



Director of
Central
Intelligence

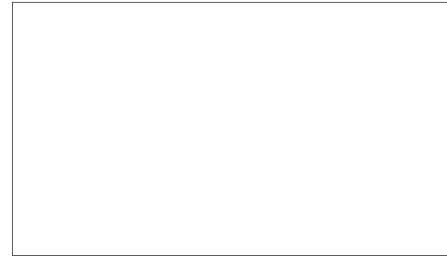
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National Intelligence Daily

Friday
24 June 1983

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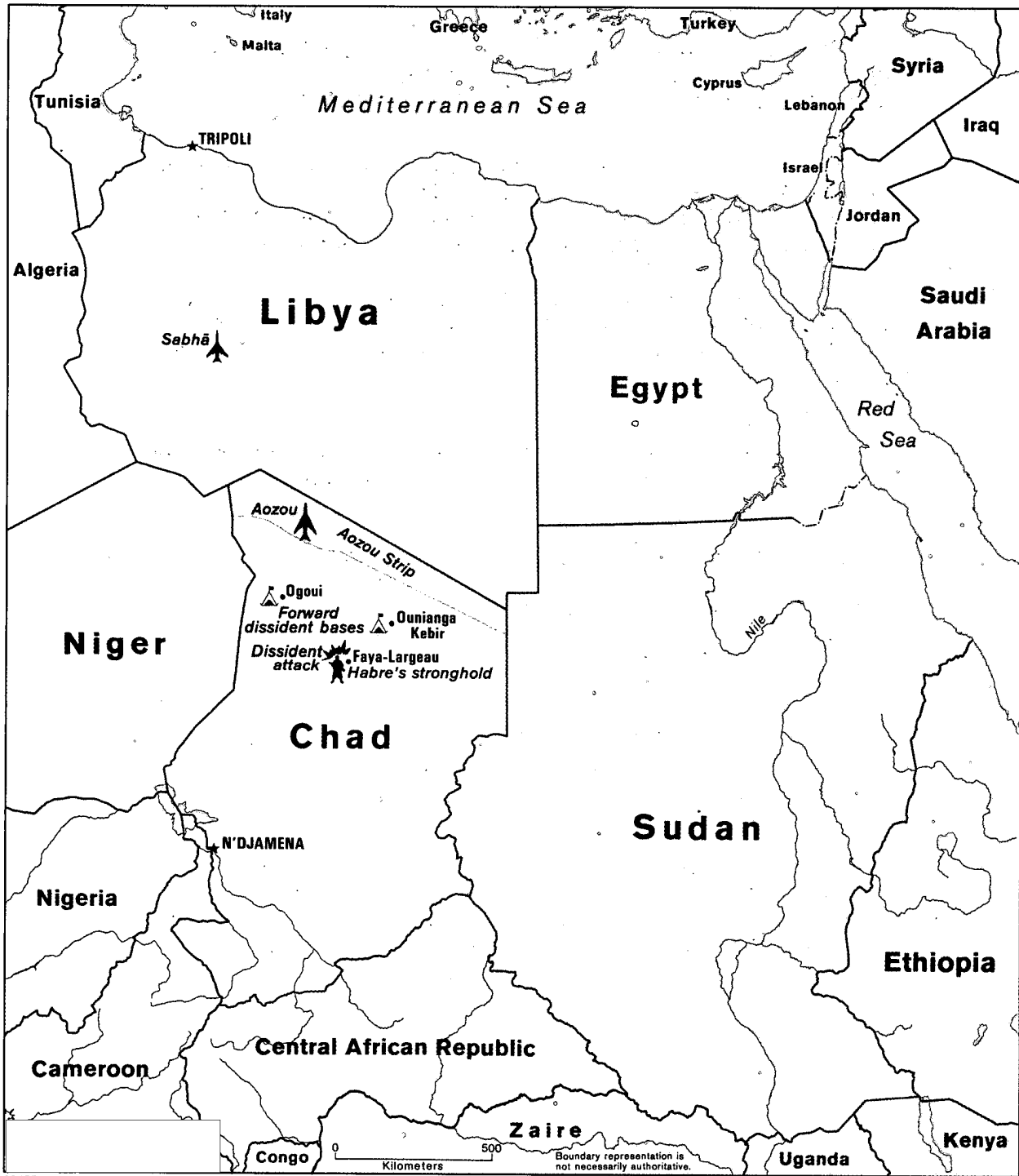


