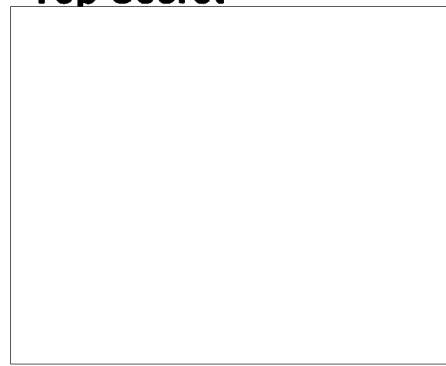




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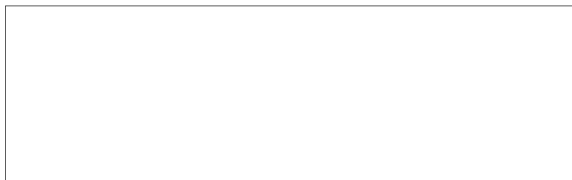
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National Intelligence Daily

**Thursday
9 July 1987**



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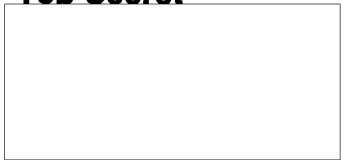
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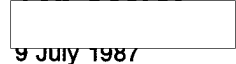


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PANAMA:




Regime Moving To Reduce Tensions

The Panamanian Government has taken steps to ease tensions domestically and with the US but fears its international credibility may be further damaged by the testimony today of former Chief of Staff Diaz. 

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President Delvalle announced a ban on protests scheduled for today and tomorrow, after three days of peaceful, but growing, opposition demonstrations. The press reports that the regime shut down a progovernment radio station that was airing anti-US vitriol 

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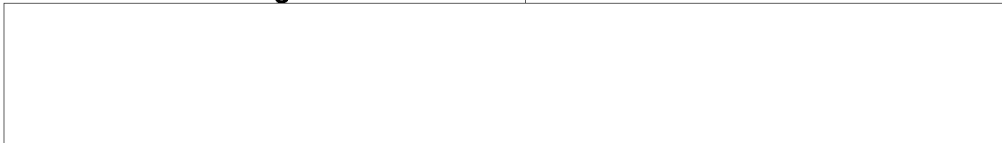
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Diaz is scheduled to give an official statement to the Panamanian Attorney General detailing his allegations of Noriega's involvement in the murder of a regime critic in 1985. 

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Comment: The government is attempting to reduce tensions with the US, and the ban on protests probably is intended to prevent anti-US violence during a massive progovernment rally scheduled for today. Since the state of emergency was lifted, most of the violence has been instigated by progovernment activists. Noriega undoubtedly hopes the ban will also curb antigovernment activity, including a demonstration scheduled for tomorrow. The opposition, however, appears emboldened by its recent success in rallying supporters and has announced it will still hold its protest; the military will put down any opposition efforts to defy the ban. 

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Nonetheless, the regime evidently feels compelled to follow through on Delvalle's call for an official investigation, in an effort to restore his credibility and ease international pressure. 

