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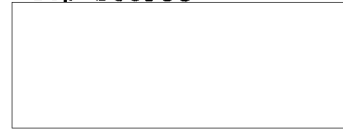
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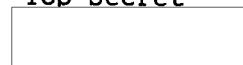
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POLAND: Military Impatience

//Military officers are dissatisfied with the performance of civilian bureaucrats. The regime is planning some show trials.//

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//Poland's military leadership is dissatisfied with the slow and inconsistent pace of personnel changes in the civilian bureaucracy and the failure of civilian organizations to take the initiative in solving problems. Last week, senior members of the Ministry of National Defense proposed that party and government officials adopt organizational and personnel policies that the Ministry has developed over the past decade.//

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//A Foreign Ministry official subsequently commented that the military program calls for greater competition in filling positions and stringent controls on the number of government employees. He added that the military intends to remove corrupt and incompetent officials who hold their jobs because of their connections.//

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Comment: These plans reflect Premier Jaruzelski's desire to make the bureaucracy more responsive and efficient. The slow progress has probably already convinced some in the military that they will have to retain considerable power for a long time. Such perceptions will bring them into conflict with party stalwarts, especially if some loyal party members lose their jobs.

Miroslaw Krupinski, one of Lech Walesa's deputies, went on trial yesterday for organizing a national strike committee in Gdansk shortly after the imposition of martial law. His trial comes on the heels of the stiff sentences handed out to lower level activists and coincides with a highly publicized "spy" trial. The regime also announced that it has completed preparations for a tribunal to try former party chief Gierak and other former leaders for corruption.

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Comment: Walesa will be even less likely to negotiate with authorities, now that they have started to prosecute individuals that he wants to participate in any talks with the regime. Moreover, show trials will not intimidate either dissidents or staunch union activists, who will view the defendants as martyrs. Although some Poles will be pleased to see Gierak and others punished, few will forgive the prosecution of Solidarity activists.

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INTERNATIONAL: Oil Market Developments

//OPEC is under increasing pressure to cut some official prices and reduce output because of continued weakness in the oil market.// [redacted]

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Oil consumption in France, West Germany, and the US dropped by 10 percent in December from levels in the same period in 1980. Weak demand has led to a drop in spot prices for crude oil and placed growing pressure on official prices. Spot prices for Saudi and African crude oils have fallen nearly \$2 to \$3 below official levels. [redacted]

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Several oil producers recently have attempted to increase their share of the market by lowering official prices. Iran cut crude prices by \$1 per barrel, offsetting the cost disadvantage buyers incur in paying war-risk insurance premiums. Iraq has given Japan discounts amounting to about \$1 per barrel, while the British National Oil Corporation has cut prices by \$1.50 per barrel. [redacted]

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//Some OPEC members still are attempting to schedule an extraordinary meeting in the next few weeks. Saudi Oil Minister Yamani claims no meeting will be held and continues to support the \$34 benchmark, at least publicly.// [redacted]

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Comment: *//OPEC may hold a special ministerial conference in March before the beginning of second-quarter price negotiations. Such a meeting would be likely to result in further price reductions around the Saudi benchmark price, with Riyadh allowing production to decline in response to market pressures. Any Saudi cuts, however, probably would be insufficient in themselves to stem the decline in spot prices over the next several weeks.//* [redacted]

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FRANCE-USSR: Possible Grain Deal

//France and the USSR may conclude a long-term agreement providing for French wheat sales of between 2 and 3 million metric tons annually.//

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//The French Agriculture Ministry reportedly favors an early agreement, but the Foreign Ministry apparently is still considering the matter. An agreement with Paris would raise the amount of grain Moscow imports under long-term contracts with the major grain-exporting countries to about 13 million metric tons per year, roughly 40 percent of its expected minimum import needs over the next several years. The Soviets will use the imports to help rebuild stocks and support the livestock program.//

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Comment: //The Mitterrand government probably sees a wheat deal with the Soviets as a way to reduce its substantial trade deficit with the USSR and to demonstrate its willingness to defend French agricultural interests. The deal also would reflect Paris's belief that expanding what it considers nonstrategic trade with the USSR helps to decrease East-West tension and to demonstrate independence from the US.//

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//If the deal goes through, France would be likely to point out that its grain sales to the USSR are modest compared to those of the US. EC members probably would give tacit approval to the French action, because it would alleviate the Community's growing grain surplus.//

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//The Soviets would attempt to extract political mileage from an agreement. They would contend that it confirms that trade with the French and other West Europeans could continue and expand, despite disagreements over Poland.//

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WESTERN SAHARA: OAU Committee Meeting

The proposed cease-fire agreement and referendum agreement worked out by the OAU special committee on Western Sahara reportedly is opposed by Morocco and by the Polisario guerrillas. [redacted]

