



Director of
Central
Intelligence

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National Intelligence Daily

Friday
15 March 1985

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Contents

| | |
|--|----|
| Lebanon-Iran: Increasing Hizballah Activism | 1 |
| Iran-Iraq: Military Activity | 2 |
| b (1) b (3) [REDACTED] | 3 |
| Brazil: Nuclear Program Under Neves | 4 |
| France-Africa: Diminishing French Assistance | 5 |
| Notes | |
| b1, b3 [REDACTED] | 6 |
| b (1) b (3) [REDACTED] | 7 |
| b (1) b (3) [REDACTED] | 7 |
| b (1) b (3) [REDACTED] | 8 |
| In Brief | 9 |
| Special Analyses | |
| b1, b3 [REDACTED] | |
| Argentina: Alfonsin's Visit | 11 |
| International: Debt Issues In Developing Countries | 13 |
| EC-Spain-Portugal: Potential Delay In Membership | 14 |

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LEBANON--IRAN: Increasing Hizballah Activism

Radical Lebanese Shia groups, supported by Iran, are attempting to expand their political, religious, and paramilitary activities, especially in southern Lebanon. [Redacted] b (3)

[Large Redacted Block]

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[Redacted]

The Hizballah, which is challenging the moderate Amal movement for leadership of the Shia community, is determined to expand its influence in areas of southern Lebanon being vacated by the Israeli Army. [Redacted]

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Such an aggressive campaign may bolster the appeal of the radical Shia movement in the south, where Amal has traditionally been dominant. Nonetheless, the Amal, which is in the forefront of the anti-Israeli campaign, certainly will resist such moves since they are a direct challenge to Amal's leadership in the south. [Redacted]

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15 March 1985

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IRAN-IRAQ:

Military Activity

Iran's attack in the marshes appears to have failed, although Tehran soon may launch new operations in the central border region. [REDACTED] B3

Baghdad claims its troops have regained some areas they lost and are strengthening their defenses around the Iranian bridgehead. The speaker of the Iranian parliament has described the attack in the marshes as a limited operation and not a major offensive. [REDACTED]

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Baghdad says it will exempt the Iranian city of Borujerd from further attacks because the citizens of that city have staged demonstrations against the Iranian regime and the war. [REDACTED]

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[REDACTED] Iraq's claim that a terrorist bomb—not an Iranian surface-to-surface missile—damaged a building in Baghdad yesterday. [REDACTED]

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[REDACTED] The movement of Iranian troops in the south and central areas, however, suggests that other attacks could be launched across the marshes or a sizable diversionary operation begun farther north. [REDACTED] B3

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Although the Iranians may be trying to get Soviet-made missiles from Damascus and Tripoli for retaliation, they also could be after weapons for air defense or chemical warfare that would help in the current offensive or weapons for terrorist attacks. Iran is likely to continue to detonate bombs in Iraqi cities and claim they are missile explosions. [REDACTED] B3

