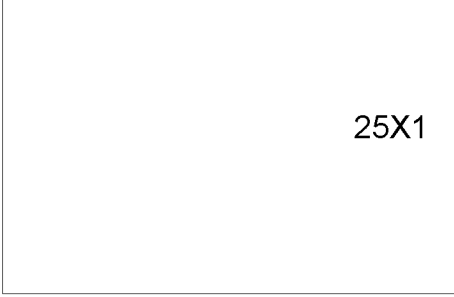




**Director of  
Central  
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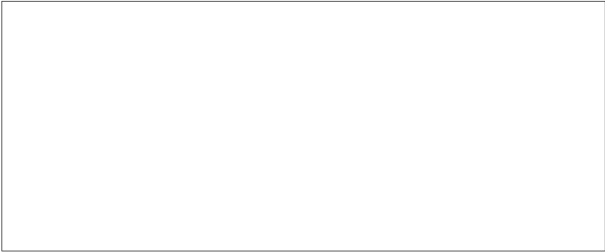
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# National Intelligence Daily

**Monday  
3 August 1987**



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CPAS NID 87-179JX

3 August 1987

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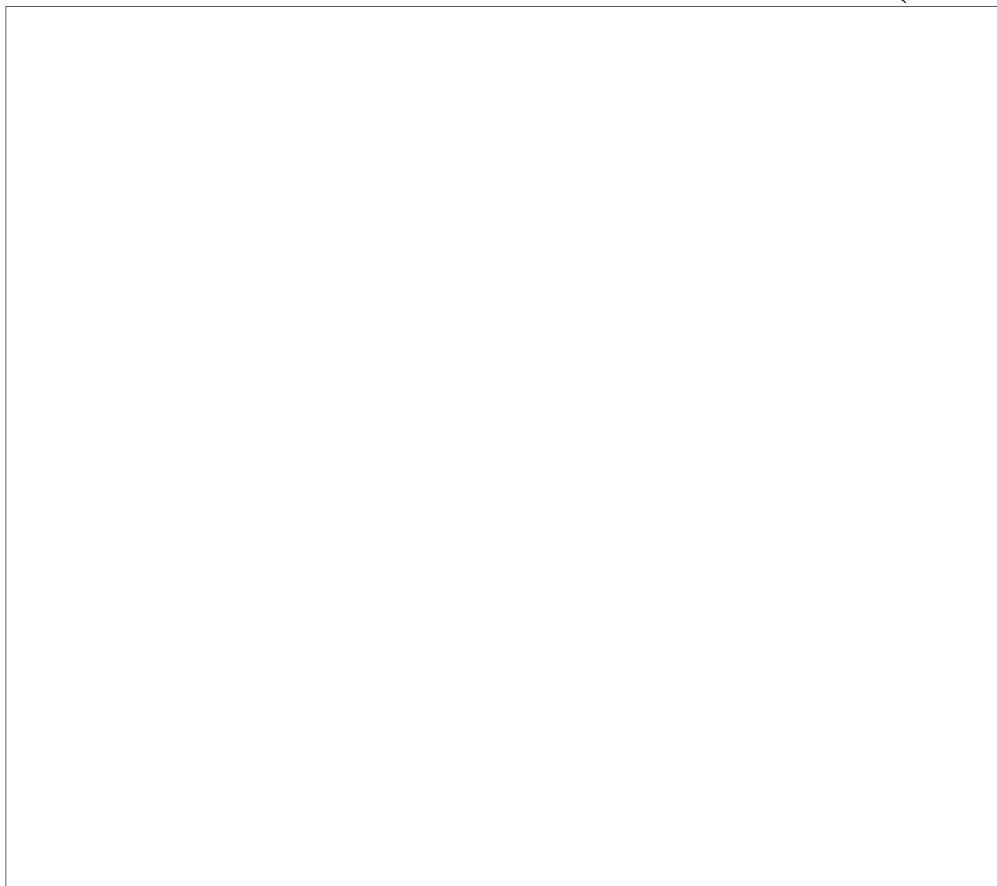
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**PERSIAN GULF:**




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**The Ground War**



Tehran announced yesterday the start of a new offensive involving ground and air forces in the central border area. Iran claims to have captured several strategic heights and caused thousands of Iraqi casualties. 

