



Director of
Central
Intelligence

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Tuesday
17 May 1988

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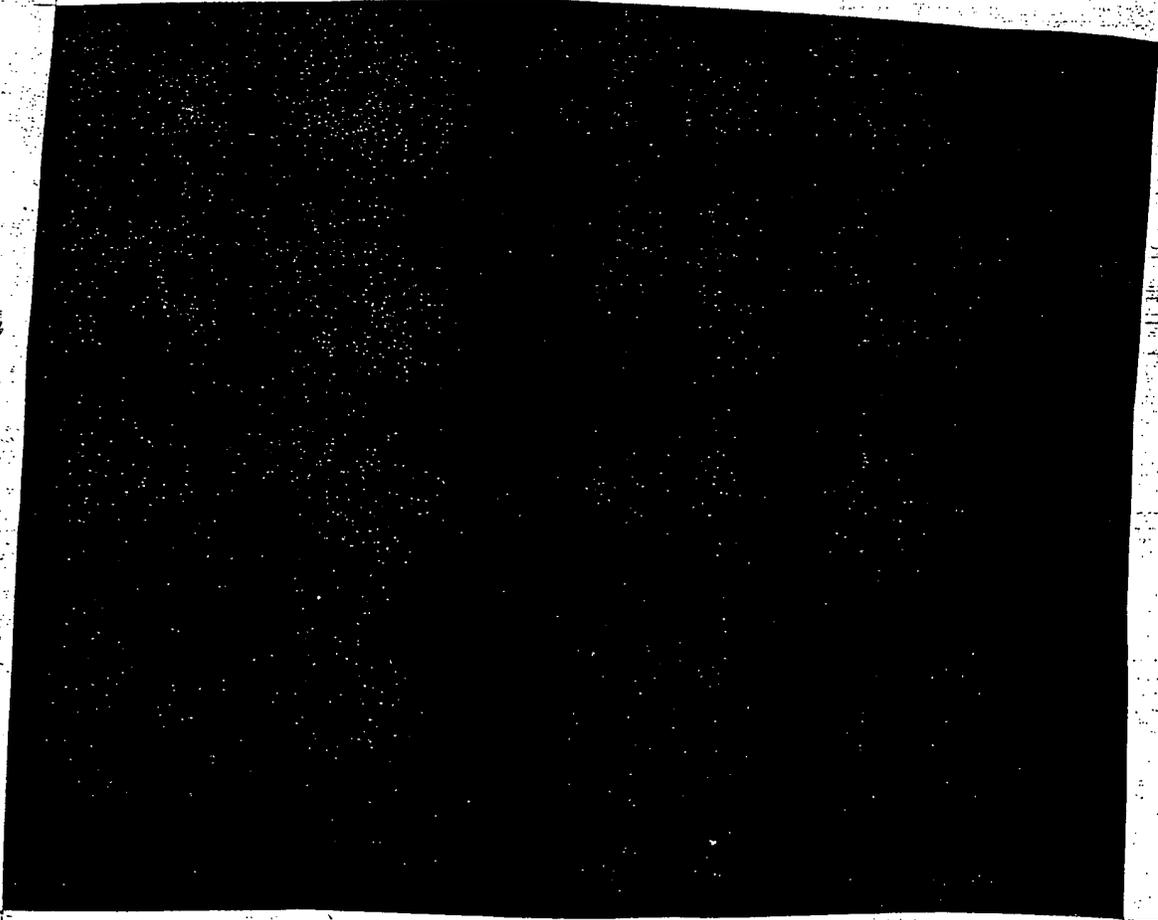
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PERSIAN GULF:

Situation Report

Attacks

[redacted] Iraq attacked an Iranian tanker yesterday, its seventh successful ship attack over the past five days. [redacted] Iraqi aircraft used both air-to-surface missiles and bombs to attack tankers at Larak Island on Saturday.

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Iraq relied on its Exocet air-to-surface missiles in previous attacks in the southern Gulf. If Baghdad used more powerful iron bombs on Saturday to cause more damage, it would indicate a renewed willingness to risk its aircraft in a close approach as well as greater confidence in its pilots' abilities. Larak has not been well defended.

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Effect on Iranian Oil Shuttle

Iraq's strike against Iran's oil export operations at Larak damaged [redacted] tankers. [redacted] Two Iranian-chartered ships—a storage ship and a shuttle tanker—were severely damaged, and a second storage ship was also hit.

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The raid will disrupt Iran's export operations temporarily, but the redundancy in its shuttle and storage capacity will prevent any lasting impact if there is no further attack.

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Nonetheless, the attack and the possibility of further attacks on loading operations might make Iran discount its oil prices more deeply to induce customers to load at Larak.

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Iranian Political Reaction

Tehran sent a protest note to the US through the Swiss on Saturday, accusing Washington of helping Iraq carry out its raid at Larak by jamming Iranian aircraft radars. Iranian Prime Minister Musavi-Khamehnei said yesterday the US was gradually entering a war that could make the Gulf an "American graveyard."

