

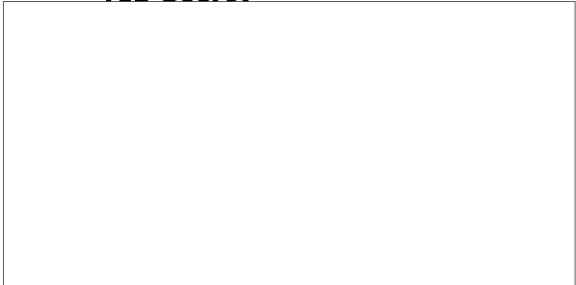
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Director of
Central
Intelligence

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National Intelligence Daily

Thursday
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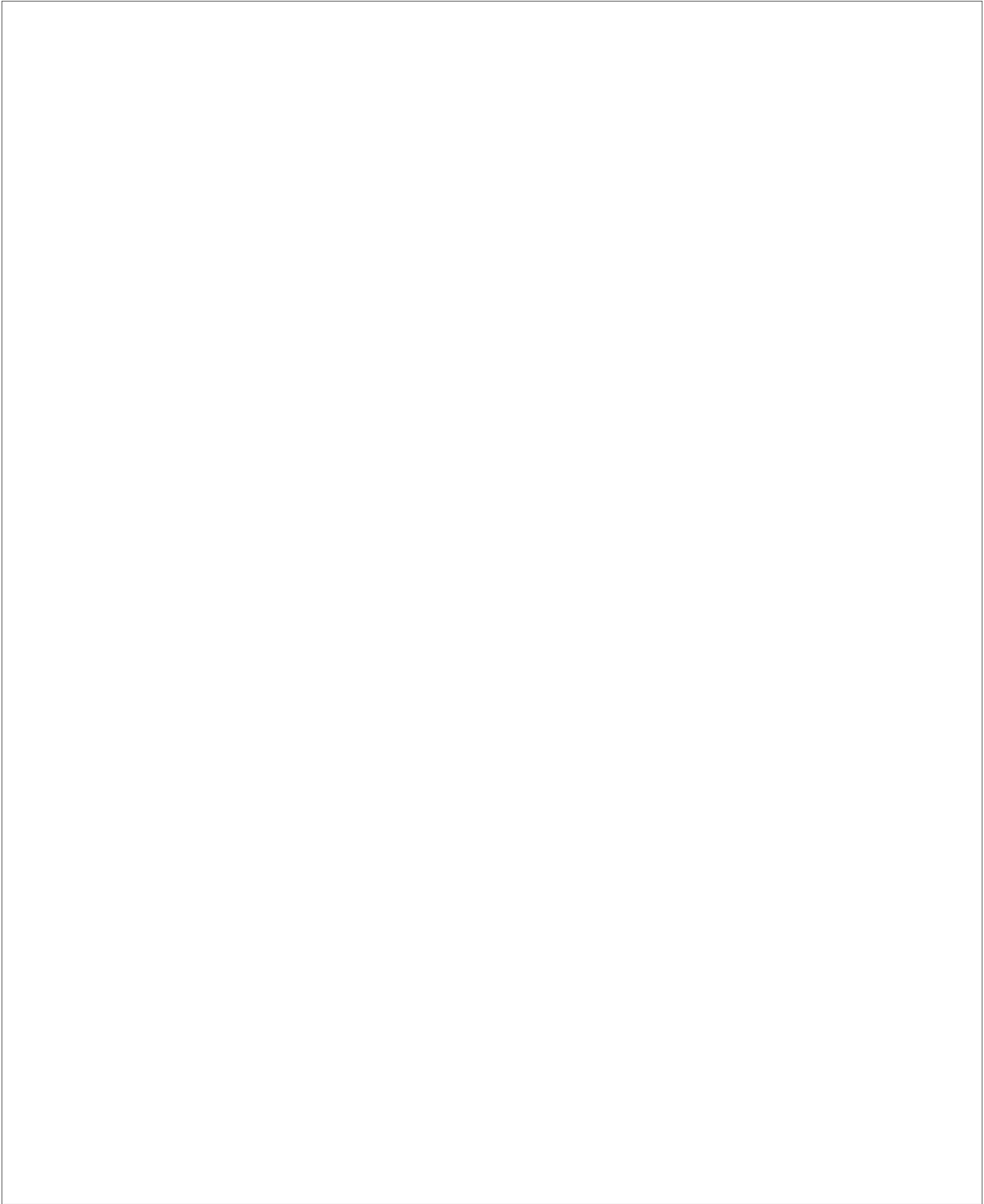
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10 October 1985