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**Comment:** The operation—called Nasr 6—appears to be an Iranian effort to recapture territory around Mimak lost to Iraqi forces last week. Baghdad may use Tehran's announcement of the attack as proof of Iran's final rejection of the UN cease-fire resolution and renew its ship-attack operations. 

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**Aftermath of Mecca Rioting**

Riyadh now reports 402 people killed, including 275 Iranian pilgrims, and 649 injured as a result of Friday's rioting in Mecca.  more than 20,000 Iranian pilgrims were 

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involved in the violence, which took Saudi security forces equipped with riot gear nearly five hours to end. By yesterday the city had returned to normal.



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Meanwhile, Kuwaiti and Saudi diplomatic personnel seized in Tehran on Saturday when Iranian protesters stormed their Embassies have been released. France denies press reports that its Embassy was entered.



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**Comment:** The next several days are likely to place additional strains on Saudi security forces as the pilgrimage celebrations approach their climax. Nevertheless, Riyadh appears prepared for any new violence and probably will act forcefully to prevent its spread. The Saudis appear convinced that the Mecca rioting and ransacking of their Embassy in Tehran was coordinated by Iran to intimidate Riyadh.



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**Iranian and Saudi Reaction**

In a speech yesterday to commemorate the dead pilgrims, Iranian Assembly Speaker Rafsanjani said they had been murdered by Saudi Arabia acting under orders from the US. He said the US wanted to create a "tragedy" for Iran to compensate for the US failure to escort Kuwaiti tankers safely through the Gulf. Promising that Iran would take revenge for the deaths, Rafsanjani said Iran must uproot Saudi leaders from the region and send Americans to their death.



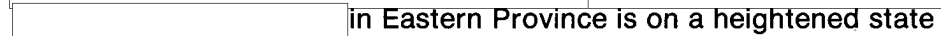
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in Eastern Province is on a heightened state of alert—flying increased F-15 combat air patrol sorties and placing 10 fully armed Tornado strike aircraft on standby.



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**Comment:** Rafsanjani's threat that Iran will work to overthrow the Saudi regime marks a significant escalation in Tehran's pressure on Riyadh to end its support for US intervention in the Gulf. Tehran, which probably orchestrated the riot, is trying to exploit the deaths to inflame Saudi Arabia's Shia minority to rebel against the Sunni leadership. Iran also is warning the Saudis they could face a campaign of Iranian-sponsored terrorism similar to that experienced by Kuwait.



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Riyadh is likely to take a tough public stand in the face of Iranian threats until the pilgrimage is over. Fahd does not want to risk a major confrontation with Iran and probably will work quietly to defuse tensions later on.



