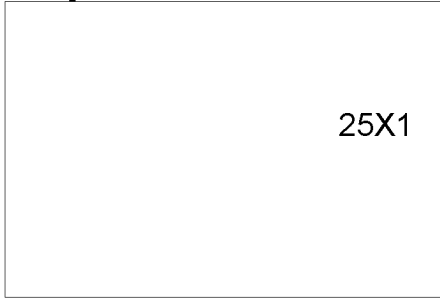




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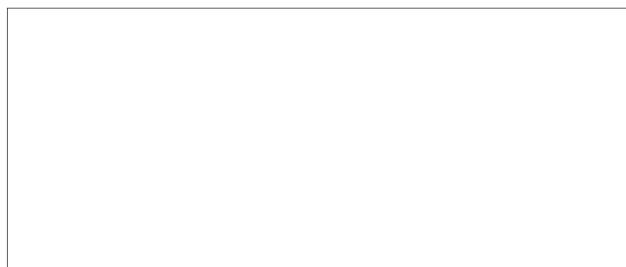
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National Intelligence Daily

**Thursday
6 August 1987**



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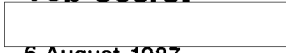
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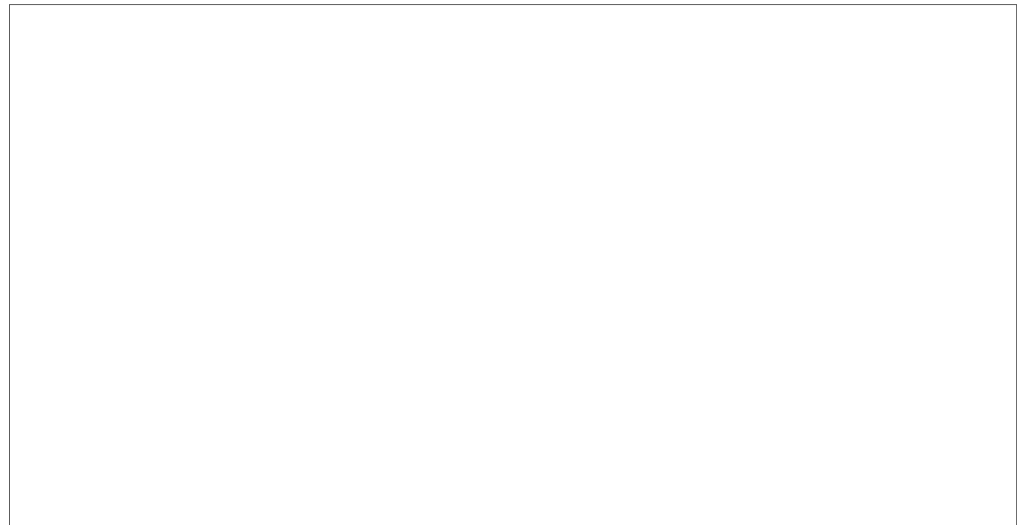
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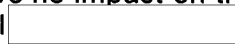


