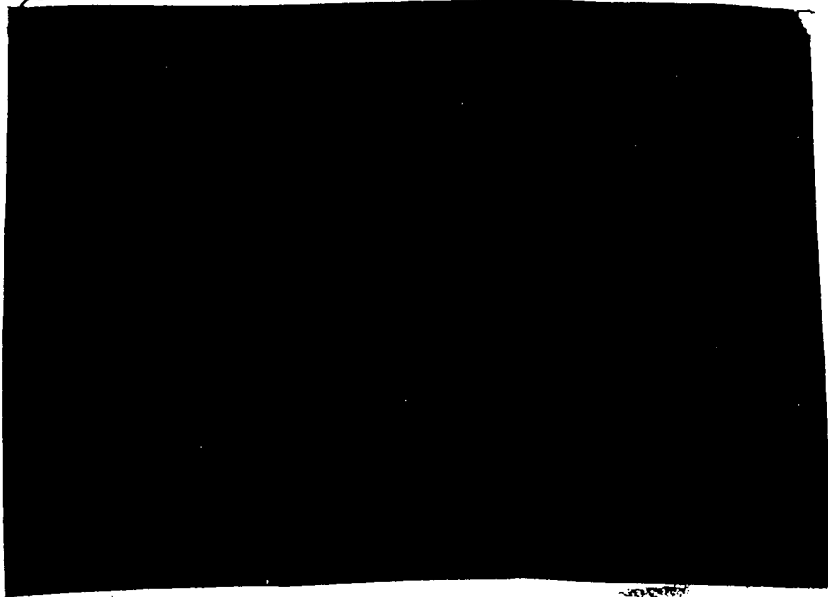
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In Brief

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South Asia

— Bhopal gas leak has damaged Indian Congress Party's election prospects in dozen neighboring constituencies . . . opposition likely to gain from widely held belief that local Congress leaders fled during crisis.

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Americas

— Nicaragua has lifted travel ban on democratic opposition . . . apparently in response to pressure from Spanish, [Redacted] and Venezuelan leaders . . . Sandinistas, however, alternate restrictions with flexibility to keep opponents off balance.

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Europe

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— Spanish Prime Minister Gonzalez at opening of Socialist Party Congress called for acceptance of NATO membership and abandonment of statist economic approach . . . report on government's performance criticized by some delegates, but approved by 95 percent.

Middle East

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Special Analysis

IRAN-WESTERN EUROPE:

Terrorist Operations

Two recent terrorist incidents, the abortive plot in November to bomb the US Embassy in Rome, and the bombings this month of Iraqi diplomatic vehicles in Athens, may indicate that Western Europe increasingly will be a site of attacks by Iranian-sponsored agents.

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Tighter security around Western embassies in the Middle East may be complicating terrorist attacks there, encouraging the Iranians to look elsewhere. Pro-Iranian terrorists face few restrictions on travel within, to, or from Western Europe. Moreover, the network of Iranian diplomatic posts and Iranian-sponsored cultural and religious centers throughout Western Europe is extensive and well placed to draw on the sizable Iranian and Middle Eastern student and worker populations residing there.

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Western Europe also offers a great array of tempting targets. The region is home to numerous anti-Khomeini exiles, including leftists and members of the former royal family and its supporters. There also are numerous Iraqi diplomatic missions as well as those of the US and the facilities and officials of several West European governments that sell arms to Iraq.

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Iranian Activities in 1984

b (3) [REDACTED], the number of operations in Western Europe by Iranian-backed terrorists seems to be growing. Thus far this year, Iranian-sponsored terrorists have staged or attempted at least 10 attacks—compared to only two in 1982 and four in 1983. The incidents include the following:

- On 7 February the Shah's former martial law administrator was killed in Paris after being targeted by Iranian agents.
- On 18 May two Iranian-trained operatives traveling to Madrid were arrested at a Rome airport while carrying explosives.
- On 1 July three Shias were arrested in France as suspected Iranian agents after being expelled from the UK in May for plotting to kill an anti-Khomeini Iranian journalist there.
- On 23 July four Iranians were arrested in Madrid for alleged plotting to hijack a Saudi airliner.

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- On 31 July a Kuwaiti businessman was wounded in Spain, and the Islamic Jihad claimed credit.
- On 14 September a Saudi tourist was killed in Spain, and credit was claimed by Islamic Jihad.
- On 22 November seven Lebanese arrested by Italian police in Rome apparently were planning an attack against the US Embassy there.
- On 6 December four vehicles belonging to the Iraqi Embassy in Athens were bombed.

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Several West European governments have been concerned enough to take preventive action. In December 1983, for example, the French closed the Iranian Cultural Center in Paris, expelling 11 Iranians, including three Iranian diplomats, for unethical activities. Italy, Spain, and the UK have arrested or expelled Iranians or other Muslims that they believe were involved in terrorist activities.

