



**Director of
Central
Intelligence**

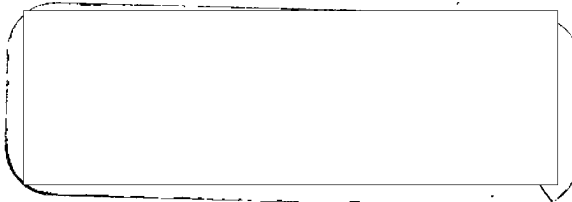
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National Intelligence Daily

**Thursday
19 February 1987**



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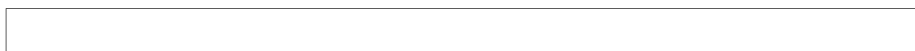


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Contents

Philippines-US: Preparing for Negotiations on Bases	1
Lebanon: Amal on Defensive	2
USSR-Iran: Foreign Minister's Visit to Moscow	3
North Yemen-US: President Salih's Trip Deferred	4
China: Agricultural Policy Under Debate	5


Notes



25X1

India-USSR: Negotiations for Reactors	6
France-US: Trade Minister's Visit	7
EC-US: EC Members Likely To Avoid Oilseed Dispute	7
Chad-Libya: Habre's Maneuvers	8
Afghanistan: Severe Food Shortages	8
Uganda: Rebel Attacks in North	9
South Africa: ANC Reactions to Tambo's US Visit	9
In Brief	10

Special Analyses

USSR-Nicaragua: Materiel Assistance Reaches New High	11
Guatemala: Military's Growing Unease	13
South Korea: Ruling Party's Constitutional Strategy	15
	17

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PHILIPPINES-US: Preparing for Negotiations on Bases

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Manila is starting to review its options for the military basing agreement with the US as a first step in preparing for bilateral discussions on the future of the bases that might begin later this year. 


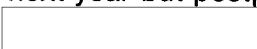
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 Philippine Ambassador to the US Pelaez, seeking an early start to bilateral talks on the bases, recently pressed President Aquino for a decision on whether to extend the agreement beyond 1991—when either party may give notice of its intention to withdraw—or to give the US notice that the agreement will be terminated in 1991. Aquino reportedly wants to delay a decision until after Philippine congressional elections in May, however, in order to consult the new legislature. 


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 several options are being discussed in various Philippine agencies at this early stage of Manila's efforts to define a strategy. Working-level officials have considered beginning the regular five-year review of the agreement with the US late this year or early next year but postponing a decision on terminating or extending it. 

Some have proposed scrapping the existing agreement for a new 25-year treaty if the US would agree to giving Manila greatly increased levels of aid. Others have recommended, as an extreme option, terminating the agreement, perhaps in conjunction with a resolution at the ASEAN summit in Manila later this year that would call for the withdrawal of Soviet and US forces from the region by 1992. 

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Comment: Ambassador Pelaez and senior Philippine defense officials favor retaining the US bases, but Aquino's public position has been ambiguous. She has promised only to keep her options open until 1991. Some senior officials view a new basing agreement as a means of obtaining more US aid. 

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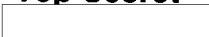
Although public opinion polls show that a majority of Filipinos favor a continued US military presence, the vocal minority that is strongly opposed will ensure a stormy debate. Under the recently approved Philippine Constitution, a new agreement must win the approval of at least two-thirds of the Philippine Senate, and the Philippine Congress can decide whether the agreement should be presented to the public for approval in a national referendum. 

