



Director of
Intelligence

Approved For Release 2004/07/08 : CIA-RDP79T00975A031200120001-1

Top Secret

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National Intelligence Daily (Cable)

14 March 1979

State Dept. review completed

Top Secret

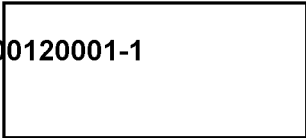


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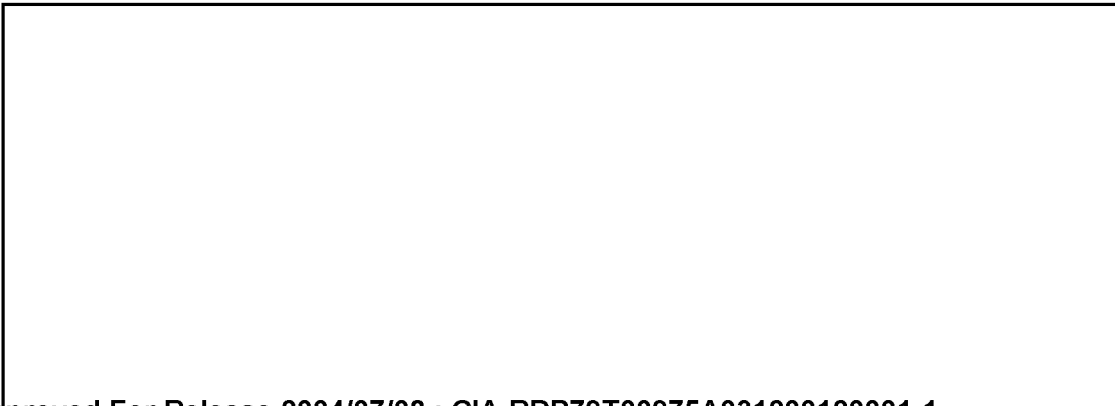
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SITUATION REPORT

NORTH YEMEN - SOUTH YEMEN

No new developments in the conflict between North and South Yemen have been reported, and attempts to mediate the dispute continue. [REDACTED]

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No further fighting was reported along the border between North and South Yemen yesterday following the announcement of Aden's agreement to the cease-fire and troop withdrawal. We have no evidence, however, that South Yemen has begun to pull back its forces from North Yemen. [REDACTED]

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Arab League representatives are continuing mediation efforts, and Baghdad radio reports that the chiefs of staff of the two countries will meet in Sana tomorrow. Some normalization measures, such as reopening telephone contact between the two countries, already have been implemented. [REDACTED]

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The Yemeni summit meeting set for Kuwait on 28 March, however, will have to grapple with more difficult issues. The Kuwaiti Ambassador in Sana has informed the US Embassy there that South Yemen is insisting that as part of the overall cease-fire agreement, Kamaran Island, which was occupied by North Yemen in 1972, be returned to southern control. [REDACTED]

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BRIEFS AND COMMENTS

EC: Summit Concluded

//The EC summit concluded yesterday in Paris, but information on the discussions is still sketchy. The new European Monetary System, agriculture, energy, the future of Euratom, and employment policies all received high-level attention during the past week.// [REDACTED]

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//On Monday, the heads of government confirmed that the EMS would begin yesterday. This had been made possible by France's earlier removal of its reservation and the informal agreement among all EC members except the UK on some agricultural issues. In Paris, the UK again called for a freeze in farm prices, evoking no agreement. There may have been some agreement in principle on the problem of agricultural surpluses.// [REDACTED]

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//EC leaders decided in principle to hold EC oil consumption this year to 500 million tons, about 5 percent less than projected, matching the previously announced target by the International Energy Agency. They also called on the US and Japan to reduce oil use. EC officials reportedly linked survival of the EMS to US energy conservation, which they argued was necessary to preserve the value of the dollar against the German mark, the strongest EMS currency. EC energy commissioner Brunner will meet Energy Secretary Schlesinger and other US officials in Washington on Monday, prior to an EC Council of energy ministers on 27 March.// [REDACTED]

