



**Director of
Central
Intelligence**

~~Top Secret~~

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National Intelligence Daily

**Thursday
5 February 1987**

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~~Top Secret~~

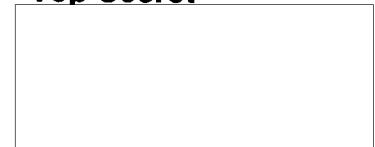
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[Redacted]

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INDIA-PAKISTAN: Agreement To Pull Back Some Troops

on 4 Feb.
Indian and Pakistani negotiators agreed yesterday to pull back some troops from a key narrow section of their mutual border and to discuss further withdrawals, sector by sector. [Redacted]

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[Redacted]

The agreement calls for most forces to withdraw within 15 days from a sensitive segment of the border in southern Kashmir to peacetime locations, according to press reports [Redacted]

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[Redacted]

Comment: The agreement should reduce tensions, but both sides are likely to maintain a high level of readiness until India's Brass Tacks exercise concludes this spring. Although the first step of the withdrawal will amount to a deescalation in a key border area, the chance of inadvertent clashes elsewhere will remain high so long as troops from both states occupy forward positions. [Redacted]

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Pakistani President Zia will portray the agreement as a statesmanlike gesture that breaks the stalemate. The ruling Muslim League will endorse it, but some Pakistani Army commanders probably will question privately whether it adequately addresses the Indian buildup in border areas not specifically designated. The Pakistani opposition will charge that the government has sold out to New Delhi, but Zia probably will be able to withstand such criticism so long as the agreement is not breached. [Redacted]

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[Redacted]

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[Redacted] Commanders on both sides probably will continue to deploy forces until their respective Defense Ministries translate the agreement into operational orders—most likely in a few days. The drawdowns along the border are likely to be implemented slowly because commanders on both sides are reluctant to move so quickly as to give the other side any advantage. [Redacted]

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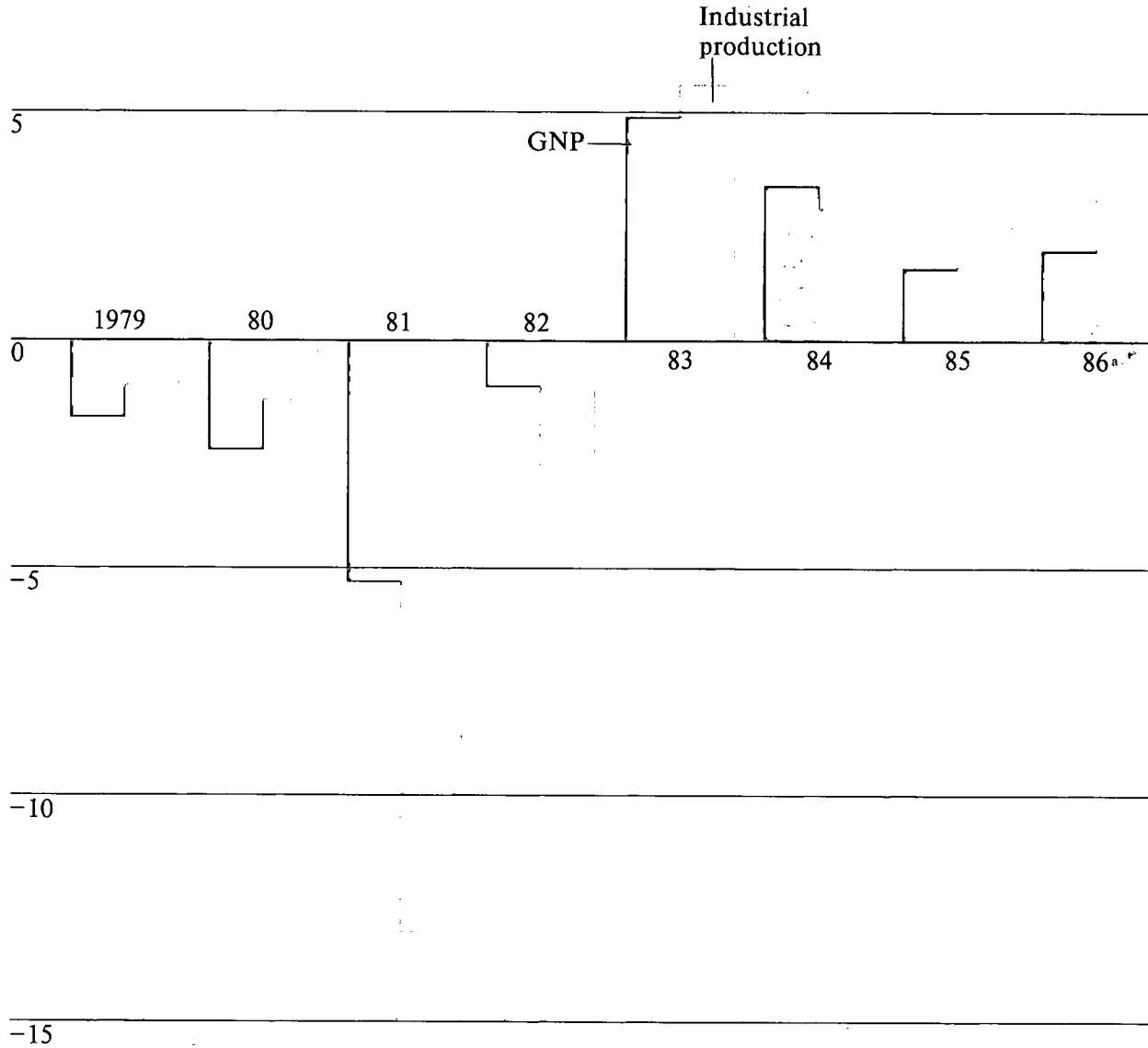