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CHAD: Dissident Attacks

Libyan-backed Chadian dissidents began attacking President Habre's northern stronghold at Faya-Largeau yesterday, but the Libyans have not yet provided air support. [Redacted]

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The rebels attacked from both the north and west. Chadian officials say initial skirmishes occurred around forward defenses about 6 kilometers from Faya-Largeau [Redacted]

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[Redacted] Habre's forces have set up a second defensive perimeter closer to Faya-Largeau and that the town has been hit by some artillery fire.

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[Redacted]

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Chadian Foreign Minister Miskine says Libyan aircraft had taken part in the attacks. Other Chadian officials deny this, however, [Redacted]

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[Redacted]

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Meanwhile, a Chadian delegation is to arrive in Lagos this weekend to discuss the continued closure of the border with Nigeria.

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[Redacted]

Comment: The dissidents are better equipped than government forces, but they are not well organized, and the battle could go on for days. Some of the 16 SU-22 fighter-bombers currently at Aozou are likely to be used on strike missions, and Libya also may consider employing the TU-22 medium bombers now deployed at Sabha. Other than the few technical advisers serving with the dissidents, Libyan ground forces do not appear to be participating in the fighting.

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[Redacted]

Lagos probably will not consider a full reopening of the border until Chad admits responsibility for initiating the hostilities in the Lake Chad area, makes a public apology, and returns Nigerian prisoners and war dead. [Redacted]

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CHILE: Military Support for Pinochet

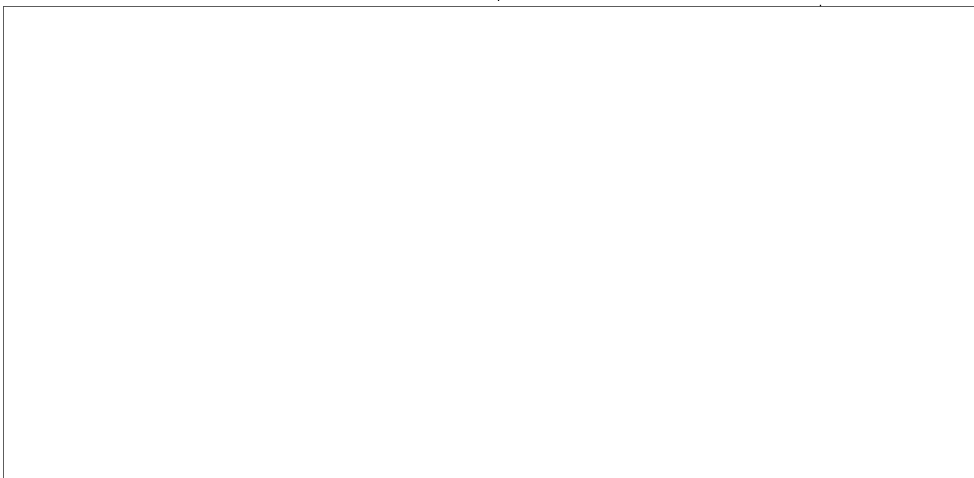
The current unrest may have eroded some of President Pinochet's military support, but top Army leaders—the key to his power—show no sign of wavering. [Redacted]

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US attache reports suggest that, despite the mounting political pressures, Army officers still back the President. At a recent infantry day ceremony, they enthusiastically pledged their loyalty. Air Force commander General Matthei also promised his service's backing for Pinochet. [Redacted]

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Comment: Pinochet relies largely on his power base in the Army, and in the past he has faced down the other, less-powerful services. He handpicked the Army's two senior commanders, who seem more suited to playing supporting roles than to seizing command. A coup by junior officers is unlikely because rank is still highly respected.