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[redacted]

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~~_____~~ The recent ship attacks are likely to strengthen the position of regime hardliners who argue that Iran must eventually strike directly at US forces in the Gulf or lose credibility. Iranian leaders probably still favor responding indirectly, however, through terrorism or attacks on other Gulf states. ~~_____~~

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Iran almost certainly will try to retaliate with attacks on Gulf shipping, which may test the new US rules of engagement. Tehran probably will try to target Saudi interests in the near term—possibly including terrorism as well as ship attacks—~~_____~~

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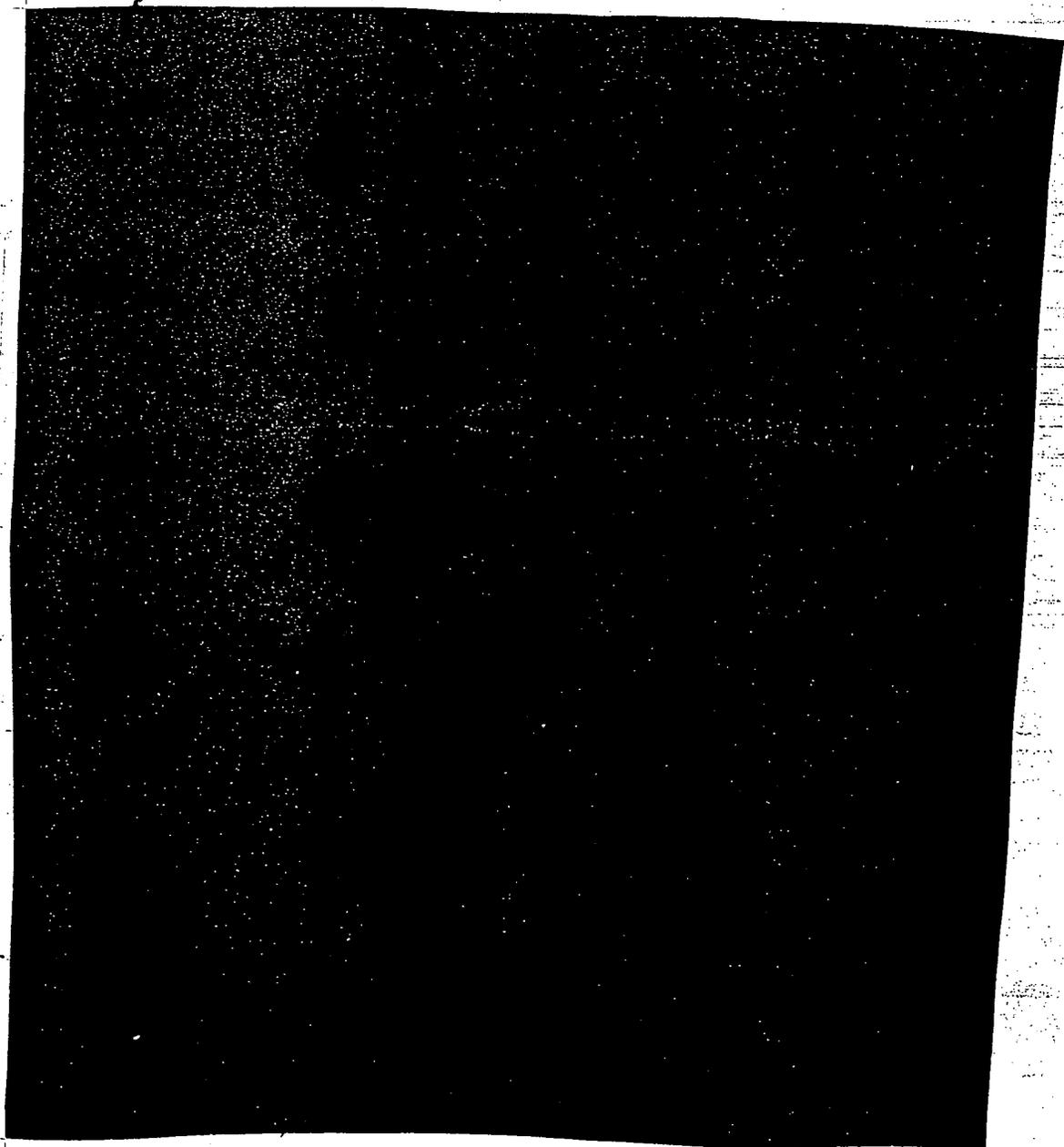
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LEBANON:

Syrian Political and Military Activity

Syrian President Assad is seeking a diplomatic solution to the fighting in Lebanon between Amal and Hizballah that would ease the way for Syrian forces to enter Beirut's southern suburbs.

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[REDACTED] Senior Iranians, including Revolutionary Guard Minister Rafiq-Dust and Acting Foreign Minister Besharati, arrived in Damascus yesterday to discuss the crisis. Subsequently, the Syrian military intelligence chief in Beirut announced that Damascus and Tehran have agreed to try to end the clashes and that another cease-fire was to go into effect late last night.

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[REDACTED] Assad clearly prefers an agreement with Tehran and Hizballah to declare a cease-fire and introduce Syrian forces as peacekeepers, but he is keeping open his military options. Syria has sufficient forces available to crush Hizballah in the suburbs, but Assad will go to great lengths to avoid the casualties associated with such an operation.

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If the Syrians go in, Hizballah is unlikely to resist strongly the vastly more powerful Syrian forces, but some clashes between the two would probably be unavoidable. Amal, on the other hand, almost certainly would welcome Syria's intervention in the fighting as the only way to reverse Hizballah's successes.

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Syria's forceful entry into the suburbs without an understanding with Iran would jeopardize the lives of the foreign hostages. Any Syrian attempt to use commandos and helicopters to seize key positions or to rescue hostages in the crowded suburbs would be extremely difficult. Syria has never used its helicopters in Beirut.

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MOROCCO-
ALGERIA:

Diplomatic Ties Renewed

The restoration of diplomatic relations between Morocco and Algeria after a 12-year hiatus improves the atmosphere for the Arab summit early next month as well as long-term chances for a negotiated settlement of the Western Sahara dispute.

