



**Director of  
Central  
Intelligence**

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# **National Intelligence Daily**

**Monday  
29 October 1984**

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OPEC Oil Production Trends, 1972-84

Events

Oil Production Trends

Million b/d

Oil Price Trends

US \$ per barrel

- <sup>a</sup> Benchmark price falls \$5 per barrel.
- <sup>b</sup> Reflects government production ceilings.
- <sup>c</sup> Actual contract sales prices for Arabian Light.
- <sup>d</sup> Actual annual average.

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**Top Secret****OPEC:****Contentious Session Likely**

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***Although several key members of the organization have endorsed the need for a production cut, disagreement over the extent has begun to emerge.*** [redacted]

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[redacted]

The Indonesians have suggested that a 1 to 2 million b/d cut would be sufficient with winter around the corner, but, according to press reports, the Algerians have indicated they will press for a deeper cut. Although most members appear to favor taking up price differentials at a later meeting, the UAE's Oil Minister has said prices must be realigned as part of an overall production agreement. [redacted]

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Nigeria's Oil Minister said yesterday that Lagos will not reduce its 1.6 million b/d output—some 300,000 above its current quota—nor rescind its \$2 per barrel price cut until market conditions warrant. The US Embassy reports that the Nigerians believe OPEC will have to make an attractive offer to keep them in the fold. They reportedly insist that some accommodation will have to be made to allow them a higher quota and assurances that they will be able to market their crude. [redacted]

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There are signs that, of the major non-OPEC producers, Mexico, Norway, and Egypt are ready to cooperate on production. The British, however, have indicated only that they will not cut output. [redacted]

Meanwhile, spot prices for Arab Light, North Sea crudes, and West Texas Intermediate have recovered most of their decline in recent days. Other crudes are now about \$1 below official prices. [redacted]

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**Comment:** If members agree to an overall cut of 1.0 to 1.5 million b/d and adhere to their individual quotas, spot prices should rise to near-official levels, enabling OPEC to protect its benchmark. A deeper cut of about 3 million b/d and strict adherence could cause spot prices to rise sharply in coming weeks, but the Saudis would be in a position to moderate them by meeting market requirements from inventories.

[redacted]

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**USSR-SYRIA:****Results of Assad Visit**

***Syrian President Assad's visit to Moscow last week did not resolve longstanding differences over Middle East issues or meet Syria's debt relief request, but the Soviets apparently did approve his request for more weaponry.*** [redacted]

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The Soviet-Syrian communique pledged increased Soviet military support for Syria. [redacted]

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US Embassy sources in Damascus report that Moscow offered no commitment to bail out Syria's troubled economy and urged Syria to correct its imbalance in bilateral trade. [redacted]

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**Comment:** The wording of the communique suggests that differences remain over how to deal with PLO chief Arafat. [redacted]

[redacted] US Embassy reporting indicate Soviet officials have told Arab Ambassadors that the two sides disagreed over Syria's support for Iran. [redacted]

Assad may hope that Soviet responsiveness to his military request will be seen in the Arab world as a sign of support for Syria and proper repayment for his endorsement of Moscow's call for an international conference on the Middle East. This would be particularly effective if Moscow provides a weapon as prestigious as the new MIG-29. [redacted]

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He probably had only modest hopes for greater economic support. Moscow has insisted in recent months that Syria meet certain debt obligations and probably hopes closer Syrian ties with Gulf Arabs will relieve pressure on the Soviets for more economic aid and provide Syria with funds to pay its debts. [redacted]