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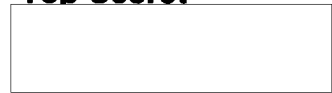
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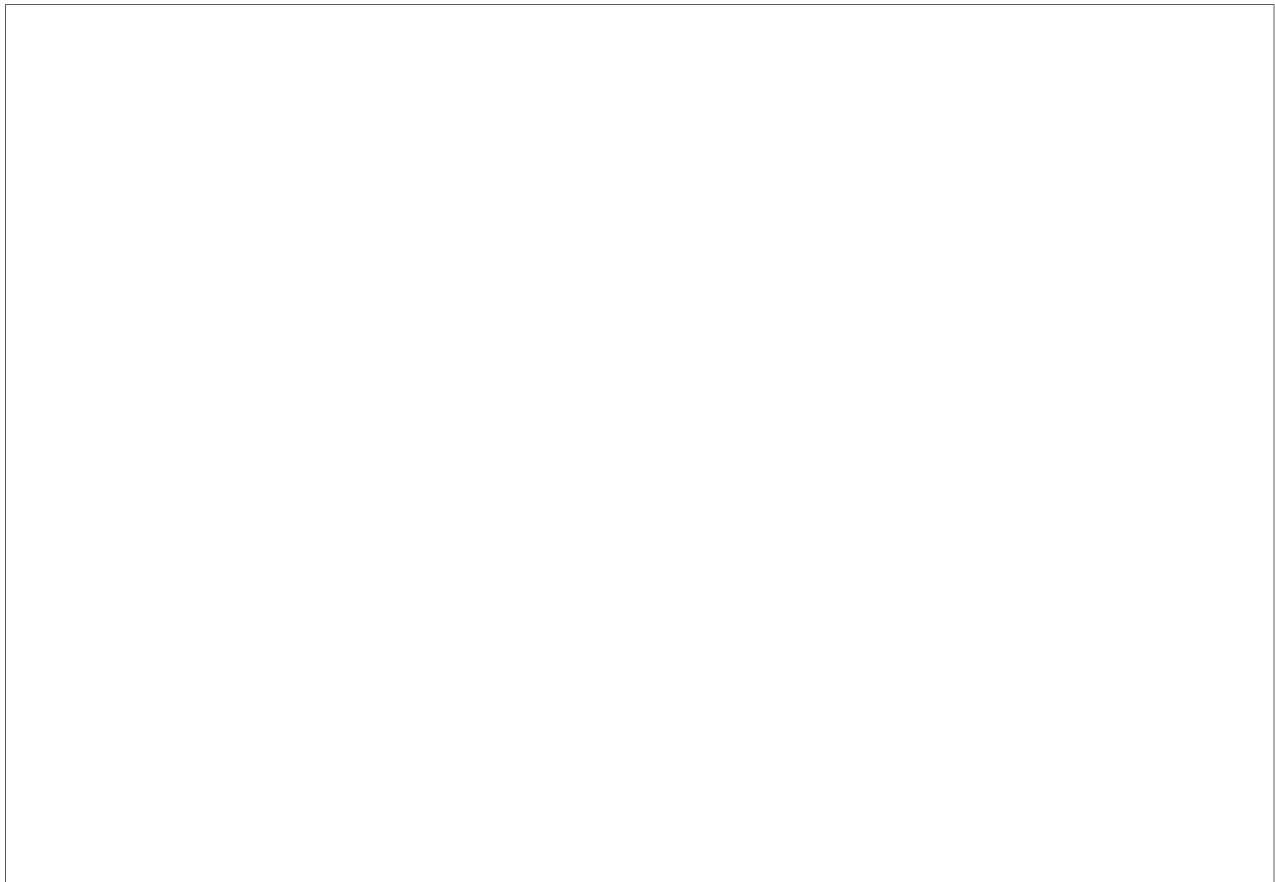
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SOUTH YEMEN-USSR: Party Conference

Moscow apparently succeeded late last month in orchestrating a peaceful party conference in Aden, but the meeting has aggravated factional rivalries. [redacted] the conference agenda, drawn up by Soviet party officials in Moscow, avoided contentious issues and called merely for the removal of supporters of deposed President Ali Nasir from the party Central Committee. [redacted]

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[redacted] two powerful rival factions have emerged from the conference. An alliance of senior military and party officials is pitted against the radical National Democratic Front, the South Yemeni-backed insurgent movement against North Yemen.