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**Poland: GNP and Industrial Production,
1979-86**

Percent change from previous year

10



^a Preliminary.



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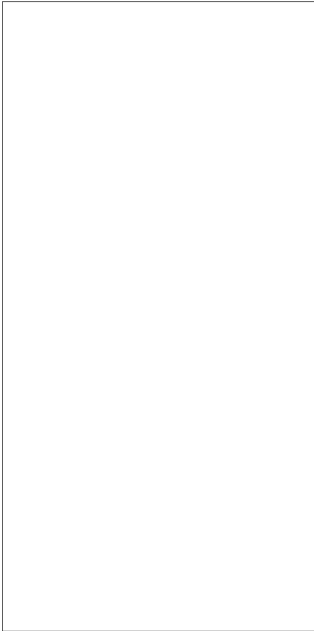
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POLAND:

Economic Gain Masks Basic Problems

Poland's modest economic rebound in 1986 will be difficult to sustain unless Wojciech Jaruzelski's regime is willing to address basic economic problems. 


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GNP grew by 2 percent last year, as compared with 1.6 percent in 1985, ~~according to Western estimates.~~ Accelerated industrial production paced by strong growth in machine building and electronics accounted for much of this gain. Near-record harvests also contributed to improved economic performance. 


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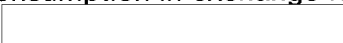
On the other hand, increases in imports helped prop up industrial production but prevented any improvement in the hard currency trade balance, and Warsaw slid deeper into arrears to its creditors. Despite improved supplies of food and consumer goods, shortages persist, and officially reported inflation surged to an annual rate of 19 percent, up from 15 percent in 1985. ~~According to the US Embassy,~~ many items are available only on nonofficial markets at two to three times the official price. 

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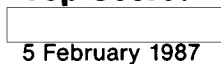
Comment: Growth for 1986 may strengthen opponents of economic reforms and encourage the Jaruzelski regime to pursue its current cautious policy. Warsaw has avoided measures that would address Poland's fundamental economic problems in favor of preserving living standards to ensure domestic tranquillity. The regime has not adjusted market prices sufficiently to reflect scarcities, limited wage increases, or diverted resources from consumption to investment in competitive industries and debt service. Such measures would improve the prospects for sustained economic growth but would hurt consumers in the short run and almost certainly arouse popular protests. 

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Warsaw's economic strategy depends in part on the continued willingness of creditors to delay repayment of Poland's debt and interest. Polish industry is heavily dependent on intermediate goods imported from the West. The IMF and Poland's creditors probably will press Warsaw to limit import growth, raise exports, and reduce domestic consumption in exchange for additional financial assistance. 