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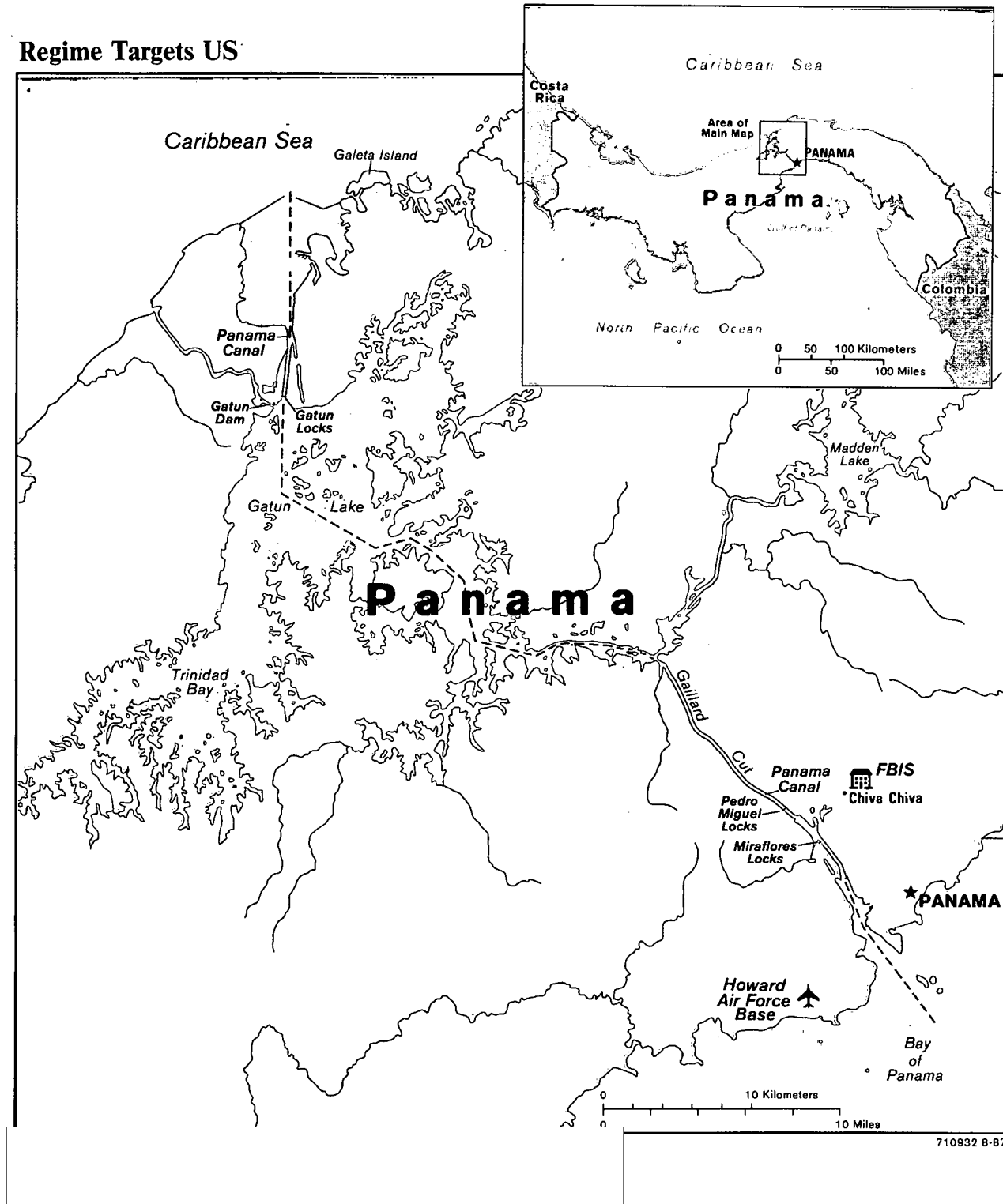


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**Regime Targets US**



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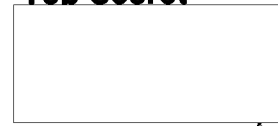
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**PANAMA:**

**Regime Targets US**

**The military-dominated government believes Washington is behind the surge in opposition activity in Panama and has begun to take retaliatory measures against the US mission.** [Redacted]

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[Redacted] the General Staff continues to believe that the US, through its Embassy in Panama, is supporting efforts by the opposition-based Civil Crusade to oust General Noriega and President Delvalle. [Redacted] senior military officers have grown increasingly angry with the US and believe some action should be taken to reflect their displeasure. [Redacted]

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The US Embassy reports that the government-controlled media has stepped up its criticism of the US Ambassador and his deputy chief of mission for allegedly assisting the opposition. The media also have alleged that the US is using facilities at Howard Air Force Base and the Foreign Broadcast Information Service station at Chiva Chiva for clandestine purposes in violation of the 1977 Panama Canal treaties. In addition, routine access by US diplomatic and military personnel to government and military officers has been curtailed. [Redacted]

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Meanwhile, the Civil Crusade's resolve to force Noriega's ouster has been stiffened by the success of its general strike last week,

