

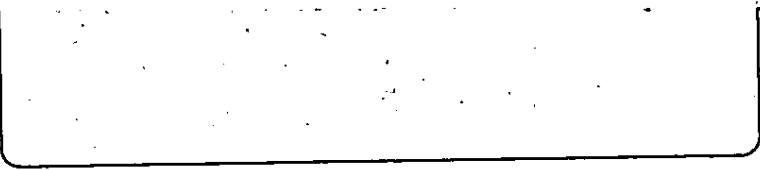
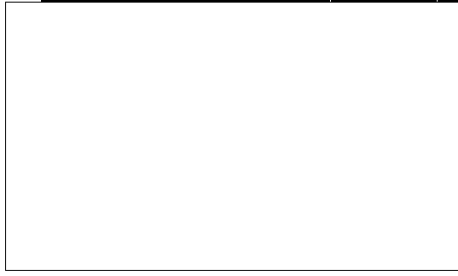


**Director of
Central
Intelligence**

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OCPAS/CIG
CY# 285



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National Intelligence Daily

*Thursday
16 February 1984*

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16 February 1984

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Contents



25X1

El Salvador: Labor's Role in the Election 4

USSR-US: Nonproliferation Talks 5

UK-Iran: Improving Relations 6

Argentina: Labor Unrest 7

Poland: Little Progress on Rescheduling 8

Iran-Iraq: Iranian Airstrikes 9

USSR-Western Europe: Chernenko Holds Court 9

Sudan: Dissident Attack 10

Philippines: Developments in Election Boycott 10



25X1

Japan-USSR: Foreign Ministers' Meeting 11

USSR-Czechoslovakia: SS-12/22 Equipment Identified 12

Taiwan: Kuomintang's Political Ticket 12



25X1

Special Analysis

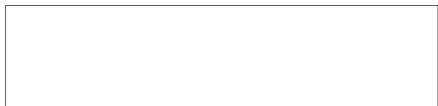
Peru: Threats to Civilian Rule 14

Top Secret



25X1

16 February 1984



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Top Secret



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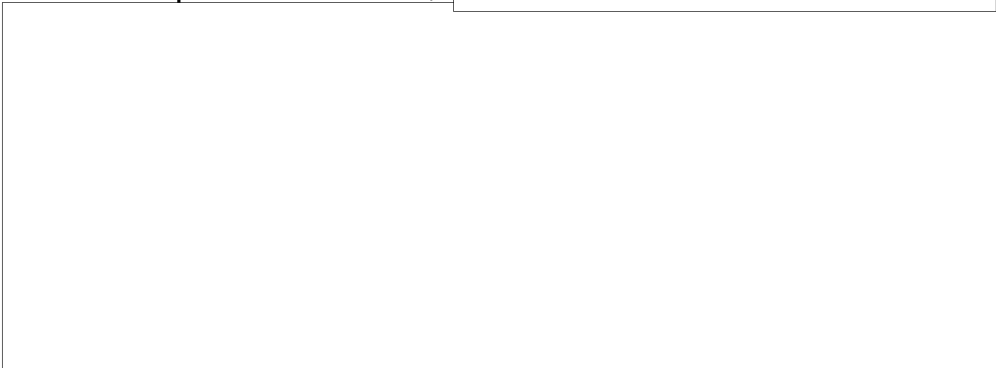
EL SALVADOR: Labor's Role in the Election

The democratic labor front has agreed to support Christian Democratic presidential candidate Duarte.



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In return for support for Duarte, the Christian Democrats have agreed to allow officials of the Popular Democratic Unity—the largest labor confederation—to nominate candidates for key labor and economic posts if Duarte wins.



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Comment: The democratic labor front did not officially endorse any candidate in the election in 1982, and its open support for Duarte probably will strengthen his candidacy among urban and rural workers. It also may undermine insurgent efforts to use labor to oppose the election. At the same time, the rightist parties are likely to accuse the Christian Democrats of selling out to the left.



