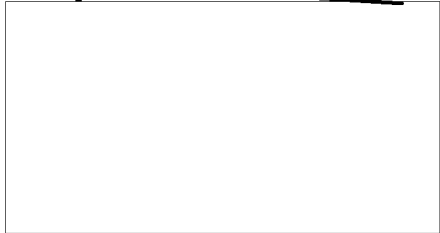




**Director of
Central
Intelligence**

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National Intelligence Daily

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**Friday
6 March 1987**



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6 March 1987

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Contents

Nicaragua: Rebel Activity in South-Central Region	1
China: Mixed Policy Signals	2
Haiti: Military Discontent Growing	3

Notes

Netherlands: Gorbachev Proposal and INF Deployment	4
USSR-Syria-Lebanon: Mild Endorsement of Intervention	4



25X1

China-Japan: Offshore Oil Discovery	6
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25X1

Iraq-Saudi Arabia-Turkey: Pipeline Problems	7
--	---



25X1

Tanzania-Mozambique: Funding Dar es Salaam's Troops	8
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Peru: Production of Coca Leaf	8
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In Brief	9
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Special Analyses

Syria-Lebanon: Initial Progress in Beirut	10
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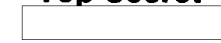
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6 March 1987

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NICARAGUA:

Rebel Activity in South-Central Region

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The Nicaraguan rebels have conducted several effective attacks in the south-central part of the country, but the mobility and firepower of the Sandinistas' helicopters will probably continue to limit the scope of insurgent activity.



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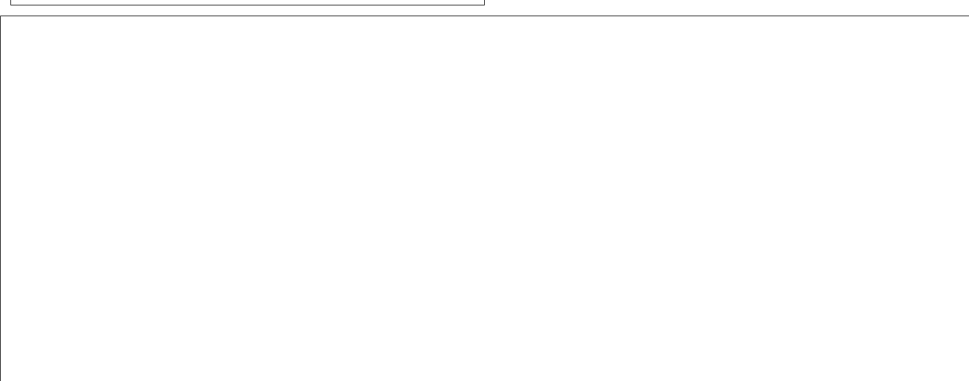
claims the insurgents overran a militia post in Boaco Department on 24 February, killing 11 and wounding seven defenders.

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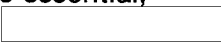
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Comment: Rebels operating in south-central Nicaragua are among the best combatants in the Nicaraguan Democratic Force. Their heightened activity may win new supporters and recruits in an area in which opposition to the regime remains strong. Consistent resupply of weapons and ammunition, a long-elusive goal, will be essential, however, for them to sustain a high level of fighting.



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The Sandinistas apparently have not responded well with gunships and other armed helicopters to small hit-and-run attacks in the south. The helicopter fleet may be strained by recent operations in the north and by maintenance problems. Although the rebels' recent acquisition of large numbers of SA-7 anti-aircraft missiles will increase the risks for the Sandinista Air Force, the helicopters will probably continue to be a factor in deterring the rebels from massing for large-scale attacks on prominent targets.