[Redacted] The Crusade has called for another large public rally on Thursday [Redacted]

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**Comment:** The regime is frustrated by its inability to bring the opposition movement to heel and probably is hoping to slow the movement's momentum by implicating the US. Further measures against the official US presence in Panama probably will depend on the success of the opposition's rally this week. The regime is concerned that, in the wake of the successful general strike last week, another major public demonstration will give the opposition even more momentum. For its part, the opposition shows no sign of caving in to regime or economic pressures to end the campaign to oust Noriega. [Redacted]

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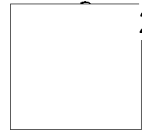
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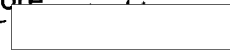
**INDIA-SRI LANKA: Militant Leader Flying to Jaffna**

**Tamil militant leader Prabakaran will tell his field commanders to surrender their arms to Indian troops, according to a press statement from the Sri Lankan Security Minister.**

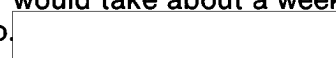


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Prabakaran was offered the chief ministership of the combined Northern and Eastern Provinces in exchange for accepting the peace plan, according to press reports. Prabakaran's lieutenants said late last week they would wait for his authorization to surrender, and four of five other militant groups said they agreed to surrender. The leader of the fifth said he would comply after the Sri Lankan Parliament ratified the accord and the state of emergency was lifted. Before Prabakaran's alleged agreement, a senior Indian officer had remarked that the surrender would take about a week, according to the US Embassy in Colombo.



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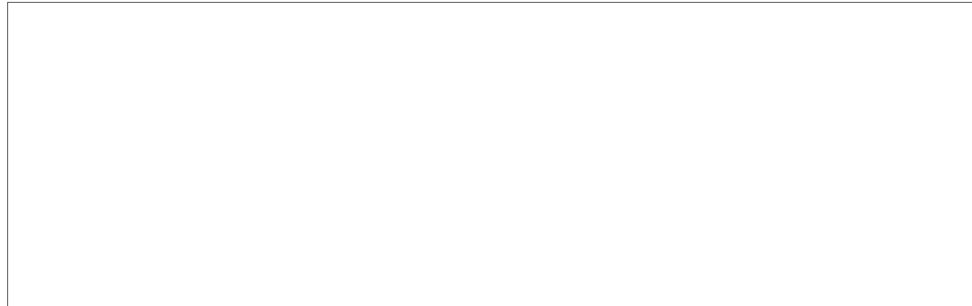


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Colombo has remained calm since the riots last week, according to the Embassy. Four Tamil laborers in the island's central tea estates were killed—apparently during the violence that followed the signing of the peace accord—by unidentified assailants, according to press reports. Meanwhile, senior military officials in Colombo linked the honor guard sailor who hit Prime Minister Gandhi last week to a banned Sinhalese Marxist group.



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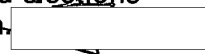
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**Comment:** Tiger guerrillas almost certainly will follow Prabakaran's orders. India probably will decide to keep some troops in Sri Lanka beyond next week to respond to Tamil concerns that the Sri Lankan troops remain in their camps. Such a move would also ensure the compliance of any militant groups that do not follow Prabakaran.



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Jayewardene's next political hurdle will be the parliamentary session. If Premadasa appears close to organizing enough parliamentary opposition to defeat the accord, Jayewardene may threaten to call elections. Most members of Parliament, who have not faced elections in 10 years, almost certainly would balk at a new campaign.



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The lull in antigovernment rioting may be broken by Sinhalese-instigated rioting against Tamils. The lackluster efforts of Sri Lankan troops to control the rioting last week suggest they may do little to stop anti-Tamil rioting by the Sinhalese.



