



Director of  
Central  
Intelligence

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20 November 1986

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**B-3**

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**Contents**

USSR-South Pacific: Soviets Lose Momentum .....	1
USSR-Eastern Europe: CEMA Meeting .....	2

**Notes**

[REDACTED] .....	b3, b1	3
[REDACTED] .....	b3, b1	3
France: Electoral Reform Approved .....		4
[REDACTED] .....	b2, b1	4
North Yemen: Change of Prime Minister Rumored .....		5
[REDACTED] .....	b2, b1	5
Sudan: [REDACTED] Initiative .....	b(3)	6
Lebanon: Hizballah Improving Military Capabilities .....		6
[REDACTED] .....		7
Barbados-Libya: Responding to Qadhafi's Overtures .....		7
In Brief .....		8

**Special Analyses**

[REDACTED] .....	b3, b1	9
Nicaragua: Contesting the Central Front .....		11
Vietnam: Party Congress To Set Reform Agenda .....		13

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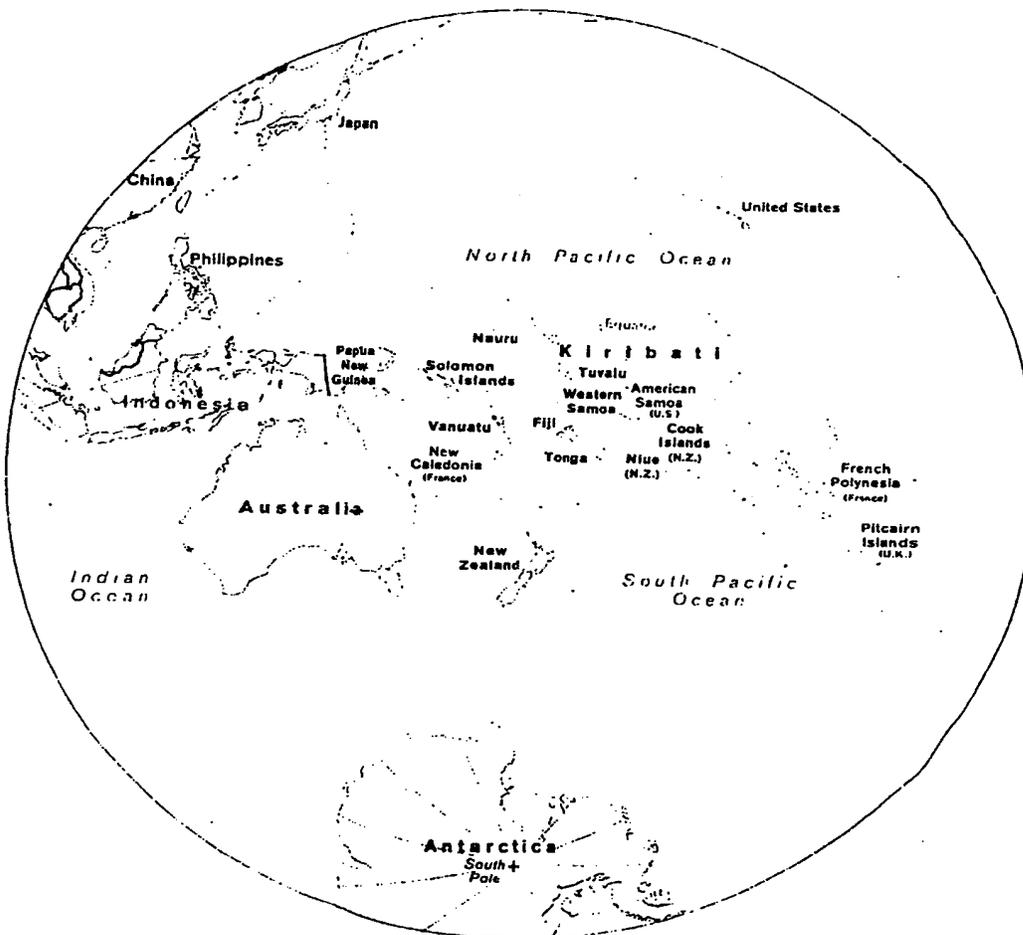
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South Pacific Forum



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20 November 1986

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USSR-  
SOUTH PACIFIC:

**Soviets Lose Momentum**

*Moscow appears to be reassessing its approaches to the South Pacific states after recent setbacks.*

The USSR has suffered a loss of momentum in its recently aggressive courtship of the South Pacific states as the West has moved to strengthen traditional ties to the islands. Widely publicized talks to renew a Soviet-Kiribati fishing deal, which expired in October, failed when the Soviets insisted on lower fees. Vanuatu, which established diplomatic relations with the USSR in July and had expressed interest in a deal involving shore access for Soviet ships, has not yet begun to negotiate a fishing agreement with the USSR, although it is scheduled to do so next month. Other local states have not responded to Moscow's often impractical economic offers.

As a result, the Soviets have dropped most of their unsuccessful economic proposals to the island states and appear to have postponed Deputy Foreign Minister Kapitsa's proposed visit to Australia and unspecified islands, originally scheduled for December. Reflecting a more low-key approach,

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the USSR does not expect to play as big a role in the South Pacific as the US, a departure from Moscow's previous emphasis on equal access to the region.

Although the Soviets undoubtedly will continue to court the South Pacific states, they are likely to move more deliberately and may focus their attention on more receptive states such as Vanuatu. Moscow's tough negotiating stance with Kiribati suggests the Soviets may have expected to strike extremely cheap deals. Budgetary constraints may discourage Moscow from concluding agreements that do not include a plum like shore access, no matter how small the sums involved.

