



**Director of
Central
Intelligence**

~~Top Secret~~



National Intelligence Daily

**Tuesday
24 February 1987**



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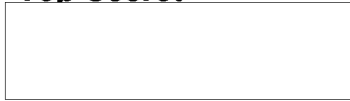
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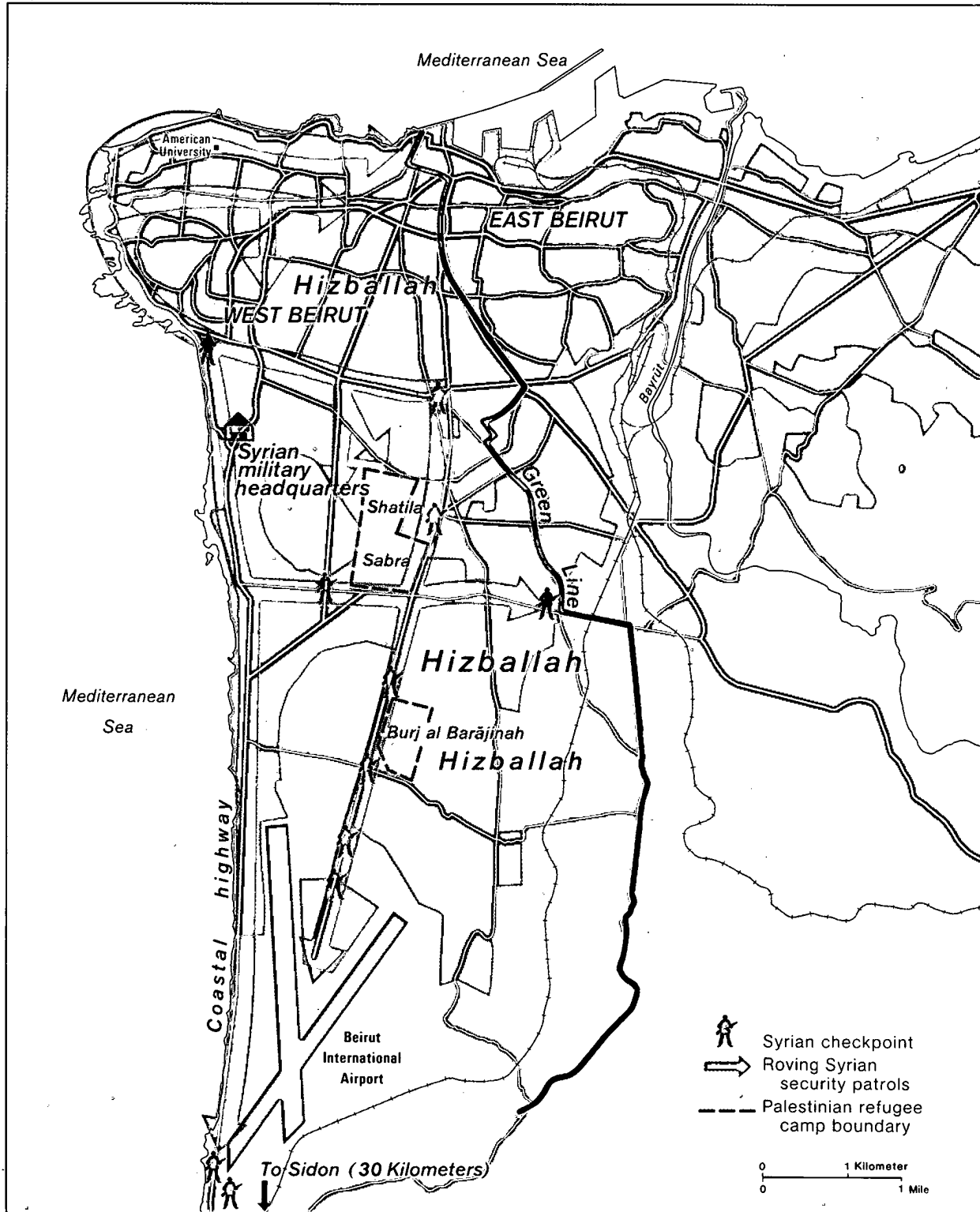
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Syrian Presence in Beirut



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LEBANON-ISRAEL-SYRIA:

Reactions to Intervention

The various Lebanese factions and Israeli leaders are reacting cautiously to the Syrian military intervention in West Beirut.