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[Redacted]

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USSR-US: Nonproliferation Talks

Soviet-US talks on nonproliferation issues beginning today in Vienna are likely to reinforce previous cooperation on safeguards and export controls, but differences may emerge on preparations for the Non-Proliferation Treaty Review Conference in 1985. [Redacted]

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Moscow is taking a business-as-usual approach and has agreed to the US request to hold the talks at the US Embassy in Vienna. The Soviets have prepared a paper on ways to improve nuclear safeguards, but it does not address the long-term problem of financing the IAEA safeguards budget. [Redacted]

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The Soviets generally agree with US positions on nuclear trade issues. On the other hand, they have rejected a US request that they insist on safeguards to cover India's entire nuclear program as a precondition to a possible sale by the USSR of two nuclear power reactors. [Redacted]

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In preparing for the Non-Proliferation Treaty Review Conference, the Soviet representative to the IAEA has suggested that the IAEA safeguards system be studied as a model for arms control verification. He says the IAEA also could play some role in creating a nuclear-weapons-free zone in Central Europe. [Redacted]

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Comment: Issues relating to safeguards and export controls are not likely to be contentious because both sides want to tighten the regulation of nuclear trade. The Soviets will support US resistance to proposals within the IAEA to persuade the countries with nuclear weapons to bear more of the burden in financing the safeguards budget. [Redacted]

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Soviet proposals to draw on the IAEA system in the arms control area may be designed to encourage US opposition and make Washington appear to be obstructionist. Whether or not the Soviets raise these proposals at the current meeting, they will work to shift the blame to the US for the lack of progress on arms control as the Review Conference approaches. [Redacted]

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UK-IRAN: Improving Relations

The UK's official decision to approve military deliveries to Iran suggests a strategy of using economic ties to increase political leverage with Tehran. [Redacted]

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The British had decided last month to turn over to the Iranians a naval fleet tender embargoed since the hostage crisis. According to a senior official in the Foreign and Commonwealth Office, the UK also has decided to deliver later this year two unarmed naval support ships and to continue to sell Iran electrical and communications equipment and spare parts for armored vehicles. [Redacted]

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London contends that the deliveries will fulfill contracts signed as early as 1977. The British claim that, in following through with the agreements, they will be helping to keep open a channel of communication with the Iranian leadership. The UK reportedly has assured the US that it will sell only "nonlethal" military items to Iran and that the equipment will not increase Tehran's ability to wage war. [Redacted]

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Comment: The British decision almost certainly is in part an attempt to improve London's chances for mediating the war with Iraq. It probably reflects genuine concern about a possible escalation of the conflict. [Redacted]

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In addition, London is likely to view Iran as an important potential market. British merchandise exports to Iran last year amounted to nearly \$1 billion, and they almost certainly will be higher this year. Although the UK has tried to put the best light on its sales of military and military-related equipment, Iran will be able to use the materials in the war. [Redacted]

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ARGENTINA: Labor Unrest

Peronists have blocked President Alfonsin's proposals in Congress for the reform of labor unions, and his reluctance to compromise increases the potential for conflicts with labor in the next several weeks. [Redacted]

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The government is seeking new union elections, minority representation in leadership councils, and tighter controls over huge welfare funds in order to break Peronism's longtime hold on labor. A Peronist-Conservative alliance in the Senate has stalled legislation on the reforms. The Conservatives joined forces with the Peronists out of fear that extreme leftists would use the reforms to gain influence with labor. [Redacted]

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In addition, two rival factions of the Peronist-dominated union movement have agreed to work together and are organizing opposition sentiment among workers. Several unions have called strikes, and last weekend about 10,000 workers demonstrated in Buenos Aires. [Redacted]

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Alfonsin has countered by decreeing several wage increases and by introducing other measures aimed at improving workers' living standards. [Redacted]

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[Redacted]

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In addition, the President is taking a tough stand against strikers, declaring one walkout illegal and threatening to have union leaders arrested. [Redacted] talks with Peronist legislators are deadlocked because Alfonsin is unwilling to back away from elections. [Redacted]

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Comment: Alfonsin will continue to negotiate with the Peronists, but new union elections are essential to his plans to curb the unions' opposition to future reforms. His ability to prevent gradually increasing protests also will be tied to economic performance. Workers will be returning from summer vacations later this month, and Peronists will increase their calls for protests if Alfonsin cannot further reduce inflation or grant additional wage hikes. [Redacted]

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POLAND: Little Progress on Rescheduling

Polish negotiations with the Paris Club of Western creditor governments are still stalled, and talks with international banks are at an early stage. [Redacted]