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[Redacted]

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[Redacted]

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CHINA:

Mixed Policy Signals

Mixed signals on policy coming out of Beijing indicate that infighting among the leadership is continuing. [Redacted]

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[Redacted]

Premier Zhao and other reform leaders continue to insist [Redacted] that the current campaign against "bourgeois liberalism" will be strictly limited and will not affect basic reform policies. ~~Chinese leaders sought to reassure Secretary of State Shultz on that point this week. Zhao said the leadership planned to move ahead soon on political reforms but was vague about their scope.~~ [Redacted]

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[Redacted]

Numerous party elders, meanwhile, are still sounding conservative themes in the media, often citing speeches of Deng Xiaoping to buttress their points. The media have announced that a new collection of Deng's writings and speeches will soon be published as guidelines for the antiliberalization drive. Deng himself has been quiet except for a few comments to visiting foreign dignitaries. [Redacted]

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Comment: Deng's role is unclear, but it is not unusual for him to keep a low profile after major upheavals while he works out new policy lines and coalitions. Meanwhile, supporters of reform are clearly trying to limit the conservative-led campaign to a few areas involving political reform and policy toward intellectuals. More dogmatically minded party elders seem to be trying to reopen the debate on key economic policies. [Redacted]

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The scheduled National People's Congress this month and the effect of Deng's book on the antiliberalization campaign should provide indications of the new balance of power between contending factions. But the relative strength of reformers and traditionalists may not become clear until the party congress in the fall. [Redacted]

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[Redacted]

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HAITI:

Military Discontent Growing

Poor morale within the armed forces and the deterioration of key units threaten to undercut the government's security capabilities as political activity intensifies over the next few months. [Redacted]

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Some senior Army officers believe that dissatisfaction with the ruling council's overall performance is high in the 7,700-man military [Redacted]

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[Redacted]

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Some senior officers reportedly believe the government's failure to equip the military adequately or to implement a needed reorganization has reduced the effectiveness of the armed forces to its lowest point in years. [Redacted]

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Leopards Battalion, an elite counterinsurgency force, is at less than one-third its authorized strength and is essentially nonfunctional because of General Staff neglect. [Redacted]

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[Redacted]

[Redacted]

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Comment: The Army is the government's only instrument for maintaining order, and growing disunity in the military may seriously impede the council's ability to control disturbances expected as electioneering gains momentum. The council has not yet publicly favored any presidential candidate. [Redacted]

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[Redacted]

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[Redacted]

6 March 1987

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NETHERLANDS: Gorbachev Proposal and INF Deployment

Soviet General Secretary Gorbachev's recent INF proposal may increase pressure on the Netherlands Government to postpone the pending deployment of ground-launched cruise missiles. Several Netherlands leaders believe the initiative shows a genuine intent by the Soviets to reach an agreement with the US, and the Defense Minister has admitted publicly that the proposal decreases the likelihood of INF deployment. Moreover, the US Embassy reports that prominent members of Prime Minister Lubbers's party have cited the Gorbachev proposal as reason to avoid deployment. Foreign Ministry officials, however, argue that these remarks are premature speculation that undercuts the government's position.



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Comment: Preparations for deployment—scheduled to begin in 1988—are continuing, and the government probably would deploy the missiles if an agreement between the US and the USSR seemed unlikely at that time. If, however, negotiations appeared promising by early 1988—or if the US appeared to be blocking an agreement—the government would probably face heavy pressure from parliament to postpone deployment.

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USSR-SYRIA-LEBANON: Mild Endorsement of Intervention

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Moscow has endorsed Syria's troop deployment in West Beirut as a step toward restoring stability, but it has expressed concern about the possibility of Syrian clashes with Soviet friends in Lebanon and doubts about Syria's ability to control the situation. Soviets in both Damascus and Moscow claim they were not consulted before either the outbreak of Druze and Communist fighting against Amal or the Syrian intervention, according to US Embassy reporting.



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Syrian military intelligence chief in Lebanon has announced that a "headquarters" has been set up in the Soviet Embassy to ensure the security and safety of all embassies in West Beirut.

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Comment: The Soviets appear anxious to disclaim any complicity in either Syria's intervention or the Druze and Communist fighting against Amal. Although Moscow is concerned that Assad will use the troop deployment as a means of driving the pro-Arafat Palestinians from Lebanon and that he will attempt to control the Druze and Communists, who are longstanding Soviet friends, it appears for now the Soviets will work with the Syrians to stabilize West Beirut.

