

25X1



**Director of
Central
Intelligence**

~~Top Secret~~



National Intelligence Daily

25X1

**Tuesday
10 March 1987**



25X1

~~Top Secret~~

CPAS NID 87-056JX

10 March 1987

25X1

Page Denied

Top Secret



25X1

Contents

Italy: Andreotti Tapped To Form Government	1
Chad-Libya: Diplomatic Maneuvering	2
USSR: Results of Trade Union Congress	3

Notes

Israel-Lebanon: Avoiding New Entanglements	4
South Africa: Preelection Maneuvering	4
Ecuador: Repercussions of Earthquakes	5



25X1



25X6

Australia-New Zealand: Cooperation On Defense	6
West Germany: Bonn's Fiscal Stance Troubles Central Bank	7
East Germany: Plans To Copy DEC Computer	7

In Brief	8
-----------------------	---

Special Analyses



25X1

USSR: Republic Representation on Politburo Declining	11
Western Europe: Troubled by LDC Debt	12
East Germany: Expanding Role for Dissidents	14



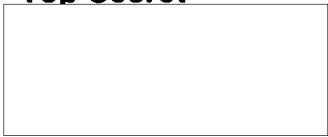
Top Secret



10 March 1987

25X1
25X1

Top Secret




25X1

ITALY:


Andreotti Tapped To Form Government

X


President Cossiga yesterday asked Christian Democratic Foreign Minister Andreotti to form a new government, but opposition by the Socialists to his candidacy and their maneuvering on politically sensitive issues will make it difficult for the governing coalition to implement the prime-ministerial transition agreement. 

25X1


NO

The Socialists last week effectively rejected an Andreotti-led government by demanding that the Christian Democrats put forward either Party Secretary De Mita or Party President Forlani as their candidate for the prime-ministry. The Socialists are inflaming tensions in the governing coalition by insisting that controversial referendums—one for abolishing civilian nuclear energy programs, another on judicial reform—be put to a national vote on 14 June as scheduled. The Christian Democrats, supported by the Republicans, want the coalition to reach a common position on the referendums that would, in effect, avert a national vote, according to press accounts. 

25X1

Comment: The Socialists do not want the savvy Andreotti to succeed Bettino Craxi because they fear he might outmaneuver them on policy issues during the runup to the scheduled election in the spring of 1988 and diminish their prospects. Craxi's strategy of opposing Andreotti while remaining open to a De Mita or Forlani candidacy is also designed to scuttle the transition and to force an early election while avoiding public blame. If the Christian Democrats refuse to offer an alternative to Andreotti, the Socialists will be in a position to blame them for destroying the coalition in order to satisfy Andreotti's personal ambition. 

25X1

If the Christian Democrats eventually offer a second candidate, the Socialists will retain the option of provoking an early election by demanding wide-ranging concessions on cabinet posts and programs, including retention of the referendums. The Christian Democrats will be especially reluctant to reach an agreement that does not avert the referendums because they fear that their position on the proposed questions will be rejected by the voters, embarrassing the party and giving the Socialists a good opportunity to force a snap election. 

25X1



Top Secret

10 March 1987

25X1
25X1

Top Secret

25X1

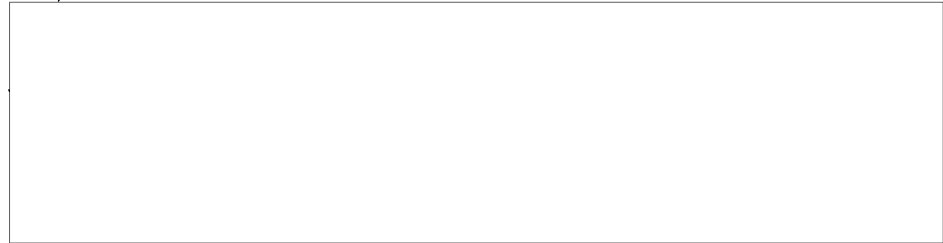
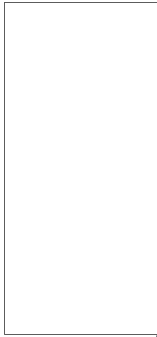
CHAD-LIBYA:

Diplomatic Maneuvering

X

Sudan's attempts to arrange a meeting between Chadian President Habre and Libyan leader Qadhafi are part of a flurry of often competing diplomatic efforts to resolve the Chad-Libya conflict. [redacted]

25X1
25X1
25X1



The OAU Chairman, Congolese President Sassou, has called for an OAU minisummit tomorrow in Cairo to deal in part with Chad. Algeria is continuing its discussions with Chadian officials and former pro-Libyan rebel leader Goukouni on a possible reconciliation. Nigeria is pushing for the simultaneous withdrawal of French and Libyan forces and has pledged to join other African states in monitoring the pullout, according to the US Embassy in Lagos. [redacted]