Moscow probably suspects that its highly visible campaign in the South Pacific spurred US countermeasures and is likely to take steps to minimize such reactions in the future. Moscow probably believes, for example, that the US signed a \$60 million, five-year fishing deal with the 13-member South Pacific Forum in October to block Soviet fishing deals in the region. The Soviet press, nevertheless, will continue to play up antinuclear themes and the specter of US militarization of the region in the hope of eventually denying the US Navy access to local ports.

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20 November 1986

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USSR-  
EASTERN EUROPE:

**CEMA Meeting**

*The Soviets apparently continued to emphasize a "new" style in dealing with their allies during a meeting last week of CEMA party leaders in Moscow.*

[REDACTED]

[REDACTED] the Soviets limited participation to the party chief and one other official from each country, decided in advance to forgo a final communique in order to emphasize the meeting's "working" nature, and announced plans to convene such gatherings annually. Party leaders discussed controversial issues plaguing intra-CEMA trade and [REDACTED]

[REDACTED] decided the Soviets would lower the price of their oil more than planned next year in exchange for trade concessions from other CEMA members. [REDACTED]

[REDACTED] By limiting the number of participants and promoting the idea of a working meeting, General Secretary Gorbachev may have sought to foster a more open discussion of CEMA's problems. Gorbachev may also have been trying to project a willingness to treat East Europeans more as equals—an impression he has cultivated at previous multilateral gatherings. [REDACTED]

The failure of the Soviet or East European media to play up results of the meeting suggests that many issues remain unresolved. Even the reported decision regarding oil prices may be tentative. [REDACTED]

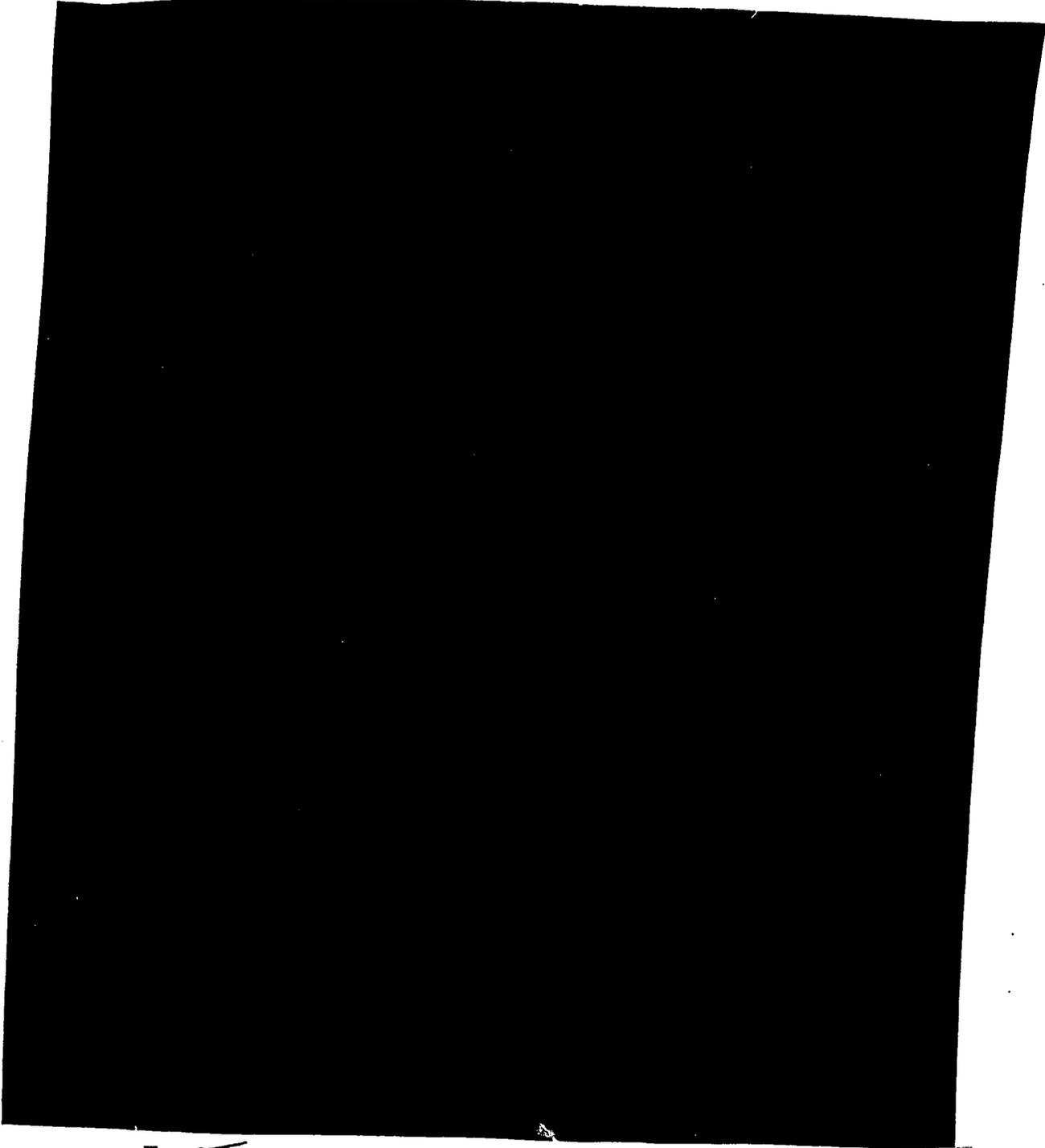
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20 November 1986

