

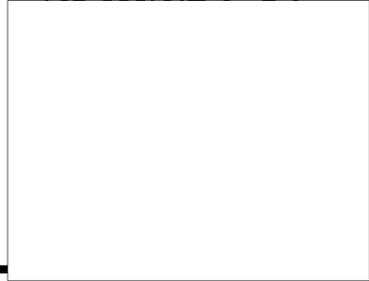
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Director of
Central
Intelligence

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CIA/CPAS --- NID 85-230JX ---



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LEBANON-SYRIA-
USSR:

Tripoli Battle Spawns Kidnapings

Military pressure by Syrian forces and their surrogates has failed to quell Lebanese Sunni fundamentalists in Tripoli, who have retaliated by threatening to execute the four Soviet diplomats kidnaped in Beirut on Monday.

several pro-Syrian Lebanese militias, backed by intensive Syrian artillery fire, launched a major offensive against the Islamic Unification Movement in Tripoli on Saturday. The press reports that the fundamentalists, supported by pro-Arafat Palestinian guerrillas, are giving stiff resistance.

A message delivered with the kidnaped diplomats' identity cards threatened that the four Soviets will be executed unless Syrian and pro-Syrian forces withdraw from the Tripoli area and the USSR condemns the fighting. There is no confirmation that any of the Soviet diplomats have been killed. TASS said late yesterday the kidnapings were a gross violation of international law and called for condemnation of the act. It also claimed "competent Soviet agencies are taking all the necessary steps" to save the hostages.

Comment: Elements of the Islamic Unification Movement almost certainly kidnaped the Soviet diplomats to put pressure on Syria to end its siege of Tripoli. Even so, Damascus remains committed to crushing the fundamentalists and their Palestinian allies and is unlikely to accede to the demands of the kidnapers.

The TASS statement appears aimed primarily at Soviet domestic audiences and suggests Moscow prefers to use diplomatic channels to secure the release of the diplomats. The Soviets may seek assistance from PLO chief Arafat, whose forces are allied with the fundamentalists in Tripoli. In any attempt to free the hostages, the Soviets would face familiar obstacles, including an inability to locate them, the almost certain unwillingness of Assad to move his own troops into Beirut, and the difficulties associated with using Soviet troops.

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SOUTH AFRICA: Reaction to Botha's Speech

Domestic reaction to President Botha's speech on Monday has been mixed, amid speculation he will lift the state of emergency soon.

Botha accepts the general principle of universal franchise within as yet undefined future political structures. Breaking new ground, he states that the government will consider including blacks on the President's Council—an advisory body to Botha and an adjunct to the parliament.

Kwazulu Chief Minister Buthelezi and representatives of the multiracial United Democratic Front have denounced the speech, however, because it falls far short of outlining a genuine power-sharing system. Reactions by the pro-reform white opposition party have been guarded, but some critics in the outspoken business community call Botha's remarks his most positive yet concerning reform.

Comment: The longer term reaction to Botha's initiatives will depend on the form his proposals take when introduced in parliament later this year. The resolution of the citizenship issue has been one of the conditions demanded by many black leaders for entering into talks with the government, even though few are likely to step forward as long as the unrest continues.

Pretoria declared the state of emergency largely to reassure its white constituency, but there has been little difference in security operations in or outside the 36 districts under emergency regulations. Botha may end the state of emergency in some of the quieter districts as a demonstration of strength before a round of parliamentary byelections at the end of the month. A complete termination of the state of emergency is unlikely at this time, because continuing violence would belie any government claim that it had reestablished control in the riot-torn townships.

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GREECE:

Softening the Hard Line on US Bases

Prime Minister Papandreou appears to be laying the groundwork for a shift in policy that would allow the continued operation of US bases after the US-Greek defense cooperation agreement expires in 1988.

Papandreou told members at a meeting of his party's central committee last weekend that long-range, strategic goals—pulling Greece out of NATO, withdrawing from the EC, and removing the US bases—must not be confused with intermediate or tactical objectives. He said his government had a responsibility to respond to the "mature" demands of the people.

Comment: Papandreou's statements are at best a tentative first step toward a policy change. Nonetheless, by placing the removal of US bases in the same category as withdrawal from NATO and the EC—which Papandreou has said he does not intend to pursue in the foreseeable future—he seems to be backing away from the hard line he has held until now. As with NATO and EC membership, Greece derives benefits from the continued operation of the bases—a steady supply of military aid and equipment.

