

(b)(1)
(b)(3)



Director of
Central
Intelligence

~~Top Secret~~

(M)

CIACPAS - MED 85-236JX - -



National Intelligence Daily

Wednesday
9 October 1985

~~Top Secret~~

CPAS NID 85-236JX

9 October 1985

Copy 535

25

APPROVED FOR RELEASE DATE:
07-22-2010

3 6 7 8



3 6 / 9



Contents

	1
	2
	3
USSR-Eastern Europe: Gas Pipeline Construction Delayed	4

Notes

China-USSR: Officials Comment on Relations	5
	5
	6
	6
	7
	7
	8
Uganda: Rebels Press Army	8
In Brief	9

Special Analyses

South Africa: The Zulu Factor	10
USSR: The Campaign Against Corruption	12
France: Socialist Party Congress	13
International: Impact of a Cutoff of Persian Gulf Oil	14



~~Top Secret~~

[Redacted]



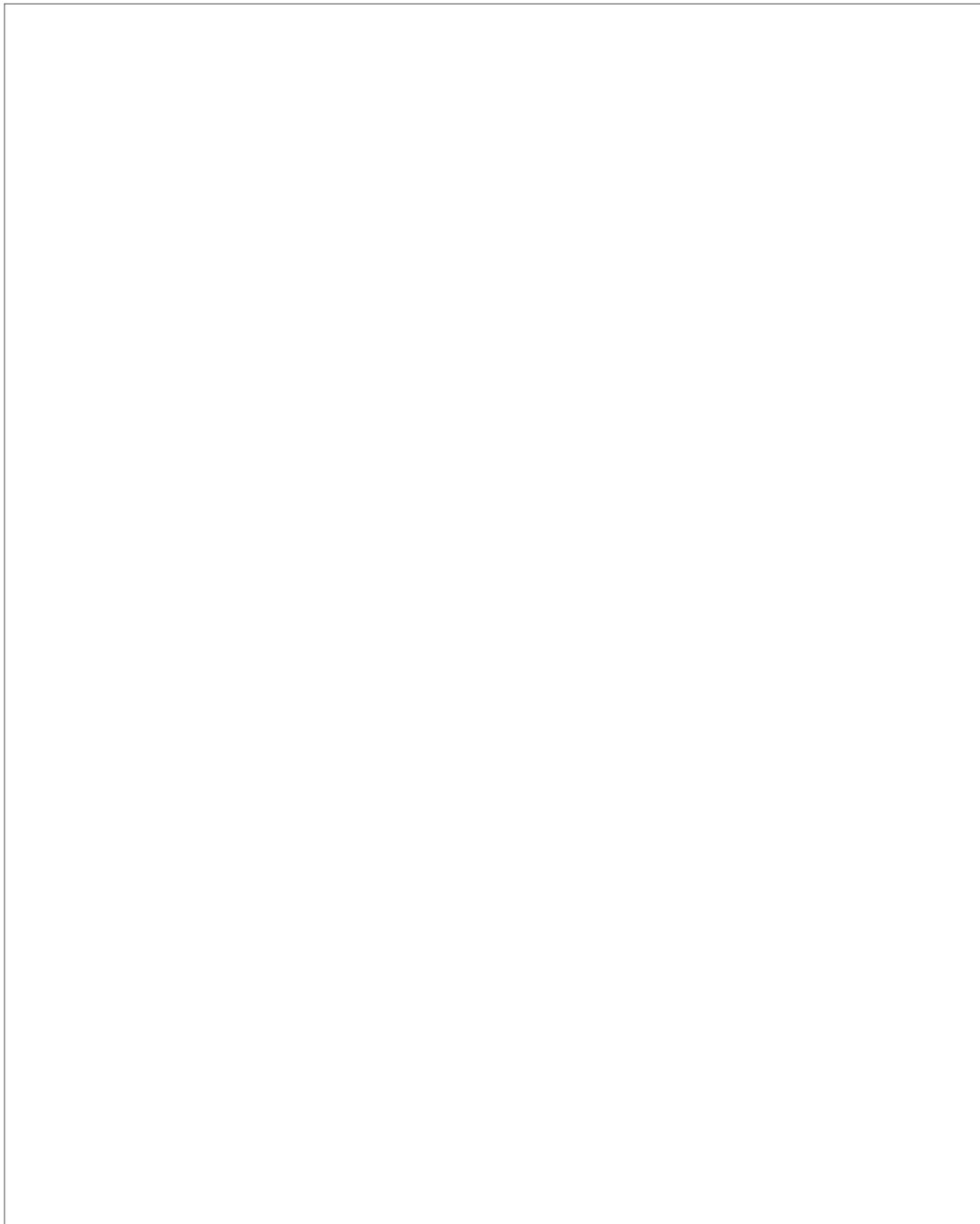
~~Top Secret~~

[Redacted]

