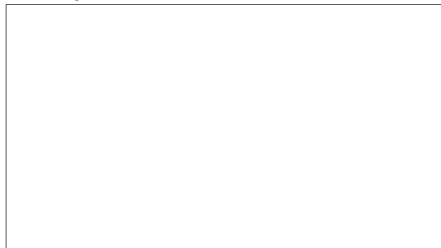




**Director of  
Central  
Intelligence**

~~Top Secret~~



# National Intelligence Daily

**Wednesday  
11 March 1987**

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CPAS NID 87-057JX

11 March 1987

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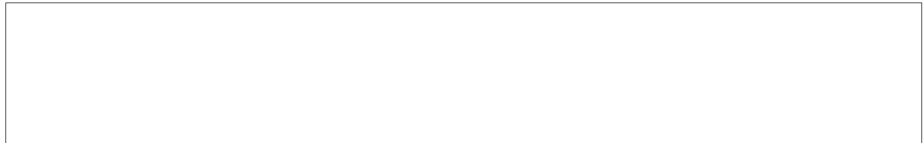
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**KUWAIT-USSR-US: Protecting Kuwaiti Tankers**

***Kuwait will accept the US offer to protect its tankers but will try to balance relations by reserving a token role for the USSR.***




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The US Embassy says the Kuwaiti Government yesterday decided to accept the US offer to protect all 11 of its tankers. Meanwhile, Kuwait will go ahead with plans to charter three Soviet commercial ships to transport Kuwaiti oil through the Persian Gulf to European ports. A Kuwaiti official implied that negotiations with the Soviets had proceeded too far to reverse course. The Oil Minister claimed, however, that there would be no increase in the Soviets' naval presence aside from that which they already have to protect their Iraqi arms carriers. 


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**Comment:** Kuwait believes that US protection does not preclude commercial charter deals with the Soviets. Kuwait probably feels compelled to placate Moscow's disappointment over the arrangement with the US and might consider increasing cooperation with Moscow in other areas such as military procurements. Moreover, token Soviet involvement would appease those within the Kuwaiti leadership who favor a balanced foreign policy and who believe Tehran would view an increased US military presence in the Gulf as provocative. 

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Iran probably will not attack either escorted Kuwaiti ships, to avoid provoking US military retaliation, or chartered Soviet tankers. Instead it might try to intimidate Kuwait by attacking unescorted Kuwaiti and third-country ships. Tehran may also sponsor sabotage against Kuwaiti oil facilities, as it did on two occasions in the past year. 

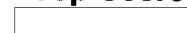
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Although Moscow will be disappointed the US is playing a major role in protecting Kuwaiti ships, it probably believes that even a limited role for Soviet tankers would benefit the USSR's efforts in the region. By only committing three tankers, the Soviets probably can avoid taxing as escort vessels the two combatants they now have in their Indian Ocean squadron. 

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**Bahrain-Qatar: Comparative Military Balance**

