



Director of
Central
Intelligence

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Approved for Release
Date JUN 1999

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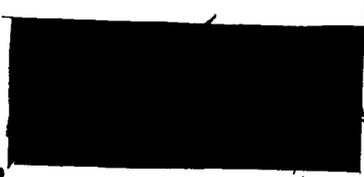
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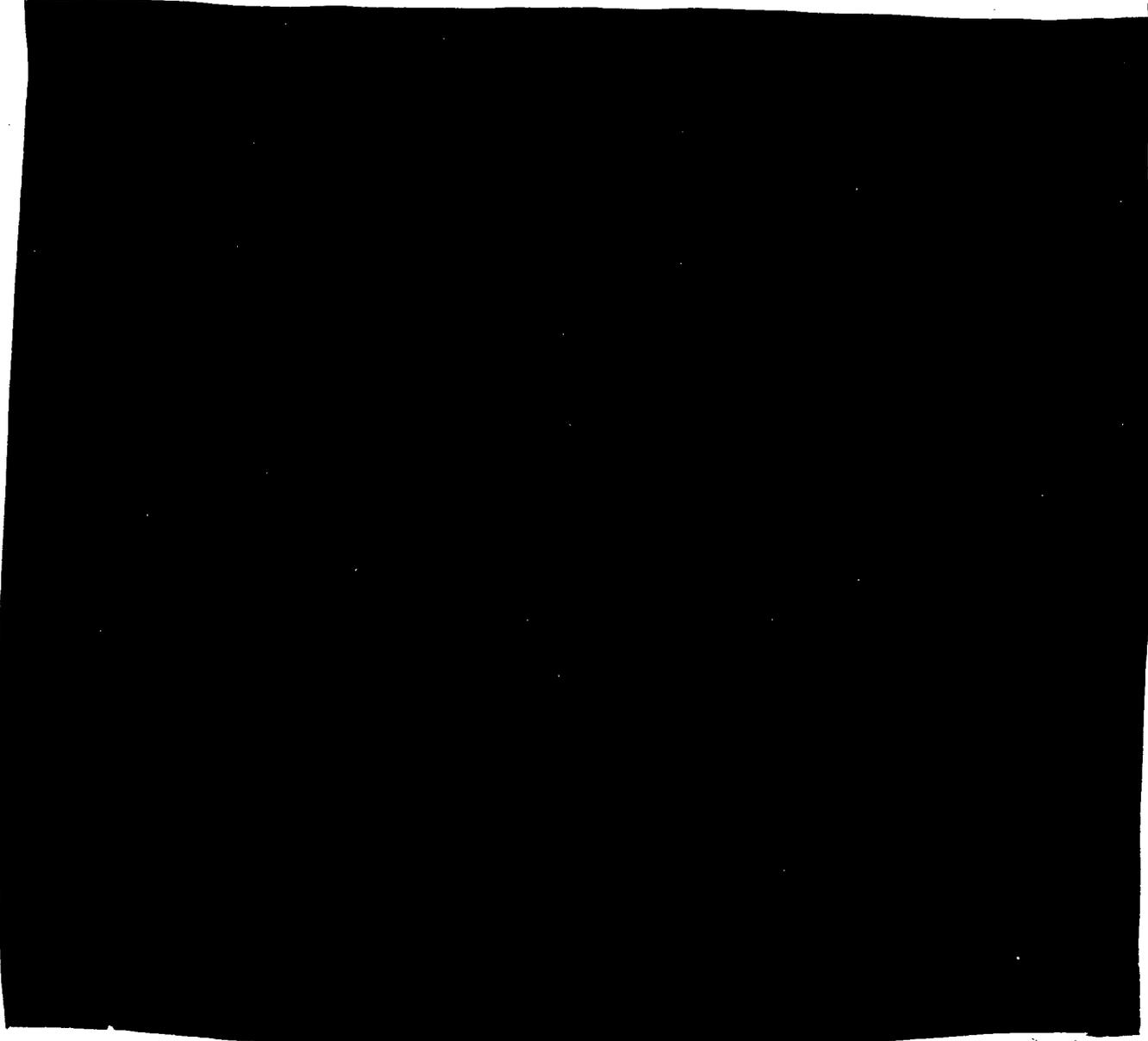
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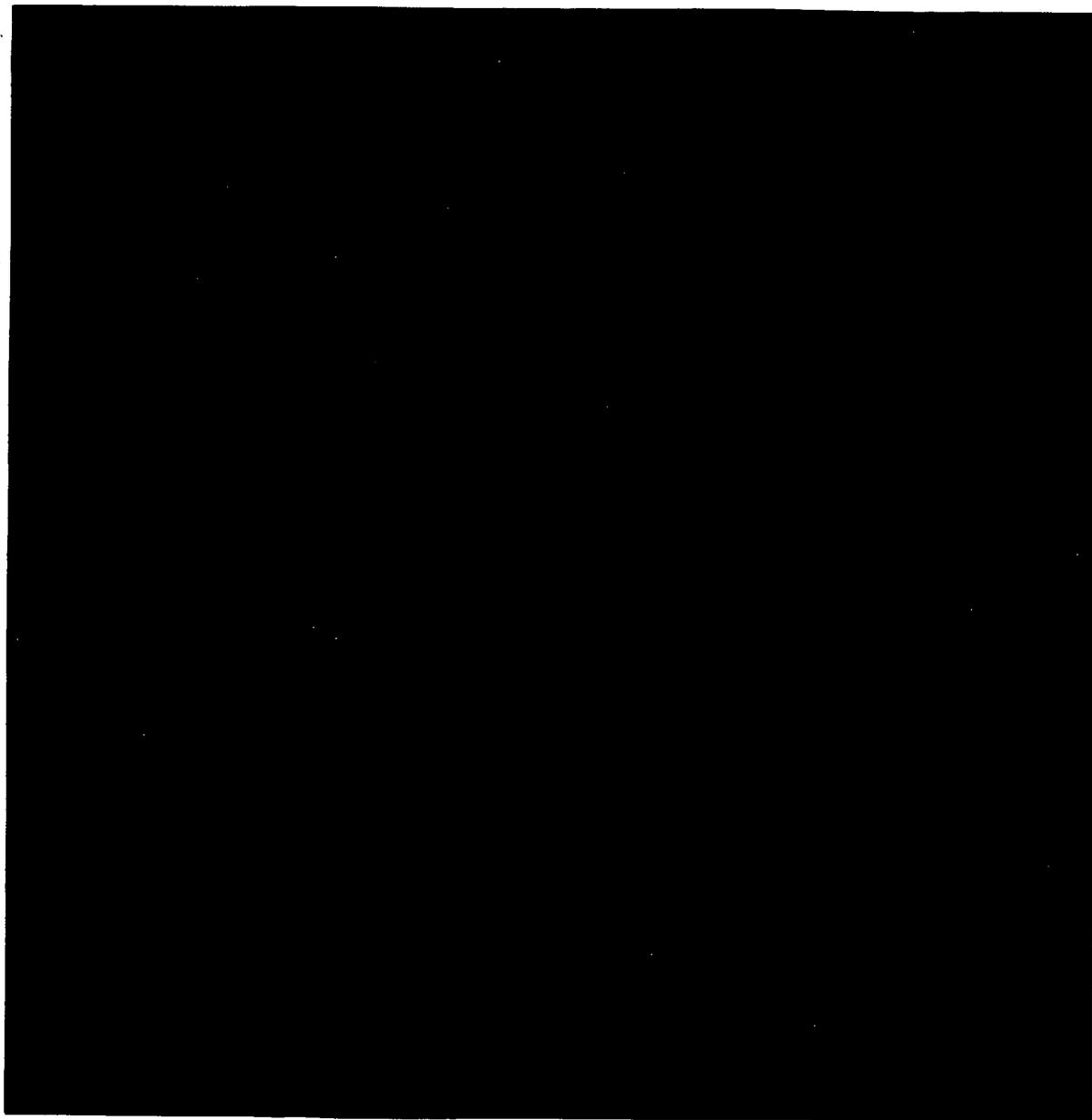
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**USSR-
EASTERN EUROPE:**

CEMA Council Meeting

CEMA heads of government, meeting in Bucharest this week, signed bilateral agreements on joint enterprises and a joint agreement on nuclear energy, but they apparently deferred decisions on pricing and quality of goods until next week's meeting of party leaders.

