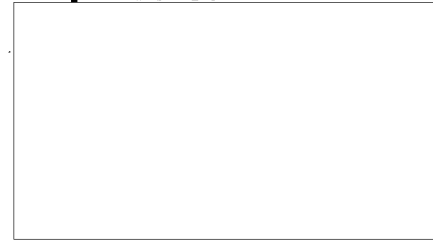




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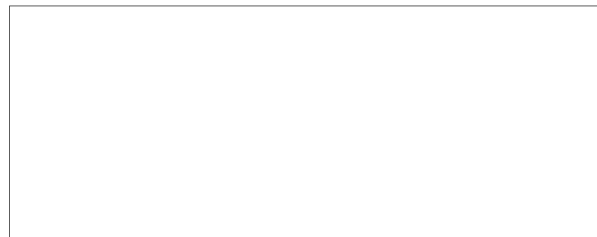
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National Intelligence Daily

**Wednesday
18 March 1987**

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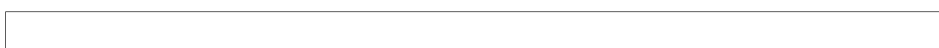


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USSR:

Poor Economic Performance Continues

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Last month, for the second straight month, the Soviet machinery sector failed to meet the goals of General Secretary Gorbachev's ambitious revitalization campaign, thereby threatening the attainment of this year's economic growth targets and posing a further challenge to Gorbachev's program. [Redacted]

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[Redacted]

Although industrial performance improved somewhat from January to February, it was down by more than 1 percent when compared with the first two months of last year, according to CIA calculations. For the second straight month, the civil machinery sector—central to Gorbachev's modernization campaign—not only failed to achieve its plan, but also weighed in significantly below last year's level. [Redacted]

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The Soviets attribute these problems to the implementation of new economic programs, especially in the area of quality control, according to the US Consulate in Leningrad. They also cite problems with plant modernization and retooling but see drunkenness and severe weather—factors the Soviets highlighted last month—as secondary. [Redacted]

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Comment: The machinery sector, which accounts for most of the decline in overall industrial production, continues to suffer from the effort to modernize plants while increasing production and improving quality. Stringent enforcement of more rigorous quality control standards has caused the rejection of a high percentage of machinery products and thereby is the dominant factor in holding down growth. The Soviets also are finding it difficult to work extra shifts on some production lines while other lines are retooled. Many industrial regions lack the public transportation, child care, and consumer services to accommodate extra shifts. [Redacted]

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The lackluster performance opening the year implies that Soviet industry will have to grow at more than 5 percent for the remaining months to meet this year's targets. Moscow has yet to indicate, however, that it will compromise any of Gorbachev's ambitious plans to ease the burdens on industry. As time goes on, Gorbachev will be under increasing pressure to demonstrate that his measures can produce higher quality products at the targeted quantity levels. [Redacted]

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USSR-ANGOLA-CUBA: Talks on Southern Africa

[Redacted]

During consultations in the USSR last week, high-level representatives of Moscow, Havana, and Luanda stated that the elimination of apartheid is a necessary condition for a political settlement in southern Africa, ~~according to Soviet press reports~~ Soviet Defense Minister Sokolov and Communist Party Secretaries Dobrynin and Medvedyev met for two days with a Cuban delegation led by Politburo member Risquet and an Angolan contingent that included Defense Minister Tonha and Foreign Minister Van Dunem. ~~According to the Soviet press,~~ the delegations called for participation of the UN, the OAU, and the Nonaligned Movement in achieving a political settlement. In a departure from past coverage, they did not reaffirm the Angolan Government platform of 1984, which calls for a mutual South African-Cuban troop withdrawal from Angola and Namibia. [Redacted]

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Comment: Linkage of a regional settlement to the end of apartheid and omission of the Angolan troop withdrawal formulation indicate a hardening of the Soviet-Cuban-Angolan position. ~~The emphasis on a UN, OAU, and Nonaligned role may signify opposition to US sponsorship of future regional talks.~~ The three countries probably see few prospects for negotiations soon and will probably concentrate on making gradual, steady military progress against the UNITA insurgents while continuing attempts to isolate US and South African positions on regional issues. [Redacted]

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Distribution of Seats in Finnish Parliament

	1987 ^a	1983
	200	200
Social Democrats ^b	56	57
Conservatives	53	44
Center Party ^b	40	37
Communists (Eurocommunists)	16	17
Swedish People's Party ^b	13	11
Communists (Stalinists)	4	10
Greens	4	2
Rural Party ^b	9	17
Christian League	5	3
Constitutionalists	0	1
Others	0	1

^a Results of two-day general election that ended Monday.^b In current coalition government.