9 October 1985

3 6 8 1

~~Top Secret~~



~~Top Secret~~

9 October 1985

3 6 8 2

~~Top Secret~~



~~Top Secret~~



9 October 1985

3 6 8 3

~~Top Secret~~



~~Top Secret~~

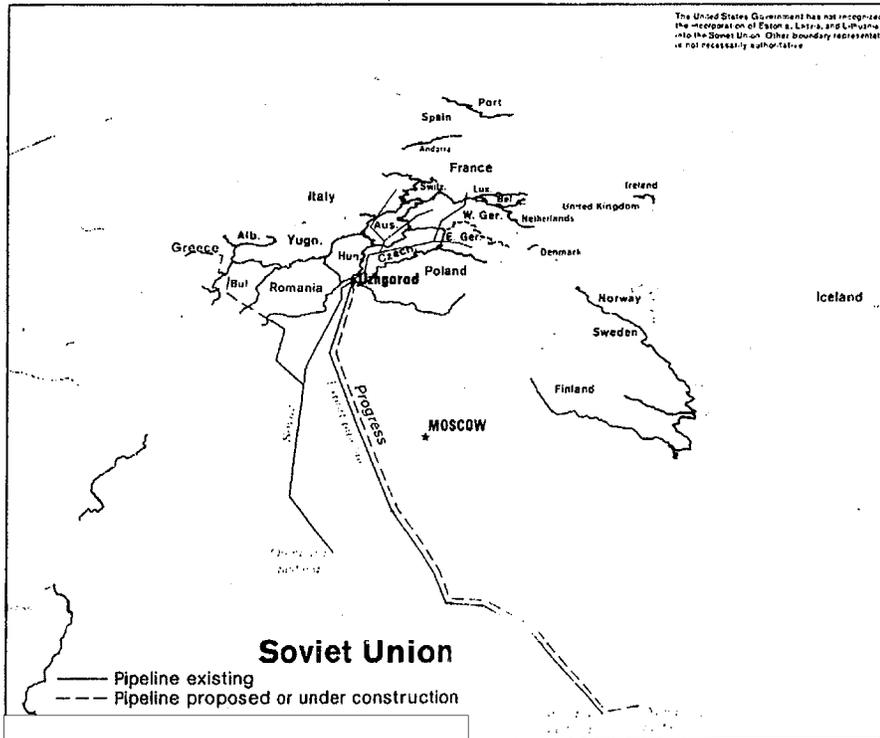


9 October 1985

3 6 8 4

~~Top Secret~~

Soviet-East European Joint Natural Gas Pipeline Projects



706152 10 85

~~Top Secret~~

9 October 1985

3 6 8 5

~~Top Secret~~

USSR-
EASTERN EUROPE:

Gas Pipeline Construction Delayed

Disagreements between the USSR and East Europeans over the financing of pipeline construction threaten to delay Moscow's gas export plans. [redacted]

The USSR is demanding that the East Europeans pay hard currency for the pipe used on segments of the Progress gas pipeline assigned to them, [redacted] A Soviet demand that East Germany make a lump-sum payment to the USSR for its pipe contribution was rejected by East Berlin. The USSR has now agreed to allow East Germany to buy the pipe on credit from West Germany, but differences remain over delivery schedules. [redacted]

Meanwhile, Romania and Bulgaria have delayed construction of the transit gas pipeline to Greece in an attempt to force the Soviets to reimburse them more for hard currency purchases of Western equipment and for the services of Hungarian and Yugoslav subcontractors. [redacted]

Comment: Haggling over the terms of East European participation in joint projects is common, but negotiations have to be completed soon if the projects are to be incorporated into economic plans for 1986-90 and be finished by target dates in 1987. Long delays in constructing high-priority gas pipelines might set back Moscow's plans for increasing gas shipments to Eastern Europe instead of oil and for increasing gas deliveries to the West to offset declining oil export revenues. [redacted]