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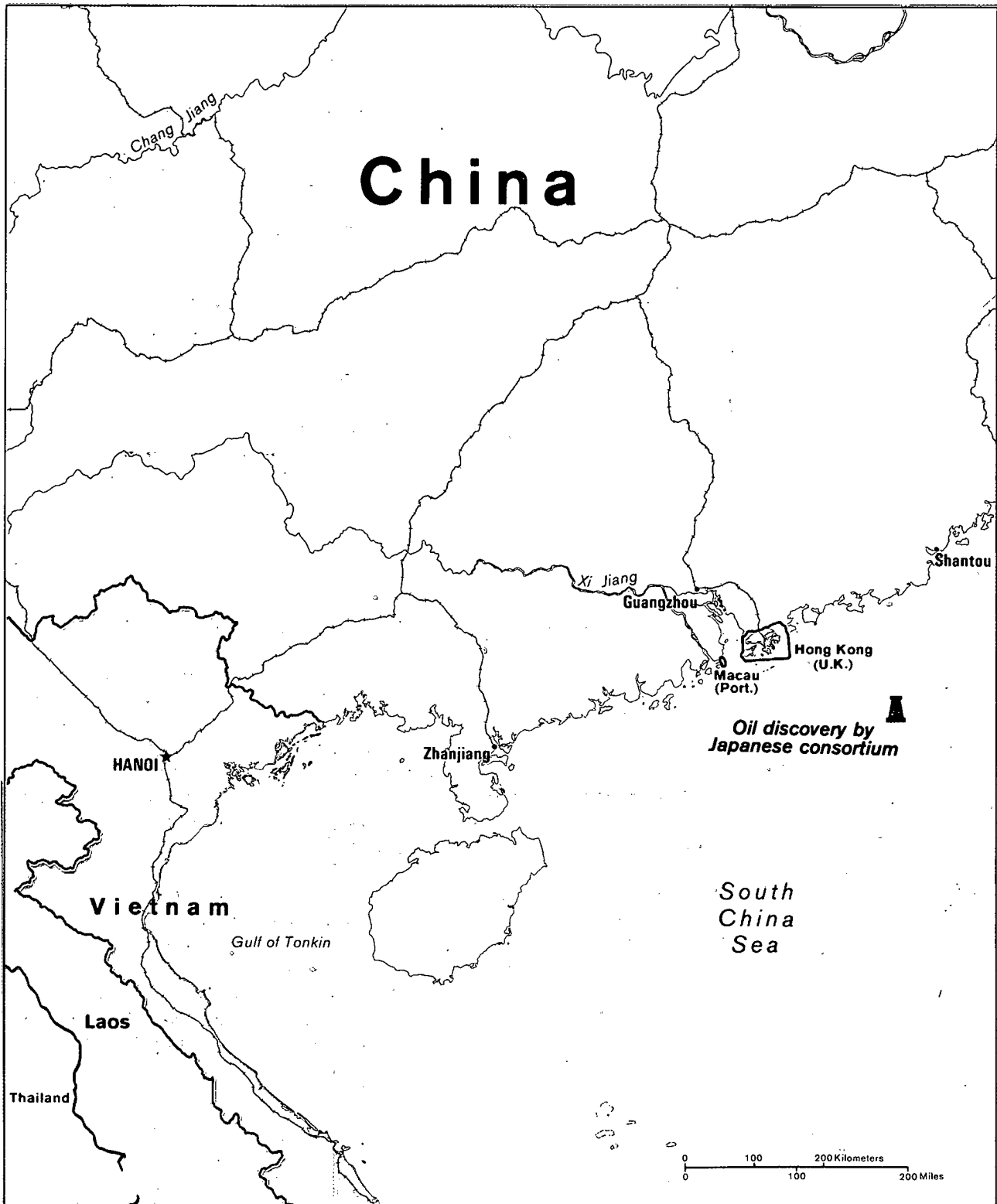
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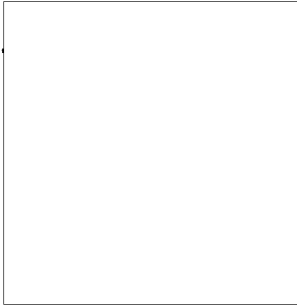
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CHINA-JAPAN: Offshore Oil Discovery