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//French President Giscard proposed modification of Euratom's authority over uranium supplies but failed to gain initial support. A French proposal for a possible common policy on nonproliferation will be discussed later by EC Foreign Ministers.// [REDACTED]

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//The heads of government for the first time addressed the concept of "work sharing," reducing working hours to increase the number of persons employed.// [REDACTED]

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GRENADA: Marxist Coup

The leaders of the Marxist-oriented New Jewel Movement who seized power in Grenada yesterday are still attempting to consolidate their control. Although much of the 600-man defense force apparently surrendered, there may be holdouts among the police and possibly in the countryside, where deposed Prime Minister Gairy--currently visiting New York--had his strongest support. The NJM probably will adopt a nonaligned policy in its relations with neighboring Caribbean countries and the US.

[REDACTED]

//Self-proclaimed Prime Minister Maurice Bishop, a 34-year-old London-educated lawyer, heads the NJM, which grew from a fringe group in the early 1970s into the leading opposition in the 1976 elections that Gairy only narrowly won. NJM appeal was heightened by Gairy's often arbitrary and sometimes brutal rule since 1967. The NJM's early stress on radicalism and underground activity gave way, perhaps with Cuban encouragement, to more conventional political action by 1974. We have only a fragmentary outline, however, of the recent NJM relationship with Cuba.

[REDACTED]

There is some evidence of possible Cuban funding and perhaps sponsorship of military training for a few Grenadians outside the country.// [REDACTED]

With the exception of Jamaica and Guyana, most Caribbean governments will react very cautiously to developments in Grenada. Although there are no other Marxist parties in the Eastern Caribbean with as much appeal as the NJM, recently independent Dominica faces a growing pro-Cuban group, and leaders of each of the smaller islands are uncomfortably aware of how their small defense forces might easily be overwhelmed. The left-leaning Jamaican administration, on the other hand, reportedly is planning to recognize the Bishop government, and Prime Minister Manley is said to have been elated by the coup.

[REDACTED]

[REDACTED]

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SOUTHERN AFRICA: Drought Damage

//Drought damage to southern Africa's crops and grazing lands has boosted import needs and raised fears of serious food shortages. Beginning this summer, regional requirements for foodgrain imports could rise by 600,000 tons. South Africa--traditionally the region's largest supplier--will probably increase its grain sales to the nearby countries even though its own crop shortfall will restrict its exports to other regions.//

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//Rains brought some relief in late January, but the area planted to corn and other crops in the food deficit nations of the region has been reduced by about 20 percent. South Africa's corn production this spring is expected to fall 25 percent below last year's level. South Africa, however, is building up stocks and beginning this summer South African exports to the deficit nations will most likely increase by about 500,000 tons. To do this, South Africa will have to cut shipments to Taiwan and Japan.//

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//Grain and food prices throughout the region undoubtedly will increase, leading to higher inflation and intensifying balance-of-payments problems. Although most regional grain import needs will be covered by South Africa, aid requests to Western nations are increasing. The possibility of severe food shortages will promote intra-area trade and possibly greater official recognition of this trade. Rhodesia, with political motives in mind, has offered surplus wheat and corn to Zambia. Although existing border and transit restrictions may be eased, transportation and distribution in the area will remain a problem, especially for Zambia--where grain imports could exceed 450,000 tons.//

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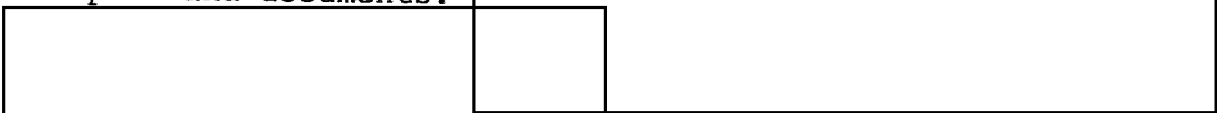


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NAMIBIA: South African Raids Continue

Yesterday, South African forces continued the attacks that since 6 March have struck at least 13 South-West Africa People's Organization camps in Angola and Zambia. South African and Angolan authorities say few guerrillas were killed in the attacks. Action consisted primarily of airstrikes, although some heliborne ground troops and a ground column also participated. The South Africans probably destroyed a number of forward staging bases used for infiltration into Namibia and captured weapons and documents.