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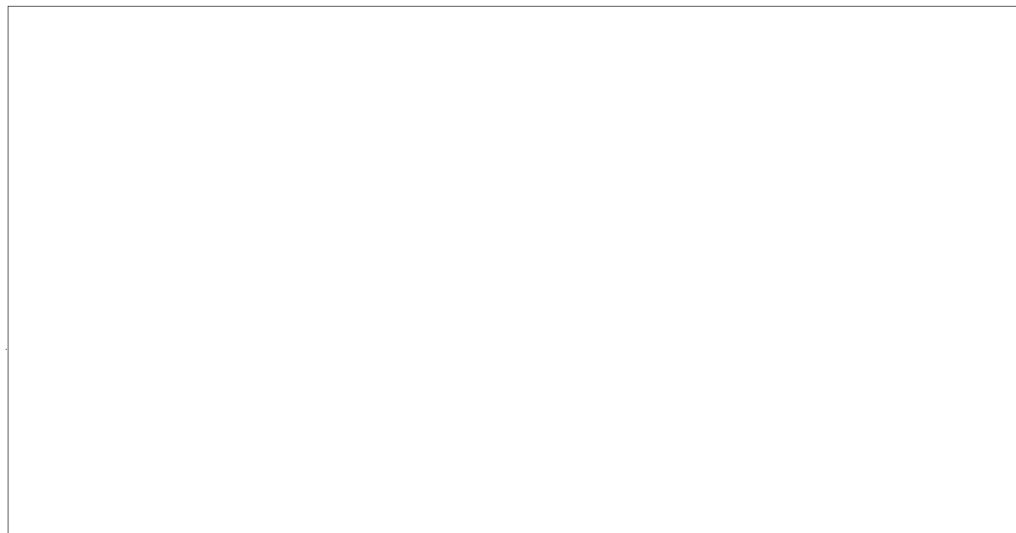


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Insurance Rates Up

on 5 August London ship insurers, citing heightened tension in the Gulf war zone, ~~yesterday~~ announced they were almost doubling minimum war risk insurance for ships sailing in the northern half of the Gulf. Because war risk insurance remains only a small portion of overall transportation costs, the hike will have no impact on the number of tankers available to transport Gulf oil 

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Positions Prior to the Summit

Costa Rica: Proposed plan in January with provisions intended to be acceptable to Managua . . . vague on security issues . . . cease-fire and cutoff of external aid to regional insurgents upon signature; democratization follows . . . recently told US Embassy that it would amend plan to halt aid and establish cease-fires 60 days after signature, permitting two-month period to test Nicaragua's commitment to democracy.

Honduras: Proposed changes to Costa Rican plan last week . . . more explicit on democratization . . . delays cutoff of aid to insurgents for six months after signature to ensure Nicaraguan democratization and guarantee that arms talks will be successful.

El Salvador: Supports Honduran efforts to toughen Arias plan but believes long delay in cutting aid to insurgents benefits Salvadoran rebels . . . favors revision such as Costa Rica now suggests but will insist on tangible proof of Nicaragua's commitment to democracy.

Guatemala: Had agreed with Salvadoran plan to focus summit discussion on obtaining Sandinista commitment to immediate internal reforms . . . also wanted to give attention to proposed regional parliament, which President Cerezo had championed.

Nicaragua: Avoided detailed commentary on Costa Rican plan . . . accepts plan "in spirit" but raised objections to democratization aspects in talks with Arias . . . says Nicaragua already has a democracy and insists it will not end state of emergency until "US aggression" ceases . . . wants Contadora mediators to maintain high profile in talks.

Contadora Mediators: Proposed treaty draft in June 1986, which democracies found unacceptable . . . maintained low profile in recent months but—at the Central Americans' request—provided new "synthesis" of proposals at joint Foreign Ministers meeting last week . . . new proposal contains stronger provisions on democracy than any previous draft of the mediators but provides for immediate end to external aid to the guerrillas . . . arms talks take place after signature and are open ended.



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**CENTRAL
AMERICA:**

Reactions to US Peace Plan

El Salvador's reaction to the US peace proposal suggests the Central American democracies are confused about how to proceed at the summit beginning today in Guatemala.



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San Salvador has mixed reactions to the plan, which includes only Nicaragua in its democratization provisions and involves Washington directly in regional negotiations on security issues. According to the US Embassy, President Duarte believes the proposal's major advantage is its bipartisan support in the US.