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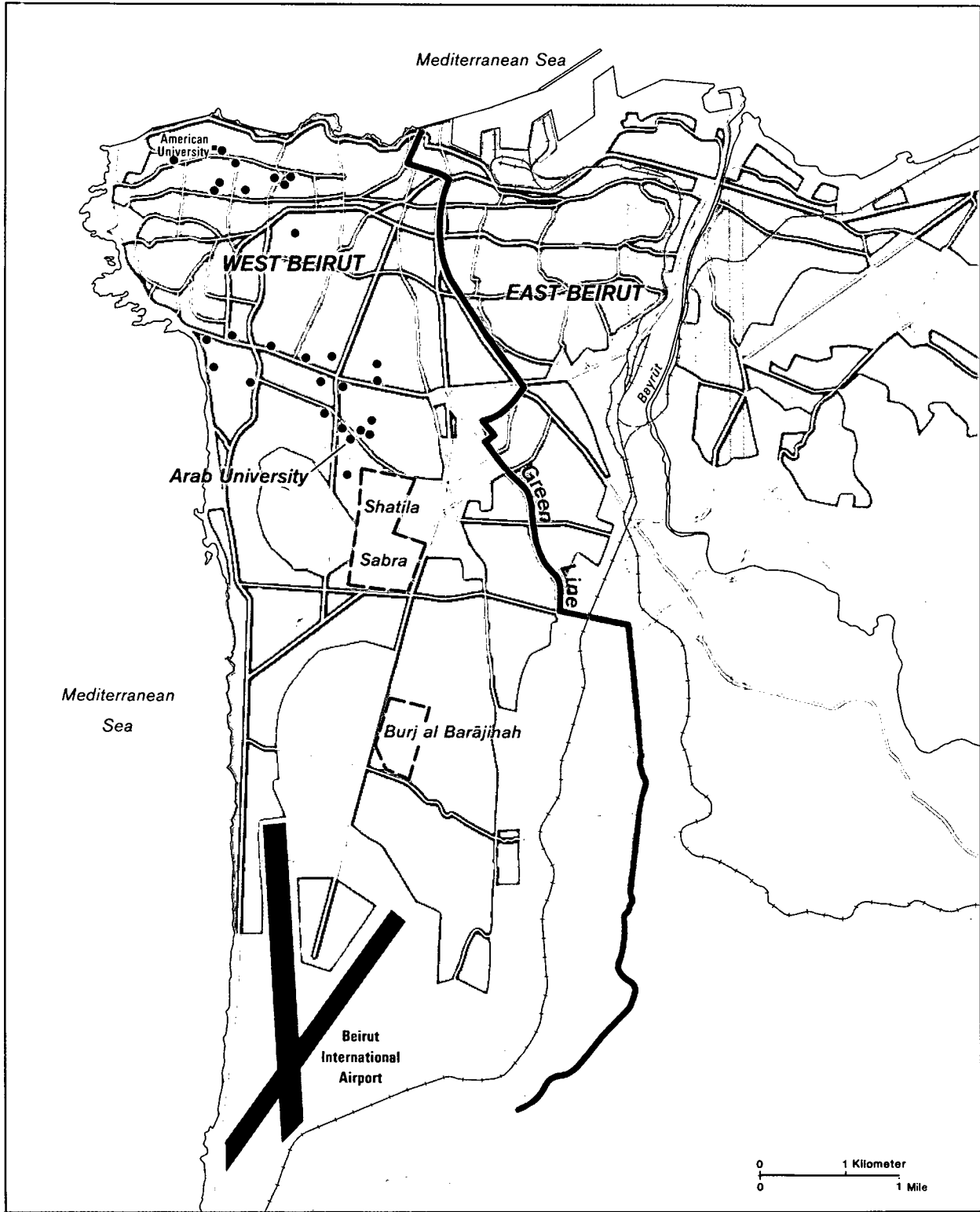
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Druze and Communist Attacks, 15-18 February 1987



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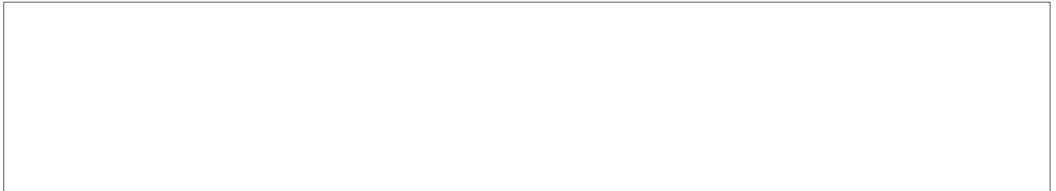
Amal on Defensive

The pro-Syrian Amal militia is losing ground in heavy fighting in West Beirut against the combined militias of the Druze and the Lebanese Communist Party. 

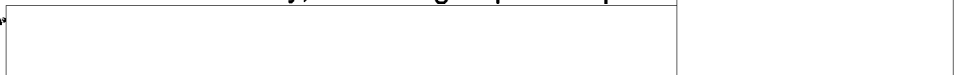
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The attacks by the Druze and the Communists reflect their perception that Amal is losing cohesion. Amal leader Nabih Barri has been in Damascus for more than three months, which has compromised his effectiveness during the sputtering war over the Palestinian refugee camps in Lebanon. Daoud Daoud, a popular local leader and Amal's key military and political official in southern Lebanon, resigned from Amal on 10 February, according to press reports.




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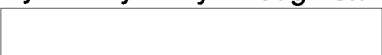
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Comment: Political and military problems have undercut Amal's position in West Beirut. Even with the aid of the predominantly Shia 6th Brigade of the Lebanese Army, Amal's campaign against the Palestinians has been unsuccessful; the latest rounds of the camps war, particularly in southern Lebanon, have spread the Shia militia's forces thin. 

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Daoud's resignation, although as yet unconfirmed, would be a serious blow to Amal's prestige and greatly diminish the organization's ability to influence events in southern Lebanon. Amal's rivals—the Druze, the Communists, the Palestinians, and Hizballah—probably see Daoud's resignation and Barri's reluctance to return to Lebanon as signs of a major political crisis within Amal. 

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Syria is probably not yet ready to move against Barri but may be in touch with his rivals within Amal. Damascus is now trying to halt the fighting in West Beirut, which is between factions generally considered its allies. If it is unsuccessful, Syria may carry through on its threats to send more troops to Beirut. 

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USSR-IRAN:

Foreign Minister's Visit to Moscow


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Iranian Foreign Minister Velayati's two-day visit to Moscow last week saw both sides rehash old negotiating stances in a series of apparently acrimonious exchanges. 