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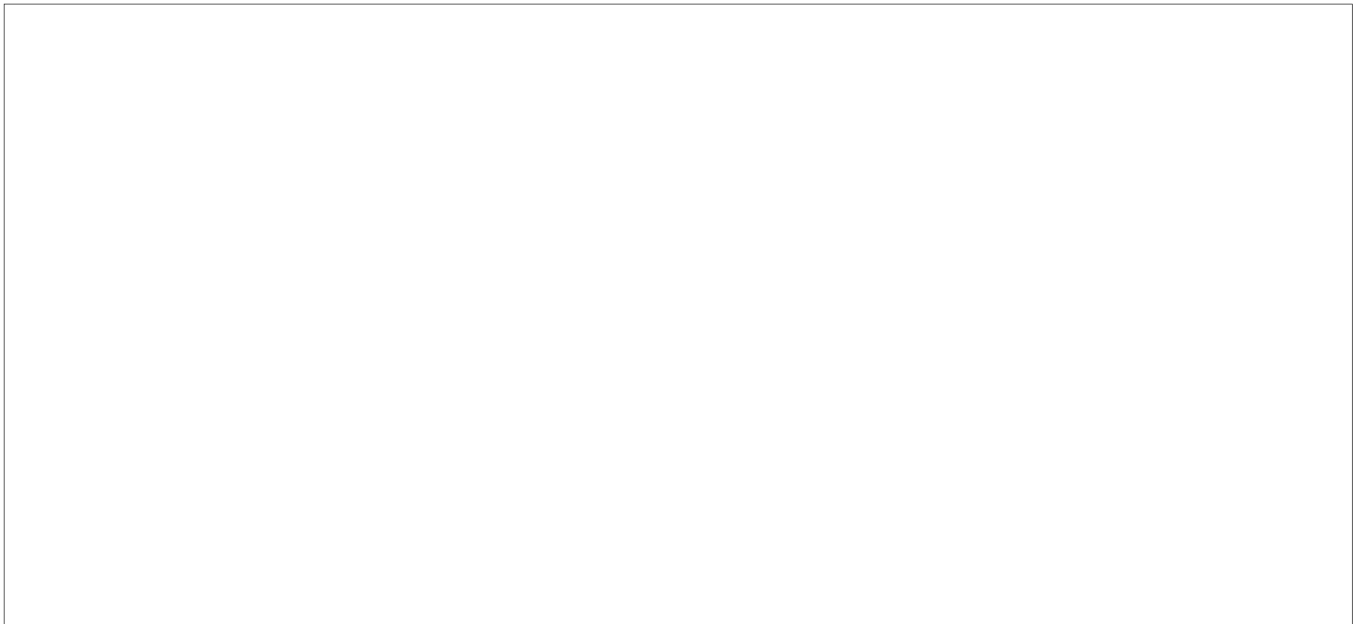
A Japanese consortium has discovered oil off southern China, according to press reports. Although the reports do not indicate production potential, test well results have led the consortium to plan additional drilling for next year, with commercial production by 1991. The Japanese are financing the exploration, but China will pay 51 percent of development costs.

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Comment: The consortium's optimism suggests this is probably the best find to date in China's disappointing effort to cooperate with foreigners in finding offshore oil. Most foreign companies have given up after drilling the minimum number of wells required by Beijing, and many bid blocks remain idle. Even with a sizable find by the Japanese, China will probably produce less than 200,000 barrels per day from offshore oil by the turn of the century, well short of its original expectation of at least 1 million b/d.