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**Preliminary Readout on New Contadora Proposal**

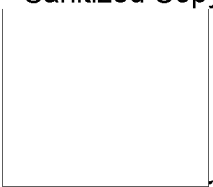
<b>Key Provisions</b>	<b>Comments</b>
<b>Upon Signature</b>	
Democratization process begins.	Unlike past, mediators' proposals establish guidelines to gauge progress, including complete access to the media and freedom of assembly.
External aid to insurgents ends.	Honduran plan permitted aid to continue for 180 days as leverage to ensure Sandinista democratization and agreement to arms control; immediate cutoff benefits Sandinistas; military deliveries to governments presumably may continue.
<b>After 30 Days</b>	
National dialogue begins and call for cease-fire.	Document specifies those insurgents willing to give up armed struggle to be included in dialogue; no timing or mechanics on cease-fire.
Contadora officials to form committee composed of five international notables to verify political reforms and cease-fire.	
Contadora, UN and OAS Secretaries General to form committee to verify security provisions, including end of aid to rebels and arms control.	Hondurans proposed Central American membership on committee.
<b>After 60 Days</b>	
Amnesty and release of political prisoners; lifting of restrictions on press and political activity.	More explicit than mediators' past proposals.
Arms control and security talks begin; includes disarming rebels.	No date for end of talks; Sandinistas likely to try to drag out; no mention of foreign military advisers or maneuvers, which the mediators have included in past proposals.
<b>After 180 Days</b>	
Electoral systems revised; encourages international observation of elections.	Closely follows Honduran proposal but does not provide for OAS supervision of national elections.
Hold elections for regional parliament by end of 1988.	No provisions for new national elections.

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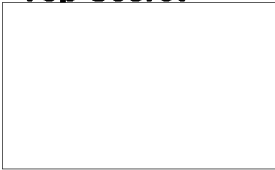
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**CENTRAL AMERICA:**

**New Peace Proposal**

***The Contadora mediators, resuming a more active role in regional peace talks, have prepared a new treaty draft to be discussed at the Central American summit in Guatemala on Thursday.***

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During their meeting in Honduras over the weekend, the five Central American foreign ministers requested the Contadora ministers to draft a working document that would synthesize contributions at the meeting, including the Arias peace plan and modifications proposed by Honduras. The final communique merely took note of the document and invited the mediators to a new meeting after the Guatemala summit.

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~~US Embassy reporting indicates the Honduran proposals were not coordinated with Washington to avoid the appearance of US influence. The Honduran plan also caught Nicaraguan President Ortega offguard, according to President Duarte. Ortega, whom Duarte believes is concerned by the increased coordination among the democracies, called Duarte on Saturday to request an urgent meeting before the summit, according to US Government sources. Duarte refused to meet Ortega directly but offered to send a personal emissary to Managua.~~

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**Comment:** The Contadora draft is likely to overshadow the Honduran proposal and the Arias plan as the focus for coming discussions and it now appears the mediators are likely to resume their position of arbiters of what proposals are internationally acceptable. Both the Sandinistas and democracies are likely to find the proposal acceptable as a working document but will seek to amend key provisions.

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The mediators' proposal—which draws heavily from the Honduran draft—attempts to strike a balance between Nicaragua's demand for an immediate end to the anti-Sandinista insurgency and the democracies' insistence that the peace plan ensure Nicaraguan democracy. The Contadora draft appears to provide for direct talks for a cease-fire between the governments in the region and the various rebel groups, a provision the mediators have not endorsed in the past.

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The draft calls for early discussions on-disarming the insurgents, a move that is geared to the rapid dismantling of each group's military organizations. The Central American countries would be excluded from serving on international verification commissions. As in past Contadora proposals, arms control negotiations take place after external aid to the insurgents ends. The Honduran proposal, by contrast, aims at verifying Sandinista democratization and agreement to arms control before cutting aid to the insurgents.

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**PHILIPPINES: Cabinet Member Assassinated**

Secretary of Local Government Jaime Ferrer, 72, was fatally wounded during an ambush by three unidentified gunmen near his suburban Manila home yesterday.

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**Comment:**

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[redacted] the party is increasingly concerned about its sagging political fortunes and sees itself on the defensive. Ferrer's murder could also be a warning to the US, because party leaders—

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[redacted] perceived Ferrer as an agent for US involvement in Manila's counterinsurgency efforts. Ferrer, however, had other enemies besides the Communists; many local officials, for example, were angered by his threat during the Congressional election in May that they support administration candidates or face removal.