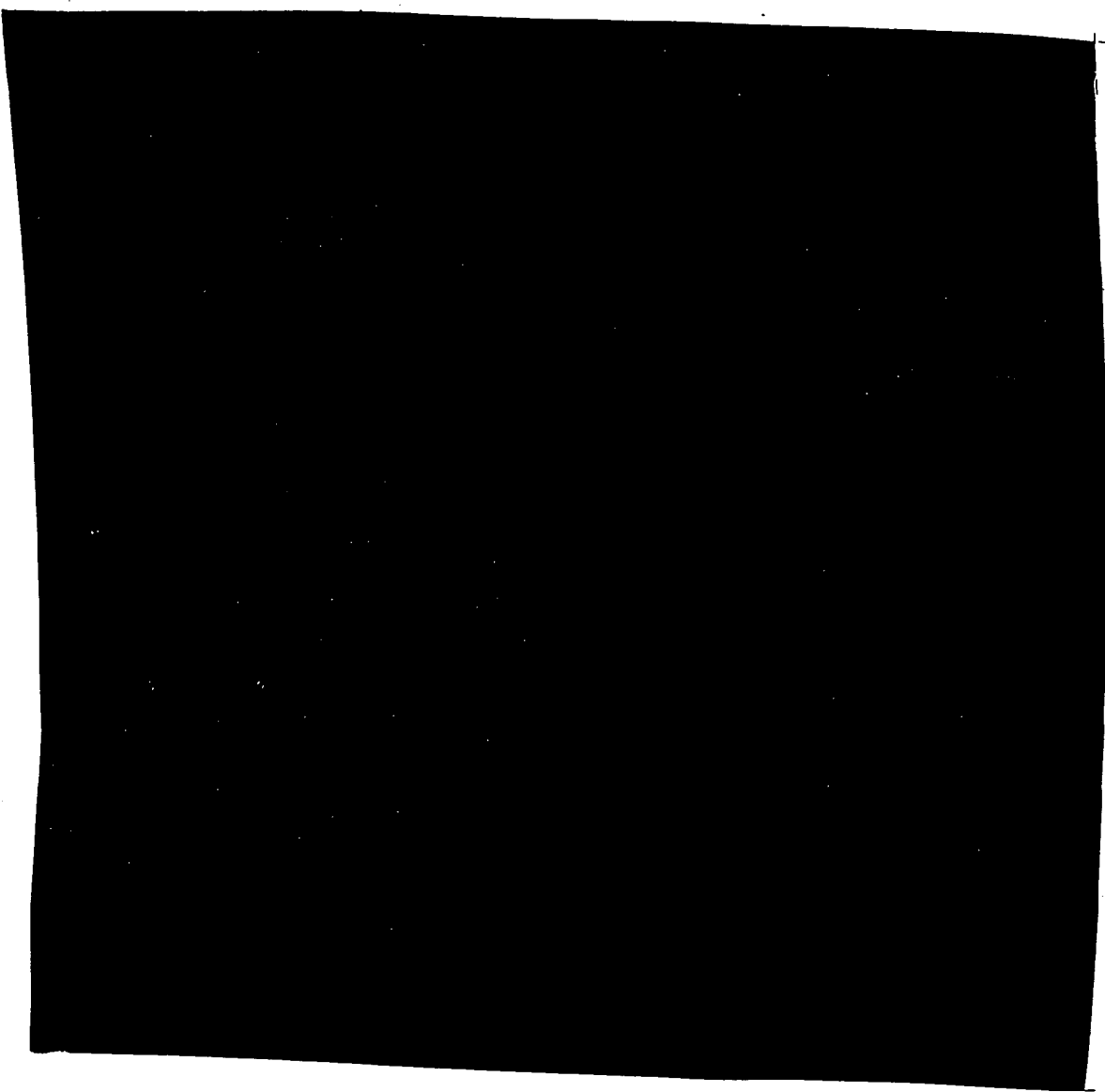
Baghdad probably believes its raids on cities are weakening Iranian morale. It is likely to increase its missile and air attacks but to offer at the same time to spare other cities and thus encourage further unrest in Iran. [REDACTED] B3

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15 March 1985

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BRAZIL:

Nuclear Program Under Neves

President Tancredo Neves is unlikely soon to propose major changes in Brazil's unsafeguarded development of sensitive nuclear technologies—a major impediment to better relations with Washington. [redacted] b (3)

The still-influential military establishment, in particular, strongly supports indigenous nuclear research efforts and has significant control over key portions of that program. Neves has appointed outgoing Vice President Chaves to head the government ministry that formally administers all civilian nuclear agencies. Chaves is wedded to the indigenous nuclear program and he is likely to permit the Navy to shift some sensitive nuclear projects from civilian to military facilities.

[redacted] b (3)

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[redacted] Neves met with Argentine President Alfonsin last month to start highly confidential diplomatic negotiations on nuclear issues, possibly including discussion of an international or regional safeguards arrangement.

