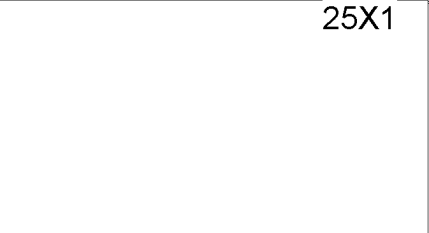




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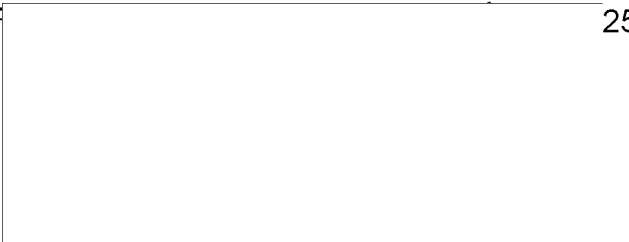
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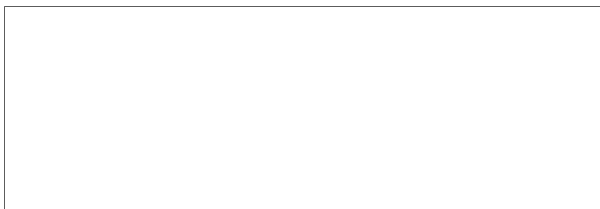
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National Intelligence Daily

**Friday
6 February 1987**



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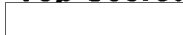
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**USSR-
MIDDLE EAST:**

Reaction to US Naval Activity



Moscow shows no sign of concern that US military intervention in the Mediterranean and Persian Gulf might be imminent, and the Soviet military response to increased US naval activity in the region—if any—is likely to be low key.

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Soviet media have widely reported the heightened US military presence in the Middle East but have not issued an official condemnation of or warning to the US. In a Moscow press conference on Tuesday, a senior Soviet spokesman expressed concern over US naval activities and accused Washington of increasing tensions in Lebanon and the Persian Gulf. A Soviet diplomat in Damascus met recently with a US official to convey Syrian fears of a pending US strike and to probe US intentions.

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Meanwhile, the Soviets' Mediterranean Fleet—including a Kiev-class VTOL aircraft carrier—is slightly below normal strength; it continues routine intelligence collection operations against US forces. Moscow's Indian Ocean squadron is also at less-than-normal strength, although a Soviet destroyer is en route to the Indian Ocean.

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Comment: Moscow probably is concerned that the new round of hostage taking might be used to justify US strikes in Lebanon or Syria and appears to be attempting to defuse the situation. Its official statements have been mild in comparison to the strong Soviet condemnation of US exercises in the Gulf of Sidra in January 1986 and direct warnings to the US against striking Syria during US-Turkish exercises late last year.

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The USSR probably is also concerned that the US might seize on the instability in the Persian Gulf to increase its military presence in the region. As the US naval presence in the Gulf increases, the USSR will augment its Indian Ocean squadron but probably only to show the flag and to collect intelligence. There is no indication that the USSR will increase its Mediterranean Fleet substantially over the near term.

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KUWAIT-IRAN:

Terrorists Hiding in Iranian Embassy



Kuwaiti officials reportedly have evidence that Tehran has provided direct support to terrorists in Kuwait; they believe that five suspects sought for the bombings of oil facilities there last month and in June are hiding inside the Iranian Embassy in Kuwait.

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Kuwait late last week announced the arrests of 11 suspects and the discovery of several arms caches. Kuwaiti officials claim that some of the weapons—which included Soviet, Israeli, and US assault rifles, submachineguns, silencers, grenades, and devices for time bombs—are traceable to Iran. They also say that some of those arrested had traveled frequently to Iran and had received instructions in code via daily radiobroadcasts from southern Iran.

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Official statements and press accounts of the arrests avoid mention of the Iranian angle and play down tensions between Sunni and Shia Muslims within Kuwait, even though all the suspects are Kuwaiti Shias, some from prominent families with ethnic links to Iran. Families of those arrested reportedly demonstrated briefly outside the Interior Ministry. A source told the US Embassy that a crowd estimated at 50 to 100 men threatened the police while they were searching a suspect's home.