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LIBYA:

Pressures on Economy Growing

Domestic economic difficulties aggravated by the cost of the conflict in Chad are increasing popular unhappiness with the regime of Muammar Qadhafi. [Redacted]

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[Redacted]

[Redacted] chronic food shortages in Libya are now critical. Fresh dairy products, bread, and pasta are unavailable; fruits and vegetables are hard to find; and meat, when available, is extremely expensive and of poor quality. Rationing has not eased difficulties because most stores have little or no food on the shelves. [Redacted]

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[Redacted]

Shortages are most acute in the cities. [Redacted]

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[Redacted] many Libyans continue to migrate to urban areas in search of food and other scarce commodities such as cigarettes, spare parts, gasoline, and natural gas. [Redacted] potable water is in short supply, waste removal is sporadic, and sanitary conditions are extremely poor. [Redacted]

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[Redacted] many Libyans attribute these deprivations to regime stockpiling to support the conflict in Chad. Many neither support nor understand that increasingly costly military action and mounting casualties are compounding their frustrations, [Redacted]

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[Redacted] the mobilization of reserves and the drafting of high school students also are adding to tensions. [Redacted]

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Comment: The war may be costing Libya \$10 million a day. Nevertheless, Qadhafi appears unwilling to draw on the country's \$6 billion in reserves to cover war needs. As a result, the cost of the conflict apparently is being borne solely by the Libyan population. Although the average Libyan has endured severe economic disruptions since oil prices collapsed last year, current conditions appear to be the worst to date. There have been no reports of organized economic protests so far, but discontent is rising rapidly. [Redacted]

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COLOMBIA: Top Drug Trafficker Arrested

[Redacted]

The arrest and immediate extradition to the US of Carlos Lehder, one of Colombia's top cocaine traffickers, underscore Bogota's determination to resist intimidation by narcotics interests, but the move is likely to trigger a wave of reprisals. The flamboyant Lehder has been wanted on a Florida drug charge since 1984. He is said to have ties to Colombian guerrillas. [Redacted]

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Comment: Lehder's arrest will raise the morale of Colombia's antinarcotics forces, which have tended to view the leadership of the powerful cocaine cartel in Medellin as untouchable. The government's action is likely to provoke retaliation against US and Colombian officials—both in Colombia and abroad—by traffickers anxious to spike the policy of extradition to the US. The cartel—which probably was involved in a recent assassination attempt against the Colombian Ambassador in Budapest and which last year murdered a key prosecution witness in Louisiana—may also target witnesses against Lehder in the US. [Redacted]

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WEST GERMANY: Possible Purchase of US Helicopters

[Redacted]

West Germany may turn to the US AH-64 Apache helicopter if the embattled French-West German attack helicopter program is canceled. According to the US Embassy in Bonn, budget overruns, disagreements over design and configuration, and differing national operational requirements have plagued the program from its inception. Bonn and Paris are conducting a feasibility study for a new, less capable single-engine combat helicopter that would not be ready before 1995, nor would it fill all West German requirements for an attack helicopter. [Redacted]

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Comment: Bonn considers the Apache the most attractive military option, but the government would need the support of West German industrialists to select the US helicopter. They probably would require that any deal provide cooperative advantages to West Germany, such as work sharing, interoperability with other systems in the West German inventory, and weapons standardization. Bonn might even request a reciprocal purchase of a major West German weapon system, such as the Leopard II main battle tank. [Redacted]

