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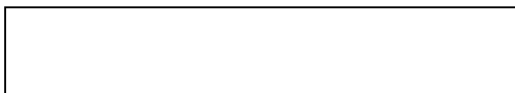
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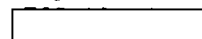


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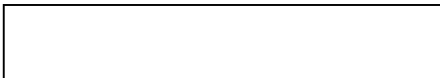
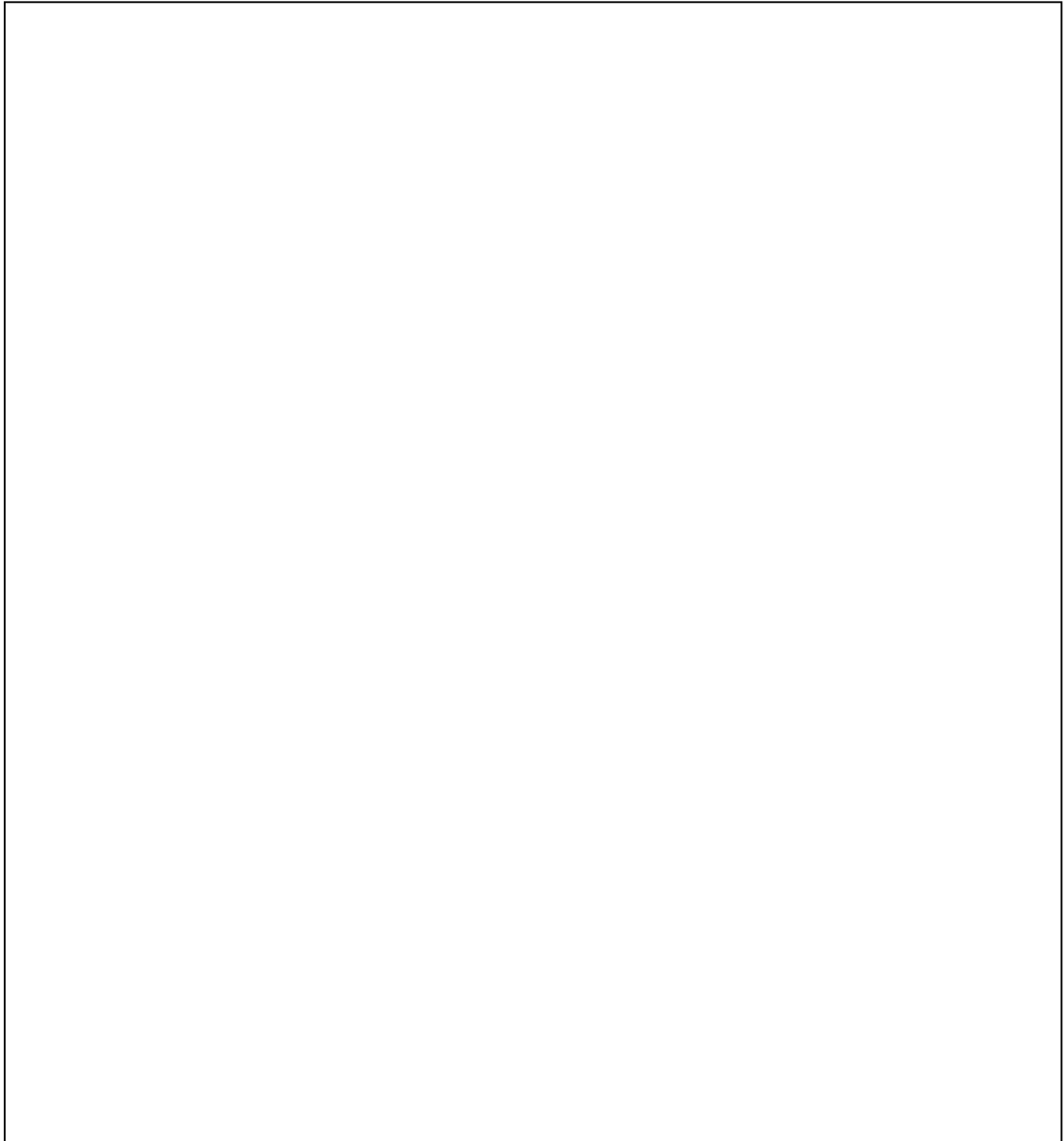


