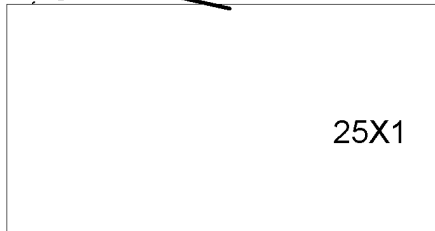




**Director of
Central
Intelligence**

~~Top Secret~~

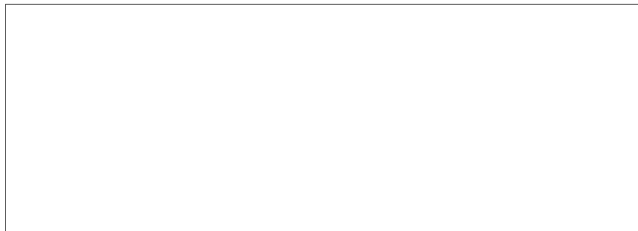
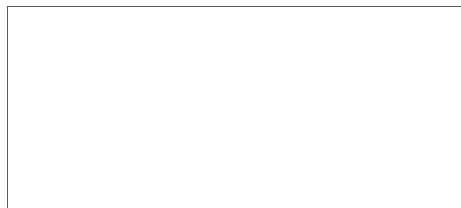


25X1

National Intelligence Daily

25X1

**Monday
13 April 1987**



25X1

~~Top Secret~~

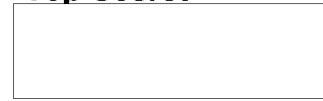
CPAS NID 87-085JX

13 April 1987

25X1

Page Denied

Top Secret



25X1

Contents



25X1

USSR-Cuba: High-Level Visitors to Havana	2
Ethiopia-Somalia: Impasse in Negotiations	3

Notes



25X1

India: New Defense Minister	5
India-Pakistan: Trade Talks Moving Slowly	5
Japan: Trade Surplus Still Growing	6
Egypt-North Korea: Missile Development Cooperation	6
Mexico: Concern About Economic Outlook	7
Kenya: Moi Moves on Human Rights Image	7
In Brief	8

Special Analyses

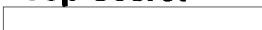
China: Old Guard Sustains Momentum	9
Nicaragua: Growing Dependence on Foreign Aid	11
Poland: Status of Church-State Relations	13



25X1



Top Secret



25X1

25X1

13 April 1987

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

[Redacted]

25X1

USSR-CUBA:

[Redacted]

High-Level Visitors to Havana

[Redacted] 25X1
25X1

An unprecedented number of senior Soviet officials have traveled to Cuba during the past six weeks, suggesting Moscow is increasingly concerned about Cuba's economic outlook as well as over the need to coordinate foreign policy. [Redacted]

25X1

Politburo candidate member Yel'tsin, the Moscow city party chief, met with President Castro and Armed Forces Minister Raul Castro on his way to and from Nicaragua early last month. According to *Pravda*, "socioeconomic developments" in the USSR and Cuba and foreign policy issues were the main topics of conversation. [Redacted]

25X1

Viktor Chebrikov, a Politburo member and chief of the KGB, left Cuba on 3 April after an eight-day stay. He met with both Castro and Interior Minister Abrantes, among others, and toured agricultural and technological enterprises. [Redacted]

25X1

Soviet and Cuban media reported Chebrikov explained the political and economic restructuring taking place in the USSR, and Fidel Castro detailed efforts to implement the decisions of last year's Cuban Communist Party Congress and improve productivity. [Redacted]

25X1

The Cubans hosted the USSR's deputy propaganda chief and Supreme Soviet Deputy Chairman Voskanyan early this month. *Izvestiya* said Voskanyan listened to the Cubans describe "the process of rectifying errors" and "eliminating negative tendencies." [Redacted]

25X1

Comment: Friction in Soviet-Cuban economic relations has been repeatedly evident in this decade and has centered on Havana's mismanagement of the Cuban economy, the level of Soviet economic assistance, and differing views of Cuba's economic future. Moscow has insisted that Havana emphasize agricultural production—rather than the accelerated industrial development favored by Fidel Castro—and stem inefficiency. The Soviets have indicated that future aid would be capped at levels achieved in 1984-85. [Redacted]