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The Moroccans object to changes made by the committee to the proposal drafted last summer, especially the increased status accorded the Polisario and the supervisory authority over the proposed referendum delegated to the UN or OAU. The Polisario Front demands that there be direct negotiations between the guerrillas and Morocco, a position unacceptable to King Hassan. [redacted]

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Comment: The committee has now shifted responsibility for finding common ground between the disputants to OAU President Moi and apparently has skirted key issues dealing with voter registration and interim administration of the territory. Moi will have only until late spring, when his chairmanship of the OAU draws to an end, to implement a settlement. [redacted]

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//The attitude of Algiers may be critical in the months ahead because of its ability to put pressure on the guerrillas to moderate their demands. Morocco's acquisition of new, advanced military equipment probably has magnified Algeria's fears that Rabat will proceed with a military solution if it cannot arrange a settlement that legitimizes its control over the territory. In addition, King Hassan's decision not to attend the recent OAU session probably has reinforced skepticism of Moroccan motives in Algeria and in other OAU states.//

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AFGHANISTAN: Increasing Insurgent Cooperation

Cooperation among most insurgent groups in Afghanistan is growing, although one is still using force in an attempt to establish its preeminence. [redacted]

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The need to coordinate operations against the Soviets has encouraged greater cooperation among the hundreds of insurgent groups, //and most insurgents in the Kabul area and the nearby Panjsher Valley now belong to a single organization.// Similar organizations have appeared elsewhere in the country [redacted]

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Nonetheless, followers of Gulbuddin Hekmatyar--a fundamentalist who aspires to leadership of the entire resistance--have clashed several times in recent weeks with other insurgent bands. Gulbuddin embarked on an effort last spring to eliminate rival resistance groups, but his action only fostered greater cooperation among the targeted organizations. [redacted]

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Comment: The increase in insurgent cooperation is contributing to the Soviets' increasing problems in Afghanistan. Although the intensity of ethnic and personal rivalries among many Afghans virtually ensures continued frictions and occasional clashes, the Soviets generally have not been able to exploit such differences. [redacted]

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SYRIA: Fighting Continues in Hamah

Japanese technicians evacuated from the Hamah on Tuesday confirm that the fighting there was intense but say that government forces have regained control of portions of the city. According to the US Embassy in Damascus, the Japanese said damage in the city was extensive. The Embassy also learned yesterday that some soldiers in Hamah, who had joined the dissidents, had opened up armories and passed out weapons. Embassy sources indicate that fighting has not spread to potential trouble spots in the north. [redacted]

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Comment: The defection of soldiers--presumably Sunnis who refused to fire on their coreligionists--must concern President Assad's minority Alawite regime. Assad probably will keep largely Sunni Army units away from the heaviest fighting, relying instead on the elite units predominantly manned by Alawites to overwhelm the dissidents. [redacted]

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LIBYA-TUNISIA: Closer Relations

Following a meeting on Tuesday between President Bourguiba and a visiting Libyan official, Tunisia's official press announced that Bourguiba had invited Libyan leader Qadhafi to Tunis. The invitation reaffirms one extended to Qadhafi by Prime Minister Mzali during Qadhafi's stopover in Tunisia last month. [redacted]

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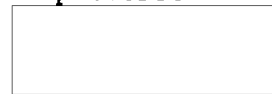
Comment: Bourguiba's invitation, his meeting with the Libyan official, and the favorable media attention given both events suggest that Tunis is moving toward normalizing relations with Libya. The Tunisians have no illusions about Qadhafi but evidently have decided that a facade of friendly relations may prove their best safeguard against Libyan designs. Ties between the two countries were broken after the Libyan-backed raid on Qafsah, Tunisia, in January 1980. [redacted]

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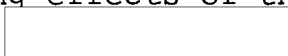
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USSR: Winter Grain Prospects

//The outlook for the Soviet winter grain crop for 1982 is largely favorable. Plantings of winter grains last fall were 4 percent above levels of 1980, and pre-winter crop development generally appeared good. Above-average precipitation in the late fall alleviated many of the lingering effects of the prolonged drought of last summer.//

