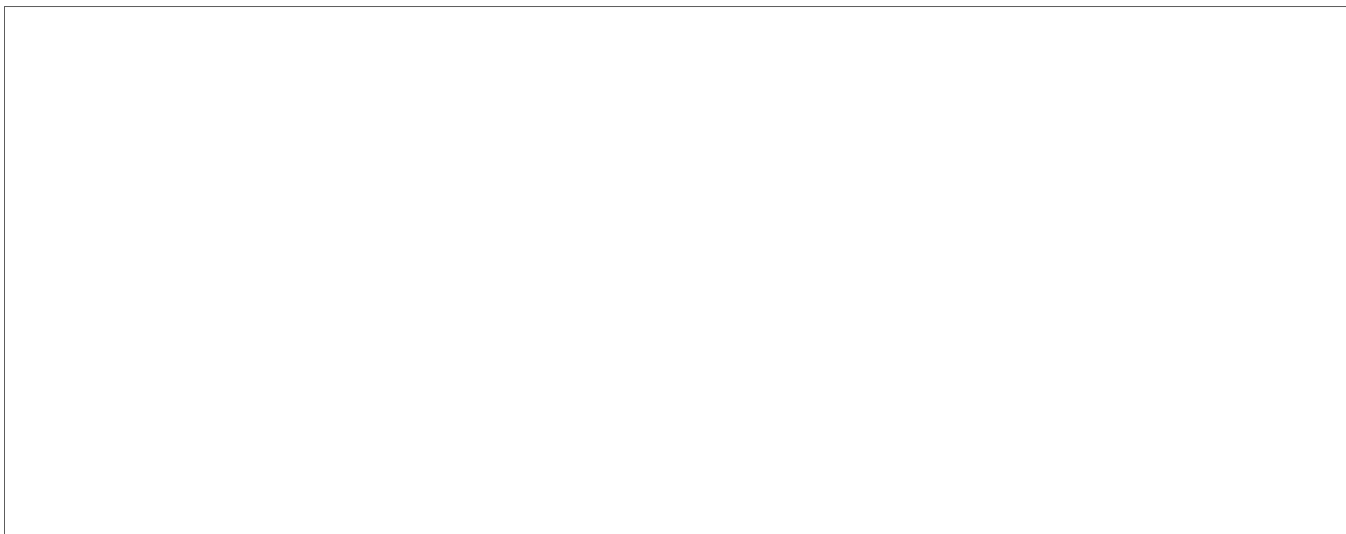
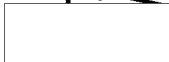


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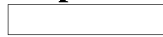
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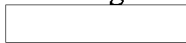


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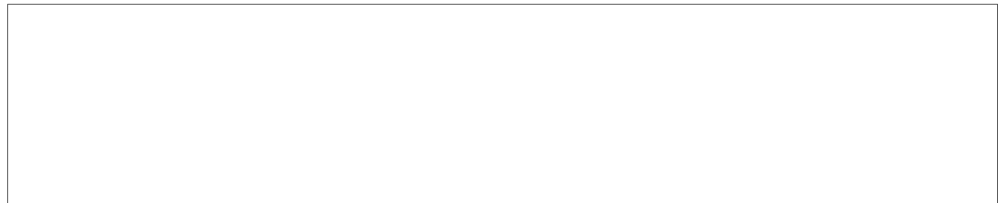
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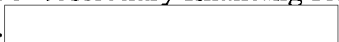
- During Vietnamese General Secretary Do Muoi's official state visit in April, Tokyo agreed to lend Hanoi more than \$700 million to help finance several large power generation projects. When Do Muoi was in South Korea around the same time, Seoul signed a \$50 million low-interest loan for unspecified infrastructure projects.

- The emphasis on improvement of Vietnam's inadequate physical infrastructure suggests that both Tokyo and Seoul are focusing on efforts that will add to Vietnam's potential to export. 

The governments of Japan, Taiwan, and South Korea are also lobbying directly to position their companies to win important infrastructure contracts. This practice occurs frequently in Vietnam's telecommunications and energy sectors, but it also is evident in the construction, electronics, and transportation sectors.



Vietnamese Government statistics show that new contracts worth \$295 million this year have more than doubled total US investment. A variety of reports indicate that Hanoi is eager to see a larger US business presence in Vietnam, both to counter feared Japanese economic dominance and to satisfy a growing Vietnamese preference for US technology and goods.

- Among the factors press reports cite as impediments to the expansion of US investment in Vietnam are the lack of official ties and the corresponding availability of concessionary financing for East Asian and European competitors. 