The comments were directed at party ideologues who have been grumbling recently about the government's failure to undertake its more radical foreign policy programs. The remarks are especially significant because they were made in a forum where the left wing predominates and where Papandreou traditionally has taken his harshest anti-US stands.

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FRANCE-USSR: Mitterrand To Emphasize Human Rights

French officials intend to raise human rights questions with General Secretary Gorbachev at least three times during the meetings that begin today. Human rights issues have dominated recent previews of the visit in French media and have been the subject of at least one large anti-Soviet demonstration. A recent poll, meanwhile, indicates the French people are more dubious than the West Germans or the British about Gorbachev's professed interest in peace.

Comment: President Mitterrand may have decided to put emphasis on Soviet human rights abuses as a counterpoise to the concentration on disarmament issues he expects from Gorbachev. Despite his vulnerability to charges of French involvement in the Greenpeace bombing, Mitterrand probably believes that firmness on human rights will win him solid public backing. He may try to balance this criticism of Moscow, however, by restating general French opposition to the "militarization of space."

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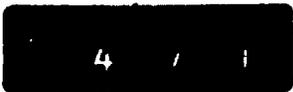
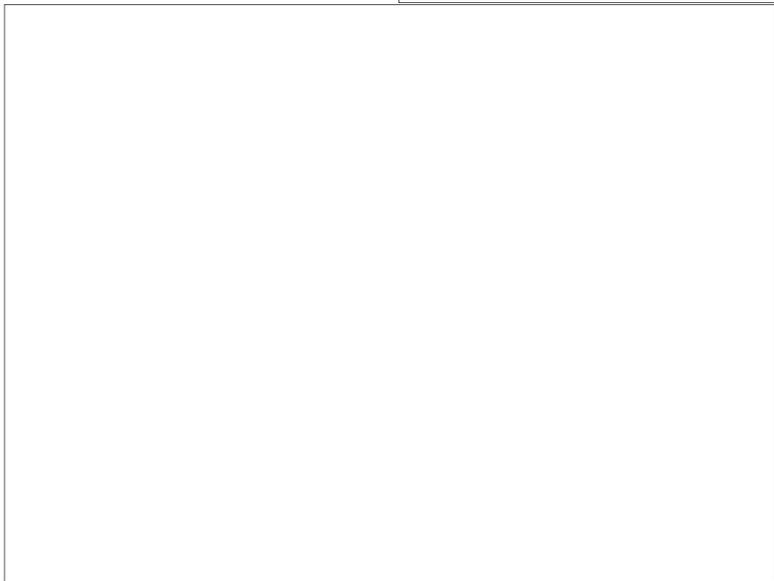
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NICARAGUA-US: Blame for Diseases

President Ortega has announced an investigation to determine whether the US is responsible for the current epidemic of dengue fever and the outbreak of cotton blight that is predicted to greatly reduce the yield this season. 

Comment: In his suggestions of US biological warfare, Ortega is following the precedent set by Castro in explaining the dengue fever epidemic in Cuba in 1981 rather than acknowledging Nicaragua's inadequate control of disease-carrying mosquitoes. Nicaraguan Minister of Agriculture Wheelock and other officials have already noted publicly that the cotton disease resulted from improper preparation of seed before planting. In addition, Nicaragua failed to obtain seed from blight-resistant strains of cotton. The loss of manpower in the next two to three months from dengue—a severe but nonfatal disease—and the probable loss of foreign exchange because of lower cotton production are likely to cause more economic problems for Nicaragua. 



