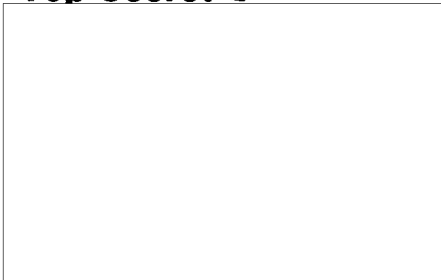




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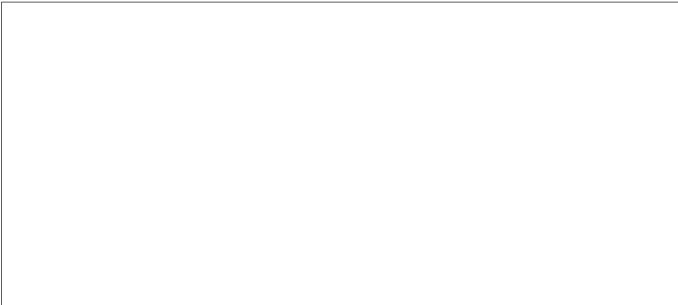
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National Intelligence Daily

Monday
24 August 1987



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PERSIAN GULF:

Situation Report

Iraqi and Iranian Activities

Iraq claims it launched a large air raid ^{23 August} yesterday—the second one in two days—against the unfinished Iranian petrochemical facility at Bandar-e Khomeyni. Baghdad also warned Tehran that recent Iranian airstrikes and artillery shelling of civilian areas could lead to a ^{22 Aug} resumption of the “war of the cities.” On ~~Saturday~~, Tehran claimed it bombed and shelled Iraqi industrial centers along the border. [Redacted]

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[Redacted]

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Saudi and Kuwaiti Plans To Increase Iran's Isolation

Saudi Arabia and Kuwait hope to persuade other Arab states to sever diplomatic relations with Iran, [Redacted] State reporting indicates Riyadh, during Arab League meetings that began yesterday in Tunis, will solicit condemnation of Tehran for the Mecca riots and will ask members to unite in breaking ties to Iran.

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[Redacted]

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Comment: Riyadh and Kuwait are unlikely to receive unanimous support for breaking diplomatic ties to Tehran. Nevertheless, the meetings could produce a formal complaint blaming Tehran for the Mecca riots and a warning that additional provocations will result in strong actions. [Redacted]

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PANAMA:

Pressure on Regime Eases

The regime appears to have gained breathing room as the opposition reassesses its position and commercial banks have granted a tentative reprieve on the government's loan payments.

[Redacted]

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[Redacted]

Despite the disappointing results of the National Civil Crusade's general strike last week, most Crusade members continue to insist on Defense Chief Noriega's removal before beginning negotiations with the government to resolve the crisis.

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[Redacted]

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Meanwhile, international commercial banks tentatively agreed to reschedule until next March \$420 million in principal payments and \$20 million in interest on Panamanian debts. Despite a budget deficit that the US Embassy estimates still may exceed \$300 million this year, the government reportedly did not ask banks for any new funding.

[Redacted]

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Comment: The Crusade's

[Redacted]

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[Redacted] movement has been unable to develop tactics other than strikes—costly to both the opposition and the government—and nonviolent demonstrations.

[Redacted]

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The agreement between Panama and its commercial creditors, while giving the government only minimal financial relief from its anticipated obligations this year, demonstrates the desire of both sides to maintain good relations. The regime's decision to forgo a request for new commercial lending despite its large budget shortfall probably is calculated to calm creditor fears about Panama's political and economic stability.

[Redacted]

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LEBANON:

Druze Overtures to Iran and Libya

Druze leader Walid Junblatt is improving ties to both Iran and Libya in an attempt to put distance between himself and Syria and to protect Druze interests in Lebanon. [Redacted]

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[Redacted]

[Redacted]

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[Redacted] Junblatt has declared his support for Iran in its confrontation with the US in the Persian Gulf. [Redacted]

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[Redacted]

Junblatt traveled last week to Libya in an effort to regain Libyan financial and material support. Reports in the Lebanese press say that the trip was successful and that Libya plans to resume aid to the Druze and other Lebanese Muslims shortly. [Redacted]

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Syria has expressed concern about Junblatt's activities, and Syrian forces in Lebanon have arrested several members of the Druze militia.