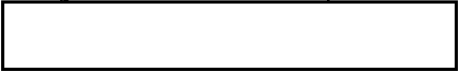
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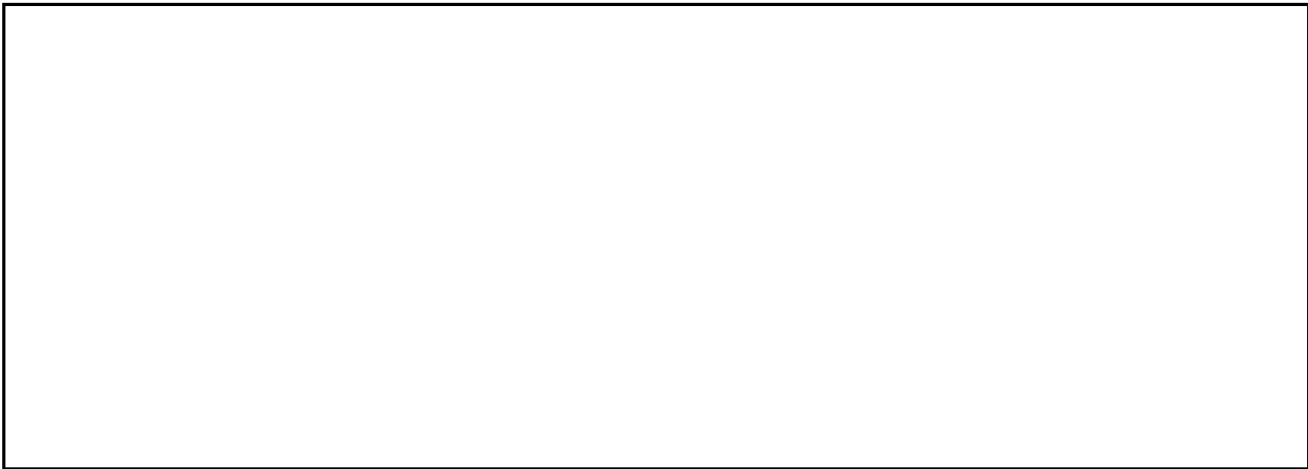
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According to the South African military commander in Namibia, the strikes were primarily intended to prevent SWAPO from stepping up guerrilla infiltration during the initial phase of a truce under UN auspices.

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CHILE-FRANCE: Mirage V Purchases

//The Chilean Air Force appears ready to purchase a squadron of French-built Mirage V fighter aircraft rather than add to the US-built F-5s already in its inventory. US restrictions on arms exports to Latin America and a French promise to deliver this year have been key factors in Chilean thinking. Chilean Air Force officers, fearful that papal mediation may not solve Chilean-Argentine problems over the Beagle Channel, have been attracted to the Mirage V's impressive ground-attack capability. The larger Argentine Air Force was augmented by the recent purchase of 24 to 26 Mirage Vs from Israel.//

[REDACTED]

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SPECIAL ANALYSIS

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MOROCCO: Hassan's Growing Problems

Growing domestic and foreign policy problems are undermining King Hassan's authority and encouraging open political opposition. No one issue constitutes a serious challenge, but the convergence of these problems has produced a malaise not seen since the early 1970s. If Hassan does not manage these building pressures more expeditiously and adroitly in the next several months, he could lose control of events and ultimately his throne.

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Political drift has been evident in Morocco for at least six months, with the King and his ministers seemingly unprepared to respond effectively to current problems. There are no easy solutions to Morocco's problems; some are partially dependent on factors beyond the King's control. Nonetheless, criticism of Hassan's stewardship is growing, as is a general perception of royal indecision and passivity.

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//The unending conflict over mineral-rich Western Sahara is Hassan's principal preoccupation, a contributory cause of many of his domestic problems, and a growing political liability. Last fall, there were numerous complaints from Moroccan citizens about the costs of the war and from students about the sacrifices involved in holding on to the disputed territory. The King's moderate response to a Polisario guerrilla raid in late January on a southern Moroccan town--albeit in the interest of keeping the door open for negotiations--evoked widespread criticism.

