



**Director of
Central
Intelligence**

~~Top Secret~~



National Intelligence Daily

**Wednesday
25 March 1987**



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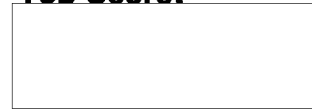
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ITALY:

Andreotti Abandoning Bid To Form Government

Prime Minister—designate Andreotti's apparent abandonment of his efforts to form a new government will move Italy one step closer to a national election. [Redacted]

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[Redacted]

According to press accounts, Andreotti, a Christian Democrat, will return his mandate to President Cossiga today unless the Socialists agree to his proposals for averting the referendums on civilian nuclear energy and judicial reform currently scheduled for 14 June. The Socialists yesterday, however, strongly reiterated their position that the referendums be held. [Redacted]

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Comment: Cossiga prefers to avoid early elections and, over the next few days, may ask another Christian Democrat or a leader of one of the smaller coalition partners to seek to form a government to lead the country until the election scheduled for next year. He could also toy with the idea of forming a government of "technicians" drawn from outside the party leaderships. [Redacted]

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Any effort undertaken by Cossiga to preserve the current parliament however, is likely to founder. The Christian Democrats will be reluctant to offer another candidate and will oppose any governing formula that does not involve cancellation of the referendums—their party expects it would suffer embarrassing defeats on both issues. The Socialists, for their part, will continue to insist on holding the referendums and on other demands just as unacceptable to the Christian Democrats. [Redacted]

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Should Cossiga conclude he has no choice but to dissolve parliament, as seems likely, the Socialists and Christian Democrats will clash on the leadership of an interim government and over the timing of an election. The Socialists will demand that Prime Minister Craxi remain in office through the election and that the vote be held in late June, allowing him to reap publicity benefits from hosting the Western economic summit in Venice earlier that month. The Christian Democrats will insist that Craxi be replaced by a Christian Democrat, or a national leader such as a Senate President Fanfani, and that the vote be held no later than the end of May to ensure cancellation of the referendums. [Redacted]

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MOZAMBIQUE:

Status of Insurgency

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Fighting in north-central Mozambique has been heavy over the past month, and President Chissano appears committed to a military solution despite rumors of government plans to begin talks with the RENAMO guerrillas. [Redacted]

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~~Tanzanian troops based in Quelimane recently captured two towns along the Zambezi River, and small Zimbabwean units are occupying the major towns they captured last month.~~ [Redacted]

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~~[Redacted] a large number of troops may be en route to the towns now occupied by Zimbabweans, according to US Embassy reporting.~~ [Redacted]

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~~RENAMO has been active in northeastern Tete and Zambezia Provinces over the past month, according to [Redacted] the US Embassy. The insurgents have overrun several local military headquarters and seriously damaged some key economic targets. They also attacked Zimbabwean and Tanzanian positions along the Zambezi River, inflicting light casualties and driving a small Zimbabwean unit into Malawi.~~ [Redacted]

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~~Meanwhile, the South African press and Mozambican exiles claim that Maputo is considering talks with RENAMO, possibly to clear the way for emergency food deliveries to the interior. In several recent public statements, however, Chissano has strongly rejected entering negotiations.~~ [Redacted]

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Comment: Fighting will remain heavy throughout north-central Mozambique during the dry season, which runs from April to November. In a departure from past practice, Zimbabwean troops have remained in liberated towns, suggesting an increased military commitment and a lack of confidence in the Mozambicans' ability to hold territory. The Zimbabwean units are vulnerable to attacks and supply problems, however, and Harare may soon decide to withdraw them. A Zimbabwean withdrawal would significantly increase the likelihood of RENAMO reoccupying those towns. [Redacted]

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Chissano is unlikely to enter into serious negotiations or agree to a "food truce" with RENAMO because he wants to avoid boosting the insurgents' legitimacy. Maputo may initiate exploratory contacts, however, as part of its counterinsurgency strategy to exploit increasing divisions within the insurgent movement and to improve prospects for its amnesty program. [Redacted]