25X1

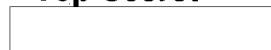
Comment: Although a secret meeting between Habre and Qadhafi in Sudan remains possible, recent heavy fighting in northern Chad and a suspected Libyan connection to an attempt last week to destroy the bridge linking N'Djamena and Cameroon may harden Habre's opposition to negotiations. The OAU has a long history of debate and inaction on the Chad issue, but moderate African leaders probably will try to use the minisummit to isolate Qadhafi further. Algerian efforts to mediate a reconciliation between Goukouni and Habre appear to be making headway, but significant differences between the two remain. [redacted]

25X1

Top Secret

25X1

Top Secret



25X1

25X1



USSR:

Results of Trade Union Congress

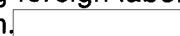
The All Union Central Council of Soviet Trade Unions approved measures designed to revitalize trade unions in the USSR at its congress late last month, but the reelection of Stepan Shalayev as the group's chairman and the tentative wording of the congress's decisions suggest that change may be slow in coming.



25X1

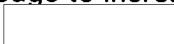
25X1

The congress authorized the "possibility" of a multicandidate election. In a speech to the delegates, General Secretary Gorbachev criticized trade union officials for "dancing cheek to cheek with economic managers" and urged them to be genuine—not subordinate—"partners of administration." Gorbachev and Shalayev called on the country's 140 million trade union members to be active on the international front and urged attending foreign labor delegations to support Moscow's INF position.



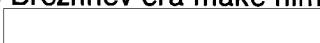
25X1

Comment: Providing for the election of trade union officials fits into a broader "democratization" campaign unveiled at the plenum of the party's Central Committee in January, which is apparently designed to increase grassroots pressure on bureaucrats to accept Gorbachev's reforms. If implemented, the proposal might give teeth to Gorbachev's pledge to increase the assertiveness of trade unions against managers.



25X1

The cautious endorsement of the election and the retention of Shalayev do not augur well for reform of Soviet trade unions, however. Shalayev's trade union background and lobbying to retain his post may have convinced Gorbachev to keep him on for now, but his ties to the Brezhnev era make him a likely candidate for eventual replacement.



