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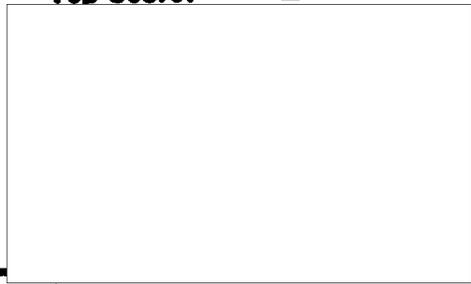


Director of
Central
Intelligence

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TUNISIA-US:

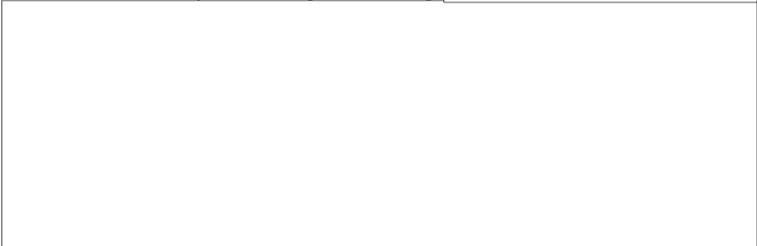
Aftershock of Israeli Raid

Tunis views the Israeli raid as a watershed in its ties to the US and will almost certainly end its current policy of developing closer cooperation. 

 reports strong animosity toward the US following the Israeli airstrike.

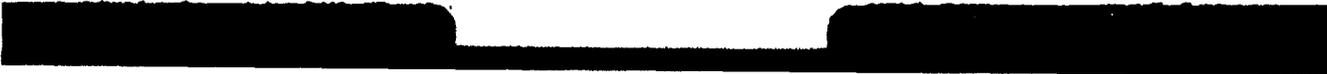


 political parties reportedly have agreed to recommend a break in relations with the US and to seek permission for demonstrations. The country's largest labor movement claims it will hold a mass protest rally on Sunday.



Comment: Tunisian leaders almost certainly hope to salvage bilateral ties because they are still counting on US security assistance to counter the Libyan threat. Nevertheless, even the most adamantly pro-US leaders will be reassessing the relationship. The government has been well ahead of the public in its pro-American stance and at a minimum will face greater domestic constraints. Officials might even decide not to intervene forcefully in the likely event of anti-US violence. 

Tunis's perception that the US failed to give warning of the raid comes at a time of exaggerated expectations of US  support with regard to Libya. Military officers almost certainly will question US ability—if not will—to blunt Libyan aggression and may persuade Bourguiba to turn toward Algeria for help instead. Tunisia conceivably could consider an accommodation with Qadhafi.



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CHINA-USSR:

Contacts increase

A series of Sino-Soviet meetings is scheduled in advance of the meeting between President Reagan and General Secretary Gorbachev, and just after Vice President Bush's visit to China, but neither side is predicting any movement.

The meetings include:

- The seventh round of vice foreign ministerial talks on bilateral issues, beginning today.
- A visit by Georgiy Arbatov, head of the Institute of the USA and Canada, later this month.
- A tour by a delegation from the Supreme Soviet this month.
- Vice Foreign Minister Kapitsa's annual informal consultations on international issues in November.

In addition, the Soviet and Chinese Foreign Ministers agreed last week to exchange visits next year.

Comment: Both Beijing and Moscow have interests in staging these events at this time. The Soviets clearly want to convey the impression of an upswing in relations with the Chinese and a stronger foreign policy position before the US-Soviet summit and the party congress next year.

By balancing US and Soviet visitors, China is reaffirming its independence and trying to increase leverage on both capitals. Beijing, moreover, traditionally suspicious of superpower summits, out of fear that its interests may be disregarded, will solicit the views of its visitors on the subject.

The Chinese are in no mood to make new concessions to the Soviets after having unilaterally warmed the atmosphere of Sino-Soviet relations last winter and spring. The strengthening of Deng's coalition at the party conference last week probably reinforces Beijing's determination to insist on progress on what the Chinese term the "three obstacles" to better relations—Afghanistan, Cambodia, and the Soviet military buildup on the Chinese border.