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Comment: This is the first evidence that Iran was directly involved in the Kuwait bombings. Tehran's support to the group and its apparent willingness to allow the terrorists to take refuge in the Iranian Embassy indicate high-level approval of the operation. The assistance also demonstrates Iran's continued willingness to use selected acts of terrorism to support its foreign policy objectives—in this case to undermine the Islamic summit held in Kuwait late last month. Other Iranian assets in Kuwait probably would also be available if Tehran were to decide to use terrorism as part of a broader program to export its Islamic revolution or to destabilize the Sunni Gulf regimes.

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Kuwait is unlikely to break relations with Iran over the incident but could withdraw its representative from Tehran to protest Iran's blatant support for terrorism. The arrests are likely to heighten sectarian tensions in Kuwait, where Shias constitute one-third of the native population.

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[Redacted]

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[Redacted]

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INDIA-PAKISTAN: Options Against Sikh Extremists

[Redacted]

India's unwillingness at this time to negotiate troop withdrawals from the Punjab border suggests that Prime Minister Gandhi hopes to use the Indian Army to strengthen the moderate Sikh state government in Puniab and to put Sikh extremists on the defensive. [Redacted]

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India's agreement with Pakistan this week on troop withdrawals does not address deployments on either side of the Punjab border, and no date for the discussion of additional withdrawals has been set [Redacted]

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[Redacted] has moved 50,000 troops into positions near the Punjab border. India also sealed the border during the latest crisis. [Redacted]

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Press reports indicate that two breakaway, hardline factions of the ruling Sikh party in Punjab have united in a bid to oust the moderate chief minister of the state. [Redacted]

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[Redacted]

[Redacted]

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Gandhi is unlikely to risk a renewed deterioration in relations with Islamabad, however, just to keep troops near the Punjab border indefinitely. Even if Sikh extremists increase their attacks after a pullback of troops, Gandhi could still exercise his extensive security powers—including the sending of additional paramilitary troops—without dismissing the state government. [Redacted]

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JORDAN-PLO:

Renewal of Limited Cooperation

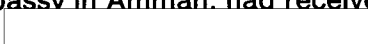
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Cooperation between Jordan and the PLO in administering a new \$9.5 million Saudi contribution for the West Bank probably will not lead to an early resumption of the dialogue between King Hussein and PLO Chairman Arafat.



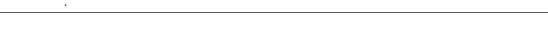
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Jordan's Minister for Occupied Territories' Affairs recently announced that he will host a meeting of the PLO-Jordanian Joint Committee and that Arafat's deputy Khalil al-Wazir will attend. The committee, a largely ineffective body, was created in 1978 under the auspices of the Baghdad Pact to channel Arab aid to the West Bank and, according to the US Embassy in Amman, had received no contributions since mid-1985.



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Wazir is optimistic that Hussein will soon resume close coordination with Arafat on Arab-Israeli peace negotiation issues. The meeting will mark Wazir's first visit to Amman since he was expelled and his PLO offices were closed by Jordanian officials last July



Wazir is optimistic that

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The Jordanians do not share Wazir's optimism. One senior Jordanian official has said the meeting will not interfere with Jordan's West Bank development plan—which calls for spending \$1.3 billion on municipal projects by 1990—and does not signal a resumption of political coordination on the peace process



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The committee will merely allocate money to projects in municipalities led by pro-Jordanian mayors. Meanwhile, US Embassy sources say that Italy has agreed to donate \$16 million directly to Hussein's development program.



Meanwhile, US

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Comment: Hussein probably realizes that he risks losing broad Arab support for his West Bank initiatives if he discards Baghdad Pact agreements; no Arab country has agreed to contribute funds outside the joint committee framework. Hussein is likely to point to the coming meeting as proof that he can work with the PLO to improve the Palestinians' quality of life. But he remains committed to his West Bank development project—designed to undermine the PLO's credibility—and undoubtedly has been buoyed by Italy's donation, the largest so far by any country.



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[Redacted]

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**CHAD-LIBYA-
FRANCE:**

Chadian Offensive Preparations

[Redacted]

French and Chadian aerial resupply missions suggest the Habre government is preparing to attack Faya-Largeau or Ouadi Doum, probably within two or three weeks. [Redacted]

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The missions to the Chadian logistic base at Bir Kalait have doubled since 29 January [Redacted]. The armored cars, other vehicles, fuel, weapons, and ammunition delivered have been forwarded daily to government forces at Fada. Early this week, France delivered to N'Djamena most of its promised \$82 million worth of military equipment. [Redacted] however, that the French refused a Chadian request to move their Crotale surface-to-air missile system from N'Djamena to Fada. [Redacted]

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[Redacted]

