



**Director of  
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# National Intelligence Daily

**Monday  
2 April 1984**

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**IRAN-IRAQ: Military Activity**

*Flooding in the area north of Al Basrah probably will slow Iranian preparations for a major offensive.* 

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 recent heavy rains have flooded a large area between Iraqi and Iranian forces east of the marshes. Some Iranian units have withdrawn to the north because of the water. 

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 in late March Tehran began efforts to mobilize 1 million reservists by 1 April. Iranian officials expressed doubt that this goal could be met, however, and said Iran might send no more than 500,000 poorly armed reservists to the front. 

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**Comment:** The Iranians could move some of their boats down from the Majnoon Islands area to help move troops across the flooded area. Because of the large number of men needed in the coming offensive, however, they likely will decide against an amphibious operation and will wait until the rain and flooding subsides. 

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The Iraqis probably are pumping water from the marshes into the area to the east to help block the Iranian advance. Iraqi air attacks have been ineffective against Iranian forces so far and will have to become more aggressive and accurate if they are to help blunt Iran's major offensive. 

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**ARGENTINA: Domestic Reaction to Bridging Loan**

*Opponents of the government already are strongly criticizing the loan floated on Saturday, indicating that President Alfonsin is likely to face difficulties in reaching a final accord with the IMF and foreign lenders.* [Redacted]

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Argentine legislators clashed Saturday over the nation's emergency loan package, according to press reports. The chairman of the government's finance commission endorsed the arrangement, but Peronists and leftists fear new austerity measures will be demanded in return for financial assistance. They argue that the loan package is a US gambit intended to use the participation of four Latin countries—Mexico, Brazil, Colombia, and Venezuela—as a lever on Buenos Aires to accept an IMF-based program. [Redacted]

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[Redacted]

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**Comment:** Alfonsin remains committed to reaching an accord with IMF and foreign lenders. Although he is likely to work out a letter of intent with the Fund in the next several weeks, domestic opposition probably will hinder quick progress on a final accord. [Redacted]

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The National Congress, including the Peronist-controlled Senate, must approve both the budget and any final IMF agreement. The Peronists and their labor union allies, as well as many of the government's own supporters, will resist wage and public spending cuts that threaten economic recovery. [Redacted]

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**HONDURAS: Military Shakeup**

*The forced resignation of Armed Forces Commander Alvarez demonstrates the strength of Honduras's nascent democracy and is unlikely to affect its strong support for US policy in the region.* [redacted]

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President Suazo told the US Ambassador on Saturday that growing dissatisfaction with Alvarez's military leadership and reports of his involvement in domestic politics had prompted his removal. Military meddling—reportedly directed by Alvarez—was evident at the annual convention of the opposition National Party in February. Moreover, the US Embassy reports that Alvarez recently restricted the access of military personnel to Suazo and also may have withheld national security information from the President. [redacted]

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The Ambassador reports Suazo said that the military high command backed the action—which also deposed three key Alvarez supporters—and will submit candidates for Alvarez's replacement to the Congress today. Air Force Commander Lopez, who attended Suazo's meeting with the Ambassador, said that Alvarez had tarnished the military's image internationally and that the Armed Forces were united in support of his dismissal. Both Suazo and Lopez reiterated Honduran support for US policy toward Nicaragua and El Salvador and pledged continued cooperation in joint military exercises. [redacted]

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**Comment:** The military shakeup appears to be based solely on domestic political considerations and probably will have little effect on Honduran foreign policy. Suazo probably feared that Alvarez's recent contact with the National Party signaled a resurgence of the military's traditional alliance with the Nationalists, which in the past forced the Liberal Party from power. Moreover, Alvarez's recent moves to restrict Suazo's military contacts, coupled with several politically flavored public statements, no doubt struck Suazo as challenging to his authority. [redacted]

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The relative ease with which Suazo was able to take charge indicates that the military favored Alvarez's removal and strengthens the two-year-old civilian government's consolidation of power. Lopez currently appears to be the frontrunner as Alvarez's replacement. His reputation for competence and integrity probably will be welcomed by members of the military who apparently took exception to Alvarez's autocratic style. [redacted]

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**USSR-SYRIA: Status of Relations**