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In Brief

Middle East

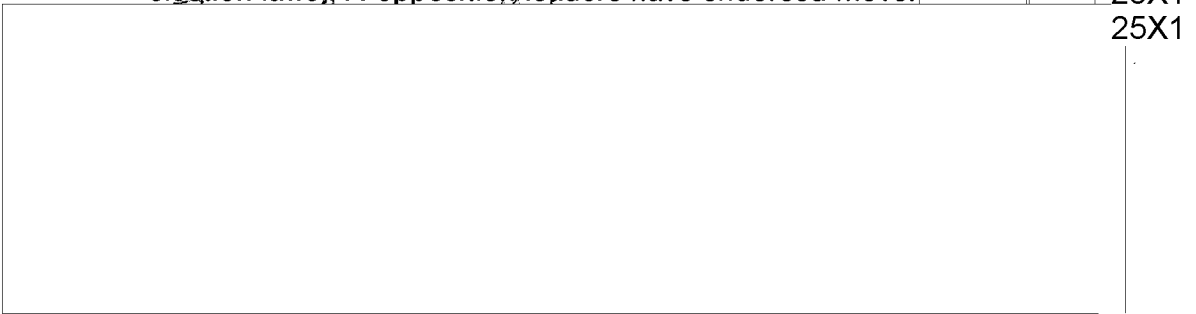


Iraqi forces digging in east of Al Basrah . . . Baghdad claims **Iran** bombed Irbil ~~Tuesday, according to US Embassy.~~

on 30 Jan

Egypt's President Mubarak called yesterday for national referendum on dissolving People's Assembly, whose mandate is being challenged in court . . . cited democratic benefits of new election laws. . . opposition leaders have endorsed move.

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Europe

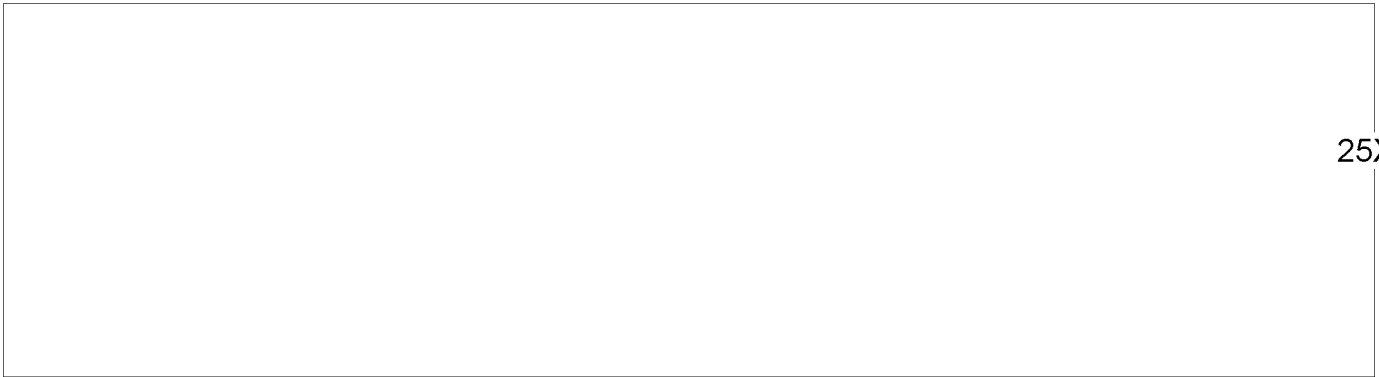


— Jacques Franquet, former top **French** antinarcotics official, named to head unit that is supposed to coordinate French counterterrorist groups . . . will probably have more success than predecessor in improving cooperation among them and with US.

UK to guarantee bank credits for machinery exports to **USSR**, according to press . . . should enhance competition with **West Germany, France** . . .

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East Asia



— **Taiwan's** trade surplus reached record \$15.6 billion last year . . . US statistics indicate Taipei's deficit with US topped \$15 billion . . . imports from US increased at lowest rate among Taipei's major trading partners.

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Moscow's Attacks on the Ukraine

Since Mikhail Gorbachev became General Secretary of the Soviet Communist Party, Vladimir Shcherbitskiy and his subordinates have come under increased criticism, but Shcherbitskiy has nevertheless kept his own people in office in the Ukraine.

Spring 1985: Gorbachev and party Secretary Ligachev visit Dnepropetrovsk, the political base of Leonid Brezhnev and of Shcherbitskiy, and criticize shortcomings in economic and cadre work.

Autumn 1985: *Pravda* articles criticize Lvov Oblast First Secretary Dobrik, an associate of Shcherbitskiy, for economic mismanagement and ineffective leadership. Shcherbitskiy reportedly goes to Moscow to defend Dobrik.