The Soviets have said that joint investments are necessary if energy deliveries are to be maintained, but East Europeans have been unenthusiastic about the Progress pipeline because of the large investment requirements and the vague terms for Soviet gas deliveries. Large hard currency outlays, which may cost each country several hundred million dollars, would undermine the fragile hard currency positions of especially Poland, Hungary, Bulgaria, and Romania. [redacted]

~~Top Secret~~

~~Top Secret~~



CHINA-USSR: Officials Comment on Relations

Chinese officials are expressing pessimism about the prospects for Sino-Soviet relations, probably to counter recent Soviet attempts to portray ties as improving. According to a West German press account, Deng Xiaoping indicated privately to Christian Socialist leader Franz Josef Strauss last Friday that General Secretary Gorbachev had failed to capitalize on "considerable possibilities" for progress. Deng also disparaged Gorbachev's recent strategic arms reduction proposal as not going far enough. The spokesman for the Chinese party's International Liaison Department ruled out resuming interparty relations with Moscow until progress is made on the "three obstacles"—Afghanistan, Cambodia, and Soviet forces on China's borders. The spokesman specifically discounted Soviet press accounts of the recent meeting between the Soviet and Chinese Foreign Ministers that suggested progress had been made on party-to-party relations. 

Comment: By speaking out during the current round of Sino-Soviet talks, the Chinese appear determined to prevent the Soviets from gaining leverage over the US before the meetings in Geneva in the absence of concessions from Moscow. 