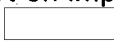
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Velayati met with Soviet Foreign Minister Shevardnadze, President Gromyko, Premier Ryzhkov, and Konstantin Katushev, who led the USSR's delegation at the meeting of the bilateral economic commission in Tehran two months ago. 

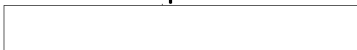
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Press accounts on both sides characterized the talks as frank. TASS and *Izvestiya* quoted Gromyko as saying that Soviet and Iranian views on the Iran-Iraq war did not coincide and that ending the war through negotiations was a matter of common sense. He also said that Iran bore full responsibility for its support of the Afghan insurgents. The Iranian press tried to give a more optimistic view of the talks by referring to economic cooperation proposals discussed in December, the return of Soviet technicians to Iran, and the resumption of Aeroflot service to Tehran. No joint communique was issued following the talks. 

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Comment: The Velayati visit marks the highest level contact between Iran and the USSR since the Iranian revolution. The absence of a joint communique indicates the two sides remain far apart on important issues, especially the Iran-Iraq war and Afghanistan. 

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Even on the issue of economic cooperation, where there is the greatest potential for progress, the visit produced nothing specific. Moscow probably views political gain as the most important reason for negotiating trade agreements with Iran, but the Soviets do not appear willing to make even a gesture toward economic cooperation until they see signs of Iranian flexibility. The USSR will probably continue to permit contacts to proceed, but at the pace it chooses. 

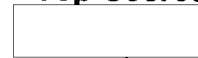
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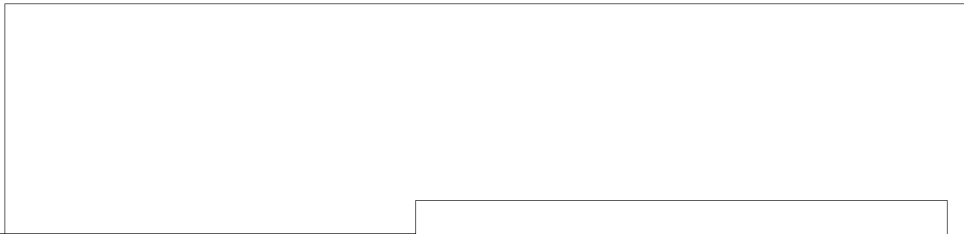
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NORTH YEMEN-US: President Salih's Trip Deferred

North Yemeni President Salih's decision not to visit the US at this time reflects his doubts about the benefits of a close relationship and a growing concern about the stability of his regime.



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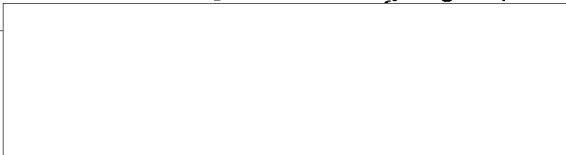
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In addition, according to the US Embassy in Sanaa, North Yemeni security forces uncovered a possible plot against Salih by a group of military officers last month.



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Comment: Salih is under fire from military and tribal leaders for his handling of the South Yemeni exile issue and relations with the Saudis and Soviets, and for his failure to secure Western military aid. US arms sales to Iran and the issue of the \$18 million have damaged Washington's credibility in Salih's eyes. Furthermore, both Libya and Iraq have been urging him to distance himself from the US, pressure that Salih is not in a position to ignore. He will not proceed much further in improving ties until he is sure of the value of a closer relationship. In any case, Salih cannot afford the likely negative domestic and foreign repercussions of too sharp a move away from Moscow because of North Yemen's heavy dependence on Soviet arms and advisers.



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The President almost certainly wants to visit the US but may also be reluctant to leave the country now. He is facing the most serious array of domestic and external pressures since the height of the National Democratic Front insurgency in 1981. Military and tribal leaders are increasingly questioning his leadership and, in some cases, are openly challenging his authority. Salih will not hesitate to deal ruthlessly with his military opponents but may be less inclined to use force against the tribes and risk losing their already tenuous support for his government.



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CHINA:

Agricultural Policy Under Debate

China's annual party guidance on rural policy—usually issued in January—has been delayed, probably because of disagreements on economic policy that have intensified since the fall of General Secretary Hu Yaobang last month.



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~~A Chinese official told US Embassy officers in Beijing last December that the draft guidance called for greater incentives to increase grain output—ideally above 1984's record crop of 407 million metric tons. These incentives would include raising the price the government pays for grain and allowing peasants to sell more of their output on the market rather than to the state. The draft also called for higher state investment in infrastructure and technology.~~

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Party conservatives prefer strong administrative measures to increase grain output, which they believe is too low because peasants have moved into more lucrative cash crops. Several conservative editorials have attacked the diversion of land from grain and called attention to income disparities that run counter to Communist values.