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INTERNATIONAL: Decision on New GATT Round

The 90 members of the GATT agreed by consensus Wednesday, at the close of a three-day special session, that the preparatory process for a new round of multilateral trade negotiations had begun. The target date for the start of the new round is April 1986. Fears that the session would get bogged down in a discussion of an agenda for the new round were dissipated when hardline developing countries—Brazil, India, Argentina, Yugoslavia, and Egypt—did not block consensus on the agenda, although Brazil and India stated they did not accept it. The compromise agenda refers to the 1982 work program covering trade issues of concern to developing countries and includes a broad statement that GATT should be responsive to changes in the trading environment of interest to industrialized countries, without mention of specific issues. 

Comment: Despite the progress of the session toward initiating a new round, the approved statements avoided identifying the issues in order to reach an agreement on timing. The outcome still leaves open the question of whether services will be included in a new round. Brazil and India remain strongly opposed to such an inclusion and will probably lobby actively against it. 

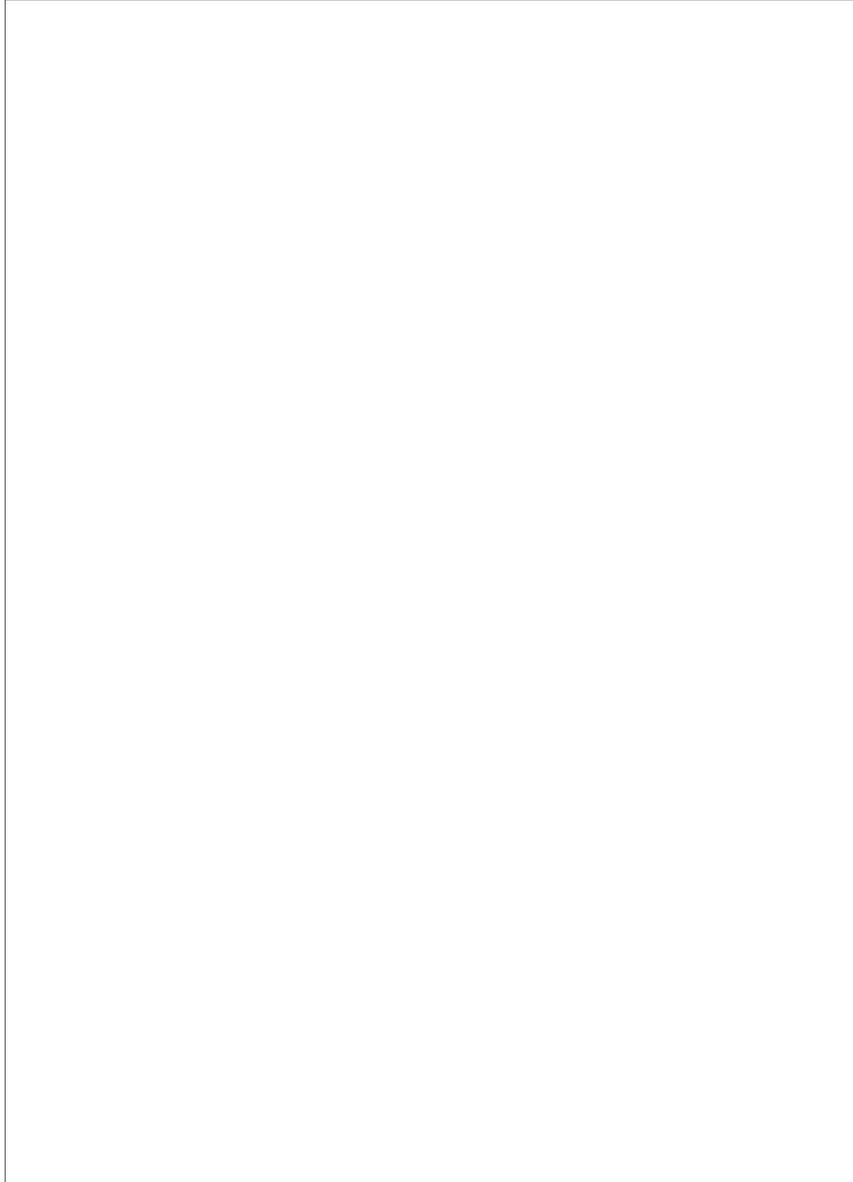
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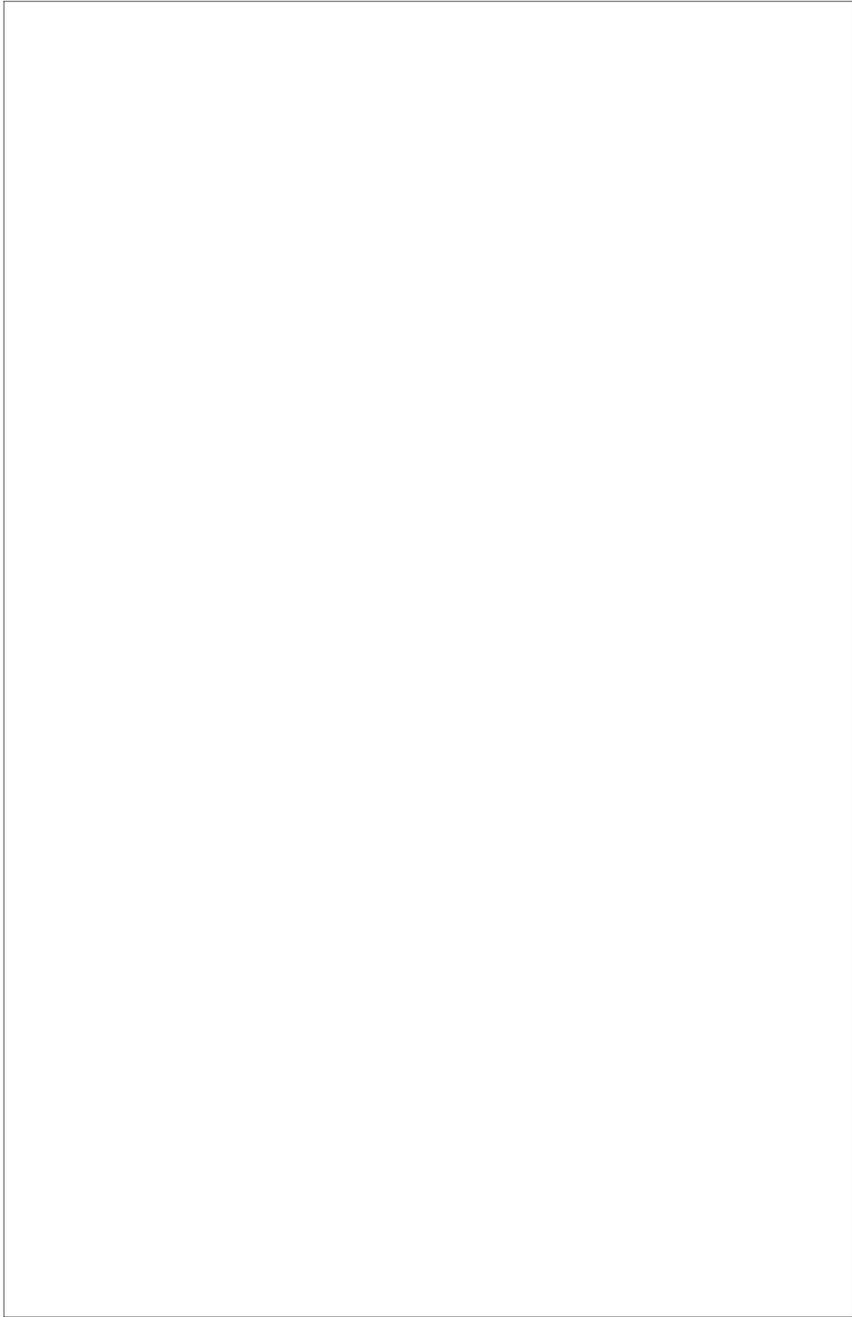
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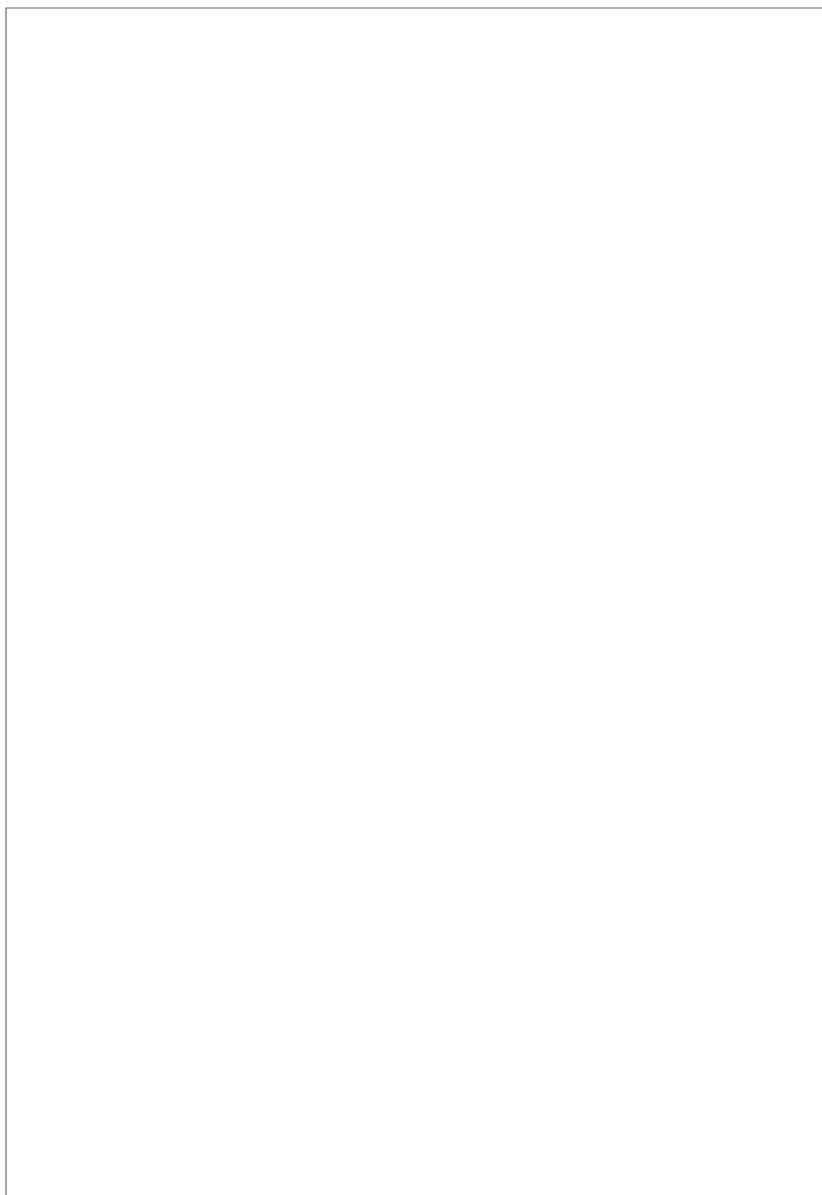
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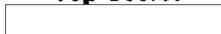
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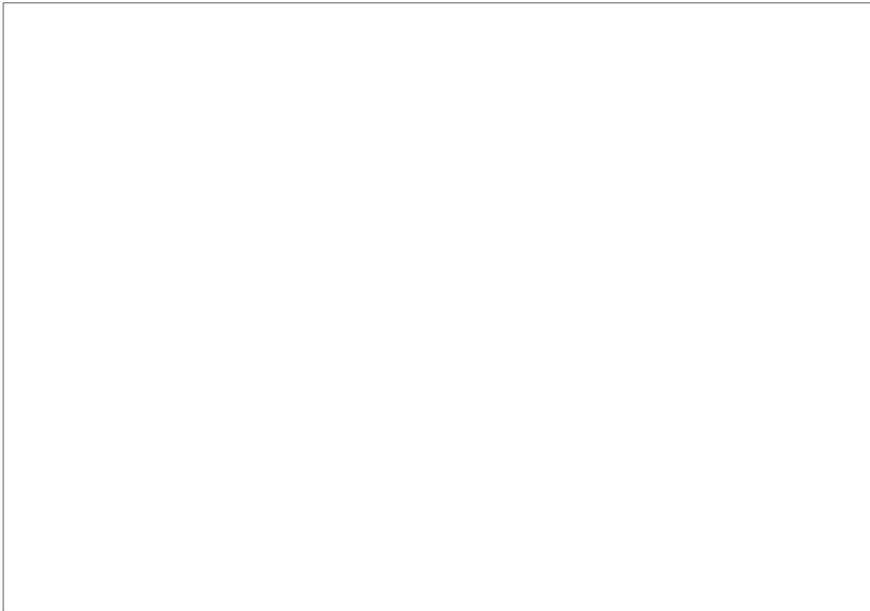