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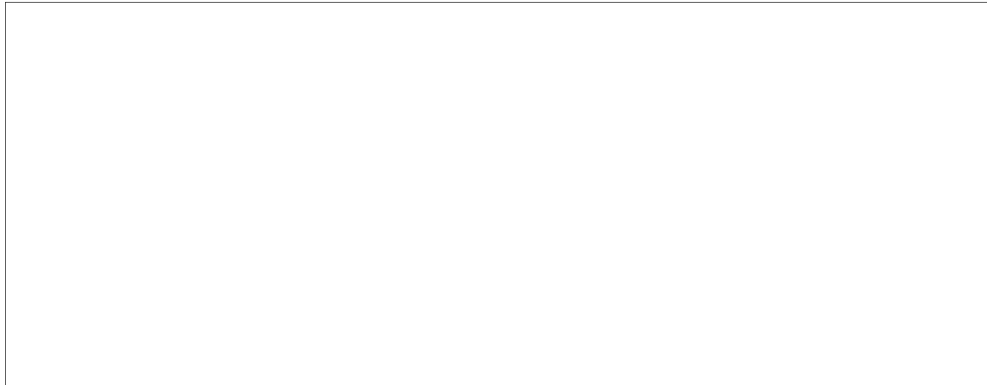
Current Notes

AMERICAS

Ecuador-Peru: New Clashes as DMZ Issue Remains Unresolved

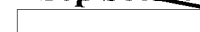
Ecuador and Peru exchanged mortar and machinegun fire on Friday and Saturday in the Teniente Ortiz area, . Although no casualties were reported, the amount of firing indicates the clashes probably were the most serious since March. 

Meanwhile, the disputants seem unwilling to reach agreement on the demilitarized zone proposal that emerged from the peace talks in Brasilia two weeks ago.  Lima may still be well disposed toward a proposal similar to that one but is currently focusing all its attention on preparations for President Fujimori's inauguration on 28 July.



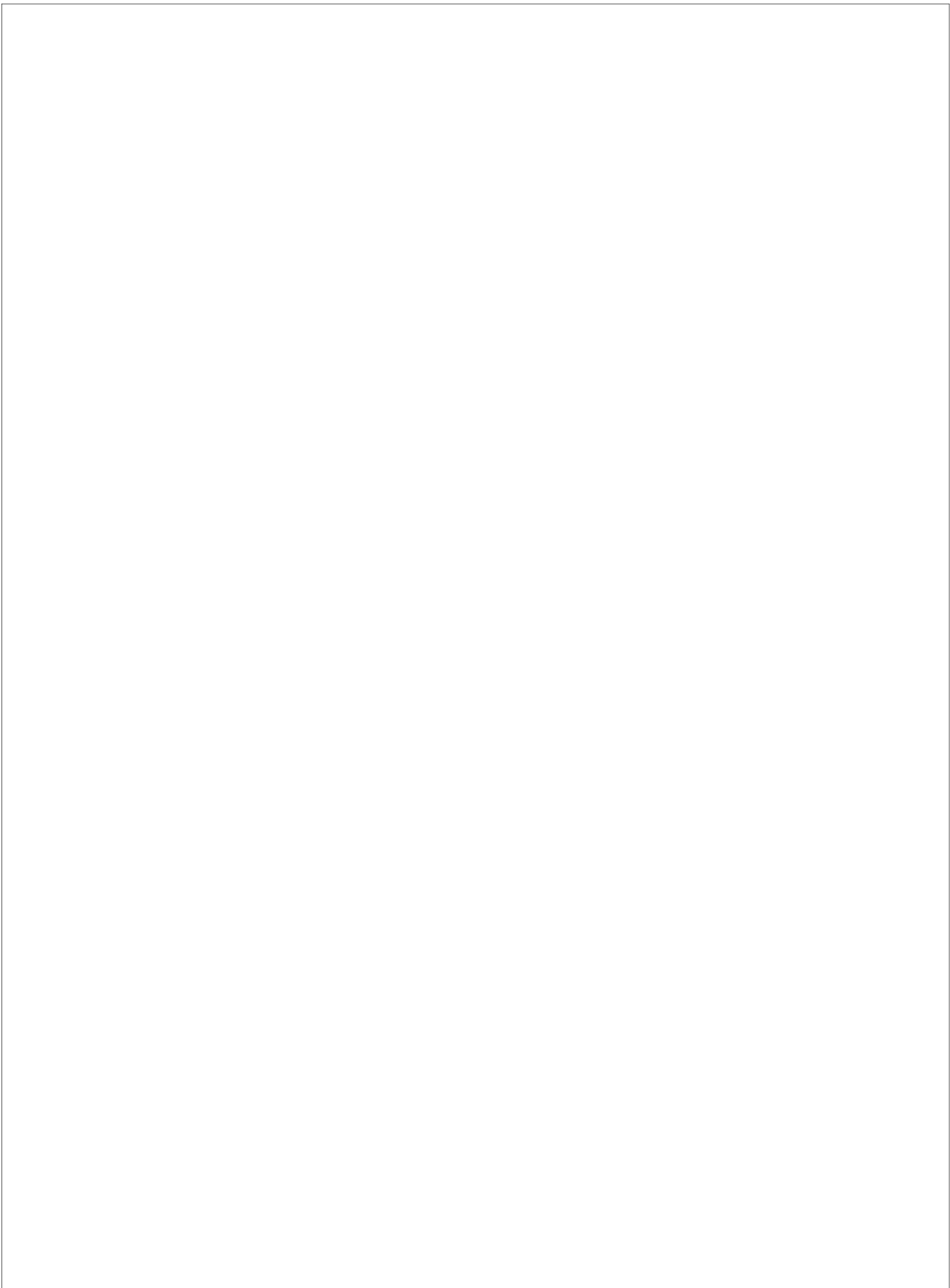
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Situation Report