December 1985, March 1986: *Pravda* criticizes Chernigov Oblast First Secretary for giving unjust punishments and for abuses in cadre work. Shcherbitskiy responds personally to *Pravda*, but no local officials removed.

June 1986: Gorbachev criticizes officials in Cherkassy Oblast for punishing an institute director who violated regulations when he introduced innovative technology at a plant and calls for the director's reinstatement. *Pravda* subsequently criticizes Cherkassy First Secretary for having wrongly claimed to have corrected the situation. In a letter to *Pravda*, Shcherbitskiy admits the accuracy of the charges and reports that the First Secretary had been "rebuked."

July 1986: *Pravda* editorial implicitly links problems in the Ukraine and Kazakhstan by criticizing the performances of three first secretaries from the Ukraine and four from Kazakhstan but none from other regions.

October 1986: Party Control Committee accuses Kirovograd First Secretary, a protege of Shcherbitskiy, and several Moldavian party officials of padding figures. Party officials from Moldavia, but none from the Ukraine, fired.

December 1986: *Pravda* reveals that a Central Committee decree blames the Ukrainian leadership for unsatisfactory grain production. *Pravda's* account of discussion of the decree at the plenum of the Ukrainian Central Committee is slanted to reflect poorly on Shcherbitskiy.

January 1987: *Pravda* carries account of an attempt by officials in Voroshilovgrad to incriminate a local journalist. KGB chief Chebrikov reveals that he has reprimanded Ukrainian KGB chief and fired the Voroshilovgrad KGB chief.

January 1987: Ligachev criticizes Ukrainian Central Committee for intolerable slowness in implementing agricultural reforms and points out that the Ukraine has gone from being a producer of surplus grain to a net consumer of grain.

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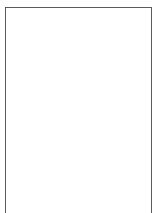
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Special Analysis

USSR:

Shcherbitskiy's Position in Doubt



There is mounting evidence that General Secretary Gorbachev is building a case to replace Ukrainian party boss Shcherbitskiy, the only remaining regional leader of the Brezhnev era on the Politburo. Because Shcherbitskiy has a strong base of support in the Ukrainian Central Committee and Gorbachev wants to avoid the sort of local resistance provoked by the removal of two other regional party bosses, Gorbachev may delay ousting the Ukrainian leader until he is confident that the groundwork has been carefully laid.

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Moscow increased its criticism of the Ukraine in December with a decree by the Soviet party's Central Committee blaming the region's leadership for agricultural failures. The latest attack on Shcherbitskiy came from party "Second" Secretary Ligachev, which suggests that Ligachev supports the effort to unseat him. Without naming Shcherbitskiy, Ligachev criticized the Ukrainian Central Committee, which Shcherbitskiy heads, for being so "intolerably slow" in implementing agricultural reforms that the Ukraine has changed from a producer to a consumer of grain. Ligachev linked his criticism of the Ukraine to similar comments about Kazakhstan and Voronezh Oblast, where local first secretaries recently have been removed.

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Another attack earlier in January took the form of an expose in *Pravda* of illegality and mismanagement in the Ukraine that implicated the first secretary and other top officials in Voroshilovgrad Oblast. Four days after the expose was published, the Ukrainian leadership reprimanded several officials, but this mild response contrasts sharply with KGB Chairman Chebrikov's almost simultaneous dismissal of the Voroshilovgrad KGB chief for his involvement in the affair.

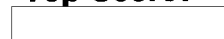
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Shcherbitskiy seems to have been targeted primarily as a result of policy differences with Gorbachev in several key areas. He is more cautious than the General Secretary on cultural relaxation and economic reform, less optimistic about the prospects for East-West detente, and places greater emphasis on defense needs. In contrast to Dinmukhamed Kunayev and Viktor Grishin, the party bosses Gorbachev ousted in Kazakhstan and Moscow, Shcherbitskiy does not appear to be vulnerable to charges of corruption or mismanagement.