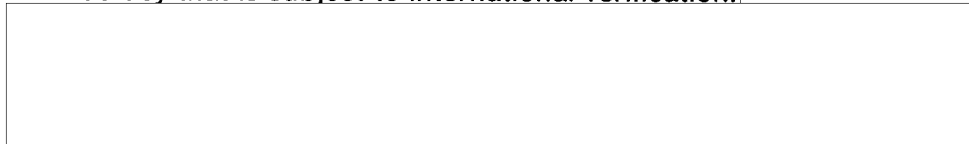


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Nonetheless, Duarte feels the proposal is badly timed because it undercuts the democracies' strategy for isolating Nicaragua at the summit, according to the Embassy. He believes Nicaragua will claim that the US plan proves the Central American problem is primarily a US-Nicaragua issue. Duarte also fears the plan will spoil efforts to ensnare the Salvadoran rebels into making a commitment to democracy that is subject to international verification.

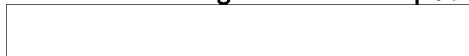


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Nicaraguan President Ortega yesterday announced that Managua was ready to begin immediately an "unconditional dialogue" with Washington to discuss the plan and unspecified Nicaraguan initiatives. Ortega offered no specific comments on the plan, however.



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Comment: The Central American democracies are likely to postpone decisions while seeking clarification of the dimensions of the US proposal. They almost certainly will be critical of the lack of prior coordination and may be defensive about the US initiative. Costa Rican President Arias, who may regard the initiative as a direct attack on his peace plan, is likely to have the most negative reaction.



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The democracies' reservations about the US proposal, however, might eventually lead to a consensus on modifying the Arias plan. By proceeding with their own proposal, the democracies would hope to undermine Managua's claims that they are US pawns.



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Nicaragua probably will raise the prospect that the US proposal is aimed at sabotaging the summit. Ortega's announcement also may be the first step by Nicaragua to characterize the plan as a ploy to renew insurgent aid. Managua is likely to complain that the proposal excludes the Contadora mediators and to insist that they retain their central role in the peace talks.



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MOZAMBIQUE: Status of Fighting

Zimbabwean and Mozambican forces are continuing their efforts to root out RENAMO insurgents from north-central Mozambique, and the guerrillas appear to be increasing operations in the south. [Redacted]

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Zimbabwean troops in Tete and Zambezia Provinces have occupied a number of deserted RENAMO camps in the past two months,

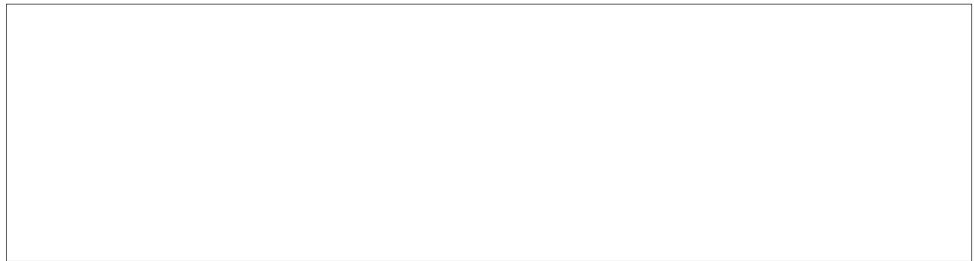


Mozambican preparations to retake Milange, a major town in Zambezia Province still in RENAMO hands, are being hampered by a shortage of ammunition and other logistic problems. [Redacted]

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Comment: Neither side has made major military gains during the past several weeks of fighting. Zimbabwean and Mozambican operations in the north-central provinces may have spurred RENAMO to become more active in the south. [Redacted]

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Pretoria may have provided some new aid, believing that Maputo is not doing enough to curb activity of the African National Congress in Mozambique. [Redacted]

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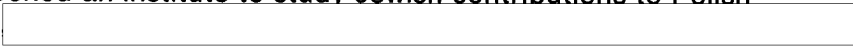
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**EASTERN EUROPE- Improving Relations
ISRAEL:**

Several East European regimes are improving relations with Israel but are still moving cautiously within limits Moscow has set. 