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20 November 1986

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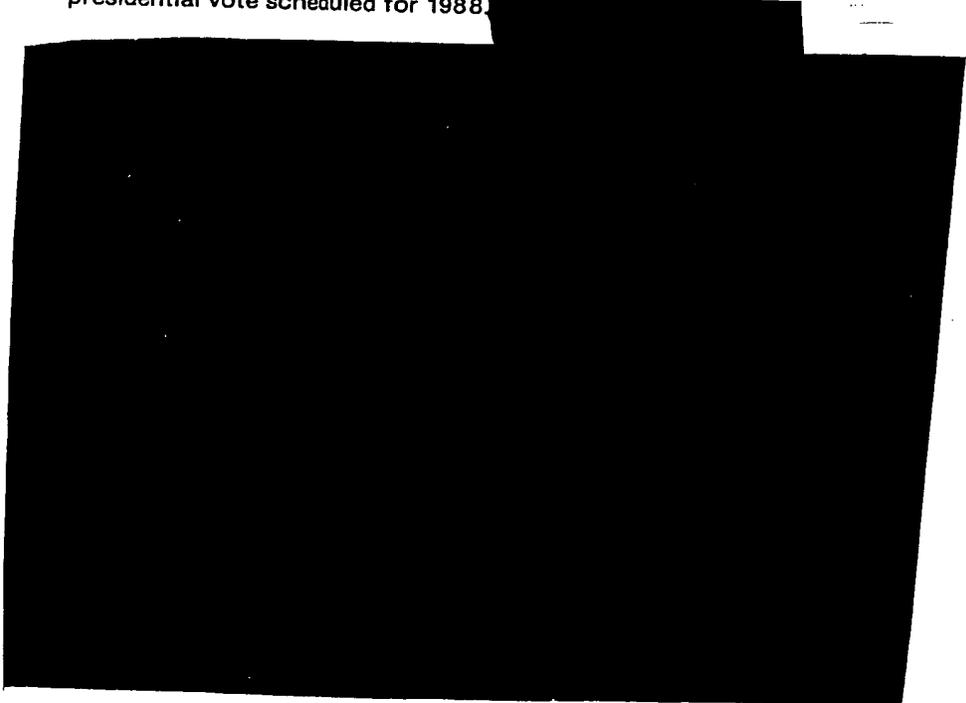
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**FRANCE: Electoral Reform Approved**

b3 France's Constitutional Council has approved the electoral reform introduced by Prime Minister Chirac's conservative government, [redacted]. The Council had warned earlier against extreme gerrymandering, but it apparently found the government's final plan acceptable. The decision follows seven months of political struggle, during which President Mitterrand blocked Chirac's move to change the French voting system by decree. [redacted] b3

b3 [redacted] Mitterrand can delay implementation a little longer by asking parliament to reconsider the law. But when Chirac's majority passes it in the same form, as seems certain, Mitterrand will be obliged to sign it. Districting changes and a return to the old two-stage majority voting system will favor Chirac's center-right coalition in the next legislative election. Most polls indicate that, if the election were held today under the new system, conservatives would increase their majority substantially. This will strongly discourage Mitterrand from dissolving parliament and calling a new election before the presidential vote scheduled for 1988.

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20 November 1986

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**NORTH YEMEN: Change of Prime Minister Rumored**

President Salih may dismiss Prime Minister Abd al-Ghani to ease domestic criticism about the government's handling of the troubled economy. [redacted] tribal and business leaders are urging Salih to dismiss Abd al-Ghani and that his possible successors include Development Minister Muhammad Said al-Attar and Minister of Agriculture Husayn al-Amri. [redacted] a major shuffling of the Cabinet may be in the works.

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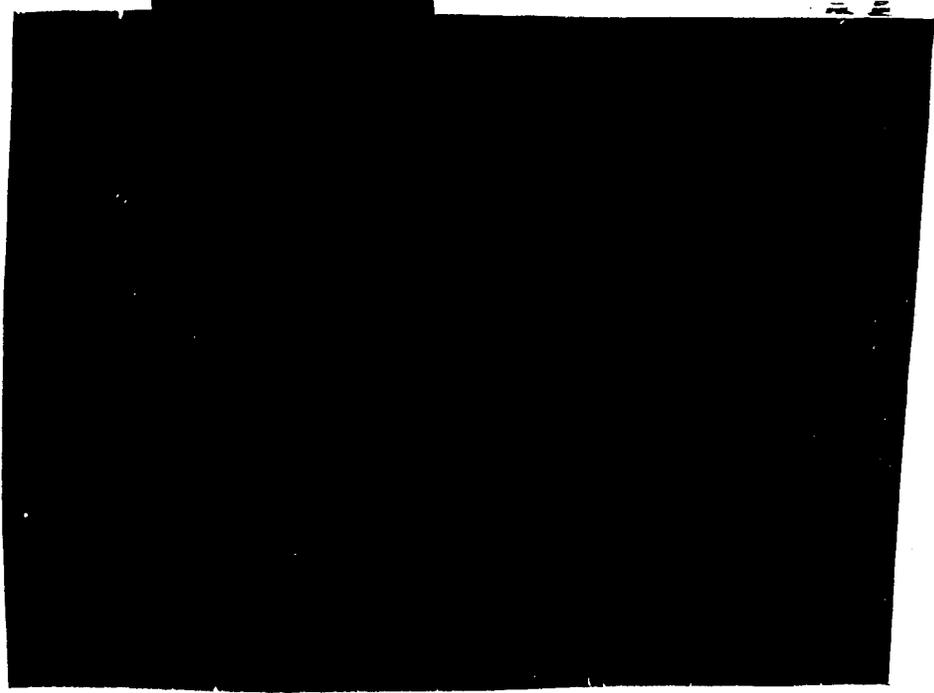
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[redacted] Business and tribal leaders—key supporters of President Salih's regime—are dissatisfied with the government's inability to arrest the recent economic deterioration.