25X1

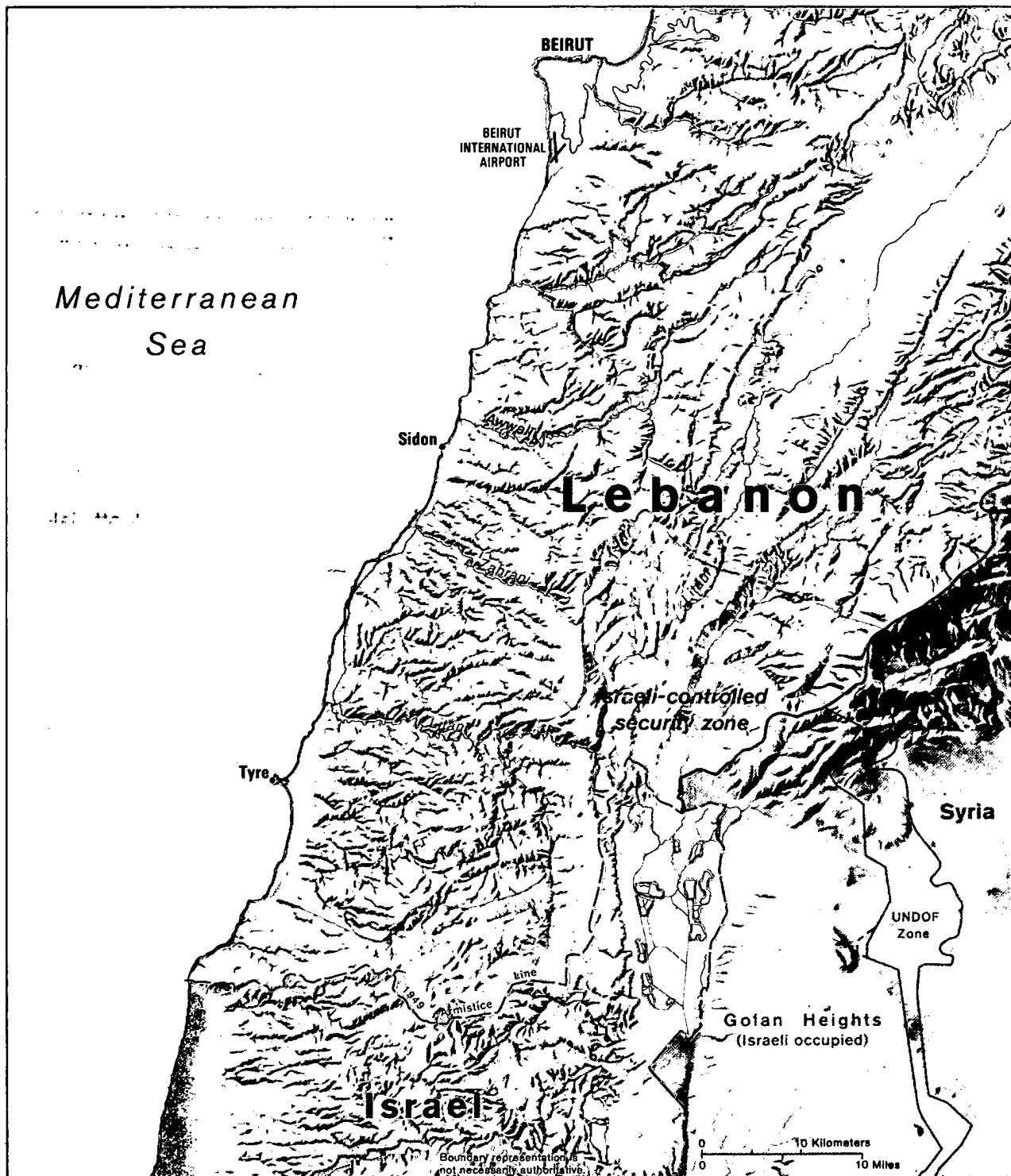
Top Secret



25X1

Top Secret

25X1



709757 3-87

25X1

Top Secret

10 March 1987

25X1

Top Secret
[Redacted]

25X1

X

ISRAEL-LEBANON: Avoiding New Entanglements

NO

Israel has rebuffed Lebanese Christian and Druze appeals for support against Syria's intervention in Lebanon. If Syria deploys surface-to-air missiles in the Beirut area, however, or sends large numbers of regular troops south of the Awwali River, Israel will react, a senior aide to Defense Minister Rabin told the US Embassy. The aide said Israel also might react if Syrian troops launched a massive operation that caused heavy civilian casualties in Christian East Beirut. The official nevertheless made clear that Israel does not expect an early Syrian operation in East Beirut or large-scale Syrian deployment to the south. [Redacted]

25X1

Comment: Israel's rejection of Christian and Druze overtures is illustrative of its abandonment of its goal of redrawing Lebanon's political map, which prompted its invasion of Lebanon in 1982. Tel Aviv's focus is now on southern Lebanon, and it is determined to avoid entanglement in power struggles between Lebanese factions elsewhere in the country. Israel's main concern is the growing strength of Hizballah and the PLO in the south, and Israeli officials hope that Syria's intervention in Beirut will disrupt this trend. [Redacted]

25X1
25X1

25X1

SOUTH AFRICA: Preelection Maneuvering

[Redacted]

[Redacted]

Political activity is intensifying in South Africa as the deadline of 31 March approaches for nominating candidates for the white election on 6 May. The leaders of the two rightwing parties claim that they are moving closer to an electoral agreement that would improve their chances against the ruling National Party. Three recent defectors from the Nationalists who will run as independents called jointly ^{on 2 March} ~~yesterday~~ for political negotiations among "moderates" of all races and an end to all discriminatory laws. The well-known editor of a leading Afrikaans newspaper resigned ^{on 2 March} ~~Saturday~~ after repeated clashes with the National Party over his censuring of its intransigence on reform. [Redacted]

25X1

25X1

Comment: An electoral pact would greatly improve the right wing's chance of replacing the liberal Progressive Federal Party as the official opposition. The rightwing parties will probably reach a limited electoral agreement this month, although decisions as to which party will run in which district remain highly contentious. The joint statement by independent candidates and the editor's resignation will keep media attention focused on reformist criticism of the Nationalists and could encourage more defections. [Redacted]

