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NEAR EAST

Iran:
Analytic Perspective

Khatami's Reforms Under Attack

Conservatives in Iran are exploiting the tension with Afghanistan and domestic security concerns to move against President Khatami's reforms, particularly the freedom he has granted the press. Conservatives have accommodated some of the popular President's initiatives—such as creating more opportunities for women—but their counterattack suggests they are intent on curtailing those they consider dangerous.

Security officials—under Supreme Leader Khamenei's control—appear to be using the assassination and attempted assassination of two leading conservatives during the past month to justify cracking down on the press. Since Khamenei cited the excesses of Iran's press in a speech two weeks ago, authorities have banned six publications and detained some of their editors for acting against Iran's "security and general interests."

- Press reports say Islamic Culture and Guidance Minister Mohajerani and Foreign Minister Kharazi—both of whom are close to Khatami—are facing a Majles inquiry into their "failures" on press excesses and Afghanistan.
- Mohajerani was questioned by the Majles on Sunday and may go before a closed-door session today, according to Tehran press reports.

In what may be an effort to undercut Khatami's call for dialogue with the West, judiciary officials recently began implementing a rarely enforced national security law limiting contact with foreigners. In addition, the officials are citing a clause in the law outlawing "publicity against the system of the Islamic Republic of Iran or in favor of any groups or organizations that oppose the system" to justify their moves against the press.

Khatami's Alternatives Limited for Now

Khatami's concern about a violent conservative backlash and his propensity to work through legal channels suggest he will not call his supporters into the streets to protect his reforms. If the attacks persist or if conservatives cut off avenues Khatami can use to pursue his agenda, he may threaten to resign—as he did in 1992, when he was Minister of Islamic Culture and Guidance.

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FRY:
Analytic Perspective

Managing the NATO Threat

President Milosevic—after nearly a decade of jousting with the international community—appears confident he can deal with what he views as its alternating bouts of anger and irresolution. To exploit perceived Allied reluctance to use force, he is portraying life in Kosovo as returning to normal.

- Milosevic has declared victory, named a provincial government and, according to press reports, may begin to draw down some security forces.
- By suggesting operations are over, he can claim he is complying with the international community's demands.

At the same time, Milosevic will continue to express his willingness to negotiate Kosovo's autonomy. He can point out that his negotiators have tried to engage the Kosovar Albanians since last spring and that he already has accepted the international proposal for a temporary arrangement pending further consideration in three years.

- Serbian concerns about sovereignty over Kosovo would lead Milosevic to reject demands for a complete withdrawal of his security forces and to object to demands that would leave his forces vulnerable to attack.

Experience suggests Belgrade will complain to European capitals about the prospect of military strikes, asking about their purpose and what would come afterward. Milosevic, as he has before, may accuse the US of lacking an understanding of Balkan affairs and of bias against Serbs.