[redacted] b (3)

[redacted] b (1) b (3)

[redacted] b (3)

The new President is popular and has worked effectively to build a solid relationship with the military, while making it clear he opposes nuclear weapons development. He appears to have no personal desire either to drastically alter Brazil's nuclear program or to challenge the military's role in it. Nevertheless, he is likely to use his popularity and credibility to exert some influence over the nuclear program.

[redacted] b (3)

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FRANCE-AFRICA:

Diminishing French Assistance

France's 1985 budget sharply reduces military and technical assistance to black African countries, further straining relations already made tense by France's reluctance to challenge Libya's continued occupation of Chad. [redacted] b (3)

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Military aid is being cut by 7 to 8 percent this year and economic aid will drop 3 to 4 percent, [redacted] Aid programs for such close French allies as Ivory Coast, Senegal, Gabon, and Djibouti have been affected, including a one-third reduction in the number of technical personnel in Ivory Coast. [redacted]

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[redacted] French client states are having difficulty replacing departing French advisers and that even such stalwart supporters as Ivorian President Houphouet-Boigny are disillusioned with French African policies. [redacted]

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[redacted] Relations between black Africa and France—which have endured the crises of decolonization, economic decline, and the Socialist party victory in France in 1981—now are undergoing their most severe test because of Paris's budget cuts and the French withdrawal from Chad. This year's sharp reductions follow several years of gradual decline from a peak aid level of \$1 billion per year that had made France the principal Western power in black Africa.

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Although France continues to claim its role in Africa is a key to its status as a world power, it is acutely aware it cannot fund its activities at previous levels. French officials now seek to share out the aid burdens with the IMF and the US, despite the likelihood that French influence with African clients will diminish as a result. [redacted]