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PORTUGAL: Legislative Election

The outcome of the legislative election on Sunday is unlikely to resolve Portugal's chronic governmental instability and policy immobility. The Socialists hold a slight lead over their former coalition partner, the Social Democrats, but neither party is likely to win a majority. 

Comment: The next government will almost certainly be a weak and short-lived coalition. Competition between the parties in the local elections in December and the presidential contest early next year may prevent them from forging an alliance, and Portugal may remain without an effective government through the next election. Without a strong government, the troubled economy is unlikely to improve.



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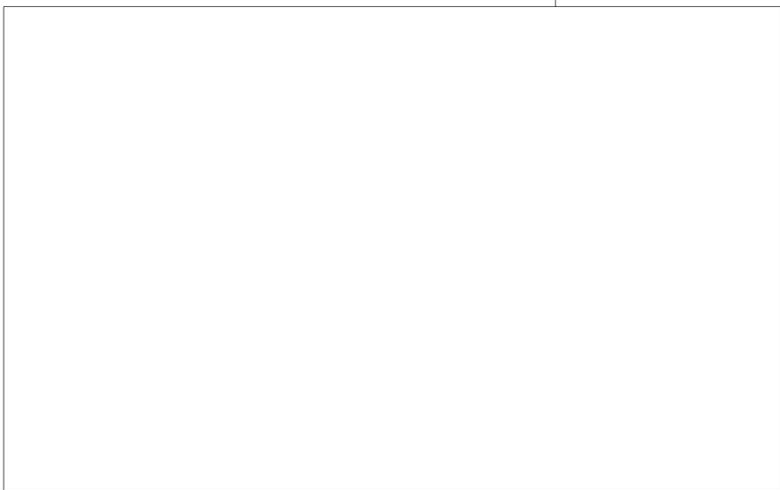




In Brief

Middle East

— **Egyptian President Mubarak** coming under increasing pressure from parliament and public opinion to break relations with **Israel** over **Tunis** raid . . . **Islamic fundamentalists** likely to use issue to organize demonstrations against government. 



— **Israeli** spokesman denies press reports **France** suspended negotiations on sale of nuclear reactors to **Israel** in response to Arab pressure . . . claims negotiations slowed over credit terms even though purchase price set. 

International

— **OPEC** meeting in disarray . . . discussion of production quota increases postponed until **December** . . . **Ecuador** considering withdrawal from organization. 

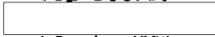
USSR

— Retired **Soviet Premier Tikhonov**, still identified as member of Politburo, saw **Gorbachev** off to **Paris** at airport **Wednesday** . . . unusual gesture of respect creates impression he left post in good graces. 