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The announcement yesterday followed the visit of two Moroccan envoys with President Bendjedid in Algiers on Sunday and discussions between a senior Algerian official and King Hassan in Rabat last Thursday. Bilateral contacts have increased since Hassan met Bendjedid a year ago, and fighting between the Algerian-backed Polisario Front guerrillas and Moroccan troops in Western Sahara has been at a low level this year.

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[REDACTED]

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In the near term, both sides probably will focus on resolving less contentious bilateral issues, such as the demarcation of their border, an exchange of prisoners, and an expansion of trade.

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Rabat severed relations in 1976 after Algeria recognized the Polisario government-in-exile. Previous overtures to restore ties have met with demands by Bendjedid that Morocco compromise its unconditional absorption of Western Sahara and grant limited autonomy to the native Sahrawis.

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Bendjedid's more flexible attitude now probably stems from his frustration over the Polisario's inability to achieve a military victory and from a desire to persuade Hassan to attend the special Arab League summit in Algiers on 7 June. Bendjedid may believe diplomatic relations offer the best chance for Moroccan concessions, given the dim outlook for UN mediation and his failure over the past year to create a treaty alliance with Libya, Tunisia, and Mauritania that would exclude Morocco.

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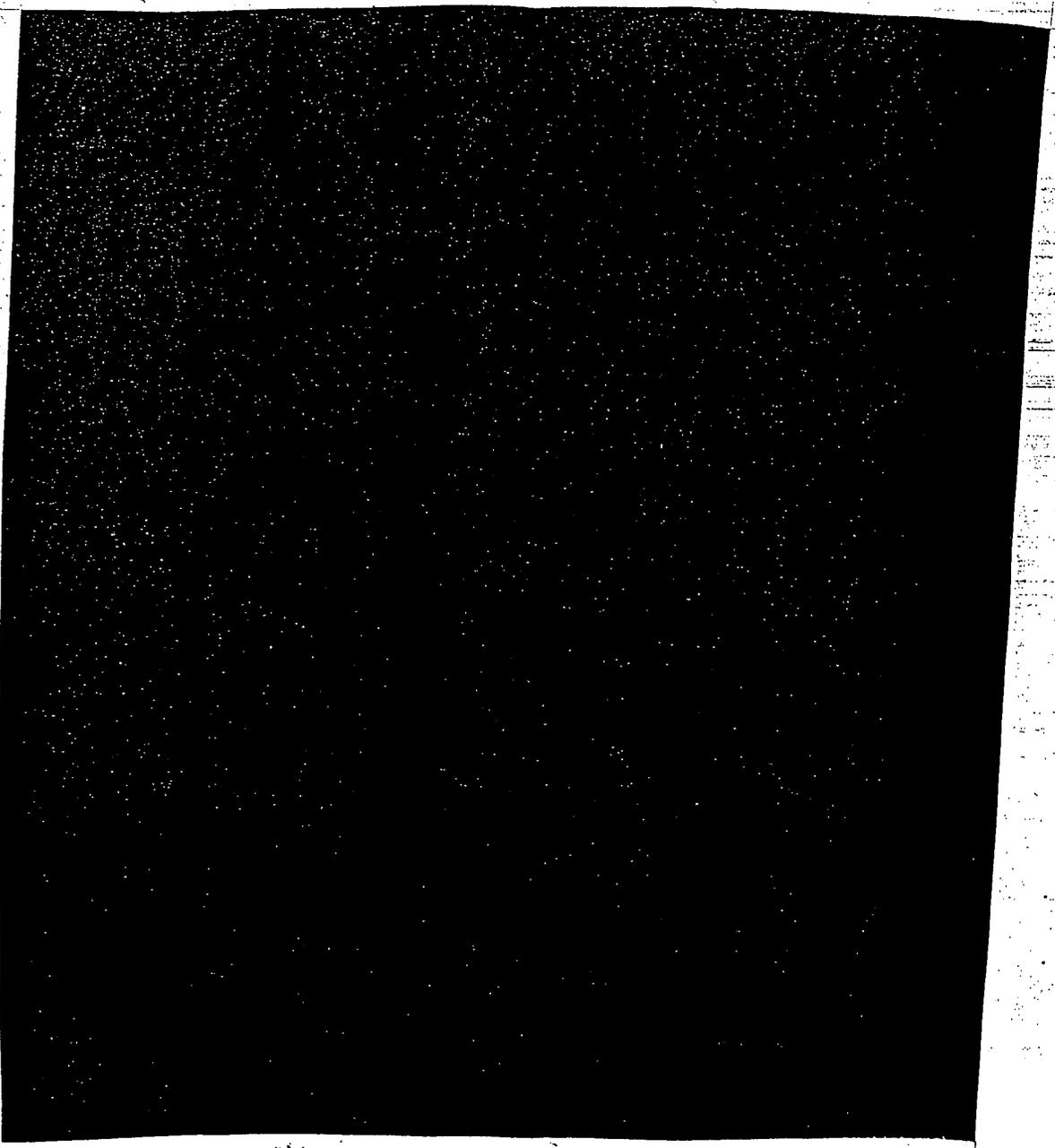
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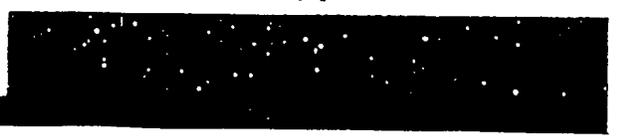


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SUDAN:

New Government Formed, Old Problems Fester

The third Cabinet of Prime Minister Sadiq al-Mahdi, sworn in Sunday, is not likely to improve the performance of the Sudanese Government.