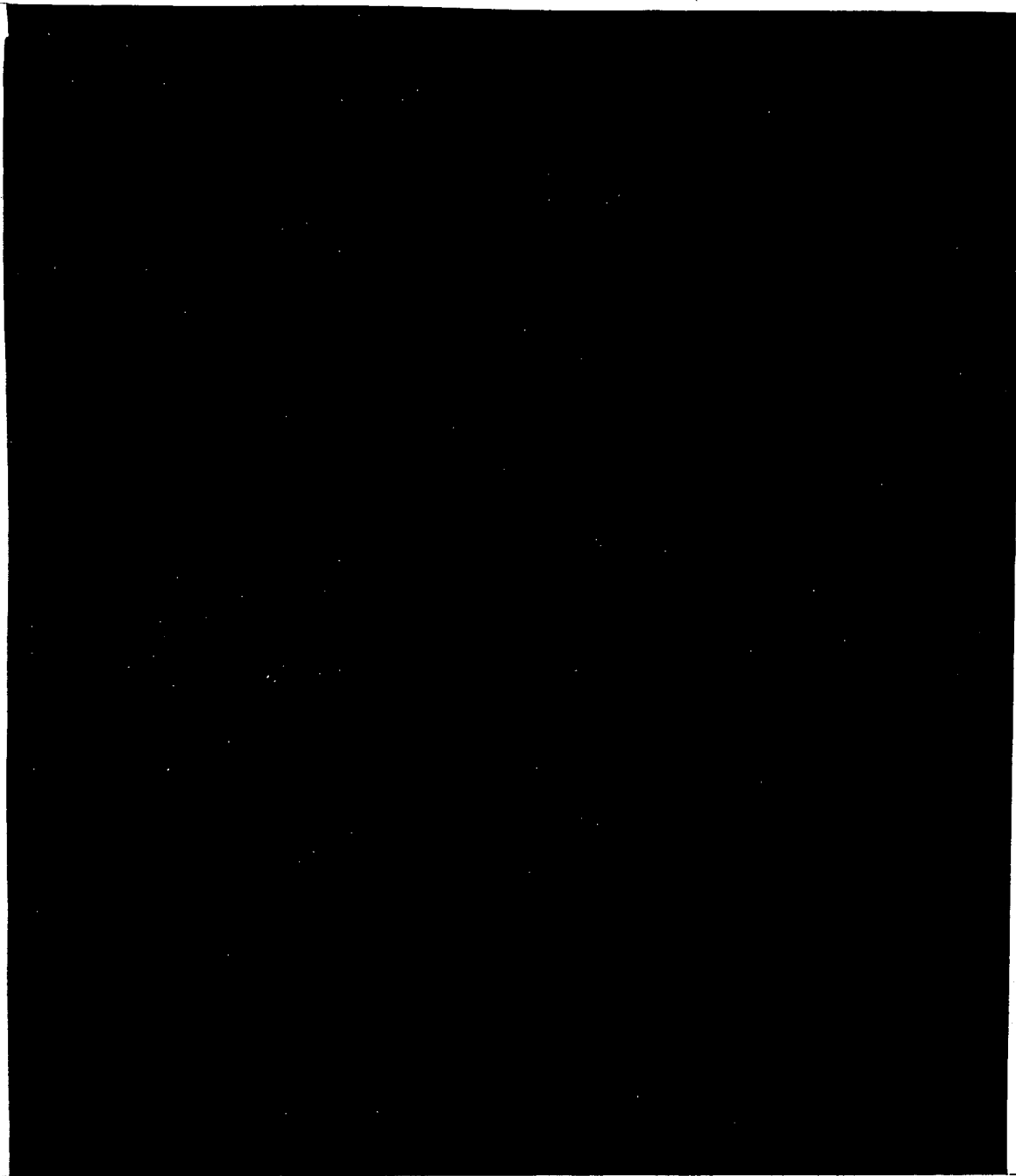
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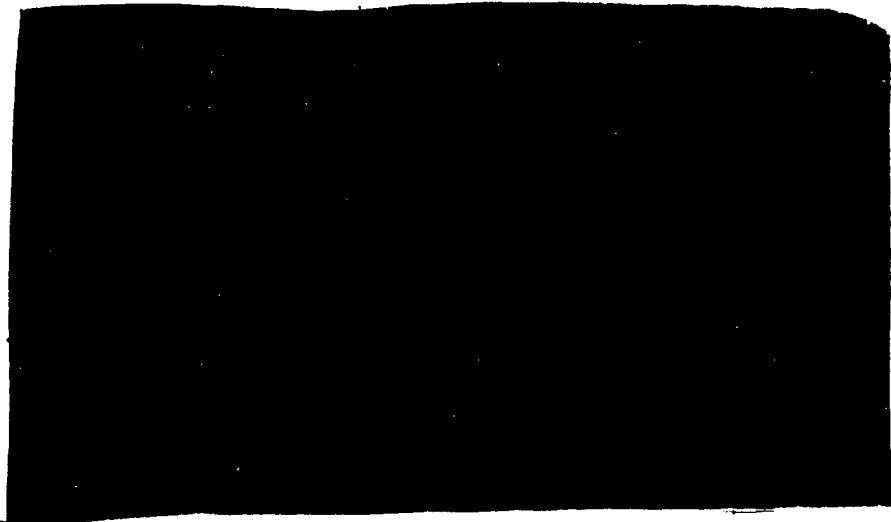
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15 March 1985

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In Brief

Americas

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— Brazil's President-elect Neves had emergency abdominal surgery last night—inauguration eve . . . reported doing well . . . has been in good health . . . Vice President will take over while Neves convalesces.

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[REDACTED]

— Salvadoran Army has uncovered largest guerrilla supply cache since insurgency began . . . contains over 170 weapons—enough to outfit complete guerrilla column . . . other supply caves being sought in central front . . . government press conference soon.

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Middle East

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— Iraqi planes set fire yesterday to small tanker on way from Khark Island . . . Iraq damaged another loaded tanker on Monday.

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— Iran announced it "soon" will place on trial two North Yemenis who hijacked Saudi Arabian airliner to Tehran in early November . . . still no trial set for four hijackers of Kuwaiti airliner in December when two US officials were killed.