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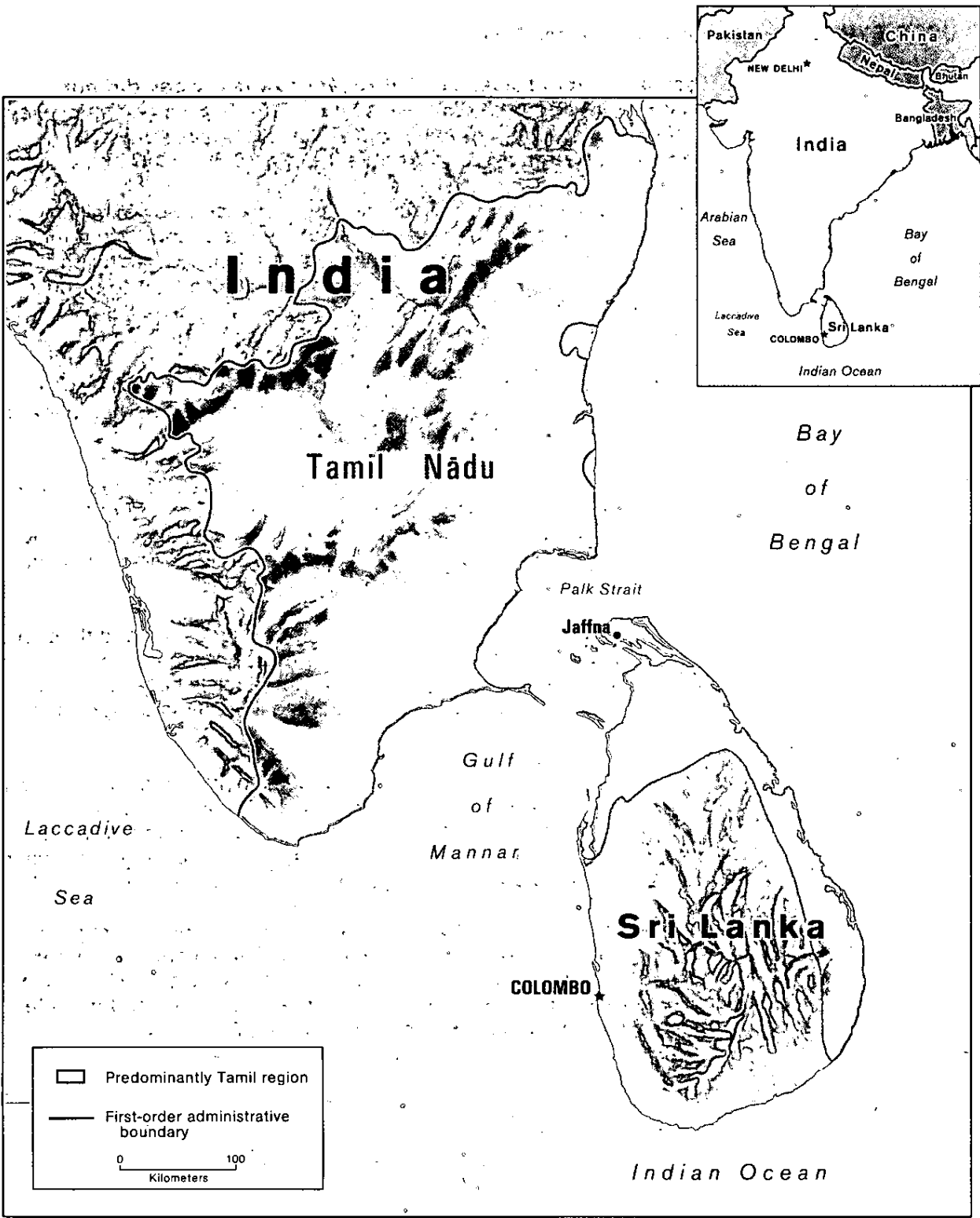
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**INDIA-SRI LANKA: Tensions Over Tamils**

***Colombo is again cracking down on Tamil insurgents, while Indian Tamil leaders say they will continue to support the insurgents until President Jayewardene offers an acceptable political settlement.***

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Sri Lanka's Minister of Security claimed Friday that security forces have captured Tamil separatist bases in the north and repelled attacks by insurgents in the east. Press reports indicate that several suspects have been arrested in connection with Monday's bombings in Colombo.