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FINLAND: Implications of National Election

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Tough postelection bargaining among Finland's three largest parties will determine whether the Conservatives—who made major gains—will enter government for the first time since 1966. The Social Democratic Party remains the largest party in parliament, while the Stalinist faction in Finnish Communism continued to lose support in the weekend voting. [Redacted]

[Redacted]

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Comment: The Conservative Party's gains make a center-right ruling coalition as likely as another center-left government. The Center Party will thus play a key role in coalition bargaining, and party leader Vayrynen will probably side with anyone willing to offer him the prime-ministry or a strong hand in foreign policy. Should Vayrynen's demands prove excessive, a Social Democratic-Conservative alliance excluding the Center Party is possible. If the Conservatives enter the government, they are more likely to focus on domestic issues, such as returning government-owned enterprises to the private sector, rather than on changing foreign policy. Their willingness to maintain close Finnish ties to the USSR makes Soviet acceptance of Conservative participation in the government likely. [Redacted]

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GREECE: Spy Trials Dismissed

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Greek prosecutors have recommended that charges be dropped against the two Greeks who were arrested for espionage in 1985 on evidence provided by Soviet defector Sergei Bokhan. One of the suspects had been accused of providing the Soviets with a traveling wave tube, which is on COCOM's restricted list, and the other was charged with selling blueprints for the Stinger missile. Last spring, Greek courts acquitted the third suspect, a Greek naval officer accused of selling NATO secrets. [Redacted]

[Redacted]

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Comment: The prosecution was impeded by its inability to produce Bokhan, who has resettled in the US. It nonetheless appears to have pursued this case with less-than-wholehearted enthusiasm, and the government took few, if any, steps to demonstrate its concern. The outcome is likely to increase the wariness of other COCOM member countries in viewing the Greeks' resolve to protect controlled equipment and military secrets. [Redacted]

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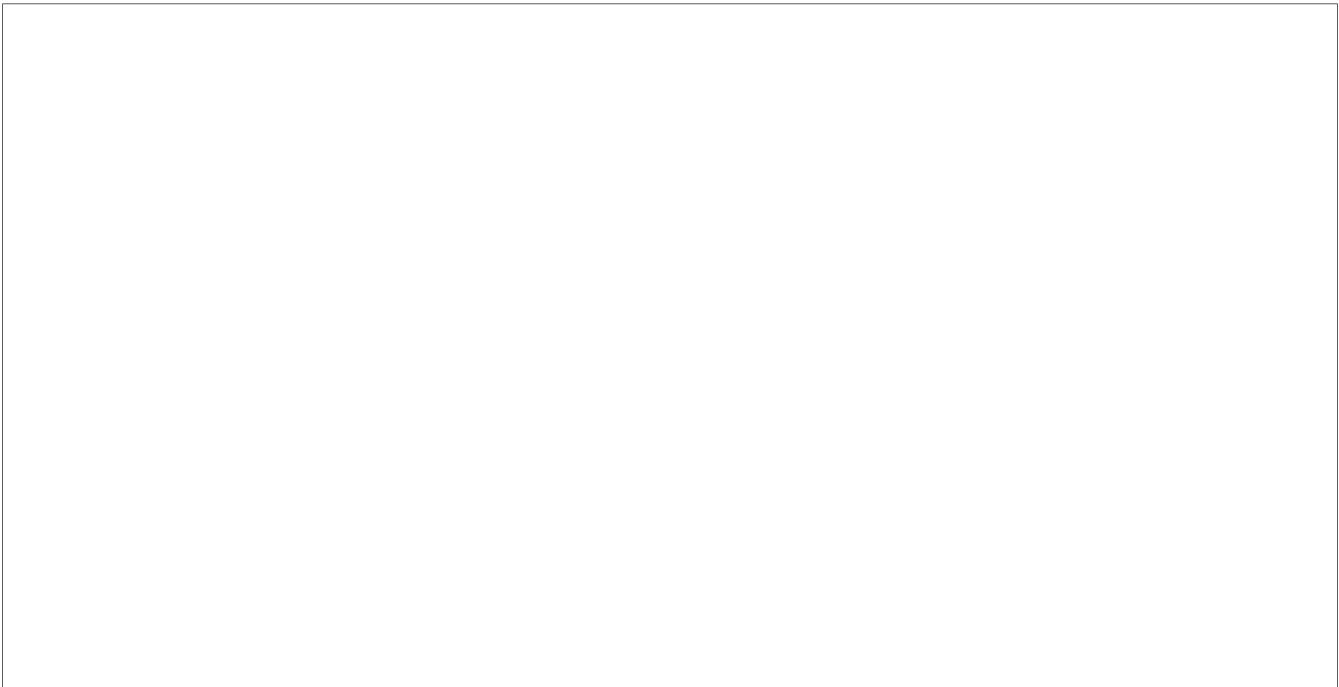
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ECUADOR: Political Problems