25X1

Castro has repeatedly signaled resistance to Moscow's vision of Cuban development. Although the Party Congress last year promised austerity and limited conservation in Cuba—probably under Soviet pressure—Castro has done little to reverse Cuban trends that run contrary to the market incentives and economic liberalization urged by Moscow. The recent deterioration of the Cuban economy probably has reinforced Soviet concerns. [Redacted]

25X1

Other possible reasons for these visits include Castro's concerns about talks between the US and the USSR, General Secretary Gorbachev's proposed trip through Latin America, the Soviet-Cuban military relationship, and support for the Sandinistas. [Redacted]

25X1

25X1

[Redacted]

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

**ETHIOPIA-
SOMALIA:**

[Redacted]

Impasse in Negotiations

[Redacted]

The collapse of talks between Ethiopia and Somalia in their longstanding dispute over the Ogaden region is likely to lead to increased border conflict. [Redacted]

25X1

In three meetings since these talks began in January 1986, the two sides have yet to agree on an agenda. The Ethiopians argue that recognition of the de facto border should be the focus of the talks, while the Somalis insist that "confidence-building measures"—such as prisoner exchanges or a mutual withdrawal from border positions—be discussed first. [Redacted]

25X1

Somali President Siad first proposed the talks in hopes of reducing frontier tensions and ending insurgent activity in northern Somalia. He is unwilling, however, to risk a domestic backlash by abandoning Somalia's claim to the Ogaden region.

[Redacted]

25X1

[Redacted]

Comment: Although the Somali Army is in no danger of losing control in northern Somalia, it has suffered several defeats over the past 18 months [Redacted]

25X1

In addition, Mogadishu's efforts to preempt guerrilla attacks by raiding dissident camps in the Ogaden have provoked Ethiopian retaliatory attacks. [Redacted]

25X1

Many Somali military officers blame the decline in ~~US~~ military assistance for their Army's weaknesses. They are likely to increase pressure on the regime to exact a higher price from Washington for renewing the military access agreement with the ~~US~~, which expires in ~~1990~~ if Somalia suffers further defeats. [Redacted]

25X1

[Redacted]

Top Secret

[Redacted]

25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

[Redacted]

25X1

[Redacted]

INDIA: New Defense Minister

[Redacted]

Prime Minister Gandhi yesterday appointed K.C. Pant as Defense Minister to replace V.P. Singh, who resigned amid growing financial scandals reportedly involving Gandhi's office. According to press reports, senior Cabinet and fellow Congress Party members last week had pressed Gandhi to drop Singh for embarrassing the Prime Minister by ordering an inquiry into a shady arms deal commission paid while Gandhi was serving as Acting Defense Minister. According to press and US Embassy sources, Singh's resignation had been imminent since his removal from the Finance Ministry two months ago following reports that he was checking into allegedly illegal foreign holdings of several Gandhi aides and had hired a US detective agency to investigate the affair. [Redacted]

25X1

Comment: Singh's resignation almost certainly will do little to quiet Gandhi's critics. The financial scandals are only part of a series of opposition and intraparty challenges facing Gandhi, including his inability to solve the Sikh conflict in Punjab State and to halt an erosion of the Congress Party's power in non-Hindi-speaking states. Singh, long one of the most loyal of Gandhi's aides, almost certainly will not seek to implicate Gandhi more deeply in the scandals. [Redacted]

25X1
25X1

[Redacted]

[Redacted]

INDIA-PAKISTAN: Trade Talks Moving Slowly

[Redacted]

India and Pakistan, in accordance with the agreement reached between Prime Minister Gandhi and President Zia at their meeting in February, continue to discuss the resumption of bilateral trade. [Redacted]

25X1
25X1

[Redacted] Pakistan's Ambassador to India met with the Indian Commerce Secretary early last month to make plans for a subcommittee on expanding trade. [Redacted]

25X1

[Redacted]

Comment: Other than the negotiations on troop withdrawals, these discussions mark the first time since the Zia-Gandhi meeting that the two countries have gotten together. Pakistan's determination to protect its markets and New Delhi's skepticism about Islamabad's commitment to restoring bilateral trade nonetheless are likely to delay additional moves. New Delhi probably believes Islamabad is more interested in impressing the US Congress, which is conducting hearings on aid to Pakistan, with a show of progress on easing regional tensions. Although the Indian Government probably will agree to the proposed subcommittee in principle, it is unlikely to proceed much further until the Pakistanis show a willingness to enlarge their list of imports. [Redacted]

25X1

Top Secret

[Redacted]

25X1

Top Secret

25X1

25X1
25X1



JAPAN: Trade Surplus Still Growing

The Japanese trade surplus, a source of serious tensions between Tokyo and its trading partners, is headed for another record this year. The surplus in the first quarter of this year was nearly 40 percent larger than it was for the same period last year, according to official Japanese data. Most of the increase, however, occurred in the West European markets; the surplus with the US grew only slightly.