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After two years of opposing Sadiq's shaky coalition governments, the National Islamic Front of Hassan al-Turabi has joined the Umma Party, the Democratic Unionist Party, and some southern parties to form a national reconciliation government. In the new Cabinet, Umma has 10 posts, the Democratic Unionist has six, and the NIF and southern politicians, including a Nuban-based group, have five. Turabi becomes the new Minister of Justice.

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Umma members also now hold the Energy and Foreign Trade portfolios, and the Democratic Unionists claim the Foreign Ministry. The sensitive Interior position—long held by Sid Ahmad Hussein, an anti-Libyan, Democratic Unionist—remains open.

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The Umma, the Democratic Unionists, and the NIF all will use their new portfolios to dispense favors to build patronage. Inclusion of the NIF in the government will probably contribute to further bureaucratic paralysis. The coalition members are not likely to be satisfied for long with the distribution of Cabinet and other posts and will turn again to political squabbling. Gaining consensus on key policies probably will also become more arduous. With the inclusion of the NIF, Khartoum is likely to take a harder line on implementing Islamic law, reducing the already slim opportunity for ending the anti-Islamic insurgency in the south.

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USSR-ROMANIA:

Talks in Bucharest Cool at Best

The joint communique issued after Soviet President Gromyko's four-day visit to Bucharest last week characterizes his talks with Romanian President Ceausescu in cool terms and implies continuing disagreement on the issue of economic reform.

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Gromyko, in a departure press conference, expressed disappointment at Ceausescu's refusal to make specific commitments to establish joint-economic enterprises and to increase coordination of economic planning. Vague wording in the communique suggests that Ceausescu also rebuffed Gromyko's plea for closer working-level relations between Soviet and Romanian political bodies. Throughout the visit, the Romanian press deemphasized Gromyko's public discussion of Soviet reforms.

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Ceausescu set the tone for the talks in a tough foreign policy address last month that made the harsh claim that Soviet interference in Afghanistan, and implicitly in other countries—including Romania—as well, is detrimental to "socialism." He also used his welcoming statement to criticize efforts—conceivably including those inspired by General Secretary Gorbachev—to find fault with traditional "socialist" theories of development.

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Ceausescu's resistance to Gromyko's pleas for closer political ties is probably rooted in concern that Moscow is trying to influence the succession process in Romania by identifying and cultivating proreform leaders.

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Gromyko's acceptance of an indirect Romanian formulation in the communique condemning revanchism, chauvinism, and nationalism seems to indicate Moscow's continuing desire to avoid direct involvement in Bucharest's longstanding dispute with Budapest over the mistreatment of the ethnic Hungarian minority in Transylvania.