Comment: Chadian Government and allied guerrilla forces in the Tibesti area apparently have regrouped and, when new supplies and reinforcements arrive, probably will again attack Zouar. Their assault on the town two weeks ago was unsuccessful. [Redacted]

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The French refusal to move the Crotale system is consistent with Paris's reluctance to increase its military presence north of the 16th parallel. The Libyans continue to conduct airstrikes against positions in Tibesti and to reinforce units at Ouadi Doum and Faya-Largeau. [Redacted]

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WEST GERMANY: Extradition Uncertain

[Redacted]

West Germany may now be leaning toward placing arrested terrorist Muhammad Hammadi on trial rather than extraditing him. The West Germans reportedly believe that the hostages in Lebanon are no longer held by the Hammadi family and are now in the custody of Hizballah. Bonn's investigators surmise that Hizballah's real concern is to prevent Hammadi's extradition to the US, and they cite a recent message from the kidnapers demonstrating indifference to whether or not the Hammadi brothers are tried for violating West German law.

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[Redacted]

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Comment: Bonn probably has not yet reached its decision on the US extradition request. The Kohl government will continue to draw out the legal proceedings and investigations as long as possible as it tries to reconcile the conflicting objectives of not alienating the US, not sacrificing the hostages, and not giving in to blackmail. The current course of the investigations, however, suggests that the longer the process takes and the more evidence the West Germans collect, the more likely it is that Bonn will see a West German trial—perhaps with additional charges—as the best alternative.

[Redacted]

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[Redacted]

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USSR: Cosmonauts To Resume Space Station Operations

[Redacted]

Two Soviet cosmonauts were launched toward the Mir space station on the Soyuz TM-2 transport spacecraft yesterday. Docking is scheduled for tomorrow. This was the first manned launch of a Soyuz TM spacecraft, a modernized version of the Soyuz T that has been used for 14 manned flights since 1979.

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Comment: The crew will probably try to surpass the record of 237 days on Mir, taking the first step toward the Soviets' stated goal of a permanent manned presence in space.

[Redacted]

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[Redacted]

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~~publications indicate that the module will carry equipment designed and manufactured by the USSR, the Netherlands, the UK, West Germany, and the European Space Agency.~~

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KUWAIT-USSR: Talks on Economic Cooperation Scheduled

[Redacted]

Kuwaiti and Soviet officials will meet in Moscow early next week to discuss joint energy projects but will probably not reach agreement on specific proposals. The US Embassy in Kuwait says the talks will center on oil swap arrangements, technical cooperation on oil production, and the development of joint energy projects in Iraq, the USSR, Greece, and Morocco. Kuwait also may be negotiating a new agreement with Moscow for the protection of Kuwaiti oil tankers in the Persian Gulf, according to the US Embassy in Oman. [Redacted]

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Comment: Most of the projects under consideration are in the planning stage, but each side has incentives for cooperation. For Kuwait, economic collaboration with the USSR would provide opportunities for idle Kuwaiti oil exploration and development capacity and would promote a more balanced foreign policy. Moscow probably views economic cooperation as an effective way to build closer bilateral relations, to obtain access to Western oil technology and Kuwaiti financing for projects in the USSR, and to improve its image in the Arab world. Kuwait is unlikely to request Soviet naval escort of its commercial tankers but may consider using Soviet tankers to ship Kuwaiti oil, possibly as part of an oil swap arrangement. [Redacted]

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PAKISTAN-USSR: Foreign Minister Visits Moscow

[Redacted]

During his meetings in Moscow beginning today, Pakistani Foreign Minister Yaqub Khan will explore Soviet ideas on a postsettlement government in Afghanistan, as Islamabad prepares for the next round of Geneva talks opening 25 February.

Yaqub will try to gauge Soviet flexibility on a withdrawal timetable—the one issue remaining to be settled at Geneva. According to the US Embassy, Yaqub also is likely to discuss the idea of a neutral government in Kabul.

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Comment: The Pakistanis are intrigued by recent signs of Soviet and Afghan Government flexibility on a negotiated settlement, although they have doubts about the sincerity of the overtures. They believe they must reach an understanding with Moscow on a postsettlement government before the USSR will agree on a withdrawal timetable, and they think the idea of neutrality will make the Soviets amenable to a shorter timetable. Islamabad appears willing to negotiate this issue without the participation of the Afghan resistance. Moscow will probably be willing to discuss the issue but is unlikely to view neutrality as an alternative to ensuring Communist dominance of a postsettlement government in Afghanistan.