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USSR

— Chinese Vice Premier Li Peng met with Soviet General Secretary Gorbachev yesterday . . . first meeting between Chinese official and top Soviet leader since 1960s . . . both expressed desire to improve relations.

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— Soviets allowed prominent refusenik couple to leave for US just before Chernenko's death . . . most notable release of refuseniks in two years.

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Africa

— South African Cabinet ministers' visit to Mozambique yesterday underscores Pretoria's commitment to salvage Nkomati Accord . . . relations strained recently by Mozambican insurgent attacks, Maputo's claims Pretoria still supporting guerrillas.

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— Zairian President Mobutu recently sent troops to quell violence instigated by some former members of parliament . . . moribund group banished nearly two years ago to central Zaire . . . response reflects Mobutu's sensitivity to any hint of opposition.

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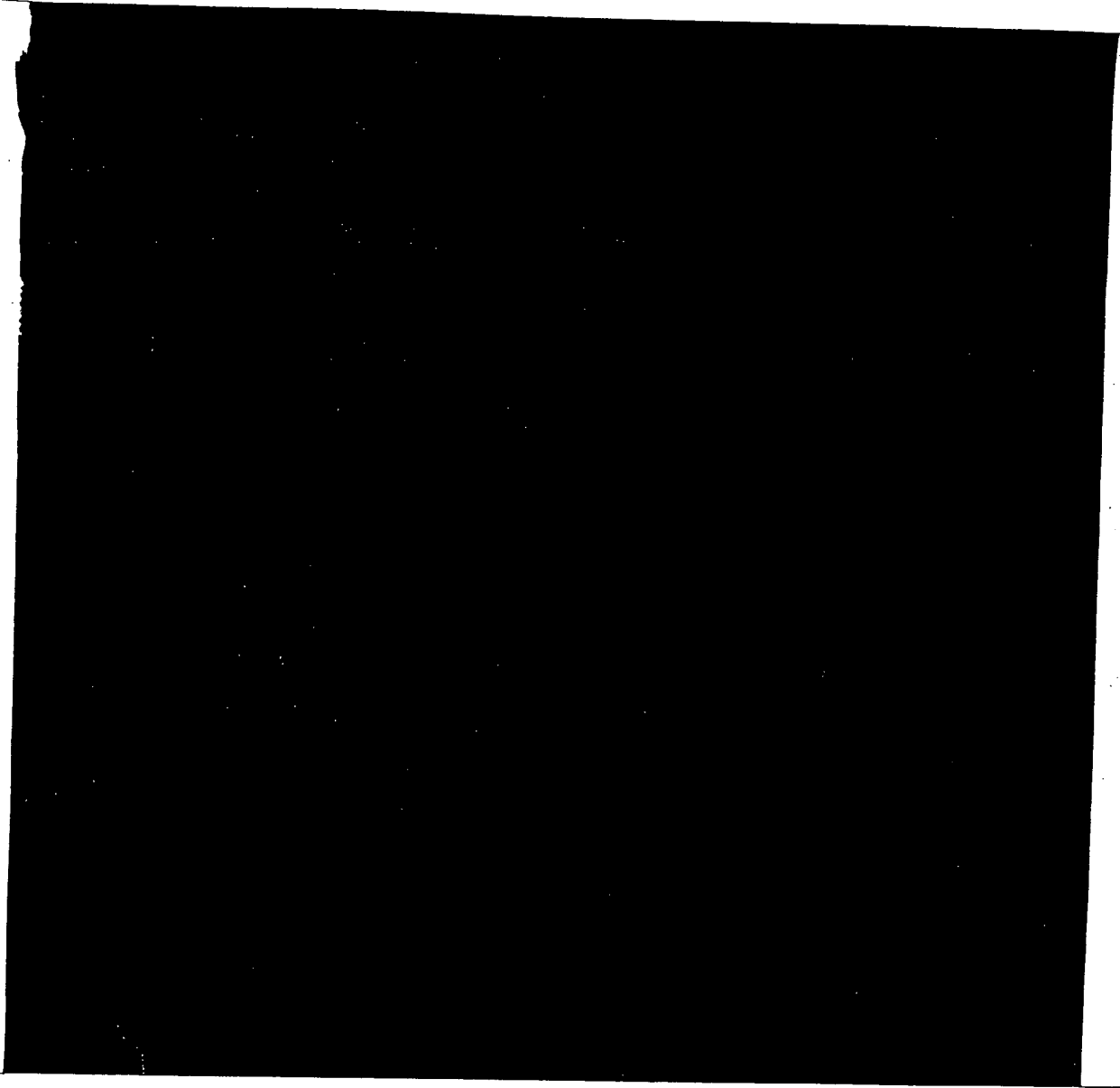
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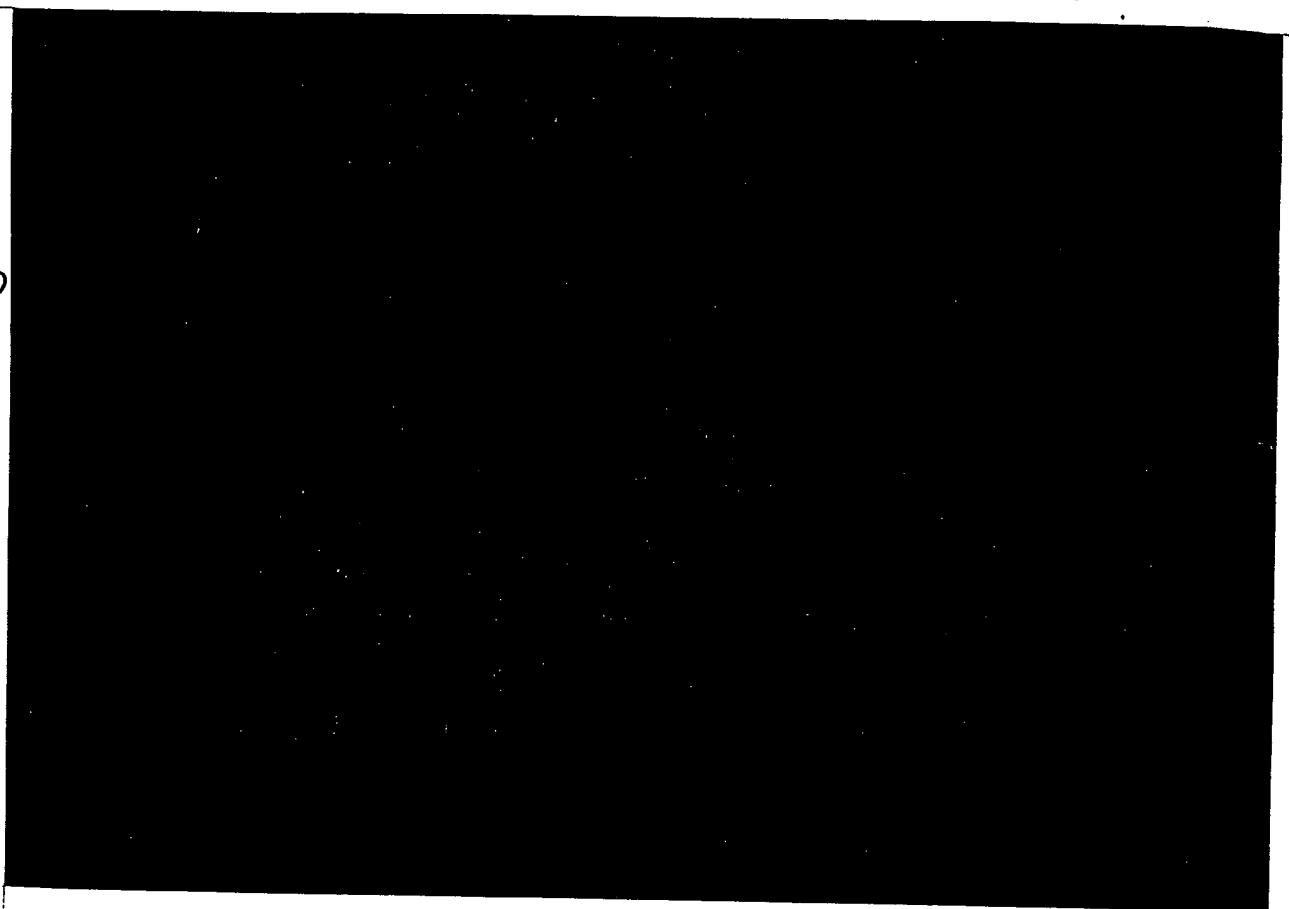
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15 March 1985

