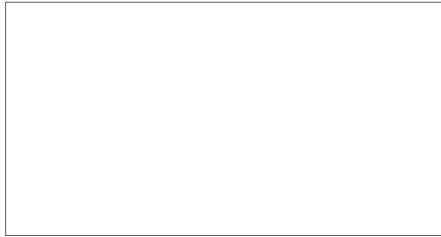




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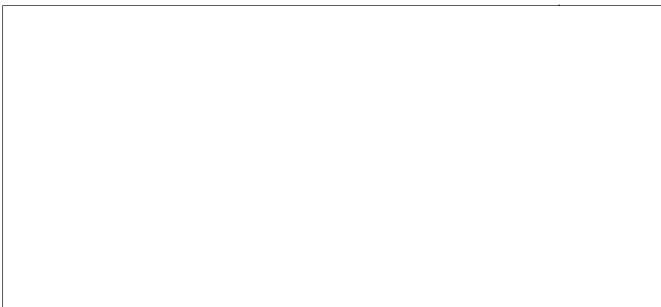


# National Intelligence Daily

**Tuesday  
4 August 1987**



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CPAS NID 87-180JX

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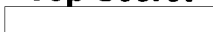
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**IRAN-  
SAUDI ARABIA:**

**Aftermath of Mecca Riots**

**Tehran continues to threaten the US and Saudi Arabia over the Mecca riots.** [Redacted]

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[Redacted] Several pro-Iranian factions, including the terrorists holding US hostages in Lebanon, have threatened reprisals against US and Saudi interests. A bomb was thrown Sunday into the deserted Saudi Embassy in Beirut, and bomb threats were telephoned to the US and Saudi Embassies in Kuwait. [Redacted]

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A speech yesterday attributed to Ayatollah Khomeini reiterated that Iran intends to take revenge on Saudi Arabia and the US for the deaths of the Iranian pilgrims. Iranian President Khamenei said Iran will retaliate "in the Gulf." Tehran claims the Saudi police opened fire on Iranian pilgrims, killing more than 600 and injuring 4,500, and Ayatollah Montazeri has appealed to Muslims throughout the world to free Islam's holy shrine from Saudi rule. [Redacted]

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The Saudi Ministry of Interior has issued a strong warning to Tehran that it will not tolerate behavior that endangers the security of holy places and has banned demonstrations by Iranian pilgrims, according to the US Embassy in Riyadh. Saudi television has shown scenes of Iranian pilgrims attacking Saudi security personnel and is airing a special report on attempts Iran made during the pilgrimage last year to smuggle explosives into the Kingdom. [Redacted]

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Persian Gulf states that have significant Shia populations have responded in a low key to the riots. In addition to lodging a strong protest with Tehran over the ransacking of its Embassy on Saturday, Kuwait is considering what steps to take against the 42 Iranian diplomats now in Kuwait, according to US Embassy reporting. Bahrain, whose population is 70-percent Shia Muslim, is concerned that the incident will inflame sectarian tensions. Most moderate Arab leaders, while expressing concern over the violence, are supportive of the Saudi action, and Egypt has called for an urgent Islamic summit meeting. There has been no trouble among the Shia minority in Saudi Arabia's Eastern Province. [Redacted]

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*continued*

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**Comment:** Iran has a broad range of violent options, including attacks on Saudi or US-associated shipping in the Gulf and calling on pro-Iranian groups in the Gulf states or elsewhere to strike US or Saudi facilities and personnel. The Iranian leadership probably hopes to trigger anti-US protests in countries with large Shia populations. Iranian condemnations of the US following the takeover in 1979 of Mecca's Grand Mosque by Sunni fundamentalists helped provoke an anti-US demonstration in Islamabad that led to the storming of the US Embassy there. [Redacted]

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Riyadh probably would like to avoid a further worsening of relations with Tehran but does not want to appear to be weakening in the face of Iranian threats. Tehran is likely to encourage further confrontations, in the belief that pressure on Riyadh will persuade the Saudis to reduce their support for the US presence in the Gulf. [Redacted]

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**WESTERN EUROPE- Views on Arms Embargo  
MIDDLE EAST:**

***West European members of the UN Security Council are reluctant to support a possible arms embargo against Iran and may try to limit or delay a resolution calling for an embargo.***

[Redacted]