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The Soviets signed bilateral agreements with Bulgaria, Czechoslovakia, Hungary, and East Germany to promote joint enterprises and production associations. The premiers endorsed a long-term program to increase Eastern Europe's nuclear electric-generating capacity fivefold by the year 2000.

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the premiers complained sharply about slow progress in implementing CEMA's science and technology program. Delegates from several countries criticized the low volume and quality of Bloc trade and appealed for better fulfillment of trade commitments. Romanian President Ceausescu also called for an examination of CEMA's price and exchange rate system and for improved incentives to cooperate.

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The criticisms and sharp tone displayed by the CEMA premiers indicate that issues remain contentious and that the leaders are still groping for consensus solutions. At their meeting early next week, CEMA party leaders are likely to focus again on pricing, quality of goods, and measures to advance science and technology. Although Moscow is counting on the establishment of direct enterprise links among CEMA countries to increase the production of high-technology goods, there are few incentives for such efforts. Romania's criticism of CEMA trade practices and its reluctance to sign an agreement on joint firms may mirror widespread East European reservations about committing resources to such ventures.

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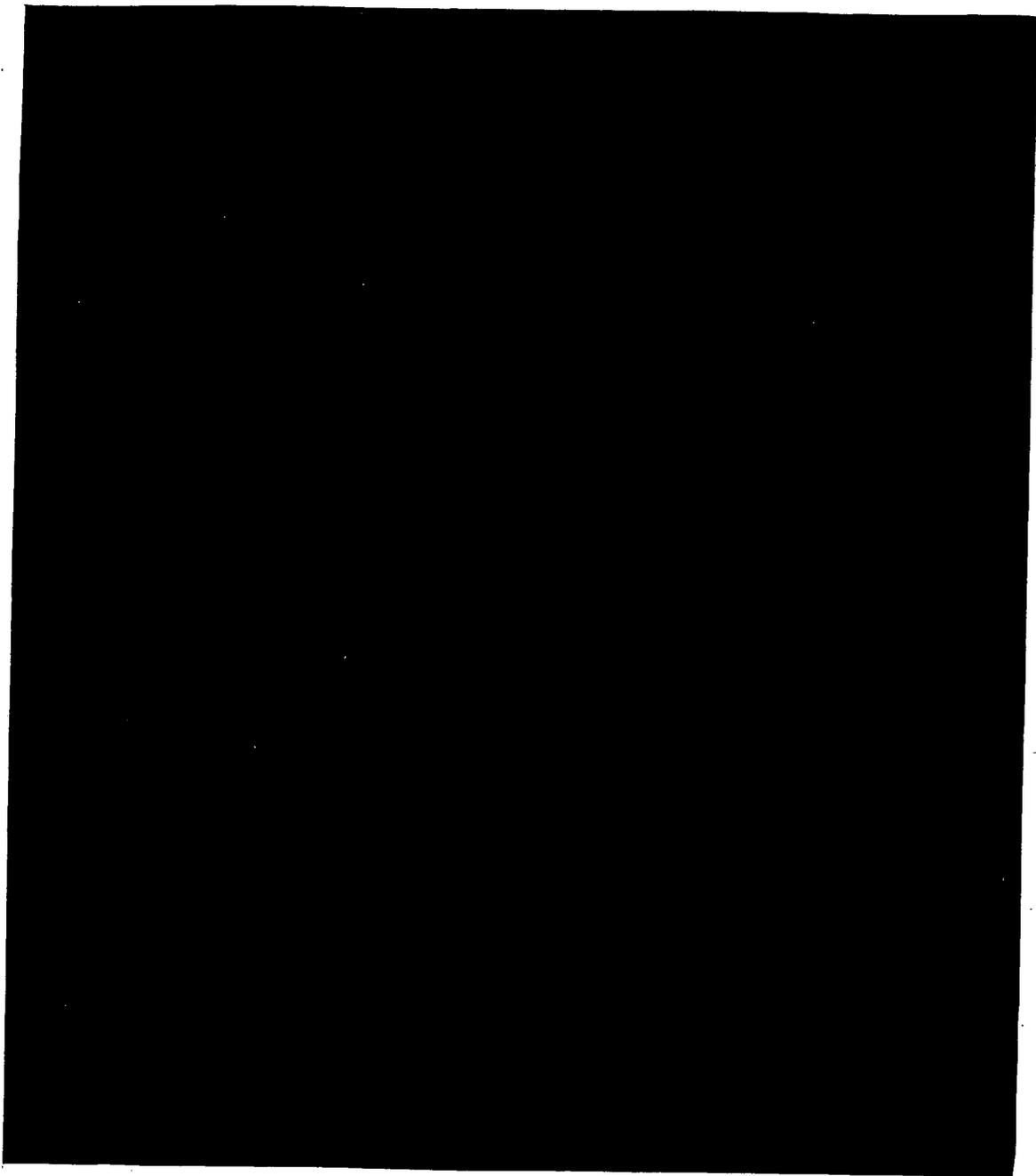
The endorsement of the nuclear energy program indicates the Bloc remains committed to rapid expansion of nuclear power despite the impact of Chernobyl. Safety concerns and Eastern Europe's lack of resources, however, probably will continue to delay plant construction.