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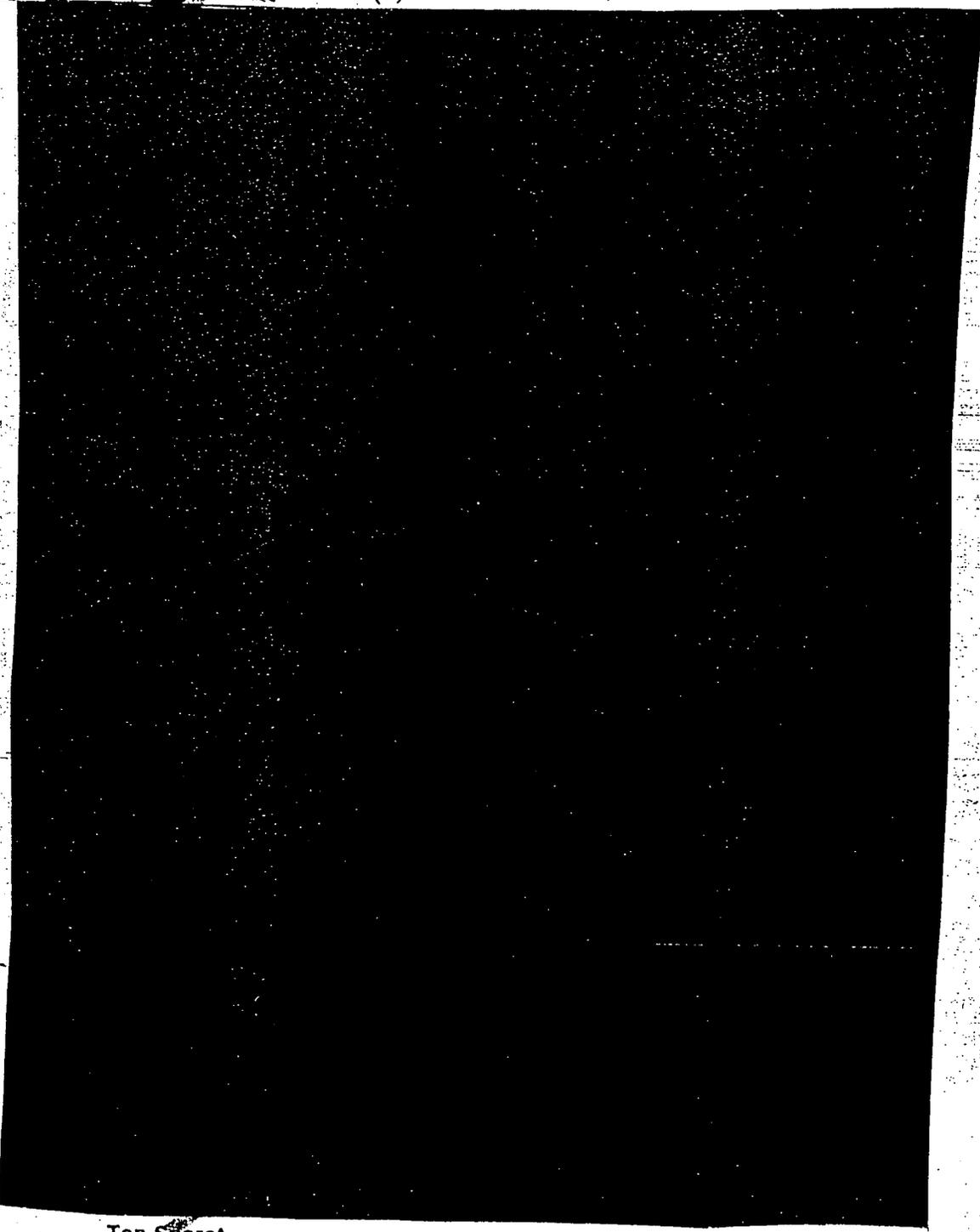
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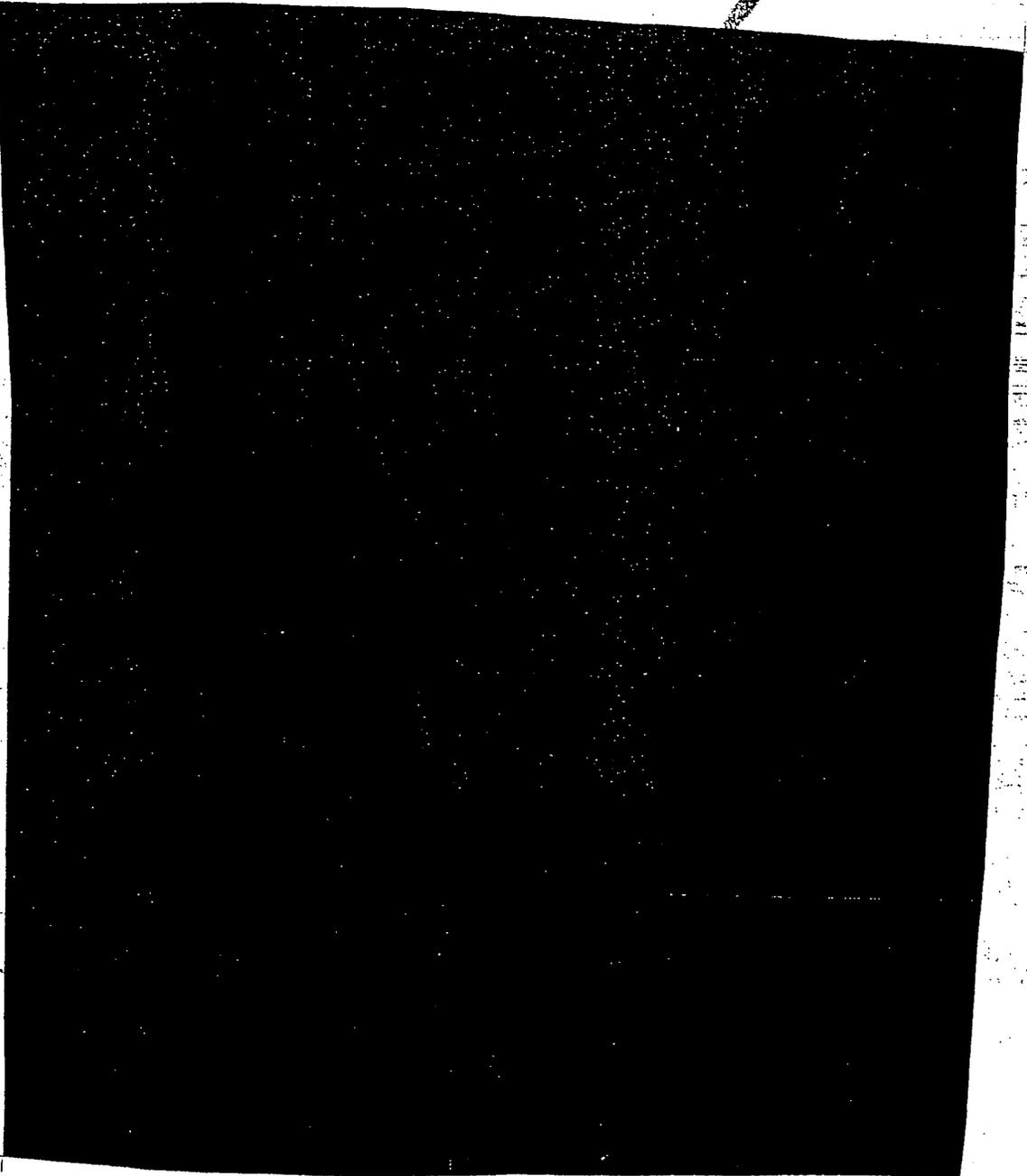
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EGYPT:

Move To Readmit Cairo to Arab League

Algeria reportedly will try to engineer Egypt's readmittance to the Arab League at the summit scheduled for 7 June in Algiers, but Cairo remains uncertain of its chances.

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the Algerians have accepted a Jordanian proposal calling for Egypt's readmission to the League by a majority rather than unanimous vote.

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renewed membership in the League will pave the way for Cairo's full participation in Arab politics, particularly the Arab-Israeli peace process. The Algerians plan to invite a senior Egyptian official to Algiers soon to discuss resuming bilateral ties.

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Egyptian officials are not as optimistic about Egypt's prospects for readmission to the League. Egypt refuses to send an emissary to Algiers until Algeria announces a resumption of diplomatic ties.