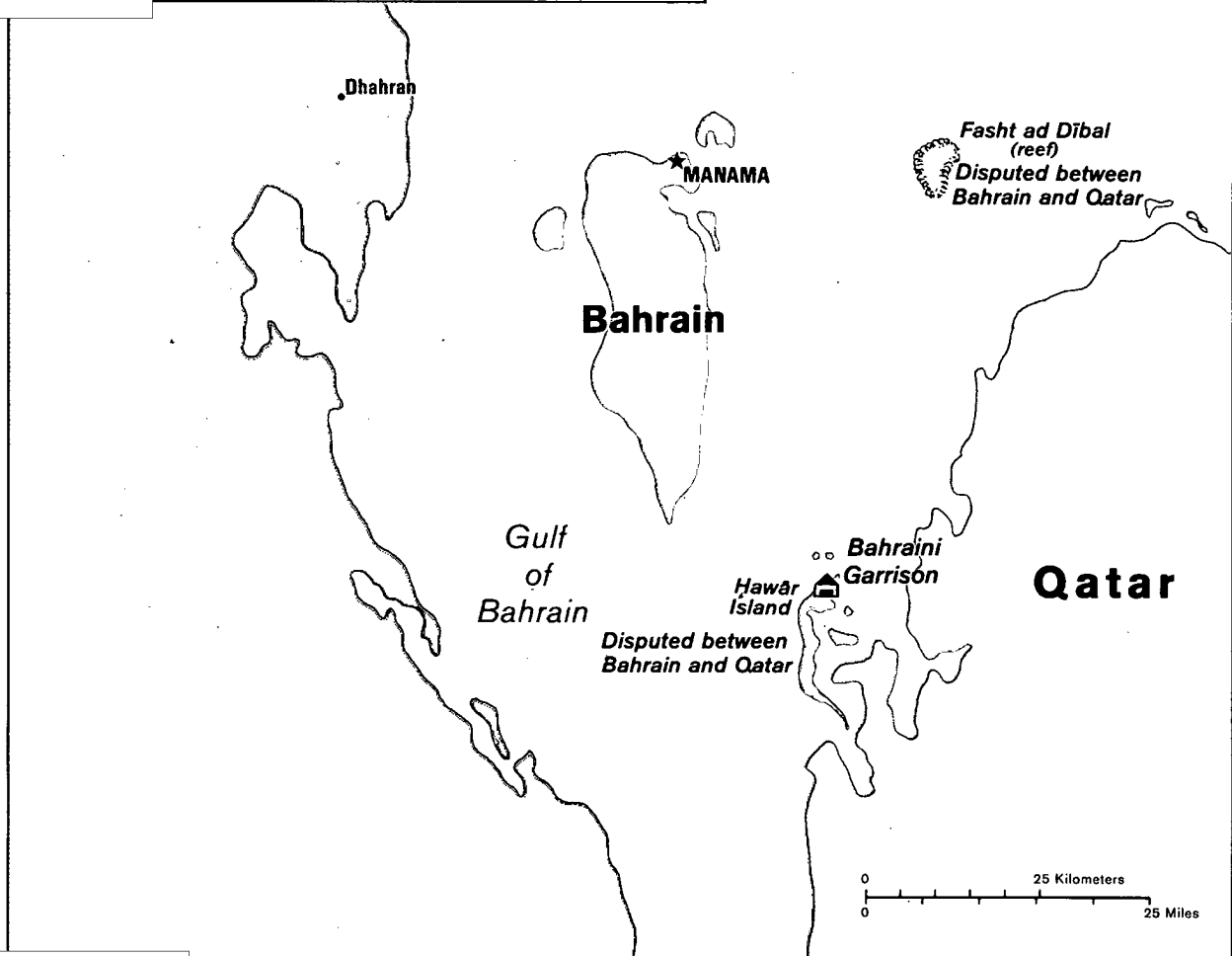
□ Bahrain □ Qatar ( ) = On order

Army		Air Force and Air Defense		Navy	
Personnel	3,500 8,000	Personnel	200 300	Personnel	560 700
Tanks	26 (28) 24	Combat aircraft	12 (12) 25	Combat craft	4 (2) 9
Armored vehicles	175 353	Anti-aircraft weapons	33 27	Patrol craft	5 31
Artillery	19 (7) 14			Antiship missiles	16 48

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**QATAR-BAHRAIN: Territorial Dispute Flares Again**

***Differing interpretations of last year's agreement between Qatar and Bahrain to disengage from disputed territory are fueling mutual suspicions, and, if mediation efforts fail, a military clash is possible.*** [Redacted]

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Qatari officials believe that the agreement with Bahrain to settle their dispute over Fasht ad Dibal also mandated the removal of all Bahraini military forces from Hawar Island. According to the US Embassy in Doha, the Qataris claim Bahrain has built roads and trenches and deployed an air defense system on the island. A senior Qatari official said Bahrain's "aggression" precludes a negotiated solution. [Redacted]

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Bahraini officials have assured US diplomats that Manama has no plans to build up its forces on Hawar unless Qatar initiates hostilities. But [Redacted] over the past year Bahrain has improved its facilities on Hawar by constructing new ammunition storage bunkers, vehicle shelters, and barracks. [Redacted]

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Saudi Arabia has renewed its efforts to avert a conflict. Late last month, Saudi Foreign Minister Saud visited Doha and Manama to discuss grievances and has promised both sides a set of proposals within a few weeks. [Redacted]