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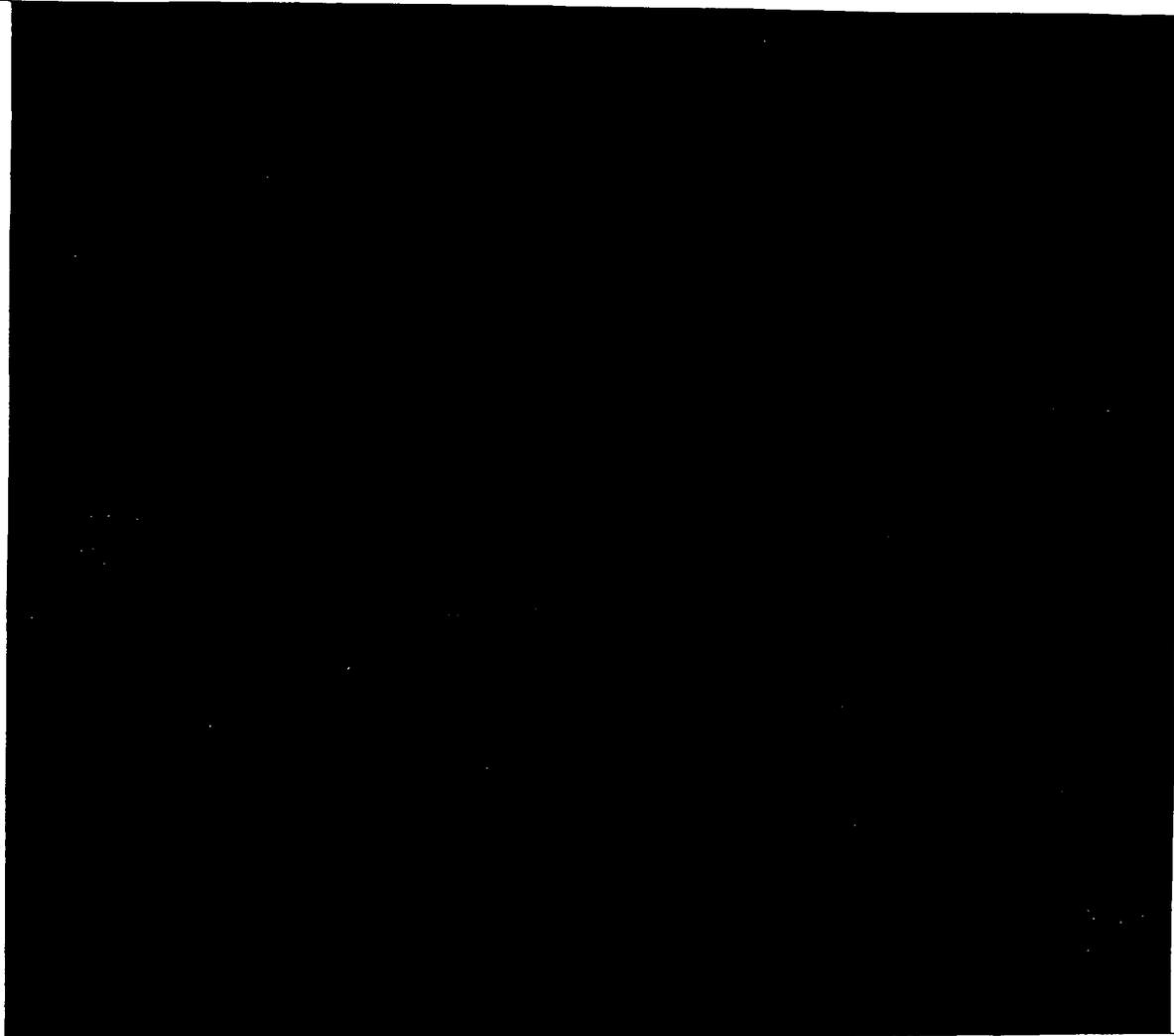
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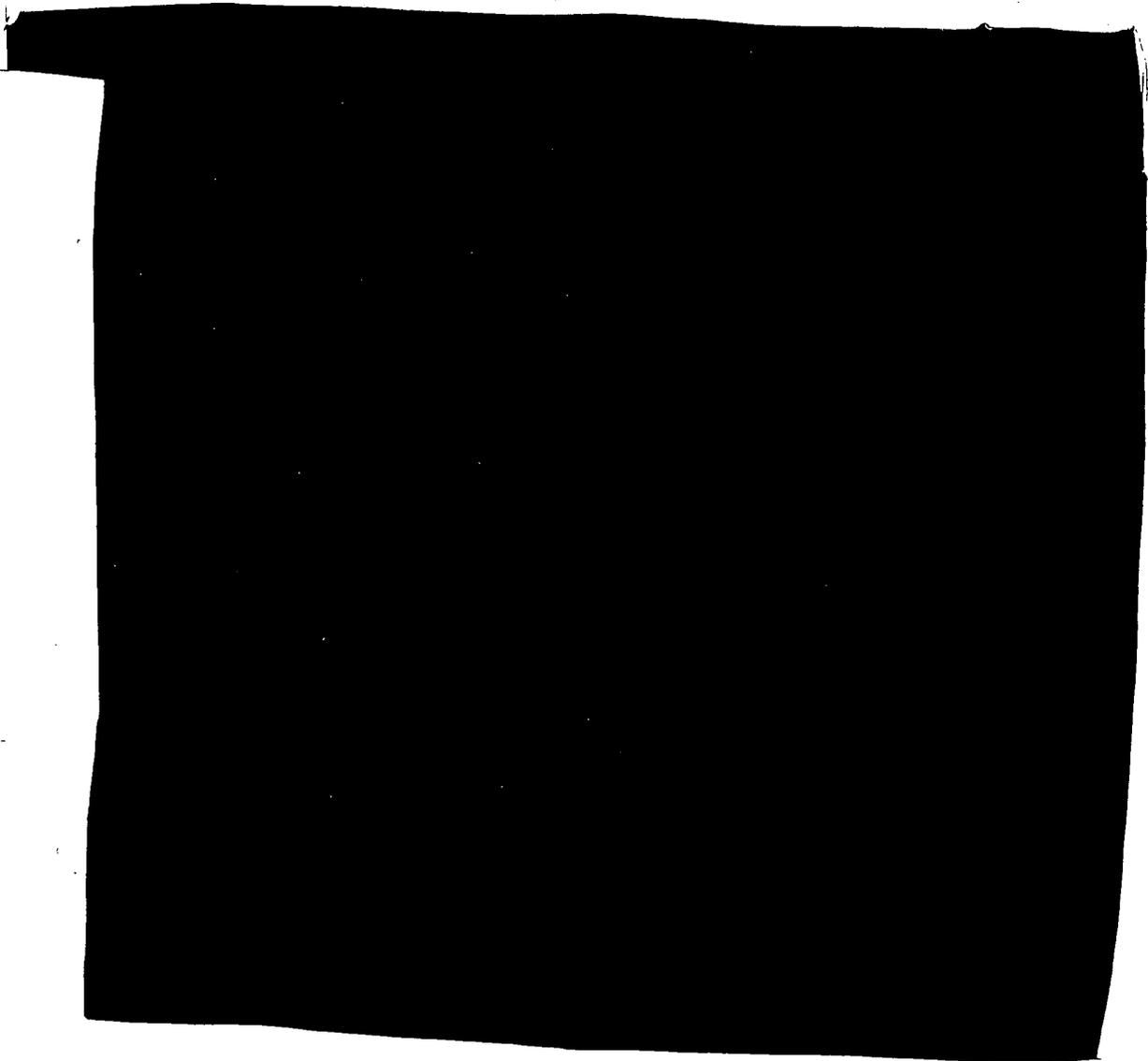
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SPAIN-CUBA:

Gonzalez Visit

Spanish Prime Minister Gonzalez's visit to Latin America, which begins today, will give him an opportunity to develop Spain's role as a European bridge to Hispanic America.

Gonzalez goes first to Ecuador and Peru, but the highlight of his trip will be a four-day visit to Cuba—the first by a NATO head of government. The trip returns Fidel Castro's "unofficial" visit to Madrid in early 1984.

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Relations between Madrid and Havana this year have been strained. A clumsy attempt by Cuban intelligence officers to kidnap a Cuban defector in Madrid last December and Havana's sharp criticism of Spain's colonial past contributed to the postponement of two previously scheduled trips.

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Gonzalez is probably counting on the visit at this time to demonstrate that he will follow an independent foreign policy despite Spain's membership in NATO and his negotiations on US basing arrangements. The government has been shaken recently by press reports that its willingness to participate in NATO's military structure is greater than it has publicly acknowledged.

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Gonzalez also believes that Spain's historical and cultural ties to the region enable it to play a useful role in Central American peace efforts. He almost certainly harbors no illusion about his ability to affect Cuban policy, but he sees Cuba as a key to settlement of the region's problems and believes that lines of communication must be kept open.

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Castro is unlikely to be moved by Spanish arguments on regional issues. He is also not inclined to accommodate Madrid by releasing political prisoners, although he may try to link the issue to Spanish trade concessions. Nonetheless, Castro has a strong interest in ensuring that the visit goes well to improve his regime's legitimacy.