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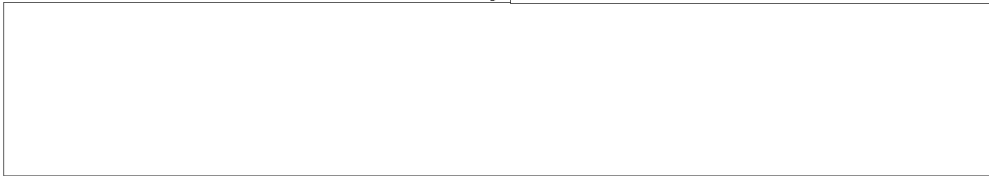
Druze leader Junblatt told US officials he will cooperate with the Syrians by allowing them to control supply roads into Beirut through Druze strongholds southeast of the city. 


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There were sporadic clashes yesterday as Syrian forces continued to move into selected areas of the city. 


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Israeli officials have assumed a wait-and-see attitude toward the Syrian troop movement, according to Israeli press. Although some hardliners are demanding Tel Aviv issue a warning to Syria about moving south toward Israel, Defense Minister Rabin argues that such a warning would be premature. 

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Comment: Syria appears to have successfully pressed Junblatt into accepting its intervention for now, but it will be difficult for Junblatt to control his soldiers in Beirut, many of whom are non-Druze Muslims. Even if Syrian forces stay out of Hizballah neighborhoods, their presence will constrain Hizballah. Palestinians loyal to Arafat and their Lebanese Sunni Muslim allies are certain to resist, especially if the Syrians and their Shia ally, Amal, try to enter the refugee camps. The Palestinians will also seek help from the Christians—who assisted PLO infiltration into Beirut earlier this year—but the Christians are unlikely to seek a showdown with Syria. 

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Even if the Syrians impose a temporary calm between the factions, none of the underlying conflicts have been resolved. The Syrian forces remain too small to police the city effectively, and kidnappings and factional skirmishes may continue. 

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While Israel is officially opposed to Syrian involvement in Lebanon, it probably welcomes Syrian entanglement and preoccupation with Lebanese affairs. 

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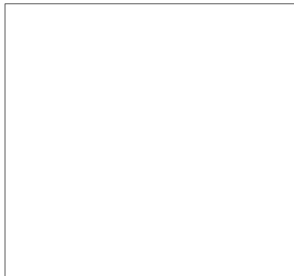
CHINA:

Reforms in Rural Economy Affirmed

China's annual document on rural policy this year affirms key reform policies, including new experiments with rural markets, indicating that in this sector at least ideological debates have not yet deterred pragmatic economic reforms. [Redacted]

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The document, which was delayed by policy disputes and Hu Yaobang's resignation, calls for wider implementation of rural reforms. [Redacted]

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[Redacted] the document calls for expanding local rural credit markets and supports the growth of individual enterprises and rural industry. [Redacted]

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ASEAN

It also reportedly calls for greater use of market incentives to increase grain production, instead of falling back on state quota mechanisms. State investment in rural infrastructure—especially irrigation facilities—is to increase by 40 percent, with the emphasis on grain-producing regions and poor areas. [Redacted]

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Comment: The reformist tone of the document appears to be a victory for acting party secretary Zhao Ziyang, who has declared that the current ideological chill will not affect rural policy. Conservatives have in the past criticized the emphasis on rural enterprises for diverting attention from grain production. Although the document strongly defends rural enterprises and entrepreneurs, it does not promise support in the form of state credit or materials to that sector. [Redacted]

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Reform leaders are gambling that the harvest this year will be a good one. Their policies will come under heavy fire at the party congress scheduled next fall if grain production drops this year. Reformers are hoping that, by reducing grain quotas and increasing market outlets for surplus grain, they can increase production. Financial constraints and the fear of adverse reaction if retail food prices rise prevent them from simply increasing prices to stimulate production. [Redacted]

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The decision to increase state investment probably was made because reformers realize that their policies make them vulnerable to conservatives' charges of neglecting irrigation infrastructure and the development of poor areas. [Redacted]

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USSR:

Modernization Pressures Taking Toll on Industry

The decline in Soviet industrial production last month is a setback for General Secretary Gorbachev's drive for economic revitalization and, if it continues, could test the leadership's commitment to his modernization strategy. [Redacted]

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Total industrial production declined by about 3.5 percent, compared with that in January 1986, with only energy, processed food, and chemicals showing improvements. The civilian machinery sector—which is central to Gorbachev's modernization campaign—was down by more than 13 percent. Moscow blamed industry's poor performance on products not measuring up to more stringent quality control, unusually cold weather in the European USSR, and less work time than in January last year. [Redacted]