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Special Analysis

ARGENTINA:

Alfonsin's Visit

President Alfonsin's visit to Washington next week is designed to generate support for his government both internationally and at home. Alfonsin probably will emphasize his desire to strengthen bilateral relations and seek US backing for his efforts to obtain generous treatment from international creditors.

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The President continues to enjoy broad public support despite 800-percent inflation and rising unemployment, according to opinion polls. His governing Radical Party has been aided by serious dissension among the opposition Peronists. Alfonsin's relations with the military and labor are strained, however, and in coming months he is likely to face mounting opposition to necessary economic austerity measures.

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The most important of Alfonsin's foreign policy successes to date is the signing of the Beagle Channel Treaty with Chile, which was overwhelmingly approved in a popular referendum last November. The treaty was ratified by the Argentine Senate in a close vote yesterday.

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Alfonsin has been active in the Nonaligned Movement and participated in the six-nation disarmament conference in India early this year. More recently, Foreign Minister Caputo has pressed him to avoid policies that would antagonize the US. Alfonsin appears to be trying to balance his ties with the West and the Third World in order to satisfy a wide spectrum of Argentines.

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Issues To Be Raised

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Alfonsin intends to discuss a broad range of issues with US policymakers.

- He probably will contend Argentina is trying, despite difficulties, to comply with the IMF austerity program negotiated late last year. He will ask that Washington influence commercial lenders to ease terms for debt rescheduling and new loans.
- He is likely to request US assistance in resuming the stalled Argentine-British negotiations on the Falkland Islands.

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- On Central America, Alfonsin probably will reassert his support for the Contadora process. He may seek assurances that the US will not intervene militarily, but he is not likely to attack US policy openly.
- He may argue that his government's relations with Cuba and Nicaragua, which have received credits for Argentine goods, are primarily commercial and are consistent with his efforts to achieve a balanced foreign policy.
- He is likely to ask that the US step up its support for the spread of democracy in Latin America, particularly in Chile.
- b3. — He may propose a new hemispheric forum for discussion of regional issues. [REDACTED] there is a possibility Alfonsin may call on the US to initiate a new "Marshall Plan" for Latin America.
- He is likely to express full support for the fight against narcotics trafficking in Latin America. Alfonsin has been working actively to combat growing cocaine trafficking in Argentina.
- He may urge intensified arms control efforts by the superpowers, an issue on which he feels strongly. [REDACTED] b (3)

Alfonsin may reiterate Argentina's recent endorsement of safeguards on its nuclear exports but is unlikely to accept full international safeguards on the grounds that they would inhibit peaceful nuclear development. He also may repeat his view that the Non-Proliferation Treaty, which Argentina has refused to sign, discriminates in favor of countries that possess nuclear weapons. [REDACTED]

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~~Top Secret~~

15 March 1985

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Special Analysis

INTERNATIONAL: Debt Issues in Developing Countries

The international financial situation will remain under stress for the next three-to-five years because of virtually universal payment problems in developing countries. Even to maintain the progress made thus far will require cooperation and hard work by creditors and debtors in a climate of favorable world economic conditions. As early as this year, difficulties in meeting IMF goals could lead to noncompliance in some countries, suspension of new money, and increased creditor-debtor tensions.

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One unsettling development is the increasing stridency with which Latin debtors are airing their financial troubles. Through a series of meetings with their creditors, Latin American countries have sought to apply persistent pressure for additional debt solutions. Their chief goal is to arrange a political dialogue on debt at the highest levels of government in the industrial nations.