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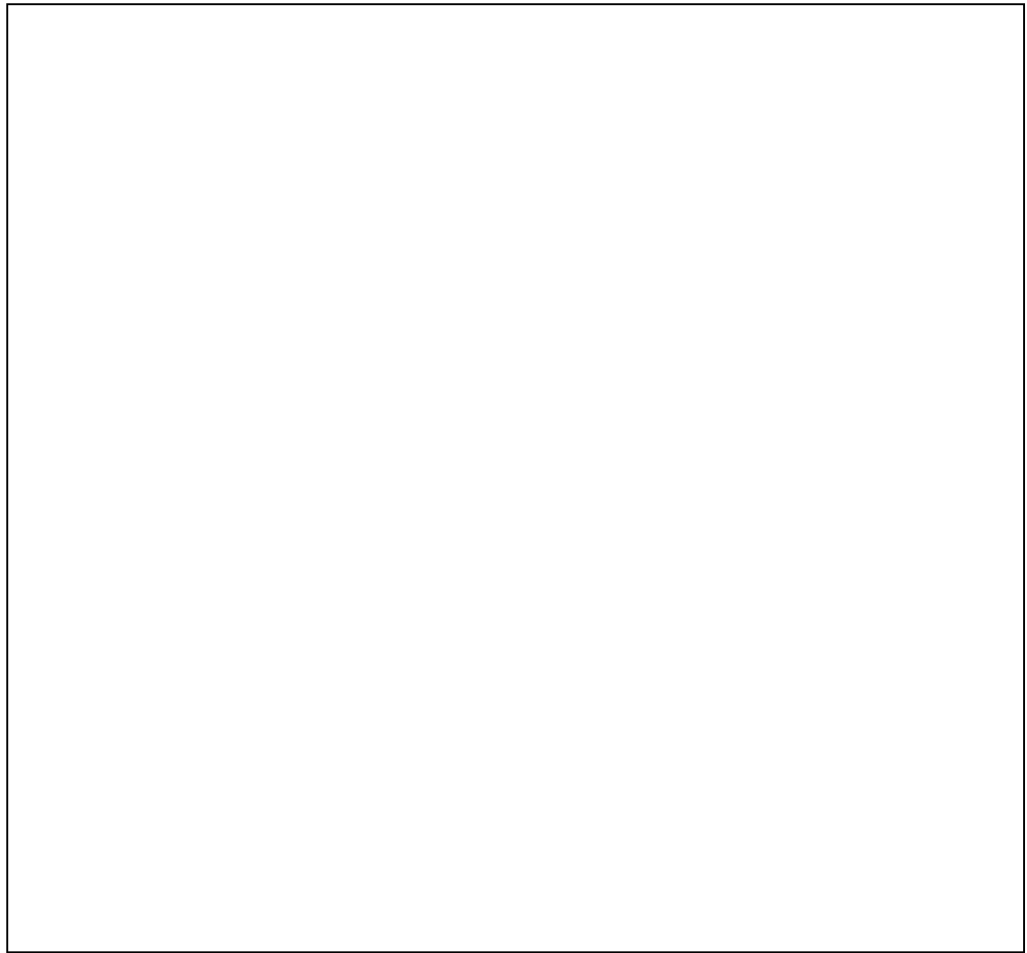