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Comment: The sharp decline in machinery production is unprecedented and accounted for most of the decline in overall industrial production. Given the priority now accorded the machinery sector, poor performance almost certainly surprised the leadership and probably figured heavily in Gorbachev's criticism of the economy at the Central Committee plenum last month. [Redacted]

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Evidence is mounting that the machinery sector is suffering considerable disruption as it strives to meet Gorbachev's ambitious targets for quality and quantity. [Redacted]

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On 1 January the Soviets introduced a more stringent quality control system at 1,500 important enterprises. Products not approved by the new quality inspectors are excluded from final output figures, and Soviet press reporting indicates as much as 90 percent of the output of some plants has been rejected at first inspection. Many plants are having problems retooling and maintaining production levels at the same time, despite high-level pressures to introduce additional work shifts. [Redacted]

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According to Gorbachev, plants are experiencing problems shifting to new forms of economic management. Plants now are held accountable for meeting all contract commitments and for arranging a greater share of their financing and materials. [Redacted]

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Not permitting rejected products to be counted in output totals exposes managers at all levels to public scrutiny and clearly is a pressure tactic. It illustrates the leadership's willingness to incur political risks to press Gorbachev's programs. [Redacted]

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IRAN-IRAQ: New Attacks in South

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Iranian attacks on Iraqi positions near Al Basrah ^{on 23 Feb} ~~yesterday~~ could prompt Baghdad to resume airstrikes on Iranian cities. Tehran claimed that it simultaneously began a new phase of guerrilla operations in northern Iraq. Baghdad announced it had stopped the attacks near Al Basrah and denied Iran had captured Iraqi positions in the Hawizah marsh on Sunday. Meanwhile, [Redacted]

[Redacted] Iran has deployed a launcher and radar for a Chinese-built HY-2 antiship cruise missile on Qeshm Island. [Redacted]

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Comment: The Iranian attacks in the south are limited probes for Iraqi weaknesses, possibly in preparation for another offensive. Guerrilla operations may be designed to tie down Iraqi forces and complicate Baghdad's planning. Because the Iranian ground attacks violate the conditions of the cease-fire established last week, Iraq probably will resume its airstrikes on cities as it has threatened to do. The HY-2 site—which can cover most of the Strait of Hormuz—could be made operational quickly; [Redacted]

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[Redacted]

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INDIA-PAKISTAN: Talks Productive

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Prime Minister Gandhi and President Zia have said their discussions over the weekend cleared up misunderstandings over the recent military buildup along their border. They also reviewed other contentious issues related to border security—drug trafficking, infiltrations of terrorists, and smuggling. Gandhi told the press he hoped the two sides would “seal” their common border in an effort to deal with these problems. Zia said he considered the recent agreement to pull back troops the equivalent of a “no-war” pact. Negotiations on the second phase of troop withdrawals will begin Thursday when the Indian delegation arrives in Pakistan, according to the press. [Redacted]

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Comment: The atmosphere at the meeting suggests discussions on additional troop withdrawals will be successful. An early resumption of meetings on other border issues and trade will be a further sign that both Gandhi and Zia have renewed their commitment to improving relations. Zia took full advantage of the public relations opportunities in India to promote a statesmanlike image at home—answering press questions, praying at two Muslim shrines, and cheering the Pakistani team at a cricket match. [Redacted]

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SURINAME: Dealing With Demonstrators

~~Head of Government Bouterse ordered security forces contending with demonstrations last week to use minimum force and not to fire on protesters under any circumstances~~

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[Redacted] Government officials have closed schools at least through 25 February, the seventh anniversary of the regime, and are organizing various street activities to divert the attention of youths. Meanwhile, the rebels launched two attacks on government troops last week, but the regime reportedly has decided against launching any major counterattacks until spare parts can be obtained for two recently acquired military helicopters. [Redacted]

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Comment: Bouterse has said in the past that the only thing that could bring him down was a popular uprising, and he and his senior security advisers appear to be taking great care to ensure that the level of violence does not escalate. Until a major counterattack is launched, Bouterse will have more troops at his disposal to deal with the demonstrators. [Redacted]

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In Brief

on 24 Feb

USSR

G/S 24 Feb

— **Soviets' Trade Unions congress opening today**, runs through **Saturday** ... agenda centers on unions' role in economic revitalization ... changes in top union leadership expected ... General Secretary Gorbachev likely to address. [Redacted]