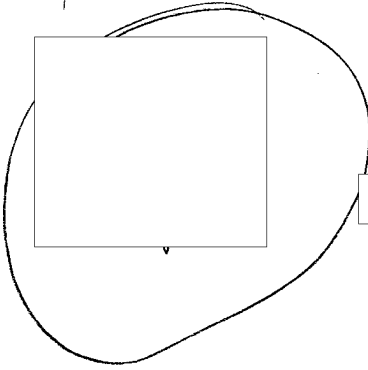
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Comment: Without the party guidance, peasants must decide themselves what spring plants to put in. They will probably continue to go with cash crops in lieu of grain, feeding conservative criticisms of incentive-based reform policies. Raising grain prices would strain China's budget or, if the increases are passed on to consumers, prompt anger among urban residents who often perceive that only farmers have benefited from the reform program thus far. At the same time, the conservative prescription of levying more stringent grain output requirements would not be welcome among peasants.

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INDIA-USSR: Negotiations for Reactors

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The Indian Government has decided to begin negotiations with the Soviets to purchase nuclear power reactors. [redacted]

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[redacted] India plans to use nuclear energy to augment its commercial power supply, which fell about 11 percent short of demand last year. Nuclear-generated output has suffered largely because of persistent technical problems with indigenous heavy water power plants. [redacted]

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Comment: New Delhi apparently realizes that reliance on indigenous reactors alone—long a major goal of India's nuclear power program—will prevent the government from meeting its ambitious power and industrial growth targets for the 1990s. The Gandhi government can probably blunt domestic criticism of buying abroad by emphasizing that the Soviets are likely to offer concessionary financing and that Moscow will not ask India to place its entire nuclear program under safeguards. Indian concerns about financing and safeguards are still likely to prolong the negotiations. Moscow and pro-Soviet elements in India will view the decision as a sign that Indo-Soviet relations remain vigorous. [redacted]

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France:
Michel Noir

Age 42 . . . Trade Minister for less than one year but appears to be increasing his influence on major trade policy decisions . . . close to Prime Minister Chirac, a driving figure behind right's free-market economic theories . . . nonetheless willing to support protectionist measures for high-technology industries, agriculture, textiles . . . has recently lashed out at US, accusing Washington of "Rambo-style" trade war . . . relies heavily on expert staff in negotiations . . . has reputation for independent, impulsive behavior . . . speaks some English.



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FRANCE-US: Trade Minister's Visit

Trade Minister Noir arrives in Washington today to serve notice of French unhappiness with recent US-EC trade developments. According to the US Embassy in Paris, he wants to discuss agriculture, Airbus, the new GATT round, and preparations for the Western economic summit in Venice. [Redacted]

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Comment: Noir will stress France's desire to cooperate with the US on trade—perhaps citing its agreement to launch the GATT round. He nonetheless will also register France's growing irritation with what it perceives as an increasingly demanding US economic policy, and argue that his government cannot continue to give in. Predictions for French trade performance are gloomy, and Prime Minister Chirac is under pressure to produce successful economic results in order to revive his flagging popularity. Noir will argue that France paid a heavy price in the settlement of the US-EC trade dispute over the entry of Spain and Portugal to the Community. He will also emphasize the importance of the recently unveiled Airbus to the French economy and rebut suggestions that the firm engages in predatory pricing practices to steal orders from the US. [Redacted]

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EC-US: EC Members Likely To Avoid Oilseed Dispute

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The EC Commission has recommended tax and subsidy proposals that threaten US soybean exports to the EC, which are worth more than \$2 billion annually. It proposes that a new tax be levied on EC producers of vegetable oil and that the proceeds be used to subsidize EC oilseed growers, leaving US and Asian exporters of oilseeds at a competitive disadvantage. The tax would also be intended to encourage the consumption of butter in the Community over margarine, which is made from oilseeds. EC stockpiles of butter currently amount to 1.3 million tons. [Redacted]

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Comment: The EC's agriculture ministers are likely to reject the proposed tax when they consider it later this spring, fearing the prospect of serious trade disputes with the US and Asian exporters of oilseeds. The UK, West Germany, the Netherlands, and Denmark oppose the tax and would be able to block its adoption under EC voting rules. EC members have rejected similar proposals to tax vegetable oils three times over the past 15 years. [Redacted]

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[Redacted]