[Redacted] Junblatt continues to fear the Syrians will try to assassinate him. [Redacted]

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Comment: Junblatt hopes that closer ties to Iran and Libya will strengthen his bargaining position with Syria. At one time, the Druze were one of Syria's important allies in Lebanon, but relations have been severely strained by Syria's support for the Shia Amal militia. The Syrian intervention in West Beirut last February hindered Druze activities in the capital, and Damascus forced Junblatt to accept a small Syrian military presence in the Druze-controlled Shuf region.

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Junblatt's efforts to open new avenues of support may backfire and result in increasing Syrian pressure to force the Druze to conform to Syrian policy in Lebanon. Junblatt's assassination would seriously weaken the cohesion of the Druze community because Junblatt has no clear successor, but Syria is probably not ready to take that step.

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SURINAME:

Steps Against the Opposition

[Redacted]

The regime's reaction to the opposition coalition's successful rally earlier this month appears to have convinced the traditional parties' leaders to avoid further provocative acts. [Redacted]

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[Redacted]

[Redacted] Bouterse recently assigned full-time bodyguards to coalition leaders, who view him with increasing skepticism and fear. [Redacted]

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~~The US Embassy reports that~~ following his resignation from the supreme policymaking council in response to military pressure, Bouterse met with coalition leaders who told him they would work toward the best possible relationship with the Army. In return, Bouterse promised to abide by the result of the election. [Redacted]

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[Redacted]

Comment: As the election nears, coalition leaders probably will continue with public political activity, but most likely will avoid any action that could encourage the military to renege on democratization. They may want to wait until they have the moral force of an overwhelming election victory before mounting a direct challenge to Bouterse. For his part, Bouterse probably is not yet ready to concede electoral defeat and will use every means at his disposal to steal the election. [Redacted]

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CUBA:

AIDS Control Campaign

Cuban President Castro views controlling AIDS—which Havana publicly blames on the US—as a top priority and has implemented tough measures to identify and isolate those affected. [Redacted]

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[Redacted]

The Ministry of Public Health has tested 800,000 people this year for AIDS antibodies, focusing on military and civilian personnel returning from Africa, foreigners, and Cubans in contact with foreigners.

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[Redacted]

Havana publicly admits only that 108 Cubans have tested positive.

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[Redacted]

Cuba reportedly has deported 1,900 foreigners and quarantined 3,500 Cubans. Havana requires that tourists present medical proof that they are free of the AIDS infection.

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[Redacted]

Havana justified its stringent measures with a disinformation campaign that claims the Pentagon invented AIDS, according to the US Interests Section.

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[Redacted]

Comment: Castro's crackdown on AIDS and the disinformation campaign—modeled on a similar Soviet effort—evidently reflect concern about the spread of the disease itself and the political damage caused by the linkage between AIDS and the already unpopular Cuban military missions in Africa.

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UN-USSR: Soviets Primed for Disarmament Conference

A two-week UN Conference on the Relationship between Disarmament and Development, which opens today in New York, will stress the view that disarmament is a necessary precondition for Third World development. Soviet Deputy Foreign Minister Petrovskiy reportedly will head the Soviet delegation.

[Redacted]

[Redacted]

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Comment: Moscow, a practiced manipulator of UN conferences, is likely to make a favorable impression on some Third World audiences. It will contrast its high-level delegation with the US refusal to participate. The Soviets probably will link the conference's proposals to General Secretary Gorbachev's disarmament initiatives—setting the stage for the 42nd UN General Assembly next month and future propoganda on arms control in the Third World.