[Redacted]

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Opposition labor and political elements probably will have to demonstrate extended staying power and cohesion throughout the summer months to weaken significantly Pinochet's hold on the presidency. [Redacted]

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HONDURAS: Friction Over Training Center

Government leaders are trying to deflect criticism in the Congress of the Regional Military Training Center. [Redacted]

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The legislature has approved the establishment of the center, but only after a week of debate. US officials say the primary objection in Congress focused on the training of Salvadoran troops and not on the increased US military presence at the center. Armed Forces Commander Alvarez played down Salvadoran participation in a lengthy, closed-door session with the legislators. [Redacted]

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Nonetheless, some members of Congress remain concerned that aiding their traditional Salvadoran enemies could eventually jeopardize national security. [Redacted]

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[Large Redacted Block]

[Redacted] The Salvadoran Foreign Minister recently told US officials, however, that his government is unwilling to concede territory to settle the dispute. [Redacted]

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Comment: Many legislators are still angry about their exclusion from initial consultations, and opposition to the center is likely to continue. Congressional criticism probably will decline if the deputies believe that the committees will give them more influence on future decisions. [Redacted]

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Although Tegucigalpa is likely to continue to use the center as a lever for obtaining more US military and economic aid, there is little chance that it would close the facility. The government also may hope to get Washington's support in the border dispute, but El Salvador probably will not make concessions. [Redacted]

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NATO: Controversial Statements on Arms Reductions

Official reactions in Western Europe to recent statements to the press by the chairman of NATO's Military Committee about unilateral nuclear arms reductions emphasize that his comments reflect only his personal views. [Redacted]

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Admiral Falls, former Chief of the Canadian Defense Staff, reportedly said that the West may have more nuclear weapons than it needs. He also maintained that, if arms control talks fail, the West could unilaterally reduce its stockpile, especially the shorter range battlefield nuclear weapons. [Redacted]

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In addition, Falls argued that the effectiveness of sea-based nuclear systems probably eliminates the need for further development of air-launched and land-based systems and might allow a return to deterrence at lower levels of nuclear arms. He did express support for NATO's INF modernization, however, because of its political rationale. [Redacted]

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NATO Secretary General Luns told the press on Tuesday that the Admiral's comments do not reflect Alliance policy or the views of other senior NATO authorities. In an informal meeting, NATO representatives described Falls's statements as "outrageous" and a "betrayal of trust." [Redacted]

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The representatives agreed that Luns should give Falls a severe reprimand, and they are considering disciplinary action against him before he retires later this month. The Canadian Foreign Minister, speaking before Parliament on Tuesday, dissociated his government from the statements. [Redacted]

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Comment: Falls's remarks are getting extensive play in the European press, and they will appeal to those West Europeans who want to reduce nuclear arsenals and NATO's reliance on them. Opponents of NATO's INF modernization probably will seize upon the interviews as showing that one of the organization's highest ranking officers does not fully support its nuclear policy. [Redacted]

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PHILIPPINES: Austerity Measures

Manila has announced emergency economic measures to deal with its financial crisis. [Redacted]

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President Marcos announced on Wednesday that the peso will be devalued by 8 percent and that five major industrial projects will be canceled. Other large projects requiring foreign exchange will be subject to a strict review. In addition, Manila is eliminating domestic oil price subsidies. [Redacted]

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Both the devaluation and the elimination of oil price subsidies were promised in earlier negotiations for new loans with the IMF and World Bank. The US Embassy attributes the delay in implementing them to political pressures on Marcos, and it says that the postponement is largely responsible for the IMF's criticism this week of Philippine economic performance. The Embassy also reports that the balance-of-payments deficit for the first half of this year reached \$600 million—twice the government's target. [Redacted]

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Comment: Even with the austerity measures in place, Manila may have difficulty avoiding some form of foreign debt rescheduling. Some commercial bankers are already refusing to renew short-term credits, and others probably will be disturbed by the IMF's criticism. [Redacted]

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Manila is especially worried about any falloff of short-term credits. Its current short-term indebtedness may total twice the official figure of about \$4.5 billion, and its foreign exchange position is precarious.