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//The war against the Algerian-backed guerrillas is going badly and Hassan needs a political settlement. His ability to obtain one, however, depends on a willingness by all parties to the dispute to make previously unpalatable compromises and a shared perception that a military solution is impossible.

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The presence of the former Iranian leader in Morocco is highly unpopular and is inviting dangerous comparisons of the two monarchies.

[REDACTED]

[REDACTED] Disaffected students in anti-Shah street demonstrations have called not only for expulsion of the Shah but also for the removal of Hassan.

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Unlike the Shah, however, Hassan is his country's religious leader, has not pushed rapid modernization, has unquestioned legitimacy as a monarch, and is being challenged by political leftists, not religious conservatives.

[REDACTED]

Morocco faces serious economic problems that are likely to persist into the early 1980s. Unemployment is high, wage increases have fallen far behind inflation, and rapid population growth has resulted in a net decline in per capita food production. The stringent austerity program adopted last year to reduce a large commercial trade deficit is producing substantial distortions in the domestic economy and adding to labor unrest.

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Morocco's financial situation appears increasingly precarious. Morocco's debt service ratio is expected to rise to about 28 percent this year--more than 20 percent generally is considered a high risk by international lenders--and to continue to climb over the next few years. Morocco is also experiencing serious foreign exchange shortages, the loss of budgetary support from Saudi Arabia more than a year ago, and the mounting financial burden of the Sahara conflict.

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The government's inability to satisfy popular expectations for improved living standards and a more equitable distribution of national wealth has never been more apparent. Labor strikes have been at above normal levels since December.

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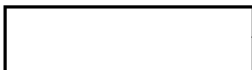
At least some of the current strikes seem politically motivated to embarrass the government. The Socialist Union of Popular Forces--the only militant political party on the Moroccan scene--working through its newly formed labor affiliate, the Democratic Confederation of Labor, appears to be encouraging some of the strikes to attract wider political support from militants throughout organized labor.

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[REDACTED]

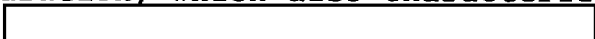
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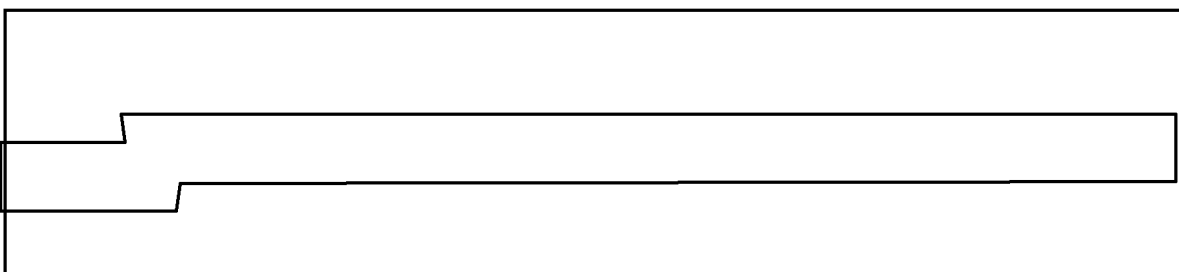


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The Socialist Union has become increasingly open in pursuing long espoused demands for political and economic reforms. At the close of its party congress in December, the Union boldly called for partial restriction of Hassan's autocratic powers. The government response was to seize the party's newspaper to prevent publication of the declaration, which also characterized the monarchy as

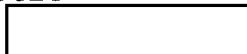
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Hassan may yet be able to reverse his sagging fortunes by recourse to his consummate skill in manipulating competing political interests and his flair for undertaking dramatic gestures in a new policy direction. Hassan's message last week to a special session of parliament calling for continued sacrifices and the formation of a national unity council in support of Western Sahara policy is unlikely to divert popular attention from domestic problems. A bold initiative toward a political settlement of the Western Sahara dispute or against economic ills at home, however, would help reverse domestic malaise and Hassan's image of ineffectiveness. 

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