[Redacted]

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SUDAN: Political Maneuvering After Government's Fall

Bargaining has begun among the leaders of Sudan's political parties to replace the coalition agreement that was broken Saturday. The joint statement issued by Prime Minister Sadiq al-Mahdi and Democratic Unionists patron Muhammad al-Mirghani held open the possibility of continuing with the same coalition if negotiations failed to form a broader based, national unity government. Hasan al-Turabi, leader of the opposition National Islamic Front, said he rejects the inclusion of all parties in a new government and would consider joining only if a charter that sets out policies binding on all members were signed beforehand.

[Redacted]

[Redacted]

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Comment: Sadiq will find it hard to form a government of national unity, given the Islamic Front's conditions and opposition in Sadiq's Umma Party to the inclusion of Turabi's party in a coalition. At the same time, resumption of the Umma-Democratic Unionist coalition is unlikely to please the public in Khartoum, which increasingly sees it as ineffective. It is unclear how the General Staff views the Saturday shakeup, but negotiations that end in renewed civilian bickering will add to the military's frustration.

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USSR-MOZAMBIQUE: Outcome of Chissano Visit

[Redacted]

Mozambican President Chissano's visit to the USSR in early August reportedly was a success even though no new economic aid packages were pledged. The USSR gave Mozambique a multipurpose loan of about \$60 million, according to the Mozambican press. A joint communique declared a need for expanding the Soviet role in Mozambique's defense effort, but specifics will await the visit of a Soviet delegation. Maputo supported Soviet initiatives on nuclear disarmament and other international issues but avoided any direct criticism of the US. The Soviet press described the talks as "warm and friendly,"

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[Redacted]

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Comment: The loan Chissano reportedly brought home is modest and will not significantly allay Mozambique's economic decline. No sharp increases are likely in the level of arms deliveries from Moscow, which probably believes the Mozambican Army currently is unable to absorb new weapon systems.

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[Redacted]

[Redacted]

VIETNAM: ASEAN Position on Khmer Talks Rejected

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Vietnam has rejected ASEAN's stipulations that informal discussions on Cambodia be based on the resistance coalition's eight-point peace proposal and that Vietnam join the talks immediately after Khmer representatives meet, according to official statements. The Vietnamese say this violates an agreement between Hanoi and Jakarta. On Friday Prime Minister Hun Sen of the People's Republic of Kampuchea renewed his offer to meet resistance officials and implied his support for a power-sharing arrangement in Cambodia, as long as it excluded the Khmer Rouge. He was particularly conciliatory toward Prince Sihanouk, invoking the honorific title "samdech" rarely used by PRK officials.

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Comment: Hanoi insists that the Cambodian problem be resolved by the Khmer groups and that its own role be treated in the context of talks with ASEAN on broader regional security issues. Nonetheless, the Vietnamese are retaining some flexibility by keeping the original "cocktail party" proposal alive and by softening the Cambodian regime's harsh rhetoric. ASEAN and Vietnam will continue to blame each other for the lack of diplomatic progress to court international support for their respective positions before the UN General Assembly meets next month.

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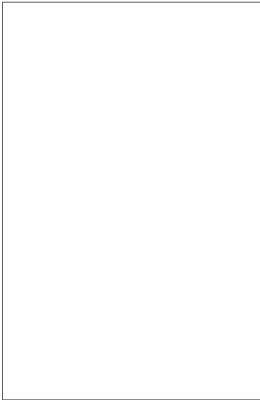
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CHILE: Pinochet Raises Wages, Hopes for Political Gain

President Pinochet's recent announcement of a 16-percent wage increase for most public employees and a 12-percent hike in the minimum wage settled a debate between the progovernment Economic and Social Council and the Finance Ministry. The Ministry had resisted the Council's call for a higher minimum wage, noting that current policy stresses reducing unemployment rather than raising wages. The President contended that the hike was necessary after a harsh winter and to compensate for inflation since the previous wage increase last November. [Redacted]