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**SOUTH KOREA-NORTH KOREA: Seoul Proposing New Talks**

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A new South Korean proposal—in response to North Korea's recent troop reduction initiative—was announced today. Seoul is calling for foreign ministers' talks in September, to discuss Seoul's earlier proposals for cross-recognition of the two Koreas by the major powers and dual entry to the UN. The proposed agenda includes discussion of a resumed North-South dialogue, prime-ministerial meetings, talks on a contentious North Korean hydroelectric project, and P'yongyang's recent call for disarmament talks involving the two Koreas and the US, according to the US Embassy.

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**Comment:** Seoul has not completely rejected P'yongyang's recent tension-reducing initiative, but its counterproposal suggests the South sees little attractive in the package. P'yongyang has repeatedly rejected cross-recognition and simultaneous UN entry. The South's reference to the hydroelectric project suggests it will press its claim that the Kungangsan Dam is an economic and security threat to South Korea, another nonstarter from P'yongyang's point of view. Seoul probably hopes to blunt the propaganda gain P'yongyang is seeking from its initiative last month, as well as to head off North Korean efforts to open direct talks with Washington by focusing on military talks.

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**JORDAN-SYRIA: Maqarin Dam Agreement**

Jordan and Syria have agreed verbally to build the Maqarin Dam on the Yarmuk River, which forms the boundary between Israel, Syria, and Jordan near its junction with the Jordan River—the only available solution to Jordan’s water shortage. In discussions with Syrian officials, Jordanian Prime Minister Rifa’i compromised on the dam’s height, the last major technical issue. He also agreed that Jordan would seek international financing for about \$450 million to cover construction costs and would handle all downstream issues, particularly those requiring negotiations with Israel.



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**Comment:** Disagreements with Syria over minor issues may delay a formal agreement. Syrian President Assad apparently has decided to make this low-cost gesture to encourage a closer relationship with Jordan. Reaching an agreement with Israel, however, will be a more formidable problem requiring protracted negotiations. Tel Aviv is concerned that continued expansion of upstream water use for Syrian irrigation projects will reduce Israel’s share of the water, and the Israelis undoubtedly will demand assurances that the dam not interfere with their water rights



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**EAST GERMANY: Liberal Party Growth**

More and more East German intellectuals are showing their displeasure with the Communist Party by joining the small “liberal” party, the LDPD. the LDPD has grown to more than 100,000 members. It is one of several small political parties the regime tolerates as part of a “national front” to give the appearance of pluralism.



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**Comment:** Though the LDPD lacks genuine political power, the estimated 25-percent growth since 1982 suggests scientists and intellectuals find it a painless way to demonstrate the political activism required for career advancement without endorsing the regime’s rigidity on economic and social reform. The Communist Party is apparently tolerating such indirect dissent to avoid alienating people crucial to its modernization effort. Moreover, to accommodate Soviet pressures for change the ruling party may portray the LDPD’s growth as a reflection of *glasnost*. In the long term, however, the more the LDPD is seen as a haven for frustrated intelligentsia, the more troublesome it will become for the regime.



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In Brief

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Americas

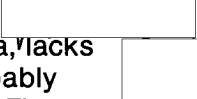


- Patricio Aylwin elected president of Christian Democratic Party, Chile's largest . . . veteran politician, moderate, probably acceptable to military . . . may try to begin talks with military on return to democracy



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- New **Ecuadorean** Central Bank manager, Fernando Sevilla, lacks financial expertise, according to US Embassy . . . will probably serve as caretaker, take back seat to pragmatic, pro-West Finance Minister.



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- **Guatemalan** delegation's **USSR** visit underscores President Cerezo's interest in expanding ties to Communist countries . . . probably to reinforce neutral foreign policy . . . military, domestic opposition make formal ties unlikely soon.