*Ties between Moscow and Damascus, because of Syrian success in Lebanon, are at a high point, but some disagreements persist.* [Redacted]

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[Redacted]

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[Redacted] A Lebanese official told US officials that the Soviets shared the Syrians' satisfaction with the current situation in the Middle East, particularly the withdrawal of Western forces from Beirut and the abrogation of the Israeli-Lebanese accord. The USSR also accepts Syria's handling of its relations with Lebanese President Gemayel. [Redacted]

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The Soviets reportedly believe that Israel's current military advantage would enable it to win a major conflict with Syria but that the Syrians could inflict heavy losses. According to the Soviet official, the USSR has agreed to supply Syria with additional modern aircraft and air defense equipment. He also claimed that training for Syrian personnel to assume control over SA-5 air defense missiles in Syria is nearly complete and that the transfer would occur in the near future.

[Redacted]

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Moscow reportedly still supports Yasir Arafat's leadership of the PLO and is considering his request to visit Moscow. [Redacted]

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[Redacted]

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Syria, however, wants Arafat's removal and would view such a visit as a setback for Syria. President Assad reportedly balked at the USSR's requests to intercede with Iran to halt the war. [Redacted]

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**Comment:** Moscow almost certainly believes support for Syrian policies in Lebanon has helped restore its credibility in the Middle East and has temporarily thwarted US efforts to resolve the Arab-Israeli dispute without Soviet participation. [Redacted]

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Other reports have suggested that the Soviets would transfer SA-5s to Syrian control. Moscow also may be less willing to provide arms at recent levels, because it believes large shipments of Soviet weaponry to Syria since the summer of 1982 and the US withdrawal from Lebanon have helped restore a military balance. [Redacted]

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Longstanding Soviet-Syrian differences on Arafat and on the war may persist. Nonetheless, Moscow is unlikely to let them sour bilateral relations as long as Syria remains its only firm Arab ally. [Redacted]

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**ROMANIA-USSR: Dispute Over Military Modernization**

*Bucharest is selling its most modern domestically produced military equipment abroad, despite Moscow's urgings that it modernize its armed forces more quickly.* [redacted]

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In recent years the USSR has pushed Romania and other Warsaw Pact members repeatedly to improve their military capabilities, but Bucharest's severe economic problems have slowed its acquisition of new weapons. To acquire hard currency and reduce production costs for new weapons, however, the Romanians sold nearly all of their new domestically produced TR-77 tanks to Egypt last year. They reequipped their military units with obsolete T-34 tanks taken from storage. [redacted]

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Romania also has refused to participate in Warsaw Pact coproduction arrangements for the T-72 tank and the 122-mm self-propelled howitzer. Instead, Bucharest has decided to produce less expensive, modified versions of older generation systems that incorporate improved Western technology. Romanian TR-77 and TR-800 tanks, for example, are modified Soviet T-55s with more advanced fire-control systems that reportedly are based on illegally acquired Western technology. [redacted]

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**Comment:** Moscow appears to have agreed at least tacitly to Bucharest's efforts to improve the economy at the expense of modernizing its armed forces. The Romanians have refused in part to participate in Warsaw Pact coproduction programs because the arrangements apparently require prior Soviet approval of foreign sales of jointly manufactured weapons. Romania's inability to produce the most modern military equipment, however, is likely to have reduced the attractiveness of its weapons to countries in the Third World. [redacted]

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The Romanians probably will continue to pursue foreign sales to the detriment of their military forces. As a result, the capabilities of their military forces, which already lag behind those of other Warsaw Pact members by some 10 to 20 years, will continue to decline. [redacted]

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**EC: Farm Spending Reforms**

EC Agriculture Ministers on Saturday adopted several unprecedented measures to cap the runaway farm spending that has brought the Community to the brink of bankruptcy. The new measures, which have been blocked by Ireland since the EC summit two weeks ago, impose quotas with strict penalties on milk production and cut overall farm prices in the EC this year by about 1 percent. The ministers also agreed to phase out the system of border taxes and subsidies on intra-EC agricultural trade. Nevertheless, EC farm spending will still exceed expected revenues this year by \$2-3 billion. 