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The outcome of the meetings to date suggests that Latin debtors will continue to support joint action so long as it does not threaten their ability to negotiate individually with creditor banks and governments. This year Latin debtors seem even more ready than before to urge changes in the policies and operations of official and private Western institutions and will be likely to demonstrate this at the IMF/IBRD Committee meetings in April. Debtors see their actions as being largely responsible for concessions they received from commercial banks last year.

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Major challenges to orderly international financing in 1985 will relate to debtors' failure to comply with IMF-supported programs and creditors' reluctance to lend new money. Trade protectionism by industrial countries and continued high real interest rates also will be key issues. Moreover, because these problems may prevent debtors—particularly the Latins—from repeating the progress made last year, the tone of the Latin debtors' pronouncements may become more strident.

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Special Analysis

EC-SPAIN-
PORTUGAL:

Potential Delay in Membership

EC members publicly remain committed to bringing Spain and Portugal into the Community on 1 January 1986, but some officials concede that the impasse over accession terms—and time-consuming procedural hurdles—may delay the new membership until 1987. A delay probably would plunge the Community into another budget crisis and could complicate the Spanish Government's efforts to win public support for NATO membership.

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Negotiations have stalled since December because EC governments have been unable to agree on positions on the issues of fishing rights, agriculture, and social affairs. Fishing rights for Spain pose the most serious stumblingblock; Portugal's negotiations are virtually complete, but Lisbon's entry remains tied to Madrid's.

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At issue is how soon Spain's fishing fleet—the world's fourth largest—will be granted access to EC members' waters. Madrid wants a transition period of no more than seven years, but France, [redacted] and Denmark, which have substantial fishing interests, fear damage to endangered stocks and favor strict controls through the year 2002.

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Time Running Out

EC Foreign Ministers will mount a major effort to resolve their differences at a four-day meeting beginning Sunday in Brussels. Diplomatic reports indicate they are likely to reach agreements on wine and olive oil production as well as welfare benefits for Iberian workers in other EC countries. The fisheries question, however, probably will need to be referred to the EC Summit set for 30 March. Also working to delay the deadline is Greek Prime Minister Papandreou's threat to veto enlargement unless EC members provide new aid for agricultural development in Greece.

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[redacted] EC officials believe the issues must be settled in principle by the end of this month to keep the lengthy procedures associated with ratifying the membership treaty from pushing enlargement past the target date. Most of the 12 national parliaments involved could approve the treaty by December, but ratification might become an election issue in France and Greece.

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In France, the campaign for next year's parliamentary election begins this fall, and Gaullist candidates may argue that enlargement should be subject to a national referendum. In Greece, EC aid could become an issue in the parliamentary election that is due by October [REDACTED]

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Pressures on EC Budget

Many EC officials believe that entry in mid-1986 is out of the question, so that missing the deadline next January would put off entry until 1 January 1987. A one-year delay almost certainly would reopen the debate over EC finances that tentatively was settled last year. The EC Commission counted on enlargement next year and planned to draw on the anticipated increase in resources to cover an estimated \$2 billion shortfall in the 1985 budget. Unless Spain and Portugal are admitted next year, the Community is likely to face insolvency once again. [REDACTED] b (3)

Spanish Reactions

Spanish officials say publicly they can wait until more favorable terms—especially on fisheries—are negotiated. These statements probably are intended both to exert pressure on EC members to compromise and to prepare the Spanish public for a possible delay in entry. [REDACTED] b (3)

Madrid has linked EC membership to its continuing support for NATO, and Prime Minister Gonzalez probably hopes to maintain pressure on the Ten by claiming that a delay in EC entry could have a negative impact on Spain's commitment to NATO. Spanish officials have told US diplomats that a completed accession agreement probably would ensure public support for NATO in a referendum early next year, even if the agreement came too late to allow membership in 1986. [REDACTED] b (3)

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15 March 1985

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