

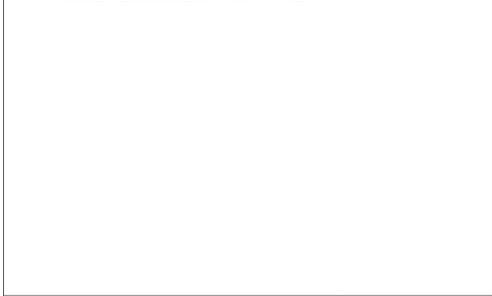
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Director of  
Central  
Intelligence

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CLACPAS WED 85-254JX



# National Intelligence Daily

Thursday  
31 October 1985

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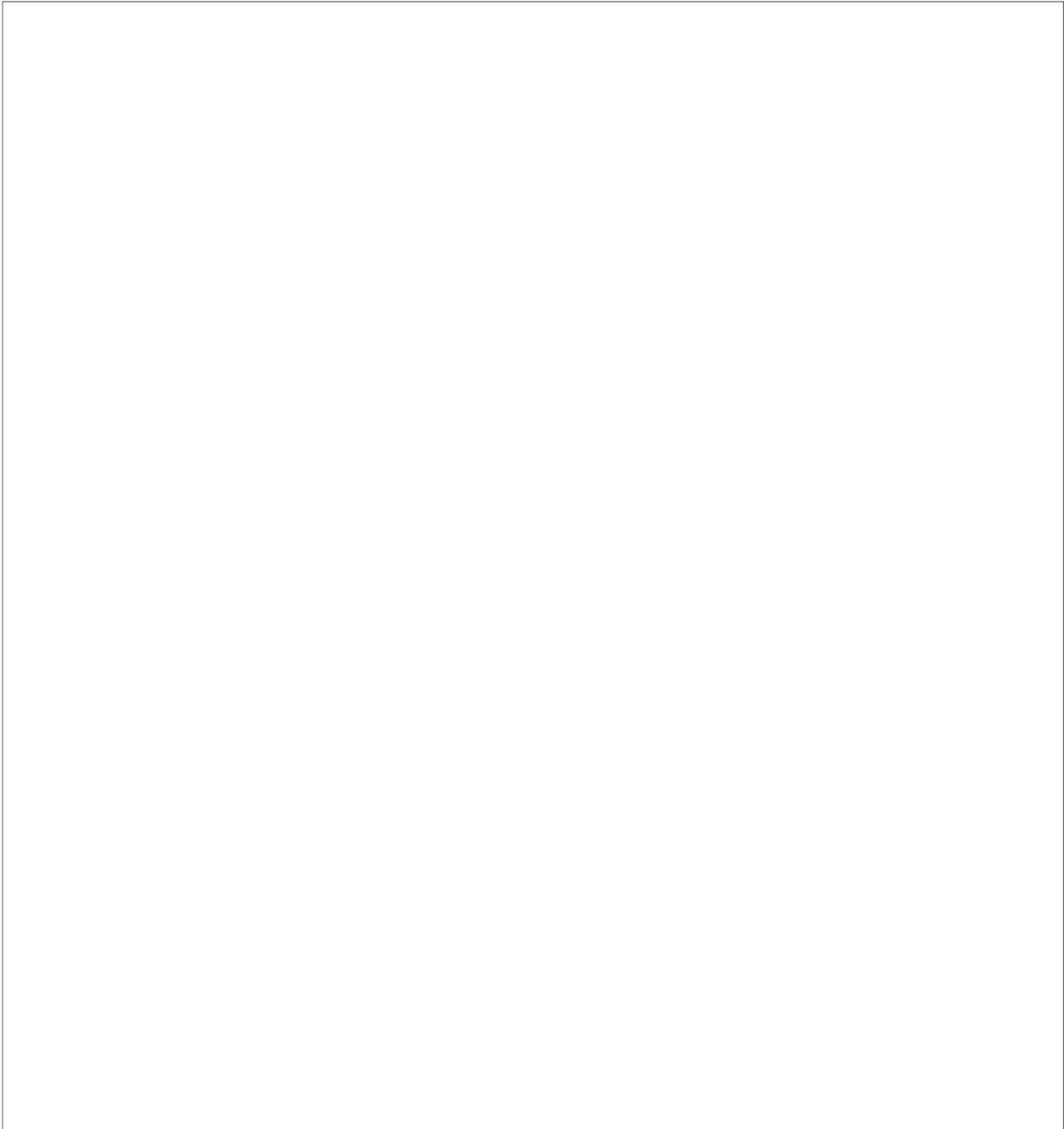
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**SOUTH AFRICA:**