[Redacted]

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[Redacted]

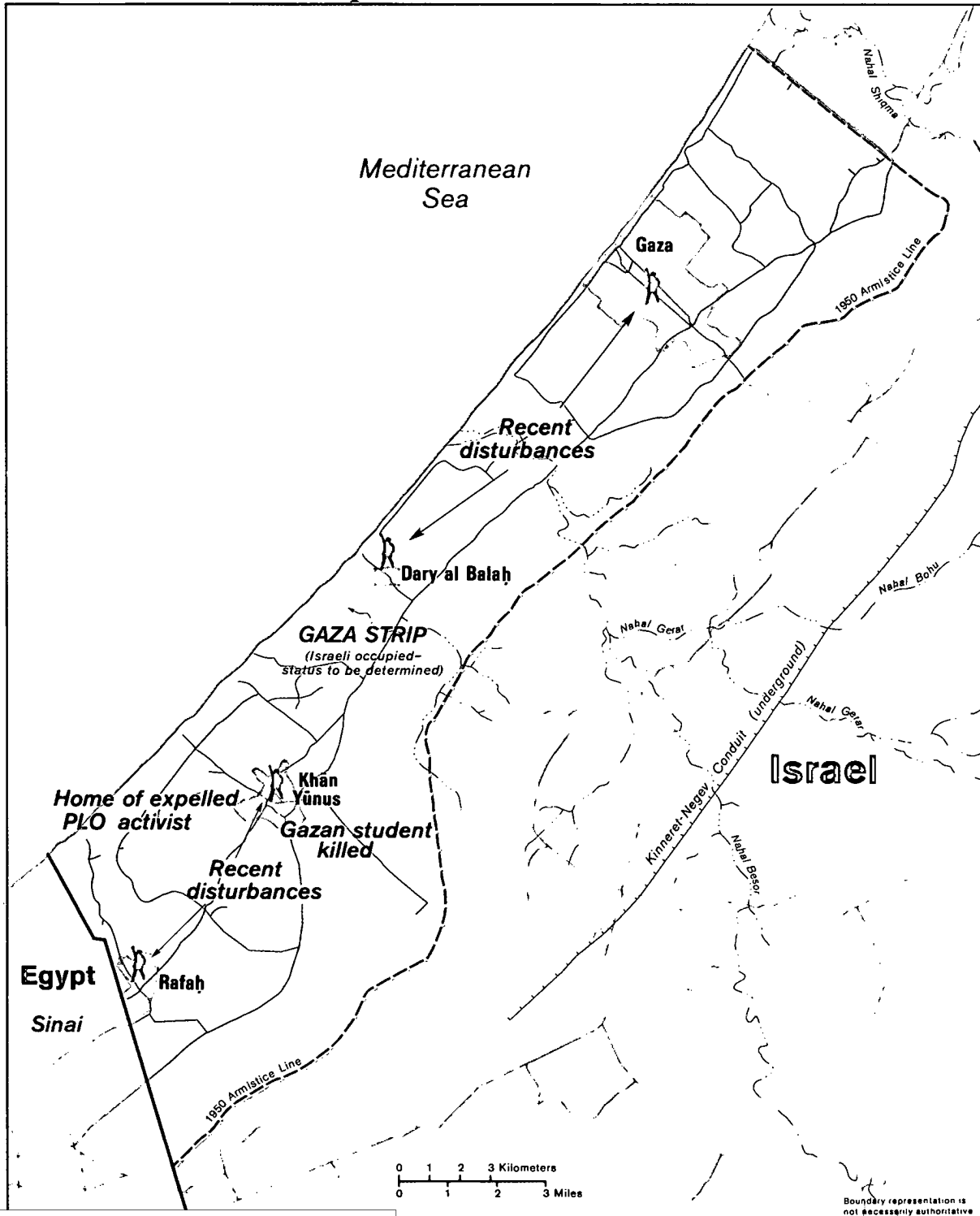
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Tensions in the Gaza Strip



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[Redacted]

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ISRAEL-PLO: Heightened Unrest in Gaza Strip

[Redacted]

Several days of disturbances in the Israeli-occupied Gaza Strip have been sparked by Israel's deportation of a local PLO activist last week and the shooting of a Palestinian student by Israeli troops. Israeli security officials charge that the deported Palestinian was the head of the Fatah youth organization in Gaza and that he had incited armed resistance. The shooting resulted from an apparent overreaction by Israeli troops during a protest against the deportation at a school in Khan Yunus. Israeli media have reported numerous demonstrations and disturbances throughout Gaza since the student's death.