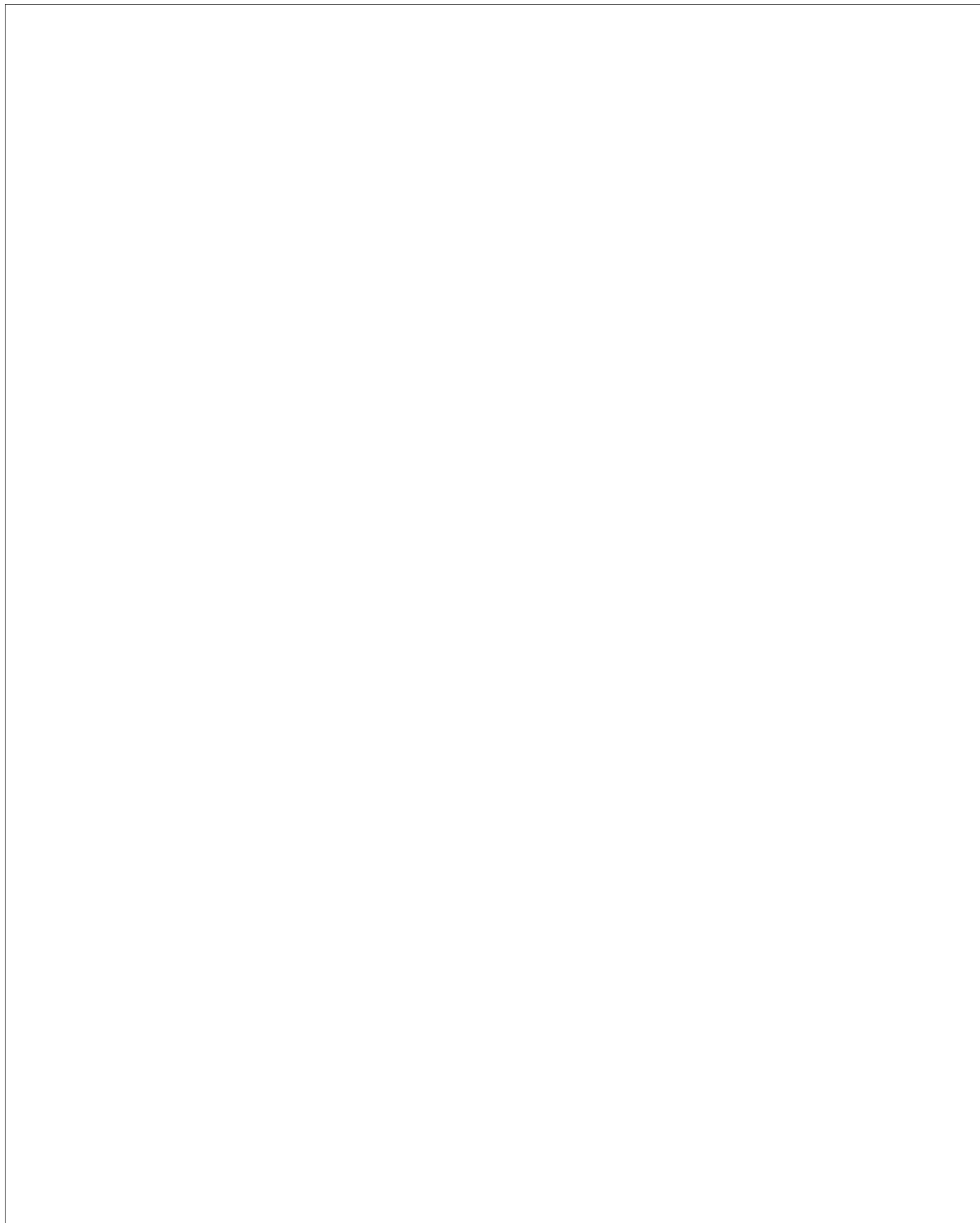
Trying To Manipulate Moscow

Milosevic may repeat previous performances in which he has gone to Moscow or entertained Russian diplomats, offering highly publicized "concessions" in return for Moscow's promise to prevent NATO military action. Russian toleration of a UN Security Council Resolution mentioning Article VII surprised Belgrade, but Milosevic still will look to Moscow to block the use of force if he appears to be in compliance.

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~~Top Secret~~***Leading Development*****Germany:****Coalition Talks Raise Foreign Policy Uncertainties**

The Greens will push for at least one top portfolio for their legislative leader Joschka Fischer. Once an anti-NATO radical, Fischer has moderated his views and led Green Bundestag deputies to back German participation in IFOR and SFOR.

— *Any new military intervention would encounter grassroots Green resistance, however, especially without a clear UN mandate.*

Bonn will be hesitant to make major new commitments on Kosovo or Russia during the coalition talks, which could last several weeks. The Kohl government—which stays in office until the new Bundestag elects Schroeder chancellor some time next month—would line up Social Democratic Party (SPD) support before agreeing to military operations or financial bailouts.

— *Schroeder is pledging foreign policy continuity, but his team is inexperienced internationally and heavily focused on domestic issues.*

The neo-Communist Party of Democratic Socialism's unprecedented 5.1 percent of the vote earns it the privileges of a formal Bundestag caucus. It will receive greater state funding, can demand seats on more legislative committees, and will have a stronger platform to trumpet its anti-NATO policies.

The SPD plans to begin formal negotiations with the Greens on Friday. Schroeder is in a strong position because of the Greens' drop in the popular vote, but Green leaders promise to drive hard bargains on key substantive and personnel issues. The Foreign Ministry, which traditionally has gone to the junior coalition partner, is the only high-profile portfolio for which the Greens have a plausible candidate.