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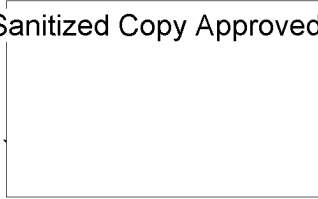
Comment: Moscow may again find itself forced to choose between competing groups in South Yemen. Any compromises between the factions that the Soviets were able to work out will probably prove temporary. The military is unlikely to give up its goal of eliminating the Front as a force in South Yemeni politics, and the Front will actively resist efforts to dislodge it. Both undoubtedly will appeal to Moscow for support. [redacted]

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JORDAN-ISRAEL: Controversy Over West Bank Water

Jordan is lodging a formal complaint with the UN over a new Israeli plan to pump water from the West Bank to Jerusalem and Jewish settlements and may try to call a Security Council meeting on the issue. The US Embassy in Amman reports that the Jordanians believe the proposal threatens to deplete already scarce West Bank water supplies and that Prime Minister Rifai asked the US last week to intercede on Jordan's behalf. According to press reports, Tel Aviv anticipates that as much as 75 percent of the water to be drawn from a new deep well near Bethlehem will be pumped for Israeli use.

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Comment: Amman does not want to set a precedent by acquiescing in Israeli decisions affecting the West Bank, especially on water issues. The well's projected output would equal the nonagricultural water consumption of the entire Arab population of the West Bank. West Bank Arabs and Jordanians have long complained about Israeli restrictions on new Arab wells and view this plan as another move to strengthen Israel's hold on the occupied territory.

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BRAZIL: Splits in the Ruling Party

Prominent leftwing members of the ruling Brazilian Democratic Movement Party are calling for withdrawal from President Sarney's coalition government following last week's violent protests against new austerity measures, according to press reports. They are preparing an alternative economic program to stem growing unemployment and labor unrest and will press the party to vote in the Constituent Assembly for an early election to replace Sarney.

~~Meanwhile, the US Embassy reports that~~ Senator Jose Richa, a rising young leader with ties to the military, recently proposed that Sarney suspend the unruly Constituent Assembly so that legislators can provide undivided support to the embattled President—a proposal that has been widely attacked by party leaders and has further split the party.

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Comment: The party, worried about a growing public backlash and looming recession, will probably remain in the coalition but be divided over support for Sarney. The intraparty splits will further erode the President's slim legislative majority, and, as a result, Sarney may soon be forced to abandon his new austerity program. Moreover, the leftist faction may seek tactical alliances with Sarney's opposition, heightening protest activities and military apprehension about Brazil's chaotic politics.

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[Redacted]

[Redacted]

NICARAGUA: Church-State Tensions Increasing

The Sandinistas are renewing verbal attacks against Catholic Church leaders as part of their longstanding running battle with Cardinal Obando y Bravo. ~~(According to the US Embassy)~~ Sandinista leaders have publicly called the Cardinal a mercenary and rebel collaborator because he was unwilling to blame the insurgents for the deaths of two church people killed by a landmine in central Nicaragua last week. They also have resurrected allegations that Obando has received covert ~~US~~ funding. The regime accused Papal Nuncio Monsignor Paolo Giglio of doubletalk when he publicly laid the cause of the war to internal Nicaraguan divisions. ~~(not US policy)~~

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Comment: The Sandinistas consistently have looked for ways to discredit Obando and his top aides, two of whom have been forced into exile. The attack on the Nuncio—whose less antagonistic stance bought him relatively peaceful relations with the regime over the past year—may contribute to closer cooperation between him and the Cardinal. ~~Although Obando is probably still reluctant to confront the regime directly, increasing confidence that he has the Vatican's backing may strengthen his resolve and lead him to take a tougher stand in current talks with regime officials.~~

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AFGHANISTAN: Former King Keeping Options Open

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Former Afghan King Zahir Shah recently told the Soviets through an intermediary that he would join the national reconciliation process only after Moscow was firmly committed to withdrawing its troops and had guaranteed Afghan self-determination.