[Redacted]

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PORTUGAL: Economic Program

The new government probably will win easily today in its first parliamentary test, a vote of confidence on a program to combat the economic crisis. [Redacted]

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The government is proposing a largely unspecified program designed to narrow the current account deficit and a complementary but equally vague two- to three-year plan to promote economic recovery. In a separate vote, the government will request blanket permission to act by decree during the Assembly's summer recess. Prime Minister Soares wants to enact the toughest economic measures quickly, free from the possibility of parliamentary sabotage by the Communists. [Redacted]

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A government official says Lisbon intends next week to raise the prices of subsidized goods, increase taxes, and temporarily halt government investment projects by the end of this month. He believes that extensive layoffs at publicly owned corporations, the introduction of a three-day workweek, and salary reductions also are likely.

[Redacted]

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Comment: Although the economic program is likely to pass, the government may have more difficulty obtaining permission to act by decree. Policy differences within and among the ruling parties probably will test government discipline. Moreover, some coalition members are likely to fear that giving the government a free hand would be exploited by the Communists, who are threatening to foment social unrest. [Redacted]

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The planned austerity measures, together with the recent 12-percent devaluation, demonstrate the new government's resolve to attack economic problems. They would both reduce real personal income and increase unemployment. [Redacted]

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Additional measures presumably will be taken following negotiations this summer with the IMF for a \$300-400 million standby loan. These are likely to include tightening domestic credit and reducing monetary growth, raising interest rates, and lowering limits on public-sector expenditures. Lisbon probably will have difficulty in meeting IMF limits on the creation of domestic credit, however, in view of the increased dependence of public-sector firms on domestic loans to meet their current obligations. [Redacted]

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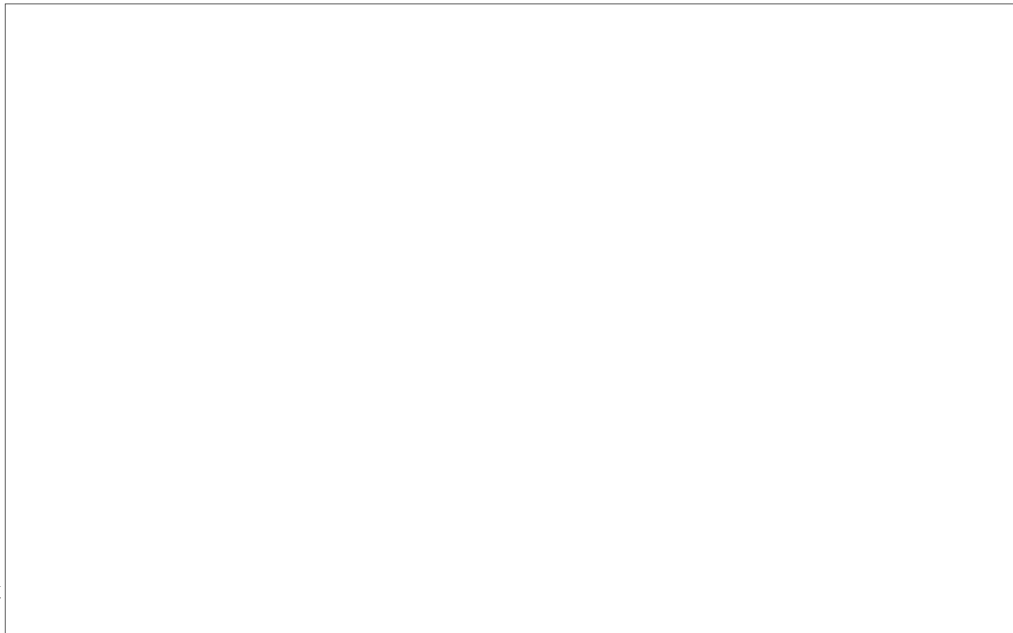
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NETHERLANDS: Announcement on Cruise Missiles

Dutch Prime Minister Lubbers may announce today his government's choice of a site for ground-launched cruise missiles. According to the US Embassy, both Foreign Minister van den Broek and Defense Minister de Ruiter have approved the draft text.

[Redacted]

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Comment: Although The Hague had planned to wait until September to name the site, it may have elected to make an early decision because of pressure from the peace movement. It probably also is encouraged to proceed by the outcome of a meeting between the Inter-Church Peace Council and anti-INF mayors earlier this month that concluded there was little they could do to prevent the basing of cruise missiles. The Dutch, however, almost certainly will claim that the choice of a site—probably Woensdrecht—in no way commits them to eventual deployment.