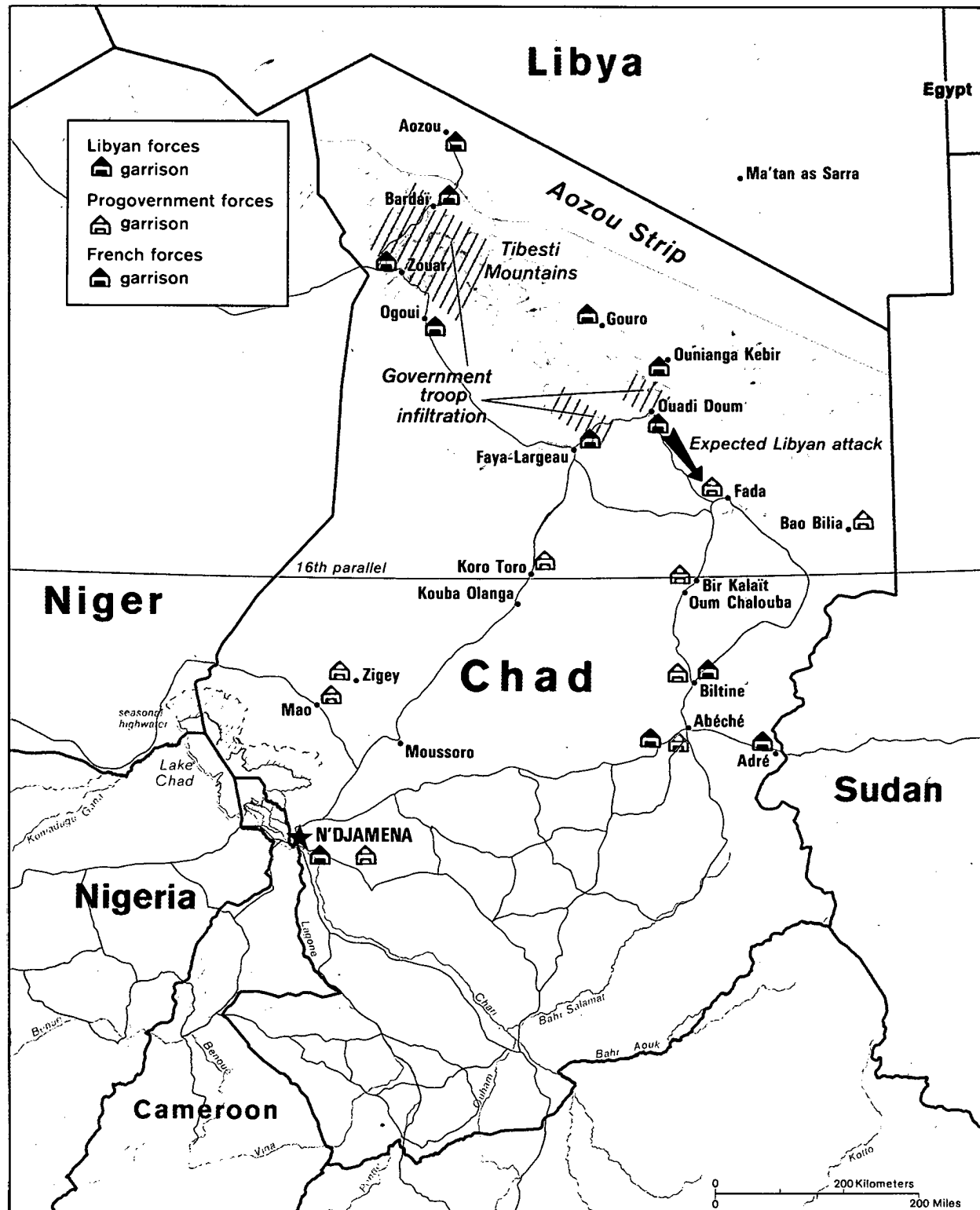
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CHAD-LIBYA: Habre's Maneuvers

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Chad probably will increase its harassment of Libyan forces in the north over the next few weeks in order to forestall an expected Libyan counterattack on Fada. N'Djamena has infiltrated troops to positions near Libyan units in the Tibesti region, north of Faya-Largeau, and around Ouadi Doum, [Redacted]

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Comment: Chadian guerrilla efforts in the past have had little success deterring Libyan preparations for offensive activity. Still, Habre probably hopes he can divert Tripoli's attention and take pressure off Fada. Successful negotiations with Goukouni—the most prominent Chadian leader other than Habre—would give the President a major propaganda victory and help him discredit Tripoli's claim to a role in Chadian reconciliation. The extent of Tripoli's control over Goukouni remains unclear. He is probably constrained by concern for the safety of his family and followers, who remain in Libya. Goukouni's stay in Algiers may provide his final opportunity to come to terms with Habre and remain a force in Chadian politics. [Redacted]

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AFGHANISTAN: Severe Food Shortages

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Afghanistan faces a severe food shortage that will almost certainly increase the regime's dependence on the USSR for imports but may also hinder the ability of the resistance to sustain its forces. [Redacted] food production has diminished and predicts a 40-percent rise in prices by summer. [Redacted] food shortages and rising prices, coupled with high unemployment, have prompted many people to leave Kabul in recent months. [Redacted]

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Comment: Most of the problems are probably the result of inadequate precipitation, the ravages of combat, and problems in transporting food from areas that produce surpluses to those suffering a deficit. Continuing food shortages will make it difficult for the regime to persuade refugees to accept national reconciliation and return to Afghanistan. Some of those leaving Kabul and other areas will probably go to Pakistan, further aggravating tensions there between refugees and the local population. Unless late-winter precipitation compensates for current inadequate snow levels, there will be another year of poor harvests in some regions. [Redacted]

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UGANDA: Rebel Attacks in North

[Redacted]

Ugandan President Museveni is concerned about increasing rebel activity in northern Uganda and will soon use helicopter gunships and light strike aircraft piloted by Libyans against the insurgents,

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[Redacted] The rebels temporarily overran the district capital of Gulu on Sunday, capturing arms, ammunition, and uniforms [Redacted] Army units nearby

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avoided engaging the insurgents, who killed or wounded many civilians before fading into the bush. [Redacted]