Africa

— **Zimbabwean Prime Minister Mugabe** and opposition leader **Nkomo** meeting for first time in three years, according to press . . . discussing merger of parties . . . hard bargaining ahead with no quick decision expected. 

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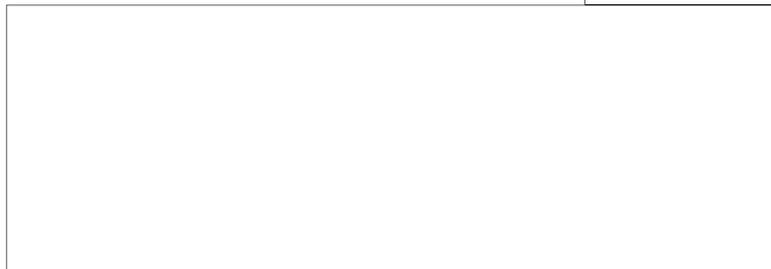


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East Asia

— **China** yesterday devalued its currency 15 percent to three yuan per US dollar . . . marks China's commitment to using economic levers . . . designed to raise exports, cut large projected trade deficit, possibly discourage currency speculation.



Indian Ocean

— **Soviets** used visit by President of Madagascar to repeat proposal on **Indian Ocean** arms control . . . suggests ban on large naval forces, exercises, and modernizing naval bases in area . . . presented mainly for propaganda value.



Americas



— **Brazilian** Air Force to purchase 10, rather than 16, heavy-lift helicopters from **France** . . . renegotiated deal also calls for assembly in Brazil of some light helicopters . . . financial problems probable reason for cutbacks in purchases.



— Lack of crude oil has shut down **Guatemala's** only refinery . . . **Mexico, Venezuela** have suspended crude deliveries until Guatemala pays part of overdue \$34 million . . . sideline oil negotiations with Mexico at Contadora meeting possible.



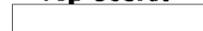
South Asia



— **Afghan** exile leader says resistance alliance plans to be represented at UN General Assembly . . . says anti-Western fundamentalist leader Gulbuddin may head delegation . . . choice of delegation will contribute to infighting in leadership.



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Special Analysis

AFGHANISTAN: Masood's Intentions

The Afghan insurgent commander in the Panjsher Valley, Ahmad Shah Masood, has been inactive since the Soviet and Afghan offensive against him in June but is now preparing for action against the Soviets this fall, strengthening his military capabilities and developing political links with other insurgent groups. Increased insurgent activity, however, will probably prompt Soviet and Afghan Government forces to launch yet another offensive in the Panjsher.

Strengthening Cooperation

[redacted] Masood is trying to establish a new force to attack Soviet and Afghan Government strongholds in the north and east. In August he convened a meeting of insurgent commanders from Parvan, Kapisa, Badakhshan, Balkh, and Kabul Provinces to recruit fighters for the new force and to drum up local support for it. He is also trying to develop an active insurgent group in the strategic Andarab Valley, which the insurgents have used as an evacuation route and safehaven during previous Panjsher offensives. [redacted]

Rumors that Masood may visit Peshawar and perhaps the US probably reflect his unhappiness with the ineffectual politicking of the Peshawar exile leaders and may indicate that he plans to lobby among various foreign backers, hoping to secure more support for himself and allied commanders. [redacted]

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Soviet Truce Offer

[redacted] the Soviets are renewing their efforts to get Masood to agree to a cease-fire. Masood's forces, however, are strong and well supplied—unlike the situation at the time of the cease-fire with the Soviets in 1983—and he probably has no interest in such a proposal, particularly since it would probably strain his relations with other insurgent groups severely, as it did before. [redacted]

The rumors of a truce may have risen from Soviet attempts to negotiate a prisoner exchange. Even unsubstantiated reports of Masood's willingness to deal with the Communists may be enough to impede cooperation with some commanders in the region. [redacted]