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British Prime Minister Thatcher will support an embargo, according to press reports, but the UK wants an embargo to apply solely to weapons actually being used in the war. The British have told US officials that they would consider their recent sale of radars—to be deployed on the Soviet-Iranian border—as exempt from an arms embargo. [Redacted]

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The French appear more willing to consider an arms embargo since breaking ties to Tehran. [Redacted]

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[Redacted]

**Comment:** The West Europeans probably view the continued UN negotiations as a means of deterring the US from military moves against Iran, and they may be counting on the USSR and China to scuttle the UN proposal. However, if the other Security Council members support an embargo, the West Europeans are unlikely to stand in the way, although they may try to delay or limit it. France, West Germany, and Italy may try to delay implementation beyond the 30 to 45 days envisaged for acceptance of a cease-fire resolution. London and Paris almost certainly will insist on limiting the scope of any embargo. [Redacted]

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**IRAQ: Cabinet Changes**



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Iraqi President Saddam Husayn's removal of two longtime Shia government ministers apparently tightens his grip on policy. On *2 August*, ~~Sunday~~, Saddam relieved Interior Minister Shakir and Trade Minister Ali of their ministerial posts but not their positions in the ruling Ba'th Party or on the Revolutionary Command Council. Both men were commonly thought to hold their posts because of loyalty to Saddam rather than competence. In other changes, First Deputy Foreign Minister Ramadan has recently lost some of his control over economic affairs and Husayn Kamil Ali Majid, Saddam's son-in-law, has been made Acting Minister of Heavy Industries, ~~according to the US Embassy~~ *reportedly* [Redacted]

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*reportedly* **Comment:** The changes will further centralize the President's power and reduce the party's influence in economic and security matters. Shakir had been losing influence on internal security issues to relatives of Saddam's from their hometown of Tikrit. Ali's departure probably is part of Saddam's drive to bring more technically competent officials into the government to implement recently announced economic reforms. [Redacted]

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**USSR-SOUTH KOREA: Talks on Olympics**

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A nine-man Soviet delegation visited South Korea last week for in-depth talks on arrangements for the 1988 Olympics and to inspect sports facilities in Seoul, [redacted] The main topics covered were the logistics of getting the Soviet team, its support staff, and other officials to Seoul and security arrangements for their stay. The Soviets also raised the possibility of assigning an attache to Seoul before the Olympics, an idea their hosts agreed to support, and said Moscow probably would agree to send a cultural troupe to Seoul during the games. The South Koreans reportedly interpret the talks as further evidence that the Soviets will attend the Seoul games. [redacted]

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**Comment:** The Soviets probably do indeed plan to attend. They continue to support North Korea's attempt to host a larger share of the 1988 Olympic games than they have gained to date, but their recent media coverage has suggested a growing impatience with that effort. The proposal to assign an attache to Seoul is apparently the first time the Soviets have shown an interest in establishing an official presence there, and it suggests that they hope to use their participation in the Olympics to expand contacts with Seoul.

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**MOZAMBIQUE-USSR: Chissano Visit**

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*on 6 Aug*

Mozambican President Chissano's visit to the USSR, which concludes ~~Thursday~~, appears intended to mollify Moscow while Maputo looks to the West for economic and military support [redacted]

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*reportedly*

[redacted] and Maputo are strained because Chissano, who took office in November, is looking to the West in search of aid ~~and traveled to the UK and Italy before any Communist state~~. Maputo has criticized the quality of Soviet military training as well. [redacted] that the Soviets are displeased with the small but growing British influence in the Mozambican Armed Forces and Maputo's approval of a port call by a US warship [redacted]

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**Comment:** Moscow and Maputo are already publicly characterizing the visit as a success, but there will be some tough talking privately. Moscow is unlikely to offer to increase its military assistance substantially, because it believes the Mozambican military cannot absorb any more. The Soviets nonetheless would like Maputo to ~~curtail its budding security relationship with London and to~~ be agreeable to Soviet requests for extended air and naval access to Mozambique. ~~Chissano is likely to refuse both counts~~. Moscow probably will agree to reschedule Mozambique's considerable debt to the USSR along lines similar to Maputo's recent agreement with Western donors. ~~Moscow also may offer additional token economic aid or loans.~~ [redacted]

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**PARAGUAY: Split in Ruling Party**