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Since November, the Club has refused to start talks on further debt relief unless the Poles make payments that are overdue from 1981, and Warsaw refuses to make any such payments without new credits. The US Embassy in Paris reports that the Poles did not attend the meeting of the Club on 6 February, at which the West Germans proposed a rescheduling package covering obligations for 1982 through 1984 contingent on payment of arrears from 1981. Although most Club members endorsed the proposal, US objections led to a delay until early next month. [Redacted]

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At two meetings with bank creditors last month, the banks could not agree among themselves. [Redacted]

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[Redacted]

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The deputy chairman of the Polish planning commission has publicly argued that, because the West caused the debt crisis, Poland is entitled to concessionary rescheduling agreements putting off payments into the next decade. The chairman of the Polish foreign trade bank, however, has defended earlier rescheduling agreements and has argued that a moratorium would postpone the crisis until the next generation and preclude negotiations with the IMF. [Redacted]

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Comment: West European governments are increasingly willing to offer generous rescheduling packages in hopes of resuming negotiations and receiving payments. Warsaw, however, still does not see any benefit in accepting even these improved terms. Agreement with the banks, on the other hand, could come soon because their terms are not far from Poland's earlier requests. [Redacted]

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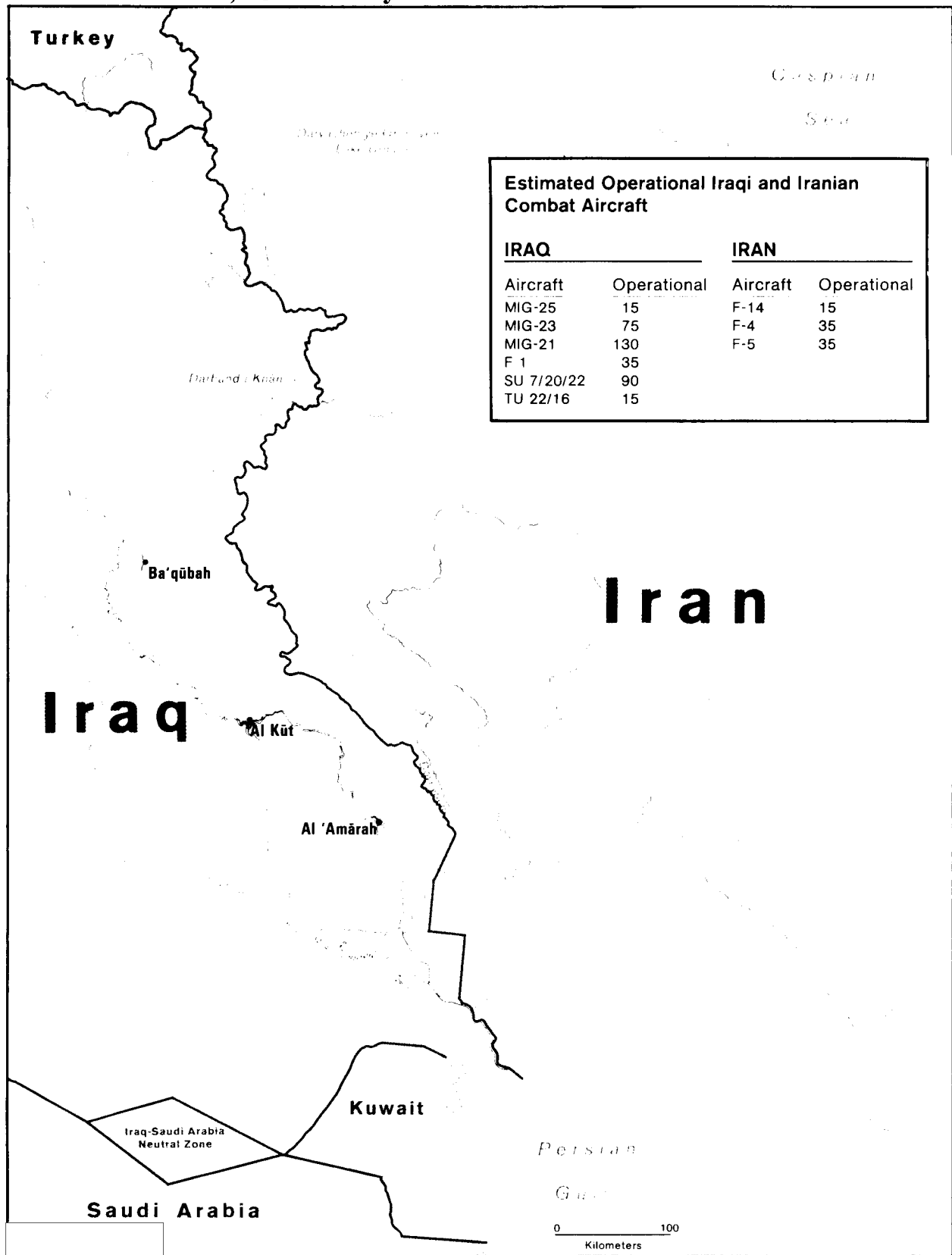
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Iranian Airstrikes, 15 February 1984