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Meanwhile, Tamil leaders in India's Tamil Nadu State told the US Ambassador Wednesday that they believe only US and Indian pressure will compel Jayewardene to move toward a reasonable settlement on the Tamil issue. The leaders said Jayewardene could persuade his fellow Sinhalese to accept a settlement. They also told the Ambassador that public opinion in Tamil Nadu would not permit them to curb Sri Lankan insurgent activities there.

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**Comment:** The recent attacks and evidence of continuing Indian support for the insurgents are likely to increase Colombo's commitment to crushing the insurgency. At the same time, the latest crackdown probably will further alienate Sri Lankan Tamils and move even moderates among them to reject any legislative proposals short of Tamil autonomy.

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**USSR:****Pravda Editor Rebuked**

**Japanese Embassy officials in Moscow have told the US Embassy that Pravda editor Afanas'yev was "called on the carpet" for his description of Politburo member Gorbachev's position in the leadership during a recent interview with Japanese newsmen.**

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The Japanese Embassy, while certain that the rebuke occurred, could not say who administered it. It reportedly was prompted either by Afanas'yev's description of Gorbachev as "second General Secretary"—a phrase actually supplied by a Japanese newsman—or by the statement that Gorbachev was "directing the work of the Secretariat."

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**Comment:** Afanas'yev and other Soviet officials have said both publicly and privately that Gorbachev is the number-two man in the party and that he probably would succeed General Secretary Chernenko. This is the first known instance of any Soviet official being rebuked for making such comments.

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The admonition suggests that the leadership situation has changed and possibly that the assertiveness of Gorbachev or his supporters has become threatening to his colleagues.

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Gorbachev's failure to address last week's Central Committee plenum may be due to Chernenko's concern that continued public prominence for the younger leader would undermine his own authority.

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**MOROCCO-  
WESTERN SAHARA:**

**Military Developments**

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***The battle between Moroccan and Polisario forces near Zaag is over.***

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**Comment:** The outcome of the battle at Zaag emphasizes the effectiveness of Morocco's berm strategy, because the earthen wall slowed the attackers long enough for reinforcements to arrive and prevent a major breakthrough by the Polisario.

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a long-planned extension of the berm is imminent. Rabat probably wants to take advantage of the disarray of the guerrilla forces after the fighting to extend the berm deeper into Polisario territory. Rabat also hopes that the extension will counter the propaganda value the Polisario hopes to gain from its recent assault.

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Construction of the berm could prompt a strong military response from Algeria, including air support to the Polisario and the dispatch of troops to man some Polisario weapons. The extension also heightens the risk of a clash between Moroccan and Algerian units.

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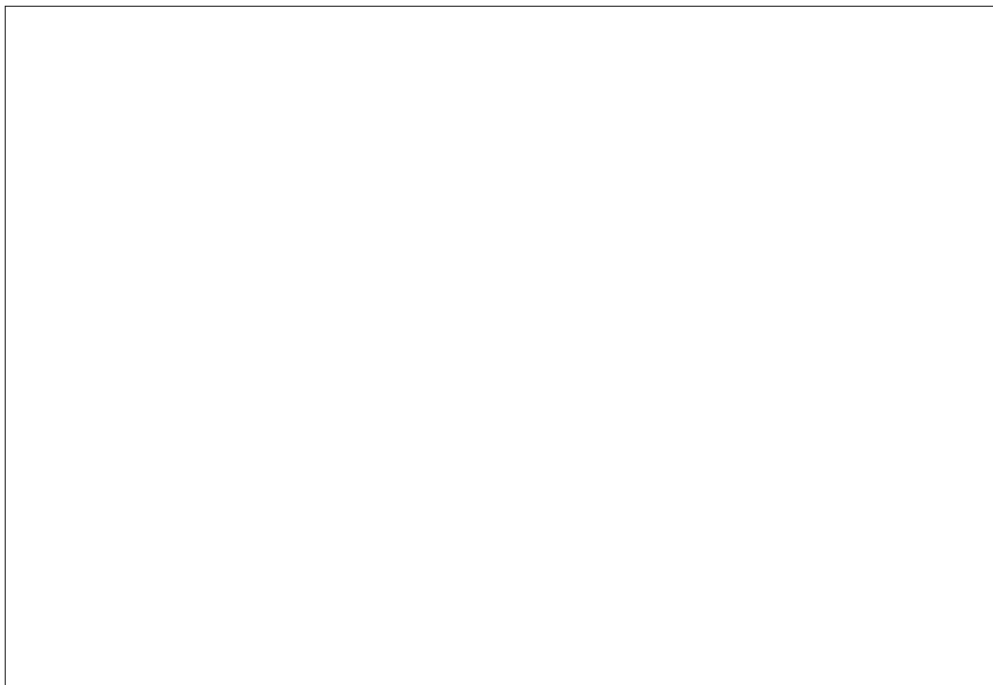
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**DOMINICA: Increased Threat From Opposition**