25X1
25X1

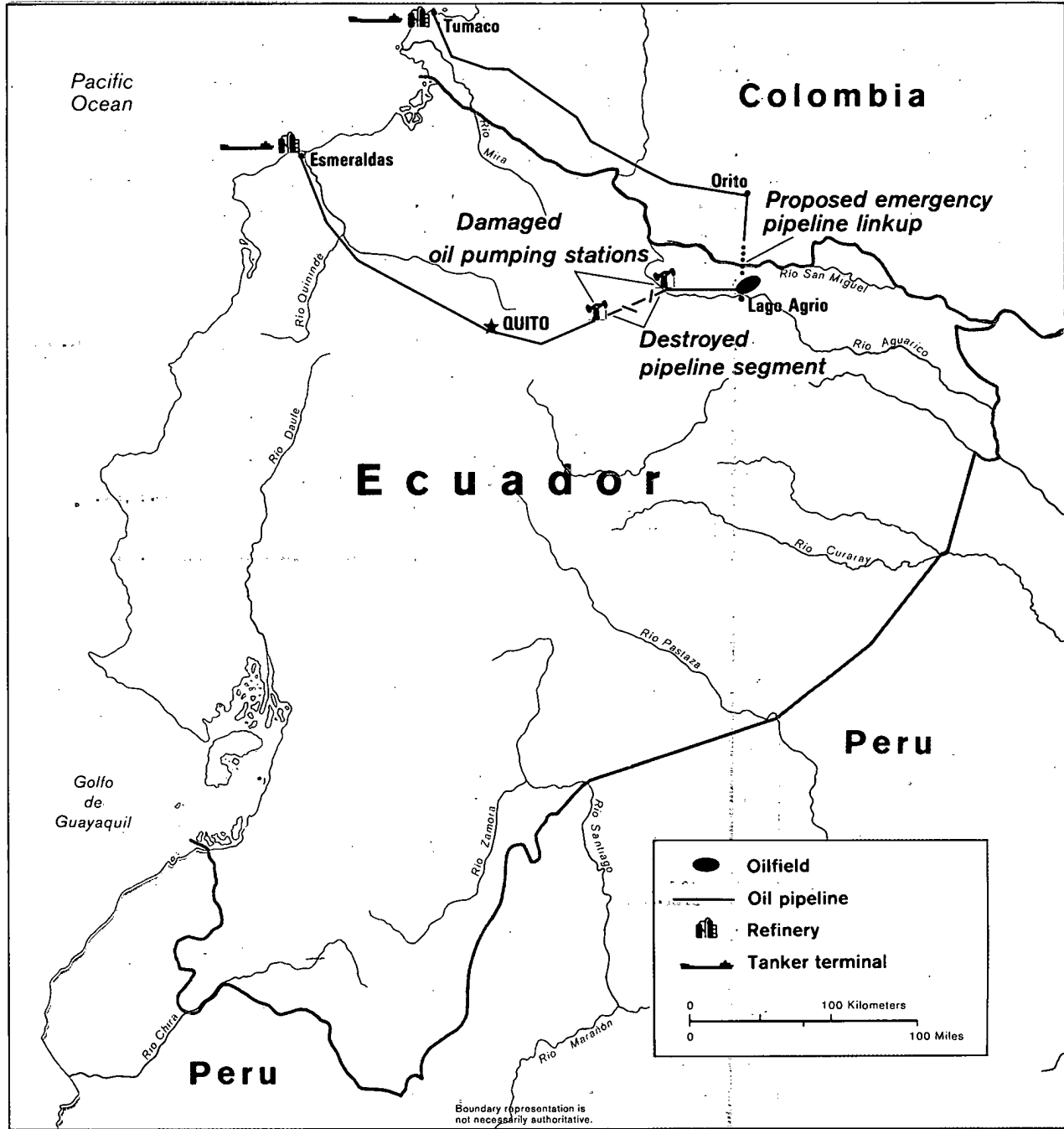
Top Secret
[Redacted]

25X1

Top Secret

25X1

Oil Facilities Damaged By Earthquakes



709760 3-87

25X1

Top Secret

10 March 1987

25X1

Top Secret

25X1

X

ECUADOR: Repercussions of Earthquakes



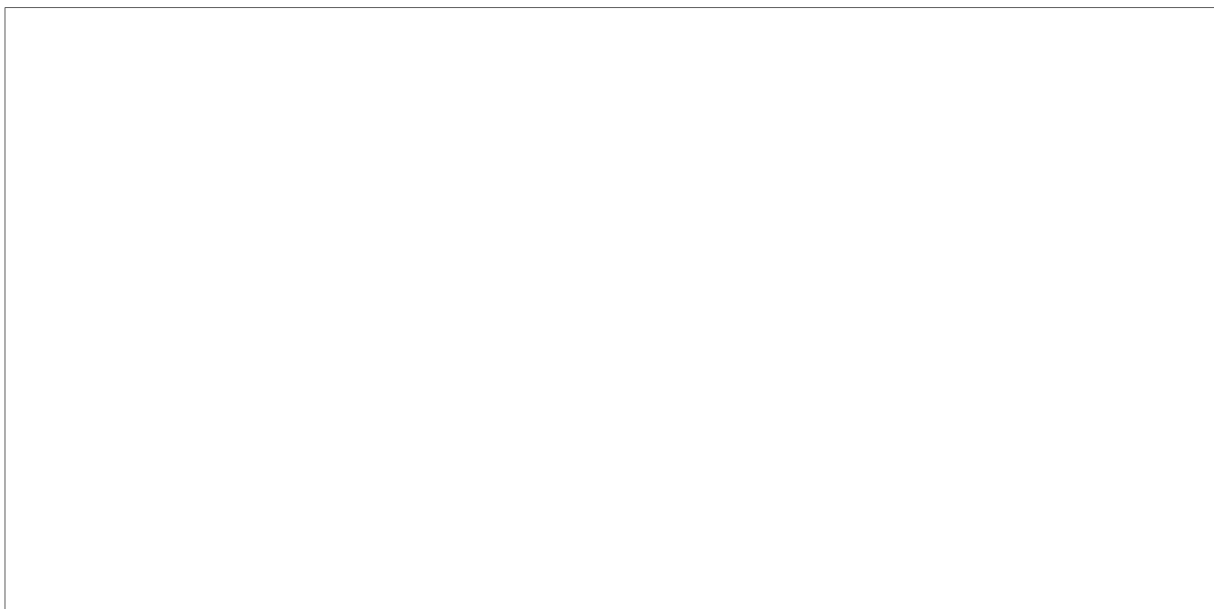
The earthquakes in Ecuador last week, which damaged two major oil pumping stations and destroyed 25 miles (40 kilometers) of the country's main pipeline, might cost Quito more than \$700 million in repairs and lost exports. The country quickly suspended its foreign crude sales. Ecuadorean officials have proposed the construction of a \$20 million emergency link to Colombia's pipeline, which would allow Ecuador to meet domestic needs. President Febres-Cordero is seeking an emergency loan from the World Bank to repair the pipeline and construct the Colombian link [redacted]