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Comment: By entering the public debate between the Council and Finance Minister Buchi as a champion of the poor, Pinochet evidently hoped to stem the steady decline in his popularity. He probably does not intend to break with Buchi, in whom he has long had confidence. Inflation is running near 20 percent annually, and the wage increases will be quickly eroded, leaving little political gain for Pinochet. The government had probably budgeted wage increases for November in any event, however, and the early raises are unlikely to upset Santiago's financial plans. [Redacted]

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FIJI: Broadening Regional Relations

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Unable to reach a consensus on constitutional changes that ensure native Fijian political dominance, Governor General Ganilau's constitutional review committee last Friday advised against declaring a republic. The committee also endorsed keeping Fiji's membership in the British Commonwealth. Meanwhile, former Prime Minister Ratu Mara, currently the Foreign Affairs adviser in the interim government, has been actively courting the Association of Southeast Asian Nations for closer trade ties and possible sources of military equipment. Fiji's relations with its traditional partners, Australia and New Zealand, were strained by the military coup in May. Fiji is also seeking closer ties to South Korea, Taiwan, and Japan. In addition, according to the US Embassy, France apparently plans to strengthen its commercial and diplomatic relations with Fiji, possibly by offering military assistance. [Redacted]

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Comment: Fiji's recent approaches abroad are not likely to produce relationships that would supplant its predominant commercial and political ties to Australia and New Zealand, which will probably mend in time. Recognizing that Fiji's elected government cannot be restored to power, Canberra and Wellington are trying to protect their traditional influence by supporting the role of the Governor General and by relaxing restrictions on dealing with the interim government. [Redacted]

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In Brief

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Africa

[Redacted]

Zimbabwean legislators voted to abolish white reserved seats in Parliament, ~~according to US Embassy~~ . . . move long anticipated by white community . . . part of Prime Minister Mugabe's longstanding goal of creating one-party state.

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In Brief

Americas

— **Hondurans** in Moscow last week for trade talks . . . US Embassy says military opposed trip . . . TASS reports **Soviets** accepted draft accord granting MFN status, settling trade accounts . . . would be first official pact. [Redacted]

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— About 20 **Nicaraguan** soldiers detonated explosives outside unoccupied house leased by US Embassy in Managua . . . no injuries, only minor damage . . . probably meant to intimidate US diplomats. [Redacted]

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[Redacted]

Europe

Twenty **Czechoslovak, Polish** dissidents met recently without interference, called for more human rights in Eastern Europe . . . first such meeting since 1970s . . . regimes' recent permissiveness may encourage increased regional dissident activity. [Redacted]

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Special Analysis

SOUTH KOREA:

Constitutional Talks

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Ruling- and opposition-party politicians missed their 20 August deadline for constitutional revision but are publicly claiming that a meeting this week between Roh Tae Woo and Kim Young Sam will produce a constitutional amendment. Ruling-party rumblings that it has "made its best offer" and infighting in the opposition camp suggest neither Roh nor Kim will have much room to bargain. Failure to settle the issue soon could play into the hands of both radical dissidents—who are hoping public frustration will create a climate for renewed demonstrations this fall—and government hardliners who appear ready to crack down if unrest gets out of hand.

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The US Embassy reports the parties have settled on 78 of 111 constitutional issues, but agreement on provisions that will directly affect each party's election chances remains elusive. Sticking points include opposition demands for a lower voting age—their candidates are front-runners among young voters—and ruling-party resistance to constitutional guarantees of an apolitical military.

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An agreement would be to the advantage of both Roh and Kim Young Sam. Roh has been under increasing public pressure to deliver on his two-month-old reform proposal and probably would see a successful meeting as a way to boost his political stock. Kim Young Sam probably judges that an agreement will give him an edge over Kim Dae Jung in the battle to be chosen as the opposition's presidential candidate.

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The stakes may be highest for Kim Dae Jung, whose political fortunes would decline if Kim Young Sam came away with a deal that has popular support. On the other hand, such a development might even prompt Kim Dae Jung to try to scuttle the meeting, perhaps by claiming the death of a striking worker during a clash with police over the weekend would make negotiations inappropriate. On the other hand, Kim Young Sam has received poor marks for his political skills, and a misstep with Roh could make Kim Dae Jung the clear front-runner.