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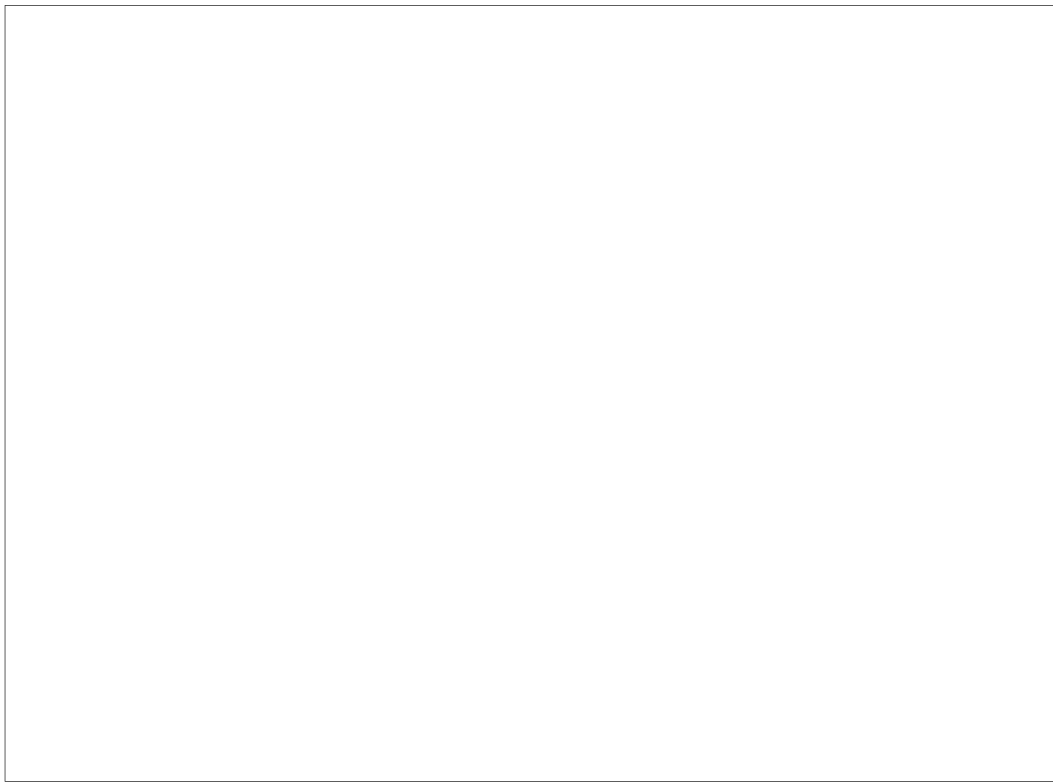
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TURKEY: Government Rejects Party Members

The ruling military council reportedly has rejected most of the founding members of the new Turkish Social Democratic Party, including its leader, Erdal Inonu. The political parties law enacted in April gives the council the authority to turn down, without explanation, any founding member of a new party. This action follows the regime's dissolution last month of the conservative Great Turkey Party and its rejection this month of several members of the country's numerous fledgling parties. [Redacted]

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Comment: The council's move probably is designed to reduce the appeal of the Social Democrats, whose popularity in recent weeks has underscored the comparative weakness of the center-left, military-backed Populist Party. While the rejection of the Social Democrats is unlikely to affect the parliamentary election scheduled for November, the generals' credibility might suffer somewhat over the near term. The move is another indication that the military is determined to "guide" the political process for some time. [Redacted]

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Special Analysis

ITALY: Election Preview

The final week of the election campaign for the next parliament has been marked by continued voter disenchantment and bitter exchanges between major party leaders. Discussion of substantive issues has been disrupted by public reactions to new political scandals. The failure of any group to capture voter enthusiasm suggests that the outcome will be a largely unchanged party arrangement. As a result, the economic problems that plagued the last government probably will be addressed by the same political leaders.

[Redacted]

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The ninth postwar parliamentary election was forced a year early, following the Socialists' withdrawal of support for Prime Minister Fanfani's four-month-old coalition in late April. Most parties, particularly those of the left, were not prepared to face an election. As the campaign draws to a close, the Christian Democrats, Communists, and Socialists have been unable to remedy their shortcomings.