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[Redacted]

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**Comment:** Varied interpretations of the agreement last year and the probable failure of Saudi mediation raise the odds of an early clash over Hawar. Doha believes the Saudis are biased because Riyadh has paid for most of Bahrain's military buildup. Even so, Qatar probably will wait for the results of this round of negotiations before resorting to force. Doha rejected a compromise solution 10 years ago and is not likely to settle for less than sovereignty over the island. [Redacted]

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Bahrain fears diplomacy will cost it Hawar and is likely to stall any mediation effort indefinitely. It probably believes that recent deliveries of tanks and Crotale surface-to-air missiles, and the planned acquisition of US F-16 aircraft and other advanced weapons, will improve its ability to defend Hawar. Its improvements to facilities on the island, however, do not constitute a significant increase in its military capability and pose no threat to Qatar. [Redacted]

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**IRAN-IRAQ:**

**Military Developments**

***Iraq may increase its airstrikes as Iran consolidates its gains in ground fighting in the south near Al Basrah and in the north near Haj Umran.*** [Redacted]

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[Redacted] Iranian units are improving their positions along the southwestern shore of Fish Lake and trying to extend their control into the no man's land between the frontlines. [Redacted]

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[Redacted] Elsewhere, Iran claims that two Iraqi counterattacks were defeated in the week-old operation on the northern front near Haj Umran. [Redacted]

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Iraq says its warplanes conducted only 24 airstrikes on military targets near the border Monday. According to press reports, Iraqi jets have also attacked as many as three Iranian shuttle tankers since Sunday, badly damaging one. [Redacted]

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**Comment:** Iran probably will continue trying to nibble away at Iraq's defensive positions east of Al Basrah, looking for weaknesses to exploit. Iran's foothold on the west bank of Fish Lake could threaten the Iraqi flank and jeopardize Iraq's ability to push back a large attack without giving up more territory. Fighting in the north remains a secondary concern for both sides. [Redacted]

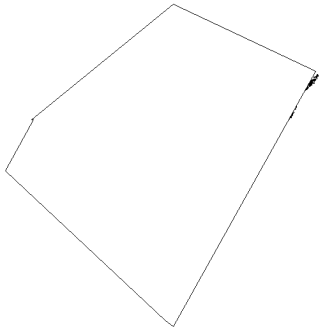
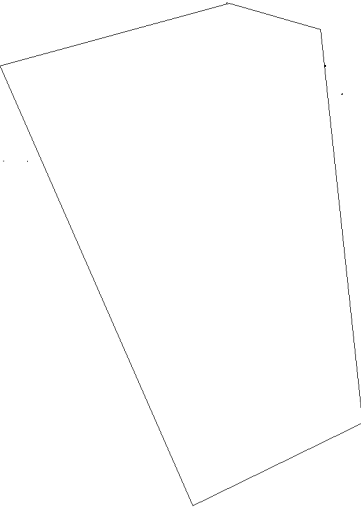
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The lull in the air war has provided a much-needed respite for Iraq's Air Force, which flew hundreds of missions daily throughout most of January and February. The continued fighting east of Al Basrah, however, and the anticipation of another large Iranian offensive in that area probably will prompt Baghdad to resume intense airstrikes against either cities or economic targets. [Redacted]

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ZAMBIA:

Mounting Pressures on Kaunda

**Military grumbling, unprecedented public criticism, and growing economic troubles have complicated Zambian President Kaunda's efforts to reassert his authority since the rioting over food prices in December.** [Redacted]

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[Redacted]

Kaunda's concern about the loyalty of the armed forces prompted him to cancel a trip last week to Ghana. [Redacted]

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[Redacted]

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~~Morale among enlisted men and noncommissioned officers declined last month after substantial salary increases were announced for senior officers.~~ [Redacted]

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~~the reassignment of the popular Army commander prompted brief work slowdowns at two Army bases earlier this month.~~ [Redacted]

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Tensions have also increased between Kaunda and members of the Zambian parliament, who have sharply criticized his domestic and foreign policies in recent weeks, according to reports from the US Embassy and the press. ~~Some members of the ruling party may propose limiting the presidential term of office to 10 years.~~ [Redacted]