~~Top Secret~~



~~Top Secret~~



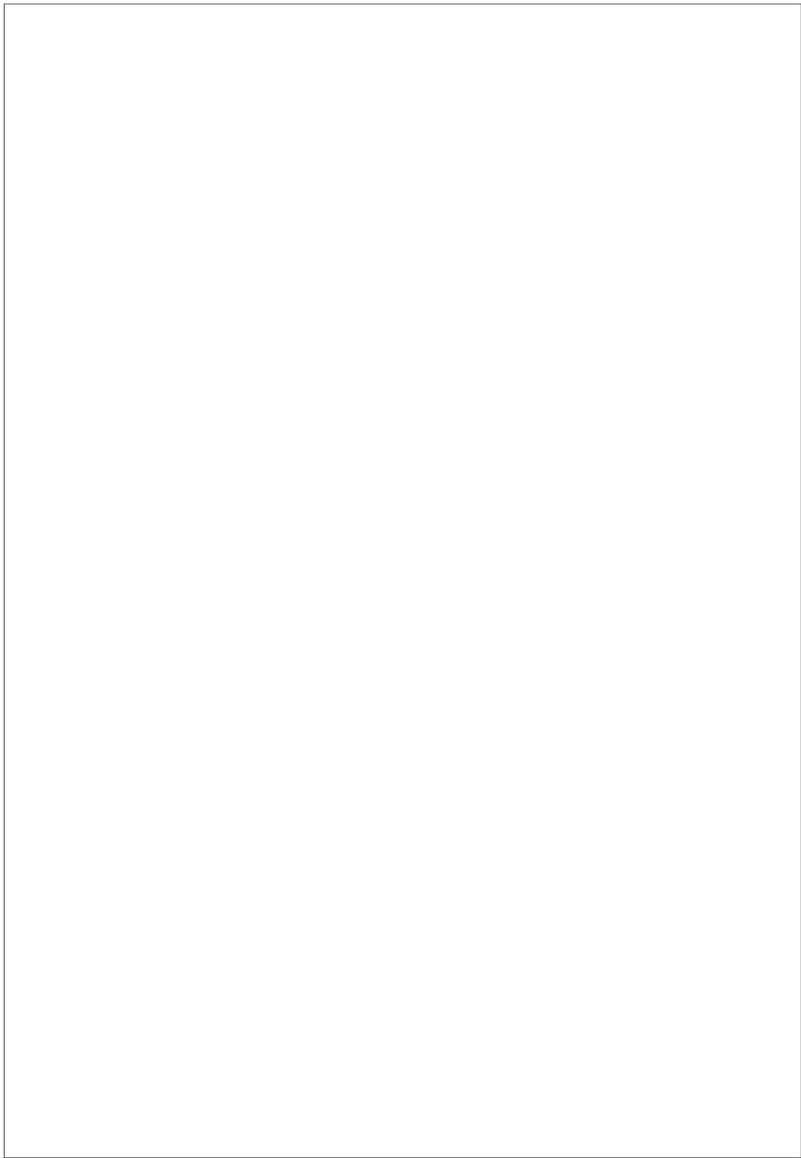
~~Top Secret~~



9 October 1985

3 6 8 8

~~Top Secret~~

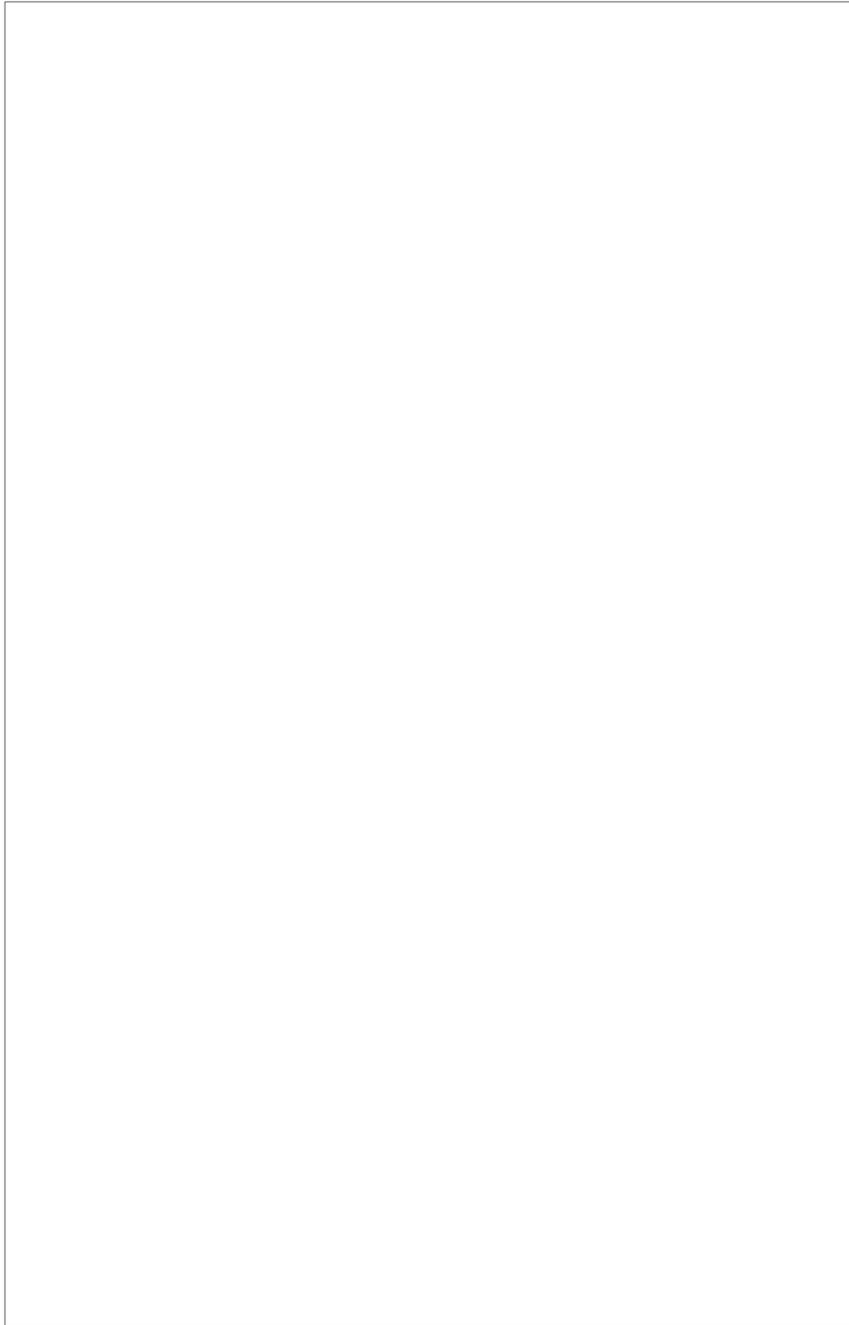


~~Top Secret~~

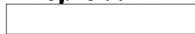
9 October 1985

3 6 8 9

~~Top Secret~~



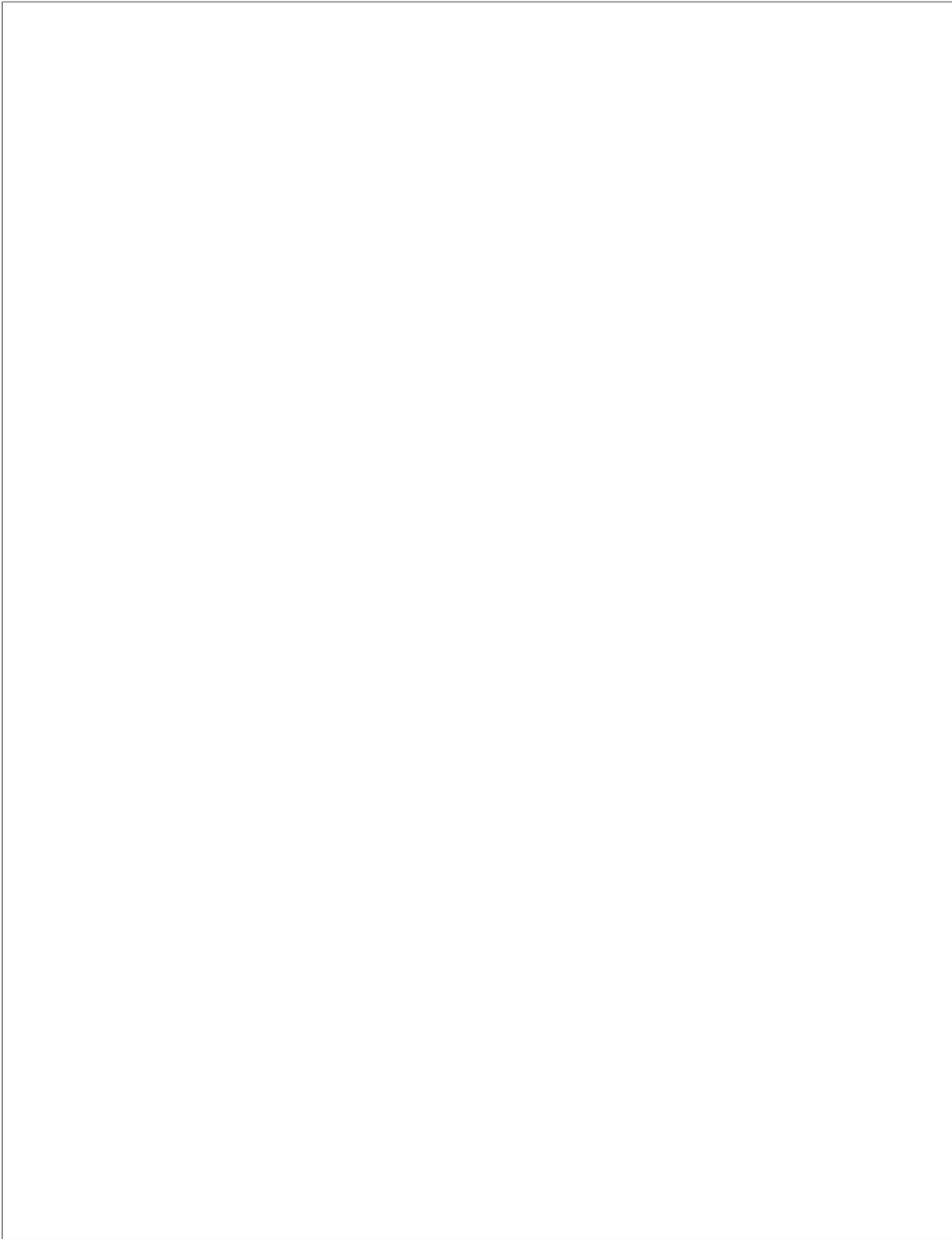
~~Top Secret~~



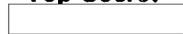
9 October 1985

3 6 9 0

~~Top Secret~~



~~Top Secret~~



9 October 1985

3 6 9 1

~~Top Secret~~



UGANDA: Rebels Press Army

Insurgent leader Museveni has returned to Uganda from Tanzania to command his forces as the rebels besiege three government garrisons in the southwest, [redacted] Government resupply and reinforcement efforts at Masaka, 80 miles (130 kilometers) southwest of Kampala, have failed, and the rebels have regained control of Mityana, 35 miles (55 kilometers) west of the capital. [redacted] The government continues to ferry troops to Kampala from the north. Meanwhile numerous reports persist of Army brutality toward civilians. [redacted]