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Poland has led the way among East European nations in fostering relations with Israel. It opened reciprocal Interests Sections last October, which Warsaw called a first step toward full diplomatic relations, according to US diplomats. As a goodwill gesture, Warsaw also opened an institute to study Jewish contributions to Polish history 

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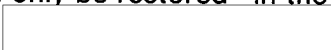
Hungary, only slightly less active, is holding discussions with Israel on the exchange of Interests Sections. Foreign Ministers Varkonyi and Shamir met last September in New York to discuss the resumption of relations, and Budapest recently erected a statue of Raoul Wallenberg and hosted a World Jewish Congress meeting. A party official stated in May, however, that Budapest would not establish full relations before a similar Soviet move. 


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Bulgaria hosted a visit by Shamir's wife last September but has done little since then. Czechoslovak and East German relations with Israel have shown almost no movement. Romania, the only East European regime not to break relations with Israel after the 1967 war, has maintained full diplomatic ties and the region's most liberal emigration policy. Recent Israeli press reports indicate that Prime Minister Shamir has accepted Romania's invitation—also extended to Foreign Minister Peres—to visit Romania soon. 

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Comment: The East Europeans see better relations with Israel as a way to improve their chances for US economic support but are constrained by Soviet Middle East policies and the need to maintain access to a sizable Arab arms market. They will not establish full diplomatic relations with Israel without Soviet approval or before Moscow does. Although the Soviets have been gradually increasing contact with Israel, they continue to demand that Tel Aviv allow them to participate in an international conference on the Middle East and insist that diplomatic ties can only be restored "in the context of the Middle East peace process." 

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Poland and Hungary almost certainly will continue to gradually increase economic and cultural contacts with Israel and to quietly discuss establishing fuller diplomatic relations. Budapest probably will also agree to exchanging Interests Sections within the next two years 

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USSR-ASIA:

Requests for Ship Repairs

Moscow is using attempts to secure repairs for Soviet ships to obtain or improve access to Asian countries and possibly to increase intelligence collection. [redacted]

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In the last six months, the USSR has renewed proposals to South Korean, Philippine, and Hong Kong shipyards to have Soviet commercial ships repaired. [redacted] In addition, China publicly agreed in June to resume repair of Soviet ships, suspended for more than 20 years. [redacted]

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Moscow has put special emphasis on the recent proposals to the Philippines and Hong Kong. According to press reports, the USSR has suggested ship repair as a possible form of countertrade payment for proposed Soviet assistance in the construction of a Philippine power plant. The Soviets have insisted on access to Philseco shipyard, located just outside the US naval facilities at Subic Bay. [redacted]

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Probably because of Hong Kong's objections to an onshore Soviet presence, the USSR reportedly has dropped its insistence on the presence of a Soviet marine superintendent. The Soviets have put discussions with the South Koreans on hold for the past three months, however, probably because of the unsettled political situation in Seoul and a reluctance to irritate the North Koreans. Earlier this year, South Korea considered permitting the repair of Soviet ships in exchange for a fishing treaty permitting South Korean fishing boats to enter Soviet waters and ports, according to the US Embassy in Seoul. [redacted]

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Comment: Although the Soviets, whose domestic shipyards have long been overtaxed, would benefit from access to relatively inexpensive ship repair, Moscow may be using these proposals as a nonthreatening way of approaching governments suspicious of direct political overtures, as they have done with fishing deals in the South Pacific. All three governments are wary of permitting a Soviet presence in the countries for reasons of internal security. In the Philippines, the only one of the three with a Soviet diplomatic presence, the government is sensitive to US anxiety over Soviet proximity to Subic Bay. Despite their concerns, however, the three governments may be influenced—among other factors—by the need to bring business to local shipyards, many of which are suffering. The South Koreans, however, currently consider the Soviet request dead. [redacted]