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Zahir foresees no movement toward peace until the Soviets and the resistance negotiate directly and believes that only an agreement signed by the UN Security Council, Pakistan, and Iran can ensure Soviet withdrawal. Zahir's son-in-law, Abdul Wali, told West German officials last week that Zahir had no interest in restoring the monarchy but would play an "integrating role" in a post-Soviet regime.

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Comment: Although Zahir shows little interest in a major role in shaping the peace, he is reluctant to rule out participating in national reconciliation out of a sense of patriotism and a belief that some refugees and insurgents look to him for leadership. His colleagues, especially Abdul Wali, are politically ambitious, however, and are pushing on several fronts—including with several West European governments, prominent Afghan exiles, the King's friends in the resistance, and perhaps with Moscow, Kabul, and Islamabad—for a leading role for Zahir in a post-Soviet government.

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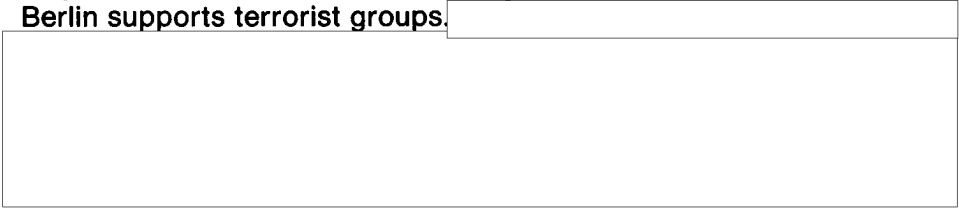


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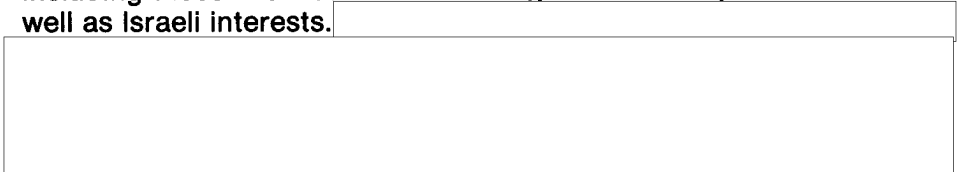
EAST GERMANY: Radical Palestinians Perceive Chill

Alleged East German coolness toward two radical Palestinian groups may reflect concern about increasing Western charges that East Berlin supports terrorist groups.

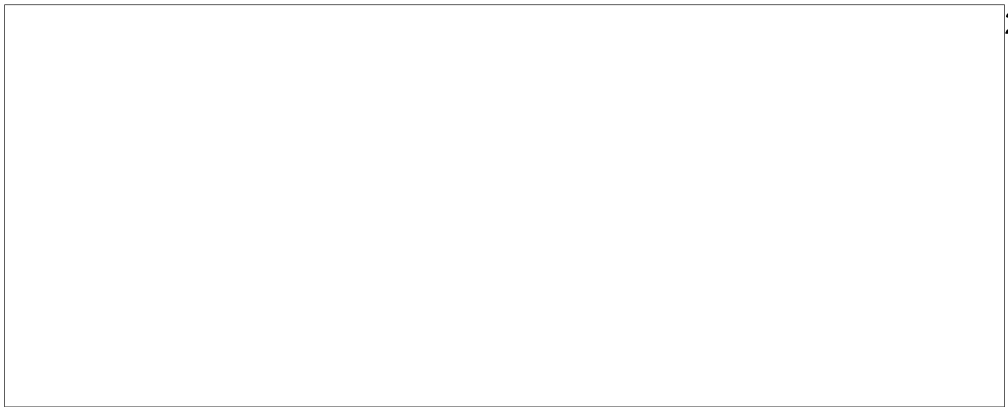


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Comment: The temporary stranding of several hundred radical Palestinians in East Berlin after Syria denied them reentry in May may have contributed to the regime's desire to limit these groups' presence. There is no evidence, however, that East Germany is moving to sever entirely its longstanding ties to radical groups, including those like Abu Nidal that target West European and US as well as Israeli interests.