Paraguayan President Stroessner won a Pyrrhic victory at the convention over the weekend of his fractured and weakened Colorado Party. The pro-Stroessner Militant faction seized control of the convention when the Traditionalist grouping—which favors limited political reform—walked out after claiming that the police were blocking some members from entering the meeting. The press reports that the Militants may soon purge Traditionalists from the Foreign Ministry and the military and speculates that Stroessner may now clamp down further on the political opposition and begin to groom his son Gustavo for the presidency. Opposition parties have denounced the gangster-like tactics used at the convention and have proposed that the Colorado Traditionalists join with them to confront the ruling party. [Redacted]

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**Comment:** The split weakens the regime's legitimacy and does not augur well for a smooth transfer of power. It leaves Colorado Traditionalists—who have considerable popular support—with little influence in the government and will disturb the military, much of whose leadership dislikes the Militant faction and would oppose the younger Stroessner's assumption of power. More violence—probably including human rights violations—is likely as Stroessner moves to reassert his control over increasingly turbulent Paraguayan politics. [Redacted]

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In Brief

Americas

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**Jamaican** opposition leader Manley dropping call for immediate election, [redacted] may need time to recover from surgery in April . . . early election unlikely unless Prime Minister Seaga anticipates victory. [redacted]

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Press reports **Brazil's** two largest rival labor organizations calling general strike for 20 August . . . demanding increased wages, salary adjustments tied fully to inflation . . . government may offer small concessions to avoid derailing economic plan. [redacted]

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Europe

*reportedly*  
**Poland's** civil airline wants to lease Western airliners, ~~According to~~ **US Embassy** . . . discovered serious problems with its **Soviet** jets after recent crash . . . interest growing in buying Boeing or Airbus though Moscow will object. [redacted]

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**Greek** Foreign Minister to begin procedural talks for base negotiations with US Ambassador on 4 September . . . prelude to substantive discussions, which are likely to be difficult . . . Athens planning to raise **Cyprus** issue, Aegean dispute. [redacted]

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South Asia

*reportedly*  
**China** delivered large fleet oiler to **Pakistan** last weekend . . . first foreign sale of 20,000-ton supply ship used to support long-distance naval operations . . . Pakistan's Defense Minister attended transfer ceremony in China. [redacted]

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Africa

**South African** mineworkers' union calling nationwide strike to begin Sunday . . . could be largest since union founded in 1982 . . . prolonged disruption of gold, coal industries would provoke harsh response from Pretoria . . . settlement still possible. [redacted]

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**Zaire** expelled three **Soviet** Embassy personnel last week for spying . . . follows recent Soviet visits aimed at improving relations . . . incident suggests diplomatic efforts not likely to be productive. [redacted]

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**Special Analysis**

**PANAMA:**

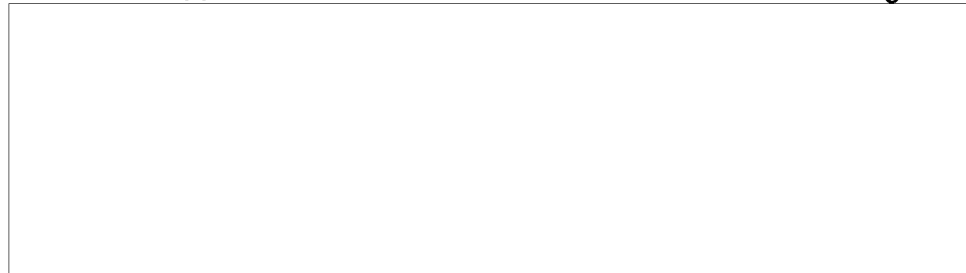
**Banking Sector Under Pressure**

*The announcement last week of a long-planned withdrawal by the largest US-owned commercial bank in Panama comes at a crucial time for the regime. Increasing unemployment and liquidity problems at Panamanian-owned banks probably are the most serious economic problems facing the government. Although some international banks may withdraw if political turmoil continues, such action by itself probably would not cripple the economy.*

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The regime is concerned that the US bank's withdrawal will give new impetus to opposition efforts to force the ouster of General Noriega.

