



Director of
Central
Intelligence

Approved For Release 2004/07/08 : CIA-RDP79T00975A031300230001-8

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National Intelligence Daily (Cable)

27 April 1979

State Dept. review completed

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National Intelligence Daily (Cable) [redacted] 25X1

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ECUADOR: National Election

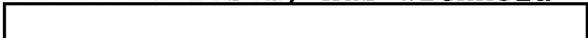
Populist Jaime Roldos is favored to defeat rival center-right coalition candidate Sixto Duran-Ballen in the runoff of Ecuador's presidential election on Sunday. Voters also will elect a 69-member national assembly. Ecuadorean political leaders are increasingly confident that their country will become the first of the present South American military dictatorships to return to constitutional rule when it installs an elected president and legislature on 10 August.



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In the initial round last July, Roldos--a little-known replacement for party patriarch Assad Bucaram, who the military regime had disqualified--scored a major upset by outpolling five other candidates. Since then, runner-up Duran-Ballen has had great difficulty in mounting a challenge. Even the entrenched oligarchy, which prefers him but perceives him as a loser, has withheld vital financial support.

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Duran-Ballen abandoned hope of winning by campaigning on the issues and instead attempted to brand Roldos and his running mate as dangerous radicals in hopes that a large conservative turnout would help close the gap. Roldos, however, has impressed the electorate with his moderation, and Duran-Ballen's strategy seems unlikely to succeed. The margin of victory for Roldos and the parties supporting him will be crucial in Roldos' attempts to form a working parliamentary majority.



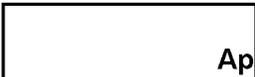
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Both candidates favor continued good relations with the US, and neither would make any abrupt changes in Ecuador's foreign or domestic policies.



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CHINA-VIETNAM: Border Talks

The eight proposals China made yesterday at the second session of Sino-Vietnamese negotiations ensure that the talks will be long and difficult. Beijing called for a virtual reversal of Vietnam's foreign policy, including the withdrawal of Vietnamese troops from Laos and Kampuchea, opposition to Soviet "hegemonism," and repatriation of "Vietnamese citizens" who entered China in the exodus of ethnic Chinese last summer. Beijing's head-on approach to the problems in its relations with Hanoi amounts to an attempt to maintain tensions and to sidestep the proposals Vietnam made last week for reducing frictions along the border.

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China accompanied its proposals with a propaganda barrage designed to regain the initiative Vietnam seized last week. Vietnam's call at the first session of talks for a demilitarized zone along the China-Vietnam border surprised the Chinese who responded with a greater effort to portray the Vietnamese as "aggressive." The Chinese issued new reports of Vietnamese-instigated border incidents, and formally denounced Hanoi's proposals at the talks. China has thus far failed to acknowledge publicly the Vietnamese gesture of returning the body of a Chinese pilot whose plane crashed south of Hanoi last week.

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//Reports of continuing Chinese troop withdrawals from the border area suggest that Beijing does not expect renewed fighting soon. China nonetheless has a long-term interest in sustaining an atmosphere of tension and thus preventing Vietnam from diverting additional resources against the anti-Vietnam resistance in Kampuchea.//

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PORTUGAL: Political Tensions

//Two speeches delivered Wednesday by President Eanes to commemorate the 1974 revolution will exacerbate his already strained relations with the political parties. Since December, tensions between Eanes and the parties have centered on the provocative tack taken by Prime Minister Mota Pinto's nonparty government. The conflict now threatens to spill over into military affairs.//

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The President told the national legislature that unless the parties could agree on a government--whether the current administration or one of their own making--he would be forced to break the impasse.

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If the President hoped to intimidate the parties into submitting to Mota Pinto's rule or compromising among themselves, the ploy probably will not work. More likely, his statements will lead the parties to believe he is conspiring with Mota Pinto and others to subvert their role. If convinced this is the case, the parties will stiffen their opposition, and the prospects for an early election--possibly this fall--will increase.

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//The deterioration in Eanes' relations with the parties is made more serious by its potential for spreading to military issues. On 20 April, Socialist and Communist legislators cooperated to pass a bill granting amnesty to participants in two 1975 coup attempts and allowing the reinstatement of a number of Communists and leftist radicals as military officers.//

In his speech to the military, Eanes left little doubt that he would veto the proposal and set the stage for a confrontation in which the parties would hold the edge--unless grounds can be found for declaring the bill unconstitutional. A return of politics to the military, or of the military to politics, would be a major setback for an already unstable regime--and for Eanes, who was largely responsible for the military's return to the barracks.

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USSR: Industrial Production Lags

Preliminary Soviet data imply that first-quarter industrial output was only 2 percent over that of the first quarter of 1978, dashing hopes for a 5.7-percent increase in 1979. Production of key commodities--including steel, cement, nonferrous metals, mineral fertilizers, and pesticides--dropped well below last year's first-quarter level; coal output was up less than 1 percent. Oil production, which usually drops by about 2 million tons in the first quarter compared with the final quarter of the preceding year, fell 5 million tons this time. Above-plan output of gas appears to be the sole bright spot. The unusually harsh winter contributed to the current difficulties by increasing the demand for fuel, hampering transportation of raw materials, and retarding growth. The accumulation of production shortfalls for the past three years also is taking its toll. Industrial labor productivity has persistently failed to meet targets, and there have been continued delays utilizing new technology.