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[Redacted]

Comment: Two months ago, Museveni publicly pledged to defeat the rebels by May, but the chance of a victory by then is virtually nil. As the insurgents increase their attacks, the Army, beset by sagging morale and poor discipline, is becoming less willing to engage in combat. Museveni's failure to fulfill his pledge will probably erode support for the government in both the Army and among the public. Moreover, Uganda's increasing dependence on Libyan and Soviet military aid will further damage Museveni's standing with his conservative supporters in Uganda and hurt Kampala's relations with such neighboring states as Kenya and Zaire. [Redacted]

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SOUTH AFRICA: ANC Reactions to Tambo's US Visit

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Senior ANC members reportedly were pleased with the meeting last month between ANC President Tambo and Secretary Shultz and believe that Tambo should meet again with the Secretary if he travels to southern Africa. [Redacted] despite

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some initial opposition, the ANC's executive committee unanimously agrees that the talks demonstrated that the US is willing to maintain high-level contacts and set a precedent for future meetings. The ANC also reportedly is pleased with the recently issued recommendations of the Secretary's Advisory Committee on South Africa. [Redacted]

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[Redacted]

Comment: The ANC clearly believes it has scored an important diplomatic victory with the visit, although some officials are still wary of establishing closer relations with the US. The group's preference that the next meeting between Tambo and the Secretary take place in southern Africa probably reflects a desire not to appear too eager to pursue contacts. [Redacted]

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[Redacted]

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In Brief

Americas

— As many as 2,000 demonstrators marched through capital of **Suriname** past two days calling for Head of Government Bouterse's ouster . . . first major public demonstrations against regime since 1982. [redacted]

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Mexican judge reportedly dropped charges against businessmen in custody nearly two years for helping drug kingpin Rafael Caro Quintero flee Mexico . . . authorities probably hoping US attention has subsided enough to close discreetly such cases. [redacted]

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Nicaraguan rebels last week destroyed two electrical towers near power plant 50 miles north of Managua . . . guerrillas claim several cities blacked out for two days . . . [redacted]

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Colombian drug traffickers, seeking release of Carlos Lehder, plan to kidnap US official, ~~according to source of US Embassy~~ . . . attempt reportedly to occur before Lehder's scheduled court appearance in Florida next month. [redacted]

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Middle East

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Iran expelled two **West German** diplomats, closed three consulates, threatened trade retaliation to protest television spoof of Ayatollah Khomeini . . . Tehran unlikely to risk commercial links to its second-largest trade partner. [redacted]

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— Tripoli has televised executions of nine Islamic activists charged with murdering Revolutionary Committee official and conspiring to attack **Soviet** personnel, commit sabotage . . . Qadhafi underscoring hard line against unrest in **Libya**. [redacted]

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— More than 1,200 arrests in **Syrian** crackdown on persons flouting austerity program, [redacted] . . . primarily shopkeepers in Damascus selling goods above official prices . . . crackdown to be extended to Aleppo. [redacted]

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— **Soviet** parliamentary delegation arrived in **Sudan** ~~Monday~~ ^{on 16 Feb} according to Soviet press . . . continues both sides' efforts to improve relations . . . trade protocol may be signed, according to Sudanese press. [redacted]

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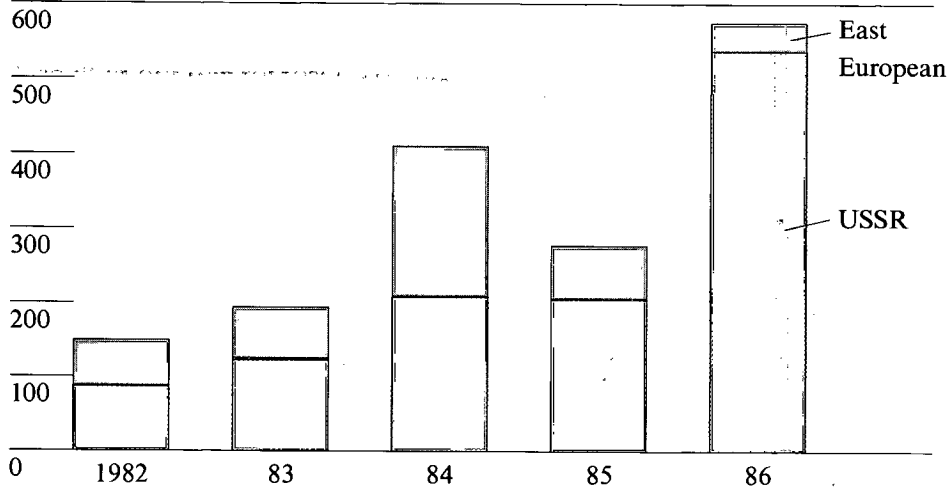
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Estimated Value of Warsaw Pact Military Deliveries to Nicaragua, 1982-86

Million 1986 US \$



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19 February 1987

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Special Analysis

USSR-NICARAGUA: Materiel Assistance Reaches New High

The estimated value of Warsaw Pact military deliveries to Nicaragua rose 108 percent last year, while Moscow's percentage of the total value climbed from 74 percent to 93 percent. The Soviets' unprecedented efforts to mask the timing and content of some shipments suggest Moscow is trying to disguise its increasingly direct role as Managua's arms supplier and to minimize Washington's ability to respond to the increase in Soviet assistance.

