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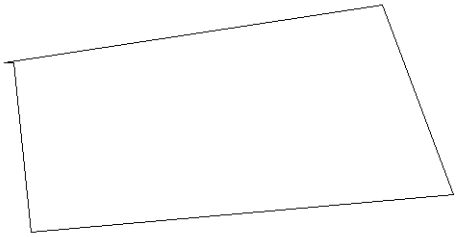
Director of
Central
Intelligence



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National Intelligence Daily (Cable)

5 August 1982

DIA review completed.

State Dept. review completed

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CPAS NIDC 82-182C

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[redacted]

ISRAEL-LEBANON: Mounting Military Pressure

(Information as of 2300 EDT)

Israeli forces advanced farther into West Beirut yesterday under cover of intense artillery, naval, and air bombardment. According to Tel Aviv, the assault was intended only to eliminate several Palestinian strongholds and firing positions and was not the beginning of a final assault on the city. The Israeli cabinet meets today to discuss policies relating to Lebanon, and Defense Minister Sharon's handling of the war may be criticized. [redacted]

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//Israeli operations yesterday concentrated on seizing the Hippodrome opposite the Museum Crossing and pushing northward from the airport through the coastal suburb of An Nabi al Awzai. A company-size tank and mechanized infantry unit fought through the Museum Crossing and gained control of at least half of the Hippodrome from the Palestinian units there. The Palestinians reportedly blew up part of the National Museum, where ammunition and explosives were cached, before withdrawing.// [redacted]

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//To the south, another armored-mechanized force advanced up the coast road through An Nabi al Awzai and occupied the Chehab Lebanese Army Barracks. This force reportedly is still engaged in clearing operations.// [redacted]

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//Two mechanized infantry battalions and a tank company are at the south end of the airfield as reinforcements. [redacted]

//An Israeli military spokesman reported seven soldiers were killed and 90 were wounded yesterday. [redacted] airstrikes were not used because they would have been too close to Israeli positions.// [redacted]

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Comment: //Despite a high number of wounded, Israeli forces have moved easily through Palestinian strongpoints. Israeli troops are poised to cut the city into three sections with a pincer movement across the Galerie Semaan, the Corniche al Mazra'ah, and along the coast road.// [redacted]

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--continued

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[redacted]

[redacted]

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25X1 Israeli units can advance quickly to at least the Corniche al Mazra'ah, because there are few experienced Palestinian fighters in the south. Tel Aviv probably has as its next objective the Sports Arena, a major Palestinian munitions dump.//

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Israeli Cabinet Meeting

The cabinet will meet today to discuss Foreign Minister Shamir's visit to the US, overall policy on Lebanon, and how to deal with the deployment of UN observers around Beirut.

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Comment: Sharon's handling of the war also is likely to be discussed. Israel's military moves this week probably will reopen the controversy over whether or not Prime Minister Begin is exercising adequate control over Sharon.

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MEXICO: Food and Fuel Prices Rise

The government cut subsidies on a wide range of goods and services this week to reduce the deficit and improve its foreign credit rating. [redacted] 25X1

The retail prices of tortillas and bread doubled, while those for gasoline and diesel fuels jumped by an average of 60 percent. No increases were announced for bus, subway, and rail fares. [redacted] 25X1

Public reaction has been limited. The increases have been expected since the government announced its austerity program in April. Generous wage increases granted before the presidential election have maintained consumers' purchasing power above the level of last year. [redacted] 25X1

Comment: President Lopez Portillo's decision to raise prices reflects his willingness to work closely with his successor, Miguel de la Madrid, to ensure a smooth transfer of power in December. [redacted] 25X1

Organized labor is demanding that price controls be maintained, and de la Madrid--although spared the onus of taking the unpopular actions--will encounter dissatisfaction among the workers over the erosion of earlier wage gains. Negotiations between the government and union leaders over minimum wages, which are to be raised at the end of the year, will provide an early test of de la Madrid's ability to retain support from labor. [redacted] 25X1

The cuts in subsidies will not end budget deficits or foreign reserve problems, and additional austerity steps are likely. The public-sector deficit will still total at least $25 billion in 1982--more than 12 percent of GNP. Without new subsidy cuts, faster depreciation, public-sector spending reductions, and higher interest paid on foreign loans, the Mexicans probably will not be able to arrange the $8 billion more in additional credits they need in 1982 to meet debt service obligations on their $80 billion foreign debt. [redacted] 25X1

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KENYA: Fixing the Blame

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//Kenyan authorities are seeking scapegoats for the coup attempt, with President Moi charging that unidentified Marxists were involved and that an early Soviet radio-broadcast about the attempt suggests Moscow had advance knowledge. 25X1 Moi says he may travel to Tripoli for the OAU summit to demonstrate that he is firmly in control.// 25X1

Comment: //The timing of the radiobroadcast, on the contrary, indicates the Soviet media were slow in covering the story of the coup attempt. The Soviets have a large official presence in Nairobi and probably have had contacts with Marxist students and teachers, but there is no evidence of Soviet or other external involvement. Vigorous prosecution of the rebels may temporarily strengthen Moi's position, but efforts to blame the Luo risk inflaming tribal tensions.// 25X1

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[redacted]

WEST GERMANY - US: Differences Over CSCE

//The West German Minister-Counselor in Washington, in discussions with US officials last week, criticized the US for focusing too much on Poland in past CSCE negotiations.// [redacted] 25X1

Comment: //The official's comments almost certainly reflect Bonn's impatience with the lack of progress toward a post-Madrid security conference. [redacted] Unless there is widespread unrest in Poland before the CSCE meeting reconvenes in November, the Allies are likely to try to persuade the US to be less outspokenly anti-Soviet in Madrid.// [redacted] 25X6 25X1

[redacted] 25X1

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PAKISTAN: Political Crackdown

President Zia's martial law government has imposed a temporary ban on all press coverage of statements and activities by the opposition. Two weeks earlier it issued an ordinance that forbids bar associations from engaging in political activity. These moves follow criticism of Zia's Federal Advisory Council by lawyers' groups and press reports that the politicians have threatened demonstrations if democratic institutions are not restored.

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Comment: Islamabad's move to silence the opposition apparently is aimed at keeping the country calm during the period before Independence Day celebrations on 14 August. Zia almost certainly wants to avoid any appearance of giving in to opposition pressure if he decides to announce new political initiatives in the near future. In addition, Islamabad is concerned that widespread protests will erupt if Israel invades West Beirut and probably hopes to keep the opposition from exploiting that crisis and Zia's ties with the US.

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MALAYSIA-US: Tin Sales at Issue

Representatives of the International Tin Council and the US meet today and tomorrow to discuss tin sales by the US Government, which has been disposing of surplus tin from its strategic stockpile since 1980.

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Comment: Malaysia, the world's largest tin producer and an influential member of the Council, may be using these talks as a substitute for bilateral discussions with Washington. Relations between Malaysia and the US have been strained by the sales at a time of depressed international tin prices.

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