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Contents

Italy-Middle East: Achille Lauro Hijacking Ends 1



Japan-China: Foreign Ministers' Talks 3

Portugal: Postelection Maneuvering 4

Notes



Lebanon: Selling US-Supplied Equipment 5

Belgium: Terrorists Threaten To Disrupt Elections 6

Egypt-UN: Resolution on NPT at General Assembly 6

Argentina: Labor Challenging Alfonsin 7

South Korea-Japan: Contacts Between Opposition Figures 7

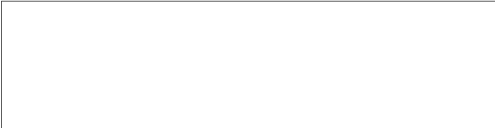
In Brief 8

Special Analyses



Angola: Implications of the Government Offensive 12

Pakistan: Struggling Toward Civilian Rule 14



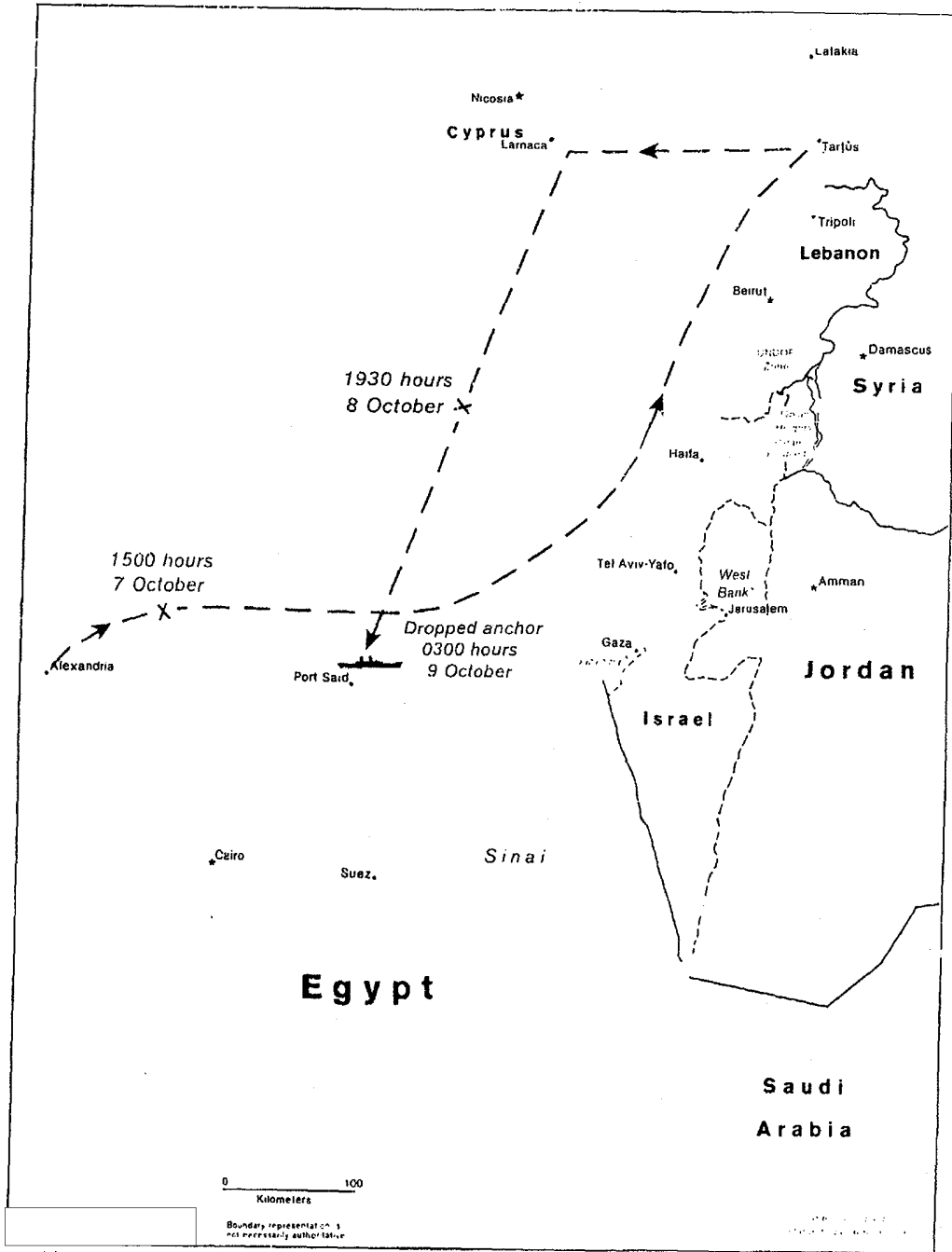
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Track of the Achille Lauro



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ITALY-
MIDDLE EAST:

Achille Lauro Hijacking Ends

The terrorists surrendered to PLO authorities in Port Said, Egypt, yesterday, but [redacted] one passenger—an American—was killed during the hijacking. Cairo reportedly guaranteed the terrorists passage out of the country in the terms for their surrender. [redacted]

According to an announcement by the Egyptian Foreign Ministry, the hijackers were remanded to the custody of the PLO and then taken to a point outside Egypt. [redacted]

Egyptian Foreign Minister Meguid said there were four hijackers, but their affiliation has not been confirmed. [redacted]

Comment: Syrian-backed PLO groups would have had strong motives for staging the attack. They want to discredit Arafat and derail the peace process and would have seen this as a particularly opportune time, given the scheduled meeting between British Foreign Secretary Howe and a joint PLO-Jordanian delegation next week. [redacted]