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IRAN-IRAQ: Iranian Airstrikes

Iranian aircraft raided the Iraqi towns of Ba'qubah, Al Kut, and Al Amarah on Wednesday in retaliation for air attacks on Iranian cities by Iraq on Tuesday, according to military communiques from both sides. Two Iranian fighter aircraft were involved in each of the three attacks, and Baghdad says about 70 Iraqi civilians were killed or injured. Baghdad's announcement that the raid on Ba'qubah would not affect its unilateral one-week cessation of attacks on Iranian urban areas was made before the attacks on Al Kut and Al Amarah.



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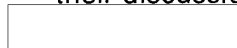
Comment: Ba'qubah, Al Amarah, and Al Kut are only a few minutes' flight time from the Iranian border, and they are easy targets. Although such air attacks have little impact on the military situation, they provide useful propaganda for Tehran. If Iran continues the airstrikes, it almost certainly will provoke Iraq into revoking its cease-fire. Iraq has a 4-to-1 advantage in operational fighter aircraft and is able to penetrate Iran's poor air defenses.



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USSR-WESTERN EUROPE: Chernenko Holds Court

General Secretary Chernenko and other Soviet officials are being careful to convey an impression of cordiality and reasonableness in their talks with West European leaders. Chancellor Kohl has told the press that his talks with Chernenko on Tuesday were free of recrimination and enlivened by humor. Prime Minister Thatcher says Chernenko agrees that East-West relations have to be improved, and TASS describes the meetings of Soviet leaders with Italy's President and Foreign Minister as promoting better bilateral ties. French Prime Minister Mauroy has told reporters that Chernenko's approach in their discussion of East-West relations constitutes "a slight overture."



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Comment: The Soviets have not retaliated politically against INF basing countries, as they warned they would before deployments began. Their efforts to encourage West Europeans to oppose US and NATO policies are unlikely to diminish under Chernenko.



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[Redacted]

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SUDAN: Dissident Attack

Sudanese rebels reportedly inflicted heavy casualties during an attack on Tuesday on a Nile River passenger steamer pushing three barges carrying passengers and three loaded with gasoline. The steamer reached port at Adok and its survivors were airlifted to Malakal, but all the barges were cast adrift. As many as 1,000 passengers were involved, but the Sudanese military is reluctant to undertake a rescue mission. The US Embassy reports Khartoum intends to protest what it believes were Ethiopian transport aircraft supporting dissidents along the Jonglei Canal last weekend.

[Redacted]

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Comment: The attack probably was conducted by the groups that recently have raided camps operated by Chevron and the French company that is building the canal. This action, coupled with attacks last week against road traffic, appears to be part of a rebel effort to isolate the south by threatening main transportation arteries at the onset of the rainy season, when air operations are difficult. Khartoum probably is mistaken about the presence of Ethiopian transport aircraft.

[Redacted]

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PHILIPPINES: Developments in Election Boycott

The four prominent opposition leaders who announced their decision yesterday to boycott the National Assembly elections in May include Benigno Aquino's brother and former President Macapagal. The 12-party opposition coalition, UNIDO, has not yet reached a decision on the boycott, but it is leaning toward taking part in the election. Aquino's widow plans to issue a statement today endorsing participation. The public reportedly generally favors participation in the elections.