25X1

Comment: If the trend of the past three months continues, Japan's trade surplus this year may reach \$115 billion—nearly \$33 billion more than the record level attained last year. The changing geographic makeup of the trade surplus suggests that Tokyo will be under increasing pressure from West European governments in the months ahead. The strong yen will force Japan to become less dependent on overseas sales, but the process will be slow and is just beginning, as shown by the small decline in export volume last year.

25X1

25X1



EGYPT-NORTH KOREA: Missile Development Cooperation

Egypt is trying to develop a short-range ballistic missile similar to the Soviet Scud and hopes to begin production by late 1989 with North Korean assistance. Cairo wants to produce about 100 missiles a year eventually. Production has not gone beyond the prototype phase, however, and the first motor assembled in Egypt was successfully bench-tested only recently. The Egyptians, with the assistance of 30 to 40 North Korean advisers, are doing most of this work at a factory near Cairo.

25X1

25X1

25X1

Comment: If the program is successful, Egypt will be the first country in the Middle East—other than Israel—to produce indigenously SRBMs in quantity. Egypt, however, probably lacks the necessary plant, equipment, and technical expertise, especially in guidance and control, to begin series production before 1990, even with continued North Korean assistance. Cairo is likely to persevere as much for reasons of prestige as in expectation of eventual export earnings.

25X1
25X1



Top Secret

25X1

13 April 1987

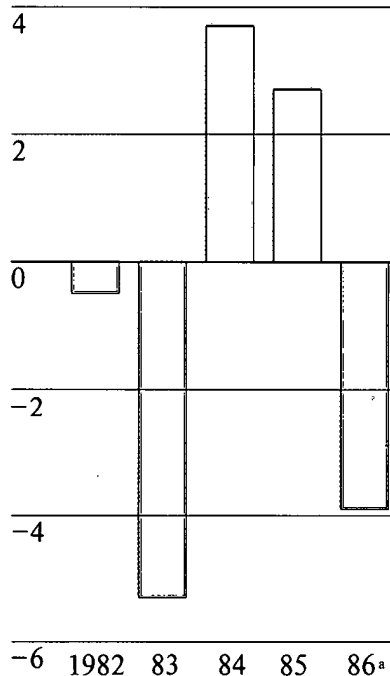
Top Secret

25X1

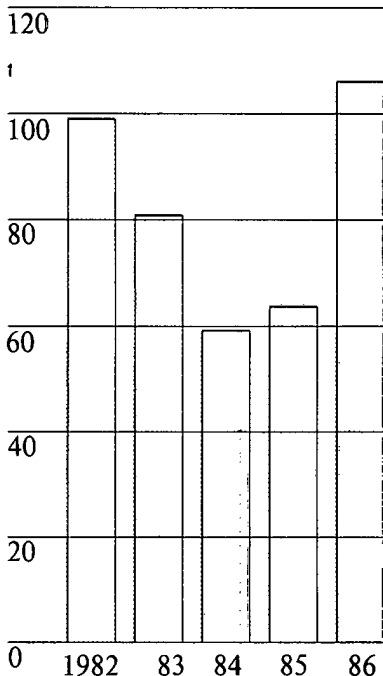
Mexico: Selected Economic Indicators, 1983-86

Note scale change

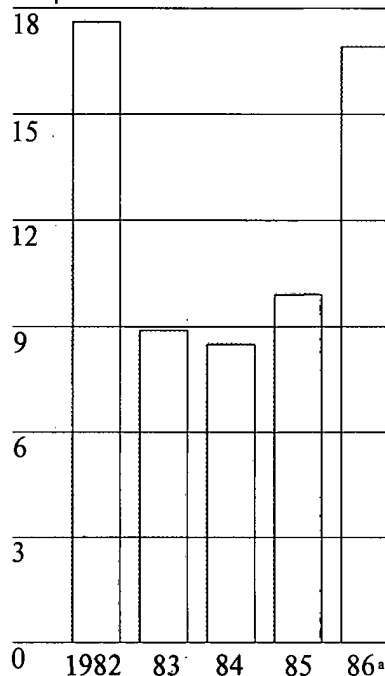
Real GDP Growth
Percent



Inflation
Percent change in CPI



Public Sector Deficit
Share of GDP



^a Estimated.