Comment: The rebels are likely to expand and intensify their operations soon. A major attack on Kampala is not imminent, but the insurgents may attempt a dramatic military move today—the 23rd anniversary of Uganda's independence. The government of President Okello lacks popular support and is beset by military defeats, economic difficulties, and internal divisions. Its prospects for survival are dwindling. [redacted]

~~Top Secret~~

9 October 1985

3 6 9 2

~~Top Secret~~



In Brief



South Asia



— [redacted] more than 300 **Soviet** troops killed during operations in Paktia Province, **Afghanistan**, last month . . . number probably overstated, but [redacted] indicate heavy casualties and large amounts of equipment destroyed. [redacted]

Europe

— **Poland** on Monday became first East European country to sign agreement with **USSR** on trade in 1986-90 . . . calls for balanced trade by 1988 by increasing exports faster than imports . . . export goals probably optimistic. [redacted]



~~Top Secret~~



9 October 1985

3 6 9 3

~~Top Secret~~



Gatsha BUTHELEZI

Age 57 . . . KwaZulu Chief Minister since 1970 . . . president of Inkatha, a group founded in 1928 which Buthelezi transformed into a vibrant, well-disciplined organization . . . enjoys great support among South Africa's 6 million Zulus, the largest ethnic group in the country . . . advocates peaceful change through negotiation with Pretoria . . . supports US policy in southern Africa . . . pragmatic, articulate, dynamic.



306887 10-85

~~Top Secret~~



9 October 1985

3 6 9 4

~~Top Secret~~

Special Analysis

SOUTH AFRICA: The Zulu Factor

Chief Buthelezi and his powerful Zulu-dominated Inkatha organization are growing increasingly isolated on the black political scene because of their consistent moderation toward the government in a year of growing black militancy. Clashes between Inkatha supporters and members of other nonwhite groups are likely to become increasingly violent as the unrest continues.

Buthelezi's position as Chief Minister of the KwaZulu homeland has earned him the reputation of a progovernment collaborator and the enmity of some nonwhite protest groups, which also dislike his vocal opposition to international sanctions against Pretoria. In addition, many black activists believe that, because virtually all of Inkatha's 1 million members are Zulus, it reinforces Pretoria's goal of preserving—and exploiting—tribal distinctions.

Most black groups and the white opposition all view Buthelezi as a force still to be reckoned with, despite his aberrant views. Many black groups loathe Inkatha but respect its influence among the Zulus, who are quick to display their warrior heritage when challenged.

The Progressive Federal Party, the official white opposition, has persuaded Inkatha to join its new "convention alliance," designed to unite antiapartheid groups. The African National Congress and the United Democratic Front so far have not joined the alliance, which severely limits its effectiveness. Their reluctance reflects continued antagonism toward groups with ties to the apartheid system.

Relations With ANC and United Democratic Front

Buthelezi, a former member of the ANC, has had stormy relations with it since a falling out in 1979. He repeatedly has alleged that the ANC wants to kill him, and he also has denounced the two-year-old Front, echoing government allegations that it is closely linked to the ANC. Buthelezi blasted the ANC in a recent speech, warning that its armed struggle would result in a humiliating defeat against the superior might of the government.

ANC officials have countered Buthelezi's recent diatribe with charges that he is out of step with the evolving political situation. The ANC also bombed three shops in Durban late last month on the eve of the Zulu rally, claiming later that the attacks were in support of a black

continued

~~Top Secret~~

~~Top Secret~~



706137 14 85

~~Top Secret~~

9 October 1985

3 6 9 6

~~Top Secret~~

consumer boycott of local white stores—an action Inkatha opposed. The timing of the operations suggests they were intended to undercut Buthelezi. [redacted]

The struggle between Inkatha and groups affiliated with the United Democratic Front in Durban's black townships—especially Lamontville—often has resulted in violence this year. At least eight blacks were killed in Lamontville late last month when Inkatha members battled local residents who earlier had attacked several Inkatha youths. [redacted]

Outlook

The government probably will try to capitalize further on black differences and move to cement its relationship with Buthelezi, although recently it has sent him mixed signals. Last month it proposed adjustments to KwaZulu's boundaries that angered Buthelezi, according to press reports. [redacted]