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Strength in the Ukraine

So far, Shcherbitskiy has been very successful in protecting Ukrainian officials criticized by Moscow. The Voroshilovgrad party leader is the fourth oblast chief from the Ukraine who remains in office after sharp criticism from the center. Many officials in other regions have been fired after similar attacks. [REDACTED]

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Shcherbitskiy cannot be removed from his position as Ukrainian party chief without a vote by the local Central Committee. This would not necessarily be a pro forma operation, given the debts that other Ukrainian leaders owe to him and the precedent set by the Moscow party organization's strong resistance to the removal of Grishin in December 1985. The Ukraine was still occasionally being praised in the media in November and December 1986, which suggests that Shcherbitskiy may still have defenders in Moscow. [REDACTED]

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Implications

Given his strength in the Ukraine, Shcherbitskiy may hang on to his position for some time. If Gorbachev maintains his political momentum, there is little doubt that Shcherbitskiy eventually will be removed. [REDACTED]

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His removal would send a strong signal throughout the party that officials can lose their jobs if they fail to support central policies actively. In light of the increased criticism of the Ukraine, the longer Shcherbitskiy remains in office, the more his presence will be viewed as a sign of Gorbachev's weakness. [REDACTED]

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There are several rumors that Gorbachev wants to replace Shcherbitskiy with KGB chief Chebrikov, presumably because he wants a strong hand in the Ukraine to break up Shcherbitskiy's machine and to put his own man at the helm of the KGB. Appointing Chebrikov would risk touching off demonstrations, however, as happened when Kunayev was replaced by a Russian in Kazakhstan. Although Chebrikov is originally from the Ukraine, he too is an ethnic Russian whose appointment would break recent precedent and be strongly resented by Ukrainian officials and ordinary citizens alike.

[REDACTED]

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Shcherbitskiy's departure would leave President Gromyko as the lone representative on the Politburo of the Brezhnev era, further shifting the balance in the leadership in the direction of change. [REDACTED]

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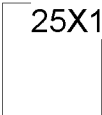
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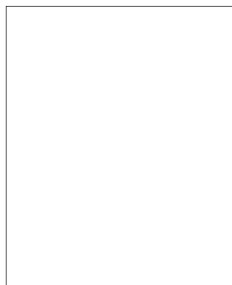
**ARAB STATES-
USSR-US:**

Significance of Al Basrah

Prospects remain good that Iraq will be able to defend Al Basrah in the near term, but Iran's success in pushing toward the city has raised concerns throughout the region about the staying power of the Iraqi military in the south. Most Arab leaders see Baghdad's ability to hold Al Basrah as essential to prevent the establishment of a radical Shia regime in southern Iraq, the downfall of President Saddam Husayn, and the violent export of the Iranian revolution.

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The Arab states on the Persian Gulf believe significant Iraqi military reverses increase their own risk of intimidation, sabotage, and even military action from Iran. Their large Shia populations make them vulnerable to heightened domestic religious fervor and unrest, and the fall of Al Basrah probably would result in antiregime activities by the Shias in several states.

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The Gulf Arab states have already intensified their efforts to improve security and military ties to other Arab states. The recent warming trend in their relations with Egypt is due in part to Iraqi military setbacks.

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The fall of Al Basrah probably would prompt at least Saudi Arabia and Kuwait to make some show of military force—perhaps the deployment of Gulf Cooperation Council troops to Kuwait. ~~The Saudis also would seek a US show of force and even closer security cooperation with the US—but not to the point of provoking Iraq.~~ At the same time, the Gulf Arab states probably would try to improve their political and economic ties to Iran to give Tehran a stake in maintaining cordial relations.

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More aggressive Iranian policies in the region would threaten Egypt and Jordan—Iraq's key Arab supporters outside the Persian Gulf—heighten tension in Lebanon, and complicate Syrian and Libyan support for Tehran. Neither Cairo nor Amman is willing to send meaningful numbers of troops to Iraq, although they might send some forces to other Gulf Arab states to signal their concern. They would expect significant financial assistance in return for any such commitment, and Egypt would also expect full reintegration into the Arab League.

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Iranian military advances are making it harder for Syria to support Tehran, but the depth of President Assad's hatred of Saddam Husayn probably precludes a reversal in the Syrian position as long as the Iraqi leader remains in power. Iran's potential to act against Syrian objectives in Lebanon also weighs against any move by Damascus to

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abandon Tehran. Strong Arab pressure on Damascus, however, including threats to reduce aid, might prompt Assad to modify his public position. 