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JAPAN:

Competition High for Upper-House Election

Official campaigning began last week for the first national election since the Liberal Democratic Party lost its hold on power two years ago. To be held 23 July, it will determine half of the 252 seats in the upper house of the Diet. Although control of the government is not at stake, the contest is widely seen as a key test for Prime Minister Murayama's ruling coalition.

- An important challenge for politicians is to capture uncommitted voters, whose numbers media surveys show at an alltime high. Polls have put the so-called floating vote—those who say they have no party preference—at around 50 percent; 35 to 40 percent were undecided before the last upper-house election. [redacted]

One strategy political parties are using to build voter support is an emphasis on pocketbook issues in response to surveys that show the public remains concerned about the economy.

- The ruling coalition has pledged a large-scale second supplemental budget for fiscal year 1995, for example, while the opposition New Frontier Party last week unveiled an economic pump-priming package that features \$115 billion in public investments. [redacted]

In addition, political leaders are trying to attract voters with broad policy visions. [redacted] the NFP last month repackaged its 27-page platform into a document entitled "Seven Special Promises"—reportedly patterned on the "Contract With America"—in an effort to improve the party's appeal to the electorate.

- The ruling coalition marked its first anniversary late last month by issuing a fresh policy document that included such measures as a pledge to slash Japan's current account surplus to 1 percent of GDP within three years. [redacted]

Political parties are also sponsoring celebrity candidates, with an eye to boosting their vote counts. Among the LDP's nominees are several sports stars, while the NFP has a former TV newscaster, and smallest coalition partner Harbinger is fielding an award-winning author. [redacted]