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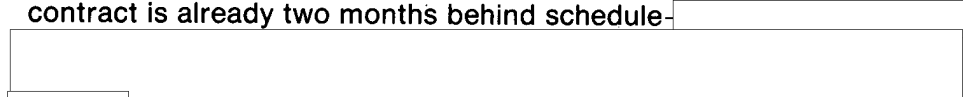
IRAQ-SAUDI ARABIA-TURKEY: Pipeline Problems



Construction of Phase II of the Iraqi-Saudi pipeline—which would increase Iraq's export capacity by 1.1 million barrels per day in 1989—may be further delayed, causing Baghdad to consider new export capacity through Turkey. Discussions between Saudi and Iraqi engineers broke down last month—the awarding of the construction contract is already two months behind schedule—

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Meanwhile, according to the US Embassy in Baghdad, Ankara has proposed that Iraq enlarge the scope of the ongoing Turkish pipeline expansion by 500,000 b/d, for a total of 2 million b/d.

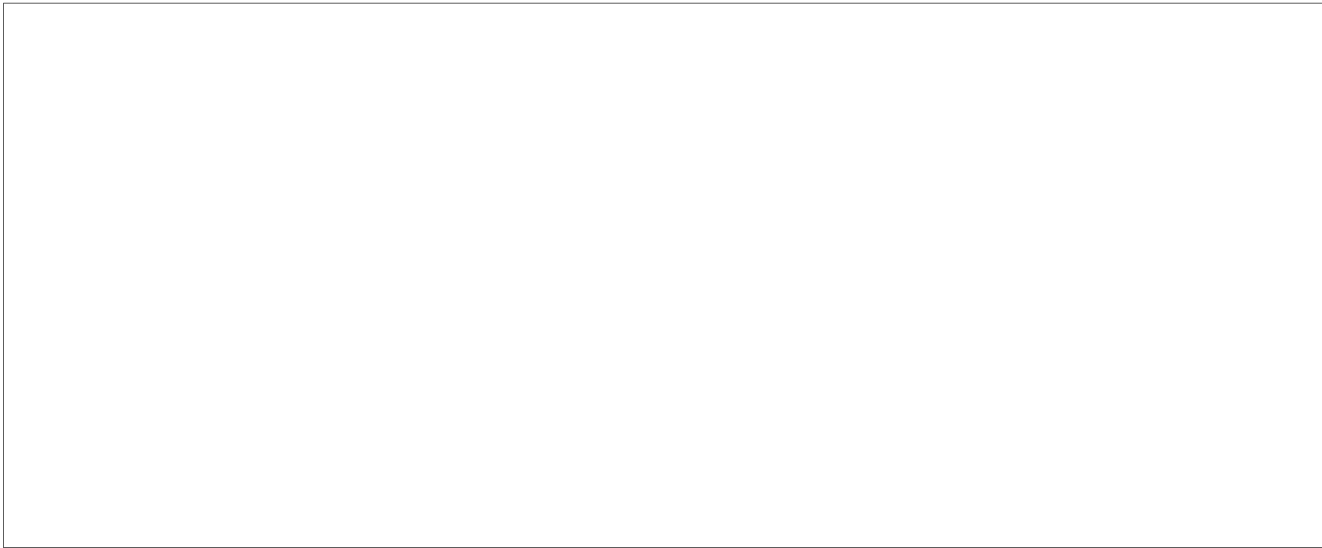
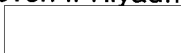
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Comment: The breakdown in discussions is probably caused in part by oil policy differences between Riyadh and Baghdad. The Saudis have pressed the Iraqis to restrain oil production in support of the OPEC accord and are limiting the full use of the current Iraqi-Saudi pipeline. Iraq is becoming increasingly concerned that even if Riyadh allows construction of Phase II it will restrict Iraq's use.

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[Redacted]

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TANZANIA-MOZAMBIQUE: Funding Dar es Salaam's Troops



Tanzania is still looking for funds to support the 1,200- to 1,600-man expeditionary force it has deployed in Mozambique.

[Redacted]

[Redacted]

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Tanzania has recently received some foreign aid for the expeditionary force, including a loan from Ethiopia of two cargo planes and 54 tons of military equipment, arms, and ammunition from Bulgaria.