**Election Results**

***The strong showing by rightwing parties in yesterday's byelections will increase the anxiety of conservatives in the ruling National Party, but the results are unlikely to cause President Botha to abandon his reformist policies.*** [redacted]

The National Party won four of the five parliamentary seats being contested, but the Conservative Party made especially strong showings in three of the races and the extreme rightwing Herstigte National Party won its first seat ever since it formed after a split from the National Party in 1969. [redacted]

The Herstigte National Party narrowly won its race in Sasolburg, after waging an aggressive campaign designed to exploit the racial fears of the community's conservative constituents. [redacted]

[redacted] the party focused on a local incident involving an interracial couple's attempt to move into a white residential area. The well-known Herstigte National Party General Secretary defeated a National Party member running in his first election. [redacted]

**Comment:** Although the election results will be widely interpreted as a major setback for Botha's limited reform efforts, he will remain committed to reform, which surveys show most whites support. The results, however, probably will reinforce his tendency to follow reform announcements with strong qualifications designed to assure whites that he will not abandon certain features of apartheid—such as segregated neighborhoods and schools. Rightwing politicians are likely to increase their efforts to persuade National Party parliamentarians from conservative districts to join their ranks. [redacted]

The election probably will be ignored by the majority of blacks, but activists now may believe that the government will move even more slowly on its racial reforms. [redacted]

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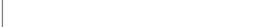
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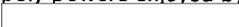


**PHILIPPINES:**

**New Delay in IMF Program**

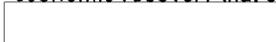
***Manila's growing budget deficit will delay until at least December the third disbursement of \$106 million from the IMF's \$615 million balance-of-payments loan.*** 

 unexpectedly low tax receipts and massive subsidies to shaky government financial institutions are pushing this year's budget deficit to more than \$1 billion—nearly triple the Fund's target. 

One obstacle that had threatened the IMF program was overcome when the World Bank accepted Manila's proposed reforms in the coconut and sugar industries.  these reforms, however, are largely superficial and are unlikely to end the monopoly powers enjoyed by some of President Marcos's closest allies. 

**Comment:** Even if agreement is reached on new taxes and spending cuts required to trim the deficit, IMF disbursements will be delayed if the Fund accepts allegations that Manila concealed information on various tax exemptions. Until the IMF program resumes, Manila's commercial creditors will postpone new loans—undercutting Manila's efforts to portray uninterrupted progress with the financial rescue package. 

A one-month delay in disbursements will not erode Manila's foreign exchange reserves, which now equal three months of import financing. A lengthy interruption, however, would threaten the fragile economic recovery that seems to be on the horizon. 



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**USSR-LEBANON: Soviet Hostages Released**

A Soviet Embassy spokesman in Beirut has confirmed that the three remaining Soviet hostages were released yesterday, after being kidnaped on 30 September. He declined to comment on who had kidnaped the Soviets or how they were freed. Meanwhile, Karen Brutents, a deputy chief of the Soviet Communist Party's International Department, arrived in Damascus on Monday at the invitation of the Ba'th Party. [redacted]

**Comment:** Moscow was probably heartened by the concerted effort of the Druze, Amal, and other Lebanese leftist militias to help find the hostages, although it is not clear how they were released. [redacted] the Druze anticipate closer ties to Moscow as a result of their search for the Soviets and their protection of the Soviet Embassy in Beirut. Brutents has long overseen Soviet contacts with Lebanese factions and may have played some role in the release of the hostages. [redacted] -CIA, DIA, NSA-