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[redacted] North Yemen's economic situation is unlikely to ease until the late 1980s, when oil exports are scheduled to begin.

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20 November 1986

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**SUDAN:** [redacted] Initiative

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Recent domestic and international pressure on Khartoum to resume peace talks with the Sudanese People's Liberation Movement is prompting Prime Minister Sadiq [redacted] to offer conditions for a new round.

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[redacted]

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**LEBANON: Hizballah Improving Military Capabilities**

Efforts by the Shia Hizballah group to improve its military training probably are a prelude to a renewed offensive against either Israeli troops in Lebanon or the Israeli-backed Army of South Lebanon.

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[redacted]

Hizballah is improving its military capabilities partly to enhance its political standing. But Hizballah is determined to resume attacks against Israel that were recently interrupted because of intense fighting between the Shia Amal militia and Palestinian fighters in the south and in Beirut. Hizballah is probably also preparing for an eventual showdown with Syrian surrogate groups in Lebanon. There have been several clashes with such groups this year [redacted]

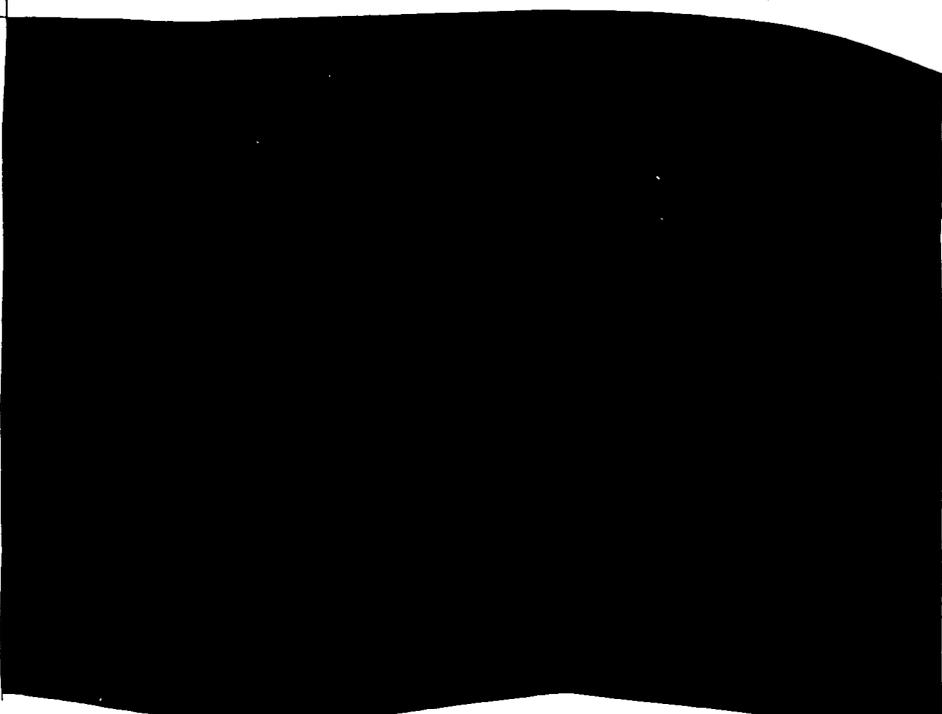
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**BARBADOS-LIBYA: Responding to Qadhafi's Overtures**

Prime Minister Barrow, [redacted] intends to meet Libyan officials before the end of the year to discuss the establishment of an Islamic Call Society in Barbados in exchange for a \$10 million investment, but he is unlikely to approve a major Libyan presence or closer ties to the regime of Muammar Qadhafi.

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Meeting the Libyans would allow Barrow to illustrate the independence of his foreign policy, but the risk of hurting Barbados's tourist industry, alarming neighboring countries, and straining relations with the US would probably limit any agreement. Despite high unemployment on Barbados, Barrow probably is not so desperate that he would provide a potential base for Libyan intelligence and terrorists, especially in view of Libya's poor record in honoring commitments of this sort to other countries.

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20 November 1986

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**In Brief**

**Americas**

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[REDACTED]

Haitian President was target of assassination attempt by unknown assailants Monday ... Namphy now in Miami for conference ... strikes, disturbances continue with military on heightened alert. [REDACTED] b3

**Middle East**

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b3 - Libya has begun providing North Yemen with 10,000 b/d of oil, ... about one-third of Sanaa's needs ... Tripoli's politically motivated move has not prompted Saudi Arabia to follow suit despite Sanaa's pleas. [REDACTED]

- Iranian-Kurdish forces in Iraq attacked two Turkish trucks carrying oil to Turkey. [REDACTED] b1, b3 part of Iran's ineffective campaign against Iraqi economic targets ... Turkey probably will not go beyond a protest. [REDACTED] b3

b3 - Jordanian Prime Minister Rifai facing increased public criticism over worsening economy, strained relations with Syria, PLO, [REDACTED] King Hussein nevertheless likely to retain Rifai to protect West Bank development plan. [REDACTED]