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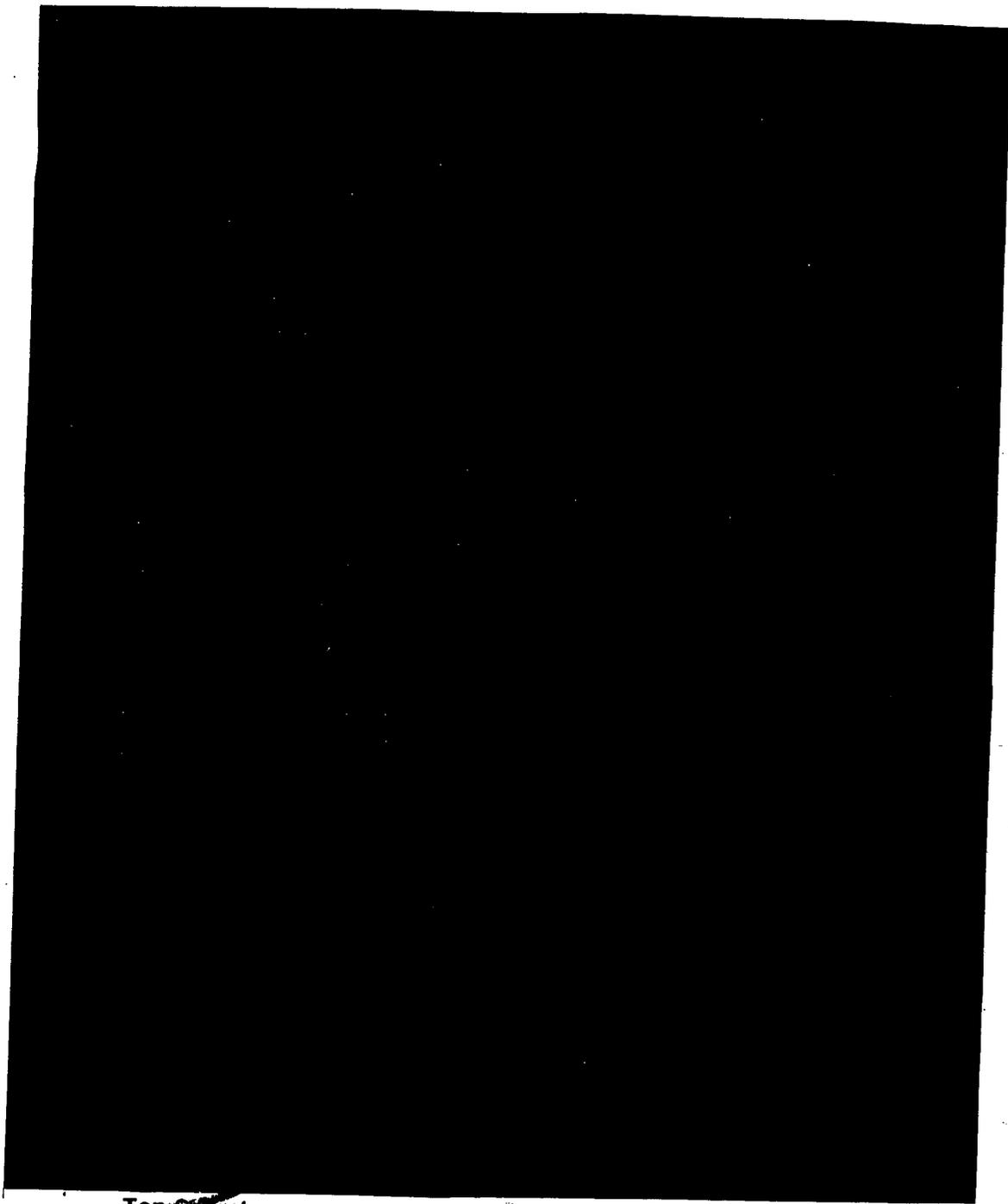
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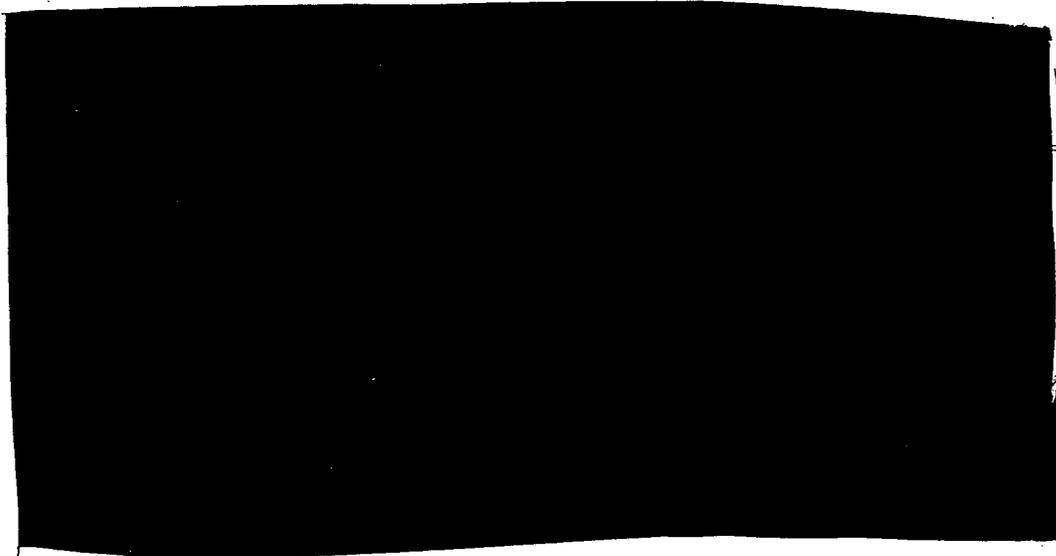
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PERU: Municipal Elections

President Garcia's American Popular Revolutionary Alliance probably will do well in countrywide municipal elections tomorrow, but in the mayoral race in Lima—for the country's second-most-important elected post—the party faces strong opposition from both the leftist incumbent and the right. [REDACTED] none of the three major candidates in Lima enjoys a commanding lead. Garcia has avoided public endorsement of APRA's darkhorse and campaigned instead in the countryside to ensure a strong APRA showing nationally and to offset any defeat in Lima. [REDACTED]

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[REDACTED] Garcia distanced himself from APRA's candidate in Lima to avoid making the mayoral race a test of his own popularity. A ruling-party win would clearly signal popular backing for Garcia's policies. However, either an APRA or conservative victory over the Marxist incumbent, who has generally cooperated with Garcia and restrained the far left, could polarize the political environment. A victory by the conservative candidate would be viewed as a rebuke of Garcia's policies and would reawaken opposition to the government from centrist and conservative parties. [REDACTED]

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Soviet Grain Commitments Under Long-Term Agreements *Million metric tons*

| Country | Commitment | Purchases to Date ^a |
|---------------|-------------|--------------------------------|
| United States | 9.0 | — |
| Canada | 5.0 | 3.0 |
| Argentina | 4.0 | 0.4 |
| Australia | — | 0.2 |
| EC | — | 5.5 |
| China | 1.5 | 0.4 |
| Turkey | 0.1 | — |
| CEMA | 1.0 | 0.8 |
| Total | 20.6 | 10.3 |

^a During 1986/87 July-June marketing year.

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USSR: Grain Estimate Released

Soviet officials claim they are expecting the fourth-largest grain harvest ever. Speaking at a Kremlin rally on Thursday, Politburo member Yegor Ligachev said that the 1986 grain harvest was expected to reach 210 million metric tons—almost 30 million tons more than the average for 1981-85.

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Ligachev's claim, if realized, means that the Gorbachev-backed intensive technology program to increase grain production has yielded tangible results. The harvest is only now being completed, and it will be some time before the actual results are known. Estimates based on meteorological data, [redacted], and fertilizer production statistics put the crop at closer to 195 million tons. If this grain crop approaches 210 million tons, however, the Soviets will probably buy less grain on international markets during the current marketing year, which began in July, than they have any year since 1978/79; purchases may amount to only 15-20 million tons, with little of it coming from the US.