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Overwhelming Arab support for Cairo's readmission to the League may lead Damascus to strike a deal allowing a majority decision. Syria would be most interested in the League's endorsement of its demand that a united Arab delegation attend any international conference on the Arab-Israeli conflict. Such an arrangement would preserve Syria's veto power over peace terms and help to offset Egypt's increased influence.

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An Egyptian return to the League would be a boost for the moderate Arab states, but it almost certainly would not be enough to overcome objections by the PLO and Syria to Arab-Israeli peace talks in the near term. If the Algerians fail to reach agreement with Damascus in advance of the summit, they probably will avoid the question of Egypt's readmission or perhaps even postpone the summit.

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AFGHANISTAN: Regime Names New Provincial Governors

Kabul has announced the appointment of 15 new governors in an effort to consolidate power in provinces crucial to its survival. Senior civilian members of President Najibullah's Parchami faction of the Communist Party have been named to head Kabul Province and two northern provinces; military figures have been entrusted with three provinces along the Pakistani border. Minor figures, some with local ties, were appointed to nine mostly less populous provinces. The current governors of eight provinces are to remain in place. In seven provinces where the regime has little control, governors were not named.

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The appointments are part of Kabul's overall post-Soviet strategy. The Parchami governors are to maintain the party's hold in provinces where regime control is strongest, while the military appointments in the east reflect an effort to bolster the government's embattled position in the border areas. The appointments confirm the Communists' dominant role in the regime and are unlikely to win Kabul greater popular support. Despite Najibullah's recent denial of any intent to separate the north from the rest of the country, the appointments show continued special attention to that region. Kabul may offer the vacant posts to local insurgent commanders, but such moves have failed in the past and are unlikely to succeed now.

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AFGHANISTAN: Insurgent Pressure Grows in Qandahar

Fighting has intensified sharply around the southern city of Qandahar in recent days.

[REDACTED]

[REDACTED] militiamen supporting a former insurgent commander who defected to the regime— Esmatullah Muslim—redefected to the resistance earlier this month after he was killed in combat. [REDACTED]

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As the Soviet withdrawal proceeds, the Najibullah regime will have to pull back its forces to Qandahar to prepare for a final defense of the city. The road to Kabul is already blocked by insurgent elements, and the Qandahar-to-Pakistan road may be the next one to be closed because Muslim's militia controls that road and will probably allow the resistance to take over. [REDACTED]

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VENEZUELA-CUBA: Developing Closer Ties

Venezuela and Cuba are expanding commercial ties [redacted]

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[redacted] Havana wants to open a trade office in Caracas and hopes bilateral trade will reach \$50 million this year.

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[redacted] Trade between the two countries—primarily cattle and nickel from Cuba in return for Venezuelan manufactured goods—is likely to increase this year, but it probably will not reach \$50 million because there is little demand for Cuban goods.

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[redacted] Cuba initiated the break in relations eight years ago to protest the acquittal by a Venezuelan court of Orlando Bosch, the Cuban exile accused of bombing a Cuban airliner in 1976. [redacted]

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EAST GERMANY: New Concern About Party Discipline



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warnings reflect the leadership's deep opposition to Gorbachev-style reforms and its increased concern over losing control of the party rank and file.

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The warning is calculated to curb grassroots criticisms, but a purge would backfire if those ousted joined human rights activists in pressing for changes. Meanwhile, the increasingly insecure East German leadership is likely to continue tightening discipline at home while moving forward on relations with the West.