25X1

25X1

Comment: The earthquakes have further set back an already weakened economy. Oil has accounted for more than 45 percent of the country's exports and 40 percent of government revenues. ~~US Embassy sources estimate that~~ the overall effect of the disaster may cost Ecuador as much as 2 percent of its GDP of \$12 billion this year. Already in arrears on its foreign debt payments to commercial banks, Quito will be forced to prolong its suspension of debt servicing. The earthquakes have temporarily dampened domestic criticism of Febres-Cordero's administration, but his political opponents will be quick to seize on any missteps in his moves to deal with the increasing economic difficulties. [redacted]

25X1



25X1

Top Secret

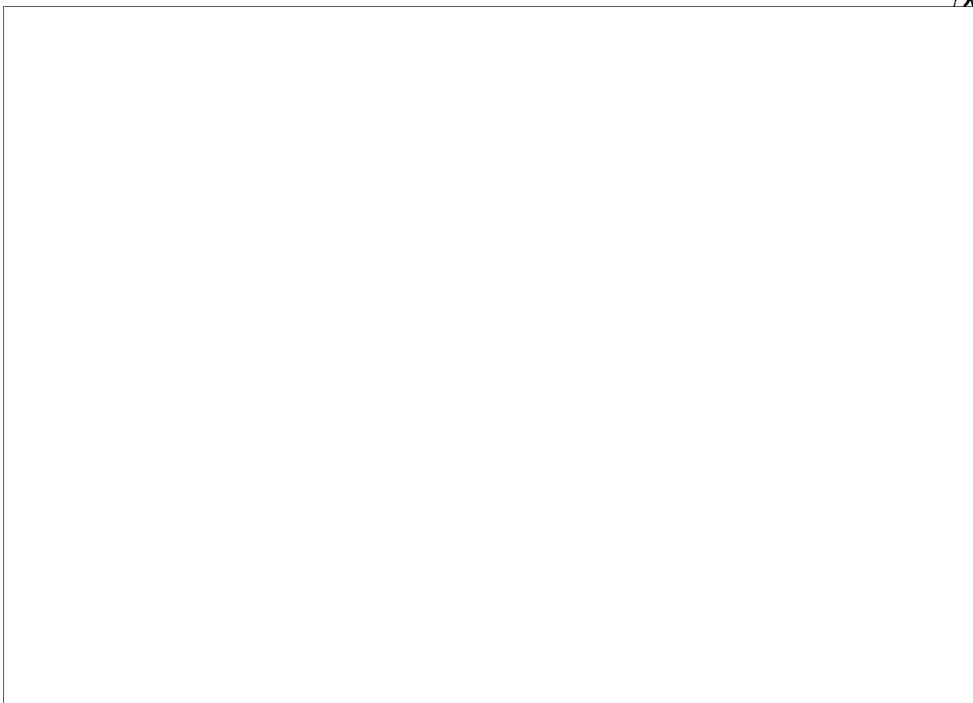
[redacted]

25X1

Top Secret



25X1



25X6

NO

AUSTRALIA-NEW ZEALAND: Cooperation on Defense

Australian Defense Minister Beazley told New Zealand Defense Minister O'Flynn in Wellington last week that the countries' bilateral defense ties would not be affected by Canberra's disapproval of Prime Minister Lange's antinuclear policies. They signed a memorandum of understanding for a cooperative shipbuilding program, and New Zealand concluded an agreement to purchase Australian military rifles. A joint communique called for continued combined training programs and exercises and suggested that both Canberra and Wellington would focus greater attention on the South Pacific region.