Arafat probably did not sanction or encourage this attack because Italy is the PLO's strongest West European supporter. Moreover, Arafat almost certainly would rather attack Israeli targets directly. [redacted]

Arafat has been able to capitalize on the incident to enhance his international stature by playing a mediating role in the hostages' release. He presumably hopes his efforts will help convince others—particularly Washington—that he seeks peace in the Middle East and will reinforce his contention that Israel's attack on PLO headquarters in Tunis was unwarranted. [redacted]

Egypt agreed to free the hijackers to end the incident quickly and avoid a replay of the violent, protracted TWA hijacking last July. The Egyptians also wanted an early settlement to avoid negative publicity that would hurt the PLO's international image and efforts for peace negotiations. [redacted]

Prime Minister Craxi, Foreign Minister Andreotti, and Defense Minister Spadolini reportedly disagreed on how to handle the situation. All three will be relieved that the ordeal has ended, but the decision to grant free passage to the hijackers will anger some elements of the governing coalition. Spadolini and his Republicans are likely to be particularly unhappy, and, during the parliamentary debate over the government's handling of the incident, Craxi may find that his coalition's cohesion has been seriously shaken. [redacted]

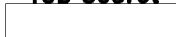
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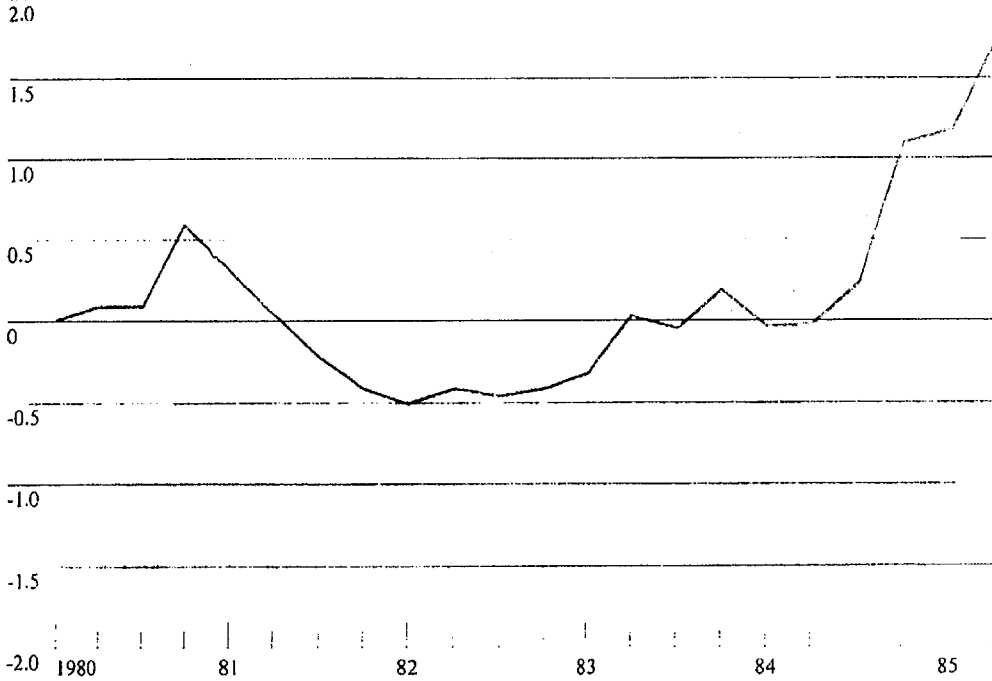
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Japan's Trade Balance With China, 1980-85^a

Billion US \$

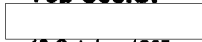


^a Quarterly data.



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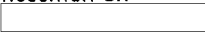
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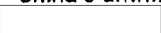




JAPAN-CHINA:

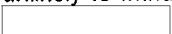
Foreign Ministers' Talks


In talks that begin today, Beijing will emphasize its commitment to good bilateral relations but will press visiting Foreign Minister Abe on trade and other bilateral economic issues. 

The Chinese have been expressing increasing irritation over Japan's large and growing trade surplus with China and have accused the Japanese of dumping and of exporting poor quality products. Deng Xiaoping last month lectured visiting Japanese businessmen on China's unwillingness to accept a long-term deficit, 

 Other Chinese leaders have called on Japan to increase technology transfer and invest in more joint ventures. 

University students in Beijing and Xian last month seized on Prime Minister Nakasone's ceremonial visit in August to Japan's Yasukuni war memorial to protest an alleged Japanese economic invasion of China and resurgent militarism. A low-key media campaign preceding the student demonstrations gave renewed publicity to atrocities committed during the Japanese invasion of China. 

Comment: The atmosphere in Sino-Japanese relations has soured considerably since Nakasone and Chinese Communist Party General Secretary Hu Yaobang exchanged visits over a year ago. Chinese reformers have been especially sensitive to the Sino-Japanese trade imbalance since the revelations last spring of China's large foreign exchange shortfall and the heated internal debate over management of the open-door policy. Nonetheless, both sides have overriding strategic and economic interests in maintaining solid bilateral relations and will work to limit difficulties. Beijing has curtailed anti-Japanese activity and is unlikely to withdraw its support for Japan's gradual military buildup. 