[redacted] three opposition parties have formed a unified front for the next general election, which is required by mid-1985. Opposition leaders have compiled a roster of candidates and have agreed on how to choose a prime minister if they win.

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**Comment:** If the opposition maintains the accord, it would present a serious threat to the reelection of Prime Minister Charles. Her Freedom Party lacks the money to mount a strong reelection campaign, and her popularity has suffered because of the sluggish economy.

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**In Brief****South Asia**

- President Zia told visiting US diplomat border violations from **Afghanistan** into **Pakistan** will increase prior to UN General Assembly debate on Afghanistan . . . charged violations in 1984 triple 1983 rate . . . wants US ground-to-air missiles to defend against incursions. [redacted]

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**East Asia**

- **Philippine** opposition leaders believe Agrava Board findings set stage for militant anti-Marcos demonstrations . . . criticize President's conciliatory attitude toward accused military figures . . . Marcos countering by attacking US pressure for action on board's findings. [redacted]

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- **Japanese** Prime Minister Nakasone won endorsement of Liberal Democratic Party elders in meeting yesterday . . . press reports formal reelection could come by Wednesday . . . already considering makeup of new Cabinet and party hierarchy. [redacted]

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**Near East**

- **Iraq** has begun work on its portion of Iraq-Saudi oil pipeline . . . work on Saudi segment unlikely before January . . . Saudi failure to intercede with landowners along proposed route delaying survey . . . completion still possible by early 1986. [redacted]

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**Africa**

- **Senegal** has received its first light ground-support aircraft, as grant aid for **France**, according to US defense attache . . . Socata Guerrier aircraft can be armed with rockets and machineguns . . . also useful for reconnaissance. [redacted]

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**Americas**

- Communist-dominated unions in **Chile** have called for protest today and general strike tomorrow . . . most workers will ignore strike, but demonstrations likely to produce violence similar to last month's anti-Pinochet protests. [redacted]

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**Special Analysis****GREECE:****Papandreou Under Fire From All Sides**

***Prime Minister Papandreou appears politically vulnerable for the first time in his tenure as he faces strong opponents on the left and right with national elections one year away at most. He has adhered to his radical ideology and rhetoric but has maintained Greece's Western ties. These inconsistent policies and his vacillations are increasingly damaging the government's credibility.*** [redacted]

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Papandreou's rhetoric has always been radical, reflecting his ideological convictions, the exigencies of domestic politics, and psychological factors. Now, with little substance to show for three years of Socialist rule, Papandreou is on the defensive. His rhetoric has become shrill—as in his defense of the Polish regime during his recent visit to Warsaw and in his denunciation of his principal opponent as a “traitor”—and has provided openings to his opponents. [redacted]

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**Domestic Battle Lines**

Papandreou's main challenge comes from Constantinos Mitsotakis, the new leader of the conservative New Democracy party. An adroit politician, Mitsotakis has adopted a low-key approach in an apparent effort to contrast his statesmanlike conduct with Papandreou's increasingly impulsive and erratic behavior. The approach has met with some success, as Papandreou's personal attacks on him last month drew widespread criticism. [redacted]