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**Comment:** Approval of the agricultural package considerably eases the crisis atmosphere fanned by the failure of two EC summits, but the Community's financial disputes remain unresolved. The EC still faces insolvency this fall because the UK is likely to veto proposals to raise additional funds to cover the budget shortfall unless London's annual payments to the EC budget are permanently reduced. 

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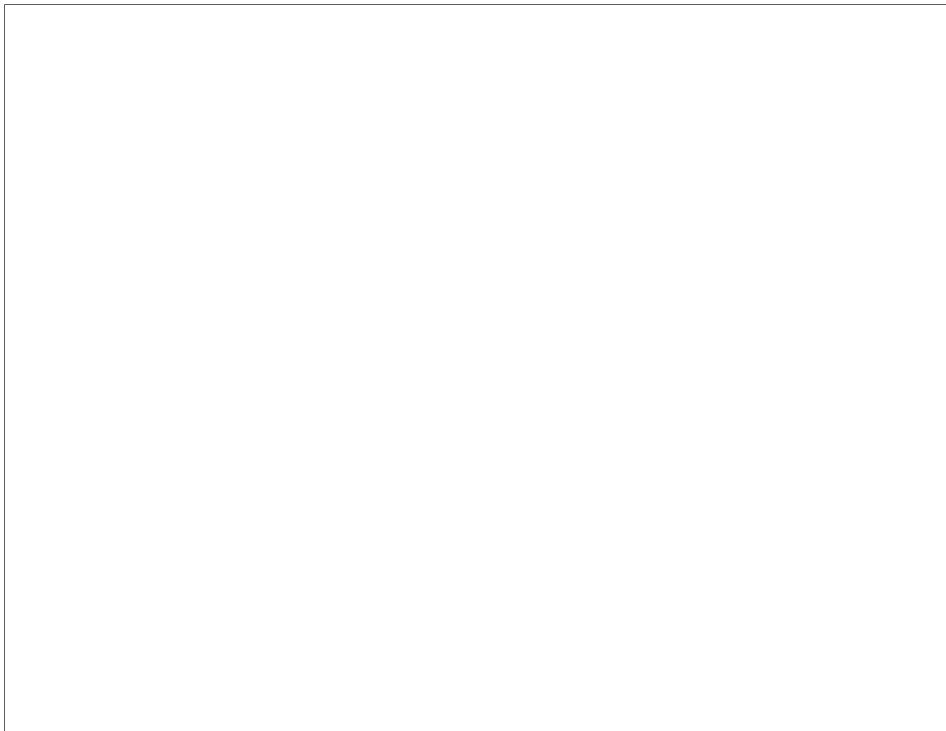
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**UK-NICARAGUA: Concern About Blockade**

London is concerned about the possible consequences of casualties from the mining of Nicaraguan ports. A Foreign Office official told US Embassy officers that the recent mining of a vessel with a British crew has raised fears that loss of British lives would seriously embarrass Prime Minister Thatcher. The official implied that Washington should prepare plans for dealing with the political fallout in the UK that probably would result from casualties incurred as a result of the mining. [Redacted]

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**Comment:** Prime Minister Thatcher is basically sympathetic to US objectives in Central America. Since the Grenada invasion, however, she has been sensitive to charges that Washington does not take British views seriously enough, even when British lives are endangered by US-supported policies. The British probably hope that the US will make Nicaraguan rebels aware of potential problems from their mining activity and that Washington will keep London informed so as to minimize difficulties for Thatcher. [Redacted]

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**EL SALVADOR: Courting the Conciliationists**

Christian Democrat Duarte and ultrarightist D'Aubuisson both are seeking support from Conciliationist Guerrero in the second round of the presidential election, but Duarte appears to have the inside track. Final results of the first-round of voting, as released to the press, show Duarte with 43.1 percent, D'Aubuisson with 29.7 percent, and Guerrero with 19.3 percent.

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[Redacted]

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[Redacted] US Embassy sources say the Christian Democrats are preparing a broad platform in hopes of attracting the Conciliationists and smaller parties and assuring a majority in the National Assembly.

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**Comment:** The second round of the voting probably will be held early next month. Guerrero may be reluctant to support Duarte openly for fear of retaliation from the ultraright, but he is likely to attempt to arrange a secret deal. Duarte almost certainly would like to get Conciliationist support for the second round, and he probably calculates he is in a strong bargaining position. The negotiations are likely to be lengthy.

