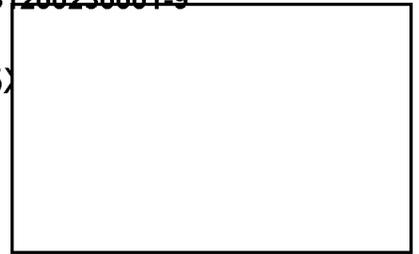




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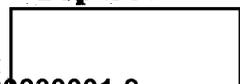
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National Intelligence Daily (Cable)

27 March 1979

Top Secret

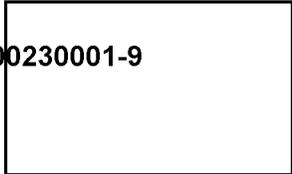


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National Intelligence Daily (Cable)



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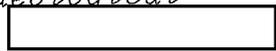
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BRIEFS AND COMMENTS

UGANDA-TANZANIA: Artificial Coalition

Ugandan exile groups meeting in northern Tanzania have announced formation of a National Liberation Front headed by a 67-year-old former educator, Yusufu Lule. The Front appears to be a coalition of longstanding rivals that will probably require constant outside support. The greatest effort seems to have gone into achieving tribal balance, which results in a wide ideological spread in the group's executive council.



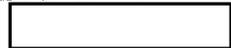
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//In addition to Lule, the executive council is composed of five northerners and five southerners. Former President Obote, a protege of Tanzanian President Nyerere, is not included, but the northern members, including the vice chairman, are drawn from his supporters. Lule, from the important southern Baganda tribe, was dismissed from his post at Makerere University while Obote was still in power.//



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The Front's Tanzanian sponsors and its Ugandan members probably envisage it as a device to win international acceptability for their joint effort to remove President Amin and to take over at least part of the administrative burden in "liberated Uganda."



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The military situation in Uganda remains unclear, and we cannot confirm the conflicting reports now circulating. Amin frequently floats false or misleading reports on his status when he is threatened. The Tanzanian Army's advance apparently has not accelerated.



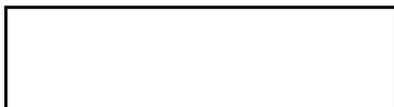
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OPEC: Recent Production Trends

Total crude oil production in January by members of the Organization of Petroleum Exporting Countries was nearly 1.2 million barrels per day below the 1978 annual average of 29.6 million barrels per day. Preliminary estimates for February indicate a small increase--about 350,000 barrels per day--in OPEC output over the January level. Production in March should show a larger increase as a result of the rise in Iranian output, which now appears to have reached the 3.5 million barrels per day mark.

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[Redacted]

[Redacted]

//The supply outlook for the second quarter and beyond will depend in large part on how other producers react to the resumption of Iranian exports. The market will remain tight if other producers, particularly the Saudis, reduce their own output in response to increases in Iranian production.

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Iraq continues to produce at roughly 3 million barrels per day, while Abu Dhabi is adhering to its production ceiling of 1.46 million barrels per day. Production is running at near capacity levels in all other OPEC countries.

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UN: Indian Ocean Zone Of Peace

A UN drafting group will soon begin work on a document that could provide an outline for making the Indian Ocean region a "zone of peace." It undertakes its task in an atmosphere of heightened suspicion of the military activities of the superpowers--especially the US--in the region. [REDACTED]

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The document will be prepared for a meeting of Indian Ocean littoral and hinterland states in July, the first such gathering since the UN General Assembly originally endorsed the concept of an Indian Ocean zone of peace in 1971. The drafting group will include Indonesia, Madagascar, Sri Lanka, and either Ethiopia or Somalia, but other members of the ad hoc committee on the Indian Ocean are free to take part. [REDACTED]

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Most states in the region would like the document to include a specific program of action, but serious differences between India and Pakistan will make it difficult to reach agreement on one. While India believes that the document should focus primarily on the need to limit great power presence and rivalry in the area, Pakistan favors a security formula that would require a "reasonable ratio of naval and military forces" among the Indian Ocean states themselves. [REDACTED]

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Recent US naval deployments to the Indian Ocean have stimulated increased agitation on the issue of superpower activity there. At the ad hoc committee's session in March, Iraq unsuccessfully sought to call an emergency meeting of regional states to discuss the "deteriorating situation." Outside the UN framework, President Rene of the Seychelles has been writing letters to other heads of government to promote opposition to the establishment of any new US naval force at Diego Garcia. Despite these developments, the ad hoc committee's desire for full consensus will likely result in a document reflecting a middle position between the Indian and Pakistani views. [REDACTED]

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SPECIAL ANALYSES

THE SPANISH ELECTION: Appearance and Reality

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[REDACTED]