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PANAMA: Tensions Building

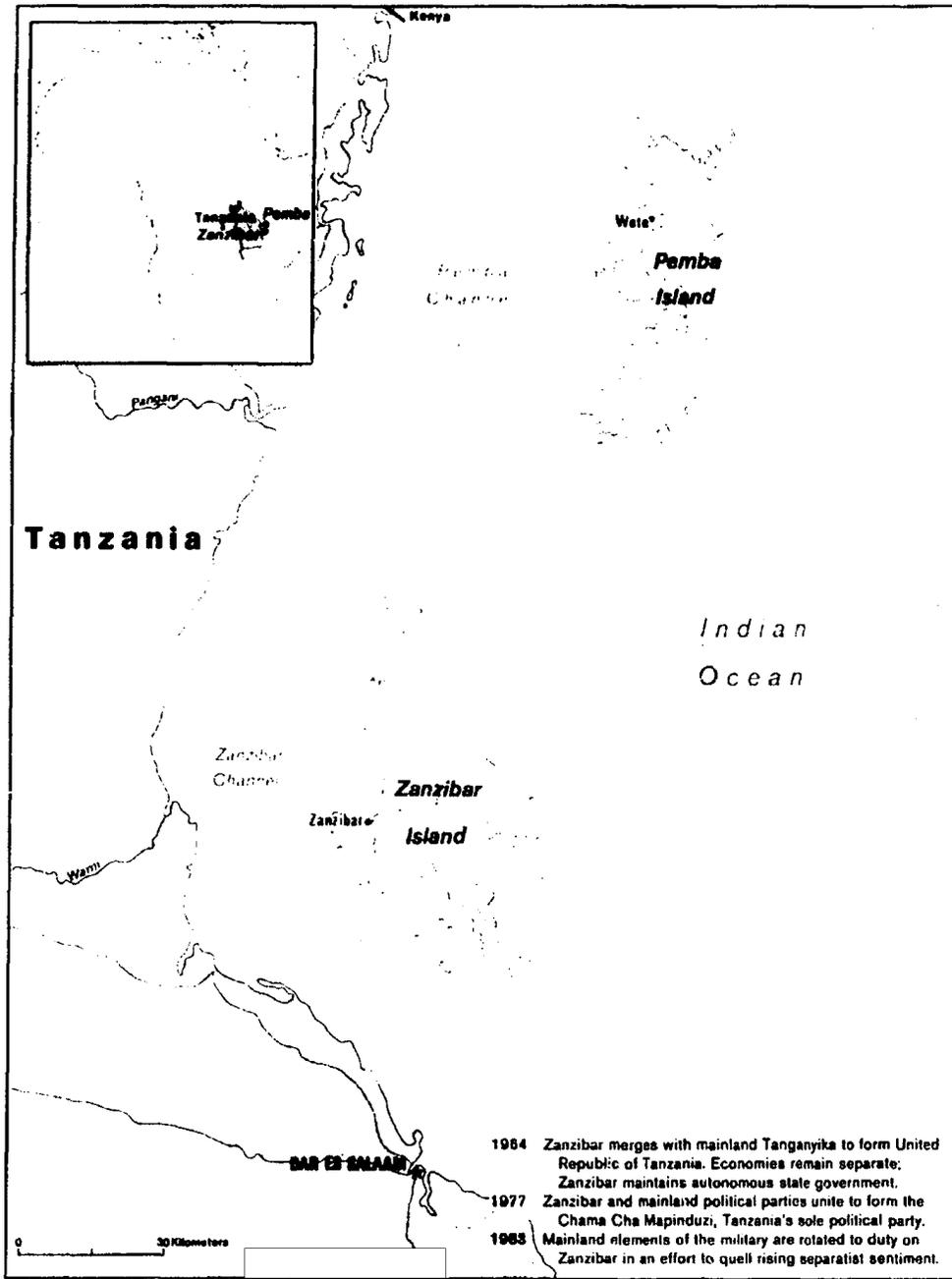
Defense Chief Noriega is taking a tough line toward public discontent over the military's involvement in a murder scandal and in President Barletta's removal. An opposition group of 40,000 professionals and a student federation have called for a general strike tomorrow unless the new government commissions an independent investigation into the murder of Hugo Spadafora, a strong critic of Noriega.

Comment: The Defense Forces may round up or threaten opposition leaders to try to head off the strike and almost certainly will break up any demonstrations. Noriega appears determined to ride out the Spadafora affair at the risk of violent confrontations. He will be increasingly vulnerable to plotting within the military if the protests widen or bloody clashes occur.