NO

25X1

Comment: Lange will use Beazley's assurance that their defense ties remain strong to blunt criticism of his defense and antinuclear policies. Beazley's conciliatory stance contrasts with Australian Foreign Minister Hayden's harsh criticism of Lange's government in December, in which Hayden stated that Australia could not fill the defense gap that resulted from the US suspension of its security obligations to New Zealand under the ANZUS Treaty. Hayden's rebuke probably forced Lange to commit New Zealand to increased spending on joint defense programs rather than risk isolation from Australia. According to the US Embassy in Canberra, Australian Defense Department officials view Wellington's commitment to cooperative defense programs as a minimum requirement for continuing the current level of bilateral defense cooperation.



25X1

Top Secret



25X1

Top Secret

[Redacted]

25X1

WEST GERMANY: Bonn's Fiscal Stance Troubles Central Bank

X

Many Bundesbank officials fear that Bonn will wait until late this summer when second-quarter GNP data are available before making a decision on stimulating the West German economy, [Redacted]

NO

[Redacted] The bank, [Redacted] favors bringing forward tax cuts now scheduled for 1 January, because it has revised its economic growth forecast for 1987 sharply downward to 1.9 percent. [Redacted]

25X1
25X1

25X1

Comment: The bank is probably concerned that inaction now will lead to calls for a looser monetary policy or spark another transatlantic row leading to renewed upward pressure on the mark. Either would make it difficult for the bank to bring monetary growth targets within range. The bank is also worried that delay would force a federal response that was too hurried and not well thought out, one that might prove harmful to the economy over the medium term. Bonn, however, is certain to wait until first-quarter economic data are released at the end of next month before making a decision. Even then, the government will probably still hold off taking action, blaming the bad statistics on the severe winter and playing up its recent decision to enlarge tax cuts in 1988. [Redacted]

25X1

EAST GERMANY: Plan To Copy DEC Computer

R

[Redacted]

25X1

NO

[Redacted] Computer production in East Germany would switch from the IBM-based Ryad mainframe computers to copies of the Vax superminicomputers in the early 1990s. The Micro Vax II is a relatively small, powerful computer with adaptability to military use. Its duplication would depend on reverse engineering its advanced microprocessor. [Redacted]

25X1

25X1

Comment: The Soviets and East Europeans may want to switch to superminiproducton because of their difficulties producing mainframe computers, which lag those in the West by more than 10 years. The agents probably are not seeking the actual microprocessor but rather proprietary data on its design and production process. Even with the necessary design information, however, the East German microelectronics industry is unlikely to have the needed production capability before the mid-1990s, making a target date in the early 1990s overly ambitious. [Redacted]

25X1
25X1

[Redacted]

Top Secret

[Redacted]

25X1

Top Secret
[Redacted]

25X1

In Brief

on 9 March

Americas

— Arturo Cruz resigned ~~yesterday~~ from UNO Directorate, according to press . . . probably frustrated about lack of progress in negotiations on restructuring **Nicaraguan** rebel leadership . . . Cruz apparently not bluffing this time. [Redacted]

ew

25X1

25X1

East Asia

ND — **Japan's** Liberal Democratic Party candidate defeated in upper house byelection on Sunday . . . probably reflects opposition to government's controversial tax proposal . . . tax issue may hurt ruling party in nationwide local election next month. [Redacted]

X

25X1

ND — **Australian** Labor government ahead of opposition in latest polls . . . first time since July . . . nevertheless, survey shows conservative Queensland Premier Bjelke-Petersen would defeat Prime Minister Hawke if he led opposition. [Redacted]

X

25X1

25X1

USSR

— Strongly anti-US journalist Genrikh Borovik new chairman of **Soviet** Peace Committee . . . will be highly visible spokesman for Soviet propaganda themes at World Peace Council and other international forums . . . [Redacted]

[Redacted]

25X1

25X1

25X1

[Large Redacted Block]

ND

X

25X1

Middle East

ND — Amal militia released 625 Palestinian prisoners in southern **Lebanon** last week, including all it held in Tyre, according to US Embassy in Beirut . . . it exhorted them to confront **Israel** . . . increased attacks on Israeli security zone likely. [Redacted]

X

25X1

ND — **Turkey** may threaten to reduce **Syria's** water supply as result of raid on Saturday by Kurdish rebels allegedly based in Syria . . . Ankara remains cautious toward Damascus, probably will not try cross-border retaliation. [Redacted]

X

25X1

— General Attar, head of **Iraq's** chemical warfare program, reportedly jailed . . . will set back program, at least temporarily . . . replacement by President Husayn's son-in-law suggests political housecleaning, not opposition to program. [Redacted]

X

25X1

25X1

Top Secret

[Redacted]

25X1

Page Denied

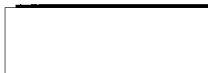
Next 3 Page(s) In Document Denied

Top Secret

25X1

**USSR: Republic First Secretaries on the CPSU Politburo
During Previous Periods of Leadership Transition**

	Full Members	Candidate Members
1955	1	0
1957	3	6
1964	1	4
1982	2	4
1983	2	2
1985	2	1
Current	1	0