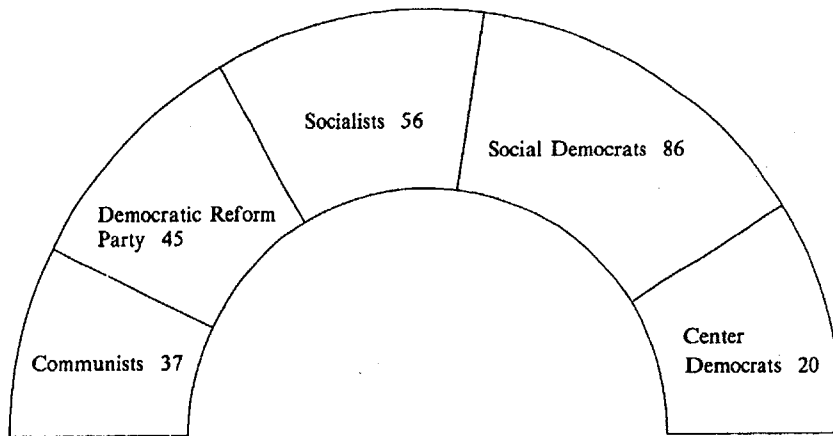
Abe probably will convey reassurances from Nakasone that his shrine visit does not reflect militaristic sympathies. On economic issues, the Japanese Foreign Minister will offer no significant new commitments. 

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Portuguese Parliamentary Election Results

Total seats: 250^a



^a Six seats undecided.

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10 October 1985

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PORTUGAL:

Postelection Maneuvering

Social Democratic leader Anibal Cavaco Silva probably will form a weak minority government by early next month, and outgoing Socialist Prime Minister Mario Soares is likely to remain as caretaker until then. [redacted]

Cavaco Silva has said he will try to use the parliamentary plurality he won last Sunday—30 percent of the vote and 86 of the 250 seats—to form a minority government by early November. Soares, meanwhile, has said he wants to resign immediately. [redacted]

Comment: Cavaco Silva probably will become the next Prime Minister. His Social Democrats finished well ahead of the Socialists, the conservative Center Democrats, and the new left-of-center Democratic Reform Party, as well as the Communists. Apart from the Communists, who won only 37 seats, none of these rival parties is eager to accept blame for denying Cavaco Silva a chance to govern and for prolonging the political paralysis that followed the collapse of the Socialist-Social Democratic coalition in June. [redacted]

Nonetheless, the campaign caused unusually hard feelings among party leaders, and Cavaco Silva is unlikely to secure cooperation from the Center Democrats despite agreement with them on many issues. The other parties—especially the Democratic Reform Party—probably will impose tough restrictions on Cavaco Silva in return for permitting him to form a cabinet, and the new government is not likely to be more than a weak caretaker until a new parliamentary election after the presidential election in January. [redacted]

Soares almost certainly wants to turn his energies to his presidential candidacy and to disassociate himself from his now discredited administration. President Eanes, however, has final constitutional authority for appointing prime ministers, and he is likely to move slowly to sanction a new government, both because of his cautious, deliberate nature and because of his reluctance to help Soares—long a bitter opponent. [redacted]

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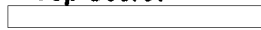


LEBANON: Selling US-Supplied Equipment

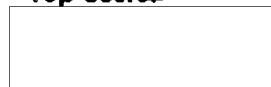
Logistic personnel in the Lebanese Army are selling spare parts supplied by the US and other foreigners to independent arms dealers whose clients may include factional militias or Iran and other foreign buyers. [redacted] that two-thirds of the Army's spare parts have been sold to entrepreneurs on the open market and the remaining items have been consigned to an emergency stockpile. Several brigade commanders complained about the shortages to the Army commander last week, saying that they have had to sell nonessential items on the open market to raise money to buy the spare parts they need. [redacted]

Comment: The equipment being sold probably includes spare parts for US-made wheeled or tracked vehicles, including the M-113 APC. Equipment seized from Palestinian weapons caches in West Beirut in recent years may also be involved. Iran would be a likely customer for the US-made spare parts. [redacted]


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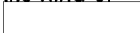


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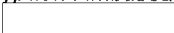
BELGIUM: Terrorists Threaten To Disrupt Elections

The Communist Combatant Cells terrorist group, in a communique following the 8 October bombing of a Brussels gas company building, announced its intention to disrupt next Sunday's parliamentary elections. Belgian police are taking the threat seriously and anticipate more attacks this week and on election day. 

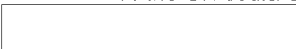
Comment: The group, which emerged in Belgium last October, has bombed two domestic political targets but has concentrated its attacks on NATO-related facilities. This new campaign suggests the terrorists are now focusing on domestic issues. Because of the group's limited capabilities, it probably could not conduct the kind of bombing campaign that could affect the coming elections. 