[Redacted]

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[Redacted]

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Comment: The four leaders promoting the boycott are affiliated with groups that have been penetrated by leftists, and they have consistently taken a firm line demanding political reform. Their prominence will make it more difficult for UNIDO to participate without appearing to have sold out to the regime. President Marcos presumably is encouraged by the continued split in the opposition over the boycott. If Mrs. Aquino issues her statement, Marcos is likely to remain confident that there will be sufficient participation by the opposition to make the elections credible.

[Redacted]

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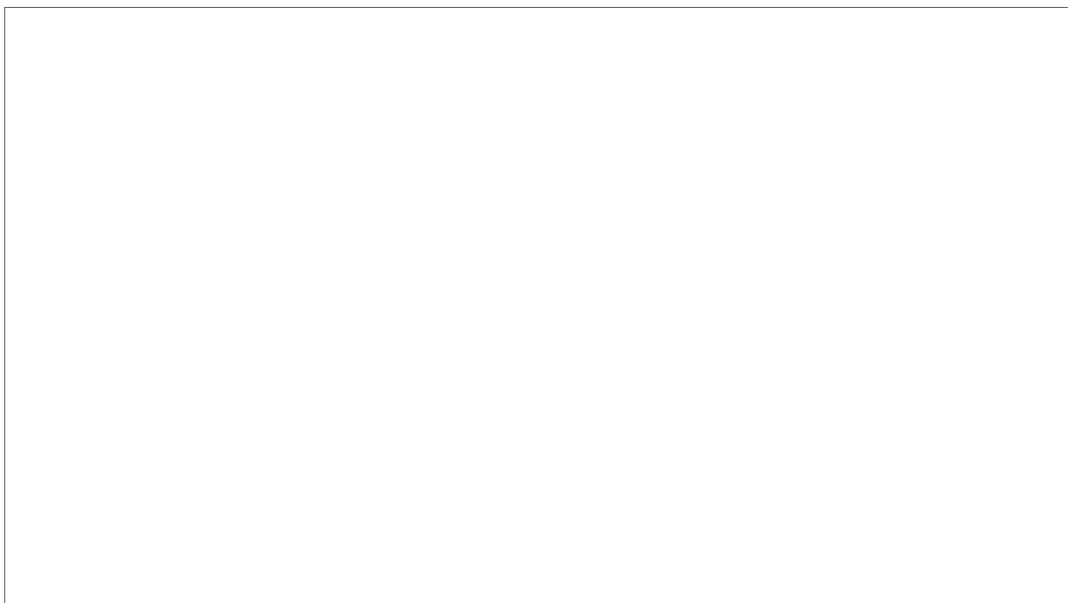
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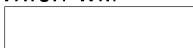


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JAPAN-USSR: Foreign Ministers' Meeting

The Kyodo news service reports that Japan and the USSR have agreed to hold high-level talks in Moscow on 12 and 13 March. The agreement was announced at the end of a meeting yesterday between Foreign Minister Abe and Foreign Minister Gromyko, one of a number of such meetings held in Moscow following Andropov's funeral. Abe says that the meeting was friendly. The two men made no progress, however, on the question of a visit by Gromyko to Japan or on any of the important issues dividing the two countries. 

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Comment: The new high-level talks presumably are the ones on which the two sides had agreed in principle in January. If so, Abe and Gromyko have merely set the date for the discussions, which will involve Deputy Foreign Ministers Nakajima and Kapitsa. 