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INDIA: Uranium-Enrichment Capability Claimed

New Delhi's claim that it has a uranium-enrichment capability probably is a reaction to recent publicity about Pakistan's nuclear efforts. The Chairman of India's Atomic Energy Commission announced in a press conference on Tuesday that India can now enrich uranium to any level—including weapons grade—as a result of research and development work at the Bhabha Atomic Research Center near Bombay.

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[redacted] it succeeds in enriching uranium to weapons grade. [redacted] may be an attempt to calm popular concerns following recent reports in the Western and Indian presses that Pakistan already has uranium-enrichment and nuclear weapons capabilities. The chairman of the commission—who is hoping to persuade Prime Minister Gandhi to extend his term—probably is also using the announcement to counter criticism that the Indian nuclear program has not advanced under his leadership.

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Programs That Will Be Funded Under the Military Program Law

Nuclear Forces

Modernization of existing SLBM force.
Development of new M5 SLBM.
Construction of seventh nuclear missile submarine.
Development of S3 mobile IRBM (a lower priority than SLBM modernization).
Production of Hades tactical nuclear missile.

Conventional Forces

Construction of new nuclear aircraft carrier, the Richelieu.
Production of new Leclerc main battle tank.
Development of new military observation satellite.
Purchase of airborne early warning aircraft.
Development of Rafale fighter and of new attack helicopter.

~~_____~~ the new law includes plans to develop chemical weapons; ~~_____~~
~~_____~~ it is unclear whether it contains a commitment to produce them.

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FRANCE: New Military Program

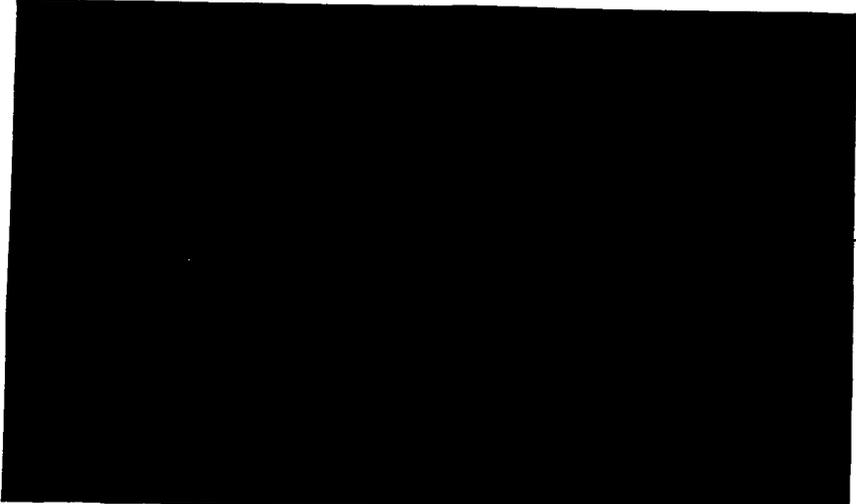
France's new defense program is an ambitious attempt to modernize most of its armed forces and increase funding for programs delayed under the previous Socialist government. [redacted] the French cabinet approved on Wednesday a five-year military program law that includes funding for a new nuclear-powered aircraft carrier, a seventh ballistic missile submarine, a new mobile intermediate-range ballistic missile, and a number of conventional arms programs. [redacted] the plan calls for equipment expenditures of over \$70 billion—an average annual real growth rate of 6 percent, although only 4.5 percent after 1988. The program law makes no projections, however, for operating expenditures, which Paris will continue to set annually. [redacted]

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[redacted] The new program maintains President Mitterrand's emphasis on strategic forces, but also gives Defense Minister Giraud substantially increased funding for other forces. The planned sharp increases in military spending are an attempt to give substance to Prime Minister Chirac's commitment to defense and to highlight the differences between his administration and the Socialists in preparation for the 1988 presidential election. Fiscal constraints probably will force Paris to scale back some goals after 1988, slipping some programs—particularly conventional arms projects—curtailing operating expenditures, and paring military power to preserve funds for military procurement. [redacted]

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In Brief

USSR

— Lineup of **Soviet** leadership for Revolution Day parade unusual ... military contingent reduced, removed from limelight ... KGB chief Chebrikov, Foreign Minister Shevardnadze inched up to sixth, seventh spots, respectively, among Politburo members. ~~_____~~ b3

South Asia

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Americas

— **Guyana** hosting Nonaligned foreign ministers' meeting on Central America in January, ~~_____~~ ... gives **Nicaragua** forum to attack US, occasion to press bid for NAM chairmanship ... **Cuba** promoted meeting. ~~_____~~ 7 b3

— US tourist wounded in **Jamaica**, ~~_____~~ ... possibly shot by drug traffickers who threatened US and Jamaican interests unless Kingston stopped raids. ~~_____~~ b1, b3 b3

b1, b3 — Traffickers introducing hybrid strain of marijuana into **Jamaica**, ~~_____~~ ... strain matures more rapidly, has higher yields than traditional variety ... could more than offset losses from eradication efforts. ~~_____~~ b1, b3

— **Jamaican** leader Seaga yesterday withdrew offers to resign as Prime Minister and party chief ... said pending IMF agreement requires his continued tenure ... early IMF accord unlikely unless Seaga agrees to currency devaluation. ~~_____~~ b3

East Asia

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Europe

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[REDACTED]

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[REDACTED]

[REDACTED]

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Africa

[REDACTED] African National Congress leader Tambo saw Gorbachev, other Soviet leaders in Moscow this week . . . request for more arms, materiel will almost certainly be met . . . Tambo said ANC will probably open mission in Moscow. [REDACTED]

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[REDACTED] Zimbabwean delegation in USSR [REDACTED] . . . Harare also considering [REDACTED] . . . would cancel more costly deal with US firm, retaliate for cutoff of US aid. [REDACTED]

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Middle East

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[REDACTED]

Oceania

[REDACTED] . . . opposition reluctant to press for new government because of financial crisis. [REDACTED]