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Indonesia:
Analytic Perspective

Habibie Failing To Deliver

The President in the past few weeks has lapsed into an indecisive style of leadership. His administration is largely reacting to events rather than implementing innovative policies.

- The lack of a publicly acceptable replacement—from inside or outside the government—favors Habibie's remaining in office at least until the scheduled meeting of the People's Consultative Assembly (MPR) in November.

Habibie's tenure could be threatened at any time, however, by rising ethnic tension, growing unrest spurred by revelations of past human rights abuses by the military, or a banking crisis compounded by Jakarta's failure to implement a comprehensive financial restructuring plan. Student activists have returned reenergized from their midyear break and are demanding Habibie's resignation.

To temporarily ease the burden of rising rice prices, Jakarta recently implemented a "seven-point strategy" developed with the IMF that includes releasing government stocks into the market, suspending the value-added tax on rice, expanding the number of families receiving rice handouts, and opening the market to import competition. Jakarta acknowledges, however, that maintaining domestic prices below world levels is not sustainable.

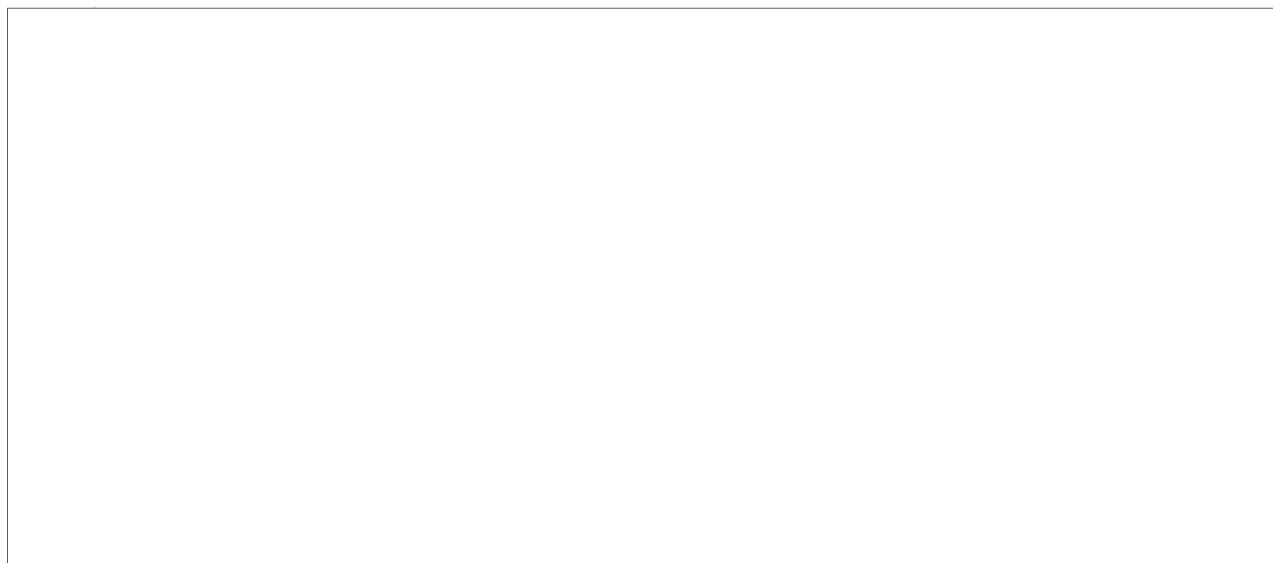
Habibie has yielded to popular demands to investigate allegations of corruption against former President Soeharto, but he is in a no-win situation. A thorough investigation could implicate Habibie and others in his administration with longtime ties to the former President, but a superficial inquiry could bolster the public's suspicion that Habibie is trying to protect his former mentor.

Importance of MPR

Habibie wants to limit the MPR's agenda to endorsing his call for an election next May, but some opponents are pressing to use the session to force Soeharto to give a public accounting—a move that would open the possibility for the MPR to strip Habibie of his constitutional mandate.