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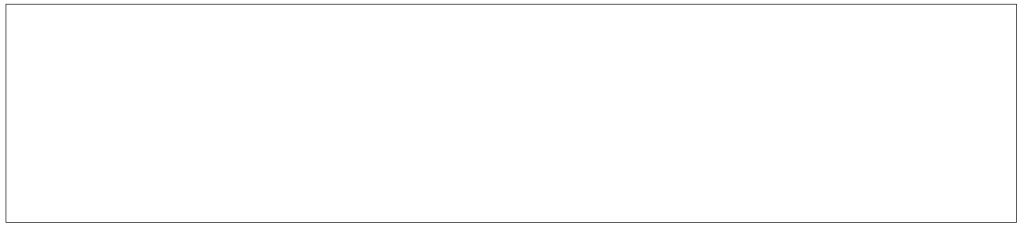


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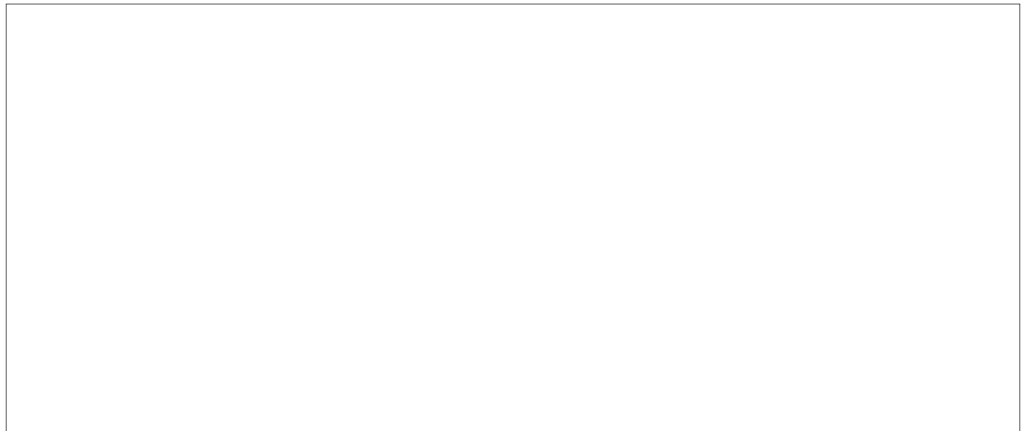
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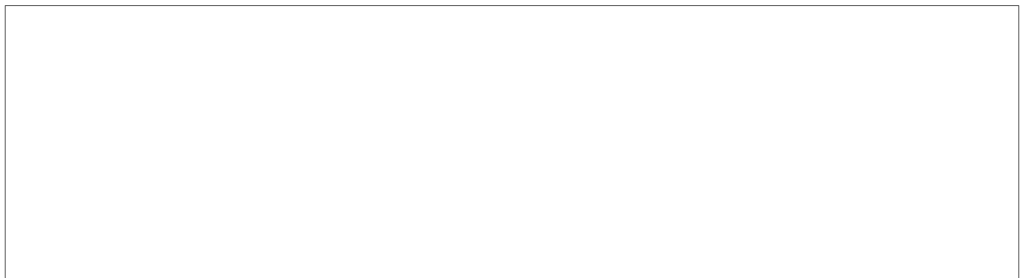


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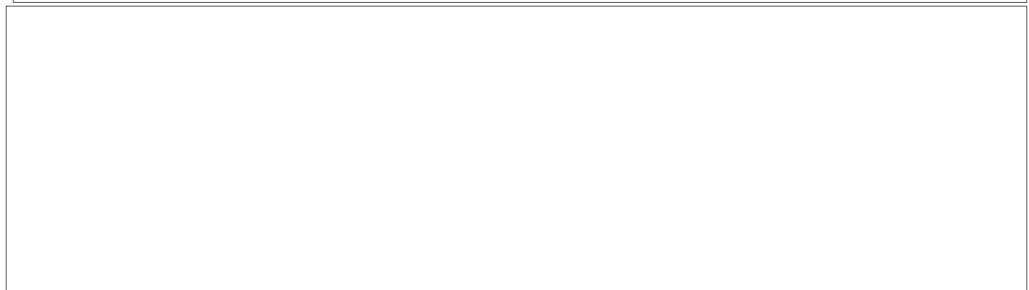