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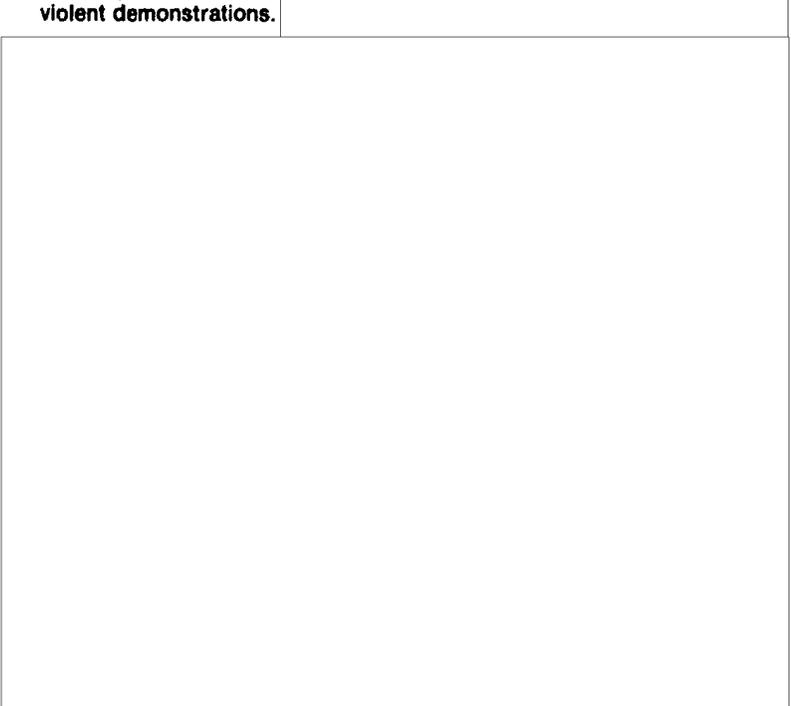


TANZANIA: Economic Crisis as Election Nears

Tanzania is facing a severe oil shortage, largely the result of depleted foreign exchange reserves and repeated defaults to oil suppliers.

[redacted] Tanzania's refinery will close this week; the Army, campaigners for national elections in late October, and the Dar es Salaam area have top priority for remaining petroleum supplies. Outside the capital reserves are exhausted, food and crop transportation is paralyzed, and the tourist industry—already suffering from poor service and high prices—is grinding to a halt. Meanwhile, senior government and party officials are conducting a vigorous campaign to garner support for the sole candidate for President of Zanzibar, who automatically becomes Vice President of Tanzania. [redacted] despite these efforts, residents of Zanzibar and Pemba remain firmly opposed to him.

Comment: The oil crisis will not be alleviated until November, when oil on order from an independent supplier is expected to be refined. Zanzibari animosity over the poorly regarded and wasteful election campaign could turn violent. The Army should be able to quell any violent demonstrations.





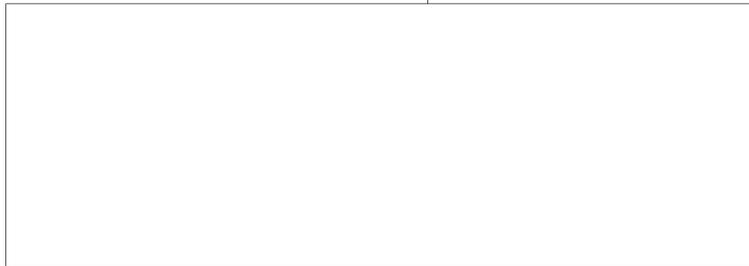
In Brief

Middle East



— **Japanese** may withdraw from oil projects in southern **Iraq** following recent **Iranian** air raids . . . Japanese project at Khor Al-Zubair hit on 15 September . . . Japan in oil projects in Iraq worth several hundred million dollars.

Africa



— **Soviet** President Gromyko met in Moscow with **Madagascar's** President Ratsiraka on Monday . . . coverage suggests exchange on international and bilateral issues, no new aid . . . Moscow probably probing extent of Ratsiraka's new Western tilt.

— Press reports **India** recognized Polisario Front yesterday, prompting Morocco to break relations with New Delhi . . . most important victory yet in **Algerian** efforts on Front's behalf . . . will improve chances for similar success during current UN session.

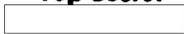
— Residents of central, southern **Mozambique** still threatened by starvation, estimated 2.5 million feeling impact . . . rural insurgency hindering relief efforts, interfering with production in agriculture.