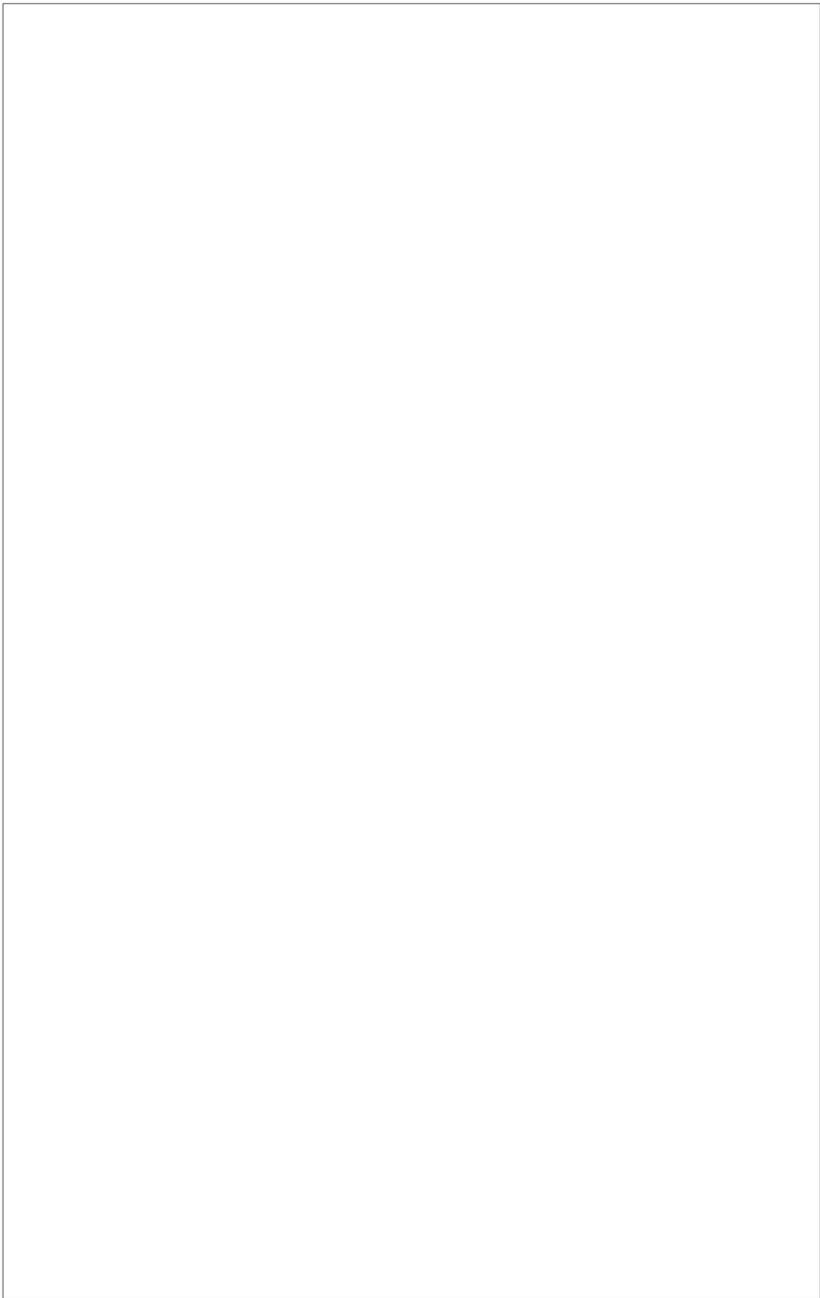


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### PAKISTAN: Political Activity Proscribed

Pakistani Prime Minister Junejo yesterday announced a ban on all political activity until martial law is lifted. But he confirmed that President Zia is still committed to lifting martial law by the end of the year. Junejo also denied an apparently widespread rumor that a state of emergency will be declared immediately afterward to allow the new civilian authorities to tighten control over the opposition. [redacted]

**Comment:** Junejo's statement follows the arrest of several leading opposition figures over the past week. The opposition coalition, the Movement for the Restoration of Democracy, has been trying to launch a united front against recent legislation it sees as making the parliament little more than a rubberstamp. The military authorities in Punjab Province believe the coalition also is supporting a violent, weeklong protest by doctors that has turned public opinion against the government there. Islamabad hopes the ban will forestall activity by the opposition during the forthcoming parliamentary debate on a law giving the government control over political parties, but coalition leaders will almost certainly attempt some form of protest. [redacted]