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WEST GERMANY-USSR: Visit to Moscow

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West German President von Weizsaecker and Foreign Minister Genscher have accepted a Soviet invitation to visit Moscow in early May, according to press reports. Soviet officials earlier claimed they had told West German interlocutors that a presidential visit and a formal apology by Chancellor Kohl for his comparison of General Secretary Gorbachev and Nazi propaganda minister Goebbels last October were necessary before Kohl could visit Moscow or Gorbachev would travel to Bonn, 


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Comment: Bonn probably believes the invitation is confirmation that Moscow is moving to improve relations after Kohl's speech to the Bundestag last week, even though that address included no apology. The Soviets may continue to show their displeasure, however, by offering no commitment on any visit by Kohl or Gorbachev and giving preferential treatment to other West German leaders such as Genscher, who has strongly praised current Soviet domestic reforms. Both sides will use the visit to express support for an INF agreement and for expanding East-West trade. They also may conclude bilateral agreements on nuclear energy and environmental cooperation 

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NORDIC STATES: Stalling on Nuclear-Free Zone



At their twice-yearly meeting in Reykjavik this week, the Foreign Ministers of Denmark, Finland, Iceland, Norway, and Sweden probably will again defer creating a high-level working group to study the establishment of a Nordic Nuclear-Weapons-Free Zone. 

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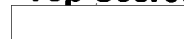
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Comment: Sweden and Finland will push hard for the working group, which they see as a necessary step toward reaching a consensus on creating a nuclear-free zone. Iceland—the strongest opponent of a zone—will seek to block movement on this issue at least until the Foreign Ministers' meeting in August. The Danes, sensitive to perceptions that the smaller Nordic states are being bullied by their larger partners, will probably support Iceland. If an intergovernmental working group were created, some believe it would only serve to "study the issue to death" while keeping it from the purview of more radical parliamentary committees. 

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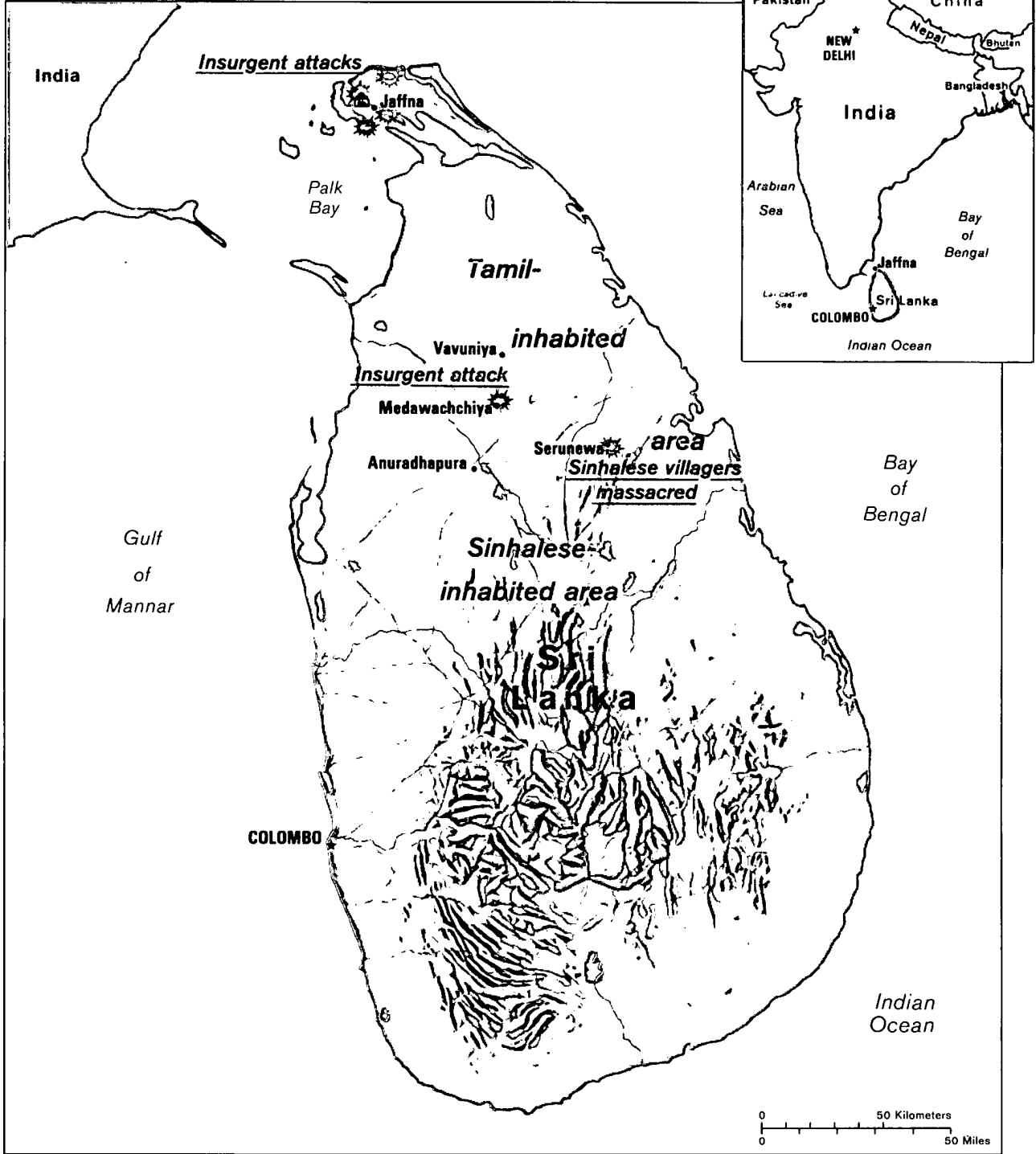