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East Asia

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— [Redacted] **USSR has delivered two minesweepers to Vietnam** ... provide limited capability to clear shallow coastal, inland waters ... Hanoi emphasizing coastal defense in Navy development. [Redacted]

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Europe

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— Opposition press attacking **Spanish Education Minister Maravall** for giving in to demands for education reforms ... secondary schools closed since December ... Maravall's resignation would be first major setback for Socialist government. [Redacted]

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Americas

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— **Chile's bank creditors agreed yesterday to reschedule \$12 billion of roughly \$20 billion external debt**, according to US Embassy ... concessions granted will save Santiago \$535 million this year ... threat of debt moratorium may have pushed banks into agreement. [Redacted]

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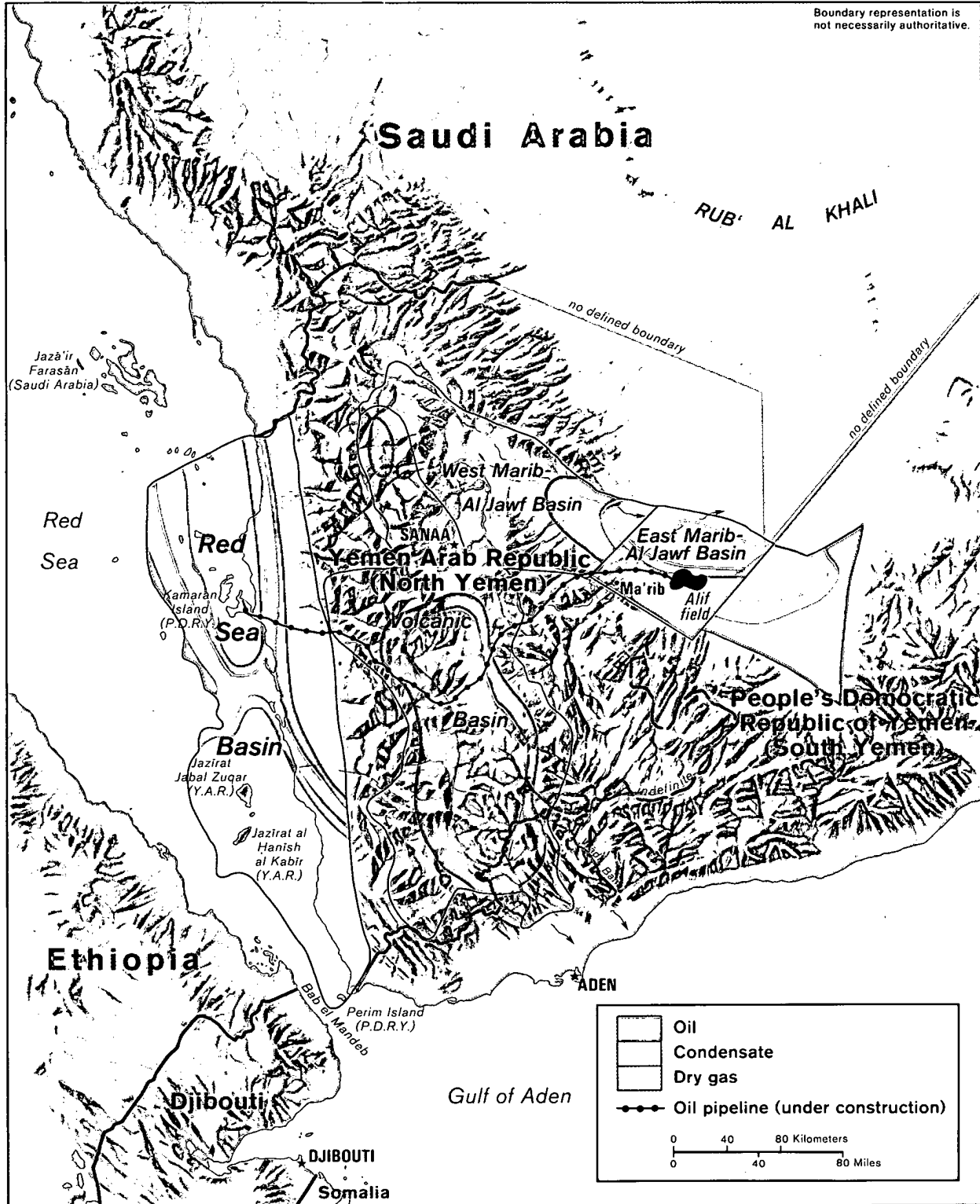
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North Yemeni Oil Potential



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Special Analysis**NORTH YEMEN: Opportunities and Risks of Oil Wealth**

North Yemen has the resource potential to become an important oil exporter in the 1990s. Photogeologic analysis indicates that Sanaa's recoverable oil could amount to more than 6 billion barrels—larger than Egypt's reserves and many times the 400 million barrels now being developed. Oil revenues present Sanaa with a number of economic options, but oil alone will not solve North Yemen's serious economic problems or provide it with political stability.