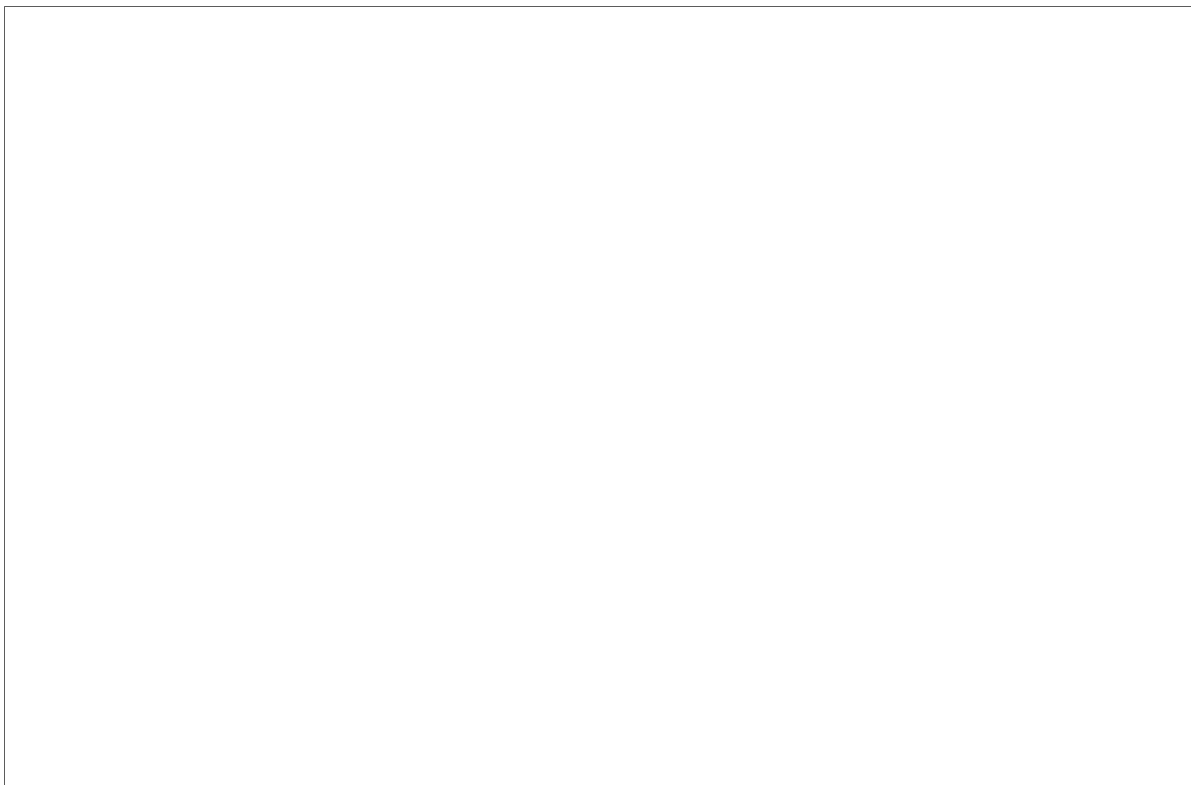


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Comment: It is too early to project the size of the winter grain harvest this year. Winter grain production accounts for nearly one-third of the total grain output, and a bumper harvest will be essential if there is to be a major recovery from the crop failures of the past three years.

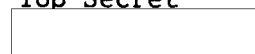


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JAPAN-US: Reaction to Defense Report

//Japanese reactions to Secretary of Defense Weinberger's annual report have been favorable. Prime Minister Suzuki told opposition members of the Diet that, although Japan would continue to set its own defense policy, US concern about Japan's security was "natural" in view of the sacrifices the US was prepared to make for its defense budget and obligations under the Mutual Security Treaty. Foreign Ministry officials were impressed by the report's focus on strengthening ties with allies to deter Soviet military force and by the greater emphasis it placed on the Pacific region.//

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Comment: //The favorable official reaction reflects appreciation of advance notice of the report and a basic belief that the US is headed in the right direction. Tokyo expects US requests for greater efforts in defense and aid and is preparing to head off further queries from the opposition by stressing the independent nature of Japan's defense policy.//

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SOUTH AFRICA: Work Stoppage

Black and white trade union leaders have banded together in an unprecedented call for a brief nationwide work stoppage today. The unions, representing over 250,000 workers, are protesting the death in a Johannesburg jail last week of a white leader of a black trade union. Black union members also are still angry over the detentions last November of some of their most politically active leaders.

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Comment: The work stoppage culminates a week of condemnation by groups from all races of the government's security practices. It will be the first nationwide protest involving the more than 70 black trade unions which were legalized in 1979 and could involve some violence.

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IRAQ: Spending Cutbacks

Iraq is being forced to cut back its ambitious domestic spending programs for this year because of reduced revenues as a result of the continuing world oil surplus, the mounting cost of the war, and reluctance to draw down foreign exchange reserves. Although contracts call for oil exports of nearly 1.2 million barrels per day--a 20-percent rise over last year--Baghdad has had to lower its prices to assure the sale of that volume. The government recently indicated that it also will temporarily reduce foreign aid to less developed countries.

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Comment: Iraq probably will not be able to export more than about 1.5 million barrels per day of crude on a sustained basis as long as the war continues. Even if hostilities were to end and Iraq's terminals on the Persian Gulf were repaired rapidly, it could not sell much more than 2 million barrels per day under current market conditions unless it were willing to risk a price war with other producers. The government probably will not reduce financing for existing domestic projects to avoid jeopardizing its popular support, much of which has rested on its success so far in insulating the economy from the war.

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