[Redacted]

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The Political Lineup

Socialist Party leader Craxi, who caused the crisis, has antagonized his coalition partners in the last four governments and various segments of the public with his political arrogance and his obvious ambition to become his party's first prime minister. Although Craxi hopes to increase the party's 10-percent share of the vote in the election of 1979, his abandonment of the Fanfani government last month probably has reduced the Socialists' prospects.

[Redacted]

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The Christian Democratic Party, the country's largest and most consistently successful political group, was caught in the midst of a major reorganization when Fanfani's government fell. Ciriaco De Mita, the party's energetic new secretary, has been forced to accelerate his rebuilding of the party.

[Redacted]

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De Mita has weeded out 25 percent of his party's outgoing deputies and senators and has replaced them with new faces. His most publicized success in trying to maintain or better the party's 38-percent showing in the election of 1979 is the inclusion of former Bank of Italy director Guido Carli on the party's slate of candidates.

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The Communists, who fell in 1979 to 30 percent of the vote from their high in 1976 of 34 percent, are bogged down in their continued quest to legitimize themselves as a democratic party. They have failed to win any new support as a leftist democratic alternative to govern Italy. [Redacted]

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In their quest for a broader electoral base, the party's leaders have included an unusually large number of independent nonparty figures among their candidates. This tactic is unlikely to result in any significant breakthroughs. [Redacted]

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Both the Communists and the Christian Democrats have tried to obtain the Socialists' backing. Craxi initially criticized both sides, but he then rejected the Communists and proposed an exclusive governing pact with the Christian Democrats. This bid, however, offended the minor parties and was ridiculed by De Mita. [Redacted]

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Disgruntled Voters

The voters reportedly are taking a dim view of this display of party rivalry. They resent having to choose among professional politicians who seem more interested in furthering their power than in resolving the country's problems. [Redacted]

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Many Italian journalists are speculating that voter annoyance with the political process could yield an unprecedentedly high number of abstentions or spoiled and blank ballots. Various opinion polls support this view and also show an unusually high number of undecided votes. [Redacted]

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Nevertheless, the polls indicate that party tallies will change little from the last election. Each of the three major parties, however, could suffer just enough slippage to threaten their leaders' power. [Redacted]

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Following the recent scandals involving his party, Craxi's future will be in jeopardy if the Socialists fail to win 12 percent of the vote. The arrests of Neapolitan criminals this past weekend have seriously implicated the Christian Democrats and allegedly some leading national party figures in the Naples area. If this scandal hurts the party at the polls, De Mita could come under pressure to step down as party secretary. [Redacted]

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If there are any winners, they will be the small parties. The Republicans, with a highly popular leader in Giovanni Spadolini, may nearly double their previous 3-percent share of the vote. [Redacted]

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Assessments of the election's outcome are complicated by the style of the campaign, which has been radically different from that of previous contests. The voters have shown little interest in traditional

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outdoor rallies, and candidates have made extensive use of radio and television. In addition, as scandals have broken, the media have driven home the already high public concern about morality in government. [Redacted]

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Outlook

Party power alignments are unlikely to undergo more than small numerical changes, and a renewed multiparty coalition centered on the Christian Democrats probably will emerge from the election. Residual bitterness between Craxi and De Mita over the campaign rhetoric and their differences over the implementation of austerity measures could make coalition negotiations long and difficult. [Redacted]

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The next prime minister could be a new leader. This might indicate an attempt to break out of the stagnated political atmosphere of recent years and a recognition of the need to reduce corruption. [Redacted]

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Former Bank of Italy director Carli may play a key role in any new government's review of economic problems. Lingering campaign animosity and the taint of scandal may temporarily sidetrack Craxi's quest for the office of prime minister. [Redacted]

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Public discontent could increase substantially if the new government does not make genuine efforts to get the economy moving again. The issue of making major revisions in the structure of government, which was featured early in the campaign, could come to the fore again and lead to disturbances. [Redacted]

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The installation of another five-party government would virtually ensure that INF deployment in Sicily would proceed on schedule. On the other hand, a protracted crisis over the formation of a coalition or public discontent with the new government could have a negative effect on this issue. [Redacted]

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