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Most of North Yemen's oil potential is in the concession near Ma'rib, where reserves could exceed 4 billion barrels. The concession includes North Yemen's only producing oilfield, the Alif, which began production last April. The current output of 10,000 barrels per day at Alif is expected to rise to at least 135,000 b/d in 1988, when exports will flow through a new export pipeline to the Red Sea. If sizable amounts of additional oil are confirmed in the Marib al Jawf basin between now and the early 1990s, as is likely, production probably will rise to about 400,000 b/d by 1995.

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Geologic analysis also indicates that a concession near Sanaa contains about 1.5 billion barrels of reserves and that North Yemen's offshore oil reserves may be at least 500 million barrels. In addition, there is a good chance that significant volumes of oil will be found in disputed border areas claimed by North Yemen, South Yemen, and Saudi Arabia.

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Actual production levels will depend on Sanaa's ability to balance domestic demands and foreign policy considerations and, to a lesser extent, the ability of the international market to absorb more oil. North Yemen's resources probably could support a production rate as high as 800,000 b/d. Sanaa is likely to choose to develop its resources at a more conservative pace, however, largely because of the government's need to temper rising expectations and to avoid losing its traditional sources of revenue and foreign exchange—remittances from Yemenis working outside the country and foreign aid.

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Challenges to Salih

North Yemen will face difficult economic and political problems under any development plan. The country has few resources. Almost two-thirds of the population is engaged in subsistence agriculture, and, other than the oil, there are few known commercially exploitable

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minerals. President Ali Abdullah Salih has deftly coped with a population accustomed to poverty and isolation, but new oil discoveries will force him to adapt his tactics to a higher level of public expectations. [Redacted]

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Even if it opts for a restrained development plan, North Yemen would earn nearly \$1.5 billion in annual oil revenues by the mid-1990s, enabling it to develop a badly needed infrastructure, new industries, commerce, and services. The advent of oil revenues, however, will raise demands of the North Yemeni technocrats, educated elite, and tribal and military leaders for a greater role in the decisionmaking process, especially concerning the distribution of oil income. President Salih is likely to try to use the disbursement of oil revenues to consolidate his political control over both his opponents and his supporters. [Redacted]

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Outlook

Oil will offer Sanaa greater flexibility in dealing with Moscow and Washington and enable it to further its goal of balancing relations with both. President Salih probably will try to use his relationship with the US to gain economic aid as well as needed oil exploration, production, and processing technologies that the USSR cannot or will not provide. More direct links to the West—and particularly the US—probably will gradually develop as oil provides new opportunities for investment, but progress will be slow. [Redacted]

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Special Analysis

SOUTH AFRICA:

Labor Troubles in Gold Industry

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[Redacted Box]

South African security officials and mineowners are increasingly concerned that recent fighting among black workers and other labor problems might intensify and eventually seriously damage production in the vital gold-mining industry. Labor troubles to date have affected revenues only slightly, but mining companies are improving security and stockpiling unrefined gold ore to hedge against lengthy work disruptions. [Redacted Box]

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Some 85 gold miners have been killed in factional violence in the past two months. Mineowners and government officials are concerned that industrial sabotage and labor union militancy threaten security and production in the mines. [Redacted Box] a South African labor specialist estimates that gold production fell by about 10 percent last year because of labor problems, but revenues were not hurt because of the rising price of world gold. [Redacted Box]

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Causes of Unrest

The mining companies and the black National Union of Mineworkers agree that such factors as the use of migrant labor and single-sex hostels are major elements in fanning tribal tensions behind much of the recent violence. According to the US Embassy, Basotho workers from Lesotho, who have risen to the highest job categories in most mines and who supervise members of other ethnic groups, oppose attempts by the Union, dominated by South African Xhosas, to recruit lower category workers. [Redacted Box]

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by a strike called by Mineworkers

Successful Union organizing has increased the possibility of strikes at the mines. The South African labor specialist estimated that a strike called by the National Union of Mineworkers could affect 25 of the 39 gold mines. Most companies and the Union have attempted to work together on many issues, but mining officials reportedly believe that some mine fires late last year were deliberately set after individual company owners refused to accept a wage settlement reached between the Union and the federation of mineowners. [Redacted Box]

many of the country's mines could have been affected

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Mineowners and the government have taken a number of steps to reestablish stability in the mine work force. Management wants to hire fewer, more highly politicized black South Africans and has pressed Pretoria not to expel foreign mineworkers in retaliation against the policies of neighboring states. Last month, Pretoria decided not to go

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ahead with its decision to expel 60,000 Mozambican workers. In addition, mining companies have tried to protect themselves from strikes by rotating one-third of their work force every four months.