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Recent Attacks by Tamil Insurgents



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SRI LANKA: Insurgents Strike Back

The largest Tamil insurgent group in Sri Lanka has launched at least five attacks against government installations since Sunday. According to press reports, the Liberation Tigers of Tamil Eelam have attacked Army positions on the Jaffna Peninsula, killing at least five soldiers and capturing eight, and 25 Sinhalese villagers are said to have been killed by Tamil militants in the North Central Province. Government spokesmen claim the insurgents are seeking to provoke attacks by security forces.



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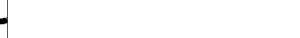


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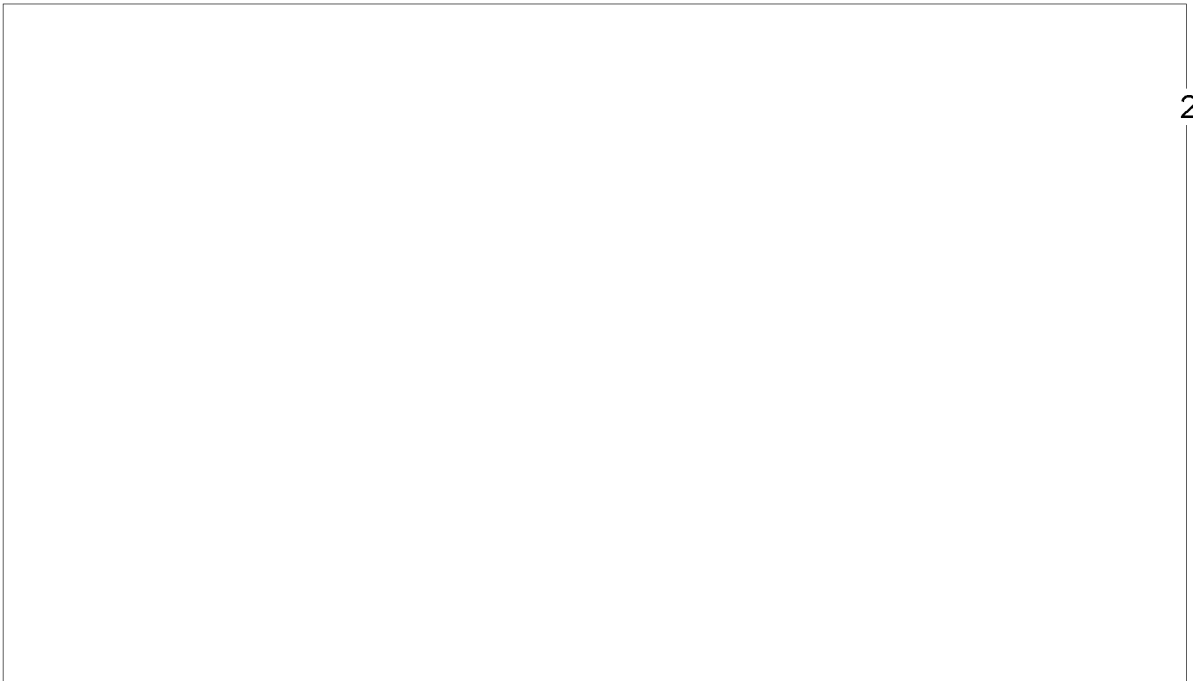
Comment: The Tamil attacks, probably aided by recent arms deliveries from India, are the first in nearly two months and mark a shift from the insurgents' strategy of "fading away" instead of engaging government forces. Their initial success suggests that the Tigers' capabilities were not seriously hurt by recent government military operations. New Delhi probably hopes to get negotiations moving again by next month and will raise objections if Colombo's retaliation causes significant Tamil civilian casualties.

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CHINA-US: Trying To Sidestep FMS Program

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The Chinese recently asked a ~~US~~ ^{WEST} firm for help in placing ~~US~~ avionics technology intended for their F-8-2 fighter into a new-generation fighter aircraft. [Redacted] hopes to make use of the avionics after completing the F-8-2 program in order to avoid extending the already lengthy, expensive Foreign Military Sales procedure. Beijing reportedly plans to produce about 200 of the new fighters during the early 1990s. [Redacted]

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Comment: Using the avionics package designed for the F-8-2 in the new aircraft will be impossible unless the company gaining the F-8-2 contract installs the package; no other firm will have access to the package's software documentation. FMS rules prevent Beijing from choosing the company to provide the F-8-2 avionics, but the Chinese may hope to encourage a low bid from that firm by suggesting future deals with it. [Redacted]

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CHINA-PORTUGAL: Agreement on Macau

[Redacted]

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Beijing has acceded to Lisbon's request that Macanese and local Chinese entitled to Portuguese citizenship be allowed to hold Portuguese as well as Chinese passports, according to press reports. That issue was the focus of the fourth and final round of negotiations between China and Portugal, which this week produced the agreement to return Macau to Chinese administration on 20 December 1999. Portuguese Prime Minister Cavaco Silva reportedly will travel to Beijing next month to sign the joint declaration [Redacted]

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Comment: The terms of Macau's transfer are likely to be modeled after the Sino-British Joint Declaration on Hong Kong, but Macau lags far behind Hong Kong in preparations to train local Chinese to administer the territory. The Macau Government will probably implement a program in the interim to facilitate the transfer of administration to local Chinese and Macanese, in part to prevent a flight of Portuguese passport holders to Portugal. China's apparent concession on passports conflicts with its nationality law—citizens of China cannot hold dual nationality—and Beijing probably will recognize the Portuguese passports only as travel documents. [Redacted]