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**Oceania**

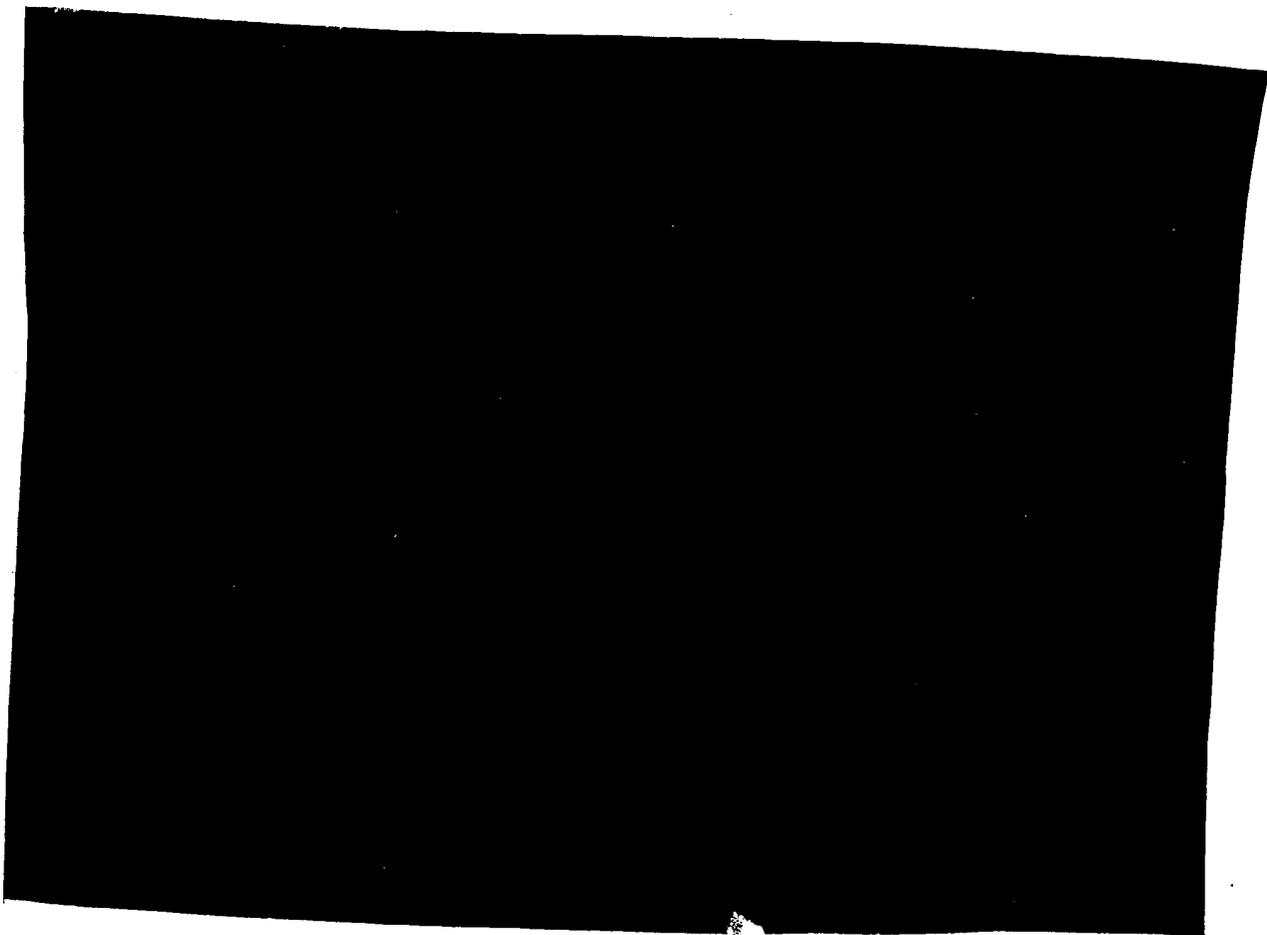
- Mourners of Papua New Guinea Minister of Primary Industry Okuk rioted in Port Moresby Monday. [REDACTED] b3 supporters wanted national holiday for funeral ... Okuk's faction unlikely to bolt coalition of Prime Minister Wingti. [REDACTED] b3