Outlook

[redacted] insurgent activity in the Valley will be quite high this fall. As a result, the Soviets and the Afghan Government probably will find it necessary to conduct another costly sweep into the Valley. If Masood does succeed in establishing a new force in the Andarab Valley, it would be free to strike targets outside the Panjsher when Soviet and Afghan resources are devoted to sweeps there or elsewhere in the Kabul area. [redacted]

Masood's efforts to build political alliances probably will continue to progress only slowly because of the traditional ethnic, religious, and political differences among insurgent groups. [redacted]

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Strategic Minerals: World Production and Reserves, 1984

	South African Share (percent)			Other Producers' Share (percent)	
	Western Production	World Production	World Reserves	World Production	
Chromium	46	27	46	USSR	29
				Albania	11
				Zimbabwe	5
				Turkey	5
				India	5
				Other	18
Manganese	24	11	71	USSR	47
				Gabon	9
				Brazil	9
				China	7
				India	6
				Other	11
Platinum group	90	42	81	USSR	54
				Canada	3
				Other	1
Vanadium	59	30	47	USSR	33
				China	17
				Finland	11
				Other	9

Strategic Minerals: Critical Uses and Alternatives to South African Supplies

Share of US Consumption Supplied by South Africa (percent)	Strategic Applications	Best Short-Term Alternatives to South African Supplies	
Chromium	55	Stainless steel and specialty alloys for tanks, ships, military aircraft, and naval nuclear propulsion systems	Increase imports from India, Philippines, Turkey, USSR, and Albania. Substitute other materials in noncritical applications.
Manganese	39	Steel for ships, tanks, and other vehicles	Increase imports from Gabon and Australia.
Platinum group	49	Catalysts for petroleum and fertilizer production	Increase imports from USSR.
		Electrical contacts for jet aircraft engines and lasers	Increase recycling—particularly from spent catalytic converters.
Vanadium	44	Steel and titanium alloys for oil pipelines and jet engines	Increase US production and increase imports from China.



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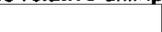




Special Analysis

SOUTH AFRICA: Strategic Mineral Exports

South Africa is not likely to cut off supplies of strategic minerals to the West. A selective or short-duration cutoff might be used as a political gesture—particularly if major trading partners imposed severe sanctions—but its effects probably would be limited. 

Concerns that South Africa would use its vast mineral wealth as a political lever have surfaced each time the West has considered or imposed economic sanctions. South African officials themselves have occasionally hinted that they might cut off strategic minerals in retaliation. What makes the threat credible is the heavy Western dependence on South African supplies and the relative unimportance of these minerals to South Africa's economy. 

South Africa leads the West in production of chromium, manganese, platinum-group metals, and vanadium, accounting for 24 to 90 percent of Western output. Only the Soviet Union comes close in terms of production and reserves. The US, Japan, and Western Europe import between 50 and 100 percent of their needs for these minerals, and South Africa is the key supplier. For Pretoria, however, these industries earn no more than 9 percent of total export earnings and employ only 1 percent of the labor force. 

Nevertheless, several economic considerations weigh heavily against a decision by South Africa to cut off strategic mineral exports. A total embargo would lower export earnings at a time when the country is facing serious debt and liquidity problems. South Africa could lose market shares permanently to other producers and to recycled and substitute materials by damaging its reputation as a reliable supplier. This would be particularly harmful in the long run because depletion of high-quality gold reserves will force Pretoria to promote nongold exports—like strategic minerals—to maintain an acceptable rate of growth. 

It is clearly in South Africa's best economic interests to continue to export strategic minerals. Should it choose a total embargo as a political gesture, however, Western countries could survive several months of cutoff by encouraging alternate producers to restart idled capacity, increasing purchases from the Soviet Union, using stockpiles, intensifying recycling efforts, and, if necessary, reducing civilian usage. The Soviet Union, as the largest supplier outside South Africa, could benefit substantially and would probably exploit the situation by increasing exports and charging higher prices. 

A partial South African cutoff is more likely and would be far less costly to all parties. South Africa would lose little of its trade volume in the short run as it reoriented sales to different markets, and Western countries would continue to receive supplies. 