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- Formation of **Grenadian** opposition party formally announced . . . popular George Brizan to head National Democratic Congress, a coalition of six leading parliamentary members . . . step toward viable moderate opposition to Prime Minister Blaize.



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Europe

- **Turkish** Prime Minister Ozal last week named protege Rustu Saracoglu Central Bank governor . . . probably believes he will ease monetary policy despite inflation risk . . . increases Ozal's ability to prime economy before calling early election.



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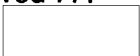
Middle East

- Press reports **Israeli** military police commander for Gaza Strip fatally shot yesterday by Palestinians . . . rare travel ban to Israel imposed . . . Defense Minister Rabin visited scene. Israeli military officials threatening security crackdown.



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- Mohammed Shkeir, close Muslim adviser to **Lebanese** President Gemayel, assassinated in West Beirut, according to press . . . recent political infighting suggests Christian militia involved . . . also reflects growing confidence of Christian hardliners.



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**Special Analysis**

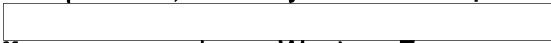
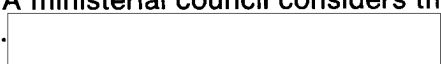
**WESTERN  
EUROPE-US:**

**Space Station Talks**

***Senior European Space Agency—ESA—and Canadian officials are reportedly optimistic about reaching a joint space station agreement with Washington, despite lingering misgivings—which they share with Japan—over military use. Nevertheless, foot-dragging by European neutrals and growing budgetary difficulties might delay an agreement beyond the next round of bargaining that begins today, and opponents may muster enough votes to defeat ratification by the ESA Council in November.***

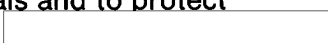


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Canadian and ESA officials, unlike their Japanese counterparts, view recent US concessions on “national security uses” of the proposed space station as a significant compromise, and they believe European participation is a probability,  Nonetheless, internal ESA differences remain, as Western European neutrals—Sweden, Austria, and, Switzerland—reportedly continue to oppose any agreement that does not specifically rule out military use. Sweden has even threatened to withdraw from the ESA if its demands are not met, according to the US Embassy in Bonn. Senior ESA officials believe, however, that Switzerland and Austria can be persuaded by the time the ESA ministerial council considers the agreement in early November. 

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Canadian and ESA moderates—such as the UK, West Germany, and Italy—however, have told US officials they want further US concessions on the language covering military uses, according to various US Embassy reports. Negotiators are likely to demand wording that prohibits direct military uses such as weapons testing, both to undercut the resistance of some neutrals and to protect member governments from domestic criticism. 

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The European moderates also are worried that Japan—which continues to reject any military applications of the station—may ultimately refuse to participate if Washington rejects further concessions on the issue. 

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**Budget Problems**

Budget constraints are almost certain to force tough decisions about continued European participation in the space station. The financial crunch is partly the result of large cost overruns as well as governmental decisions to reduce space budgets or maintain them at

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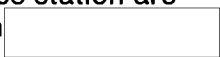
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current levels. ESA officials now estimate that the French-led Hermes spaceplane and the ESA Columbus module for the space station are each likely to exceed projected costs by about \$2 billion



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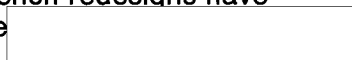
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ESA is demanding increased contributions for most members, but Belgian, British, and West German officials recently told the US they will either freeze contributions at current levels or cut funding for some projects.



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Brussels has signaled it would probably choose other ESA projects over the space station, while London may reduce its participation, according to US Embassy and press reports. West German officials have implied they also are considering broad cuts, though press reports suggest this would affect participation in Hermes more than the space station. Bonn believes recent French redesigns have detracted from the value of the spaceplane



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**Outlook for Negotiations and Beyond**

Even though Canadian and ESA negotiators expect to reach an agreement with the US in the next few months, internal disputes over budget and national security use could still cause problems at the ESA Council meeting. Moderates who favor participation in the space station would need to muster a two-thirds majority of the ESA's 13 members on any draft agreement with Washington.