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[Redacted] Kaunda has been the President since Zambia became independent in 1964. [Redacted]

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IMF and World Bank officials are in Lusaka to evaluate the foreign exchange auction, the centerpiece of Zambia's IMF-mandated reform program. The suspension of the auction for the past six weeks has led to shortages of raw materials, which have caused cutbacks in production and temporary layoffs, according to the Embassy. ~~The~~

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[Redacted]

**Comment:** Kaunda's reluctance to travel outside the country indicates that he has not recovered his political confidence, which was badly shaken by the food riots in December. [Redacted]

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[Redacted] Kaunda probably realizes that he cannot take his loyalty for granted. If living standards continue to decline, as seems likely, discontent will probably increase among the junior officers and the enlisted ranks. [Redacted]

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**EASTERN EUROPE- Lifting of Polish Sanctions**  
**US:**

***The lifting of US sanctions against Poland has been well received in Eastern Europe and has revived interest there in probing Washington's intentions toward the region in the hope of obtaining political and economic gains.*** [Redacted]

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ND

Poland predictably welcomed the US action, rejected any linkage of it to domestic reforms, and branded any US policy of differentiation toward the East as wishful thinking. The Romanians let it be known that their "independence" from the USSR on arms control and foreign policy issues also deserves such treatment as multiyear most-favored-nation trade status and manifested surprise that the US should view Poland as less dependent on Moscow than Bucharest. Hungarian Deputy Foreign Minister Kovacs also complained about the hardship of annual MFN review, but he assured US officials that Budapest will pursue economic reforms and values highly its ties to the West. [Redacted]

The Bulgarians, expressing interest in improved relations, will send a delegation to Washington in the next several weeks to press their application to the GATT and the reestablishment of the Bulgarian-American Economic Trade Council. Neither East Germany nor Czechoslovakia has responded to the lifting of sanctions against Poland. [Redacted]

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**Comment:** The US opening to Poland seems to have signaled to the East Europeans the possibility of a softened US policy toward the region. Several regimes apparently believe that if they make strong presentations of their reformist intentions they may obtain economic concessions from Washington. [Redacted]

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The East Europeans are keenly aware, however, that Moscow closely monitors their economic ties to the West, and, like Poland, they must be able to stress Communist self-interest as the sole basis for such arrangements. Nonetheless, the speed with which they have moved to seek at least the same "deal" they believe Poland got suggests that they believe the USSR is allowing them some slack for obtaining from the West technology and economic assistance not available in the East. [Redacted]

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**NICARAGUA:**

**Rebel Leadership Still in Disarray**

[Redacted]

**The resignation of Arturo Cruz from the Directorate of the Unified Nicaraguan Opposition and renewed pressure from Costa Rican President Arias have set back efforts by moderates on the Directorate to establish civilian control over the insurgent military effort.** [Redacted]

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Cruz indicated that his resignation ~~Monday~~ stemmed from frustration over the inability of political moderates to obtain influence in military affairs, according to press reports. [Redacted]

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[Redacted]

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On <sup>8 March</sup> ~~Sunday~~, Arias threatened to ban UNO political leaders from meeting in Costa Rica if they assume control over the insurgents' military funding. ~~(according to press reports)~~ Robelo and Chamorro, who regard political activity in Costa Rica as essential to the anti-Sandinista effort, said they would reconsider the issue. [Redacted]

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**Comment:** After a series of threats intended to strengthen his position, Cruz apparently is determined to leave the rebel leadership for good. Robelo and Chamorro may try to continue their political activity in San Jose but forgo efforts to gain control over rebel military operations. In that event, the leaders of the Nicaraguan Democratic Force, the main insurgent military organization, would have little reason to submit to civilian oversight. [Redacted]

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Arias apparently fears his claims of neutrality have been damaged by reports of insurgent use of a covert airfield in Costa Rica. He is likely to remain insistent that anti-Sandinista exiles in Costa Rica have no direct connection to the military effort. [Redacted]

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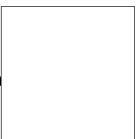