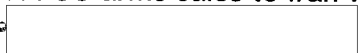
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Implications for Moscow and Washington

~~The USSR, Iraq's primary arms supplier, is concerned that the US might use Iraqi setbacks to justify an increased military presence in the Gulf, and Moscow probably would increase its support to Baghdad if Iran gained a major victory.~~ The Soviets probably ~~also~~ would renew their calls for a negotiated settlement and a return to prewar boundaries and intensify their public criticism of Iran. Although Moscow might provide Iraq with additional advanced weapons—including the SS-21 missile system—it probably would not provide longer range systems. The Soviets also would try to capitalize on Gulf Arab fears by offering them increased security assistance.



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An invigoration of Islamic fundamentalist fervor in the region would heighten prospects for instability in such pro-Western states as Kuwait and Bahrain, and possibly in Egypt, Jordan, and Saudi Arabia. Iraq might seek closer cooperation with the USSR. Even the Gulf Arabs—particularly Kuwait—might seek improved relations with Moscow, ~~believing the Soviets have a greater ability than the US to restrain Iran.~~ Major Iraqi reverses probably also would fuel Arab criticism that US arms sales to Iran were responsible for the Iranian advances. 

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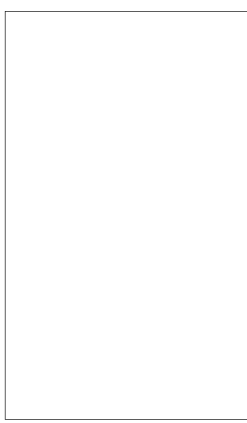


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Special Analysis

ETHIOPIA-SUDAN: Tension Over Insurgencies



Relations between Ethiopia and Sudan have deteriorated sharply in recent months as a result of suspicions stimulated in part by the increased support that each has given to insurgents in the other's territory. Each is putting more pressure on the other to stop such aid, and each has launched efforts to rally regional and international political support. The worsening relationship dims prospects for negotiations to end either insurgency.

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Both sides are retaliating more aggressively as strains continue to mount. Addis Ababa has begun to use helicopters to resupply the insurgents in southern Sudan. The Ethiopian Air Force launched airstrikes in November on Eritrean rebel camps in northern Sudan, killing 15 Sudanese civilians, according to the US Embassy.

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Khartoum is retaliating by delivering large stocks of weapons—
to Eritrean rebel factions.

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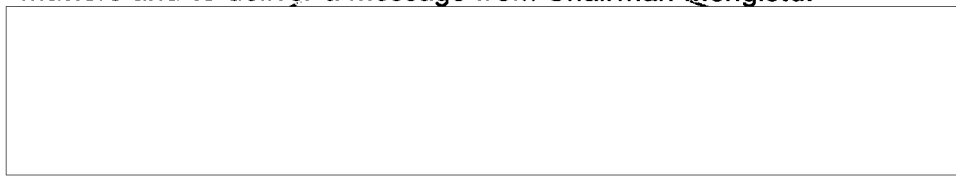
Political Maneuvering

Each side also is trying to gain regional and international political leverage. Khartoum withdrew its Ambassador from Ethiopia following the airstrikes and formally protested to the OAU. Prime Minister Sadiq publicly condemned Ethiopian "aggression" and for the first time acknowledged Sudan's support for the Eritreans.

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Ethiopia's Foreign Minister recently visited Egypt to discuss regional matters and to deliver a message from Chairman Mengistu.