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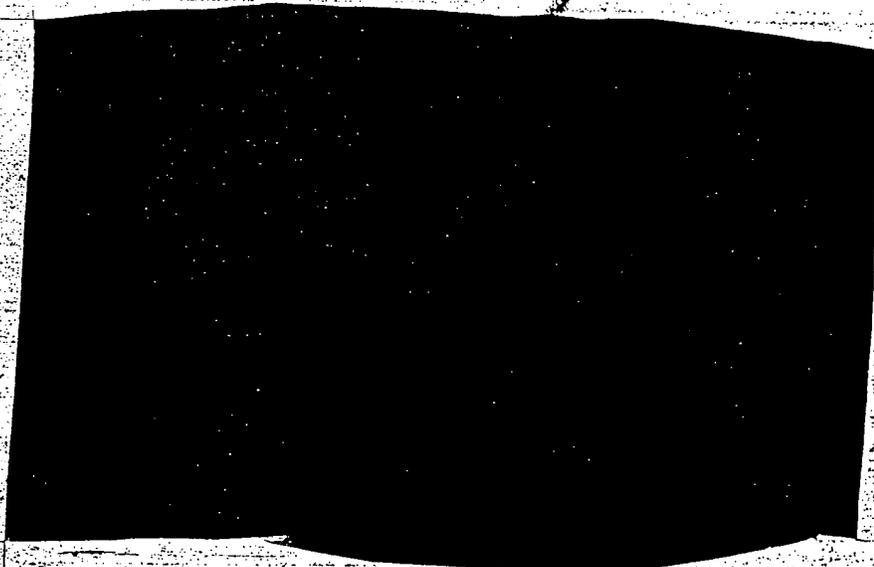
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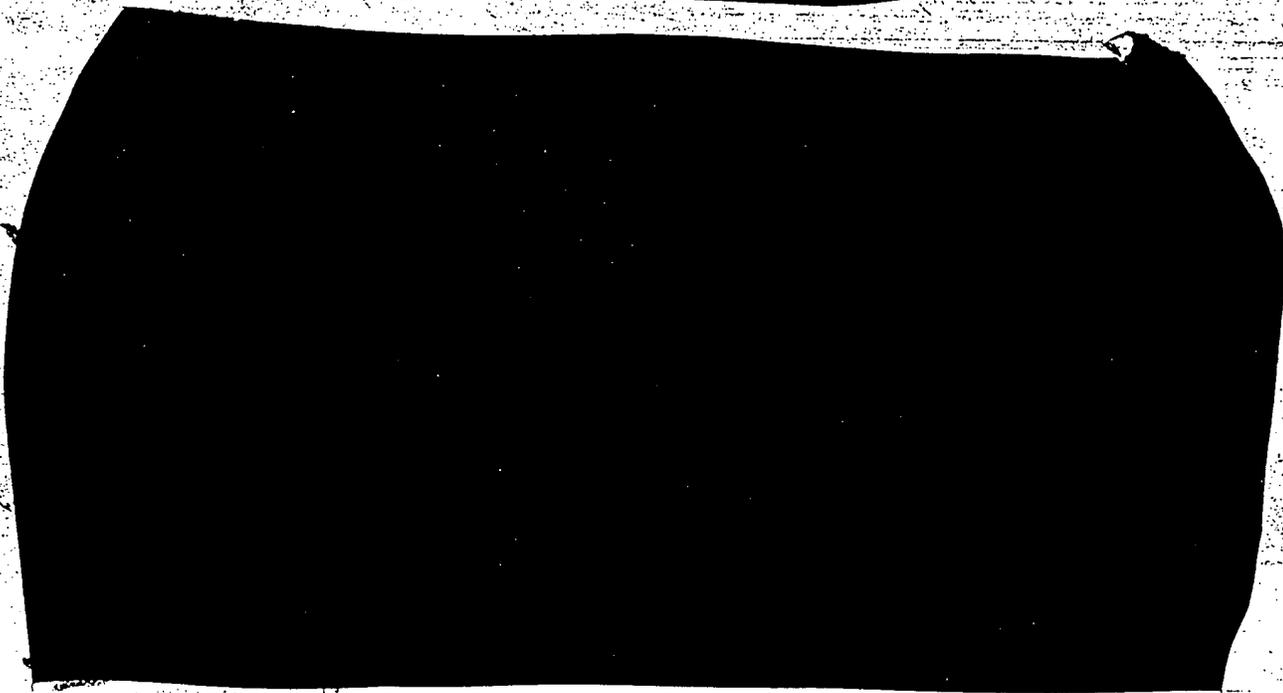
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In Brief

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— Honduran Armed Forces chief Regalado's brother— Ambassador to Panama, General Noriega's friend— arrested in Miami yesterday for possessing about 26 pounds of cocaine . . . likely to fan controversy about Honduran military's role in trafficking.

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Middle East

— Syria cracking down on underground extreme leftist activists

[REDACTED] 80 members arrested recently at Syrian Air Force Academy . . . group comprised of Ba'athist purists largely drawn from dominant Alawite minority sect.

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— Several prominent conservatives defeated in Iran's parliamentary election runoffs last Friday . . . most prominent loser was Assembly Deputy Speaker Yazdi, one of faction's leaders . . . will reduce conservatives' ability to oppose radicals' domestic agenda.

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East Asia

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— China's Shanghai Volkswagen Corporation to offer Chinese buyers \$8 million in bonds . . . first such joint venture to issue bonds . . . option for some bond purchasers to buy scarce cars may increase auto production.

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International

— Recent GATT meetings on textiles unusually contentious . . . LDC textile exporters, such as Pakistan, seek elimination of textile quotas, may stall GATT talks on services, agriculture, other topics . . . little general support for their position.

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North Atlantic

— Iceland's coalition government divided over currency crisis, forced postponement of Prime Minister Palsson's Washington visit . . . may collapse in two weeks . . . surge in polls by far-left opposition parties main deterrent to new election.

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— Greenland's local coalition government collapsed over selection of candidates for last week's Danish election . . . Prime Minister Motzfeldt hopes to form new government with other pro-NATO party, but increased scrutiny of US facilities likely.