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**MADAGASCAR: President Trying To Isolate Dissenters**

*ew*



President Ratsiraka of Madagascar probably still hopes to reach a political solution to the violent protests of university students that have flared on and off since December, but he may be forced to crack down more forcefully. [Redacted]

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~~The US Embassy reports that~~ the widespread looting and burning of the property of ethnic Indians, which plagued provincial cities last week, might spread to the capital. [Redacted]

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**Comment:** Ratsiraka continues to deal cautiously with the unrest, which is the most serious threat that he has faced during his 12 years in power. He might offer opposition figures increased influence in an attempt to defuse tensions. Reduced opposition support for the students would put the regime in a better position to contain the violence. If ethnic violence spreads to the capital, this would give new impetus to the students and other dissidents, further taxing the security forces. [Redacted]

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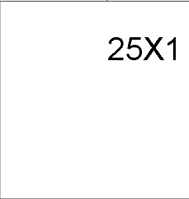


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**COLOMBIA: Drug Control Set Back**

Recent court decisions in Colombia have hurt Bogota's ability to maintain momentum against the country's drug trafficking kingpins. ~~According to the US Embassy, the Supreme Court has reaffirmed its earlier finding that Colombia's extradition treaty with the US of 1979 was ratified illegally and is not valid.~~ It has also ruled that President Barco could not legally assign jurisdiction for narcotics cases to the military. A military court subsequently released Evaristo Porras, the most important drug trafficker in custody in Colombia.

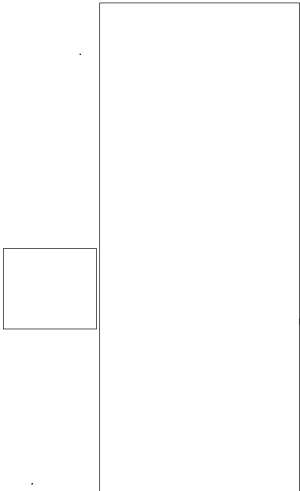


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**Comment:** Barco supports extradition, but the Court's decisions have crippled the process and may cause the government to resubmit the treaty to the Colombian congress for reratification. Prospects for reratification are uncertain, however, because several congressional leaders have ties to narcotics interests. Without the military's involvement, corrupt and intimidated civilian judges will not hold drug traffickers long enough to extradite them. Even if Barco upholds the treaty, the Court is unlikely to consider new extradition cases, fearing reprisals from traffickers.



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[Redacted]

**USSR: Civilian Industry To Get Defense Resources**

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During a recent interview on Hungarian television, a prominent Soviet economist close to the leadership claimed that defense industry specialists and new production technologies will be transferred to the civilian sector to aid the industrial modernization campaign. The economist—Abel Aganbegyan—also asserted that leading defense industrial enterprises and design institutes will develop and manufacture equipment for light industry. [Redacted]

[Redacted]

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**Comment:** The statements are consistent with the leadership's recent exhortations for the defense industries to produce more and better consumer and producer goods in support of General Secretary Gorbachev's industrial modernization campaign. Although defense-industrial personnel and organizations have been called on to support civilian projects in the past, the extent of their participation has been limited to the selective transfer of managers and some scientists and to the limited participation of some design and production organizations. Gorbachev's successful bid to force the defense sector to surrender both sophisticated design and production resources—if accomplished on the more substantial scale implied by Aganbegyan—would be a strong indication of the high priority the leadership has given the modernization drive. [Redacted]

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**SOUTH KOREA: Possible Chemical Agent Production**

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NO

South Korea for several years has been importing chemicals from West Germany—ostensibly for fungicide manufacture—that are precursors to the production of nerve agents. According to US diplomatic reporting, the West German firm Hoechst has confirmed that in 1985 and 1986 it supplied 240 tons of the phosphorous oxychloride to Korea Explosives—an explosives and agricultural chemical manufacturer. Hoechst reportedly has provided phosphorous trichloride as well as phosphorous oxychloride to the Korean company since 1982. [Redacted]

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**Comment:** The use of these chemicals for fungicide production is not implausible, but both are necessary for the production of the nerve agents tabun, sarin, and soman. Hoechst has been an active supplier to the Iraqi chemical weapons program and may also have been involved in supplying the Egyptian program since the 1970s. Development of offensive chemical weapons would be in keeping with Seoul's belief that, unless deterred, North Korea would employ a massive chemical attack in wartime. [Redacted]

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**In Brief**



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**Europe**



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*ND* — Fianna Fail leader Haughey elected **Irish** Prime Minister by vote of 83 to 82 . . . speaker cast tie-breaking vote after key independent abstained . . . Haughey's need for support from independents will make tenure difficult, probably short lived.