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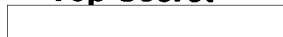


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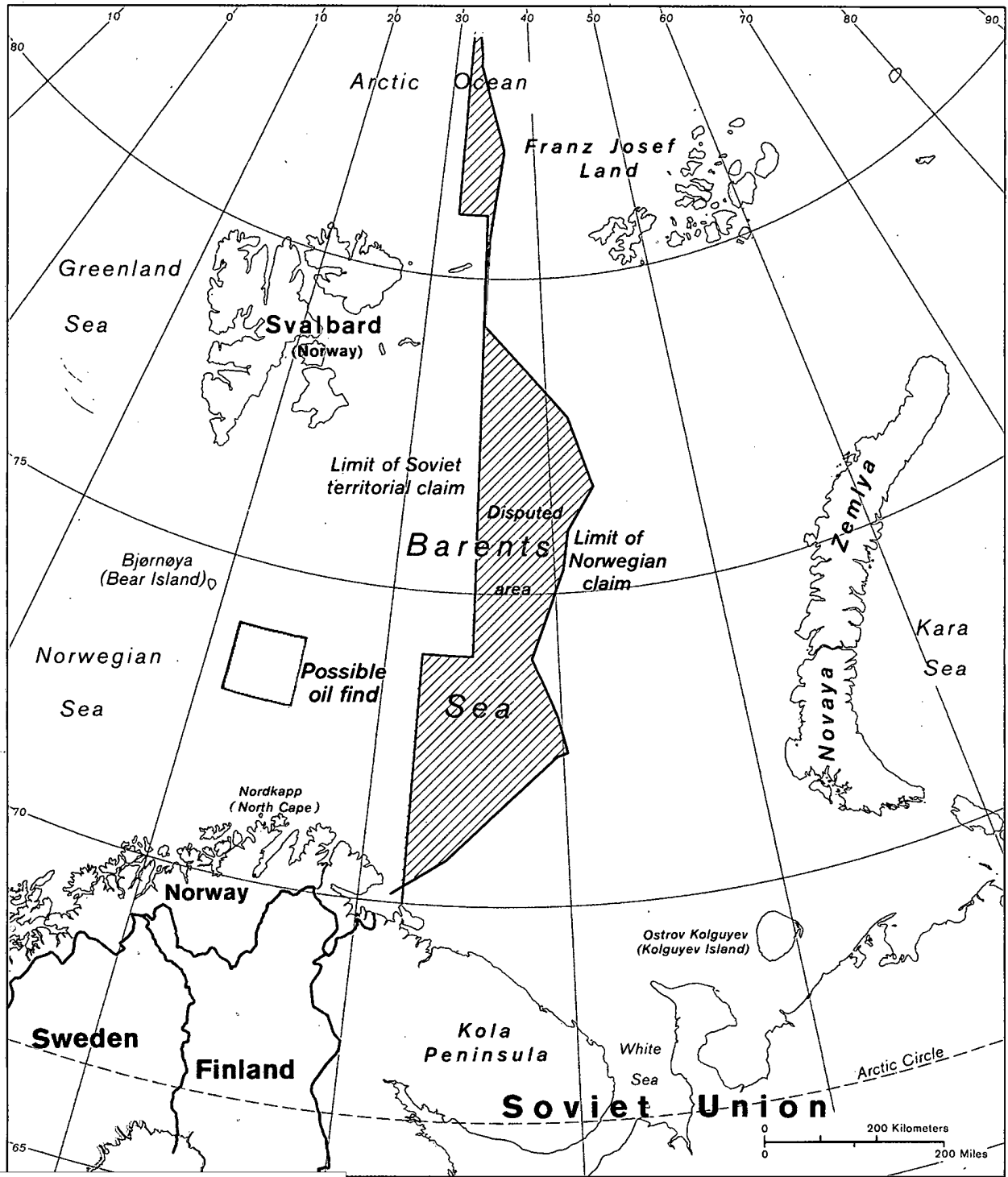