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A Legacy of Suspicion

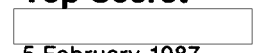
Mengistu has long suspected Sudan and other Muslim states of trying to dismember Ethiopia by supporting the insurgents in Eritrea, whom he regards as tools of Western and Arab "imperialism,"
Libya's suspension of aid to the Sudanese

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rebels, its military support for the Sadiq regime, and threats by Libyan leader Qadhafi to provide assistance to the Eritreans if Mengistu does not stop his support to the Sudanese insurgents all have contributed to his suspicions. [redacted]

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For his part, Sadiq believes that the Mengistu regime seeks to divide Sudan and to obstruct Khartoum's efforts to rebuild its economy, according to the US Embassy in Khartoum. Sudan's public statements have changed to reflect this view; they attack Sudanese rebel leader John Garang as an "Ethiopian puppet" and insist that he must demonstrate his independence from Addis Ababa before Khartoum will even consider negotiating with the rebels. [redacted]

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Outlook

The recent aggravation of the longstanding, fundamental distrusts between Sudan and Ethiopia and the growing support that each is giving to the insurgents in the other state all but kill any hope for negotiating an end to either insurgency at least for the near term. Since Mengistu rebuffed Sadiq's offer of peace last year, Sadiq has appeared determined to exact a high price for Ethiopia's intransigence. For his part, Mengistu probably will continue to impede the access of moderate African leaders to Garang and to block negotiations between Khartoum and the rebels. As a result, US-sponsored attempts to foster a negotiated settlement in Sudan are likely to remain thwarted. [redacted]

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Despite the strains between Addis Ababa and Khartoum, neither appears willing to risk a direct military confrontation. Sadiq's military options are limited because the Sudanese forces already are stretched thin. Ethiopia would be unlikely to initiate sizable cross-border operations because such a move would invite greater regional sympathy, and possibly increased Libyan military support, for the Sadiq regime. Mengistu probably hopes that his proposed visit to Egypt will help to limit regional support for Sudan and to lend momentum to his efforts to portray Ethiopia as the aggrieved party. [redacted]

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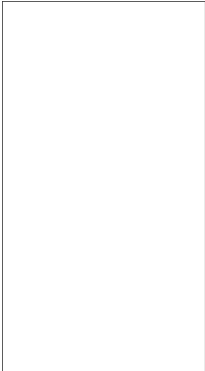
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Special Analysis

ECUADOR:

Democracy Under Siege

Leftist opposition groups and former Air Force Commander Vargas are still trying to oust President Febres-Cordero, but the President's opponents lack the unity and the support of the Army, which would be needed to force him from office. Although Febres-Cordero appears to be back in charge, he will have to maintain his combative stance to keep opposition forces at bay.



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Vargas, who was released from prison in exchange for the President during the mutiny at Taura airbase last month, is in hiding but has not left the country. He emerged last week to tell reporters he is willing to lead a coup or to head a leftist political coalition in the presidential election next January. As long as Vargas remains at large, he probably will serve as a catalyst for violent, spontaneous moves against Febres-Cordero.



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~~Ecuador's most radical leftist party, the Maoist Popular Democratic Movement, has had some success in mobilizing antigovernment demonstrations in Quito to sustain the crisis.~~

~~the party has tried to mount a political offensive in the legislature to force Febres-Cordero's resignation but has failed to attract much support from other leftist parties.~~

~~moves to unite the left are foundering on ideological and tactical divisions. The legislators are also afraid that the Army will disband the assembly if it votes for impeachment. Instead, the left has proposed a nonbinding resolution urging the President to resign.~~



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Outlook

Although Army and Navy commanders at first were outraged by Febres-Cordero's agreement to free Vargas, they are again backing the President. They apparently realize that their support for Ecuador's democratically elected government is necessary to maintain



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~~US~~ assistance and ~~the~~ good will of Ecuador's neighbors. Febres-Cordero's decisions last week to imprison the Air Force mutineers and to fire Air Force Commander Andrade apparently have reassured his supporters and enabled Army Commander Asanza to rally the Army around the government.



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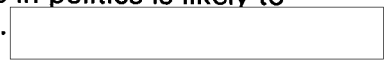
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The Army's threats to dissolve the legislature and the President's increasing dependence on the Army have put the 1988 election in jeopardy. Febres-Cordero cannot run for reelection, but, even if he could, the leftist opposition would stand a good chance of winning. At the very least, political polarization and unresolved splits in the military will keep the President on the defensive for the remainder of his term.



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Febres-Cordero is unlikely to moderate his combative approach toward his many opponents, and the rest of this year probably will be marked by frequent demonstrations and efforts by legislators to oust key government advisers. The Army's role in politics is likely to increase as the 1988 election approaches.



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