The press also reported that, at the same time, Pretoria may invite Buthelezi and the Zulus to join a regional power-sharing government in Natal Province. Many white proponents of the plan, however, believe Pretoria risks losing Buthelezi if it does not meet his prerequisite for talks by providing a general blueprint of its reform plans. They also believe they must grant him some concessions to show that his moderate approach is productive. [redacted]

Buthelezi probably will continue to preach the futility of confrontation, thereby ensuring he will remain at odds with the Front and the ANC. He will occasionally allow attacks by his supporters against Inkatha's rivals on the black political front, while continuing to put himself in a position to take advantage of any major concessions by the government. [redacted]

~~Top Secret~~

~~Top Secret~~

Special Analysis

USSR:

The Campaign Against Corruption

Building on the program started by his political mentor, Yuriy Andropov, General Secretary Gorbachev has revived the campaign against corruption and made it a major program of his regime. He is using it to remake the bureaucracy, strengthen his control over regional officials, and intimidate those who might resist his policies.

Gorbachev has removed a number of corrupt provincial leaders and has indicated that freedom from corruption would become a criterion for holding political office. In his first weeks in office, he dismissed the Minister of Power and Electrification, who had been implicated in a scandal, uncovered while Andropov was in office, involving the diversion of state funds to build a villa.

Eduard Shervardnadze, known for his tough anticorruption stance, is said to have been brought in as Foreign Minister over other candidates when the KGB found the Foreign Ministry to be a major haven of corruption. There have also been rumors that Moscow party chief Grishin is vulnerable to charges of corruption. An article by the Moscow leader in *Pravda* last April was defensive on this score, which suggests he is feeling some heat.

The earlier crisis in Poland may have been an object lesson for the Soviets. Soviet media had suggested that corruption by high officials in Poland was the chief cause of the gulf between workers and the party and of the disaffection and turmoil there.

Gorbachev hopes that the publicity endorsing stronger anticorruption measures will improve the regime's image. Earlier the party's tolerance and use of corruption for its own gain had caused it to lose support across a broad spectrum.

The General Secretary knows that trying to stop political corruption altogether would require extending KGB involvement in affairs as Stalin had done. This would needlessly raise fears even among his supporters. Rather than try to destroy the hydra of corruption altogether, Gorbachev has more limited goals in mind. He will use the campaign to further his objective of remaking the bureaucracy and strengthening his control over officials outside Moscow. He will have an easier time bringing officials who fight his policies into line because almost all are vulnerable to charges of corruption.

Gorbachev probably can count on the support of several key segments of the elite for expanding the anticorruption campaign—the KGB, young party members eager for advancement, and economic reformers.

~~Top Secret~~

~~Top Secret~~

Special Analysis

FRANCE:

Socialist Party Congress

Shaken by their poor electoral prospects and internal rivalries, the French Socialists gather on Friday to decide their strategy for the legislative election next spring. Moderates probably will lose to the left wing, further weakening the party. [redacted]

With polls indicating that only 23 percent of the electorate intend to vote for the Socialists, the party is debating how to revive its support. [redacted]

The left and center have rallied behind First Secretary Jospin, who wants to mobilize party militants and leftist sympathizers throughout the electorate with a hard-hitting, partisan campaign. The party's left has never been comfortable with a policy that accepts unemployment as the price of modernization. Rather than defend the government's policy of austerity, they would prefer to stress the dangers of a return to power by the conservatives. Jospin wants the party to maintain the purity of its principles by refusing electoral alliances with either Communists or centrists; he would accept defeat rather than compromise. [redacted]

For the first time since 1979, the Socialists will not be unanimously backing a motion on party policy because of a rival motion by former Agriculture Minister Rocard. Under his leadership, the party's right wing will strongly endorse the austerity policy being carried out by Prime Minister Fabius. Rocard hopes that by stressing responsible management of the economy the Socialists can make allies of centrist forces and retain a share of power by entering a coalition. The party leadership was jolted when Rocard's alternative motion garnered nearly 30 percent of the vote in regional meetings preceding the congress. [redacted]

President Mitterrand wants to appear nonpartisan as he faces the prospect of governing after the election with a legislature dominated by his opponents, and he probably will not intervene publicly in the debate over party strategy. [redacted]