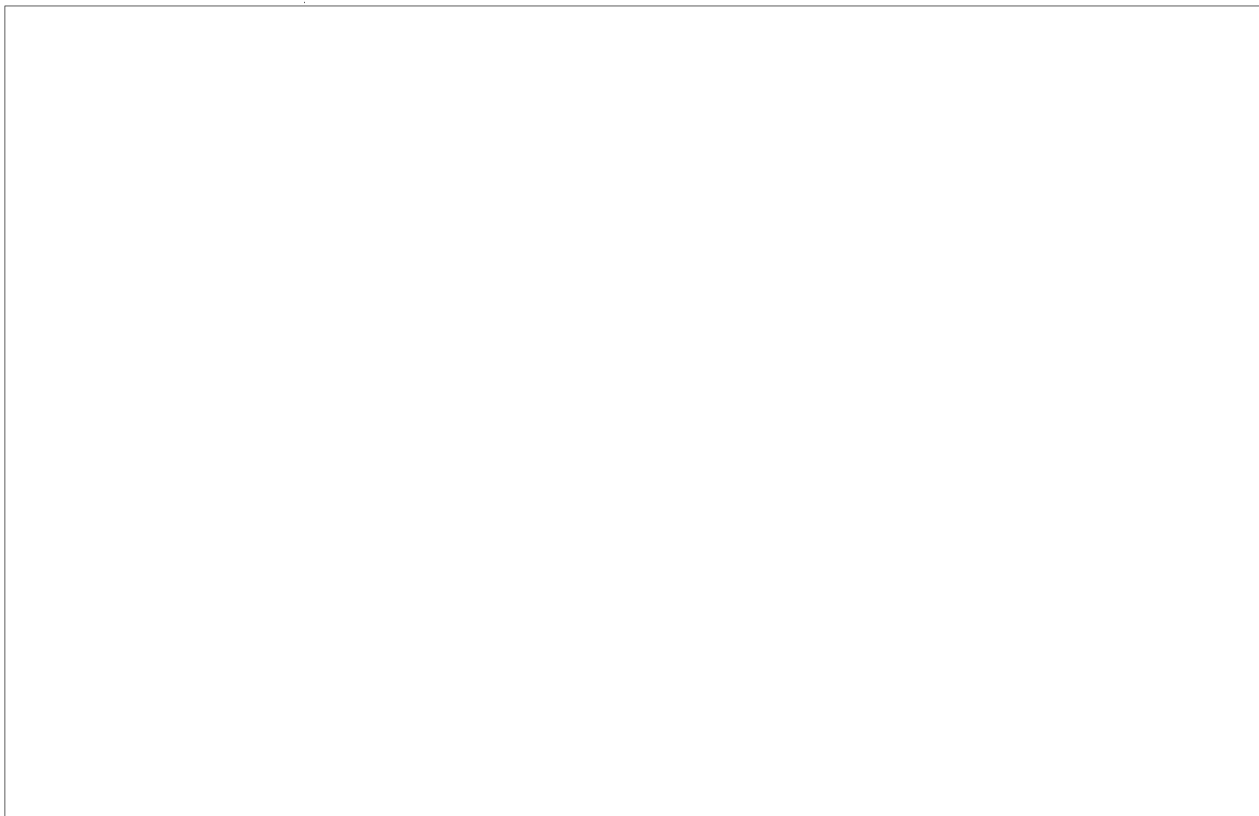
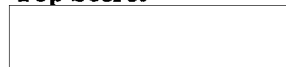
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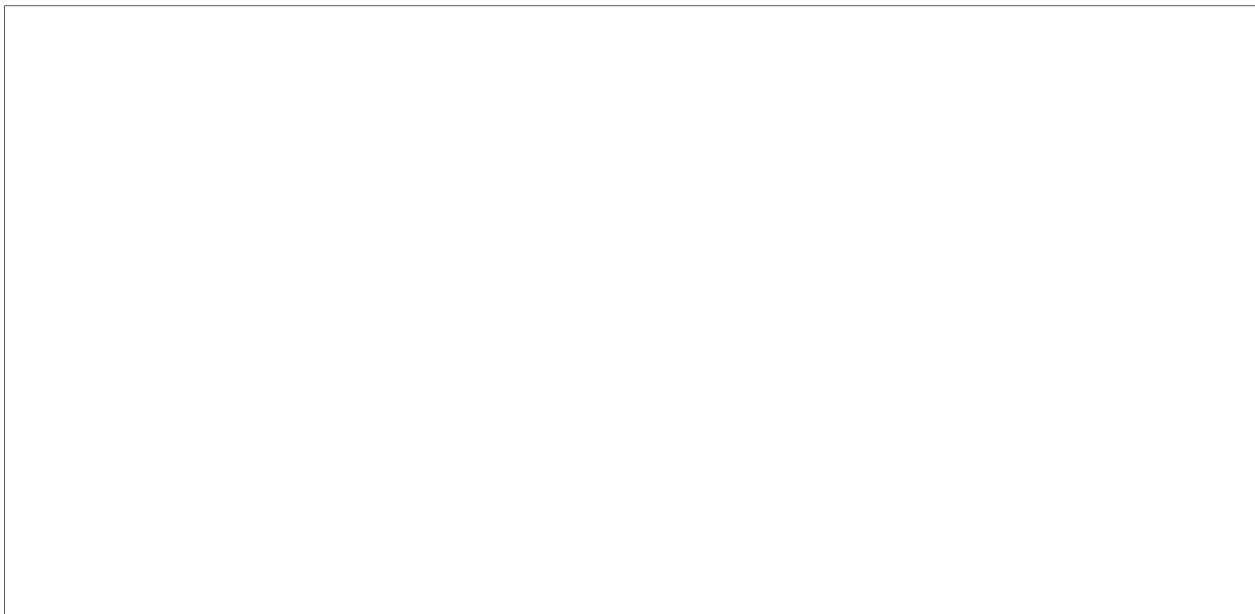
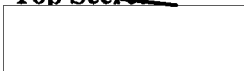
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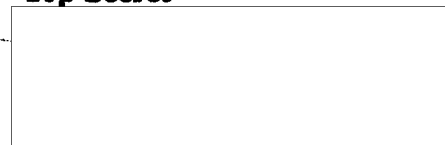
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Senior Executive Intelligence Brief