312458 4-87

25X1

Top Secret

13 April 1987

25X1

Top Secret

[Redacted]

25X1

[Redacted]

MEXICO: Concern About Economic Outlook

[Redacted]

25X1
25X1

Mexico's economy declined at an annual rate of 5 percent last quarter, and financing the federal deficit continued to absorb more than 90 percent of domestic credit, according to preliminary Mexican data. The private sector fears that this slump—caused by the delay in disbursing new foreign loans—will prompt President de la Madrid to overstimulate the economy later in the year, according to the US Embassy. Businessmen are reportedly concerned that the new money will be used primarily to create jobs and otherwise pump up the economy, activities that would fuel inflation—already running at 125 percent on an annual basis.

[Redacted]

25X1

Comment: Even with new money, the government's economic growth target of at least 2 percent this year is in jeopardy, and plans to reduce inflation to 80 percent or less are virtually unattainable. With the economy now performing below target and national elections a little more than a year away, de la Madrid probably will opt for higher spending—even if it means higher inflation—over more conservative policies, such as cutting the country's deficit.

[Redacted]

25X1

[Redacted]

KENYA: Moi Moves on Human Rights Image

25X1
25X1

Kenyan President Moi is acting to prevent international criticisms of his country's record on human rights from causing the US, West Germany, and Sweden to reduce foreign aid.

[Redacted]

25X1

Last Wednesday, Moi told the US Ambassador that he opposes abuses of human rights, but implied that some violations might occur without his knowledge or approval. Earlier last week, another senior official assured the US Ambassador that Moi had ordered police to halt strong-arm tactics against undocumented aliens. ~~The US Embassy has reported~~ numerous instances of suspected police brutality against alleged Kenyan dissidents.

[Redacted]

25X1

25X1

Comment: Moi's increasingly autocratic behavior has helped to create an environment conducive to human rights violations by subordinates, but there is little indication that he sees this issue as anything more than a public relations problem. Despite the recent criticism, Kenya's record on human rights compares favorably with those of other Third World countries, and Western donors are unlikely to reduce aid substantially unless there is a sharp deterioration in that record.

[Redacted]

25X1

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

In Brief

25X1

Middle East

[Redacted]

— **Syrian** official says wheat supplies will run out before harvest in June, according to US Embassy . . . claims problem given low priority by leadership . . . additional imports from **France** unlikely, may seek emergency **Saudi** aid. [Redacted]

25X1

25X1

Americas

— **Nicaraguan, Honduran** troops exchanged fire in minor border clash over weekend . . . press indicates Hondurans strengthening positions to deter Sandinistas . . . incident probably not preparatory to major Nicaraguan incursion. [Redacted]

25X1

25X1

[Redacted]

25X1

Asia

— **South Korean** President Chun today announced successor will be elected this year under existing constitution . . . opposition blamed for lack of agreement on constitutional reform . . . discussion of revision to be permitted after next year's Olympics. [Redacted]

25X1

25X1

— Partial results of local elections yesterday show **Japanese** ruling party taking some losses nationwide . . . failed to recapture key governorship of Fukuoka . . . press portraying loss as setback to Nakasone's sales tax plan and blow to sagging prestige. [Redacted]

25X1

Europe

— **Romania** Thursday presented to NATO ambassadors in Bucharest Warsaw Pact's proposal for defense spending freeze . . . authorized by Pact foreign ministers last month . . . low-level presentation indicates move intended only as propaganda. [Redacted]

25X1
25X1

— **Dutch** firm Fokker has told US diplomats it plans to service **Libyan** civilian aircraft despite US sanctions . . . pleading financial hardship . . . probably doubts US, Netherlands Governments willing to exert strong pressure against deal. [Redacted]

25X1

25X1

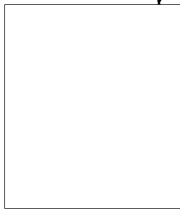
[Redacted]