BRIEFS AND COMMENTS



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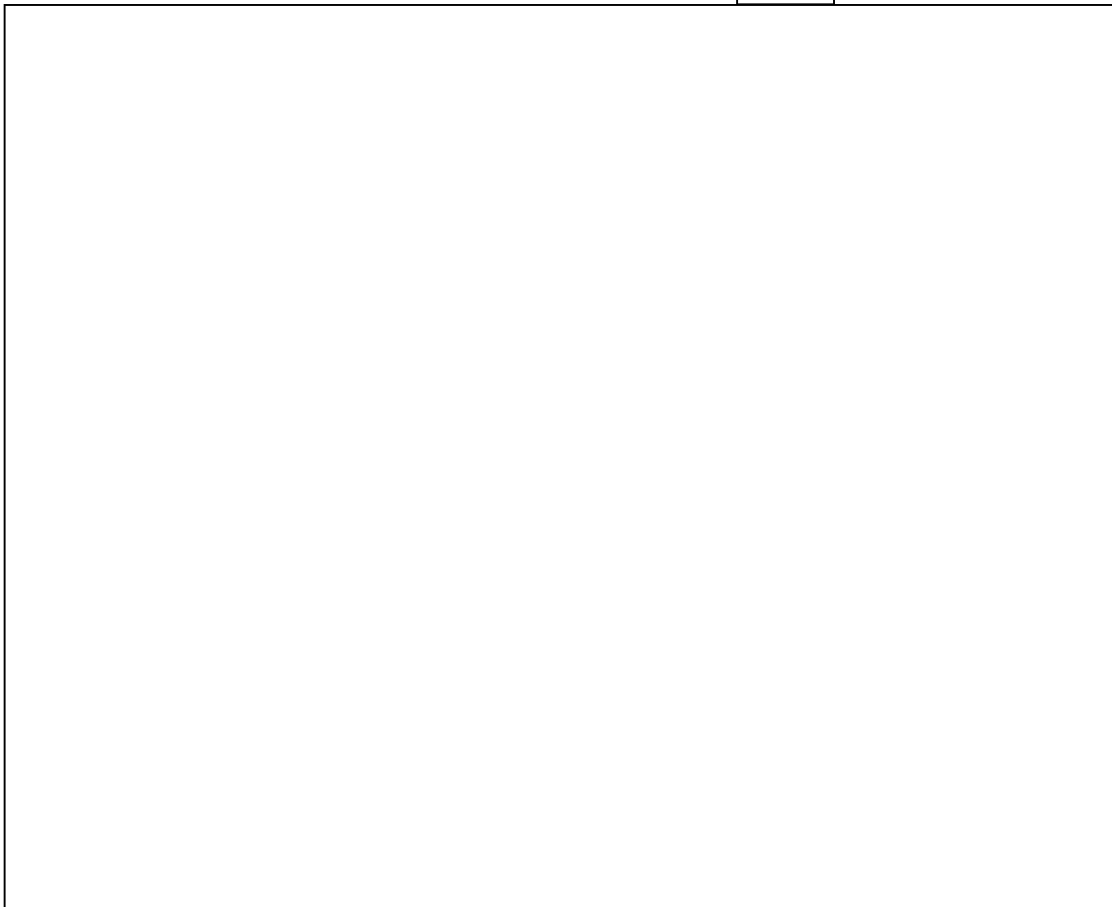


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USSR: ICBM Accuracy

The trend toward greater accuracy in Soviet ICBMs is virtually certain to continue in the foreseeable future.



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[REDACTED]

CHINA-FRANCE: Possible Arms Sales

[REDACTED]

President Giscard is increasingly disappointed with Soviet unwillingness to withdraw troops from Afghanistan and may wish to underscore French displeasure with Soviet policy and to find ways for France to maximize its sense of security. With an eye to the presidential election next spring, the decision also may be related to Giscard's desire to present himself at home as guarantor of an independent French foreign policy. [REDACTED]

There is no certainty that the decision will ultimately yield an arms agreement. [REDACTED]

[REDACTED]

The USSR--

[REDACTED] is likely to put strong pressure on France to prevent a deal,

[REDACTED]

[REDACTED]

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USSR: Attitude Toward French - West German Ties

Moscow has welcomed recent signs of growing French-German cooperation that reflect greater independence from the US, but Soviet approval has been tempered with concern that this cooperation could enhance West European military capabilities in Europe. [redacted]