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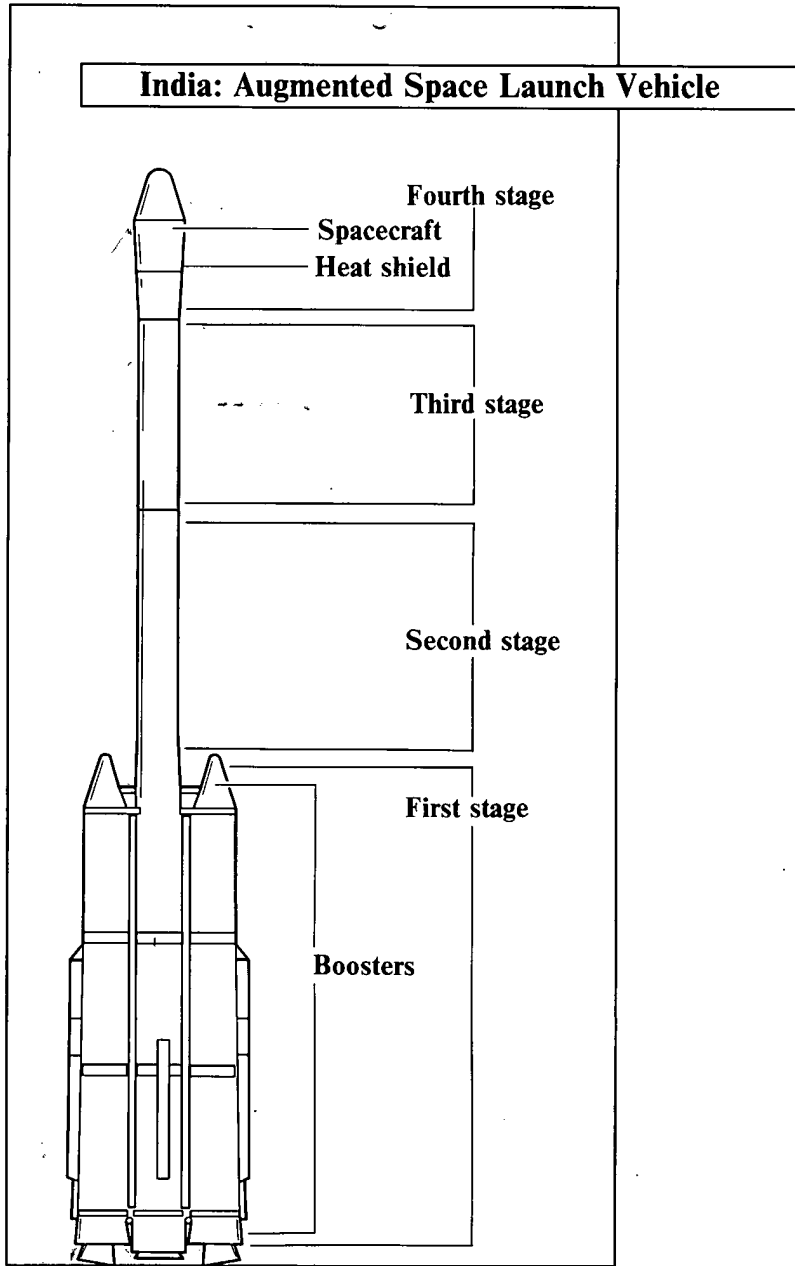
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INDIA: Failure of New Space Launch Vehicle

[Redacted]

The highly publicized first launch of India's new space booster—the Augmented Space Launch Vehicle—ended in failure yesterday,

[Redacted]

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Comment: The failure marks another political problem for Prime Minister Gandhi, who attended the launch. It is also a setback for India's space program; the last launch was in April 1983, and the future of the program depends in part on the success of this space vehicle. The new vehicle can carry a payload three times the weight of that carried by India's older booster and is intended to test hardware for India's next-generation, larger launch vehicle. The next launch, carrying a West German multispectral optical sensor, was scheduled for early next year; it now may be delayed.

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In Brief

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Americas

— **Chile's** two main labor confederations staging peaceful, antigovernment protest today, ~~US Embassy reports~~... first such effort by labor since 1983... major demonstrations unlikely, but slum area violence, numerous arrests possible.