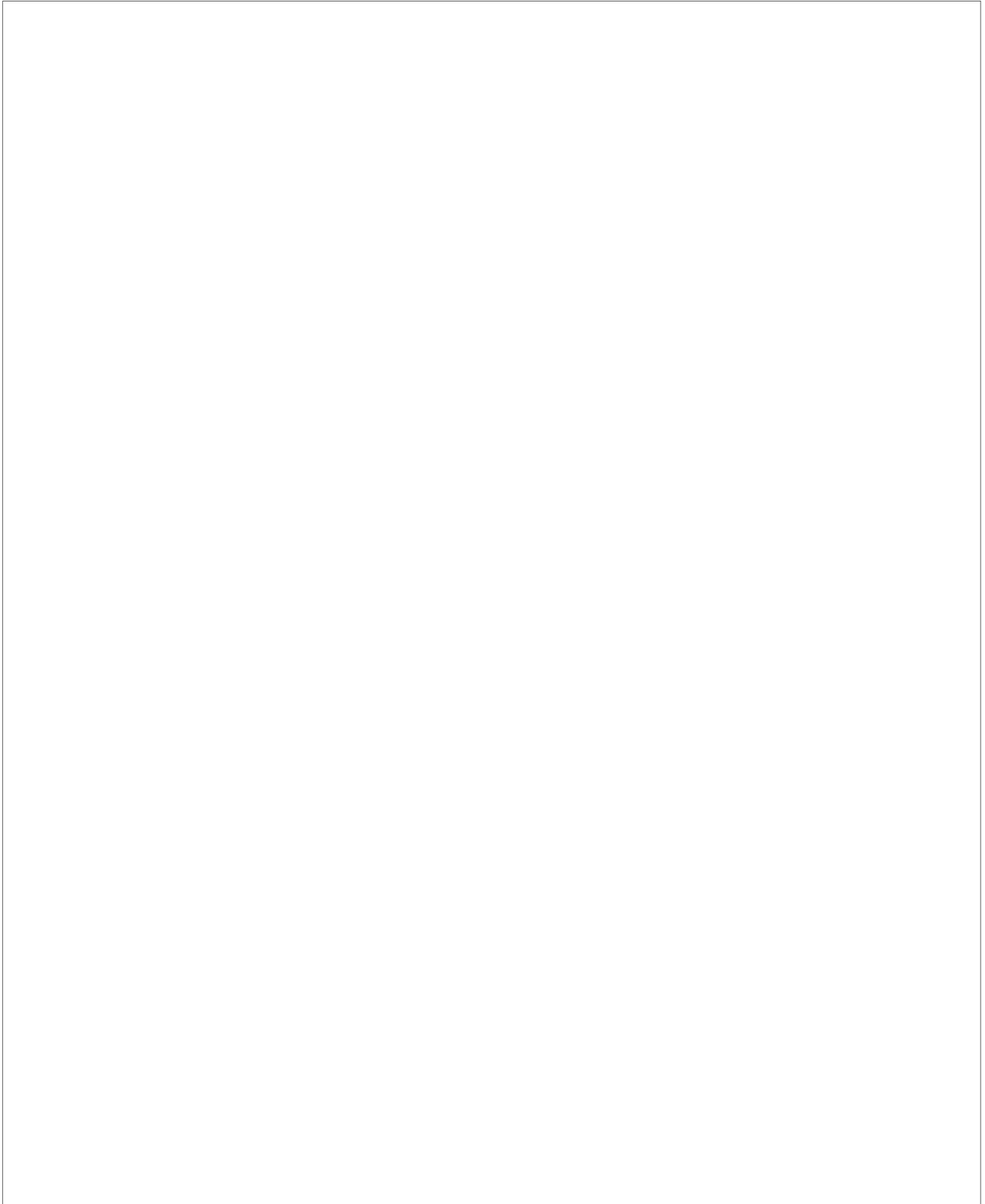
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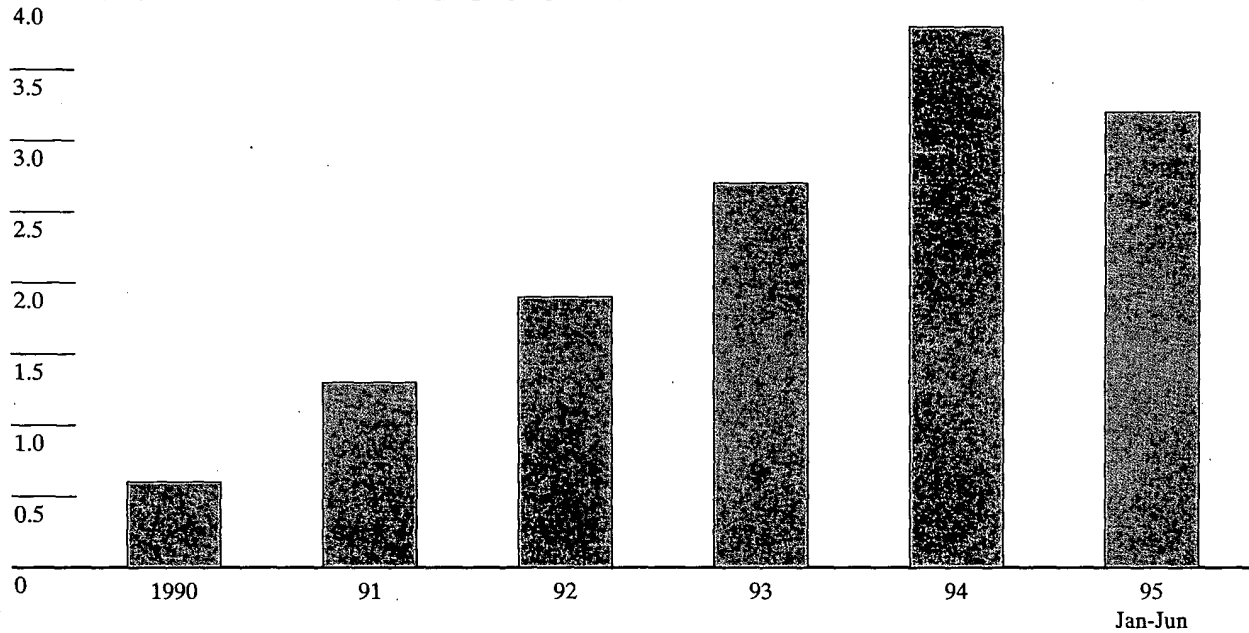
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Vietnam: Foreign Investment Trends as of 30 June 1995

Investments by Year, 1990 to June 1995

The increase in licensed foreign investment in Vietnam ...