Top Secret

[Redacted]

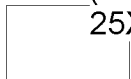
25X1

Top Secret



25X1

Special Analysis



25X1

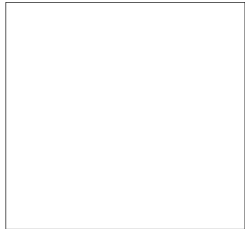
CHINA:

Old Guard Sustains Momentum



The annual session of China's nominal legislature that adjourned Saturday featured uncharacteristic displays of open disagreement amid ritual assertions of leadership unity. By publicizing the relative frankness of the proceedings, Beijing may have made progress toward neutralizing the widespread impression, both at home and abroad, that the National People's Congress is a "rubber stamp" without true deliberative powers. Although both sides of the political debate staked out unambiguous positions, Chinese policy pronouncements prior to the more authoritative 13th Party Congress this fall will probably reflect a tenuous balance between reform and Marxist orthodoxy.

25X1



25X1



25X1

From the floor of the NPC, delegates questioned aspects of policy that Premier Zhao Ziyang outlined in his government work report; and the nomination of a new public security minister received a token show of "nays." A law establishing village committees for local self-government was first delayed and later endorsed only "in principle" by the conclave. The draft law will go to the NPC Standing Committee—dominated by archconservative Peng Zhen and disgruntled old-guard figures—for final review, a move that may portend procedural obstruction of reform measures.

25X1

Peng Asserts Power

Also unusual during the NPC was the proliferation of freewheeling press conferences that gave wide currency to a variety of views, most of which were vaguely critical of the reforms or reformers. A military spokesman disclaimed an Army role in the ouster of former General Secretary Hu Yaobang; members of the Legislative Affairs Committee explained the anticipated holdup in the village council regulations and the controversial delay of a state enterprises law last month. Peng Zhen expounded on a long list of contentious topics.

25X1

Peng once again demonstrated his power as chairman of the NPC by using its meetings as a personal forum. During his outing with the Hong Kong press, he expanded—perhaps disingenuously—on the need for Deng Xiaoping alone among the party elders to remain on the Politburo. He also parried a host of reformist complaints, denied the existence of "conservatives" within the leadership, and gave his slant on Hu's downfall.

25X1

continued

Top Secret



25X1

Top Secret

25X1

Economic Straws in the Wind

The delegates endorsed a resolution that culled from Zhao's report the most orthodox passages for special emphasis. In registering the criticality of grain production and underscoring the need for caution, thrift, scaled-down investment, and national self-reliance, the resolution repeated a litany of conservative concerns. [redacted]

25X1

Despite the conservative tone of the session, Zhao's report—apparently endorsed in its entirety—indicated he will continue to press for market-oriented reforms that reduce central control. Zhao referred to a major review of China's reform program now under way that, ~~according to a US Embassy source,~~ will detail a comprehensive, coordinated reform "blueprint." Slated for release next month, this study almost certainly will reaffirm the need for price reform and other controversial measures while reassuring critics of prudent implementation. [redacted]

25X1

25X1

The Months Ahead

Beijing is emphasizing "business as usual" following Hu's ouster, and controversial policies are likely to remain on hold, at least through the party congress. Chinese media have treated the NPC's public give and take as evidence of true deliberation and "socialist democracy." The main benefactors of the additional political weight now ascribed to the NPC are Peng and his associates who have been shunted there from high party posts since 1982. [redacted]

25X1

Although reformers have tightened fiscal and monetary policies, they have only limited control over several major problems. For example, their ability to boost grain production is heavily dependent on the weather, which has been poor this year. Reducing China's troublesome foreign trade deficit also requires increasing exports of textiles and other light manufactures, which may be difficult because of heightened protectionist sentiments in the West. [redacted]