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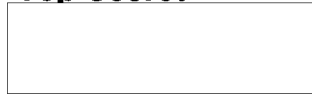
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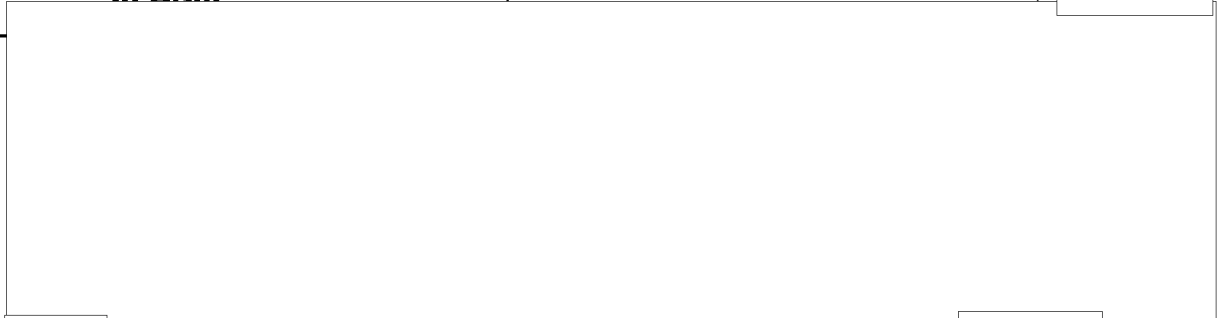
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In Brief



Middle East



— Iraq's claim that it attacked Iran's Khark Island terminal on Tuesday is unconfirmed . . . US Navy reports, however, that a tugboat serving Khark was hit.

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— Iraq used blister agent mustard in Sar Dasht, Iran, last month, according to press . . . probably aimed at military staging area, but many civilian casualties resulted.

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USSR



— USSR inviting US, European observers to military exercise in Carpathian Military District 17-22 August . . . in accordance with Stockholm CDE agreement . . . first exercise on Soviet territory requiring invitation of observers under CDE.

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— Pravda reports Soviet party secretary and Gorbachev ally Razumovskiy visiting China reiterated Moscow's desire for full normalization of party relations . . . one of the highest party officials to visit China in 20 years.



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Americas



— Cuba televising series alleging US Interests Section involved in espionage, names US personnel . . . probable response to recent defections . . . Havana says US officials will not be expelled . . . appears unprepared to break relations.

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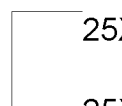
— General strike in Haiti ended yesterday, but US Embassy says some groups still demanding ouster of ruling council, planning demonstrations tomorrow . . . popular consensus probably favors end to unrest for now.



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— Leftist labor group in El Salvador plans to intensify protests to embarrass government, according to US Embassy . . . hopes to attract media attention by occupying an embassy . . . one clash between police, demonstrators reported so far.



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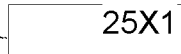

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Special Analysis

COLOMBIA-US: Extradition Treaty on Trial

Colombia's extradition treaty with the US is unlikely to survive intact against continuing attacks by drug traffickers on judicial and other officials. A personal commitment by President Barco to extradition may be strong enough to keep the treaty alive, but he probably will not be able to block congressional amendments later this summer that would prevent the extradition of Colombians. ~~to the US,~~ 


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The treaty, enacted to break up the Colombian drug networks, stipulates that Bogota is obligated to extradite its nationals if  Washington can show they were involved in conspiracies, money laundering, or other drug-related offenses. Drug trafficking organizations have retaliated by murdering six leading proponents of extradition during the past year and have cowed the Colombian Supreme Court, the most critical link in the extradition chain. The murder of one judge and threats against others have succeeded in rupturing the Court's integrity, ~~According to the US Embassy,~~  hastening the resignation of its president and causing the remaining judges to refuse to rule on extradition cases. 