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[Redacted]

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~~The Tanzanians want exclusive control over some military sectors in Mozambique~~

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[Redacted]

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Comment: The deployment [Redacted]

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[Redacted] is likely to be unpopular. The cost to Tanzania in lives and money is likely to increase, given Mozambique's inability to make good on promised logistic support and the ineptness of Maputo's troops. Tanzanian President Mwinyi's hard-won, desperately needed IMF agreement may also be in danger if Dar es Salaam exceeds IMF-prescribed ceilings on government spending

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[Redacted]

[Redacted]

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PERU: Production of Coca Leaf

The first comprehensive [Redacted] estimate of coca cultivation shows that Peru is the leading producer of coca leaf for the international cocaine market. Peru had about 250,000 acres (100,000 hectares) under coca cultivation in 1986—nearly twice the estimated amount being grown in Bolivia and Colombia and enough to produce an estimated 60 tons of cocaine annually. More than 60 percent of Peru's cultivation is in the Huallaga Valley in north-central Peru, where a small manual eradication program is under way.

[Redacted]

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[Redacted]

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Comment: Peru will remain the leading source of coca leaf for many years. The government's eradication effort is insignificant—6,500 acres (2,600 hectares) in 1986—and is outstripped by expanding cultivation in the major growing regions. Even with more resources, manual eradication is too slow and laborious to keep up with the crop's current rate of expansion, and an effective aerial eradication program may be years away.

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[Redacted]

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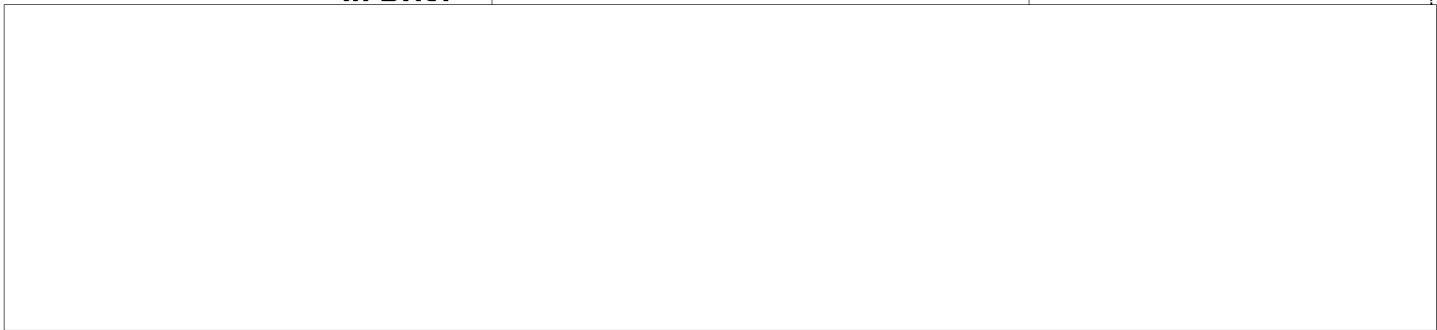
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In Brief



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East Asia

— **China** responded to **USSR's** proposal for withdrawing MRBMs from Europe by calling for simultaneous, balanced reduction of MRBMs in Europe, Asia . . . concerned West will ignore SS-20s in Soviet Far East to reach early agreement in Europe.

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Support growing in **Japan's** Defense Agency for Japanese design for new fighter . . . US Embassy reports no active support for coproduction of US-derived design . . . defense officials resent US attempts to influence . . . decision due in June.

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Europe

Some 1,000 students demonstrated recently in Krakow, **Poland**, to commemorate founding of banned independent student union . . . affair peaceful but regime still lacks credibility with youth . . . other demonstrations over political issues likely.

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Americas

March protesting anti-Sandinista rebels in **Honduras** brought out less than 1,000 leftists yesterday . . . meager turnout reflects weak organizational abilities of radicals . . . government reportedly behind propaganda effort to discredit march.

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~~US Embassy says~~ **Nicaraguan** opposition groups planning anti-Sandinista rally in Managua on ~~Sunday~~ . . . one group refusing to participate, planning separate demonstration . . . disunity a major weakness of opposition, likely to reduce impact.