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Outlook

South Africa produces nearly 22 million ounces of gold annually, accounting for about 24 percent of gross domestic product and nearly 45 percent of export revenues. A lengthy, industrywide strike, although unlikely, would cripple the country's nascent economic recovery and create a current account deficit that would endanger the debt repayment agreement with Western banks.

[redacted]

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Neither the mining companies nor the National Union see benefit in a prolonged shutdown, and both are likely to continue to seek bases for cooperation. The Union, however, will also press the mines on bread-and-butter issues and is likely to carry out work actions that disrupt production temporarily in some mines. ~~The companies will rely on aboveground stocks of ore — now about a six-month supply — to maintain steady production.~~

[redacted]

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Mineowners know, however, they cannot totally insulate the mines from the political ferment in South Africa. Gold mines are particularly susceptible to arson, and owners realize they may eventually have to ask government security forces to intervene more often to quell violence.

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are optimistic that they could easily stop aboveground hostilities but are concerned about sabotage and violence underground.

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Special Analysis

HUNGARY:

Radicalization of Intellectuals

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Hungarian intellectuals are attacking the regime more aggressively than at any time since the 1956 revolution, and their actions have already promoted some disunity within the leadership. Writers critical of the regime recently took over the officially sponsored Writers Association, prompting Budapest to threaten sanctions if the writers do not fall into line. To date, Budapest has denied the Association the right to deal with foreign literary groups and has reduced its funding. Skirmishes between intellectuals and the authorities will probably continue and grow in significance, which in turn may encourage other dissatisfied groups to speak out and drive more intellectuals into the ranks of the dissidents.

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Relations between the writers and the regime have been souring for years, as more and more writers have felt compelled to address Hungary's mounting economic and social problems. These problems, along with a widespread perception of leadership indecisiveness, have opened party leader Kadar to criticism that was rarely voiced during better times. Meanwhile, the writers have been encouraged to speak frankly by the growing latitude in Soviet culture and in norms for self-censorship.

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The growing tension broke into the open at an Association meeting in November, when writers protested the closing last summer of the journal *Tiszataj* for publishing a poem critical of General Secretary Kadar's role in suppressing the 1956 revolution. Party propaganda secretary Berecz threatened the writers with further repression if they continued to oppose regime policies.

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One writer ^{*reported*} told a US diplomat that he had not seen such emotional exchanges between writers and authorities since 1956. The angry writers elected one of the editors of *Tiszataj* as an officer of the Association and reportedly refused to elect any party members to the steering committee. In response, at least 25 proregime writers have left the Association.

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Political Fallout

predicate

~~The US Embassy reports~~ that Berecz, often mentioned as a successor to Kadar, tarnished his image badly by allowing himself to be provoked by the writers and is now fighting for his political life. For advice on how to clean up the mess, Kadar reportedly turned to

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longtime culture czar and Politburo member Gyorgy Aczel, who is reputed to be a rival of Berecz. The Embassy reports that Aczel recommended a policy of conciliation but that Kadar, stung by the writers' criticism and mindful of the inflammatory role played by intellectuals in 1956, is determined to pursue a tougher policy. [Redacted]

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[Redacted] the regime ordered the 25 writers to resign in an apparently failed effort to split the Writers Association. The Minister of Culture has since issued thinly veiled threats that, if the writers do not moderate their position, the regime may end their subsidy or establish a rival organization. [Redacted]

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Outlook

The direct attacks on party officials and policy in an open forum suggest that the era of self-censorship is drawing to a close. A serious challenge to the regime could arise if the intellectuals find common cause with other discontented groups—such as youths and workers—and forge a coherent program for change. [Redacted]

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Kadar may find it difficult to stick with a tough line if developments in the USSR are interpreted as supporting the intellectuals' drive for openness. On the other hand, if Kadar moderates his policy and becomes more conciliatory, he risks reinforcing his image as an irresolute leader. [Redacted]

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