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Comment: Violence in the Israeli-occupied West Bank and Gaza Strip tends to be cyclical, and the current wave will probably decrease in intensity soon. Given the extremely volatile mood in Gaza, however, even a small incident could spark another round. Fatah probably sees the demonstrations in Gaza as a test of its strength and wants to prove that it retains a base there despite the expulsion of one of its top organizers. Israeli troops may overreact again under pressure, as they have done in several other incidents in the occupied territories during recent months.

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SYRIA-EGYPT: Assad and Mubarak Meet

[Redacted]

In a secret meeting with Egyptian President Mubarak during the recent Islamic summit in Kuwait, Syrian President Assad promised to ease his opposition to Egypt rejoining the Arab League if Mubarak would disengage himself from the Camp David accords. [Redacted] Mubarak rejected the proposal, but Assad asked to continue a discreet dialogue and urged Egypt to refrain from developing closer relations with Israel.

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Comment: Assad probably perceives that Mubarak is gaining momentum in improving his position within the Arab community, and he may be trying to gain concessions on the Camp David issue before Egypt's reintegration becomes a fait accompli. The Syrian leader is unlikely to drop his opposition to the Camp David accords and probably hopes that, by putting pressure on Mubarak during bilateral talks, he will—at a minimum—discourage him from expanding Egypt's ties to Israel. Assad seems to believe Egypt's peace treaty with Israel will ultimately fail and wants to be poised to take advantage of that eventuality.

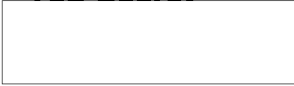
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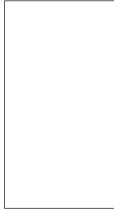
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GREECE: Cabinet Changes



Greek Prime Minister Papandreou shuffled his Cabinet yesterday for the second time in three months. According to the press, three of the seven ministers being replaced will move to senior jobs in the ruling Socialist Party. The most significant changes are in the Interior, Health, and Commerce Ministries. The Ministers of Defense, Foreign Affairs, and Economy will remain in place.

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Comment: Papandreou is evidently trying to reaffirm his control of the party following its poor showing in the municipal elections last fall and subsequent financial scandals involving party members. Most of the ministers being moved are staunch supporters of Papandreou and popular with the left. By shifting them into the upper echelons of the party, he could be preparing for an early election. The left has put considerable pressure on Papandreou to back down from his economic austerity program and efforts to improve relations with the US, but this shuffle indicates he is not going to bring about major changes in either area.

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SPAIN: Leadership Struggle Among Conservatives



Spain's main conservative opposition party, the Popular Alliance, could be weakened further if it is unable to agree amicably on a new leader during its party congress tomorrow. The party has suffered a series of setbacks since its poor showing in the national election last year and is now locked in a bitter leadership struggle. Miguel Herrero, the party's parliamentary spokesman and temporary, de facto leader, and Antonio Hernandez Mancha, party boss in the Andalucia region, are battling to replace Manuel Fraga, who resigned in December. According to diplomatic and press reporting, attempts by party officials to reach a compromise that would allow both men to share power have been unsuccessful.

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Comment: Hernandez, who favors alignments with other center-right parties, probably has a slight edge over Herrero, who espouses a more conservative approach. Neither wants to play the role of spoiler, but neither is willing to step aside gracefully for the sake of party unity. An open airing of the leadership struggle at the congress may provoke further defections from the party. Over time, this might lead to a fragmentation of the right that would leave Prime Minister Gonzalez's Socialist Party without a credible opposition and deny conservative Spaniards a legitimate outlet for their views.

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SOUTH KOREA: Government's Hard Line on Rally



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Comment: Word of the government's planned tactics is likely to diminish the turnout for the rally. Organizers, however, are calling for other displays of public protest, including the ringing of church bells and a honking of horns, that could embarrass Chun. The use of police force will undercut Chun's efforts to appear responsive in dealing with the torture incident. In both camps, the human rights issue is likely to continue to aggravate tensions between moderates and hardliners over the choice of political tactics

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CHINA-GATT: Long Accession Negotiations Ahead

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China has submitted a draft trade policy memorandum to GATT and plans to request the establishment of a working party next month to consider its membership, according to diplomatic sources. GATT's initial response to Beijing's membership bid has been favorable. China vacated its seat in 1948 and has had observer status since 1984.