Jospin almost certainly will command a majority of the delegates at the congress. Socialist moderates are likely to accept the decision of the congress, but their lack of enthusiasm probably will further weaken the party's campaign. Fabius and Rocard—who almost certainly have accepted the inevitability of defeat in 1986—will bide their time until after the election. Then, with an eye on the 1988 presidential race, they probably will blame the discredited leftist strategy for the Socialist defeat [redacted]

~~Top Secret~~

~~Top Secret~~



Oil Disruption Scenarios

Million barrels per day

Event	Demand	Lost capacity	Available productive capacity	Surplus (shortfall)
Precrisis	44.1		54.7	10.6
Cutoff of Iranian exports	44.1	2.3	52.4	8.3
Cutoff of exports from Iran, Iraq, and Kuwait	44.1	4.8	49.8	5.7
Loss of Saudi Persian Gulf exports	44.1	5.9	48.7	4.6
Cutoff of all Persian Gulf exports and interruption of Iraq-Turkey pipeline	44.1	13.7	40.9	(3.2)



~~Top Secret~~



9 October 1985

3 / 0 0

~~Top Secret~~

Special Analysis

INTERNATIONAL: Impact of a Cutoff of Persian Gulf Oil

Iraq's recent attacks against the Khark Island oil export terminal increase the risk that Tehran may move to interdict oil shipments from other Persian Gulf states. The oil market could easily absorb a loss of exports from Iran, Iraq, and Kuwait; a serious problem would arise only if Saudi exports were also cut.

Persian Gulf countries are now exporting about 7.5 million barrels per day, accounting for about one-fifth of total non-Communist oil supplies. Of this, some 6 million b/d flow through the Strait of Hormuz, with the remainder shipped through pipelines from Saudi Arabia and Iraq to the Mediterranean and the Red Sea. In the first quarter of 1985, Western Europe, Japan, and the US relied on the region for about 18 percent, 58 percent, and 4 percent, respectively, of their total oil imports.

Excess productive capacity and weak demand currently provide considerable—but possibly ephemeral—protection against an oil supply cutoff. Surplus capacity available to offset a supply shortfall currently is about 11 million b/d, but only about 3 million b/d of this lies outside the Gulf region. Commercial inventories, moreover, now provide only a small cushion against an interruption, because companies have reduced usable stocks to about 100-200 million barrels, the equivalent of no more than four days of total consumption needs, as compared with a level of about 20 to 25 days in the early 1980s. Compulsory inventories held by companies in Europe and sizable government-owned stocks in the US, Japan, and West Germany could provide an additional cushion in the event of a cutoff.

Likely Market Reaction

The impact of a disruption of Persian Gulf oil exports would depend on its severity, duration, the availability of supplies from other producers, and the use of strategic stockpiles. If Baghdad knocks out the Khark terminals and Iran retaliates by severing Iraq's pipeline through Turkey and by interdicting Kuwaiti exports, nearly 5 million b/d of export capacity would be lost. Although other countries could replace these lost supplies by raising their output, much of the existing surplus capacity would then evaporate.

continued

~~Top Secret~~

9 October 1985

~~Top Secret~~

Under these circumstances, the uncertainties surrounding the duration of the disruption and the fear of a much more serious shortage resulting from a cutoff of Saudi exports would cause spot prices to rise. As long as Saudi export capabilities remained intact, however, the market would retain a substantial ability to adjust without a major price increase. [redacted]

The elimination of all oil exports from the Persian Gulf, coupled with the interruption of oil flow through the Iraq-Turkey pipeline, would entail the loss of nearly 14 million b/d of productive capacity. Denial for a prolonged period would cause a net supply shortfall of 3-4 million b/d, almost double the size of the shortage caused by the Iranian revolution in 1979. Under these circumstances, prices would increase sharply and the global economic recovery would be interrupted. [redacted]

Implications for the US

The US is far less dependent on Persian Gulf oil supplies than its allies but has a large stake in the continued flow of oil from the region. The US could not insulate itself from a major disruption because it would share the burden of a net oil supply shortage as prices rose and as oil companies diverted supplies in response to market pressures. Moreover, if an emergency caused oil supplies to be allocated according to the International Energy Agency's sharing agreement, there could be a significant diversion of oil from the US market to Western Europe and Japan. [redacted]

~~Top Secret~~

9 October 1985