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— Mutinous former **Ecuadorean** Air Force Commander Vargas in hiding but giving press interviews . . . says will seek presidency next year . . . will fuel Army's anxieties about his support on left.

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— **Soviets, Guatemalans** met in Guatemala City last week to discuss resuming ties broken in 1954 . . . Moscow wants to proceed immediately, talks to continue . . . Guatemala remains hesitant, fearing opposition from military.

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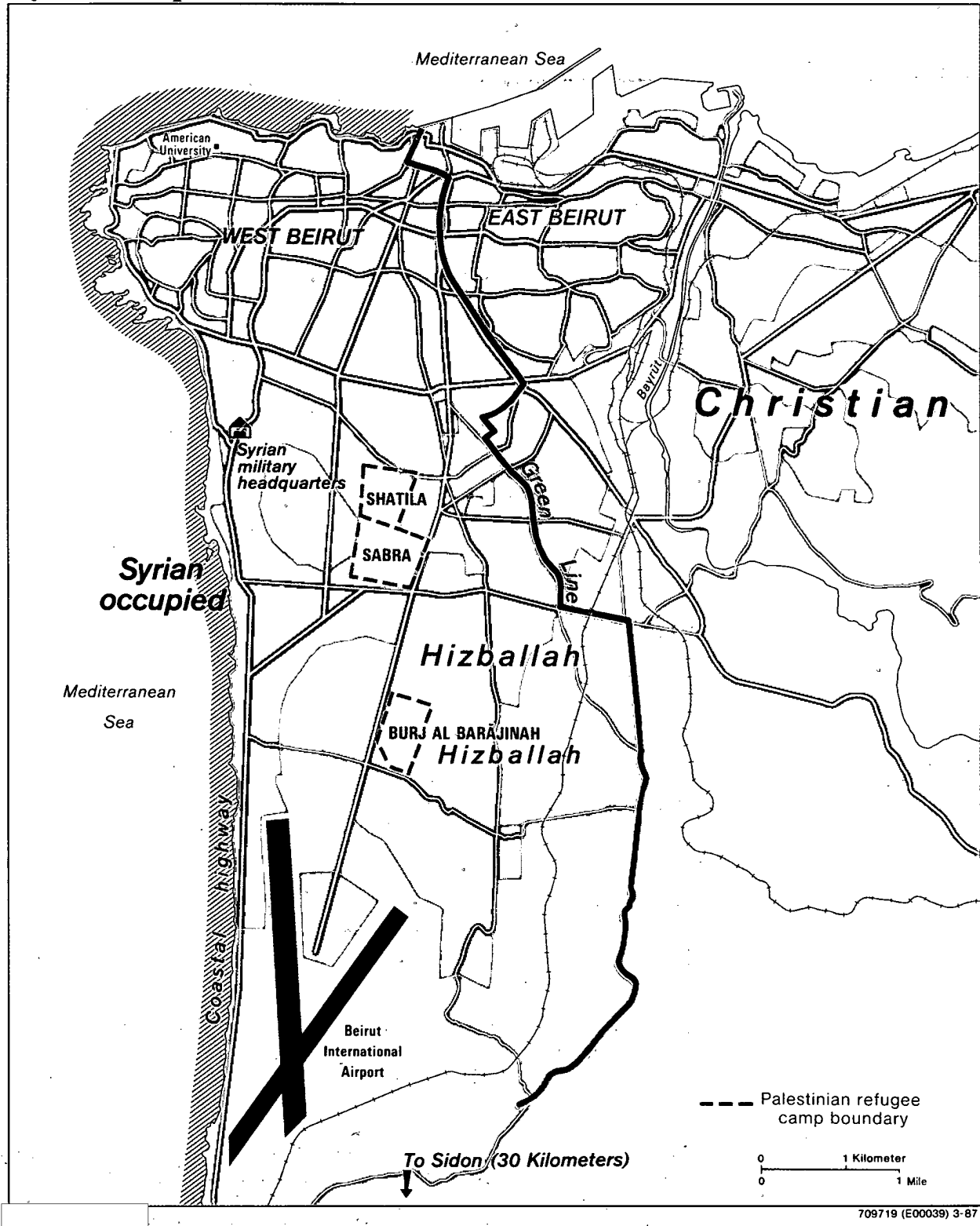
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Syrian Occupation in Beirut