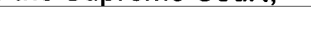
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Only three traffickers have been extradited since May 1986, as compared with 13 during the preceding 17 months; other major traffickers have been released before their extraditions could be processed. The Court ruled recently that the treaty's ratifying legislation is illegal, finding that a weaker 1888 treaty—which gives the President powers in extradition cases—prevails. 

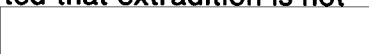
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~~ traffickers are bribing legal advisers to find loopholes in the treaty to delay or cancel extraditions. One important money launderer currently is being tried in Colombia on the same charges pending against him in the US, using a double-jeopardy defense, which was recommended by a lawyer in the Supreme Court, to block his extradition regardless of the verdict.~~ 

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Closing in for the Kill

~~With extradition virtually halted, traffickers are attempting to weaken media and legislative support for the treaty. Following the assassination of one of the country's leading editors and other acts of intimidation, a planned series of exposes on drug trafficking apparently has been abandoned. Meanwhile, according to Embassy reports, prominent journalists have asserted that extradition is not worth the sacrifices Colombia has made.~~ 

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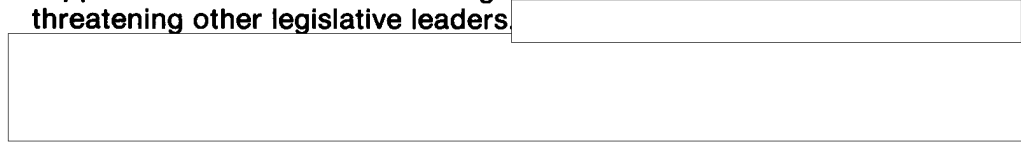
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Traffickers also are stacking the congressional deck by intimidating supporters of extradition into resigning and by bribing and threatening other legislative leaders.



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With strong guidance from President Barco, Congress may try to block blatantly corrupt legislators from gaining influence over the ratification process. Maneuvering by both sides is likely to intensify, however, ensuring a tense atmosphere and growing polarization of the extradition issue when Congress reconvenes on 20 July.



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Outlook

President Barco continues to adhere to the stronger 1979 treaty, keeping the onus of deciding extradition cases on the Supreme Court. He is also streamlining the organization of the narcotics police and assigning more judges and investigators to drug cases. Nevertheless, the President will be hard pressed to fend off trafficker-backed amendments. Even if he stands fast, he almost certainly will have to compromise eventually by agreeing to damaging amendments—particularly if, as is likely, the debate opens against a violent backdrop that dramatizes the power of the traffickers.



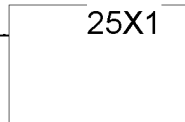
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The collapse of the extradition process in Colombia would give traffickers a much freer hand in running and expanding their operations. They would be able to reaffirm ties to government and criminal circles that have frayed because of restraints on their mobility, and they probably would further intimidate the judiciary in domestic drug cases.



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The defeat of extradition in Colombia would also endanger other efforts currently taking shape elsewhere in South America. ~~A variety of US Embassy reports indicate that~~ officials from Peru have admitted that fear of reprisals from narcotics interests are already undermining an agreement last year among Peru, Colombia, Bolivia, and other governments to standardize extradition procedures and broaden cooperation on drug enforcement measures.



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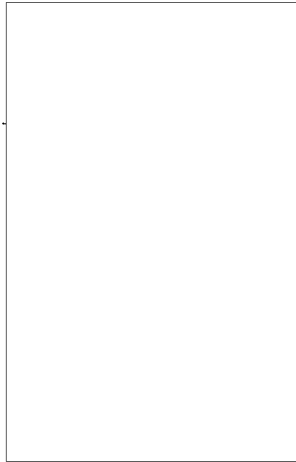
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Special Analysis

ROMANIA:

Stagnation Persists



Romanian President Ceausescu is relying increasingly on the security forces, his family, and trusted proteges as his political isolation grows. Some high-level officials are dissatisfied with Ceausescu's economic mismanagement and his antipathy toward Gorbachev-style reforms, but this sentiment has not yet coalesced into organized opposition. There is a slight possibility, however, that disaffected party officials will be emboldened to move against Ceausescu if public morale and the domestic situation continue downhill. [redacted]

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Ceausescu's position appears secure for now because of the effective and sometimes brutal control of the security apparatus. A spate of demonstrations and labor actions following yet another austere winter has died down. Even these brief protests were limited by the customary combination of minor concessions and threats of security action. [redacted]

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Growing Discontent

The more serious threat to Ceausescu comes from within the leadership itself. [redacted] a growing number of party officials share in the widespread public disgust with Ceausescu's political excesses and economic failures, and [redacted] there is ^{some} growing discontent within the military and possibly even within the privileged ranks of the security forces. Some officials apparently would like to adopt Gorbachev-style reforms, the Soviet leader's thinly veiled criticism of Ceausescu during his visit in May struck a chord with them as it did with the populace. [redacted]

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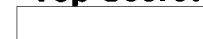
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Ceausescu, meanwhile, keeps tightening his grip on the economy and promoting his family and ambitious wife, further narrowing the circle of influential officials at the top. For her part, Elena Ceausescu is trying to build her own power base, primarily through her position as chief of the party Cadres Commission and her ties to security chief Postelnicu. [redacted]

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Outlook

Although she is trying to position herself to succeed Ceausescu, his wife is so unpopular and lacking in political skills that other would-be successors are likely to outmaneuver her quickly once her husband is gone. Were she to succeed in replacing her husband quickly, however, she would become more difficult to replace.

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Opposition to Ceausescu within the leadership still seems poorly organized and lacking in initiative, but this situation could change as domestic conditions continue to deteriorate and popular unrest increases. Ceausescu's position would be jeopardized if the security forces—to assure their continuing influence—turned against him and sought to cooperate with disaffected party and military officials.

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These officials would tend to favor moderate changes in economic policy to alleviate severe austerity measures. They might be less inclined than Ceausescu is to antagonize Moscow and more oriented toward cooperation within the Soviet Bloc but probably would seek to maintain Romania's economic and political ties to the West and Third World to retain some independence.

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Special Analysis

ARGENTINA:

Military Still Troubled

Widespread application of the due obedience law by federal courts has considerably reduced friction between the Argentine Government and disgruntled military officers. Tempers are likely to flare again with the approach of the elections in September as the armed forces flex their political muscle on a number of controversial issues.

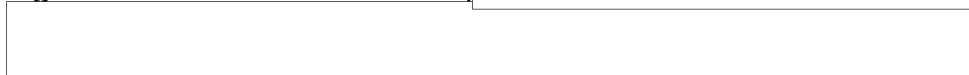


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Since the law was passed last month, federal judges have dropped charges against some 200 active-duty and retired officers, according to the US Embassy. While military personnel are relieved by the court's actions, many insist that only a full amnesty will satisfy their demands. Active-duty officers assert that they will refuse to testify against their retired commanders:



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The military will also press the government on the budget, equipment acquisition, and training, but severe economic difficulties limit President Alfonsin's ability to appease the services through increased spending. Larger operational budgets for the military would require either politically unpopular cuts in social spending or increases in public-sector expenditures, aggravating inflation—already expected to top 100 percent this year—and ensuring noncompliance with IMF guidelines. Moreover, the President's current political priority is to increase federal aid to the provinces and grant additional wage hikes to labor to enhance his party's chances in the congressional and gubernatorial elections on 6 September.



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General Caridi has not reestablished the Army chain of command since the Easter uprisings, and rebellious officers remain a cohesive force capable of defying the government's authority. In recent weeks, there has been a series of provocations—including minor bombings—probably engineered by the far right; such incidents will probably grow more frequent during the campaign.



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