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Panamanian banks have stopped local lending and delayed payments to some government creditors because of accelerating capital flight. Strict bank secrecy laws and a lack of capital controls will make it difficult for the government to monitor or control financial flows. The increasing illiquidity of Panamanian banks could affect the government's ability to meet its payroll or make interest payments on its commercial bank debt. The National Bank of Panama, equivalent to a central bank, though hard hit by the crisis, remains reasonably solvent,

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In strictly economic terms, the pullout of additional international banks probably would have only a limited impact on the economy if major Panamanian banks regained strength, although capital flight would accelerate and public confidence in the regime would erode further. Moreover, the regime probably could withstand a gradual decrease in financial-sector operations because other components of the service economy—the canal, oil pipeline, and free trade zone—would be largely unaffected.

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The loss of some jobs in the financial sector—which employs roughly 1 percent of the labor force—would add to urban unemployment.



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**Special Analysis**

**COLOMBIA: Insurgent Challenge Growing**

***The Revolutionary Armed Forces of Colombia—FARC—the country's largest rebel group, over the past six months has begun to forge stronger political and operational alliances with Colombia's other major insurgent organizations and to broaden international support. This effort is aimed at achieving leadership over a united insurgent movement and gaining local political power for the first time in the mayoral election next spring. President Barco, who is trying to strengthen counterinsurgency capabilities, has not addressed the rebels' growing political activism.*** [redacted]

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Despite continued clashes with the military, FARC leaders are focusing on building closer political and military ties to the National Guerrilla Coordinator, a loose alliance comprising the National Liberation Army, M-19, and the People's Liberation Army. FARC probably sees closer coordination as a means of imposing its strategic priorities on the smaller groups. The National Liberation Army, for example, has recently avoided its favorite target—the nation's major oil pipeline—perhaps because of government countermeasures, and twice last month ambushed military units with tactics used by FARC in a brutal attack in June. [redacted]

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**Rebel Political Initiatives**

FARC and the National Guerrilla Coordinator have jointly organized mass strikes this year, according to the US Embassy [redacted]. They achieved an unprecedented degree of coordination in June during demonstrations in northern Colombia that lasted for three days, and the two groups reportedly plan more strikes beginning this month. The rebels have shrewdly exploited government civic action efforts, organizing local protests where development work is planned and then taking credit for successful projects. [redacted]

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The insurgents are increasingly focusing on Colombia's first mayoral election, scheduled for March. FARC leaders recently have avoided major battles with government forces in an effort to protect the legal status of their political front, the Patriotic Union. The US Embassy estimates that the party could win political control of as many as 80 towns in regions where FARC is active. The People's Liberation Army, which signed an accord with FARC in April, recently formed a similar front group. [redacted]

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[Redacted] Rebel leaders are likely to accelerate local political lobbying, often relying on armed intimidation, as the election nears. [Redacted]

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The Patriotic Union is spearheading a campaign by all four major insurgent groups to discredit the government by alleging human rights abuses by the military, [Redacted] The Colombian Communist Party, FARC's parent group, reportedly is soliciting aid for the campaign from other leftist groups in Latin America and Europe. Patriotic Union leaders, in an effort to gain overseas credibility, have made public appearances in both Paris and Madrid since May. [Redacted]

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**Outlook**

FARC's aggressive effort to take advantage of the political protection afforded by the fraying three-year-old truce with the government places President Barco in an awkward position. He recognizes that he would incur political damage if he moved to halt this exploitation by breaking the truce himself. He also needs to prolong the truce, despite the widening hostilities, to gain time to develop a more effective national security strategy, as evidenced by his request to the US to arrange a recent top-level seminar on insurgency. [Redacted]

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Barco has accelerated efforts to improve Colombia's limited counterinsurgency capabilities. Following the bloody attack by FARC in June, he approved a \$213 million supplemental defense appropriation for 1987, of which \$64 million has been funded, [Redacted]

[Redacted] Substantial gains will be slowed, however, by chronic deficiencies in mobility, manpower, and training within the security forces. [Redacted]

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Barco is also aware that rebel politicians are gaining support in rural areas, but he has made no systematic attempt to counter their political program. Bogota has traditionally paid little attention to grassroots politics, and its political, military, and economic initiatives have never been well coordinated. The country's diplomatic service is ill equipped to counter FARC's overseas propaganda. The traditional parties already lag behind the guerrillas in preparations for the election, and this gap is likely to widen in the coming months, placing increasing political pressure on the Barco government and probably leading to more violence. [Redacted]

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