[Redacted]

President Febres-Cordero has acted decisively to cope with the economic damage caused by the recent earthquakes, but belt-tightening moves will complicate his political problems. He has cut government expenditures and suspended public-sector imports. Moves to increase prices for gasoline and public transportation have already led to public protests and to sharp criticism from the opposition parties

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[Redacted]

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The leftist opposition in Congress has called for a special legislative session to censure the administration for its handling of the economic disaster.

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Comment: The temporary truce between Febres-Cordero and the Congress, announced only last week, may be evaporating. Congressional spokesman Andres Vallejo, who helped to conclude the political cease-fire, has little moderating influence with extreme leftists eager to discredit the administration before the election next year. Meanwhile, Febres-Cordero has to contend with dissident military elements, including former Air Force chief Frank Vargas, who may seize on any volatile issue to challenge the government.

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In Brief

Middle East

— **Iranian** missile boat damaged tanker carrying **Saudi** crude oil Monday . . . similar attack three days earlier missed . . . Tehran probably displeased over reported Saudi agreement allowing increased **Iraqi** oil exports . . . further attacks likely.

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[Redacted]

[Redacted]

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[Large Redacted Area]

Americas

[Redacted]

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[Redacted]

— **Brazilian** Planning Minister Sayad, only Cabinet member advocating economic reforms, has resigned because of disagreements with Finance Minister Funaro . . . further consolidates Funaro's power, hardline stance on debt issue.

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Special Analysis

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ANGOLA:

Seeking Support in Western Europe

Luanda has embarked on a well-orchestrated diplomatic and public relations effort in Western Europe over the past six months to undermine UNITA's campaign for Western support and to obtain aid and investment for its deteriorating economy. Moscow may be encouraging this effort in the hope of driving a wedge between Western Europe and the US over aid to UNITA. Luanda's relations with the USSR, Eastern Europe, and Cuba remain strong; their military support remains a critical factor in Luanda's ability to fight UNITA.

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The Angolans moved rapidly to offset support for UNITA in Western Europe after UNITA leader Savimbi's trip to France last year. Angolan representatives in Lisbon, Paris, and London have sharply increased their diplomatic activities, and the Angolan Foreign Minister traveled to Portugal last December—the first official visit by a senior official since Angola gained its independence from Portugal in 1975. President dos Santos is expected to make state visits to Portugal and France later this year, according to US Embassy reporting;

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Luanda has emphasized in press articles the success of its clemency program for UNITA and other insurgent groups, its desire to improve relations with the West, and its willingness to negotiate on regional issues,

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US Embassy reporting suggest that some West European officials believe Angola is moving toward the West and is prepared to be more flexible on regional negotiations.

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Angola has also renewed its efforts to increase economic ties to Western Europe in hopes of gaining additional debt relief, aid, and investment to stimulate its economy, which has declined since the sharp fall in oil prices last year.

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High-level exchanges with Portuguese officials over the past few months have focused on economic relations. An Angolan-Portuguese commission will probably meet soon to discuss debt issues and joint economic projects, according to US Embassy reporting. Luanda has also sent representatives to West Germany and Portugal to talk with West European businessmen about investment opportunities in the nonoil sector

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[Redacted]

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Ties to the USSR, Cuba

Luanda remains dependent on Soviet and Cuban backing for its military effort to defeat UNITA. Soviet military deliveries, which reached an estimated \$1 billion last year, are continuing, [Redacted]

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[Redacted] despite recent Angolan hints of a reduction or departure of Cuban forces, Havana has augmented its troops by some 1,600 since late 1985; it now has about 37,500 troops in Angola. [Redacted]

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The Soviets and Cubans appear largely satisfied with bilateral relations. Moscow probably recognizes that Western aid lessens or removes a Soviet burden. Moreover, the Soviets and Cubans may calculate that, if Luanda expands its ties in Western Europe, doing so would reduce the likelihood that such governments would recognize or provide support to UNITA. [Redacted]

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Outlook

Angola is likely to push ahead with its initiatives in Western Europe over the next year in order to undercut UNITA's attempts to gain new support. Moscow and Havana are likely to monitor closely Angola's dealings with the West and will quickly seek to rein in Luanda if closer ties appear to be yielding appreciable Western gains in political influence or threatening the Soviet military presence in Angola. Luanda's moves may encourage West European governments to exert new pressure on Washington to resume talks with Luanda. Although Angola may agree to some informal communications with US officials, it will probably continue to demand diplomatic recognition and an end of US aid to UNITA before agreeing to serious talks. [Redacted]