EGYPT-UN: Resolution on NPT at General Assembly

Egypt is considering the introduction of a resolution at the UN General Assembly taking note of the unanimous endorsement of the Nuclear Non-Proliferation Treaty by the recent Review Conference held in Geneva.  the Egyptians do not feel strongly about the proposal, but, if they do present it, they want it adopted by consensus. The Egyptian Ambassador to the UN presided over the Review Conference. 

Comment: The introduction of this resolution at the UN would again focus attention on contentious issues that arose in Geneva—some of which required arduous, last-minute negotiations to resolve. The decision on whether to offer the resolution will be vexing for Cairo. Egypt would welcome the opportunity to highlight the role of its Ambassador in the success of the NPT Review Conference but recognizes the possibility that failure to achieve consensus on such a resolution at the UN could undercut the results of the conference.



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10 October 1985



ARGENTINA: Labor Challenging Alfonsin

Organized labor is intensifying its attack on President Alfonsin's economic austerity program and is becoming the President's major adversary. Argentina's labor federation recently replaced a group of mostly moderate leaders with a dynamic secretary general eager to confront the government over rising unemployment and falling wages. [redacted] the Labor Minister and Economy Minister are concerned about the demands of public-sector unions for wage increases. Meanwhile, the austerity program has reduced the inflation rate for September to 2 percent—the lowest in over a decade. [redacted]

Comment: The unions will probably stage numerous protest demonstrations and urge the Peronist opposition party to get tough with the government over economic questions. Alfonsin may provide a modest wage hike that will not jeopardize the overall austerity package. He will probably resist union demands for massive job-creating projects; they would unleash inflation and risk alienating his middle-class constituency before the congressional elections on 3 November [redacted]

SOUTH KOREA-JAPAN: Contacts Between Opposition Figures

A meeting last week between South Korean opposition figure Kim Young Sam and Japanese Socialist Party Chairman Ishibashi has drawn fire from President Chun's ruling Democratic Justice Party. Party spokesmen have suggested that Kim's effort to promote ties between the opposition New Korea Democratic Party and the Socialists, who up until now have dealt exclusively with P'yongyang, may be unlawful. Kim's invitation to Ishibashi caught leaders of the New Korea Democratic Party off balance. Some have berated Kim—not formally a party member—for seeking to dictate party policy. [redacted]

Comment: The attack on Kim reflects anger over his antigovernment comments in the US and his breakthrough in expanding contacts with the Socialists—but stops short of demanding legal actions. This suggests that Chun may have been persuaded that arresting Kim would only rally the now-divided opposition. If the New Korea Democratic Party disavows Kim's initiative, it will set back Ishibashi's efforts to moderate his party's policy toward Seoul and keep stride with efforts of the Liberal Democratic Party to promote the inter-Korean dialogue. The Chun government may interpret Ishibashi's proposed visit in January as opening the way for some future LDP move toward P'yongyang and may block the trip. [redacted]





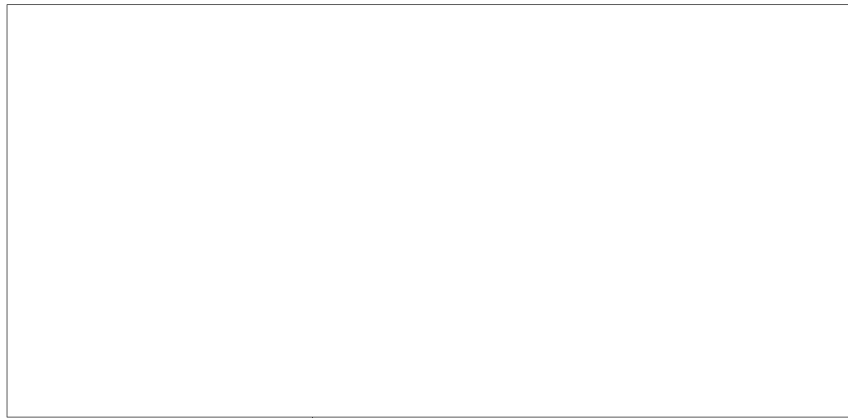
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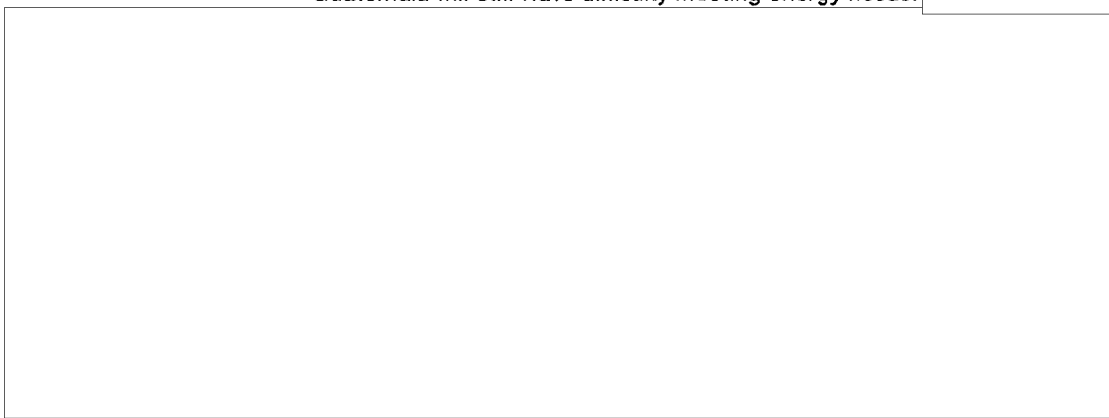
In Brief