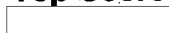
25X1

**Republic Representation on the CPSU Politburo
Since 1952**

Ukraine	1952 to present
Belorussia	1957-65, 1967-83, 1985-January 1987
Kazakhstan	1952-53, 1957-58, 1966-January 1987
Uzbekistan	1956-58, 1961-75, 1976-83
Georgia	1957-72, 1978-85
Azerbaijdzhan	1953, 1976-82
Latvia	1957-61



25X1

Top Secret

10 March 1987

25X1

Top Secret

[Redacted]

25X1

[Redacted]

25X1

Special Analysis

USSR:

Republic Representation on Politburo Declining

[Redacted]

~~A Soviet official recently told US diplomats that General Secretary Gorbachev is preparing the groundwork for the eventual replacement of Ukrainian party boss Shcherbitskiy. Shcherbitskiy is the only republic party leader left on the Politburo since the removal of Kazakh party chief Kunayev in December. The decline in the number of regional party chiefs on the Politburo is part of a broader effort by Gorbachev to strengthen central authority over non-Russian republics.~~

25X1

25X1

25X1

Republic representation is at its lowest point since 1955; in 1982 six republic leaders served on the Politburo. Including Scherbitskiy, there are four non-Russians on the Politburo, but only two of these are non-Slavs, and both of them hold positions in Moscow and do not represent the interests of a republic party. Thus, Gorbachev is advancing the careers of individual non-Russians, while undercutting the authority of minority nationalities.

25X1

The regime is tightening its control of all regions, not just non-Russian ones. But localism is more threatening to Moscow in areas where it is strengthened by anti-Russian sentiment, and there is a distinct nationalistic dimension to Gorbachev's recent appointments. The number of Russians appointed to key posts in non-Russian republics increased in 1986, including the naming of a Russian to replace Kunayev in Kazakhstan. At the party congress last year, Second Secretary Ligachev urged crossposting of party officials from one region to another as a way to break up entrenched provincial elites.

25X1

The unrest and violence in Alma Ata provoked by Kunayev's removal may, however, force a reassessment of tactics. In a speech to the Central Committee in January, Gorbachev said the composition of party officials should reflect the country's national structure. ~~Last month a KGB officer told a US diplomat that Gorbachev had learned a lesson from Kazakhstan and, out of respect for the Ukraine's proud national traditions, had decided to let the Ukrainian party determine whether to replace Shcherbitskiy.~~

25X1

Top Secret

[Redacted]

25X1

10 March 1987

Top Secret

25X1

**Brazil: Loans From Commercial Creditors^a
March 1986***Billion US \$*

Creditor Country	Medium and Long Term	Short Term	Total	Country Share (percent)
US	18.6	5.7	24.3	31
Major West European creditors	21.4	1.7	23.1	30
UK	8.7	0.8	9.5	13
France	6.2	0.5	6.7	9
West Germany	3.9	0.2	4.1	5
Switzerland	1.6	0.2	1.8	2
Belgium	1.0		1.0	1
Japan	9.2	1.5	10.7	14
Canada	4.7	0.3	5.0	6
Other	14.1	0.8	14.9	19
Total	68.0	10.0	78.0	100

^a Brazilian Central Bank estimates.

25X1

ILLEGIB

Top Secret

10 March 1987

25X1

Top Secret

[Redacted]

25X1

A

Special Analysis

WESTERN EUROPE: Troubled by LDC Debt

W

West European governments and banks fear that Brazil's unilateral decision to suspend interest payments on \$68 billion owed abroad is moving the international debt situation into a dangerous new phase that probably will require changes in creditor strategy. They see LDC debt, however, mainly as a US problem. [Redacted]

25X1

Although their public reaction has been subdued, West European bankers fear the Brazilian move will snowball and induce other debtors to suspend payments. Their concern has been further aroused by the failure of creditors to complete a refinancing package for Mexico after six months of trying. [Redacted]

25X1

Brazilian Finance Minister Funaro undoubtedly believes that European governments are more sympathetic to debt relief than is the US and probably is pressing them to take a greater lead in the debt crisis. West European officials, however, almost certainly put him off during his recent talks in Western Europe, stressing that Brazil should take a nonconfrontational attitude in talks with commercial banks. [Redacted]

25X1

Searching for a Long-Term Strategy

The West European banks generally view refinancing only as a way to buy time to develop a more permanent solution. Bankers in several West European countries believe that, over the medium term, further writeoffs and schemes to ease interest payments will be needed; they see increased lending by the World Bank and debt relief as part of a long-term solution. Officials in one major West European bank are discussing the idea of a "supranational" bank, supported by banks and creditor governments, that would take over the debt. [Redacted]