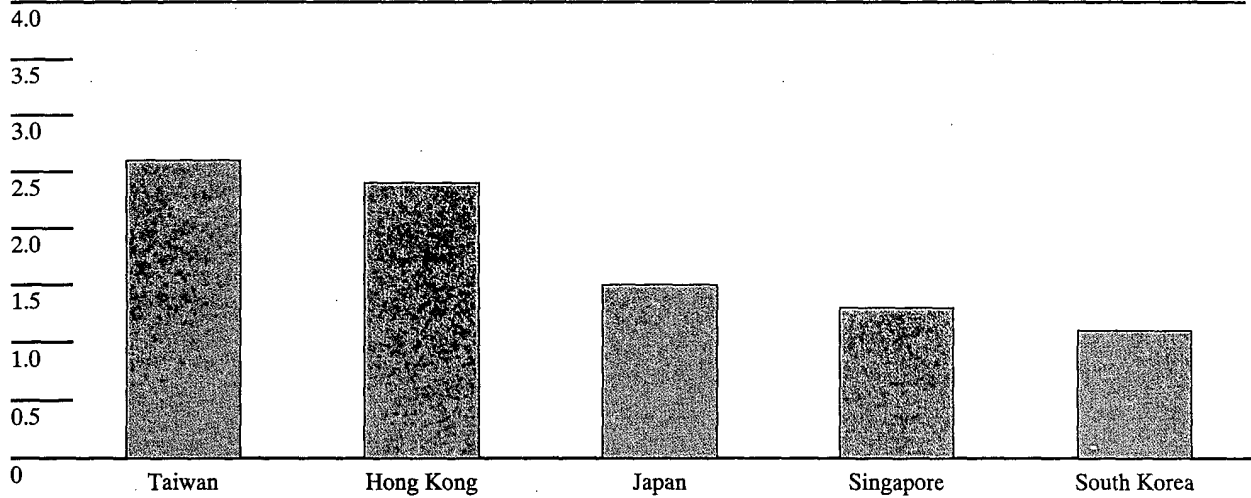
Billion US \$



Total Investments, 1988 to June 1995

... is being led by Asian countries.

Billion US \$



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EURASIA

Russia:

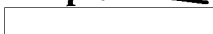
Quota for Heavy Bomber Dismantlement Met

 Russia has dismantled four Bear G heavy bombers at Engel's Airfield, meeting its declared 1995 quota for heavy bombers. The bombers, which are not configured to carry air-launched cruise missiles, were dismantled under procedures stipulated by the START treaty.

- The Russians had removed all recyclable components before the aircraft were towed to the elimination area.

- Under the Elimination Protocol, the dismantled aircraft must remain visible in the elimination area for 90 days or until an inspection can verify elimination. 

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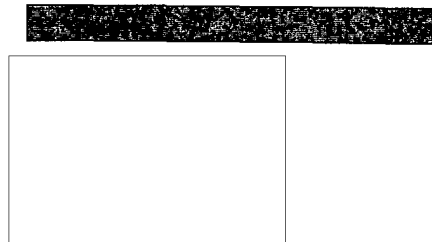
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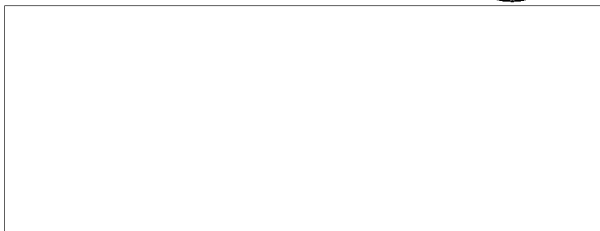
Director of Central Intelligence

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National Intelligence Daily

Tuesday, 11 July 1995



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CPAS NID 95-0159CX

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~~Top Secret~~*Special Analysis***VIETNAM: Asian Investment Picking Up**

The \$3.2 billion in new foreign investment projects licensed by Vietnam during the first six months of this year approaches the \$3.8 billion record set for all of last year, according to official Vietnamese figures. There is a large gap between investment pledges and investment actually realized, but Vietnamese officials note that the money actually spent by foreign companies in their country is on the rise. They claim it will reach \$2.5 billion this year.

- Japanese companies are the top investors so far this year with contracts worth \$755 million that push their total licensed investment in Vietnam to \$1.5 billion. South Korean firms, only slightly behind with \$1.1 billion in total investment, may soon overtake the Japanese for this year if a \$1 billion industrial project by Daewoo Corporation gets Vietnamese Government approval.
- Japanese and South Korean firms are focusing on heavy industry—including steel, cement, and glass manufacturing—and many of their projects are being located in northern Vietnam.
- Taiwan and Hong Kong investors remain the largest sources of actual foreign direct investment in Vietnam, but they have focused on light industrial projects in southern Vietnam, particularly in the booming garment industry.

Sources of the Asian Surge

Investment authorities in Hanoi, according to press reports, explain the situation in part by pointing to administrative improvements that are reducing the time needed to process investment approvals, as well as to a surge in applications from Asian companies. But the increase in Japanese and South Korean investment there also follows spurts of economic diplomacy by Tokyo and Seoul.

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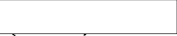
NEAR EAST

Bahrain:

Upsurge in Violence

The announced death sentence against a Shia arsonist and the death of a Shia teenager in police custody last week sparked demonstrations by several hundred people and arson attacks in the Manama area over the weekend. 

 On Sunday, two people were injured after timed explosive devices detonated in two liquor stores in Manama, one of them in the diplomatic area.

— The regime has increased security in public places and around government ministries. 

It is unclear whether the current violence is a short-term reaction or a return to the steady violence of previous months. The liquor store explosions mark the first specific attack on “un-Islamic” targets in Bahrain since the stoning of charity marathon runners in November.