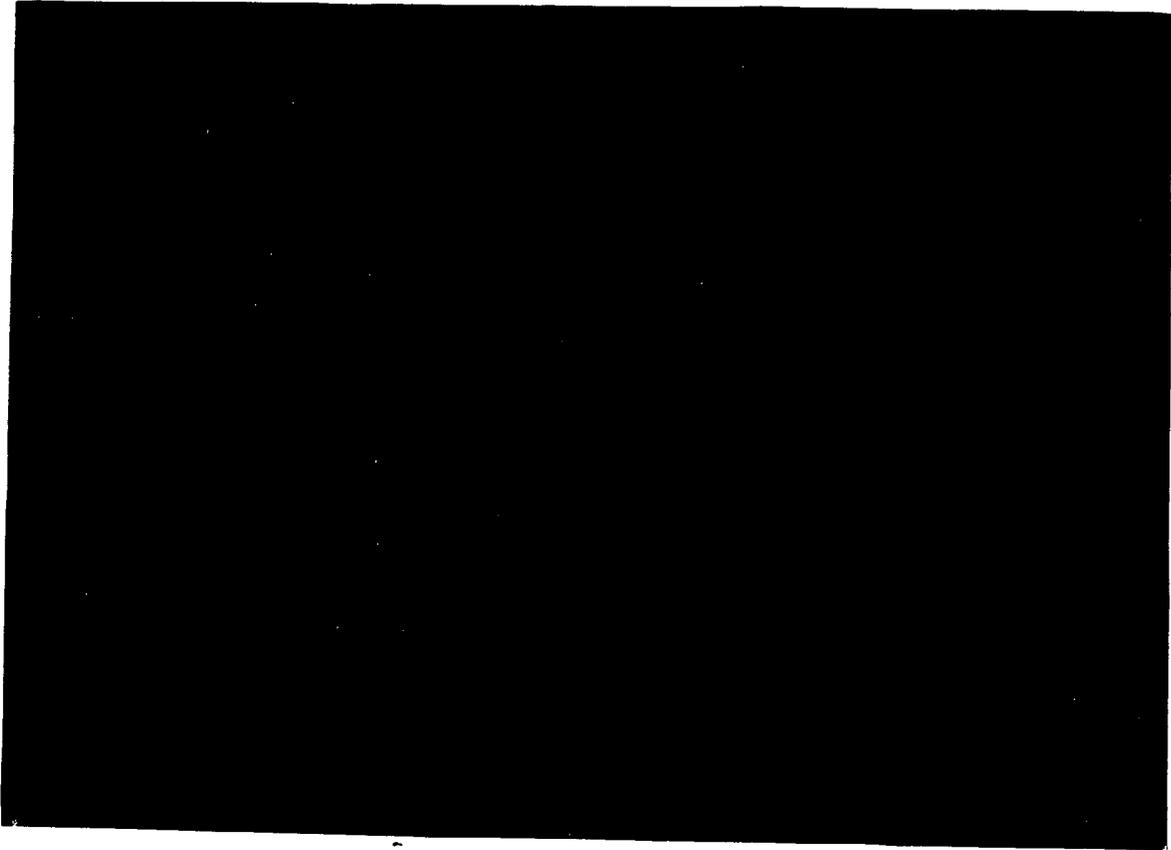
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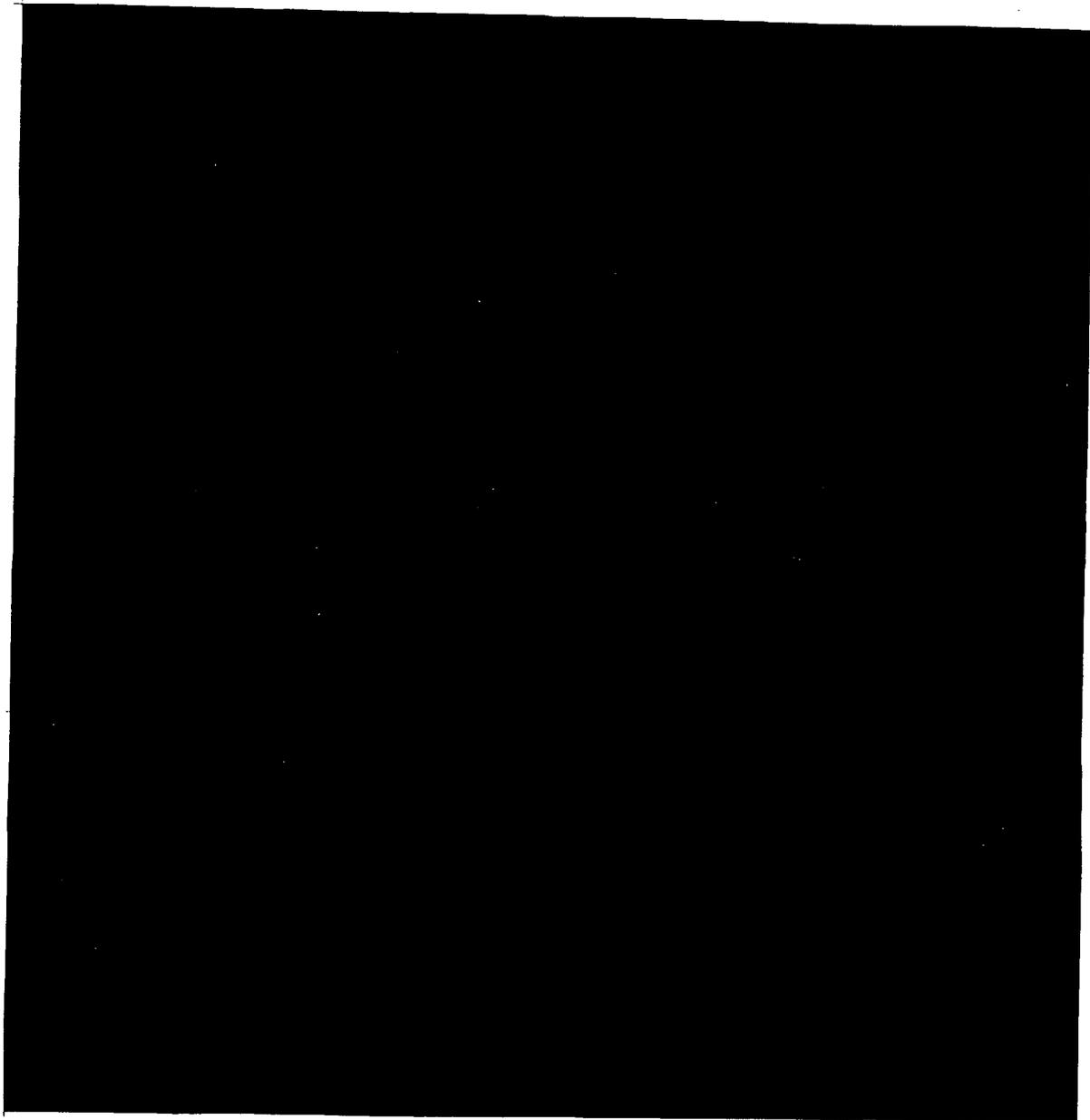
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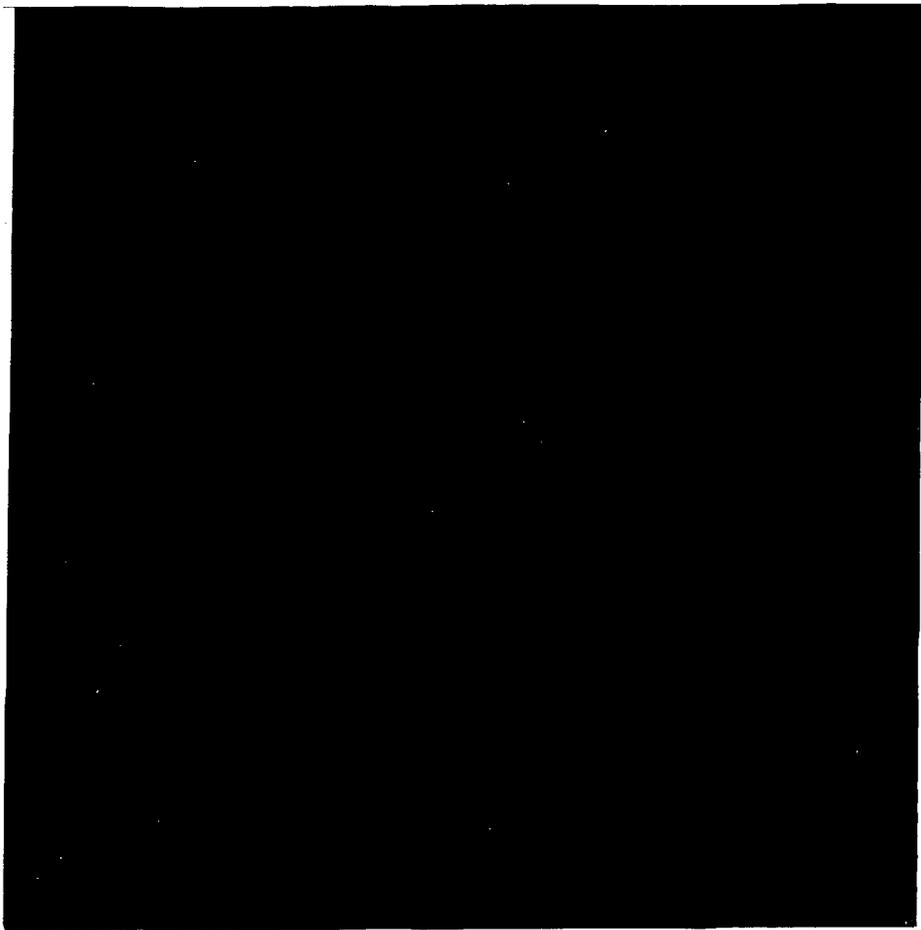
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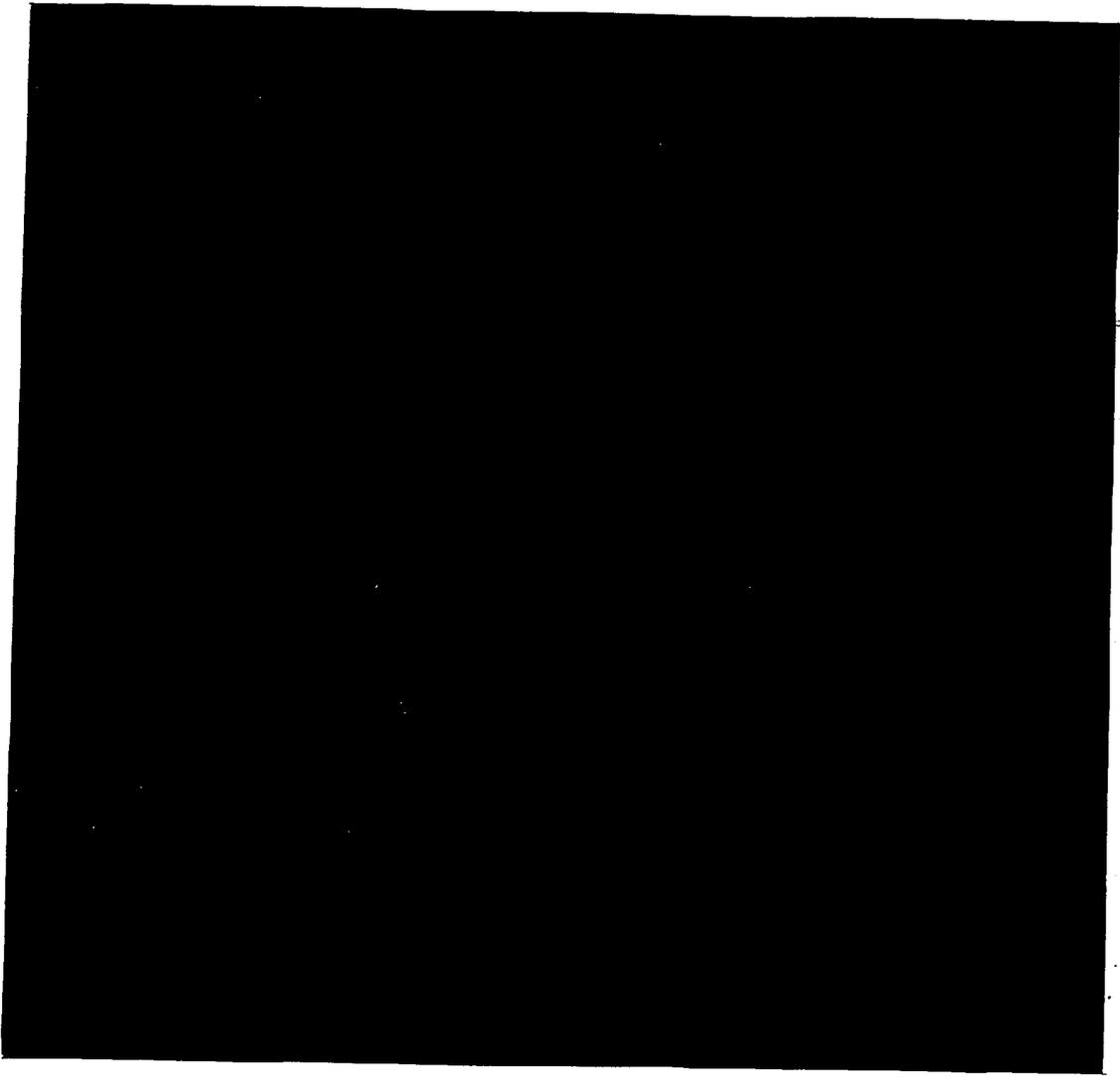