25X1

25X1

Top Secret

25X1

Top Secret

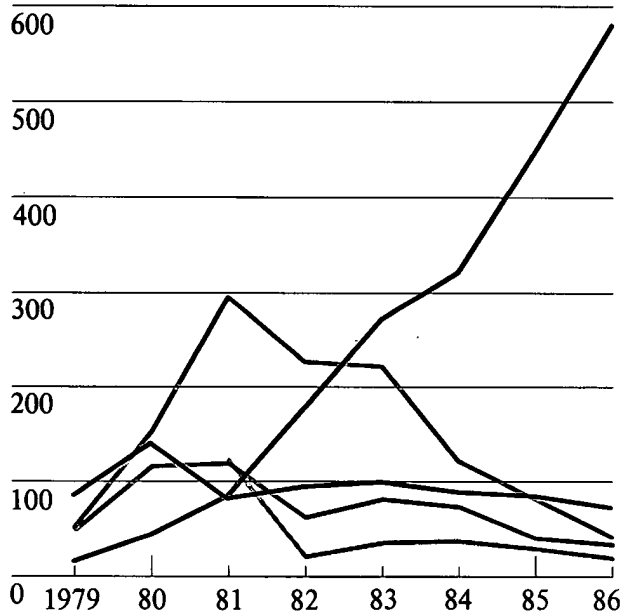


25X1

Nicaragua: Annual Assistance by Source, 1979-86

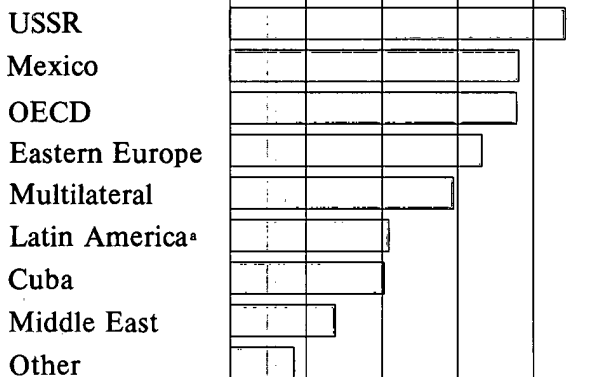
Million US \$

- Soviet Bloc-Cuba
- Latin America
- OECD
- Multilateral
- Middle East



Nicaragua: Sources of Foreign Economic Support, 1979-86

Million US \$



^a Excluding Mexico.



312448 4-87

25X1



312448 4-87

25X1

Top Secret



13 April 1987

25X1

Top Secret

[Redacted]

25X1

Special Analysis

25X1

[Redacted]

NICARAGUA:

[Redacted]

Growing Dependence on Foreign Aid

25X1

Foreign financial assistance to Nicaragua nearly quadrupled from \$200 million in 1979, the year the Sandinistas seized power, to almost \$800 million last year. Aid from Communist countries accounts for all of the increase, although the West provides about 20 percent of Nicaragua's foreign aid. The Soviets are likely to supply whatever additional assistance is needed to keep the Nicaraguan economy afloat despite Moscow's warnings that the Sandinistas must show more accountability for Communist aid. [Redacted]

25X1

Soviet Bloc and Cuban assistance to Nicaragua has expanded rapidly, soaring from \$17 million in 1979 to almost \$600 million last year. [Redacted] Of the nearly \$2 billion in economic assistance provided by those countries since 1979, more than one-half has been disbursed over the past two years; Moscow alone provided \$235 million in 1985 and \$325 million last year. [Redacted]

25X1

25X1

The USSR probably uses CEMA meetings and bilateral talks with Bloc countries and Cuba to coordinate Communist aid packages to Nicaragua. While the great bulk of Soviet Bloc aid is for oil, raw materials, and consumer goods, Moscow also is funding and directing several development projects, including an oil storage facility and an irrigation project on the Pacific coast. [Redacted] the Cubans specialize in technical cooperation and project maintenance. They also built Nicaragua's largest industrial facility, the July Victory sugar refinery. [Redacted]

25X1

25X1

The sharp increase in foreign assistance has done little to stem the deterioration of Nicaragua's economy. According to an official Sandinista study, the regime has failed to use investment assistance on projects that provide immediate returns but instead has directed much of it to long-term projects that drain scarce resources and produce few economic benefits. Moreover, most Soviet Bloc and Cuban aid has been spent on consumable goods rather than on development projects needed to generate economic growth, according to official Nicaraguan data. [Redacted]

25X1

Declining Western Aid

As Managua has increased domestic repression and moved closer to Communist countries, economic support from the West has gradually declined. Until 1984, the OECD countries, Latin America, and

continued

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

multilateral lending institutions provided more assistance than did Nicaragua's Communist benefactors. [Redacted]

25X1

The US cut off aid credits to the regime in 1981, credits from most multilateral lenders dropped in subsequent years, and Latin American aid fell sharply after 1983. Disbursements from Western Europe began to decline in 1984. [Redacted]

25X1

Additional major cuts in Western aid are unlikely. US embassies in Western Europe report that the key remaining donors—Spain, Sweden, Norway, and the Netherlands—are committed to maintaining ties to Managua. [Redacted] the focus of Western aid has shifted in recent years from emphasis on development projects to humanitarian aid and technical assistance.