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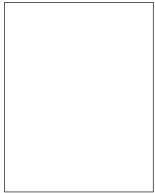
NORWAY: Possible Oil Find in Barents Sea

Norway reportedly has found promising oil-bearing strata southeast of Bear Island in the Barents Sea and is drilling a well west of the region that is involved in a boundary dispute between Norway and the USSR. [redacted] a major discovery could be made soon. [redacted]

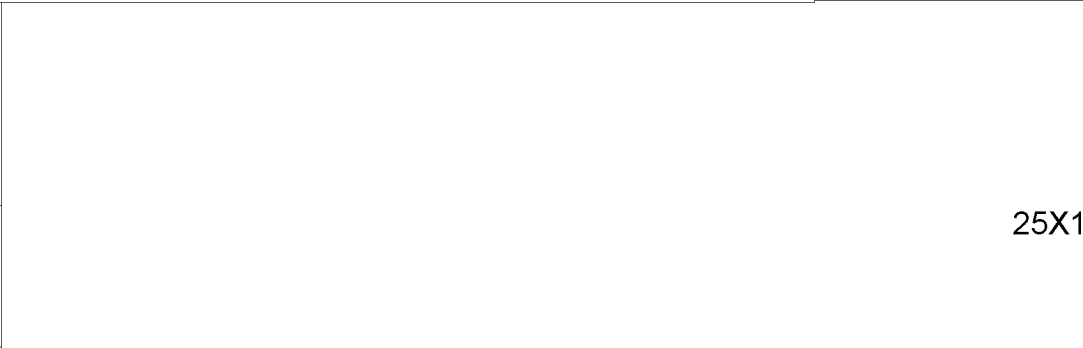
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Comment: The Barents Sea is a potential new source of oil for the USSR and Norway. Potentially recoverable oil reserves in the Soviet portion of the Barents Sea are estimated as being in the range of 25-30 billion barrels—roughly the same as in the North Sea. An additional 8 billion barrels may be in the disputed area. Geological conditions like those in the North Sea oilfields are believed to exist in the drilling area, a condition that increases the likelihood of a large oil discovery. [redacted]

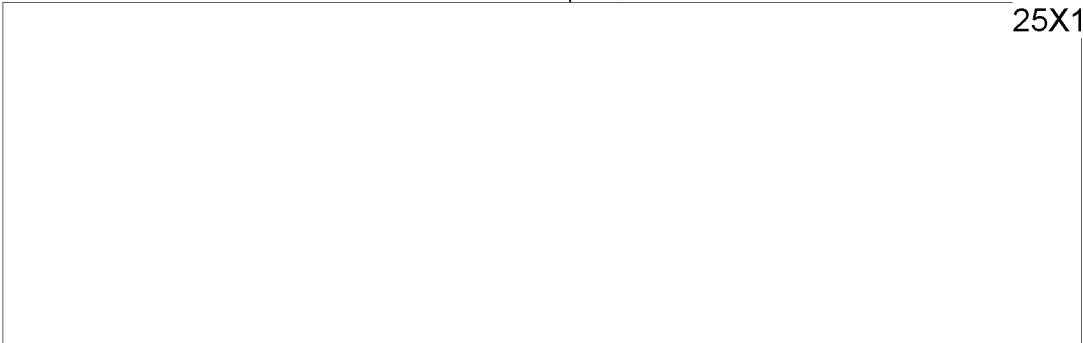
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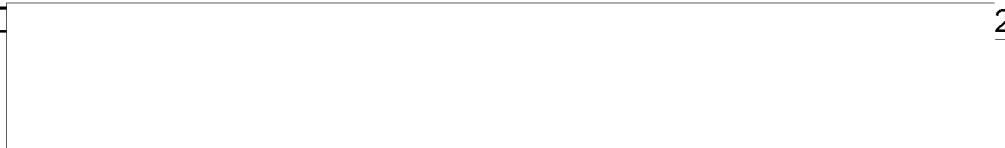
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In Brief

