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Director of
Central
Intelligence

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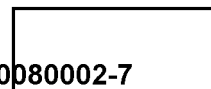
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National Intelligence Daily (Cable)

16 January 1979

DIA and DOS review(s)
completed.

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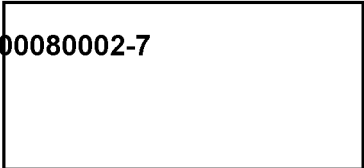
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National Intelligence Daily (Cable)



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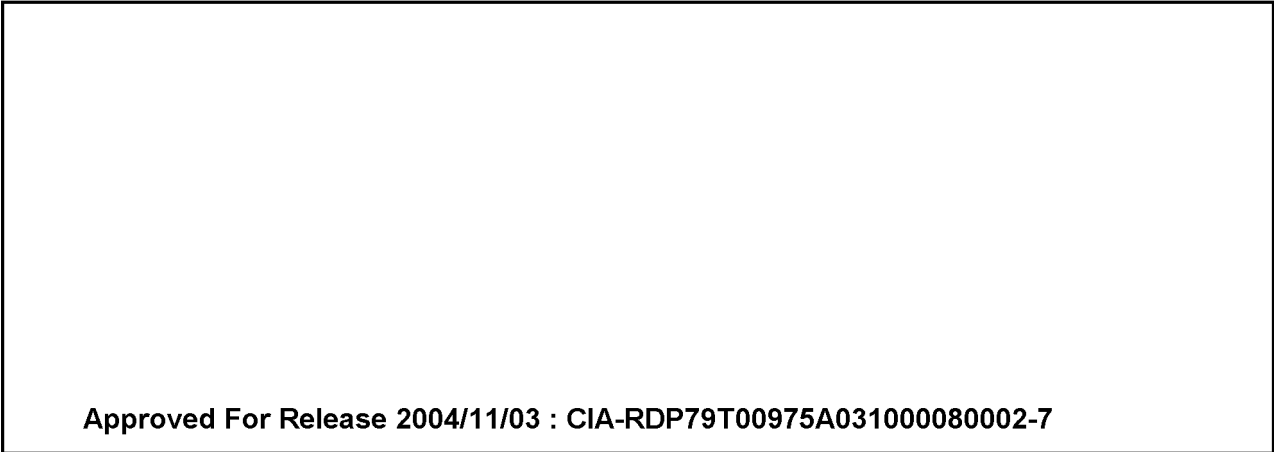
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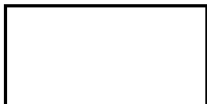
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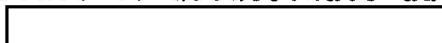
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SPAIN: Counterterrorism

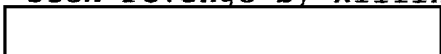
More violence erupted in Spain's troubled Basque region last weekend amid signs of renewed vigilante activity by extreme rightists. The military is unlikely to become directly involved, however, unless terrorists follow up on threats to assassinate additional senior army officers.

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The Basque terrorist organization, ETA, is likely to retaliate quickly and harshly for the near-fatal attack on one of its alleged leaders in southern France on Saturday. Two far-right groups in Spain have claimed responsibility for the shooting; members of the paramilitary Civil Guard, however, are widely believed to form the core of such rightist groups and the ETA will probably seek revenge by killing prominent police officials.

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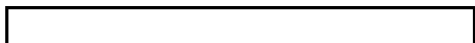
Last month, another ETA leader was killed by a bomb in southern France. The attacks on the two ETA leaders seem likely to signal a resurgence of far-right terrorist groups in the Basque region.

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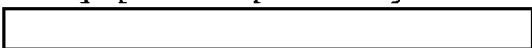
ETA could also retaliate by pursuing its avowed intention of killing senior military officers. The Spanish military is already incensed by the assassinations earlier this month of two army officers, which resulted in public protests by the military. Further attacks on army officers could unleash emotional forces difficult to control.

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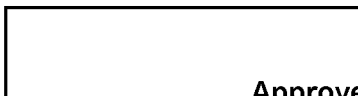
Key military commanders still appear committed to staying within the bound of the constitution, and they do not relish the prospect of becoming directly involved in the Basque situation through the imposition of martial law. At the very least, however, they would be likely to exert intense pressure on the government to crack down hard on the Basques by using the extraordinary police powers granted last year.

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YUGOSLAVIA: Tito to Visit Kuwait

According to a Kuwaiti Government announcement, Yugoslav President Tito will visit Kuwait from 3 to 6 February. The Kuwaiti press is speculating that Tito may go on to Iraq and Syria in an effort to narrow those two countries' differences with President Sadat over the Camp David accords. Tito may speak favorably about the accords in private but is unlikely to press leaders in Baghdad and Damascus to drop their opposition to an Egyptian-Israeli treaty.

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Tito continues to oppose Israel's stand on most of the unresolved issues, but distrusts Sadat's go-it-alone strategy. He does, nevertheless, place a high priority on recreating an aura of unity between Arab members of the nonaligned movement. Yugoslavia is also interested in maintaining improved relations with the US, and this probably accounts for its uncharacteristically constructive approach in not condemning the Camp David agreement.