The Soviet media applauded the talks between President Giscard and Chancellor Schmidt in Bonn in mid-July, asserting that "Bonn and Paris are united in the view that detente in Europe must be consolidated and that cooperation with the USSR must be continued." Moscow's coverage also emphasized that the talks took place "at a time when US - West European differences have manifested themselves most strongly." [redacted]

[redacted] Last week, an article in a Soviet journal by German expert Nikolai Portugalov contended that the two West European leaders evidently had reached agreement on a wider range of military cooperation questions than had been announced. The article warned that intra-European pursuit of militarist objectives would accelerate the arms race and would lead inevitably to greater dependence on the US. [redacted]

Moscow has long been ambivalent about closer French-German relations, and evidently is aware that one cost of weakening US-European ties may be broader military cooperation between the two major continental powers. The article by Portugalov conveys a warning to Bonn that the US is unlikely to tolerate a more militarily independent West Germany and, in acting to prevent this, may seek to forestall any greater German independence in general. [redacted]

The Soviets probably are particularly disturbed by the prospect of French-German military cooperation because France has a significant nuclear arsenal [redacted]

[redacted] that is independent of US and NATO control. Moscow, ever vigilant against "resurgent German militarism," has for three decades warned against Bonn's acquiring any access to "the nuclear trigger." [redacted]

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USSR - WEST GERMANY: Aluminum Project

[Redacted]

[Redacted] Germany had given de facto support to US requests not to extend officially backed financing to the USSR and not to take over US contracts. Bonn's approval follows closely a similar decision by the French Government to allow a French firm to bid on a project originally awarded to a US-Japanese consortium. [Redacted]

[Redacted]

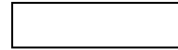
Bonn now claims that the German bid on a scaled-down smelter does not supplant a US role. Soviet technology will replace the more sophisticated US technology in the original package. West Germany judges that COCOM approval will not be required. [Redacted]

[Redacted]