Formerly the National Intelligence Daily

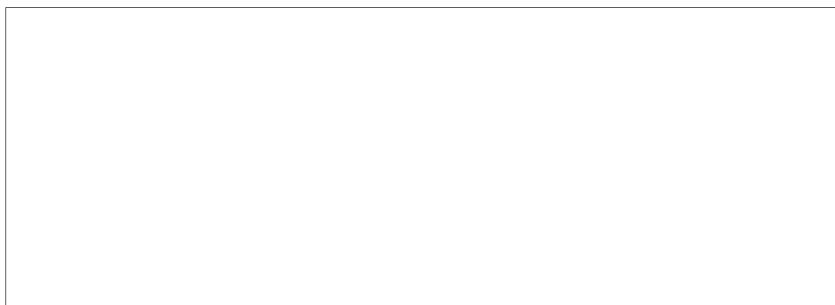


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Malaysia:

Opposition Movement Broadening

Rising public dissatisfaction with Prime Minister Mahathir and Malaysia's continuing economic downturn are giving impetus to a movement that could bring together widely different constituencies, including ethnic Chinese and Islamic fundamentalists. The protest movement is drawing support from elements beyond pro-Anwar supporters, including groups concerned more with political and economic reform than with former Deputy Prime Minister Anwar's release,

- Leaders of the recently formed Malaysian People's Movement for Justice said on Sunday they hope to put aside their traditional differences and focus on a joint agenda, according to press reports.
- *The new coalition, however, controls only 24 seats in the 192-member lower house of Parliament and still is too loosely organized to pose an immediate challenge to Mahathir's ruling United Malays National Organization.*

Several thousand protesters yesterday called for Mahathir's resignation and voiced support for the detained Anwar in renewed demonstrations in Kuala Lumpur. Police used batons and tear gas to break up the rally and arrested at least a dozen protesters, according to press reports. Police also arrested 13 Anwar supporters taking part in an illegal assembly outside the capital, according to press reports.