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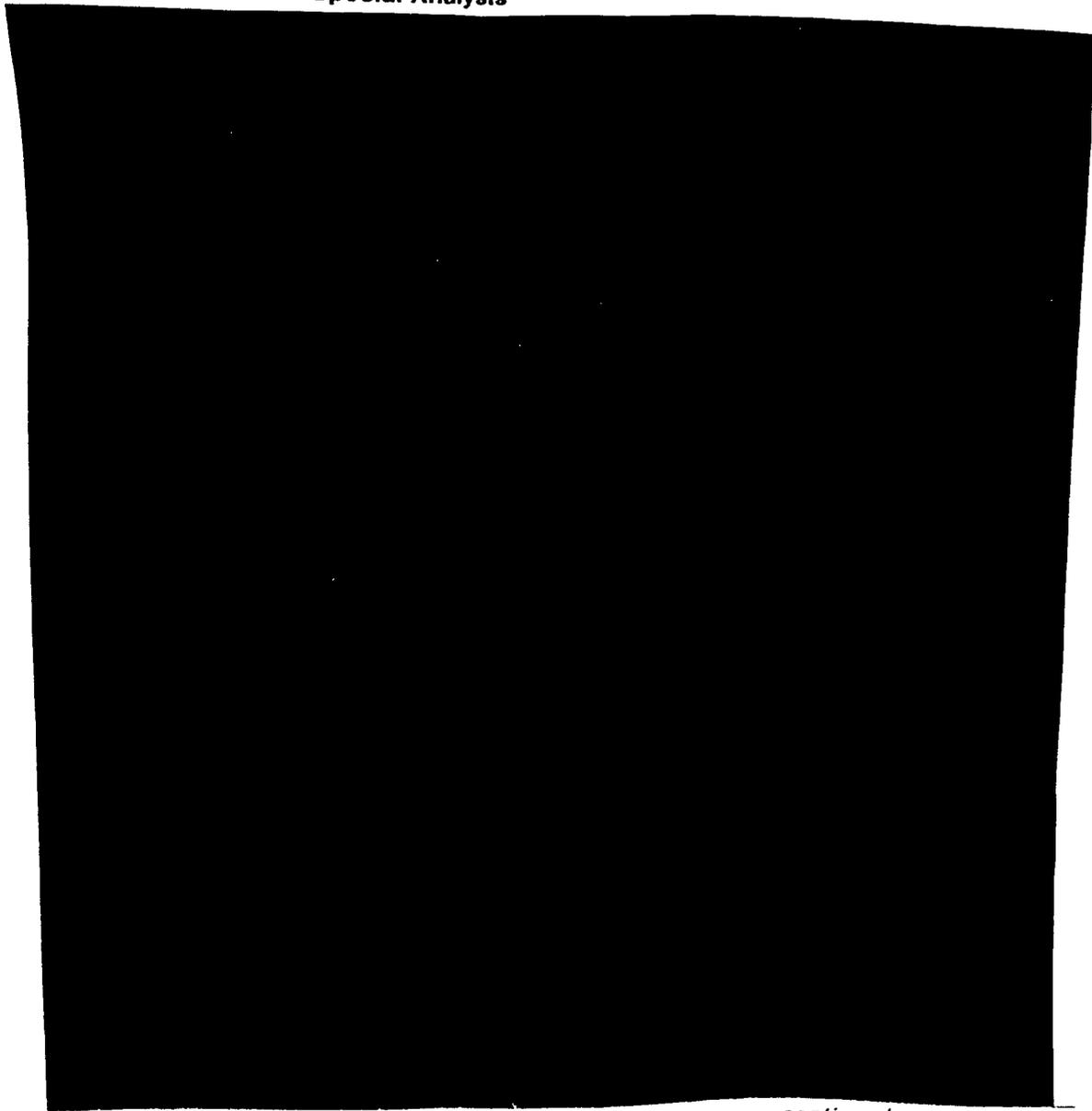
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Special Analysis