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Mitsotakis claims that the Socialist government's “wild inconsistencies” and its anti-US and anti-NATO policies are harming Greek interests. He blames Papandreou for the deterioration of Greece's position in disputes with Turkey and for the Turkish Cypriot declaration of independence last year. He hopes to encourage doubts among moderate voters who supported the Socialists in the last election. [redacted]

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At the same time, the government has come under increasing fire from the left for failing to live up to its campaign promises. The Communists have criticized the government for its participation in the AWACS program of NATO, its decision to purchase fighter aircraft from the US and France, and its failure to rid Greece of US nuclear weapons. [redacted]

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[REDACTED]

While there is little to suggest that Papandreou is facing serious dissension within his own party, embarrassing defections have occurred. A former deputy minister early this month charged the government with polarizing the country and irreparably harming the economy and national interests. [REDACTED]

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Papandreou is perhaps most vulnerable in the political center. As in the last election, Greek moderates are likely to focus more on the economy than on foreign policy, and economic indicators are not encouraging. The inflation rate is over 18 percent, unemployment is officially estimated at 8 percent, domestic and foreign investment is down, and the current account deficit remains high. [REDACTED]

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The future of President Karamanlis, whose term expires this spring; may have an impact on centrists. During the last election, many moderates felt a vote for Papandreou was "safe" because Karamanlis would keep him from going too far. [REDACTED]

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It is doubtful that another president could provide the same reassurance. Karamanlis needs Socialist votes to win parliamentary approval for another term, but he has not revealed his intentions, and Papandreou has been ambivalent about supporting him. [REDACTED]

#### **Implications for US**

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Increased tensions in Greek-US relations are likely to continue in the coming year. As domestic pressures intensify, Papandreou is likely to become even more prone to lash out at the US—an expedient and satisfying target. He will look for ways to demonstrate that his tactics further Greek interests and to counter his opponent's pro-Western appeal. [REDACTED]

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Mitsotakis will look for ways to underscore that Papandreou's poor relations with the US have damaged Greece's position in the Alliance and its bargaining power in the Aegean and Cyprus disputes. [REDACTED]

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**Special Analysis****CHINA:****Significant Technology Research**

***Chinese researchers are successfully developing several key technologies with important military and economic applications. Several examples—biotechnology, a supercomputer, armor and antiarmor, laser research, and high explosives—illustrate that assimilation of Western technology and training are important to China's recent accomplishments and plans.***

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In seeking to increase the benefits of foreign technology and equipment, the Chinese in recent years have emphasized the acquisition of production know-how. They have moved away from their past practice of purchasing complete manufacturing facilities, which often became quickly obsolete and failed to improve China's technical capabilities significantly. China now is seeking only the most advanced level of Western and Japanese technology and is taking advantage of Western literature and data, making good use of foreign-trained students and using the services of foreign-exchange scientists and Chinese expatriate specialists.

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**Biotechnology and Supercomputer**

Biotechnology is one of China's priority disciplines. Three major biotechnology research centers are under consideration for construction in the next two years. The Chinese intend to enter this field at the level of large-scale manufacturing, however, and basic research and an established support structure probably will not be as vital to their immediate success.

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Eight Chinese expatriates who are US biotechnology experts serve on an official panel that recommended that these centers be built to provide research in areas ranging from food products to pharmaceuticals. The panel hopes to supplement each center's staff with visiting researchers, including Chinese expatriates. Such professional exchanges may allow the Chinese to manufacture drugs and specialty chemicals sooner.

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A plant to produce single-cell proteins, scheduled to be operational in 1986, is also being built. This facility, which will produce an improved food supplement, is China's first attempt at large-scale biotechnology manufacturing and includes advanced technologies. It is likely to succeed if China continues to receive support from US experts.

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Chinese publications claim their Galaxy computer, which became operational this year, can perform 100 million "operations" per second. These claims are probably valid for certain types of problems, which gives the Galaxy one-tenth to one-half the speed of

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the best Western supercomputers for typical scientific problems.