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Building Domestic Support [redacted]

Meanwhile, Milosevic is seeking to rally national support. Serbian officials publicly have stressed the military's duty to resist aggression and to protect the state.

— Chief of the General Staff Perisic has argued for a political rather than a military solution but has [redacted] that the Army will fight if it is attacked. [redacted]

Citing his inability to form a new cabinet, Albanian Prime Minister Nano yesterday resigned, according to press reports. The presidency of Nano's Socialist Party has decided to nominate party general secretary Pandeli Majko as his replacement. The move could help ease political polarization and open dialogue with the opposition Democratic Party, which demanded Nano's resignation after an outbreak of unrest in Tirana earlier this month. President Meidani has asked Nano to stay until a new government is formed. [redacted]

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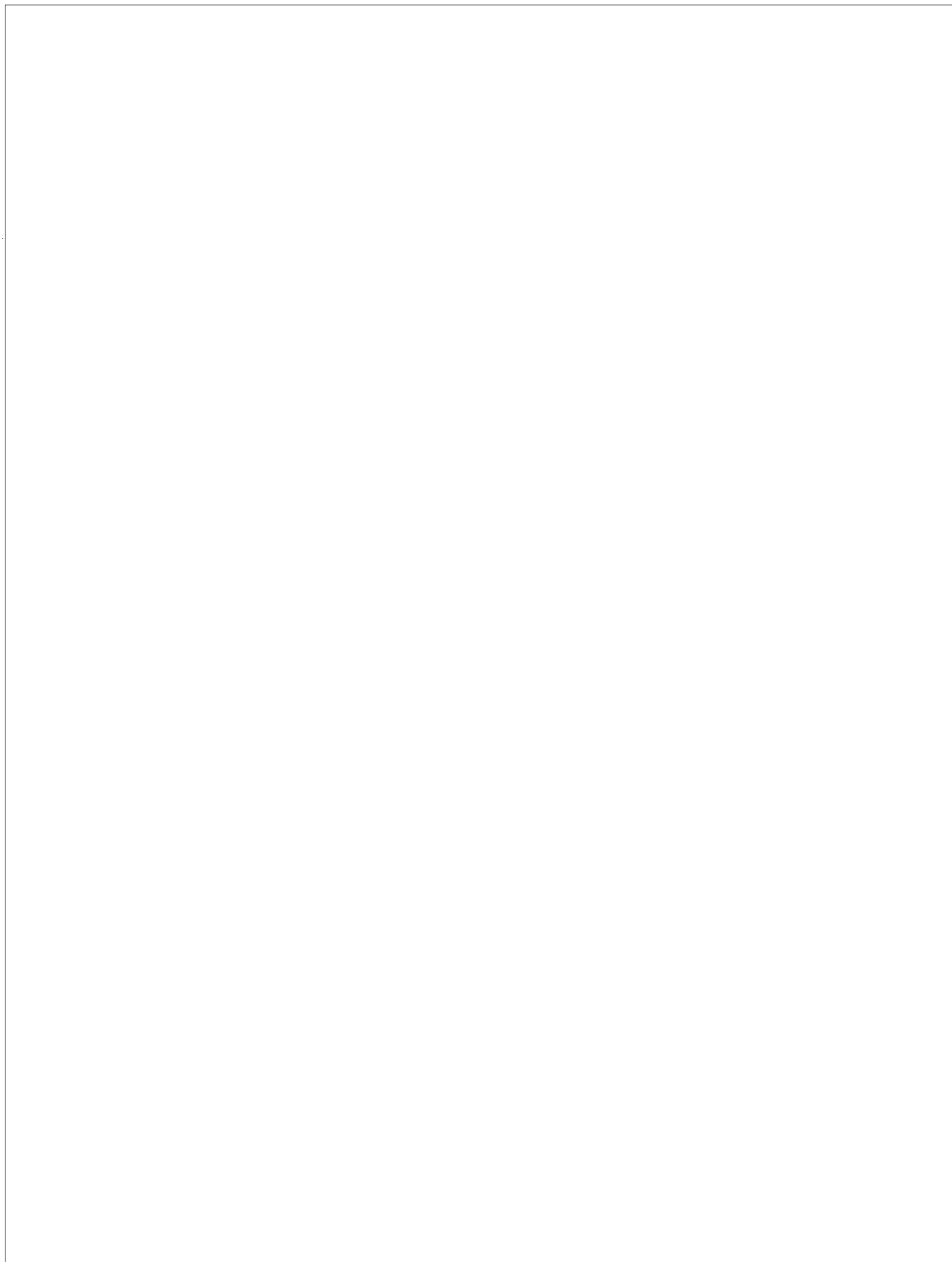
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Local council elections—tentatively scheduled for next spring—and the Majles election in 2000 offer Khatami and his supporters a chance to win control of key legislative bodies and keep reforms on track. Press reports indicate the conservative Council of Guardians is disqualifying Khatami supporters from the Assembly of Experts election next month to ensure the body remains under conservative control.