As the first reactions to the parliamentary election on 1 March subside, many Spaniards seem to be wondering if Communist leader Carrillo may not have been right when he branded the contest a waste of time and money. On paper, the election made little difference to the balance of power. Prime Minister Suarez again fell short of a majority and, though he could govern with floating majorities, he will probably continue to seek consensus on most important issues. Nevertheless, the relatively small shifts that did occur are significant and Suarez is clearly in a stronger position for dealing with his chief rivals, the Socialists. Suarez won this advantage--and a four-year extension of his mandate--at the cost of lengthy delays in implementing vital legislation--most notably on the economy and on rules governing regional autonomy. Gains by regional parties, especially in the volatile Basque provinces, augur bitter confrontations ahead on this issue. [REDACTED]

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Both major parties--Suarez' Union of the Democratic Center and Felipe Gonzalez' Socialist Workers Party--emerged from the election with about the same popular vote and almost the same number of seats as they gained in the last election in June 1977. The Centrists still have a plurality, but they once again fell short of a majority in the crucial lower house. Thus Suarez will have to choose between distasteful alternatives: forming a coalition--with one or more of the regional parties--or depending on floating votes for each important piece of legislation. [REDACTED]

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To a large extent, the parties' initial responses to the electoral results were colored by pre-election hopes or fears that were not realized. The Centrists' elation owed more to their fear of a drubbing at the hands of the Socialists than to any real gains. The Socialists' bitterness seemed to reflect dashed hopes rather than a significant defeat. They had expected to

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win more votes than the Center, or at least enough to oblige Suarez to include them in the government. The Socialists were also dazed by the abrupt halt to the seemingly inexorable forward momentum built up during and after the 1977 election. [REDACTED]

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The Communists' crowing is also hard to explain purely on the basis of election returns. They showed more improvement than any other national party, increasing their representation by three, or possibly four seats, and upping their share of the vote by almost two percent, but their elation seems to derive mostly from the discomfiture of their major rivals on the left, the Socialists. [REDACTED]

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Alone among the four major parties, the rightist Democratic Coalition seems completely justified in its reaction. Having fallen disastrously from 16 seats to nine, party delegates are left with the choice of joining Suarez' party or trying to maintain their unity in hope of trading on their nine votes--which would give Suarez an absolute majority. [REDACTED]

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On the Other Hand

In fact, these relatively small shifts are more significant than they might seem at first. Suarez really is better off. Defections had weakened his party in the months before the election. Not only has he regained the lost ground and more, he has taken the opportunity to weed out dissidents and strengthen party discipline. Also, by breaking the Socialists' momentum and reaffirming the ascendancy of the Center, he may have made an impact on the voters that will serve him well in the municipal elections a week from today. Although Suarez will probably still seek consensus on important issues, he will be dealing from a position of greater strength. [REDACTED]

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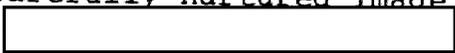
The Socialists have been hurt, not only by the demonstration of their fallibility, but also by their immature reaction to defeat. Their self-indulgent bitterness, their attempts to blame the outcome on Suarez' dirty tactics--charging that he scared Spanish voters into believing that the Socialists would radically alter Spain--

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and their railing against the electorate's stupidity are all likely to damage the carefully nurtured image of a mature, responsible party. 

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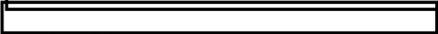
//Taking account of mergers last year with two splinter parties, the Socialists actually lost four seats in this election. The setback may encourage Socialist Party radicals to challenge Felipe Gonzalez' policy of moderation at the party congress in May. 

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 The effectiveness of the radicals' challenge will depend, at least in part, on the results of the municipal elections where victory in several large urban centers would partially offset the results of the national election.// 

The Communists, who were least happy with Suarez' decision to call the election, emerged strengthened. Though far behind Suarez and Gonzalez in electoral support, Carrillo is once again in the position of being able to do Suarez a good turn--by supporting him on parliamentary votes when the right, the regionalists, and the Socialists oppose the government. In exchange, Carrillo will seek enhancement of his party's reputation as a responsible actor on Spain's political stage with an importance out of proportion to its vote totals. 

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A key aspect of the Communists' bargaining leverage is their predominance in organized labor--as shown in the labor elections last year. This strength could become crucially important to Suarez if the Socialists and their labor arm, the General Union of Workers, veer to the left and refuse to cooperate on important pending economic and labor legislation. 