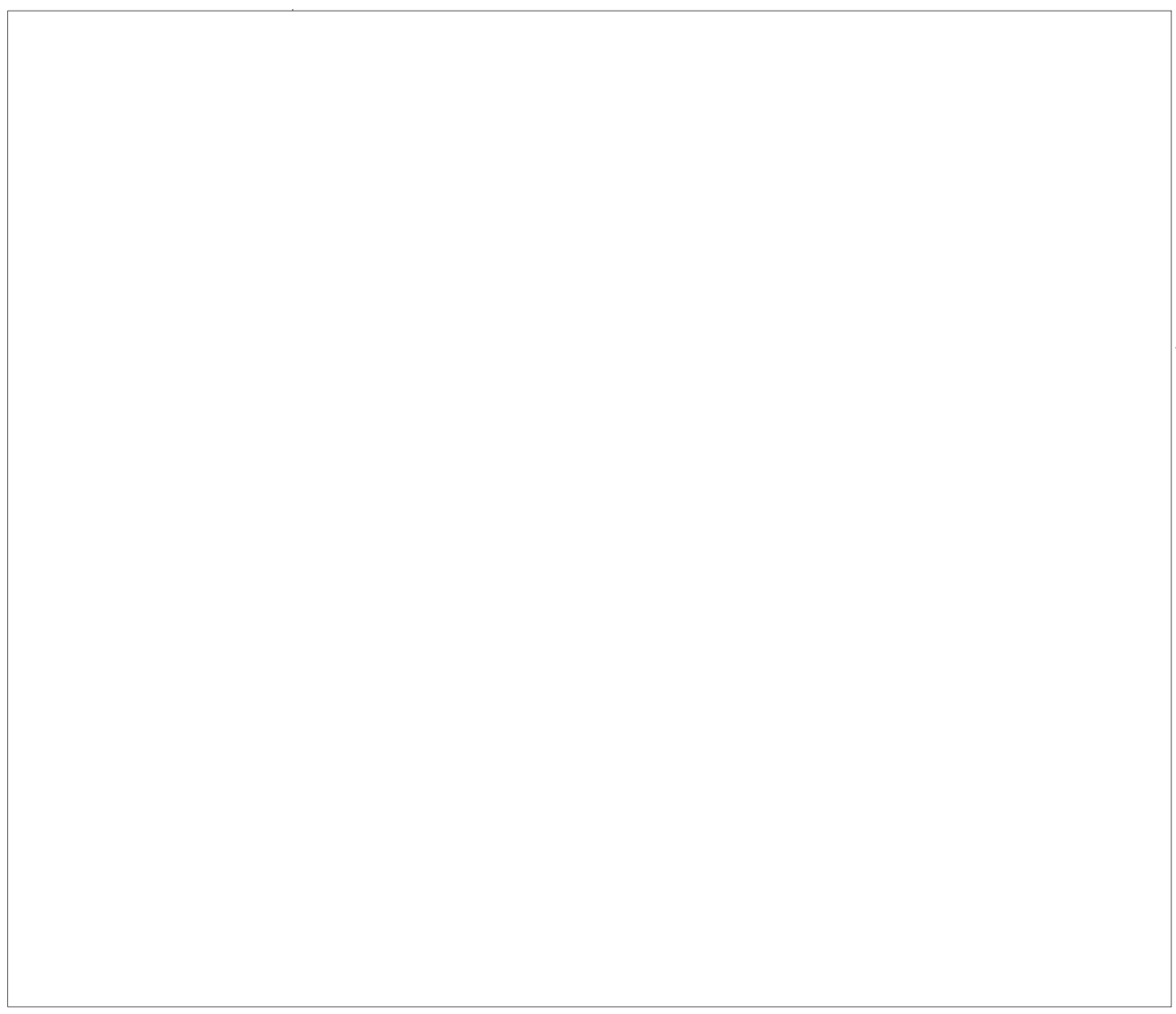
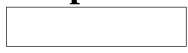
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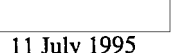
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IRAN:

Pressing Iraq To End Support for Iranian Dissidents


Iran has attacked the Iranian opposition group Mojahedin-e Khalq inside Iraq twice this week.

- Yesterday the Iraqi regime called in the Iranian Charge to protest the killing of three Mojahedin members that day and a rocket attack on the group's main camp at Al Ashraf on Sunday. In May, gunmen fired on Mojahedin members in Baghdad, killing two women and wounding one. 

Tehran has not linked these attacks to Mojahedin operations inside Iran, as it has often done in the past to justify military strikes against the group in Iraq. *Rather, it seems to be motivated by frustration with Iraq's foot-dragging in normalization talks and its continued support for the Mojahedin.*

- In late May, Tehran sent a delegation to Baghdad to resume negotiations on normalizing relations, and it has been publicly emphasizing the need for improved ties to counter the US "dual containment" policy.
- Late last month, Iran announced it had closed an Iraqi refugee camp near the border that Iraq claimed was a base for Iraqi Shia dissidents to launch cross-border attacks. 

Baghdad is preoccupied with attempts to get UN sanctions lifted and is leery of Iranian intentions. It alleges publicly that Iranian behavior contradicts Tehran's stated desire to improve relations.

- In addition to the attacks against the Mojahedin, Baghdad cites the lack of concessions from Tehran on the issues of prisoners of war, captured Iraqi aircraft, and interference in northern Iraq as evidence of Iranian intransigence. 