Americas

- Press reports **Dominican Republic** arrested retired Air Force general as alleged mastermind of cocaine trafficking ring . . . other police, military personnel under investigation . . . first evidence of military involvement in international trafficking. 
- Largest **Uruguayan** opposition party working with government to discredit leftist senator demanding trials of military officers on human rights abuses . . . establishment politicians increasingly worried about calming issue, military. 

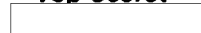


- **Venezuela** willing to help **Guatemala** overcome petroleum shortage.  . . . deferred payments, new loans may ease situation through end of year . . . Guatemala will still have difficulty meeting energy needs. 



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10 October 1985

[Redacted]

USSR

[Redacted] Gorbachev will stay on after Warsaw Pact meeting in **Bulgaria** 21-22 October for two-day working visit . . . [Redacted] he also will address their conference before departing. [Redacted]

East Asia

[Redacted]

— **Canada** announced it will conduct \$1.2 million feasibility study for Three Gorges Dam project on **China's** Yangtze River . . . US, **Japan** also interested in project . . . debate in Beijing over dam's size, cost delaying decision on overall project. [Redacted]

[Redacted]

Middle East

— The **Netherlands** has notified UN it will withdraw UNIFIL contingent on 19 October . . . convinced peacekeeping role in **Lebanon** no longer relevant . . . token unit will remain to symbolize support for operations. [Redacted]

[Redacted]

[Redacted] trial of former **Sudanese** Vice President Tayyib may start next week . . . charged with treason for role in evacuating Ethiopian Jews from Sudan . . . Prime Minister, Attorney General arguing delay will anger public. [Redacted]

— **West German** officials acknowledge preliminary talks on building ammunition plant worth \$3 billion in **Saudi Arabia** . . . underscores Bonn's interest in lucrative Mideast military trade and Riyadh's efforts to diversify arms sources. [Redacted]

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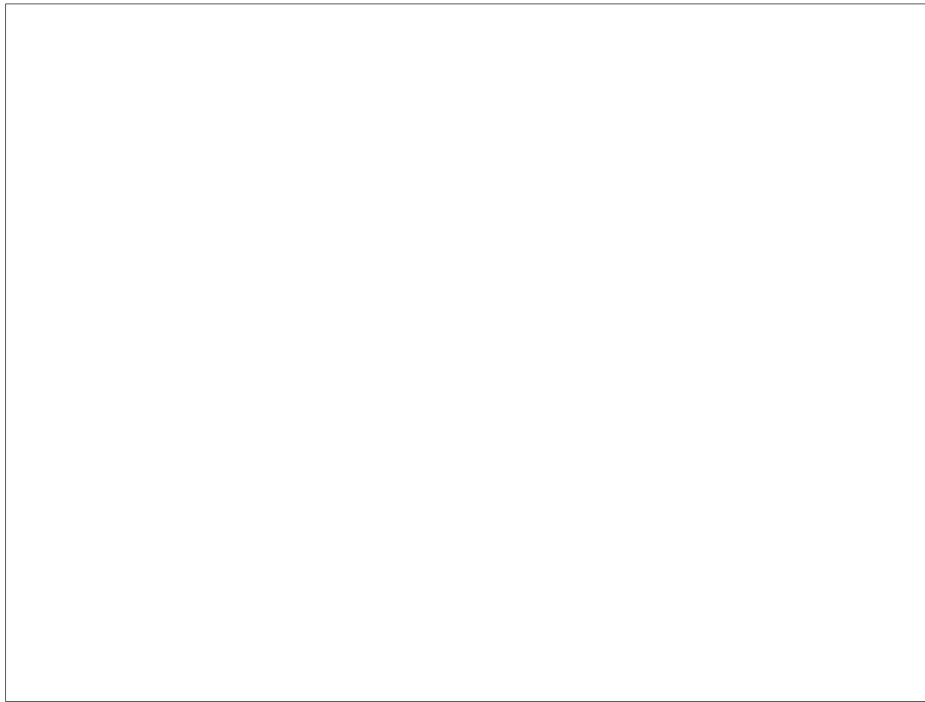