25X1

[Redacted]

25X1

Outlook

The Soviet Bloc and Cuba probably will supply, even if reluctantly, whatever economic aid it takes to buy the Sandinistas time to consolidate the regime and restructure their economy along "socialist" lines. Although Moscow probably would prefer to pace the growth in assistance, Nicaragua's economy is in such dire straits that much more aid will be needed to satisfy current consumption needs. As long as the insurgency continues, major development projects probably will remain on hold. Whatever the outcome of the fighting, Managua will need several billion dollars to rebuild its economy.

[Redacted]

25X1

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

[Redacted]

25X1

Special Analysis

X

POLAND:

Status of Church-State Relations

The possibility that the Polish regime will grant legal status to the Catholic Church appears to be increasing as the papal visit to Poland in June nears. Warsaw hopes that more cooperative relations will shore up its legitimacy, while the Church wants legal recognition of its status as Poland's leading independent institution. Powerful factions in the regime and the Church still oppose any agreement, however, and relations could deteriorate after the euphoria of a papal visit if the regime disappoints Church hopes for moderate reform or if the Church is unable to convince moderate opponents to give regime reforms a chance.

[Redacted]

25X1

The meetings between Pope John Paul II, leading Vatican officials, and President Jaruzelski in January reportedly resulted in an understanding to pursue greater cooperation that could culminate in the regime's recognition of the Church's legal status. Jaruzelski said that he would slowly implement reform, acknowledged that the regime needed the Church to help achieve national reconciliation, and claimed to have Moscow's blessings for his dealings with the Church.

[Redacted]

25X1

Church, Regime Objectives

A final draft agreement on the Church's status reportedly has been prepared [Redacted] At a minimum the Church probably hopes for an enlarged educational role, clarification of its tax status, increased media access, and a guarantee the regime will not interfere in administrative matters.

[Redacted]

25X1

25X1

continued

Top Secret

[Redacted]

25X1

Top Secret

[Redacted]

25X1

Jaruzelski probably hopes to isolate opposition radicals by having the Church endorse his "slow but steady" approach to political reform. He also wants the Church to call for patience and cooperation while the regime enacts painful economic reforms, and he may hope to manipulate the Church into sharing responsibility for some of these reforms. Cardinal Glemp, however, is probably leery of that prospect, fearing that reform failures would be blamed on the Church.

[Redacted]

25X1

The Church does not want reform to stagnate nor does it want open confrontation between the regime and the population, and it probably hopes it can convince the regime to honor reform commitments. Through this mediation, the Church hopes it will increasingly be seen as an interpreter of events in Poland and arbiter of the regime's performance without losing its credibility with the people.

[Redacted]

25X1

Risks

~~Any agreement on legal status faces powerful enemies among party dogmatists as well as among some hardline clerics. Opponents in the party will argue that the state should do nothing to strengthen the Church; clerical reservations will reflect longstanding reluctance to deal with any Marxist regime and doubts about codifying the Church's status at a time when it is growing stronger at the expense of the regime.~~

[Redacted]

25X1
25X1

The regime and the Church also may find themselves at odds if the regime is unable, or unwilling, to pursue reform as its part of the bargain or if the Church does not use its influence with the faithful to caution patience as the regime pursues reconciliation. Moreover, to avoid a rancorous split between moderates and radicals in the opposition and to retain reformist credentials, the Church may be forced to endorse a more ambitious reform agenda than the regime will implement.

[Redacted]

25X1

Seeking Western Support

As the regime courts the Church, the latter may expect the West to accept it—and not the secular opposition—as the principal interpreter of political developments in Poland. It will probably increase efforts to secure Western aid for Church-supported projects. The Church may also take a more sanguine view of regime prospects and objectives than will the independent opposition. It may also be less sympathetic to such secular opposition political goals as strongly politicized unions.

[Redacted]

25X1

Top Secret

[Redacted]

13 April 1987

25X1

Page Denied

Next 1 Page(s) In Document Denied