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The Dissident Factor

Dissident opposition groups began preparing for their fall offensive last week with several small rallies in Seoul and a strategy meeting of radical students in the provincial city of Taejon. The Embassy reports that moderate dissidents are expecting their demonstrations to keep pressure on both parties to produce a democratic constitution. Radical students are hoping protests will prevent an agreement, lead to rising public frustration, and set the stage for a "people power" revolution this fall, [Redacted]

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[Redacted] activists among the dissidents may have moved now, rather than wait for students to return to campus next month, in order to capitalize on labor unrest. However, workers have focused on labor issues and have been hostile to student efforts to interject political issues into strikes, according to the Embassy. [Redacted]

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The government is concerned that, if the constitutional revision talks drag on into next month, dissidents will be ready to capitalize on growing public frustration with the slow progress on reform. Indeed, one senior official told US officials last month that he expects massive unrest in September and believes the government may have to declare martial law. [Redacted]

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[Redacted]

Outlook

With electoral self-interest at the heart of disagreements on constitutional revision, both Roh and Kim probably will have difficulty selling a compromise to their respective camps. Negotiations technically could continue until November, with time left for passage of an amendment in the National Assembly, a subsequent national referendum, and a direct presidential election before Chun leaves office in February. But, with both the students and the security services preparing for a troublesome fall season and labor flexing its muscles, the politicians may lose the political initiative well before then. [Redacted]

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Special Analysis

**EAST GERMANY-
POLAND:**

Bilateral Frictions

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[Redacted]

Longstanding frictions between East Germany and Poland have been made worsen recently by internal developments in both countries, by a dispute over territorial waters, and by their differing responses to new Soviet domestic and foreign policies. East Germany apparently believes Polish leader Jaruzelski's lack of firmness toward both the Catholic Church and Solidarity activists guarantees new unrest in Poland. For its part, the Polish leadership is upset by new indications of what it considers German nationalism, such as East Germany's revival of its Prussian past and the coming visit of party chief Honecker to Bonn—issues likely to be raised when Jaruzelski meets with Honecker in East Berlin this week. [Redacted]

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[Redacted]

Growing Polish Suspicion

The Polish regime, for its part, resents East German criticism of its internal affairs. In party-to-party relations, the East Germans have adopted a schoolmaster's approach toward Polish functionaries. Since the initial Solidarity crisis, East Germany has sought—by closing its border with Poland to all but officially approved tour groups—to avoid political contamination. [Redacted]

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East Germany earlier this year extended its territorial waters in the Bay of Szczecyn between the two countries, provoking a sovereignty dispute with Poland that has yet to be resolved. For this and other reasons, Poland is suspicious of East Germany's increasing attention to its national past—particularly the prominence given to historical figures like Frederick the Great and Bismarck, who were no great friends of Poland's. Polish leaders also harbor exaggerated fears that

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improvements in intra-German relations, such as the coming Honecker trip, increase the possibility of German unification or confederation at the expense of Polish security. When Jaruzelski meets with Honecker this month, he will ask Honecker to stress the permanence of Germany's division and Poland's current borders during the East German leader's trip to West Germany, ~~according to US diplomatic reporting from East Berlin.~~ [redacted]

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Outlook

Deep national antagonisms will persist between Moscow's two key East European allies, despite 40 years of proclaimed Communist solidarity. Jaruzelski's likely inability to rein in domestic opponents completely will continue to feed East German fears of spillover. East Germany may try to use continuing instability in Poland to undermine Jaruzelski's status in Moscow, ~~but Gorbachev thus far has supported Jaruzelski's domestic course. Although Soviet permission to Honecker to visit Bonn probably was not welcomed in Warsaw, it reflects no diminution in Moscow's sensitivity to Polish — as well as its own — security concerns.~~ [redacted]

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