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Outlook

Iran's aggressively anti-Western outlook, coupled with its limited conventional military capabilities, encourage it to rationalize the use of terrorism to chastise those in the West it regards as enemies. After decades of what Tehran sees as Western attacks on the Middle East, a terrorist campaign in Western Europe offers Iran not only a way to avenge past wrongs but a method to influence directly the policies of its more powerful Western enemies.

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Although the Middle East will remain the main arena for Iranian-inspired terrorism, Iranian activity in Western Europe is likely to increase.

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Special Analysis

OPEC:

Mounting Pressures

OPEC's semiannual ministerial meeting on Wednesday will attempt to stem downward pressures that threaten the official price structure. Without a strong display of discipline within the organization, there is a growing possibility that OPEC will be forced to lower prices.

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Failure of demand to rebound as expected—due in part to unseasonably mild weather in the Northern Hemisphere—and the unwillingness of OPEC members both to adhere to lower production levels set in late October and to refrain from price discounting have reinforced the belief of buyers that OPEC cannot defend its current official prices. This conviction has, in turn, further weakened the market because most buyers have chosen to draw down high-priced inventories in anticipation of lower prices. As a result, spot prices are now more than \$1 per barrel below official prices for most crudes.

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The Current Price Problem

OPEC had indicated that a proposal to realign its official price structure will be discussed at the meeting. The current structure does not accurately reflect the difference in market values for light and heavy crudes. It has forced disadvantaged light crude producers, such as the United Arab Emirates and Nigeria, to offer discounts to boost sales. These discounts undermine the official price structure and are partly responsible for the recent sharp drop in spot prices.

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Competition among OPEC members for an increased share of the market will make agreement on any price realignment proposal difficult to achieve, particularly in view of their growing revenue needs. Failure to resolve distortions in the price structure, however, will aggravate frictions between producers of light and heavy crudes, further undermining market confidence in OPEC's ability to stabilize prices.

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Outlook

Even if OPEC muddles through the current difficulties, the prospect of maintaining the \$29 benchmark is not bright.

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Unless OPEC is able to muster a cooperative effort heretofore unseen or oil supplies are again disrupted by war or revolution, there probably will be a drop—perhaps a substantial one—in the price of oil within the next year or so. 

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Special Analysis

COLOMBIA:

Negotiations With Insurgents

Building on cease-fire accords signed earlier this year, the government recently opened formal negotiations with three of the country's four major insurgent groups. Although it appears increasingly unlikely that a lasting peace will result, the truce should hold for at least the next several months because both sides believe it serves their short-term interests.

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President Betancur, who has made a settlement with the guerrillas his major priority, is determined to prevent the truce from breaking down before he leaves office in August 1986. Last month, he authorized the initiation of a "national dialogue" with the guerrillas on proposals for sweeping reforms.

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Colombia's rapidly growing economic problems, however, limit Betancur's ability to finance land reform and other aid programs. The determination of congress to protect its legislative prerogatives also restricts his ability to offer concessions to the guerrillas. Consequently, little progress has been made so far, and Betancur is facing mounting criticism from important interest groups for coddling the insurgents.

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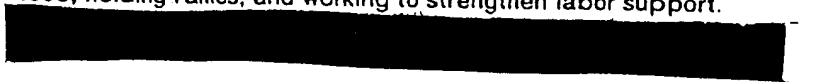
Guerrilla Strategy

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The 19th of April Movement—M-19—has taken the lead on the political front by naming a candidate for the presidential election in 1986, holding rallies, and working to strengthen labor support.

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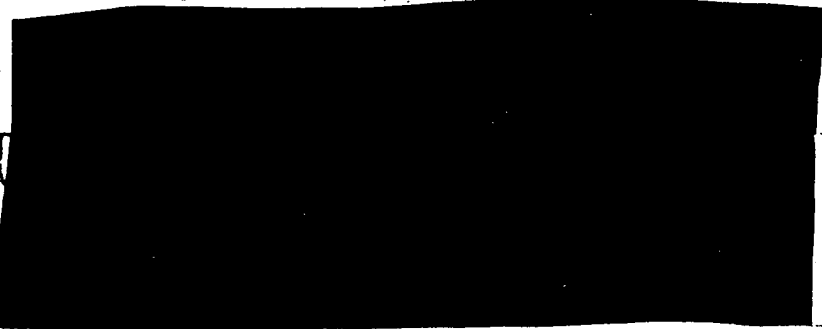
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The Revolutionary Armed Forces of Colombia—prompted by military pressure and concern that the M-19 might upstage it—recently agreed to a one-year truce with the government. The group plans to create a political party.

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Outlook

The cease-fire is likely to continue for at least several months because of the importance Betancur places on his reputation as a peacemaker and the apparent belief by most guerrilla leaders that they need time to rebuild.

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Nevertheless, the President's political skills increasingly will be tested as he responds to growing public impatience with continuing rural violence and the demands of firebrand guerrilla leaders, some of whom already are threatening to resume the armed struggle.

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