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[Redacted]

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[Redacted]

Special Analysis

SYRIA-LEBANON: Initial Progress in Beirut

[Redacted]

Syrian President Assad probably hopes to capitalize on his success in curtailing violence among rival factions in West Beirut by pressing for a comprehensive political settlement among militia leaders. Damascus still faces formidable obstacles in Beirut—especially Hizballah—and a breakdown in political talks could place Syria in the middle of renewed confessional warfare.

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[Redacted]

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Syria has already attained its two key objectives: strengthening its principal ally, Amal, which lost ground to Druze and other leftist militias last month, and restricting PLO activity in West Beirut. Some 7,000 Syrian troops are acting as a buffer between Amal and other pro-Syrian militias, and the Druze have recalled many of its fighters from Beirut to their strongholds in the Shuf. With Lebanese Army units expanding Syria's security zone to the outskirts of Sidon, Syrian and pro-Syrian troops are now in a position to interdict arms deliveries to the Palestinians through the illegal ports and to help Amal break Palestinian resistance in the refugee camps.

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Many countries have praised Syria's suppression of violence in West Beirut and are hopeful that Syrian security sweeps will free hostages, although Syrian officials insist this is not their top priority. Damascus dampened criticism of its camps war policy by allowing limited supplies of humanitarian aid into the camps. The Arab League "good offices" committee gave tacit support to the Syrian move over the strong objections of PLO chief Arafat, ~~according to the US Embassy in Tunis.~~

[Redacted]

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Political Reform

[Redacted]

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Lebanese Muslim leaders agreed on Monday on a draft formula for political reform after a week of negotiations in Damascus, ~~according to the US Embassy in Beirut.~~ Envoys of President Gemayel, who launched the initiative in January, have resumed talks with Syrian officials in the hope of setting up an Assad-Gemayel summit, but Gemayel has little backing from other Lebanese Christian leaders and will probably encounter opposition from Lebanese Forces leader Samir Jaja. Any Syrian military attempt to bring the Christians to heel in talks would probably unify and harden the Christian position.

[Redacted]

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Complications With Shia and Iran

Assad's attempts to limit Hizballah's expansion at Amal's expense threaten to rupture Syria's ties to Iran. Emotions remain strong after last week's clash between Hizballah and Syrian troops in which 20 radicals died. Syria, for the moment, has cracked down on Hizballah in West Beirut only and has avoided Hizballah-controlled neighborhoods in the southern suburbs. [Redacted]

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[Redacted]

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~~Assad is probably prepared for prolonged talks, hoping to constrain Hizballah gradually while encouraging it to intensify operations against Israel in southern Lebanon. Hizballah knows Syria could close its bases in Ba'labakk if there is fighting in Beirut and has taken a conciliatory line toward Damascus. Hizballah is ignoring Iranian pronouncements intended to stir up trouble in Beirut for now but will resist a major Syrian move into the suburbs.~~ [Redacted]

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~~At the same time, Amal's position appears to be eroding in southern Lebanon, its stronghold [Redacted]. Amal chief Nabih Barri returned hurriedly to Damascus this week following an uprising led by former aide Hassan Hashem in southern Lebanon, beyond the military reach of the Syrians. The extent of the uprising is unclear, but Hashem represents a growing trend toward radicalism among the Amal rank and file, a tendency that is supported by Hizballah and Arafat.~~ [Redacted]

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Outlook

The days of easy Syrian victories appear to be over, and Damascus will probably avoid major clashes while using its military presence as pressure for political compromise. The current lull in violence in part appears to owe its existence to the fact that Syria has yet to threaten various belligerent parties. The possible resumption of hostilities on many fronts could immerse Syria in sectarian violence from which it might have difficulty emerging. [Redacted]

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