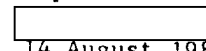
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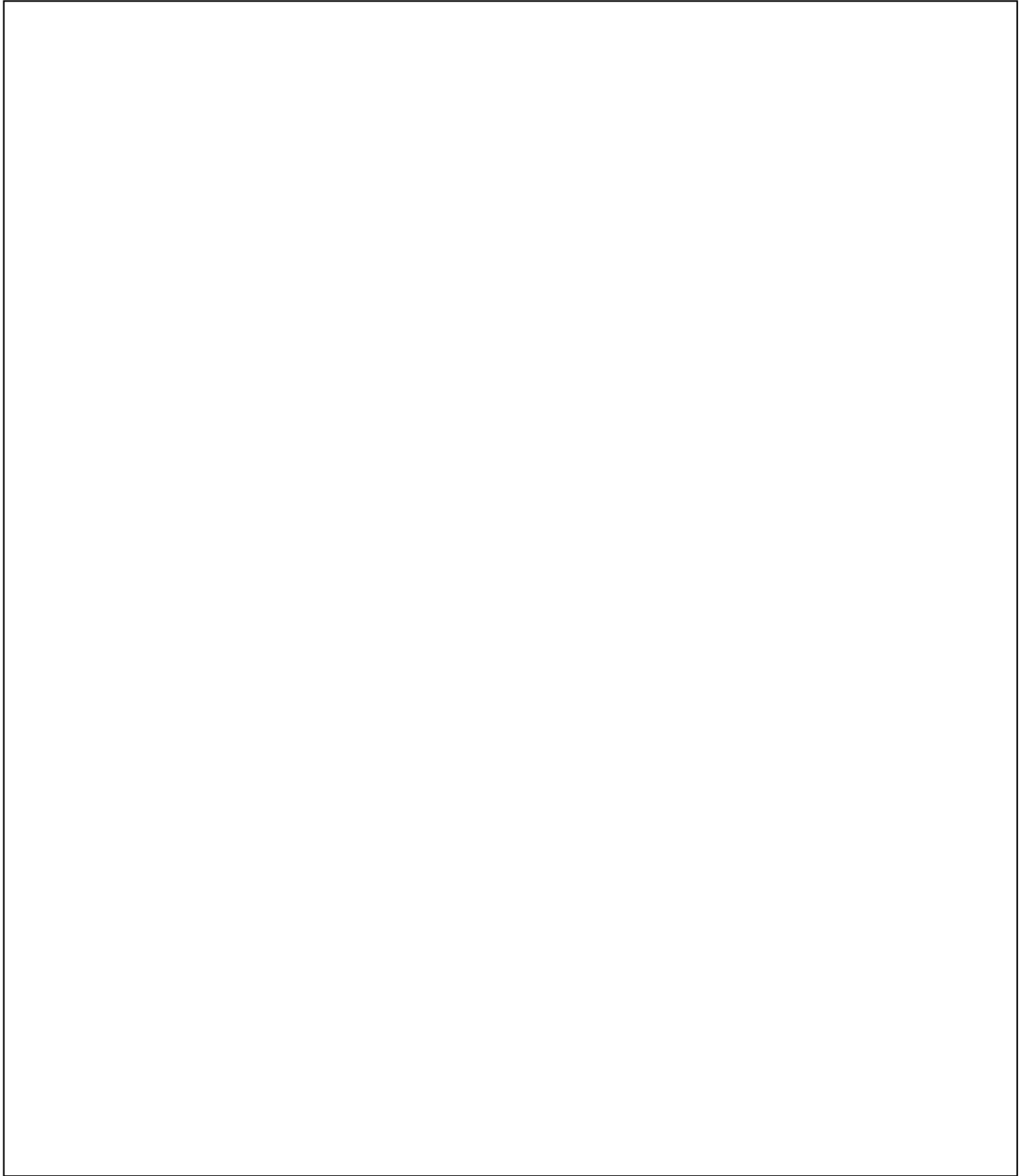
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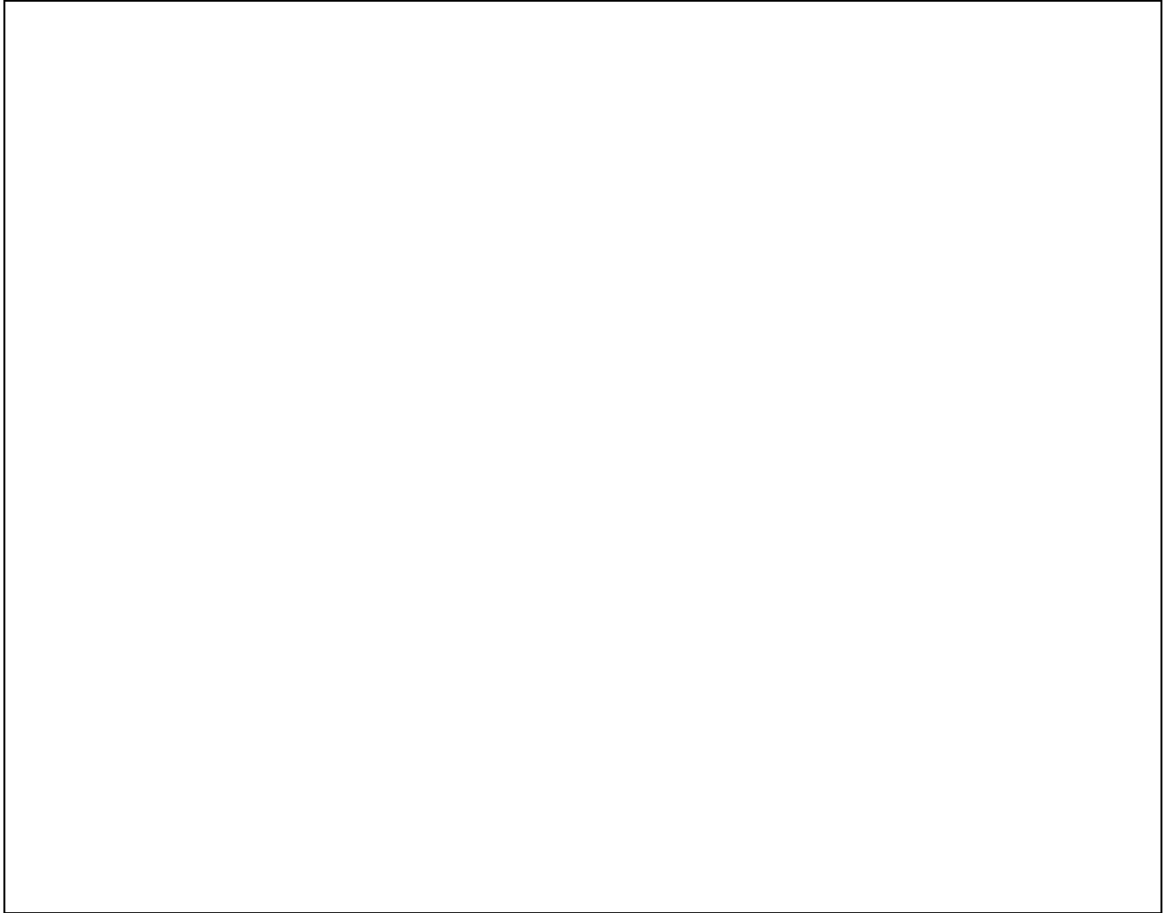
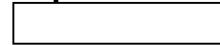
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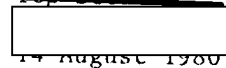
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SPECIAL ANALYSIS