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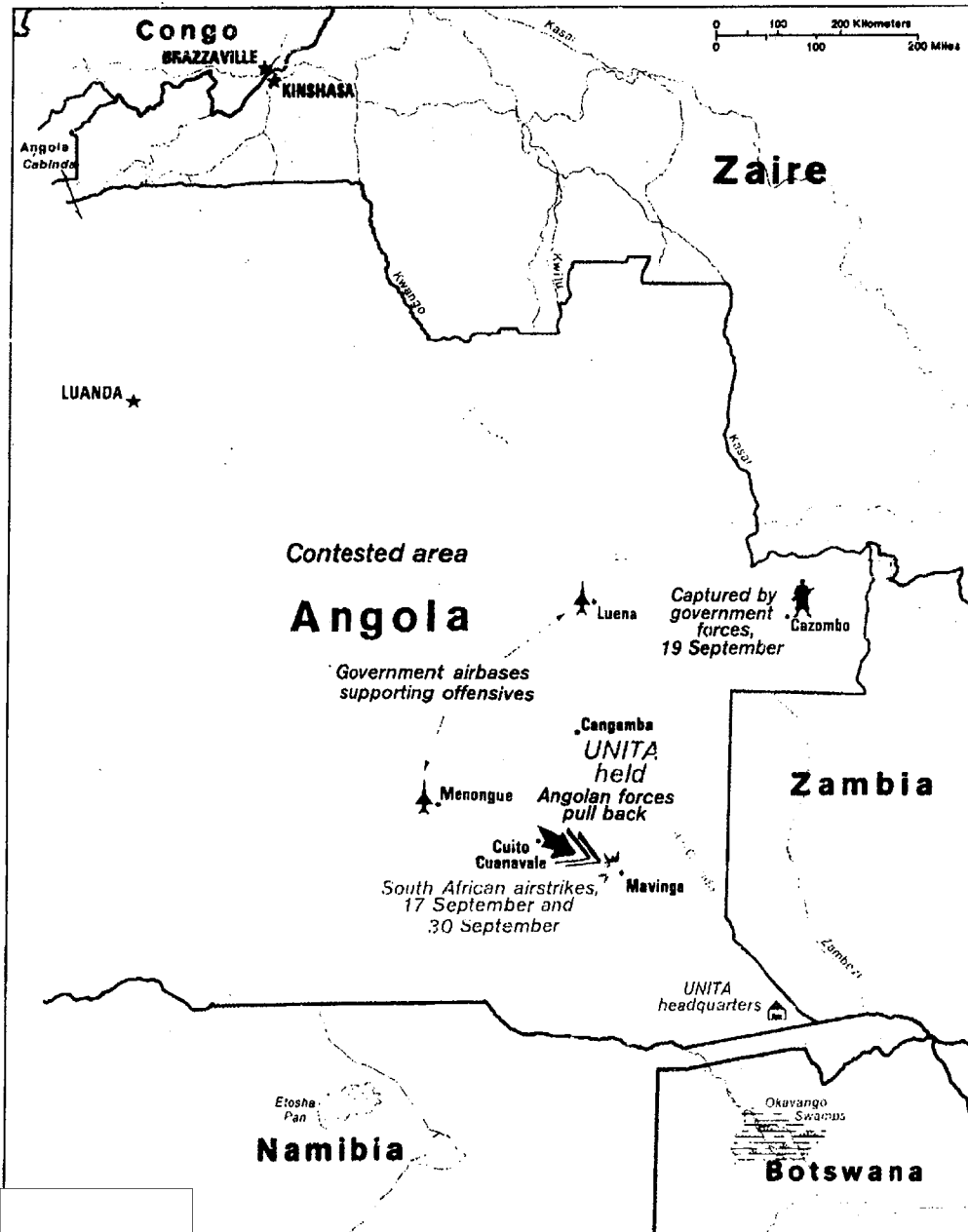
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Special Analysis

ANGOLA:

Implications of the Government Offensive

The Angolan military's much improved performance in the offensive this year against UNITA insurgents underscores the more direct role Soviet advisers have had in planning and directing combat operations. UNITA has been knocked off stride and requires more direct support by South Africa. Foreign support probably will become increasingly important to both the government and UNITA.

Government forces dealt UNITA its first significant reversal since the group expanded operations in 1982 to secure more territory. Since July, the government captured Cazombo and nearly took Mavinga—190 miles (300 kilometers) northwest of UNITA's headquarters in Jamba—until driven back last month by South African airstrikes. Cazombo gave UNITA access to the border with Zaire and was a support base for northern operations. Mavinga, the first sizable town UNITA captured, was the site of its party congress in 1982 and a way station on supply lines to the north.

Deeper Soviet Involvement

Expanded Soviet involvement in planning and directing Angolan combat operations, together with greater Angolan use of tactical air support, were key factors in Luanda's gains. Failure to make much headway against UNITA last year probably led Moscow to conclude that a more direct Soviet role was necessary this year. By midyear, large numbers of Soviet aircraft delivered in 1984 were in operation, Luanda used Cuban pilots and a growing number of Angolan pilots for the increased tactical air support.

Soviet arms shipments have increased since 1983 apparently in reaction to UNITA's capture of Cangamba, a major government defeat that shocked Luanda and caused Moscow to redouble its military support. Soviet deliveries from late 1983 throughout 1984 included more than 100 fighters, fighter-bombers, and helicopters, plus additional air defense weapons, various armored vehicles, artillery, and other materiel. The Angolan Army has a full range of conventional weapons; the insurgents remain lightly armed.