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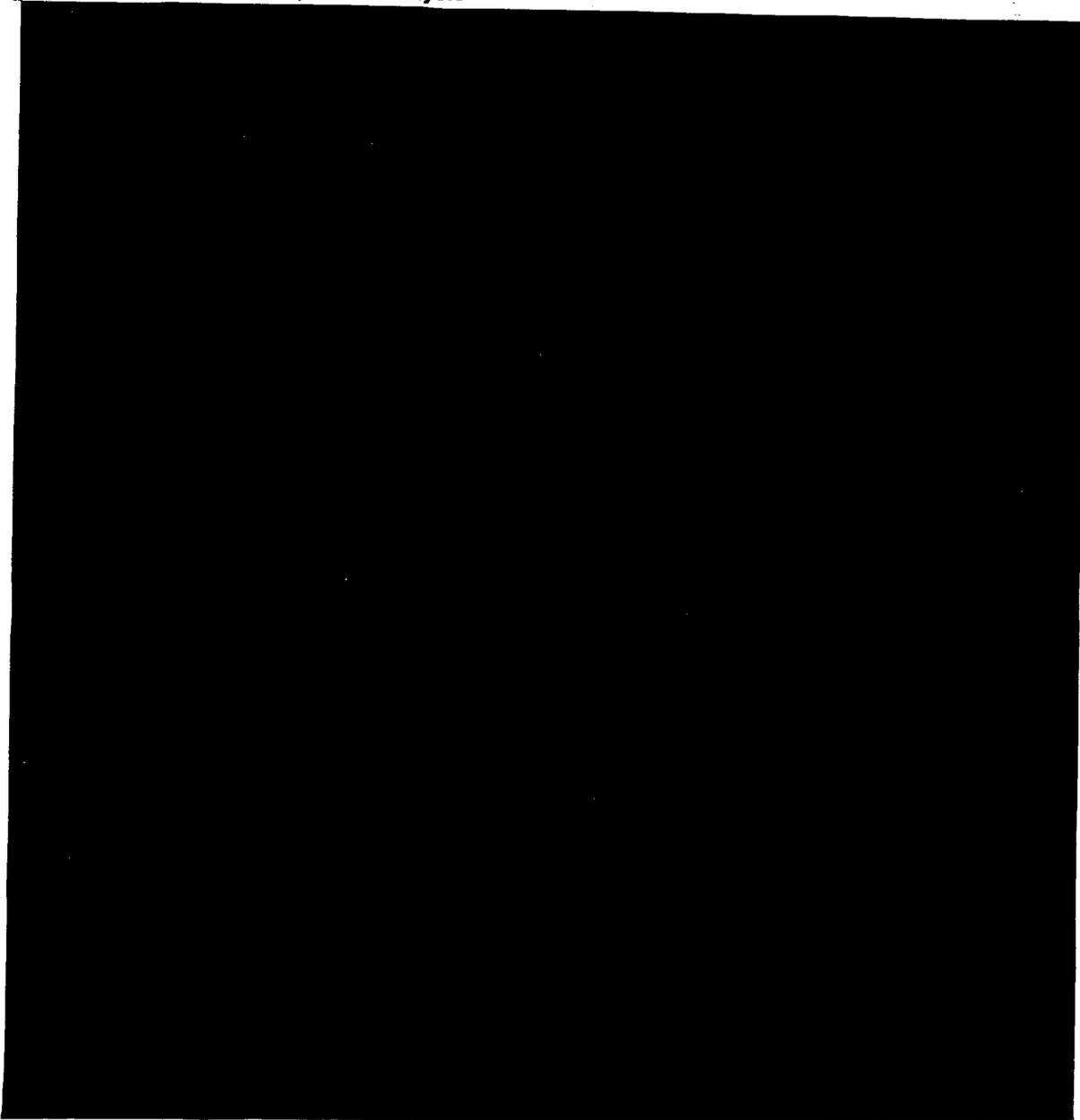
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Special Analysis