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[Redacted]

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Special Analysis**WESTERN EUROPE: Views on Chemical Weapons**

Some West European NATO Allies, including West Germany and the UK, harbor growing doubts about the US commitment to a CW ban, but France is becoming concerned that Western haste to reach an agreement might produce an unverifiable ban and leave Western Europe without a chemical deterrent in case of Soviet noncompliance. [redacted]

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[redacted] The British—following bilateral talks with the Soviets at Geneva—view Moscow's attempts to narrow differences with the US as giving the appearance of being constructive, but London questions their sincerity. [redacted]

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[redacted] Moreover, the West Germans, the Belgians, and the Netherlanders also have complained that US verification concerns are slowing the negotiations at a time when the Soviets are prepared to move more rapidly. [redacted]

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The French see Soviet moves as primarily designed to block the US binary chemical weapons program and to speed the removal of chemical weapons from Western Europe. Paris, which plans to produce a modern chemical deterrent, also objects to early declaration of CW stockpile locations and wants to retain a small "security stockpile" as a hedge against Soviet noncompliance until late in the proposed 10-year destruction period. [redacted]

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West European governments—especially the UK and France—are increasingly skeptical of reaching an agreement on a global chemical weapons ban soon, but some other West European officials may still hope that an agreement could prevent any controversy related to the resumption of production of binary munitions by the US later this year. Moreover, most Allies believe that the US verification proposal for mandatory challenge inspections is nonnegotiable and poses security risks to sensitive Western military installations. They are likely to press Washington to water down its proposal, and other parties—like the British—might propose new compromises intended to narrow the gap between Washington and Moscow. [redacted]

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France, however, is likely to remain out of step with the other West European states by supporting the US binary program and by arguing that a limited agreement permitting small chemical deterrents is more prudent than a complete CW ban. [redacted]

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Special Analysis

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SUDAN:

Prospects for Sadiq's Government

[Redacted]

Nearly a year after taking office, Prime Minister Sadiq al-Mahdi has achieved little apart from survival. By avoiding tough decisions, he has allowed Sudan's economic morass to deepen and has failed to show progress in resolving the civil war. Sadiq probably is increasingly vulnerable to a military takeover

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Sadiq's principal success has been in denying his enemies issues they could use to mobilize opposition against him. He continues to blame former President Nimeiri for Sudan's economic problems and for the southern insurgency. Sadiq has staved off opposition from his own northern Muslim constituency by refusing to abrogate Islamic law, a major rebel demand, and by portraying the insurgents as agents of Ethiopia intent on weakening Sudan. [Redacted]

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[Redacted]

Vulnerabilities

Sadiq, however, cannot claim even one major legislative achievement. Proposed constitutional changes remain hamstrung. Key issues, including amendments that would increase the Prime Minister's power as well as provisions dealing with Islam's legal role in Sudan, continually fall victim to factional infighting within the ruling coalition or to opposition from the hardline National Islamic Front. [Redacted]

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Sudan's economy still founders, increasing the potential for demonstrations and strikes. Power shortages prompted street protests in Khartoum last year, and Sudan's Energy Minister forecasts more shortages starting this month. Meanwhile, the civil war continues to siphon off revenues needed to provide goods and services to southerners escaping the fighting. [Redacted]

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Outlook

[Redacted]

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The military's impatience with Sadiq ~~nonetheless~~ will almost certainly grow this year. Libya's freewheeling military transits into western Sudan as part of its campaign in Chad are giving ammunition to critics of Sadiq's "evenhanded" approach to Tripoli. [Redacted]

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The start of the rainy season next month will give the insurgents in the south the upper hand, and Army casualties are likely to mount, heightening the senior officers' frustration with Sadiq. Renewed civil disorders could impel the military to push the civilian government aside if Sadiq continues to show no sign of strong leadership. [Redacted]