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10 October 1985

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Outlook

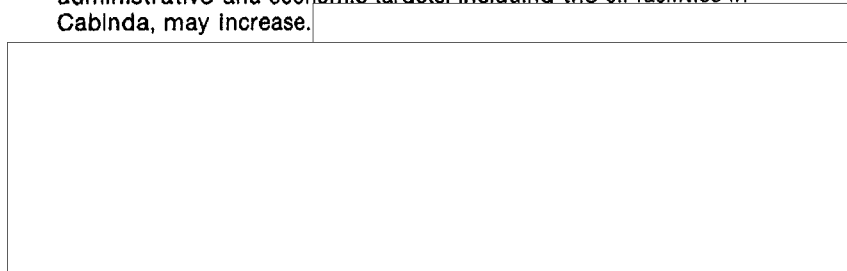
The Soviets are likely to continue their extensive advisory assistance in combat operations, and Moscow probably will provide more air defense weapons and radars in hopes of deterring South African actions. Additional fighters and helicopters may also be delivered.



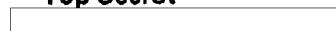
A more direct Soviet or Cuban role in Angolan air or ground operations in response to future South African intervention on UNITA's behalf cannot be ruled out. Apart from replacing UNITA's equipment losses and resorting to commando operations, there is little Pretoria can do—short of direct intervention—to prevent Angola from repeating its success in the next offensive if UNITA decides to stand and fight again.

Luanda probably believes its better performance can be repeated, and it may even start the offensive earlier than usual next year. Future military strategy no doubt will be addressed during the party congress scheduled in mid-December.

Although not beaten, UNITA leader Savimbi probably will have to cut back on semiconventional operations, and he is sure to seek improved antitank and antiaircraft weapons. He probably will try to intensify guerrilla activity in central and northern Angola just to keep the government off balance. Urban bombings and attacks on administrative and economic targets, including the oil facilities in Cabinda, may increase.



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Special Analysis

PAKISTAN: Struggling Toward Civilian Rule

A bill that grants wide powers to the president, currently under debate by the National Assembly, is an important step toward carrying out President Zia's pledge to restore civilian rule before the end of the year. The still-outlawed political parties reject the inferior position of the parliament under the proposed system, but they have been unable to launch an effective opposition. Sectarian unrest could delay any transfer of power, but both military and popular pressure will make it difficult for Zia to back out.

A small group of independent Assembly delegates is delaying progress toward the restoration of civilian rule by prolonging the debate over constitutional amendments that define the powers of the president, prime minister, and parliament. Last week Zia tried to clear the way for passage of the amendments by withdrawing a widely criticized proposal for a national security council that would have served as a watchdog over the parliament. His revision still gives the president substantial power and retains what Zia sees as the most essential provision—indemnity for martial law administrators for actions taken under the military regime.

The bill will inevitably be passed despite opposition objections, and this will further erode the credibility of Prime Minister Junejo and the government's parliamentary "grouping," particularly if the government resorts to heavyhanded tactics to get the bill approved. Junejo has been criticized for acquiescing in recent actions of the martial law regime, including the imposition of mail censorship and the preemptive arrests of opposition leaders, most notably Benazir Bhutto, daughter of the executed Prime Minister and leader of the Pakistan People's Party.

Nonparliamentary Opposition Inactive

the opposition may be preparing to make one more attempt at forming an effective coalition. Leaders of the major political parties gathered late last month to discuss their objections to the proposed constitutional reforms; some have begun calling for a united opposition effort to block or modify them. Even so, the Movement To Restore Democracy, a loose coalition of 11 major illegal political parties, is ambivalent about how to deal with the emergence of a civilian government because its main issue—martial law—would then disappear. Benazir Bhutto's party, the most important in the Movement, decided shortly after her arrest that it would refrain from activity against the regime unless Zia fails to meet his pledge by yearend.

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10 October 1985

[Redacted]

Outlook

Zia will face serious pressure to lift martial law from professional military officers, who—except for the military governors who benefit from the status quo—are restive over their ambiguous position under the transitional regime. Many professional soldiers resent having to perform police functions; others dislike sharing power with civilians while bearing primary responsibility for unpopular decisions. [Redacted]

[Redacted]

The public, despite skepticism about Zia's intentions, will increasingly expect Zia to keep his pledge to lift martial law as the year nears its end. [Redacted]

The internal security situation has been volatile in recent months and will be an important factor in a successful transition to a civilian government. Unrest inspired by sectarian tensions—such as the disturbances that broke out in Quetta last summer—or protests against needed economic strictures could provide Zia a justification or pretext for extending martial law. [Redacted]

Zia is unlikely to let antiregime agitation reach a level that will jeopardize the restoration of civilian rule. Martial law administrators will keep a close watch on the activities of political opponents and particularly on those reported to be in contact with the Soviets; further preemptive arrests are likely. Prospects for the development of a strong coalition among the opposition are dim, but Benazir Bhutto's detention—due to end in late November—may yet prove a rallying point for them. [Redacted]

[Redacted]

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