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Even if the eventual draft can assuage the concerns of most members about military use, budgetary problems could lead other states to align with the neutrals. Paris, for example, would almost certainly oppose the agreement if it appears that budgetary considerations will force ESA members to choose between Ariane or Hermes and the space station.



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**Special Analysis**

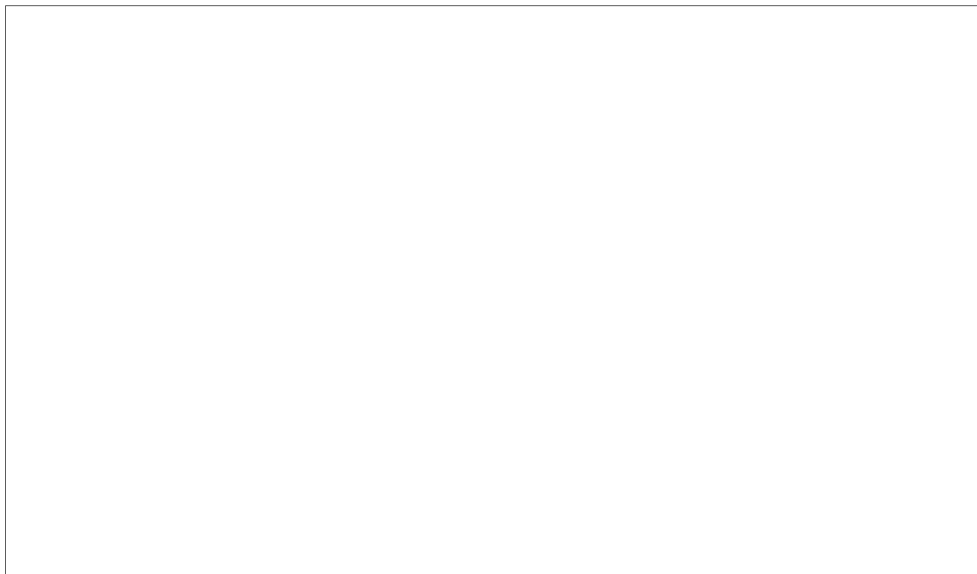
**INTERNATIONAL: Move To Oust South Africa From IAEA**

*The campaign to oust South Africa from the International Atomic Energy Agency is gaining momentum, and the ability of the US to block such a suspension will hinge on developments between now and the general conference next month, when the issue will come to a vote. The ouster of South Africa could pave the way for a challenge to Israel's rights and privileges, an issue that caused the US to withdraw from the IAEA in 1982.*



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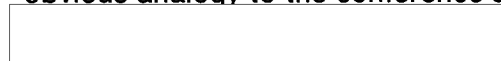
South Africa told the US Embassy that it plans to maintain existing safeguards commitments even if suspension occurs. Ironically, this assurance may deprive South Africa's backers of an argument that might persuade some states to vote for continued membership.



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**Implications for Israel**

A decision by the general conference to suspend South Africa would set a bad precedent for Israel, whose rights in the IAEA are in jeopardy again this year. At Iraq's request, the agenda will contain an item relating to Israel's nuclear program. According to the US Mission in Vienna, the item falls short of a call for suspension but draws an obvious analogy to the conference's deliberations on South Africa.



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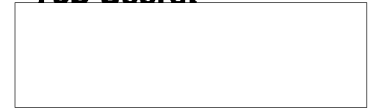
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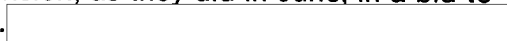
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Any future action against Israel may depend on the extent to which the Arab and African states are willing to barter for votes on their respective resolutions. Strong Arab support for the African resolution against South Africa at the June board suggests the Arab states expect African support in return.



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The Soviets will probably work behind the scenes this year, as they have done in the past, to forestall any move to restrict Israel's membership. On the South Africa issue, however, Moscow and its allies are likely to vote for suspension, as they did in June, in a bid to curry favor with the Third World.



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