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Comment: Negotiations for making China's trade practices compatible with GATT will prove long and difficult. In addition to key issues such as the lack of consistency in China's trading system and the existence of nontariff barriers, Beijing's lack of substantial progress on price reform probably will be a source of contention in accession talks. Following tentative movement toward price reform in mid-1986, Chinese officials now indicate that price reforms are on hold for this year. China's standdown on price reform was probably based on the need to control inflation in the wake of a surge in demand late last year, but recent political moves toward conservatism will reinforce the slow pace of price reform.

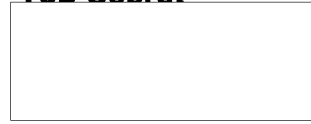
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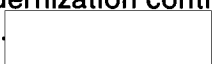
In Brief

East Asia

— **China** has announced trade deficit last year was \$5.8 billion . . . 24-percent improvement over record deficit in 1985 . . . US statistics show China's surplus with US increased nearly fivefold to \$2.2 billion. 

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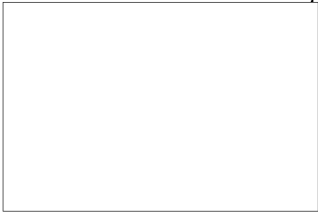



— **China** issued regulations merging research institutes with manufacturing . . . creating more financial incentives for scientists . . . suggests commitment to S&T modernization continues despite current focus on ideological concerns. 

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USSR



— **USSR** apparently ended clandestine radiobroadcasts to **China** in early December, underscoring conciliatory line under Gorbachev . . . may be part of broader reassessment of such broadcasts . . . Soviets' "National Voice of Iran" went silent earlier. 

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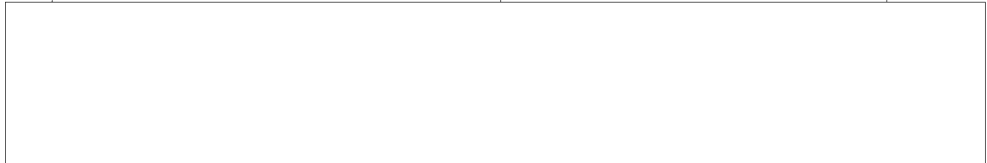


Middle East


— **Djibouti** seized shipment of **Polish**-made arms bound for **South Yemeni** exiles, according to US Embassy . . . involvement of high-ranking Djiboutian official in deal will undercut Djibouti's efforts to develop role as regional mediator 

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Africa

— Student demonstrations against government in **Madagascar** gaining support from opposition parties, striking civil servants, says US Embassy . . . security forces avoiding confrontation . . . overreaction likely to spur wider protests. 