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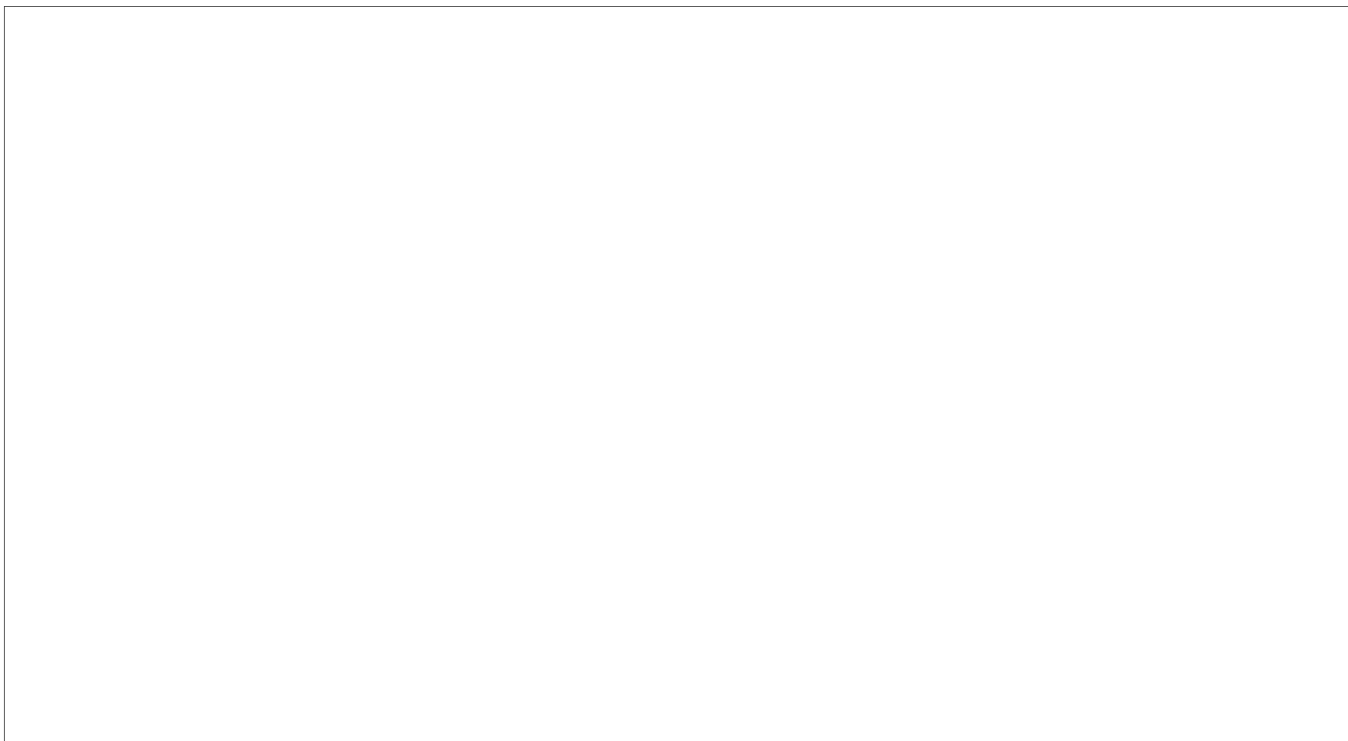
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USSR-CZECHOSLOVAKIA: SS-12/22 Equipment Identified



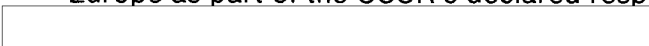
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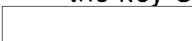
Comment: These are the first sightings of such vehicles, which routinely are used by the Strategic Rocket Forces outside the USSR. They have never been associated with other Soviet "operational-tactical" missiles, such as the Scud or the SS-23, which has not yet been fielded. Hranice presumably is a garrison for one of the Soviet SS-12/22 brigades that are being stationed in Eastern Europe. At least portions of two of the three SS-12/22 brigades that are absent from their garrisons in the western USSR probably are now in Eastern Europe as part of the USSR's declared response to INF deployments.



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TAIWAN: Kuomintang's Political Ticket

Taiwanese press reports state that the Kuomintang yesterday nominated President Chiang Ching-kuo for another term. It also selected Governor Lee Teng-hui, a popular Taiwanese politician, to replace the ailing Vice President. Their formal election next month is certain, because the Kuomintang controls Taiwan's electoral college. Other possible high-level changes, including the new membership of the key Central Standing Committee, have not yet been announced.



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Comment: Lee's selection is intended to underscore Chiang's continuing commitment to giving the Taiwanese a larger role in the ruling party. The 61-year-old Lee would assume the presidency if Chiang died, unless the mainlander leadership revises the succession process to maintain its dominance. Lee, who has ties to Premier Sun, will strengthen the voice of the party's moderate wing. Nevertheless, Chiang may have had to make concessions to mainlander conservatives, who fear the growing influence of the Taiwanese.



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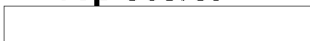


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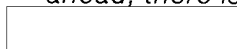


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Special Analysis

PERU: Threats to Civilian Rule

A deteriorating economy, persistent insurgency, and major election setbacks have badly eroded President Belaunde's base of support. The military believes the President has not acted decisively in addressing these problems, and it is displeased over restrictions it asserts he has placed on the counterinsurgency effort. Unless Belaunde deals with these challenges more effectively in the months ahead, there is about an even chance the military will intervene.