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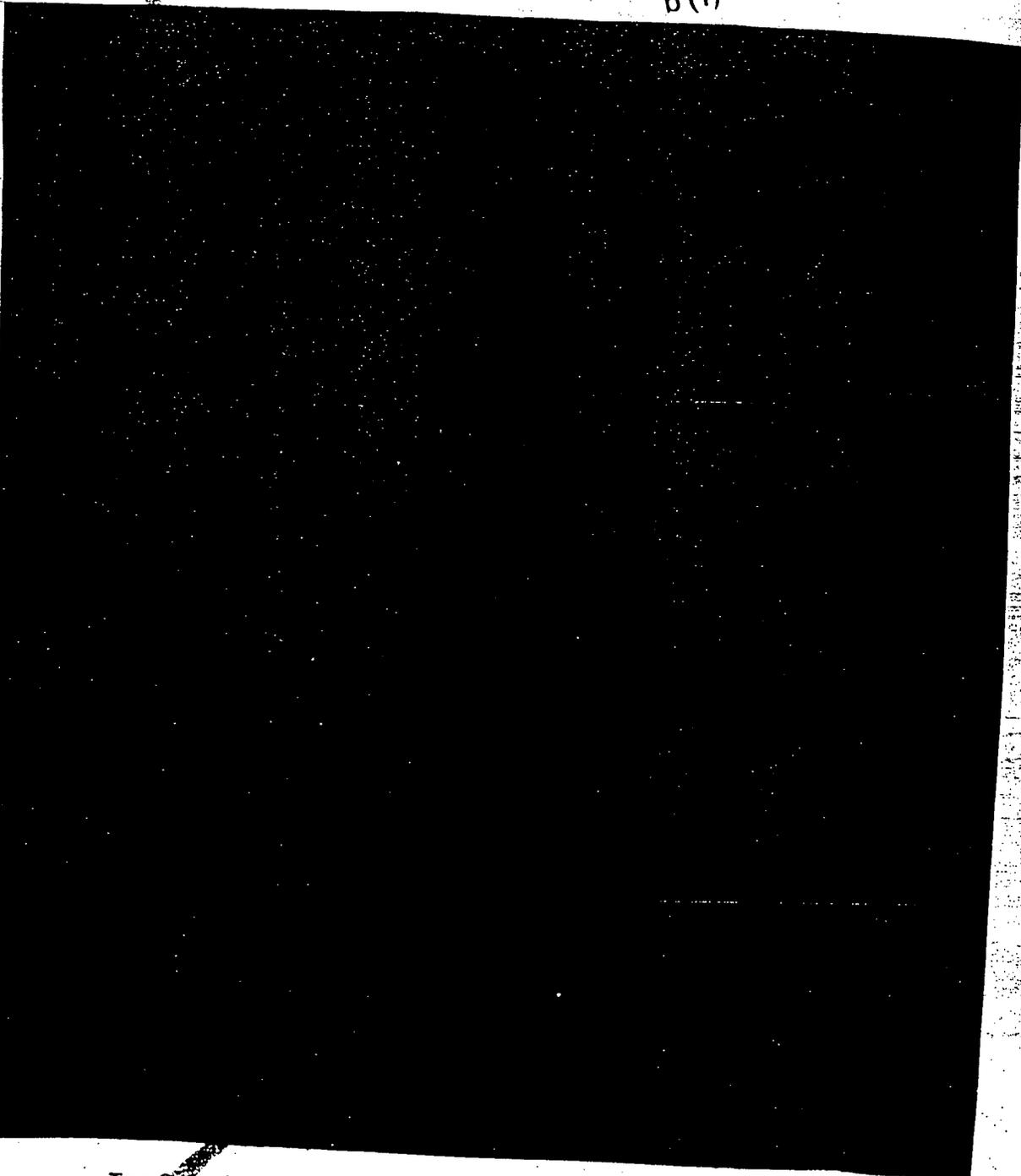
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Special Analysis

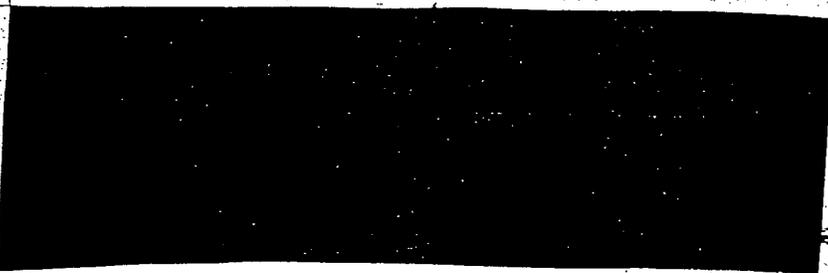
INTERNATIONAL:

Surge in Terrorism

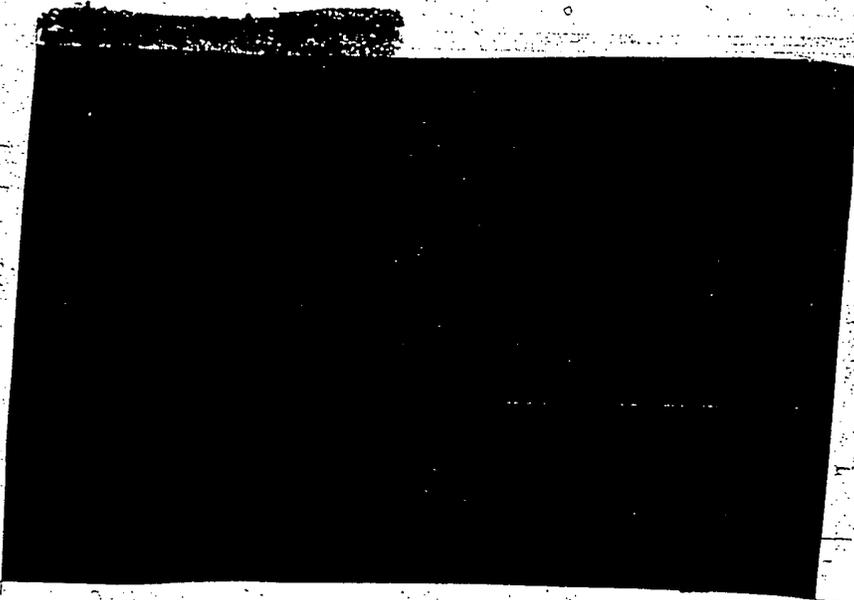
A high level of terrorist attacks remains likely for the next few weeks in response to the military situation in the Persian Gulf and other Middle East developments. Over the next few months, the Toronto economic summit, the annual pilgrimage to Mecca, and the summer Olympics in South Korea may also spur international terrorism.

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Where Will They Strike?

Most terrorist attacks probably will continue to occur in the Middle East and Western Europe; three suspects carrying Lebanese passports were arrested in Sudan Sunday after grenade and bomb attacks on Western-affiliated facilities in Khartoum. Recent attacks in Asia, however, suggest that poor security and the lack of counterterrorist preparations by many security services have made that region desirable as a location or launching point for terrorism. The hijacking of the Kuwaiti airliner from Bangkok was the first Hizballah operation staged from East Asia.

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