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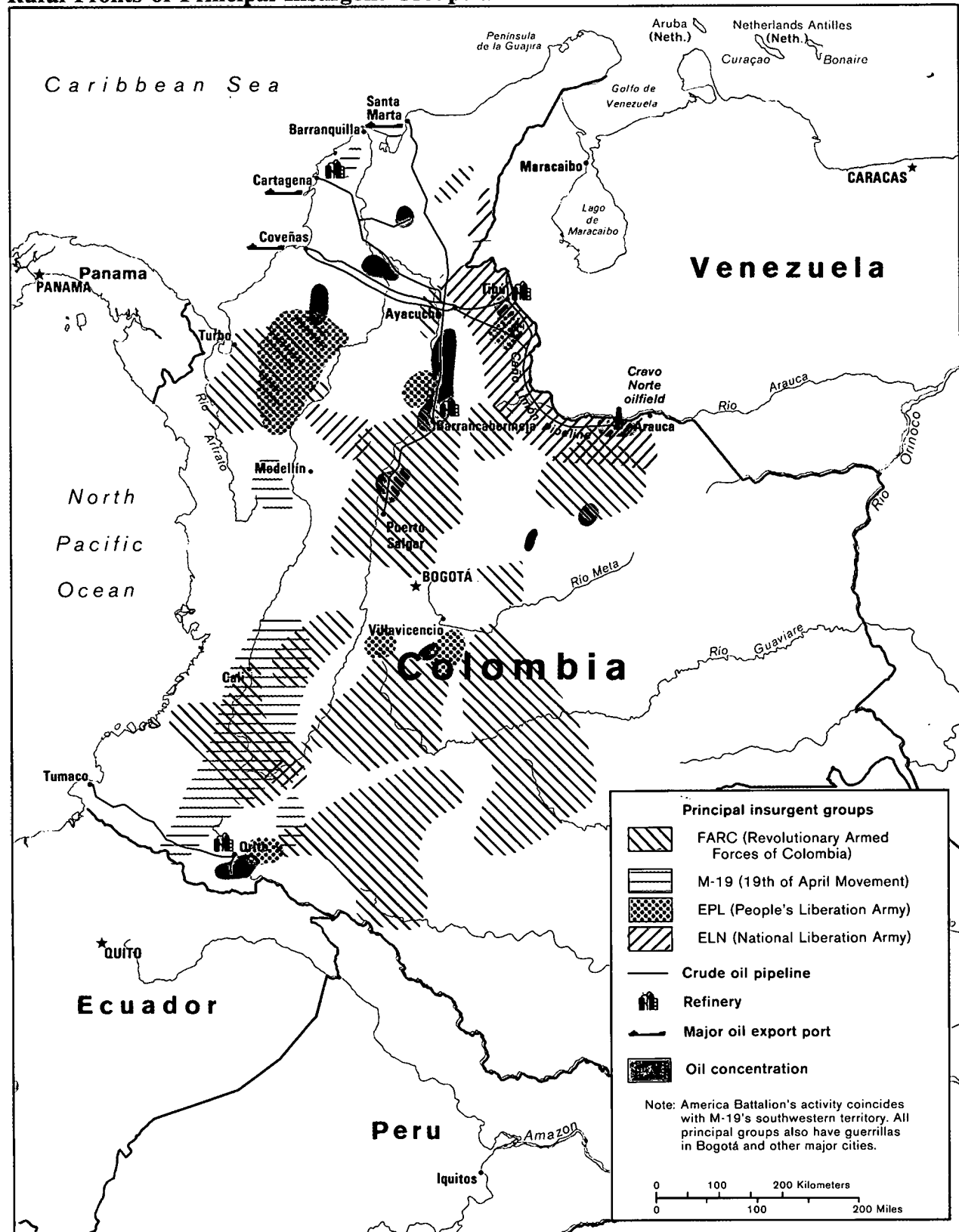


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Rural Fronts of Principal Insurgent Groups and Petroleum Facilities



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Special Analysis

COLOMBIA:

Rise in Insurgent Violence

[Redacted]

A series of challenges by the country's largest leftist insurgent group—the Revolutionary Armed Forces of Colombia—coupled with a Cuban-sponsored campaign by the guerrillas to unify their efforts, is making it increasingly difficult for President Barco to maintain his truce with FARC long enough to build his counterinsurgency capabilities. [Redacted]

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FARC has initiated a series of challenges to demonstrate its power to Bogota. It organized a demonstration in December by about 23,000 farmers in rural southeastern Colombia—where the rebels are involved in drug production and trafficking—and succeeded in disrupting government antidrug operations there, according to the US Embassy. The group has ordered some of its units to attack military patrols, [Redacted] and has begun to target military personnel in the northeastern oil region, where security forces are defending the nation's largest pipeline. FARC also recently killed seven unarmed soldiers in an attack on a military roadbuilding crew—an action that outraged Bogota and aroused widespread concern over the status of the group's three-year-old truce, according to the US Embassy [Redacted]

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President Barco also faces a threat from the National Guerrilla Coordinator, an alliance of the other major insurgent groups formed in late 1985 by the M-19 organization. A rural contingent led by M-19 continues to harass government forces in southwestern Colombia. The National Liberation Army, another member of the alliance, has slowed its attacks on the oil pipeline—probably because of increased security measures there—but recently joined M-19 in a series of bombings in northern cities. Meanwhile, the US Embassy has new reports that traffickers are working with the alliance to kill Colombians who support drug-control programs and to target US Embassy officials, particularly the Ambassador. [Redacted]

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Increasing Guerrilla Unity

Although the guerrilla groups continue to squabble, reporting over the past year suggests a trend toward greater political and operational unity. [Redacted] Cuban President Castro tried to resolve conflicts within the alliance at a summit last month in Havana. With Havana's tutelage, members of the alliance will almost certainly continue to work together. [Redacted]

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[Redacted]

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Major Colombian Guerrilla Groups

Revolutionary Armed Forces of Colombia (FARC)

- Armed wing of Colombian Communist Party; created in 1966.
- Conservatively estimated at 3,500 to 4,000 armed combatants; at least 3,000 noncombatant supporters.
- Involved in drug production, trafficking; dominant in southeastern Colombia, where major cocaine laboratories are located.
- Signed truce with government in 1984; participated last year in national election through its political front, the Patriotic Union, formed in 1985.