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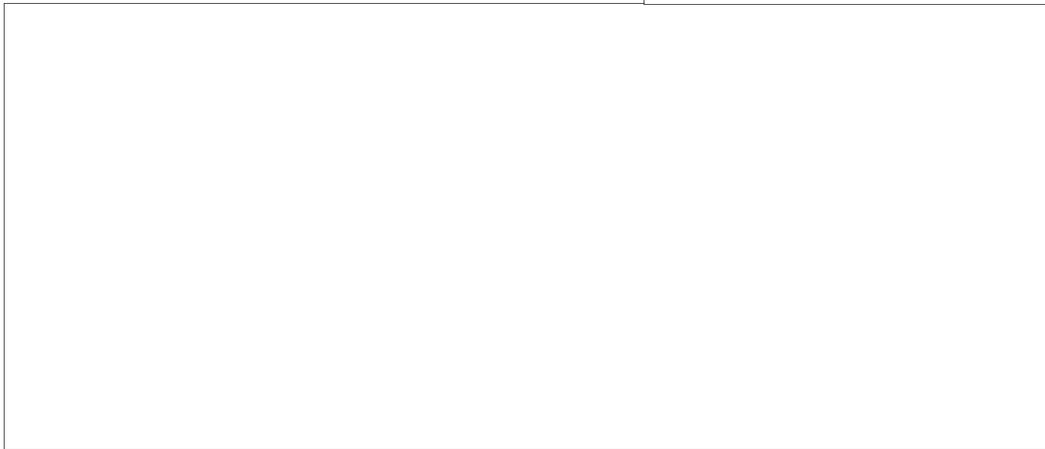
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Americas



— **Uruguayan** trade unions to renew talks with government on an accord to reduce labor unrest . . . move follows ineffective 24-hour general strike last week . . . will help President Sanguinetti's efforts to tame unruly labor movement.



Antarctic

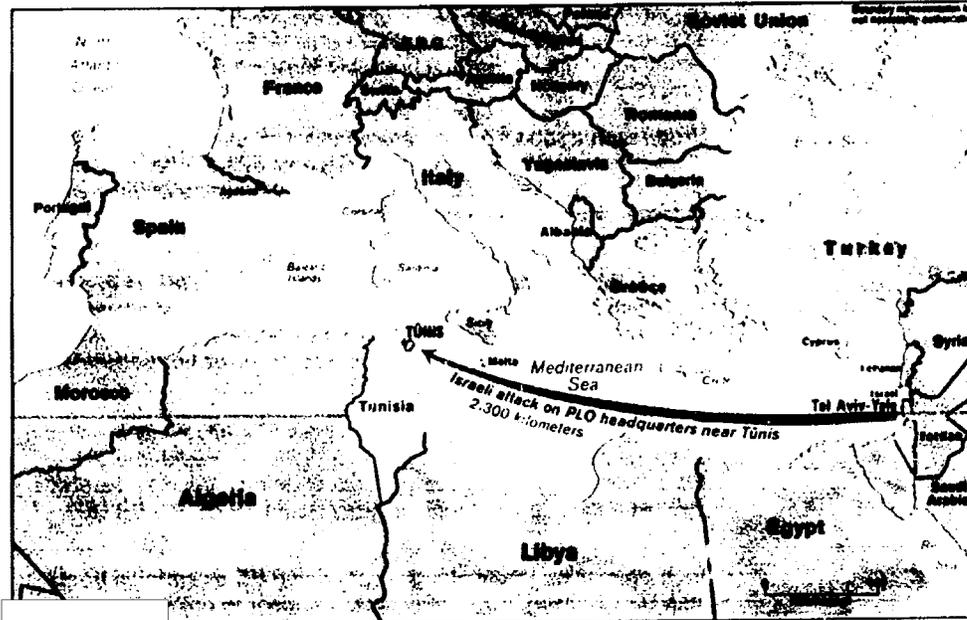
— Greenpeace planning \$1 million **Antarctic** research station . . . hoping to qualify for Antarctic consultative status . . . could then lobby against exploitative national projects . . . station to be within 700 miles of new **French** airstrip.

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Special Analysis

**ISRAEL-TUNISIA-
PLO:**

Aftermath of Tunis Airstrike

Israel's retaliatory airstrike on PLO headquarters near Tunis yesterday is a signal to King Hussein that he must crack down on Fatah activities in Jordan to avoid similar Israeli attacks there. But the King probably believes he can do little more to restrain Fatah activities in Jordan without risking serious repercussions at home and courting censure by Arab states. Fatah almost certainly will strike back at Israeli targets.

Israeli Defense Minister Rabin said that eight F-15s struck the PLO's compound in retaliation for the Palestinian murder last week of three Israeli yachtsmen near Cyprus, an attack for which Israel holds PLO Chairman Arafat responsible. This was the most distant airstrike ever undertaken by the Israelis, who scored hits on PLO headquarters and administration buildings. the attack killed an estimated 45 Palestinians and 15 Tunisians and wounded many more. Arafat was in Tunis during the raid but escaped injury.