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*ND* — Rome interested in acquiring US AWACS, . . . increasingly concerned about air defense in south after **Libyan** missile and Libyan aircraft entered Italian airspace undetected twice in 1986.

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— New primate of **Hungary**, Archbishop Laszlo Paskai, will probably continue nonconfrontational policies toward regime . . . close associate of his predecessor, Cardinal Lekai . . . regime pushed hard for Paskai's appointment.

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**Americas**

— Intruder aircraft shot down by **Honduran** Air Force near **Salvadoran** border on Monday night tentatively identified as US-registered cargo plane, [redacted] [redacted] . probably involved in narcotics trafficking. [redacted]

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*cw*

**Africa**

— **Angola** reportedly forcing Chevron Oil to sell 10 percent of oil holdings there to non-US companies . . . **British, French, Italian, Dutch, Brazilian** firms interested . . . reflects Luanda's concern US may compel its companies to withdraw. [redacted]

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— **Ethiopian** military activity increasing in Ogaden, including presence of three fighters at forward airbase, [redacted] . . . Addis Ababa may be planning cross-border raid or support for attacks by **Somali** dissidents. [redacted]



*cw*

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— **Mozambican** dissidents in Western Europe, rebel leader planning new opposition group . . . critical of **Portuguese, South African** support for RENAMO . . . may weaken political wing but not likely to hamper military operations in near term. [redacted]

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**USSR**



*ND*

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**Middle East**

— **Syria** reportedly has chosen **Chile's** Pillan turboprop trainer aircraft over **Brazilian** competitor . . . \$40 million contract to be completed in mid-March . . . 15 of 60 to be delivered immediately after agreement signed. [redacted]

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**Special Analysis**

**USSR:**

**Gorbachev Asserting National Security Role**

[Redacted]

***In recent weeks, General Secretary Gorbachev has made new strides in strengthening his control over national security decision making. He still must take into account the views of his Politburo colleagues in making decisions about the military budget and Soviet arms control negotiating strategy, but he has considerable room to maneuver.*** [Redacted]

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Gorbachev's appointment in January of an ally, Anatoliy Lukyanov, to the Secretariat marks a new stage in his consolidation of control over the national security apparatus. Lukyanov has no military experience, but his recent appearances indicate he is assuming some responsibility for military and security affairs, while continuing to run the General Department—which handles paperwork for the Politburo. Lukyanov's combined responsibilities may be part of an effort by Gorbachev to increase the role of civilians in defense matters—a goal he has reportedly been working toward. Another Gorbachev ally, Lev Zaykov, is still overseeing defense industries and serves in the Secretariat as an overseer of the defense sector. [Redacted]

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Gorbachev's new momentum in national security affairs was evident in his proposal last month to separate INF from other issues, which apparently surprised many Soviet officials. A few days before the announcement, the head of the Soviet delegation in Geneva gave no indication that new arms control proposals would be forthcoming. ~~According to the US Embassy in Moscow, Deputy Foreign Minister Bessmertnykh~~ said Gorbachev had attended an unusually long Politburo meeting two days before the announcement, suggesting that the Politburo's decision was made then. [Redacted]

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[Redacted]

In making the INF proposal, Gorbachev underscored his authority over military and security affairs by citing his position as head of the Defense Council. His use of the title was unusual; previous General Secretaries have been so identified by other spokesmen but have not normally used the title themselves. [Redacted]