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### **Armor, Lasers, Explosives**

The appearance of Soviet tanks equipped with advanced armor during the 1970s caused a number of nations to begin armor and antiarmor improvement programs. Consequently, Western-trained Chinese researchers have exploited Western technical literature, experimental techniques, and weapon concepts in this field. The Chinese have been able to reverse engineer and copy older Soviet and Western antitank guided missiles, such as the Soviet AT-3 and the US TOW.

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Although laser research is not new to the Chinese, their scientists are giving a new emphasis—in some cases on a level equal to that in the West—to applications such as nuclear fusion and materials processing for the electronics industry. China has sent a large number of students and staff researchers to work in Western laboratories. They integrated quickly into the laser research activities of their sponsoring group and returned to China experienced and well-prepared.

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US scientists in contact with the Chinese have said China has a highly competent program that in some respects surpasses the US in the development of very energetic high explosives. This experience is applicable to nuclear weapon design, and Chinese excellence in this field probably results from previous large-scale commitments to the nuclear weapons program.

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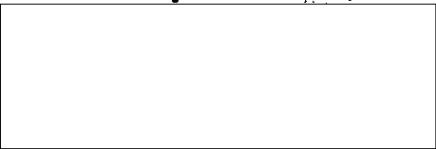
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The Chinese have synthesized new compounds that could lead to higher energy explosives, but like the US, China has not yet been able to stabilize them. Chinese specialists are aware of current US research on high explosives and have said they regularly receive US scientific publications.

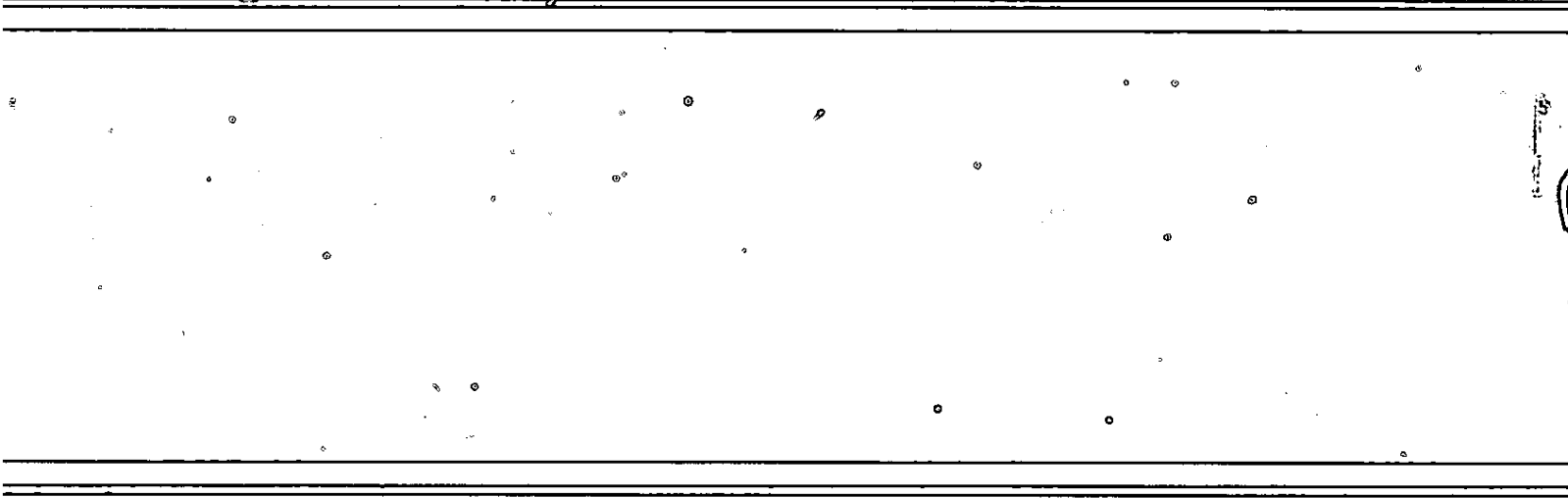
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