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Last year, the Soviets delivered approximately 17,000 tons of military materiel worth an estimated \$537 million, including 24 MI-17 assault transport helicopters, six MI-25 helicopter gunships, and more than 1,300 military vehicles. Four AN-26 transport aircraft and a leased AN-30 aerial survey aircraft were sent via Cuba. Ammunition, spare parts, and other supplies, which characterized the bulk of deliveries in 1985, remained at high levels last year.

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By contrast, East European deliveries dropped to approximately \$38 million last year, down from \$72 million in 1985. East Germany delivered the majority of this aid, which consisted of vehicles and spare parts. Poland supplied two MI-2 light utility helicopters via Cuba.

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In the past, Moscow has used other countries, including Algeria, Bulgaria, and Cuba, to transship Soviet weapons. Materiel is almost certainly shipped to Nicaragua from Cuba on the Nicaraguan and Cuban ships that travel regularly between the two countries, but the quantity and type of cargo delivered is generally unknown. A Cuban ship may have delivered as much as 4,300 tons of unidentified military cargo in containers to Corinto in August.

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Special Analysis

GUATEMALA: Military's Growing Unease

Recent coup plotting by both junior and senior Guatemalan officers underscores the military's discontent with President Cerezo's economic policies and other issues. The High Command backs Cerezo for now, but its support could dissipate quickly if he backslides on the military's counterinsurgency effort or there is widespread civil unrest over the next year. [Redacted]

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Cerezo avoided serious confrontation with the military during his first year in office by publicly endorsing the counterinsurgency program and refusing to prosecute officers for past abuses of human rights. Cerezo accommodates the military on most issues, easing fears among officers that he might embark on a radical path, [Redacted] [Redacted] The officer corps has given Cerezo a free hand and, despite misgivings, continues to voice support for his economic and foreign policies. [Redacted]

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Troublesome Issues

The armed forces are most concerned that rising consumer prices, the lack of a rural development program, and Cerezo's failure to control the growing movement for land reform could lead to civil disorder and fuel popular support for the insurgency. [Redacted]

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[Redacted]

The military is also troubled by Cerezo's capricious leadership style and has doubts about his intentions. [Redacted]

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[Redacted] the return to Guatemala of many exiled extremists, some of whom plan to form a leftist party and infiltrate labor, has heightened the military's suspicions that the President might give potentially radical groups too much leeway. Although Cerezo has rejected calls by the insurgents for a dialogue unless they lay down their arms, the military leadership is wary of his willingness to talk even informally with representatives of the guerrillas, [Redacted]

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While the military largely backs the government's policy of "active neutrality" in relations with Nicaragua, many officers believe Cerezo is overly accommodating to the Sandinistas, whose support has helped sustain the Guatemalan insurgency. [redacted]

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[redacted] some military leaders believe the reduction in US military aid from \$5 million last year to \$2 million this year reflects Washington's displeasure with Cerezo's stance. They also fear that "active neutrality" could lead to Cerezo's acceptance of recent diplomatic overtures by Cuba and other Communist countries [redacted]

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Outlook

Despite mounting tensions, the military is unlikely to move against the President in the immediate future [redacted] the military is convinced that the country's transition to democratic government has improved Guatemala's international image and secured more economic and military aid. [redacted]

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Recent changes in the military's command has placed officers loyal to Cerezo in key positions. [redacted] The newly appointed Defense Minister, General Gramajo, backs Cerezo and is himself widely supported in the officer corps, especially by junior officers. He is likely to keep military discontent under control.

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As the guardian of national security, however, the military would probably feel justified in removing Cerezo if his economic policies resulted in severe domestic turmoil or increased popular support for the insurgents or if he adopted a conciliatory position toward the insurgency or Communist countries. Limited prospects for economic growth this year, continued high unemployment, declining living standards, and a recent 30-percent hike in electricity rates have increased the likelihood of popular unrest. [redacted]

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Special Analysis

SOUTH KOREA:

Ruling Party's Constitutional Strategy

The human rights issue has forced South Korea's ruling Democratic Justice Party to push its deadline for revising the Constitution from next month to the summer. Some party strategists doubt, however, that even then will they have the opposition votes needed to pass the government's proposal for a parliamentary system. President Chun's advisers are exploring other options, including extending the President's term and returning to the constitutional issue after the Olympics in 1988. Ruling party leaders also are trying to anticipate how much pressure the US will put on Chun to be more flexible on political reform.

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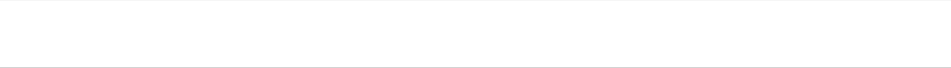
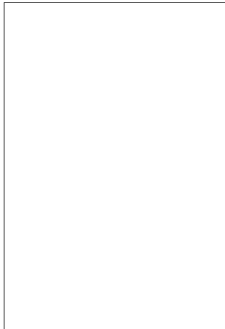
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Since last summer, the party publicly has espoused compromise on constitutional reform while the security services worked privately to buy or coerce opposition votes.