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**ETHIOPIA: Growing Financial Difficulties**

Addis Ababa's precarious foreign exchange situation threatens its ability to pay for imports. A source of the US Embassy says that current reserves will cover payments for two weeks of imports, as compared with an average of 13 weeks in 1983. The government reportedly is issuing unbacked checks to foreign suppliers of luxury goods. It also is delaying crediting the accounts of foreign embassies and international organizations operating in Ethiopia.

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**Comment:** Addis Ababa is likely to hope that export earnings from traditionally high coffee shipments in the next few months will relieve the cash shortage. Nonetheless, the government probably will have to take additional emergency measures, stiffen import controls, and ask the USSR for more economic assistance. Moscow is unlikely, however, to do more than allow Addis Ababa additional time to make debt payments due this year on military aid. Ethiopia eventually may have to overcome its reluctance to approach the IMF—which it views as an instrument of US policy—for a balance-of-payments loan.

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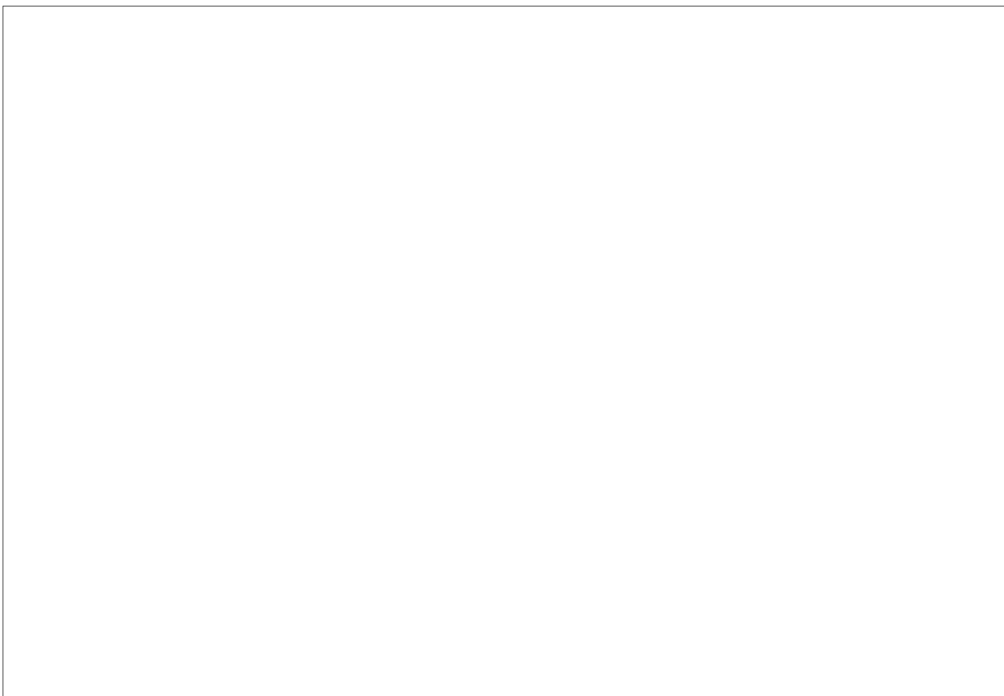
**AUSTRALIA: Changing Uranium Policy**

Prime Minister Hawke is gaining broad support for a more liberal uranium export policy, despite the opposition of the ruling Labor Party's strong antiuranium faction. A draft of an official position paper, which was leaked to the press last week, supports development of new uranium mines and permits exports to countries maintaining strict nonproliferation standards. In addition, a growing number of key party leaders recently have joined Hawke in rejecting the party's platform, which calls for a complete phaseout of the \$420 million per year export industry. 

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**Comment:** Hawke wants to exploit Australia's uranium reserves, which are the largest in the non-Communist world, and has been lobbying hard for his position. He faces a showdown with the left wing over the issue at the party's biennial conference in July. The conference will provide his first chance to change the platform, and it now appears he has the votes to win. A victory would strengthen his role as party leader and undercut further leftwing influence in his government. 

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