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- The military—which supports Habibie only because of his constitutional legitimacy—could endorse a move to replace him if it viewed his remaining in office as a threat to stability. [redacted]

Opposition to Habibie would intensify quickly if he were perceived to be manipulating the MPR to preserve his position or further his ambitions.

[redacted] some Habibie supporters are considering trying to amend the MPR's agenda to delay a scheduled legislative election to allow Habibie to serve out Soeharto's term, which was scheduled to end in 2003. [redacted]

If Habibie weathers the runup to the MPR session and his opponents accept his proposed electoral timetable, his chances of surviving until the MPR meets again late next year to select a new president will increase.

- He will face an increasingly focused opposition, however, as the MPR concentrates on mobilizing in earnest for a legislative election next May. [redacted]

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Taiwan:

Preelection Crackdown on Organized Crime

The government is conducting a crackdown intended to dampen the ruling Kuomintang's (KMT) ties to organized crime as an election issue. Taiwan police early this month arrested more than 700 suspected members of organized crime groups in an attempt to prevent expected widespread fraud in the legislative election in December.

In addition, authorities plan to monitor money flows they suspect may be tied to vote-buying efforts.

— *The opposition Democratic Progressive Party last year won a landslide victory against the KMT in local elections after campaigning on an anticorruption platform.*

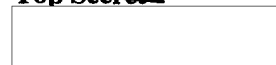
— Taiwan press reports suggest that past anticrime crackdowns have not been effective against widespread vote buying and influence peddling.

several of the largest crime syndicates—including the United Bamboo and Heavenly Path gangs—continue to have ties to officials in the KMT. In addition, some gang members in the past have been elected to office or implicated in vote-buying schemes.

— organized crime “families” also have provided support to some opposition candidates during local and central elections.

efforts to identify and disrupt vote-buying payments will be difficult, because gangs now prefer agreements to exchange favors rather than cash payoffs. Privacy and money-laundering rules that let police target only funds linked to “serious” crimes such as drug smuggling or murder also will limit investigations.

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EUROPE



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~~Top Secret~~**Regional Notes****EURASIA****Russia:****Maintaining Link Between CFE and NATO Enlargement**

Russian diplomats, returning to CFE talks after the summer recess, rejected NATO's approach on the major treaty issues

The Russians repeated their warnings that failure to adapt CFE in advance of NATO enlargement could result in an extraordinary conference, the de facto elimination by NATO of the treaty's legal basis—justifying Russia's complete or partial renunciation of the treaty—or even a rupturing of Russia-NATO relations.

- CFE representative Grushko last week hinted that Moscow is working on a new proposal that it will introduce at a "high level" outside Vienna, but Grushko also says Moscow is waiting for US "political" authorities to overrule the military—suggesting he holds out little hope that the new proposal will break the logjam.

Grushko and NATO Ambassador Kislyak this month said any progress report on CFE adaptation issued by the OSCE ministerial in December must include resolution of outstanding CFE issues. Russian diplomats previously have said they need results in CFE to ward off a Duma backlash against the NATO summit next April, but the December deadline for resolution of CFE is new.

- *Intervention from the highest levels of the Russian Government will be required to make progress during the next few months.*
- *Primakov as Foreign Minister espoused a hard line on NATO enlargement, but his expanded responsibilities as Prime Minister may incline him to trade off Russia's NATO and CFE positions against other issues such as foreign economic assistance.*

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