### YUGOSLAVIA: More Energy Cuts

Croatia and Slovenia have joined the republics of Bosnia-Herzegovina and Montenegro in announcing cuts in energy consumption. The new measures restrict the use of street lighting, forbid neon and other electrical signs, and ban the use of supplementary heaters in offices and public areas. A continuing drought has reduced Yugoslav reservoir levels at hydroelectric plants to 20 percent below normal. [redacted]

**Comment:** Power cuts in 1984 curtailed industrial output and visibly soured the public mood. The energy situation is potentially more serious this year, especially in Croatia, where officials are still worried that imports of fuel oil—dependent on limited foreign exchange—may be in short supply this winter. Up to one-third of Croatia's electrical generating capacity relies on fuel oil. Unless rains come soon, the first phase of reductions will lead to more widespread power cuts. [redacted]

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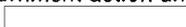
**In Brief**

**USSR**



- Kurdish dissidents holding two **Soviets**, presumably economic specialists, in northern **Iraq** . . . first Kurdish kidnaping of Soviets in recent years . . . Kurds say Moscow must negotiate with them for release. 
- Press reports **USSR** to sell so-called supercomputers to **India** . . . may hope sale will give India the leverage to buy true supercomputer from US, perhaps giving Soviets long-sought access to this technology as result 

**Americas**

- **Nicaragua** has suspended Catholic Church's radio station for two days for refusing to submit religious programs to censorship, according to press reports . . . government action unprecedented . . . Church likely to remain defiant. 



 **Venezuelan** oil officials will visit **Peru** next week to discuss possible joint development operations . . . talks with state oil company could indicate Peruvian President Garcia serious about threats to eject US oil concessionaires. 



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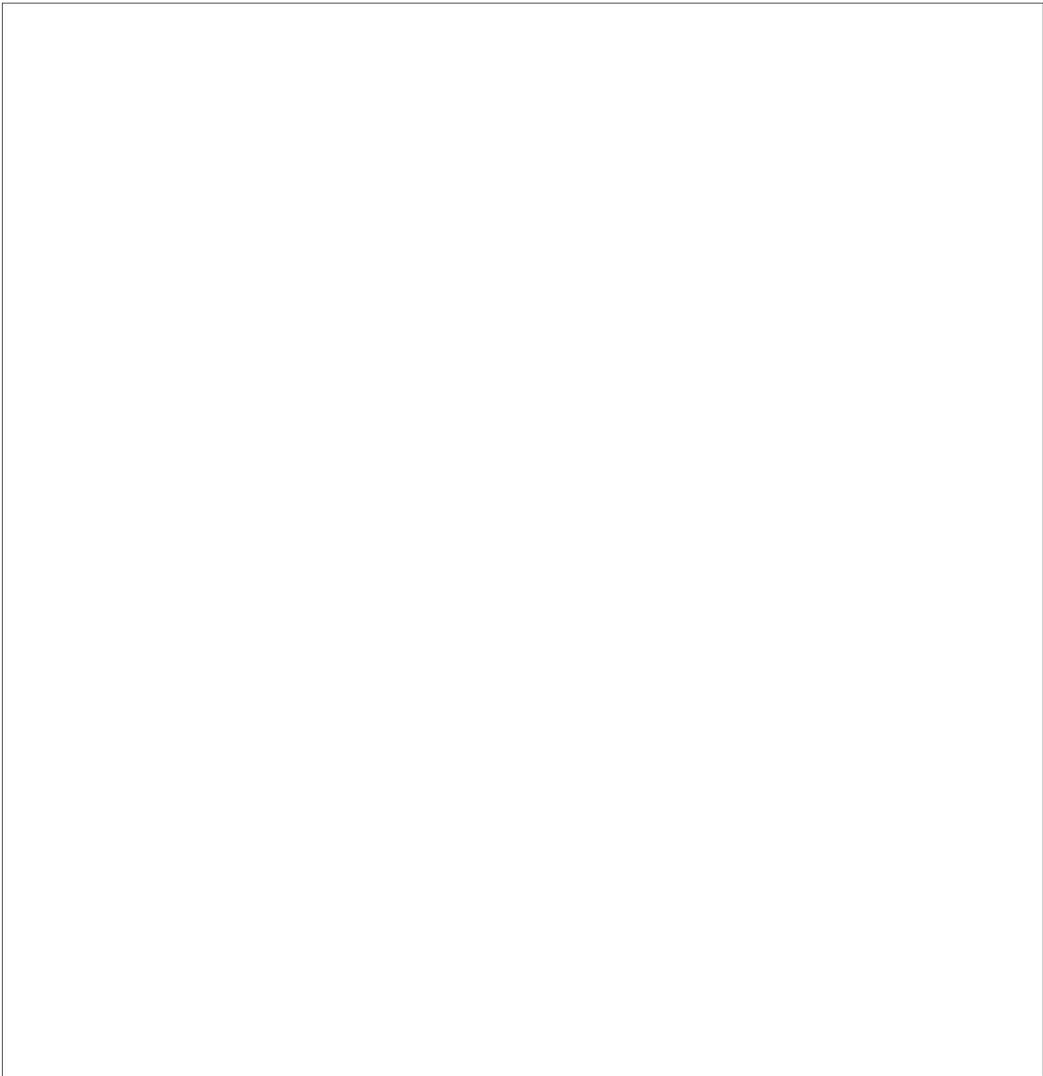
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### Special Analysis