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The economic decline is at the root of many of Belaunde's difficulties. Weather disasters last year aggravated the stagnation by destroying infrastructure facilities, causing food shortages, contributing to inflation, and reducing export earnings.



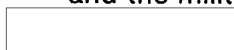
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Economic problems this year have prompted more frequent strikes, consumer protests, and civil disorder. Late last month the level of violence caused the government to raise publicly the possibility of declaring a state of emergency.



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A new tentative agreement with the IMF probably will provide some temporary help. The submission on 3 February of a mutually acceptable letter of intent for a \$267 million standby loan program is likely to facilitate negotiations with foreign bankers on debt rescheduling and on new loans totaling some \$1.6 billion this year. The US Embassy notes, however, that the IMF program could easily come apart because of unusually tough performance targets, labor's rejection of austerity, the tendency to spend during an election year, and the military's insistence on continued equipment purchases.



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The Insurgency

The Sendero Luminoso, a Maoist insurgent group numbering about 2,000, is not currently a direct threat to the government's hold on power. Nevertheless, its resilience in the face of a yearlong push by the armed forces has badly damaged Belaunde's popular image and his relations with the military.



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The security forces, however, have managed to reduce the insurgents' ability to carry out acts of terrorism in Lima. They also prevented the guerrillas from disrupting national municipal elections

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last November in all areas except some provinces in and around Ayacucho Department, the groups' stronghold that the government has designated the Emergency Zone. [Redacted]

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The government's efforts probably have not seriously damaged the insurgents' leadership structure, terrorist capabilities, or popularity in the Emergency Zone. In addition, a recent military assessment suggests guerrilla recruitment is outpacing losses.

[Redacted]

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Loss of Popularity

These difficulties have contributed to Belaunde's decline in opinion polls from an approval rating of 60 percent in 1980 to 18 percent last August. This has resulted in factionalism in his party and caused another party in his governing coalition to put some distance between itself and the administration. Consequently, the President's ability to work with the Congress has been undermined.

[Redacted]

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Opposition political forces capitalized on public discontent to turn the municipal elections into a referendum on Belaunde. His party suffered record losses and captured only 15 percent of the vote, while the major opposition party, the center-left American Popular Revolutionary Alliance, won 38 percent. To the military's alarm, the Marxist United Left coalition won more than 30 percent of the vote and gained control of the mayor's office in Lima. [Redacted]

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Military Attitudes

The Embassy reported three months ago that the military was not inclined to seize power, because it was still discredited by its last period in office—1968-80—and because it did not want to assume responsibility for the economy. Nevertheless, the military's dissatisfaction with the Belaunde administration is growing. [Redacted]

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Senior commanders charge that the President has not delivered on promises of economic aid to address the socioeconomic roots of insurgency in the Emergency Zone. They also complain that he has not granted the armed forces enough autonomy in combating the guerrillas. They want the terrorists to be prosecuted in military courts and to have the police withdrawn from counterinsurgency operations.

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The President's Prospects

Belaunde still has some advantages. For example, opinion polls confirm that the public continues to prefer civilian over military rule.

[Redacted]

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Moreover, opposition parties do not want to jeopardize expected election victories next year by completely discrediting Belaunde and thereby increasing the chances of a military coup. Although the military blames the President for lack of success against the guerrillas, it is generally pleased with his support on arms procurement and other military matters.

[Redacted]

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These factors are overshadowed, however, by Belaunde's limited room for maneuver on the economic, military, and political fronts. The IMF agreement will tie his hands in several ways and may force him to cut back planned military purchases.

[Redacted]

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In addition, granting the armed forces greater latitude in combating the Sendero Luminoso is not likely to produce quick results and could cause increased abuses of human rights. As a result, Belaunde's chances of reversing his declining fortunes are likely to be only about even.

[Redacted]

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The President's best hope may lie in a strategy of short-term maneuvers—cabinet changes, removing some police from the Emergency Zone, and pledging developmental aid for Ayacucho Department—aimed at fending off the armed forces until next fall. If at that time non-Marxist candidates gain a strong lead in the presidential election campaign as expected, the military's attention probably would shift away from Belaunde and toward the election in March.

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