ARAB STATES: Using the Oil Weapon

[REDACTED]

Persian Gulf oil producers are bypassing the major oil companies and using state-to-state oil sales to promote their foreign policy objectives to a greater degree than ever before. Support for the Palestinian cause and greater access to advanced technology often have become implicit conditions for sales. In the future direct sales to governments are likely to reflect an increasingly complex web of political, commercial, and sometimes military ties that serve both sides. [REDACTED]

Iraq now sells over 90 percent of its oil output--3.1 million barrels per day--directly to government oil companies and small private firms instead of the major Western oil companies. [REDACTED]

The Iraqis supply 40 percent of Brazil's current oil needs, and have used this leverage to obtain Brazilian arms, agricultural products [REDACTED]

[REDACTED] Other Third World countries have received similar inducements to support the Palestinian cause and Iraq's bid for leadership of the Non-aligned Movement. [REDACTED]

Saudi Arabia has increased its direct sales over the past year from 1.3 to 2.1 million barrels per day. Most of these sales probably involve more than straight commercial transactions. France, Portugal, Ireland, and South Korea helped smooth the way for such deals by expressing public support for the Palestinians. [REDACTED]

Japan, West Germany, and Brazil have sought to assure access to Saudi crude oil by promoting closer commercial ties and offering technology sought by Riyadh. The Saudis also have sold oil to Turkey, Tunisia, Sudan, and Pakistan as gestures of political support. [REDACTED]

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Kuwait and the United Arab Emirates have made similar uses of their oil. The two states, which are important suppliers to Japan, were influential last fall in arranging an unofficial invitation for Palestine Liberation Organization Chairman Yasir Arafat to visit Japan. [redacted]

France's stand in favor of Palestinian self-determination has helped it win a sales contract from Kuwait for commercial aircraft. The Kuwaitis have sought to use state-to-state oil sales to acquire energy-related technology and greater participation in downstream operations in the UK, France, Japan, and South Korea, but with little success so far. [redacted]

Short-Term Outlook

Over the next several years, the Gulf oil states will sell even more oil directly and less through the major Western oil companies. These marketing changes will increase the economic and political leverage of the producers and will make it more difficult for the US and its allies to influence the allocation of oil supplies in an emergency. [redacted]

The diminishing role of the multinational oil companies also may expose Gulf producers to more direct Soviet pressure to accommodate the oil needs of East European Communist states. Kuwait will sell 60,000 barrels per day this year to Communist nations. The Kuwaitis--and perhaps some of the other conservative Gulf producers--might ultimately view increased oil sales to Eastern Europe as a way to buy off Soviet-inspired subversion. [redacted]

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[redacted]
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