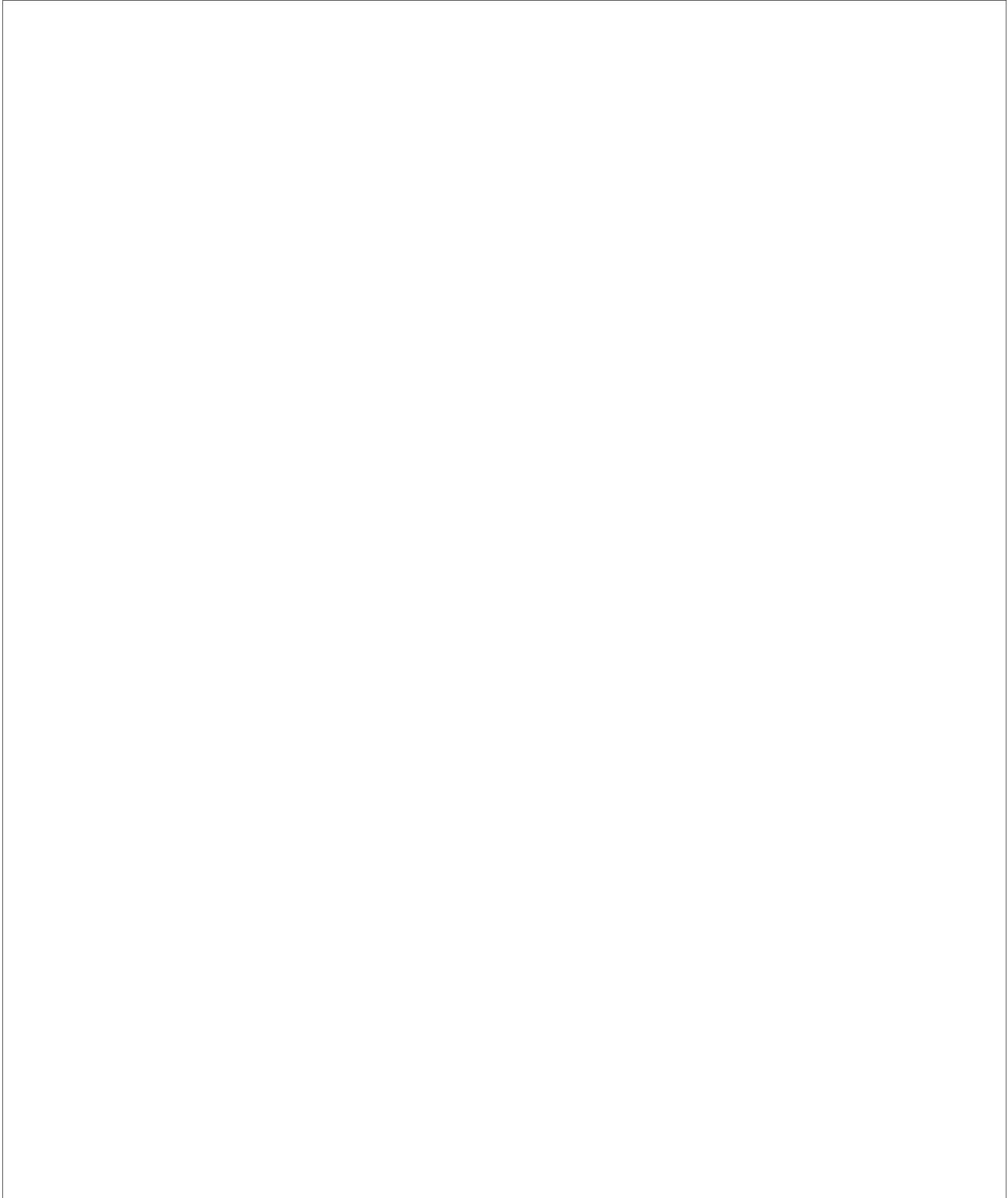
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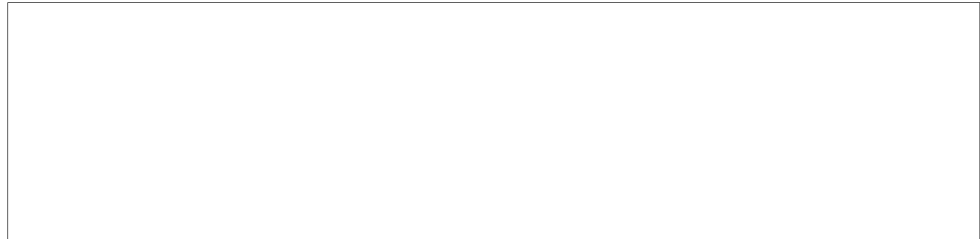
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BURMA:

Nobel Laureate's Release From House Arrest

The release of Aung San Suu Kyi yesterday reportedly surprised virtually everyone, including her. [redacted] journalists had interpreted intelligence chief Khin Nyunt's statement on Friday that the rights of Burma's 45 million people come before those of any single person as confirmation that she would be held beyond 20 July, the sixth anniversary of her detention.