[Redacted]

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Some violence likely during ^{on 25 March} today's strike by **Ecuadorian** workers protesting government's austerity measures... leftists seeking impeachment of President Febres-Cordero... ~~US Embassy one possible target~~... extensive security measures taken.

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[Redacted]

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Large arms cache discovered recently in northern **Chile**, ~~according to press~~... includes M-16 ammunition, rocket-propelled grenades... same items similarly found last year... terrorists may still have significant amounts of hidden arms.

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[Redacted]

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Europe

British Labor leader Kinnock confirms party would keep US missiles pending INF agreement but would remove them within five years... statement aimed to reassure leftwingers yet make Kinnock look reasonable during US visit opening tomorrow.

[Redacted]

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Africa

South African railworkers' strike spreading... now involves 11,000 blacks... bombing at Soweto train station ~~Monday~~ apparently strike-related... Pretoria's authorization of summary dismissals may provoke clashes with security forces.

[Redacted]

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[Redacted]

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Uganda last week agreed to broad World Bank, IMF reform package, according to US Embassy... Kampala unlikely to meet terms of accord as political, security situations deteriorate.

[Redacted]

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[Redacted]

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Terrorism

^{on 28 March} Bomb blast ~~Monday~~ in Lahore, **Pakistan**, killed six, injured 52, ~~according to US Consulate there~~... target was meeting of anti-Shia Sunni fundamentalists... no evidence of Afghan involvement... incident will increase local Shia-Sunni tensions.

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[Redacted]

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Tunisian arrested for bombing **Djibouti** restaurant frequented by **French** soldiers may have been recruited by radical Palestinian group... it has ties to Lebanese Armed Revolutionary Faction, whose terrorist leader remains jailed in Paris.

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Key Provisions of the Current Contadora Draft Treaty and the Arias Peace Plan

Contadora**Arias****Entrance into force**

Officially would take effect when ratified by all five Central American countries but would prohibit actions that would "frustrate" the purpose of the treaty in the interim.

Upon signature by the five Central American countries.

Verification

Would create a Verification and Control Commission on security matters (VCC) made up of four members proposed by the Contadora mediators and approved by each Central American country.

Would create commission consisting of the Secretaries General of the UN and the OAS and Foreign Ministers of the Contadora Group and the Support Group. Each country facing an armed insurgency is to form a National Commission for Reconciliation and Dialogue consisting of representatives from the government, the internal political opposition, the Catholic Church, and the Inter-American Human Rights Commission. Within six months, the Central American Presidents are to meet to evaluate progress in executing the treaty.

National reconciliation

Calls for democratic, representative, pluralistic political systems in accordance with national laws. Would guarantee equal conditions for all political parties to participate in election, with guaranteed access to mass media.

Upon signature, parties in conflict in each country are to begin a cease-fire. Each government is to begin a dialogue with all unarmed internal opposition groups and increase the democratic, representative, and pluralistic nature of its political system. Within 60 days, governments are to declare a general amnesty for insurgents and political prisoners; to restore freedoms of association, assembly, and speech; and to guarantee free access to mass media. During the first six months of next year, each government is to hold free, open, and democratic elections to choose representatives to a new regional parliament and, after that, equally free elections for positions at all levels of government in accordance with existing election schedules.

Ceilings on arms and troops

Treaty unclear on exact timing but apparently upon signature would require the five Central American countries to begin negotiations to determine "reasonable" levels of arms and troops. After ratification, parties apparently must suspend all military purchases except ammunition and spare parts. Within 60 days, the VCC would suggest limits and a schedule for reductions. If agreement is not reached, the VCC's proposals are to be implemented and, over a long term, restrictions on foreign military advisers, bases, and exercises are to be lifted.

Within 60 days of signing, the five Central American governments are to begin negotiations on the control and reduction of their current weapons inventories and on the number of their military forces.