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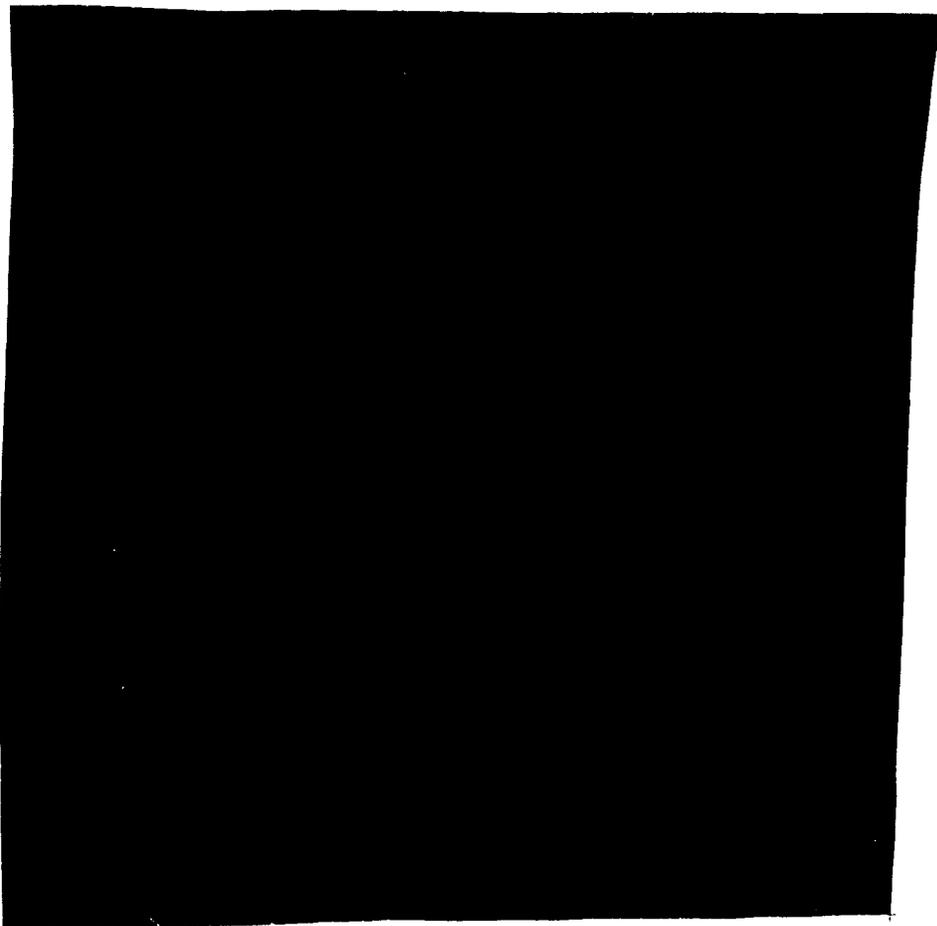
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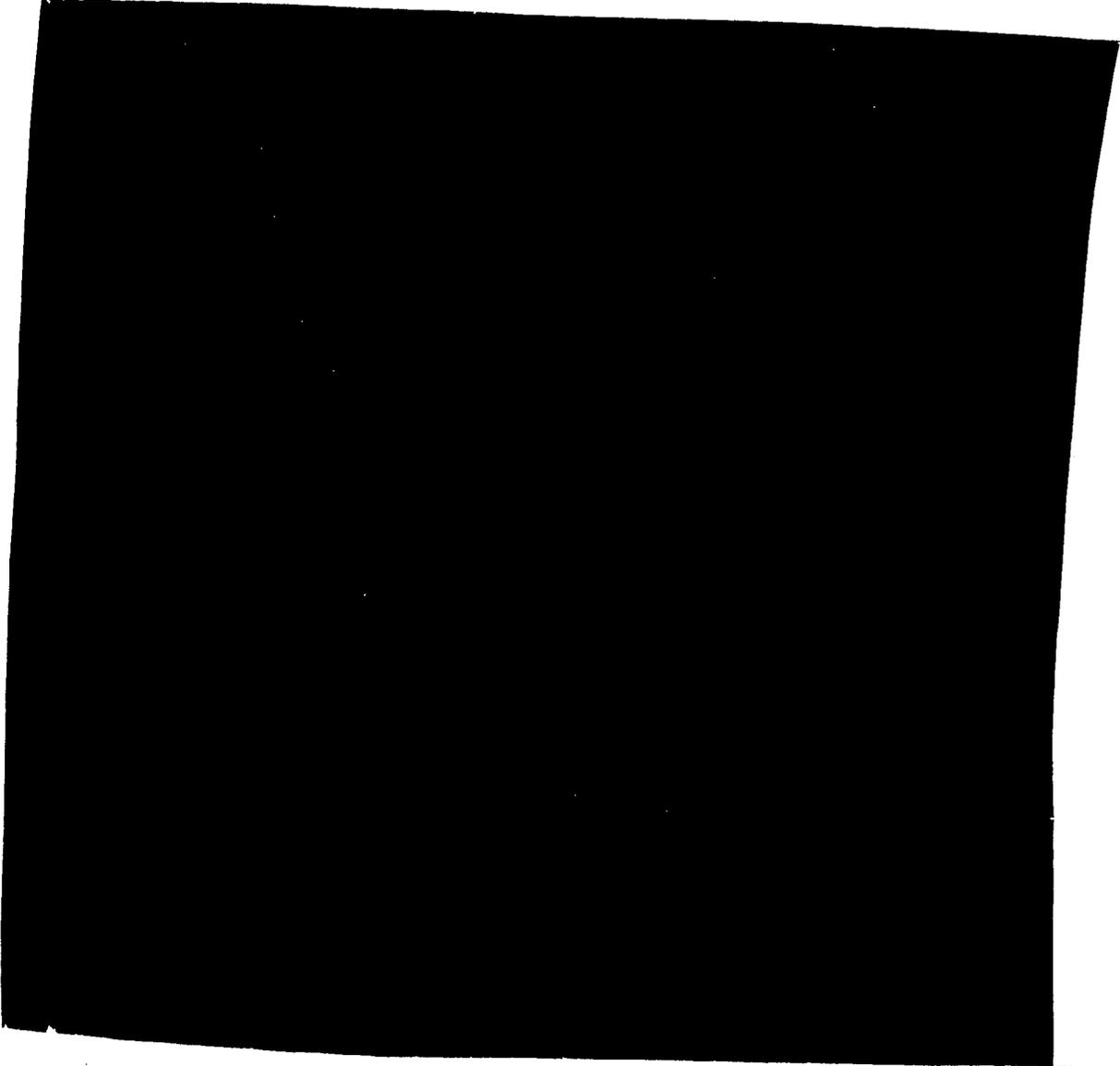
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20 November 1986

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Special Analysis

NICARAGUA:

Contesting the Central Front

Support for the anti-Sandinista rebels probably has been stronger in central Nicaragua than in any other part of the country. Managua, fearful of losing control over this region, has moved aggressively against rebel forces and support networks, and fighting will intensify further as insurgent troop strength increases. As the government reinforces its presence, the insurgents will have to work hard to retain the confidence of locals uncertain about rebel staying power.

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The stakes for the central front—which includes Boaco, Chontales, and a portion of Zelaya Departments—are high for both sides. Control of the area is important to the Sandinistas because it guards the mountain approaches to the Pacific coast heartland. The insurgents consider the region a key operating area because their activities there draw government forces away from the northwest and because much of the population is strongly anti-Sandinista. The regional economy is dominated by conservative small landholders, who have persistently resisted agricultural collectivization, and that locals have aided the insurgents with food, clothing, and safehaven. Many of the combatants are from the region and have strong family ties there.

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Regime Tactics

The Sandinistas probably have moved more ruthlessly on the central front than in other regions to bring the population under control.

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Land confiscations also have increased. The plots are distributed to regime supporters and disaffected peasants to win their loyalty. Last July Managua expelled Bishop Vega, whose diocese embraced Boaco and Chontales, for allegedly encouraging locals to resist the government.

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The regime has more than doubled its arrests of alleged insurgent supporters over last year, and in one instance, an entire village was detained. As an intimidation tactic, the regime has held 150 cattle ranchers in jail for almost a year. Sandinista abuses are common and that there are 1,500 political prisoners in Boaco alone. Recent statements by regime leaders suggest an even more intense crackdown may be imminent.