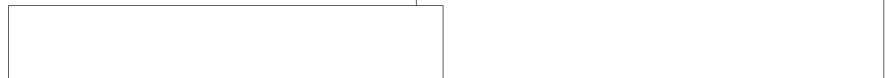


Suu Kyi has already met with political allies, including prominent opposition figures Tin Oo and Kyi Maung, according to a press report. [redacted] she will hold a news conference today, a traditional Buddhist holiday on which Burmese gather at local pagodas to pray.

— *Burmese officials can be expected to keep tight control over the crowds to prevent political demonstrations.* [redacted]

Rangoon recently indicated that it will not tolerate much political dissent. Last week another politician was sentenced to six months in prison on charges he says were concocted to silence his vocal opposition during the National Convention [redacted]

— During the past month, the regime has also refused to accept International Red Cross terms for prison visits, violated a cease-fire agreement with ethnic Karenni, [redacted]



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Developments



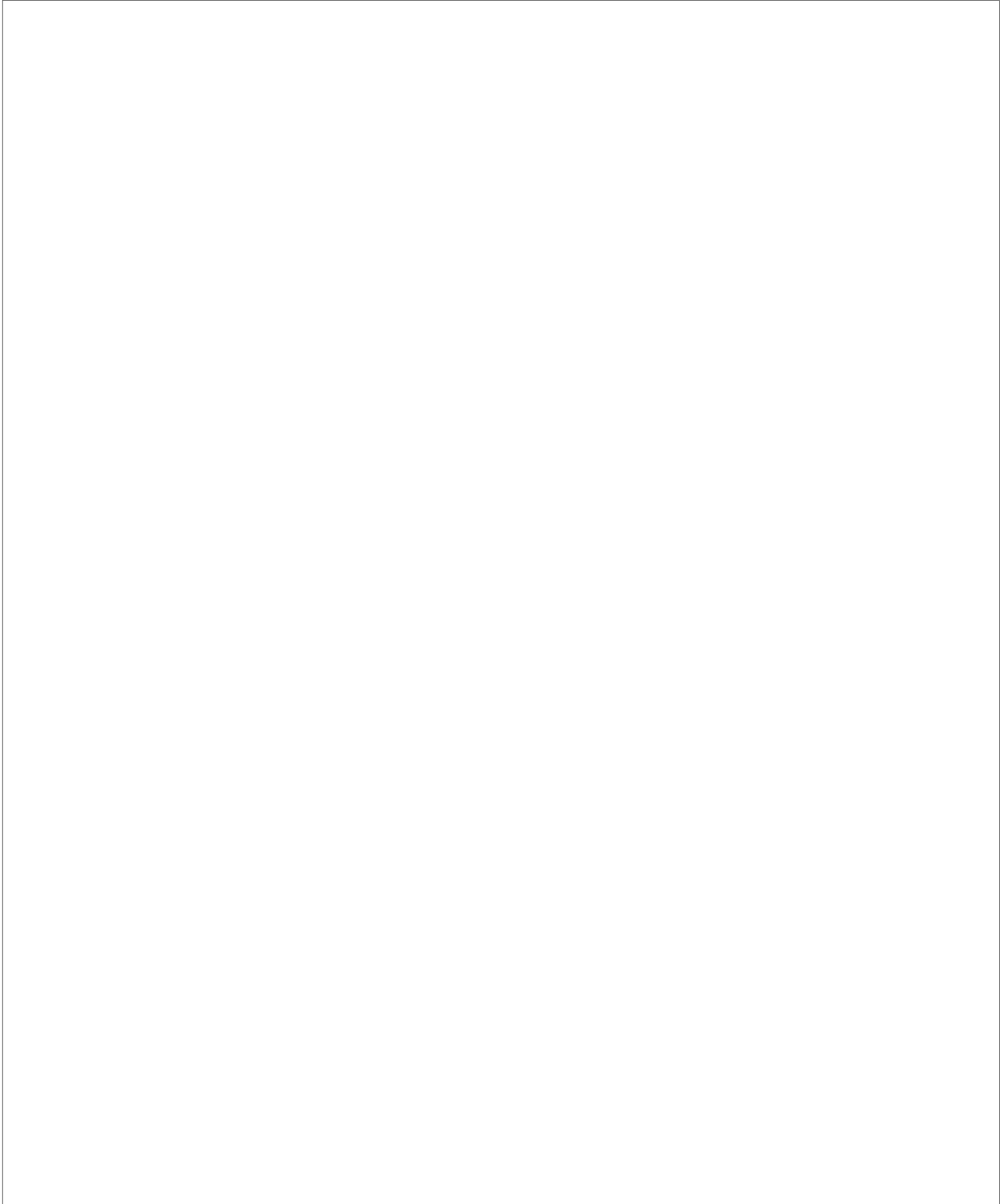
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