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Special Analysis

CENTRAL AMERICA:

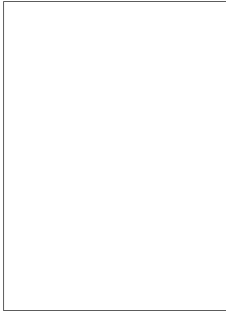
Reactions to the Arias Peace Plan



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Costa Rican President Arias's Central American peace plan has failed to gain more than lukewarm support in the region since he proposed it in mid-February. The Contadora mediators and Nicaragua are likely to try to fold it into the existing Contadora draft treaty.

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Arias is optimistic that his proposal will either force the Sandinistas to establish a democratic system or—if Managua refuses to do so—help to build an international consensus not to oppose increased US military pressure on Nicaragua, ~~according to the US Embassy in San Jose. Recent press reports indicate~~ Arias is confident his plan has broad international backing.

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Core Four Disunity

Arias has failed to unite the other Core Four countries—Honduras, El Salvador, and Guatemala—behind his plan. US diplomatic reporting indicates that Honduras and El Salvador have major objections to the vague military provisions of his proposal. Tegucigalpa seems especially concerned that the call for an immediate cease-fire between governments and insurgents in Central America would cause the Contras to retreat to their border camps in Honduras. Attempts by the Core Four to meet to coordinate changes in the Arias plan have failed so far; Honduran officials have told the US Embassy there is little enthusiasm to try again.

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Guatemalan President Cerezo, at a meeting of the Core Four in February, refused to agree to the plan because Nicaraguan President Ortega was not present. Cerezo is planning to visit Managua soon to discuss the plan, according to the US Embassy in Guatemala City. He has consistently avoided pressing Managua for significant concessions.

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Honduras and El Salvador probably fear that Arias and Cerezo are more interested in promoting themselves as regional statesmen than in devising a peace plan acceptable to other Central American democracies. The US Embassy in San Jose reports Arias wants to include politicians of known pro-Sandinista sympathies in a delegation he intends to send to Managua to discuss both his plan and the Central American summit scheduled later this spring in Guatemala.

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Key Provisions of the Current Contadora Draft Treaty and the Arias Peace Plan (Continued)

Contadora

Arias

External support for insurgents

Would prohibit all political, military, financial, and logistic assistance to groups seeking the removal or destabilization of other governments. Would direct each government to devote all available means to deny such groups use of its territory. (No time period stipulated.)

Upon signature, all external aid to insurgents in the region is to end. Each government is to reaffirm its commitment not to provide safehaven or military assistance of any kind to groups trying to destabilize other countries.

Military exercises

Would suspend all international military exercises for 90 days after final ratification. Would allow one exercise per year until the parties agree on limitations on arms and military forces, after which exercises with forces from outside Central America would be prohibited. Only minor restrictions on national exercises. Controls would be lifted if an arms limitation agreement were not reached.

Not covered.

Foreign military and security advisers

Would eliminate all foreign military advisers within 180 days of signing. The VCC is to propose limits on the number of technical advisers to be permitted in the future. Controls are to be lifted if an arms limitation agreement is not reached.

Not covered.

Foreign Bases

Would eliminate all foreign military bases and foreign military schools within 180 days of signing and prohibit the establishment of new ones. Controls would be lifted if an arms limitation agreement were not reached.

Not covered.



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Contadora and Nicaraguan Maneuvering

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The Contadora Group has already issued a communique praising some elements of the Arias plan as beneficial to the broader peace process.

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The Sandinistas initially were wary of the plan, probably because they were excluded from the early negotiations. In recent weeks, however, Managua has announced it will attend the meeting in Guatemala and would accept several key provisions of the proposal—including dialogue with the unarmed domestic opposition and freedom of the press—if it were integrated into the Contadora process.