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Japan

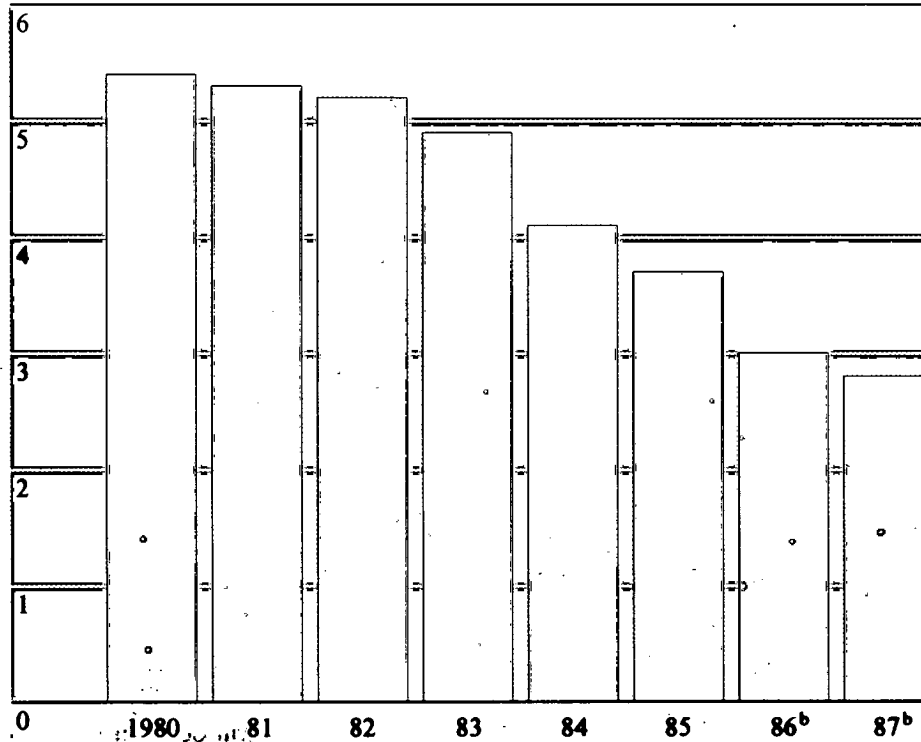


Tadashi Kuranari  
Minister of Foreign Affairs

Age 67 . . . one of Nakasone's closest confidants . . . widely respected in Japanese political circles as expert in economic policy, especially agricultural issues . . . has dealt with US-Japanese trade relations during 28-year Diet career . . . well versed in arms control—of particular interest to him as native of Nagasaki . . . cautious, detail oriented, sometimes slow in responding to questions.

Budget Deficit as a Share of GNP<sup>a</sup>

Percent



<sup>a</sup> Central government budget.

<sup>b</sup> Estimated.

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**Special Analysis**

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**JAPAN-US:**

**Limited Stimulus Package Likely**

*When Japanese Foreign Minister Kuranari visits Washington this week, he is likely to discuss Finance Minister Miyazawa's promise in Paris last month to stimulate Japan's economy. Any stimulative package, however, will almost certainly leave Tokyo's policy of fiscal austerity intact and will have a minimal effect on the economy and the trade balance.* [Redacted]

NO

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[Redacted]

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The Trade Ministry—long an advocate of increased government spending—is the leading proponent of a large supplementary budget.

[Redacted]

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[Redacted] the Ministry is probably trying to gain support for stimulus from the ruling party—which faces a local election next month—pointing to continued bad economic news, such as the record unemployment rate of 3 percent.

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[Redacted]

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Before altering fiscal policy, however, Nakasone would have to repudiate budget austerity, a policy he has pursued since assuming office in 1982. In addition, the powerful Finance Ministry is not convinced that a large package is necessary. Even without new stimulus, Japanese Government economists, assuming yen-dollar stability, are predicting that economic growth will begin to recover later this year. [Redacted]

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The package Nakasone brings to Washington next month is not likely to alter the basic thrust of Japanese fiscal policy or to contain more than token measures designed to provide a limited boost to the economy. Nakasone will probably not want to present such a package to the Diet before the now deadlocked tax reform issue is settled, fearing it would be held hostage to the tax reform controversy—just as the 1987 budget has been. If the current stalemate on tax reform persists, it may be fall before the Diet will consider the new package.

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