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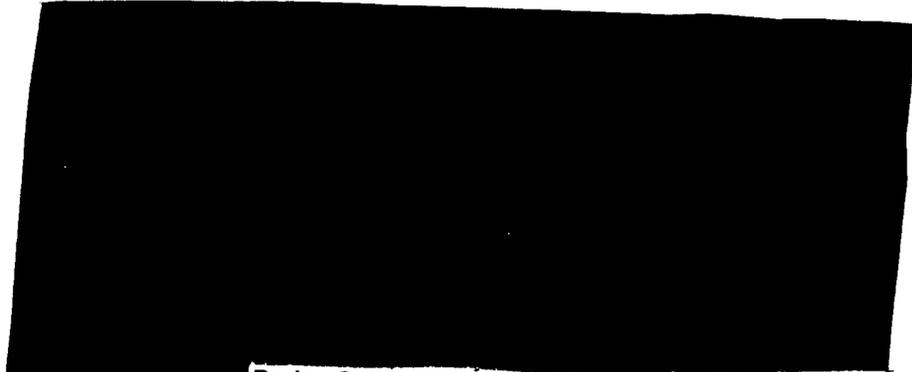
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**Insurgent Difficulties**



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During September and October, the insurgents conducted a series of road ambushes and attacks on small garrisons despite a major Sandinista sweep to prevent them from reestablishing themselves and threatening the vital Rama Road, Managua's link to main Caribbean ports.

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**Looking Ahead**

The Sandinistas appear determined to prevent the Insurgents from reestablishing a large permanent presence in the area. The regime will continue to try to build local reserves and militia units, as well as to move available counterinsurgency battalions from the northwest, to meet any increase in rebel operations. Managua probably will allocate air defense assets to prevent rebel resupply. The regime also will continue its efforts to intimidate the population, making more arrests and land confiscations a near certainty.

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Insurgent strategists probably will try to rebuild force strength to at least 5,000 to 6,000 combatants, supplemented by local recruits, and to establish a reliable aerial resupply system. The rebels presumably will continue their small-unit tactics, focusing on interdicting the Rama Road and conducting ambushes and attacks on small garrisons to force the Sandinistas to commit as many troops as possible to the central region. They also are likely to increase combined operations with southern front units, but moves against large military units or population centers are unlikely. After rebuilding support networks by making use of family ties, the insurgents will need to demonstrate their staying power in the face of Sandinista pressure if they are to retain local backing.

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### Special Analysis

**VIETNAM:**

#### Party Congress To Set Reform Agenda

*Vietnam's aging leaders are preparing for the Sixth Party Congress, expected by mid-December, amid criticism from the public and party over the ailing economy. The congress, which will set the national policy agenda for the next five years, will produce leadership shifts, but sweeping changes at the top are unlikely. Official rhetoric suggests the party will launch a drive for radical economic reform, but it is more likely that the congress will simply ratify the reform program that has been under way for 18 months. The party's primary foreign policy statement probably will be the endorsement of an outwardly conciliatory stance on Cambodia.*

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Public confidence in Hanoi's ability to run the economy has virtually vanished since price, wage, and management reforms were introduced in June 1985. Intended to give the economy much-needed stimulation, the reforms have been ineptly administered and have caused skyrocketing inflation and shortages of both industrial and consumer goods. The leadership has admitted mistakes in carrying out the program and claims it will try to restore public confidence by replacing corrupt, incompetent, or elderly officials. Party leader Truong Chinh, although long considered an ideological conservative, has become an outspoken advocate of reforms; he joined in the criticism of mismanagement that has been expressed in official media and at provincial congresses. At the Hanoi Party Congress in late October, the 79-year-old Chinh was sharply critical of official corruption, excessive central control of the economy, and costly state subsidies. He admitted that Vietnam has wasted billions of rubles in Soviet aid.

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#### Leadership Changes

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[redacted] the ailing octogenarian chairman of the Council of Ministers, Pham Van Dong, and Politburo member Le Duc Tho, 75, will step down to begin the transition to younger leadership. Several formulas—such as establishment of a largely honorary Council of Elders—have surfaced that would enable retiring members of the old guard to retain some influence. Chinh—widely viewed as an interim choice when named to succeed Le Duan in July—may remain in office [redacted]

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20 November 1986

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Speculation about successors has centered on prominent advocates of reform who have experience with the more dynamic southern economy. Nguyen Van Linh, a northerner who has spent much of his career in the south, is the leading candidate to succeed Chinh as party chief [redacted] although he is not much younger than Chinh. Linh has become the ranking member of the party Secretariat since Le Duan's death. Other candidates for promotion include Vo Chi Cong, currently vice chairman of the Council of Ministers, and Vo Van Kiet, chairman of the State Planning Commission. Both have appeared prominently in Vietnamese media this year as spokesmen for economic reform. [redacted] b3

#### Foreign Policy

The congress probably will endorse the tactic of conciliatory diplomacy as Hanoi continues its efforts to eliminate Vietnam's occupation of Cambodia as an obstacle to relations with China, ASEAN, and the West. Moscow's efforts to improve its own standing in Asia—particularly in China—are a further inducement for Hanoi to appear accommodating. Despite tentative signs of Vietnamese flexibility, however, such as a recent proposal that would allow the Khmer Rouge to participate in negotiations, Hanoi's overriding security interest in preserving a dominant position in Cambodia rules out any early compromise. [redacted] b3

The congress probably will also endorse continued cooperation with the US on POW/MIA and emigration issues and expects that such cooperation will eventually ease the process of normalization once the principal issue of Cambodia is resolved. Strong backing for and dependence on the USSR, however, will remain the foundation of Hanoi's foreign policy. [redacted] b3

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