Basques Vote Defiance

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The most disturbing note of the election was struck in the troubled Basque region where nationalists of various stripes--ranging from those seeking some degree of autonomy to those demanding complete independence--

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garnered more popular votes than Centrists, Socialists, and Communists combined. The big gainer was not the relatively moderate Basque Nationalist Party--which has long spoken for the vast majority of ethnic Basques--but the more extremist separatists who won close to 20 percent of the vote in the two most volatile provinces of the region. [REDACTED]

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The Herri Batasuna coalition, many of whose leaders spent the electoral campaign in jail and which openly supports the most violent wing of the terrorist ETA organization, won nearly 200,000 votes--enough to elect three deputies. This is a sharp message of defiance to Madrid that will be heard just as clearly by the Basque Nationalists. As early as last December there were signs that the Basque Nationalists were undergoing an internal struggle between moderates and hardliners. The election results seem certain to strengthen the hardliners within the party and bode ill for future negotiations with Madrid over the region's autonomy statutes. [REDACTED]

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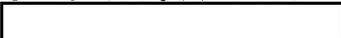


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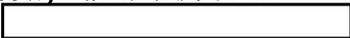
CHINA: Reassessing the Modernization Drive



Recent press articles and official statements indicate China is now reordering economic priorities and lowering some of the goals of Vice Premier Deng Xiaoping's modernization program. Indications are, however, that party chairman Hua Guofeng and not Deng may be blamed for making some potentially serious economic errors that created the need for reassessment. 

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After prolonged and intense debate, which probably came to a peak at the Third Plenum of the Eleventh Central Committee last December, the Chinese leadership has apparently decided to:

- Give additional resources to agriculture and light industry in order to increase production, produce a faster return on investment, and raise the people's standard of living.
- Reduce investment in the steel industry specifically and heavy industry in general.
- Increase imports of advanced technology for light industry so as to generate a rapid expansion of exports.
- Take a close look at the overall import program, the state of China's international financial situation, and reorder priorities if need be. 

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The Chinese leadership appears to have made these decisions in order to guarantee improved living conditions and to meet its export goals without being confronted with large balance-of-payment problems. Because the political fortunes of the new leadership are inextricably linked to the success of the modernization drive, much is at stake in scaling down the ambitious goals that have been ballyhooed for about a year. Beijing must now correct earlier economic errors and deal with those responsible without jeopardizing widespread political stability. 

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The first signs of a major reassessment of China's modernization program were revealed in the communique of the Third Plenum, but were not amplified until late February when a series of authoritative *People's Daily* editorials on economic policy was published. An editorial on 24 February announcing reduced investment in the steel industry and greater stress on agriculture and light industry was surprising because it revealed that actual investment policy had favored heavy industry at the expense of agriculture and light industry--a reversal of the official priorities: agriculture, light industry, and heavy industry.

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In addition, the 24 February editorial attacked unnamed leaders for acting with "rashness" and "impetuosity" in economic planning. It defended "conservatism," declaring that China had suffered far more in the past from rashness than it had from caution.

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In early March, Vice Chairman Li Xiannian, himself an economic specialist, supported the views presented in the *People's Daily* editorials and also told a group of Japanese journalists that the leadership is reviewing China's import program and will set priorities "after deliberating on solvency."

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//It is too early to tell who within the Chinese leadership was guilty of "rashness," but many signs suggest that Hua Guofeng may be made the chief scapegoat. Hua, in an apparent effort to improve his own political position by more closely identifying himself with Deng's "Four Modernizations," spearheaded a movement, beginning sometime last spring, to step up the tempo of modernization.

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[Redacted]

Hua was quoted in a *People's Daily* editorial last October as "instructing" cadres further to emancipate our minds, be bolder, devise more measures and quicken our step."

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[Redacted]

The editorial attacks on "rashness" were followed by a *People's Daily* article last month that included a thinly veiled criticism of Hua Guofeng's economic excesses. The article appears to compare the situation at

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the start of the Third Plenum to that of the Lushan Plenum of 1959, where a number of Mao's opponents were purged for criticizing the disastrous Great Leap Forward. The article argues that after 1959 China pursued a leftist economic line for 18 years, resulting in tremendous damage to the national economy. [REDACTED]

The article implies that by avoiding "rashness" and adjusting their modernization program at the Third Plenum, China's present leaders have avoided potentially serious economic losses, a recurrence of the excesses of the Great Leap Forward. The article cites one example that has particular relevance to the political fate of Hua Guofeng. By linking the overambitious 1962 steel production targets to Hua's "unrealistic" goal of producing 60 million tons of steel by 1985, the article implies that Hua is on the wrong side of an important issue. [REDACTED]

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In addition to indirectly blaming Hua, Chinese media have also criticized middle and lower-level officials for "blindly following the wishes of their superiors." Failure to solve this problem could lead--as it has in the past--to unrealistically high production goals, or even to the falsification of production claims, at local levels. [REDACTED]

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In short, Beijing's current leaders seem to be fully aware that a successful modernization program requires not only balancing economic aspirations and reality, but careful handling of a host of political problems throughout the country as well. [REDACTED]

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