19th of April Movement (M-19)

- Nationalist, anti-US leftist group; emerged in 1974.
- Number of armed combatants 850 to 1,000; extensive support in rural southwestern Colombia.
- Leads National Guerrilla Coordinator alliance.
- Sporadic reports of drug involvement, arms trafficking.
- Withdrew from government peace talks in 1985.

National Liberation Army (ELN)

- Pro-Cuban, anti-US Marxist-Leninist movement; founded in 1963.
- Probably has 1,000 armed combatants; has grown rapidly during past two years; most active threat to oil pipeline.
- Member of National Guerrilla Coordinator alliance.
- Sporadic reports of drug involvement, arms trafficking, particularly on Venezuelan border.
- Never signed cease-fire with government; dissident factions joined FARC in truce.

People's Liberation Army (EPL)

- Armed wing of pro-Beijing Colombian Communist Party/Marxist-Leninist; founded in 1967.
- Number of armed combatants 450 to 600.
- Member of National Guerrilla Coordinator alliance.
- Sporadic reports of drug involvement.
- Signed truce in 1984, rejected it in 1985.

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Leaders of FARC and the alliance appear to be making gradual progress toward some kind of united front, with talks between the two likely to result in a loose political alliance within the year [redacted]

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[redacted] the groups are already cooperating to support a recently formed leftist labor organization. There is evidence to suggest that FARC and the alliance occasionally cooperate in minor military operations, and [redacted]

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[redacted] the insurgents were planning a nationwide joint offensive beginning this month. Both FARC and the alliance have expanded their efforts to obtain arms, [redacted]

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Prospects for the Truce

President Barco is responding carefully to the increased violence, trying to demonstrate the government's resolve while still preserving the truce. He rejected demands by the group's political front to halt antidrug operations in southeastern Colombia, but he has refrained from authorizing wholesale military reprisals. If attacks on unarmed military personnel continue, he is likely to permit selective retaliatory action. In talks with the rebels early this week, the government again ratified the truce and agreed to appoint a verification commission.



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FARC will continue to test the government's strength, but a formal break in the truce is unlikely in the next few months. Bogota's security forces are already fully occupied in combating the alliance guerrillas, and Barco will probably tolerate some truce violations by FARC while he accelerates his efforts to improve Colombia's limited counterinsurgency and antidrug capabilities. The President will not halt drug eradication efforts or interdiction operations in the cities. He sees the trafficker-guerrilla link as one of the most serious threats to his government, but he may delay raids in insurgent-controlled territory to avoid a major clash with FARC. If fighting between the government and the insurgents escalates sharply, Barco will probably try to forestall a nationwide conflict by limiting military actions to one area at a time. [redacted]

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Special Analysis

FRANCE:

Chirac Charts Cautious Course



French Prime Minister Chirac has modified the tone of his government's basic policies by emphasizing sensitivity to social problems. He almost certainly will further slow his economic reform program, disappointing some supporters in order to maintain a firm hold on his office. The decline in Chirac's personal popularity has seriously damaged his hopes for the presidency.

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When he assumed office in March, Chirac hoped a record of quick legislative achievements would carry him to the presidency next year. Problems with Socialist President Mitterrand, student protests, and labor unrest have plagued his government, however, and prompted opposition charges that his policies lack a social dimension. Cracks have also appeared in the governing coalition between rightwingers demanding speed on reforms and centrists concerned about the lack of dialogue with workers and students.

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In a major speech last week, Chirac struck a note of conciliation. His three priorities—modernizing the economy, improving the standard of living, and relaunching the social dialogue with labor—are designed to show his commitment to social concerns. The specific legislative measures he announced, moreover, dealt mostly with social issues. Chirac probably hopes that such a limited, noncontroversial legislative program will calm the public, heal divisions in the majority, and allow him to regain some of his popularity.

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The speech reflects a change in tone and tactics rather than basic direction. Major portions of his economic program—especially denationalization and financial deregulation—will proceed at a cautious pace. The government will continue efforts to cut taxes modestly, reduce the budget deficit, hold the line on inflation to improve competitiveness, and reduce unemployment.

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Chirac's caution will disappoint supporters who want to push ahead with conservative measures, but it is likely to appease centrists in his coalition and reduce the left's opportunities to profit politically. Chirac's revised approach further improves his chances of winning the confidence vote he intends to call for when parliament reopens in April and of continuing his power-sharing arrangement with Mitterrand until the presidential election next year.

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