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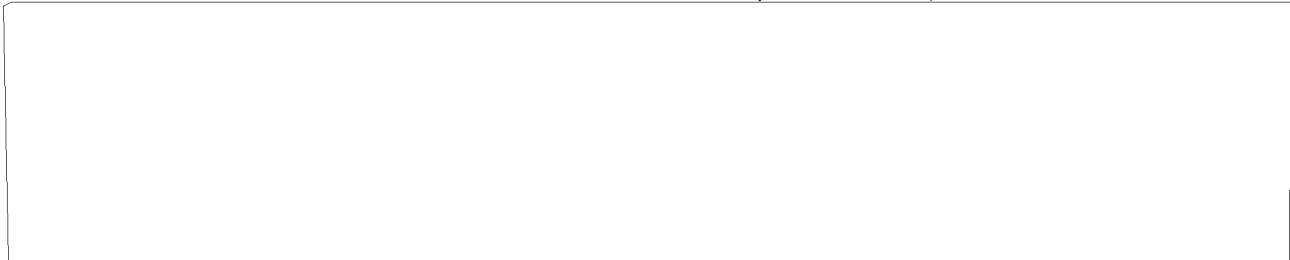
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Raising the Reunification Question

Moscow has dangled the idea of German reunification before Bonn at times in the past, almost always to discourage West German actions that would adversely affect Soviet interests. For example, some Soviets raised the issue in 1983 when the debate on the basing of US INF systems in West Germany was at its zenith.



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in the most recent, authoritative Soviet public pronouncement on the reunification issue—in the weekly *Moscow News*—the Central Committee's German expert Portugalov said that "the life of Germans as a nation is only possible within the framework of two independent and sovereign states."



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In addition, Moscow has recently supported the East Germans' attempts to use CDE confidence-building measures to legitimize East Berlin as their capital. The East Germans plan to hold briefings at a Defense Ministry building in East Berlin for Western observers of coming military exercises, despite protests from the three Western powers, who do not accept any non-Soviet military presence in East Berlin.



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Special Analysis

USSR-
WEST GERMANY:

Moscow Courting Bonn

[Redacted]

The Soviets are moving quickly to expand their influence in West Germany to reduce US leverage in Bonn. They seem to be sending deliberately mixed signals on when and how much political relations can be improved. Moscow is hinting that it is even willing to discuss German reunification, but it also is insisting that a meeting between Chancellor Kohl and General Secretary Gorbachev would be possible only if Kohl apologizes publicly for comparing Gorbachev's propaganda skills to those of Josef Goebbels. Over the near term, Moscow will seek to build on the current momentum of its trade and security initiatives to expand West German participation in modernizing the Soviet economy and to obtain support for its arms control proposals. Both East and West Germany want improved relations between Bonn and Moscow, but any Soviet ploy on reunification would cause serious problems for Bonn and East Berlin.

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Even before the reelection of Kohl's coalition government in late January, Moscow moved to improve trade relations with Bonn and to appeal to West German desires for reduced East-West tensions. On economic issues, the Soviets conveyed their interest in joint ventures in which West German firms would play a key role.

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The Soviets have other cards to play. These include offering freer emigration of ethnic Germans, encouraging East Berlin to allow greater intra-German visits, and setting a date for a visit to Bonn by Foreign Minister Shevardnadze.

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In a recent article for a Moscow weekly, [Redacted] a Soviet official noted approvingly the view of "progressive minded" Germans that the German nation can exist only as two independent states. Gorbachev might nevertheless want to stimulate a divisive debate on reunification in West Germany, although he probably recognizes that doing so would foment controversy in the Warsaw Pact as well as in NATO. Indeed, a revival of the German question might immobilize both alliances and possibly threaten Gorbachev's other initiatives, which are aimed at distancing the West Europeans from the US.

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A major problem the Soviets have had in wooing the West Germans has been their displeasure with Kohl's refusal to apologize for comparing Gorbachev's propaganda skills to those of Goebbels. They have underscored their feeling toward Kohl by dealing exclusively with Foreign Minister Genscher and singling him out for special praise for his attitude on East-West relations. [redacted]

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Mixed Reaction in Both Germanys

Bonn is eager to improve relations. Genscher has publicly praised Gorbachev's domestic reforms and called for a positive Western response. Kohl is pressing for an international conference on East-West trade and has been receptive to Moscow's arms control initiatives. He is unlikely to offer a formal apology for the Goebbels reference but will probably try to satisfy Soviet demands with conciliatory statements. [redacted]

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East Berlin also welcomes Soviet overtures to Bonn, especially if they create an atmosphere that would enable East German leader Honecker to visit West Germany. Any Soviet demand for humanitarian concessions to please Bonn would be resisted, however, because the East Germans want to control the pace of these potentially destabilizing changes. [redacted]

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The reunification issue raises problems for both Germanys. A sign that the Soviet leadership was seriously rethinking the question would set off an intense debate in West Germany. The opposition and West German media would press the government to explore any hope of reunification, and neutralist sentiments would probably increase. [redacted]

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The problem for East Germany would be even more threatening. Soviet hints about reunification would be destructive to the regime's long struggle to create a sense of nationhood, and frictions with Moscow could become intense. [redacted]

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