#### SOUTH KOREA: Signs of Trouble for the Government

***Over the past nine months, pressures threatening the stability of the South Korean Government have mounted, as the opposition to President Chun has become more vigorous, student protest themes have become more radical, and Seoul's economic miracle has begun to show cracks. Chun has responded aggressively, moving to isolate radicals and intimidate moderate critics. This has renewed domestic skepticism about his agenda for long-promised reform and his pledge to step down in 1988.***

The government's greatest concern is that student activists may succeed in galvanizing moderate students and elements of labor into participating in large-scale antigovernment activity. South Korean political crises usually begin with protests by students and young workers and end with the Army stepping in. A series of crackdowns on radical student leaders has resulted in smaller, less organized demonstrations, but carry the risk of government excesses, which—more than the issues themselves—have the potential to provoke broadly based protests. Violent clashes between students and riot forces might result from any of several causes.

- Passage of the campus stabilization bill—which the government is holding in abeyance—with its provision for "reeducation camps" or similar measures to control student dissent.
- Reimprisonment of opposition leader Kim Dae Jung on unconvincing charges or his death under suspicious circumstances.
- Declaration of martial law for the sole apparent purpose of removing legal hurdles to a more sweeping political crackdown.

Other developments that could also raise the level of tension include harsher treatment of young blue-collar strikers, a general purge of government employees who criticize government policies, or public exposure of large-scale corruption benefiting the Chun family.

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#### **In Chun's Favor**

Chun could still move to reverse the present drift toward crisis. He is unlikely to yield to demands for direct presidential elections or extend an amnesty to Kim Dae Jung, but he might take other steps consistent with the political development he has long promised.

- Returning to the policy of 1984 of keeping police off campus unless university authorities request assistance.
- Announcing a timetable for carrying out specific reforms, such as limited local autonomy.
- Begin talking openly about his retirement plans after 1988.

#### **More Dangers Down the Road**

In view of Chun's reaction to past challenges, he is unlikely to take advantage of such opportunities. His control of the security services and the weakness of those who are willing to challenge him openly may enable him to ride out the next 12 to 18 months without a crisis unless a serious misstep or external shock makes him suddenly more vulnerable.

Nevertheless, present trends, as well as South Korea's record of abrupt, violent changes in government, suggest that the promised succession in 1988 will be affected by some turmoil, especially if Chun tries to retain power either personally or through a surrogate.

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**Leading Presidential Candidates**



**Vinicio Cerezo**  
Christian Democratic Party

Age 42 . . . a lawyer . . . moderate center-leftist . . . supported by peasants, labor, and lower-middle class . . . favors limited economic and agricultural reforms . . . wants foreign investment but opposes IMF austerity plans



**Jorge Carpio**  
National Centrist Union

Age 53 . . . a progressive moderate . . . personable and energetic but has no platform to solve country's problems . . . newspaper publisher . . . used media to conduct high-visibility campaign  
supports US role in Central America.