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Outlook

The Core Four will probably try to negotiate a united position in the coming weeks in an effort to counter Contadora and Nicaraguan maneuverings. To hold the initiative at least until the five Central American presidents meet in Guatemala, Arias is likely to pay greater attention to Honduran and Salvadoran security concerns, but he probably will not allow changes that would obviously give the Sandinistas an excuse to reject the plan. ~~Moreover, the Core Four presidents' longstanding fear of appearing to be too closely allied with the US and of appearing to be obstructing the peace process will hinder their ability to take a tough stand against Nicaragua.~~

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President Ortega's public offer last week to drop Nicaragua's objections to US military bases and exercises in Central America—long a sticking point in the Contadora negotiations—is a sign that the Sandinistas are again trying to portray the Core Four's demands as the sole obstacles to a settlement. ~~In addition to scoring propaganda points, Managua probably hopes that a reinvigorated Contadora process would complicate US efforts to continue providing military aid to the Contras and that it would also stave off what it sees as the possibility of direct US military intervention.~~

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Special Analysis

SPAIN:

Gonzalez Government Under Fire

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For the first time in his five-year tenure, Spain's Socialist Prime Minister Gonzalez faces widespread popular discontent over social and economic policies. He remains strong politically, but local elections scheduled for this spring may prompt him to use the negotiations with the US on use of bases in Spain to score points with the public and to retain the support of his increasingly restless left wing. [Redacted]

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The prudent economic policies of Gonzalez have served Spain well since the Socialists came to power in 1982. Inflation fell from 14.4 percent in 1982 to 8.3 percent in 1986; the current account has improved from a deficit of more than \$4 billion to a surplus of \$5 billion; and Spain's 3-percent economic growth rate is its best since 1978, exceeding the EC average. Gonzalez has also increased foreign confidence—more than doubling foreign investment in the country last year. [Redacted]

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These gains have not come without cost. Spain has an unemployment rate of more than 21 percent, the highest in Western Europe. Moreover, improvements in education and health care under Gonzalez have been slower than some would like. [Redacted]

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Mounting Discontent

Until recently, the public has accepted the government's policies as necessary to solve Spain's economic problems, but the relative domestic calm is ending. High school students staged a series of strikes over the past three months that ended with the government giving in to demands for lower tuitions and more scholarships. Farmers and workers have subsequently attacked the government's plans for restructuring the agricultural and industrial sectors and maintaining tight control over wages. Doctors, teachers, transportation workers, and miners are also expressing their discontent with the government's performance. [Redacted]

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More worrisome for Gonzalez are the indications of dissension within Socialist ranks. [Redacted] some party members are criticizing him for failing to push social reforms more vigorously and for remaining aloof from the rank and file. Although the Socialists' labor affiliate refused to join the recent Communist-backed worker demonstrations, it has begun to distance itself from the government's anti-inflation policies, chiding the Finance Minister for his efforts to restrict wages. [Redacted]

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The growing restiveness is also reflected in recent opinion polls. Some 79 percent of Spaniards believe that unemployment has worsened this year, although the rate of joblessness actually has fallen slightly. The public is pessimistic about other social issues as well, including terrorism, drugs, and health care. Such discontent could deepen if the police overreact in their effort to control demonstrations.

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Gonzalez, Strong but Vulnerable

Despite the growing dissatisfaction with his policies, Gonzalez remains personally popular, and the opposition divided and weak. Polls suggest that if a national election were held tomorrow, the Socialists would almost certainly win. For a party not used to being on the receiving end of protests, the recent demonstrations nonetheless must have had a sobering effect, particularly with regional and municipal elections to be held in June.

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[Redacted]

Gonzalez probably also fears that former Prime Minister Suarez—whose nationalist and populist rhetoric is increasingly appealing to center-left voters—will be the net beneficiary of any general unrest and fissures among the Socialists.

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Implications

Despite a generally favorable economic outlook for this year, Gonzalez is unlikely to alter his policies significantly because he is strongly committed to preparing Spanish business to face EC competitors. Instead, he may use foreign policy issues to deflect criticism of his domestic policies and to solidify his base of support among left and center voters in the runup to the June elections. Gonzalez may, for example, play up his government's promise of large reductions in US forces by publicly highlighting differences with Washington—a tactic that could further limit Madrid's maneuvering room in the bases negotiations.

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