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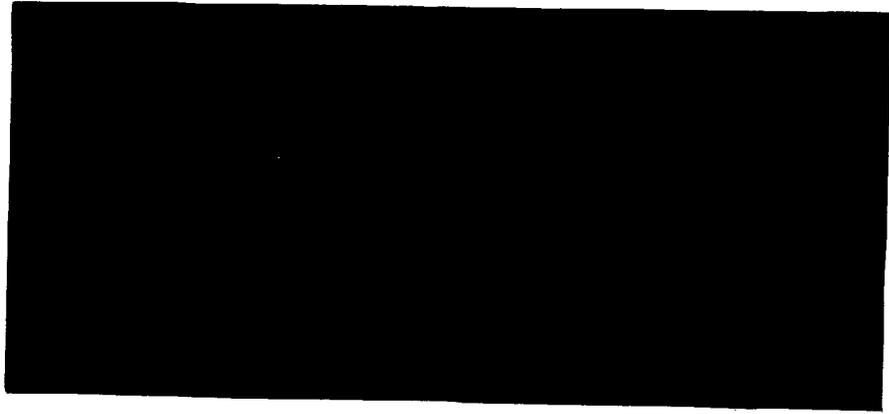
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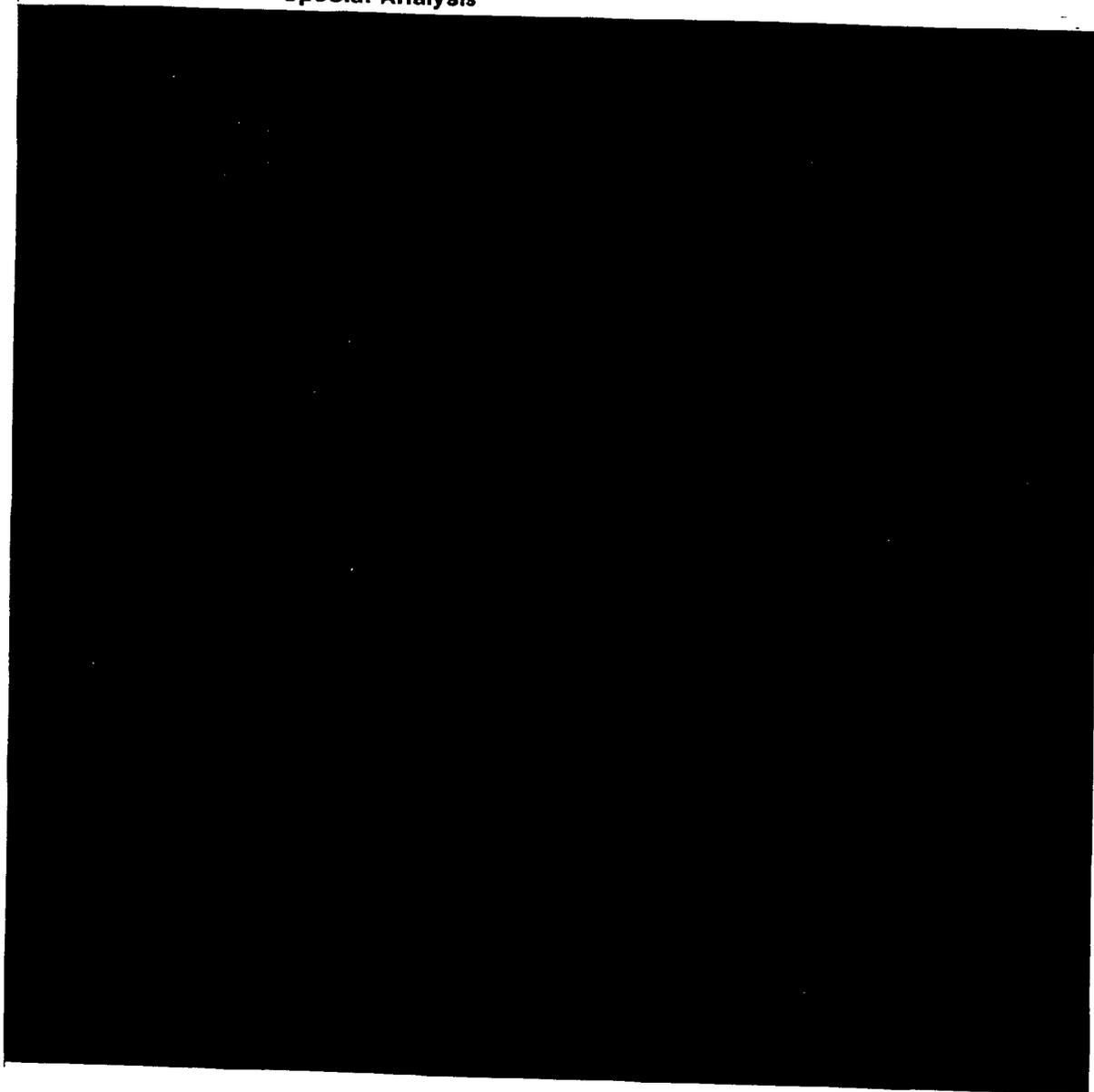
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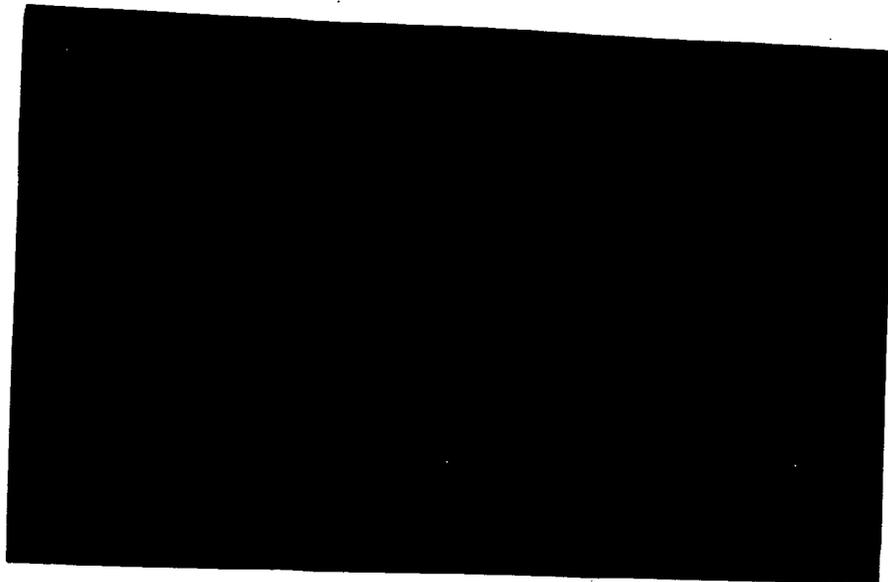
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