**Jorge Serrano**  
Democratic Party of National Cooperation

Age 40 . . . moderate conservative . . . charismatic evangelical church leader with strong support among Guatemalan Protestants, some 20 percent of the population . . . outspoken critic of the Mejía military regime . . . well attuned to US politics,

**Guatemalan Political Parties**

| Left                    | Center Left                | Center                                   | Center Right                  | Right                          | Extreme Right                   |
|-------------------------|----------------------------|--|-------------------------------|--------------------------------|---------------------------------|
| Social Democratic Party | Christian Democratic Party | National Centrist Union                  | National Renewal Party        | National Authentic Center      | National Liberation Movement    |
| Civic Democratic Front  |                            | Democratic Party of National Cooperation | Peoples Democratic Force      | Institutional Democratic Party | Anti-Communist Democratic Front |
|                         |                            | Revolutionary Party                      | Emerging Movement for Harmony | National Unity Front           |                                 |

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**Special Analysis**

**GUATEMALA: Election Outlook**

***The centrist parties are leading as Guatemalans prepare to go to the polls Sunday to elect the first civilian government in 19 years. No candidate appears able to win a majority, however, making a runoff likely on 8 December. Whoever wins will favor close ties to the US and will lobby for substantial US economic and military aid.***

Eight presidential candidates are running, and election rules require the winner to have an absolute majority or face a runoff with the number-two votegetter. There are 14 political parties competing for 100 seats in the new congress and for hundreds of municipal offices. The new government is scheduled to take office for a five-year term on 14 January.

**The Campaign**

most candidates have avoided politically sensitive issues that could give the military grounds to postpone or delay elections. In any event, few substantive issues divide the front-runners. The campaign has been conducted amid worsening economic conditions, but the major contenders have offered little more than vague economic panaceas. For its part, the Army has kept its promise to remain impartial and has refused to endorse any candidate.

**The Front-Runners**

Vinicio Cerezo Arevalo of the Christian Democratic Party is the clear front-runner. He is a center-leftist who has assured the military he would respect its interests, who confines his economic reforms to such moderate measures as improving tax collection, and who is unlikely to try more extensive and politically risky austerity or land reform measures.

Jorge Carpio Nicolle of the National Centrist Union—a progressive moderate who has sought to appeal to all but extremists—is running second, according to polling data. Divisions within his party and his lack of personal appeal have hurt his chances.

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[redacted] among the lesser candidates, Jorge Serrano Elias of the centrist Democratic Party of National Cooperation is the most serious political threat to Cerezo and Carpio. He has run an aggressive campaign that at the very least will give him considerable leverage in a runoff and might push him into second place on the first ballot. Cerezo reportedly believes Serrano would be a tougher opponent in a runoff than Carpio. [redacted]

Polls show the ultrarightist candidate running a distant fourth, but the party still is likely to win a significant number of congressional seats, [redacted]

#### The Insurgents

Leftist insurgents have not seriously disrupted the electoral process despite earlier reported plans to wage a campaign of terrorism and assassination. [redacted] rebels have been limited to hit-and-run attacks and propaganda activity against the election in rural areas and that they lack the ability to disrupt voting seriously in urban areas. Nevertheless, isolated acts of violence to intimidate voters and cast doubt on the legitimacy of the election probably will occur. [redacted]

#### Outlook

A runoff between Cerezo and Carpio is likely to be close. Each, however, recognizes the fragility of the electoral process as well as the sensitivities of the military and is likely to try to keep pollticking within tolerable bounds. [redacted]

A second-place showing by Serrano—who already has claimed that the military is rigging the election against him—might precipitate a political crisis. The armed forces view him as politically unacceptable. [redacted]

All three major candidates support the Contadora process but will probably stay on the sideline. Carpio and Serrano are more skeptical of Sandinista intentions than is Cerezo but probably see negotiations as ways to improve relations with Mexico and return to the international scene. All three favor closer ties to the US and are counting on large infusions of economic and military aid to alleviate the country's grave economic problems. [redacted]

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