25X1

The West Europeans are unlikely to mount a major debt initiative of their own, despite their dissatisfaction with the current approach. They have written off from their books a larger share of their LDC loans than US banks have and believe the US, whose banks are at higher risk, should shoulder the primary responsibility for finding a solution. [Redacted]

25X1

West European banks and governments are likely to urge that Washington give US banks tax help and relax regulations to enable them to write off debt more easily. They regard US regulations as a straitjacket that prevents US banks from reducing their vulnerability

continued

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

and exploring creative solutions to the problem. One Swiss banker reportedly considers the reaction of US bank regulators the key to averting a full-blown crisis. [Redacted]

25X1

The West Europeans resent what they consider strong-arm US tactics to make them endorse agreements they do not fully support. They privately criticize the US role in arranging the Mexican package. Bankers and government officials in many West European countries believe that creditors lost significant leverage when they succumbed to what they regard as US pressure and agreed to a Paris Club rescheduling for Brazil in January without an IMF program.

[Redacted]

25X1

Outlook

West European banks are likely to become less willing participants in refinancing packages unless they see progress toward a long-term resolution of the debt problem. West European governments probably will urge Washington to move toward a solution that would include substantially expanded lending by multilateral banking institutions. In the short term, however, both governments and banks are likely to cooperate with the US in trying to isolate the Brazilian situation from that of other LDC debtors, particularly Argentina. The banks are unlikely to retaliate against Brazil as long as there are prospects for talks, but they will press their governments to convince Brazil that an IMF program is needed. [Redacted]

[Redacted]

25X1

25X1

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

[Redacted]

25X1

Special Analysis

EAST GERMANY: Expanding Role for Dissidents

The increasing involvement of East Germany's independent peace movement in such causes as civil liberties, ecology, and human rights and its growing number of international connections are posing greater challenges to the regime. The dissidents are now focusing on the need for internal changes and are invoking the rhetoric of General Secretary Gorbachev's openness campaign to press their points. The regime will probably try to co-opt the current, more conservative leadership of the Protestant Churches, the dissidents' protector. [Redacted]

25X1

25X1

[Redacted]

The dissidents' new approach was evident late last month at a mass meeting in Leipzig, where representatives from 200 church-sponsored peace groups demanded the regime renounce nuclear power and halt construction of new nuclear power plants. The participants, who foreign observers described as more self-confident and militant than before, also called for free speech and assembly and the easing of foreign travel restrictions. [Redacted]

25X1

Expanding Agenda and International Contacts

The independent peace movement, ~~spurred by student activism in West Germany,~~ arose in the early 1980s principally to assist conscientious objectors and to agitate against INF deployment, ~~by both the US and USSR.~~ The Protestant—primarily Lutheran—Churches, sharing these concerns and eager to reach out to youths, provided a safehaven for several thousand members of the peace groups. The decline of INF as an issue, increasing church caution, and steady regime pressure deflated but did not eliminate the movement. [Redacted]

25X1

Activists continue to agitate against the "militarization of society" but have attracted a larger constituency addressing the ecological concerns of East Germans, who live in one of the most polluted countries in Europe. They have peppered the authorities—even party leader Honecker—with petitions protesting government inattention to these problems, especially after the Chernobyl' disaster. [Redacted]

25X1

Dissidents have increasingly focused on the repressive political system and have demanded that the regime conform to human rights guarantees embodied in the CSCE agreements. They are also ~~appealing more frequently to world opinion, often using contacts with West German Greens.~~ [Redacted]

25X1

continued

Top Secret

[Redacted]

25X1

Top Secret

25X1

~~Dissident groups are increasing contacts with similar groups in Eastern Europe, and even the US. Last October, for example, East German dissidents joined Hungarian, Czechoslovak, and Polish groups to produce a well-publicized manifesto marking the Soviet invasion of Hungary in 1956.~~ [redacted]

25X1

The Regime's Problem

East German authorities handled the old peace movement with selective pressure and forced emigration, but the new dissidents are more formidable. They have not dissipated their energy on unattainable disarmament goals and are determined to stay in East Germany and change it internally. Their calls for civil liberties and for citizen initiatives may find appeal beyond their youthful constituency. They—not the regime—applaud Gorbachev's demand for openness and democratization and believe this will force the government to move in their direction. [redacted]

25X1

The regime is harassing dissident leaders, but it is also concerned with adverse international publicity, ~~especially during the Vienna CSCE meeting.~~ Party officials will probably increase efforts to get the churches to control the dissidents by offering more privileges and opportunities for formal cooperation. Friction is already evident between a new, more conservative church leadership and militant pastors and dissidents who consider the current church-state relationship too cozy. [redacted]

25X1

Top Secret[redacted]
10 March 1987

25X1

Top Secret

25X1

25X1

Top Secret