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The strategy unraveled last month, however, following demonstrations sparked by the death of a student in police custody. [redacted] leaders of the ruling party believe that the incident gravely damaged their chances for swinging over enough opposition votes. [redacted] even conservative members of the opposition are increasingly worried about being perceived as turncoats.

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Among themselves, some members of the ruling party reportedly favor sidestepping constitutional revision until after 1988. Chun, however, holds the reins tightly, and party leaders are reluctant to stake a new position on the revision issue without his approval. With Chun's future political role in the balance, no politician is willing to propose strategies the President would interpret as a challenge to his objectives.

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Chun's Perspective

Chun already may be actively considering other ways to handle the succession.

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The President appears increasingly frustrated with the success his opponents are having exploiting human rights abuses and other issues to block his revision agenda. Although his flexibility has surprised his antagonists in the past, Chun currently seems inclined to follow the hard line his security services are urging. [redacted]

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[redacted] Chun told senior press leaders that he would use force to ensure a peaceful transfer of power "even at the cost of the Olympics." [redacted]

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The US Factor

~~The US Embassy has reported that~~ the South Korean Government was worried by the Assistant Secretary of State's recent speech stressing the importance of an apolitical military and Chun's retirement from politics in 1988. Chun [redacted] apparently is concerned that a heartened opposition may push harder for political liberalization. [redacted]

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~~For their part, ruling party Chairman Roh Tae Woo and other moderates may expect further commentary from Washington, although so far there is no evidence that they have tried to nudge Chun to be more flexible. According to the Embassy,~~ the moderates still hope to use the promise of reforming the election code—a major opposition demand—to entice opposition leaders back to the bargaining table on constitutional reform. [redacted]

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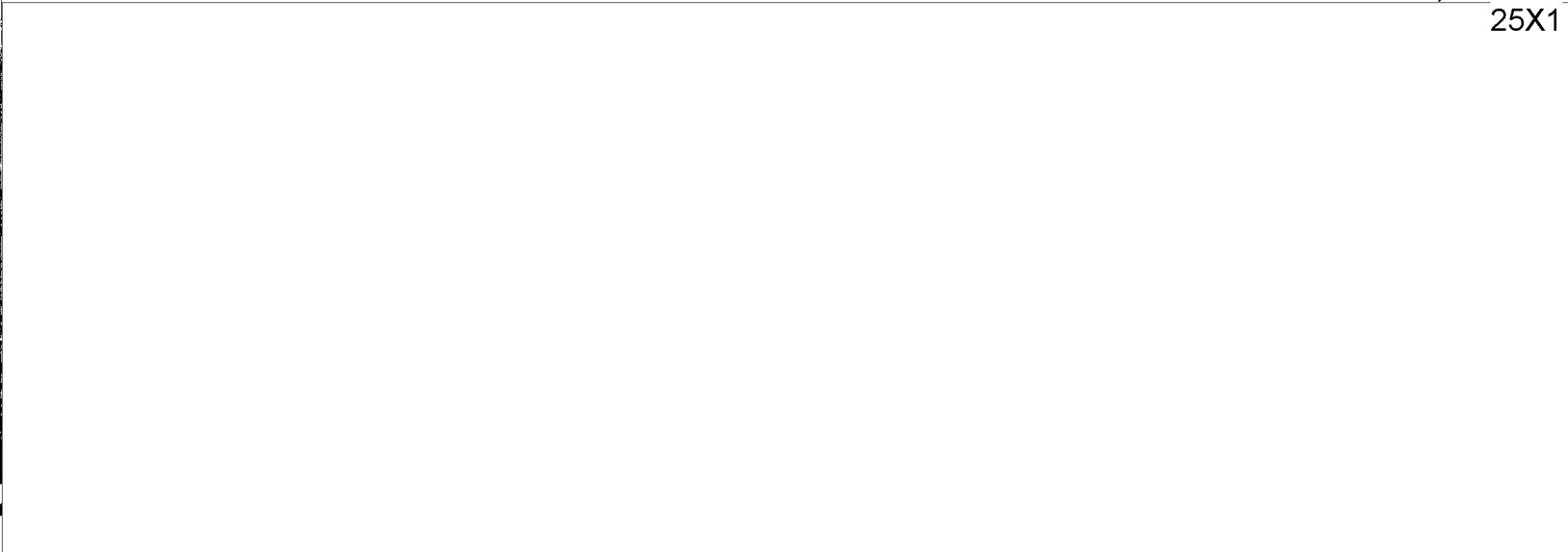
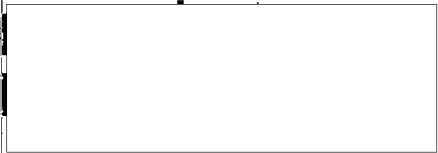
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