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YUGOSLAVIA-USSR: Minic-Gromyko Talks End

Milos Minic, ranking Yugoslav party leader responsible for foreign affairs, and Soviet Foreign Minister Andrei Gromyko apparently made modest progress during Minic's visit to Moscow this week in resolving bilateral problems that have plagued Soviet-Yugoslav relations since January. According to Tass, the communique issued at the end of Minic's visit cited discussion of "security and cooperation in Europe, the Middle East situation, and events in Africa and Southeast Asia." Tanjug, the Yugoslav news agency, described the talks as "friendly," but "striving for further development of relations"--implying continuing problems. Minic, upon returning to Belgrade, described the talks as "meaningful, frank, and exhaustive." Nevertheless, "differences which exist," according to Tanjug, "should not hinder the development of relations and that view has now been confirmed." This may be an indication that Minic and Gromyko may have had some success in paving the way for Tito-Brezhnev talks if the 86-year-old Yugoslav President goes ahead with his plans to visit Moscow next month. [REDACTED]

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SPECIAL ANALYSIS

PAKISTAN: Short-Term Political Outlook

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The execution of former Prime Minister Bhutto earlier this month has done little to ease the multiple pressures on President Zia's military government. Zia's continued rule--and Pakistan's stability--are likely to be threatened by frictions within the military, possible violent confrontations between the military and civilian political groups, and a resurfacing of regional animosities as Pakistan moves toward the parliamentary election now scheduled for 17 November.

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Bhutto's Pakistan People's Party may still be the single strongest political force in the country despite the jailing of many of its leaders, the defection of some of its more conservative members, and government efforts to split the party. With Bhutto dead, increased ideological and regional frictions are likely, as are attempts to replace his widow as acting party leader. Whatever the party's fate, however, the constituencies Bhutto represented will continue to be a major factor in Pakistani politics.

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Heavy security measures apparently have prevented protests against Bhutto's execution from seriously threatening the government. Nevertheless, People's Party leaders are almost certain to make his "martyrdom" a major campaign issue--even if the party splits.

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Emphasis on this issue, which has already polarized the country, not only would create an atmosphere conducive to violence, but would also be seen by the military rulers as a direct challenge. The military might well consider banning the party or interfering in the election to prevent its winning.

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Party members will be subject to the blandishments of politicians from outside the party, some of whom are already moving to exploit the continued receptiveness of workers and peasants to promises of food, clothing, and

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shelter such as Bhutto held out. For the relatively conservative military leadership, a leftward shift by the major parties would be unwelcome, especially if it seemed to represent a revival of "Bhuttoism" under other leaders. [redacted]

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In the two frontier provinces of Baluchistan and the North-West Frontier, increased political activity will inevitably lead to greater attention to issues related to provincial autonomy. Many in those provinces see rule by the predominantly Punjabi military as but another example of Punjabi dominance of Pakistan. There is also growing sentiment against the Punjab in the Sind, Bhutto's home province. Should the People's Party break up, Bhutto's followers there could ally themselves with politicians of the two frontier provinces, a development that would raise considerable concern among strongly nationalistic military officers. [redacted]

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//The military may also find itself under attack from the right and center. The recent withdrawal of the six-party Pakistan National Alliance from the cabinet was motivated in part by a desire of Alliance politicians to distance themselves from the increasingly unpopular military government. [redacted]

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[redacted] Zia's new cabinet--composed of civil servants, technocrats, and military officers--has almost no capability to mobilize political support for the government.// [redacted]

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Most senior officers apparently still intend to hand over power to a civilian government. They would be reluctant to do so, however, were such a government likely to be unstable or to pursue goals with which they disapprove. [redacted]

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Several alternatives will be open to the military leaders:

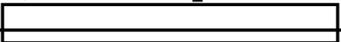
- They could interfere in the election process, either by using government resources to influence the voters or by rigging the vote. The generals are aware, however, that the last Pakistani Government to engage in such tactics fell after months of rioting.

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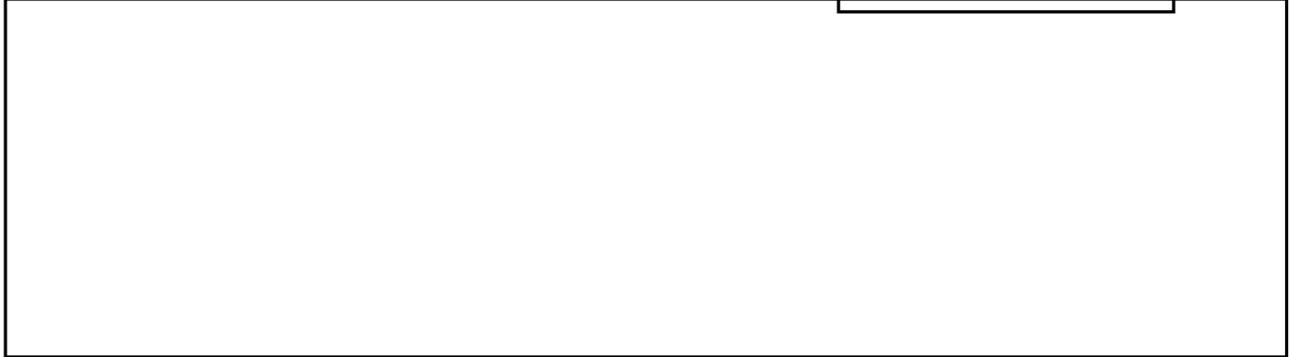
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- They could amend the constitution, as Zia has proposed, to institutionalize a military role in politics and to strengthen the presidency. The politicians may well balk at such a limitation on their power, and many in the military would be reluctant to make such changes if Zia were to be the principal beneficiary.
- They could cancel the election and impose indefinite military rule, risking a storm of popular protest.
- They could let whatever government is elected take office. Such a government could be a shaky coalition of parties, and might advocate policies the military thinks dangerous. In this case, an early military coup would be likely.

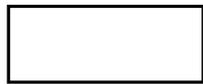


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