The Tunis attack followed several weeks of increased terrorist activity in the West Bank—which Israel has blamed on Arafat's Fatah organization, the largest component of the PLO. Israel is convinced that Fatah has directed violence in the West Bank from its bases in Jordan; Israeli leaders have repeatedly warned Hussein that such terrorist attacks must cease.

Pressure on Amman

The attack underscores the growing pressure Likud hardliners—led by Commerce and Industry Minister Sharon—are placing on Prime Minister Peres to punish the PLO for terrorism aimed at Israelis. Israel's choice of PLO facilities in Tunis as a target instead of PLO facilities in Jordan, however, indicates that for the time being Peres is primarily concerned with not humiliating King Hussein and limiting the damage that retaliatory attacks inflict on the peace process.

All the options available to Hussein carry major risks. Concerned over the sensibilities of Jordan's Palestinians—a majority of the population—and fearful of losing Arab political and financial support, he is unlikely to move precipitately to expel the PLO. He nevertheless probably will warn Arafat in private that any attempt to conduct terrorist operations from Jordan will result in immediate expulsion, and he will encourage key PLO leaders to stay out of Jordan for the

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time being. Hussein probably will also stress once again to Israel that he is taking all reasonable precautions to prevent PLO cross-border attacks. [redacted]

The PLO is likely to retaliate for yesterday's airstrike with more attacks on Israeli targets inside Israel, elsewhere in the region, or even in Europe. Arafat is likely to come under increasing pressure from Fatah hardliners to hit Israel from Jordan. He probably will try to discourage cross-border operations to prevent the PLO's expulsion by Hussein, but he will continue to direct operations by activists in the West Bank against Israeli targets. [redacted]

Regional Reactions

[redacted]

The raid may damage US-Tunisian relations over the short term because the Tunisians probably suspect the US knew about the raid beforehand. Washington's promises to protect Tunisia against Libyan aggression also may now have a hollow ring; Tunis may seek some dialogue with Qadhafi. [redacted]

Libya almost certainly will try to exploit the airstrike to drive a wedge between Tunisia and the US by portraying US security guarantees as meaningless. Qadhafi probably will follow up this effort by trying to restore relations with Tunis, at the same time encouraging the Tunisians to vent their anger on US personnel and facilities there. [redacted]

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Special Analysis

MEXICO:

Implications of the Earthquake

Mexico apparently intends to use the earthquake disaster to strengthen its case for new financial assistance, but commercial lenders are likely to lend only a portion of the additional funds Mexico deems necessary for 1986. The disaster also will add to President de la Madrid's political problems, but serious opposition is not likely to develop.

Mexico City was the hardest hit; approximately 50,000 people were left homeless, and 1,000 of the city's 1 million buildings will need to be rebuilt. Several million residents remain without water. At the same time, only 2 percent of the city sustained major damage, and there was no significant effect on the country's industrial base or oil-production facilities.

Economic Impact

For a while the rebuilding effort will help replace jobs lost as a result of the earthquake and will stimulate economic activity. Although major tourist centers largely were spared, tourism will take months to recover.

Political Fallout

Even though Mexicans tend to rally behind the president in times of crisis, the government's handling of the disaster is causing some political reactions. Approximately 2,000 people demonstrated in the capital last Friday to demand housing and other disaster-related assistance. Opposition leaders have already publicly blamed the government for permitting shoddy construction of some of the buildings that collapsed. The conservative National Action Party, the government's strongest political rival, has not yet sought to exploit the issue.

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Outlook

International lenders will demonstrate some flexibility over the next few months, but they are unlikely to loan Mexico much more than the \$2 billion or so next year they were grudgingly willing to provide before the disaster. Bankers probably will soon urge long-term structural changes that they believe are necessary for a lasting solution to Mexico's financial crisis. 

Both Mexico City and the banking community will expect Washington to act on their behalf. The Mexican administration will seek to have funding from the World Bank and other multilateral lenders increased, while US bankers will want Washington to persuade Mexico to follow policies aimed at long-term reform. 

The disaster will make it difficult for de la Madrid to impose new austerity measures soon, as the administration apparently had intended. Because the President recognizes that postponement will only heighten the economic trauma in the future, he is likely to resume belt tightening in a few months, after the effects of the earthquake have subsided. 

Such steps, even though delayed, and the criticism of the government that is surfacing portend a further reduction in de la Madrid's popularity. Nonetheless, as in previous disasters, popular anger will probably wane in a few months. Moreover, de la Madrid commands the loyalty of the military and security forces, which remain capable and willing to contain any localized protests against the government. 