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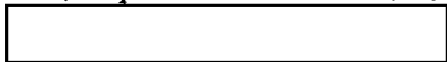
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IRAQ-SYRIA: Reopening of Pipeline

//The Iraqi Petroleum Corporation pipeline, which runs from Iraq through Syria to the Mediterranean, is scheduled to begin operating by the end of January. The opening of the pipeline--which has been closed for nearly three years because of strained political relations as well as disagreement over the price of the oil and transit fees--is symbolic of growing rapprochement between Iraq and Syria. The us defense attache in Damascus believes that the pipeline is now ready to use after recent repairs. No prices or fees have been announced; in the last full year of operation, Syria realized around \$130 million in transit fees.//



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ANGOLA: Airfield Capture

//Angolan Government and Cuban forces have captured M'Pupa airfield, where foreign-supplied military equipment and supplies destined for Jonas Savimbi's National Union for the Total Independence of Angola have arrived during the past year. The airfield, a longtime government objective, apparently was taken during an offensive last month

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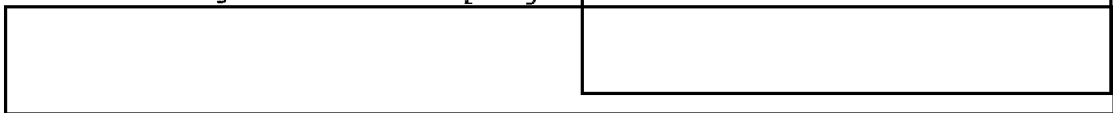
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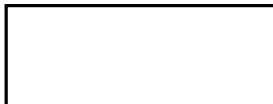
The loss of M'Pupa will disrupt UNITA's logistic network, but it will not seriously impede UNITA's effective guerrilla campaign.

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SPECIAL ANALYSIS

China's Search for Industrial Technology

[Redacted]

China's post-Mao leadership has launched an ambitious program to acquire Western machinery and technology to help modernize the country's backward industrial base. The effort, covering the entire industrial spectrum, potentially could cost more than \$40 billion in foreign exchange by 1985. The leadership is only beginning to recognize the difficulties that will eventually force China to slow the pace of the program and probably extend the 1985 goals into the 1990s.

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//Vice Premier Deng Xiaoping (Teng Hsiao-ping) has been the driving force behind the program to bring the economy up to "front-line status" by the end of the century. Since October 1976, China has contracted for whole plants and technology valued well in excess of \$7 billion, more than twice the value of all such contracts signed between 1972 and 1975.

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[Large redacted block]

China has eased a number of restrictive policies in its efforts to spur acquisition of technology and to create an environment encouraging the absorption of new techniques into industry. Perhaps the foremost policy turnaround is the new willingness to send thousands of students to the West to study. In addition, more than 2,000 Chinese technicians and specialists have visited Western factories over the last two years, shopping for

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the latest in industrial technologies. China has also encouraged visits by Western businessmen who are flocking in to promote their products and services. [redacted]

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China also has moved to reconcile its internal policies with international business and financial practices. In a major concession to Western businessmen concerned about patent infringements, China is laying the ground work to recognize the International Patent Protection Agreement. The Chinese have also been compelled, by the massive foreign exchange requirements of their program, to consider a variety of schemes they would not permit before, including joint ventures, barter and product payback deals, long-term credits, and even government-to-government loans. [redacted]

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Western money markets are well disposed to extend the \$15 to \$20 billion in credits that China would require over the next several years to finance a \$40 billion capital import program. China has already obtained commitments for nearly half that amount. [redacted]

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A combination of technical, political, and financial constraints will preclude full attainment of the modernization goals on schedule. The sheer size and speed of the effort is the primary constraint. China does not have the skilled manpower or management resources to coordinate the purchase, construction, and operation of the large number of projects it plans to complete by 1985. [redacted]

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The standdown of higher education in China between 1966 and 1976 left a 10-year gap in the supply of engineers and scientists. Past import programs often met with technological, supply, transportation, personnel, or other problems that limited the impact of imported plants and equipment. Similar problems will hamper this much more ambitious program. [redacted]

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The reluctance of many cadres and workers fully to embrace the leadership's program could become a critical constraint. Past policy shifts--in particular the Great Leap Forward (1958-60) and the Cultural Revolution (1966-69)--had drastic economic and political repercussions; many middle-level industrial officials

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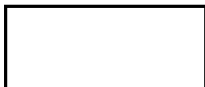
and Communist Party members, fearing another dramatic shift in priorities, are wary of taking initiatives that may backfire in a few years. Further, as foreign-trained technicians and students enter the work force, their differences in outlook from less-educated workers and cadres who gained their positions during the Cultural Revolution could spark disruptive clashes. [REDACTED]

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As problems multiply, China's leaders will reduce the speed and the scope of the program, resulting in a stretch-out of 1985 targets into the 1990s. Even so, the achievement of even a fraction of the goals would add significantly to China's drive to become a major industrial power. [REDACTED]

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

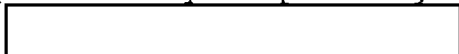
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UK

//The US Embassy in London concludes that the Callaghan government is not likely to fall today following the debate on economic policy in the House of Commons. It is not certain whether the opposition Conservative leadership will push for a vote of confidence. The Tories might have support from the Liberals, but members of Parliament representing Northern Ireland and the Scottish and Welsh nationalist parties are likely to side with the government. The Embassy believes the Tories may decide to allow the government more time to try to resolve the issues posed by strikers in the hope that it will embarrass itself in the process. Meanwhile, today's one-day national rail strike--threatened to be resumed on Thursday--will further disrupt long-distance freight transport already seriously hampered by the truck drivers' strike.//

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