South Asia



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Soviets say **Afghan** leader Najib undergoing "medical treatment" in USSR . . . sometimes euphemism for vacation . . . Moscow unhappy with Najib's failed peace initiatives but no firm evidence that support withdrawn.

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Assassination attempt against **Bangladesh** President Ershad on 28 July reportedly foiled without bloodshed . . . led by enlisted men, civilians . . . noncommissioned officers unhappy with Ershad's corruption, philandering.

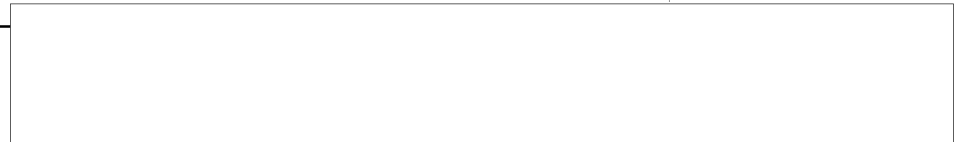
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Middle East



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Islamic fundamentalists in **Tunisia** planning more demonstrations, perhaps on Friday, government intends to deal harshly with fundamentalists . . . could trigger further violence.

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Israeli authorities lifted curfew in Gaza Strip yesterday, according to press . . . residents permitted to enter Israel while security forces continue search for assailants of murdered military officer . . . numerous Palestinians detained but no arrests yet.

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Africa



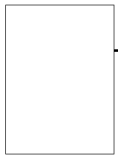
High-level **Mozambican** delegation arriving in **South Africa** today for security talks, according to press . . . Maputo probably hopes to diffuse tensions following bombing by African National Congress in Johannesburg.

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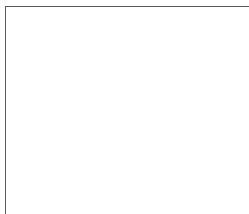
East Asia



South Korea's ruling party yesterday elected Roh Tae Woo as party president . . . Roh pledged constitutional compromise and fair presidential election . . . President Chun named honorary party chief, a face-saving gesture.

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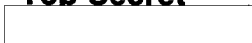


Papua New Guinea Prime Minister Wingti narrowly reelected yesterday . . . likely to continue moderate approach to US ship visits, relations with **Soviets** . . . fragile government vulnerable to no-confidence vote after six-month grace period.

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National Civil Crusade

This group was formed on 9 June after former Defense Forces Chief of Staff, Colonel Roberto Diaz, publicly accused Noriega of political murder, electoral fraud, and corruption. Initially a loose, ad hoc coalition of 28 civic, professional, educational, and religious groups, the Crusade now includes more than 100 organizations representing Panamanians of all races and social classes. Branches exist in every provincial capital, according to the US Embassy, but are not directly connected to the Panama City organization. Aurelio Barria, President of the prestigious Panamanian Chamber of Commerce and Industry, has emerged as the Crusade's most widely known spokesman. Its members describe the Crusade as a moral, rather than political, organization.

Political Parties

The traditional opposition parties—Authentic Panamenistas, Christian Democrats, and the Nationalist Republican Liberal Movement—have maintained an uneasy alliance since the 1984 electoral campaign and recently worked out an agreement to share power in a new government if the current regime falls. Ricardo Arias Calderon and his Christian Democratic Party have emerged as the most visible opposition political party following the failure of Arnulfo Arias to exert leadership. Arias Calderon, however, lacks the elder Arias's charismatic appeal, and his party is narrowly based in the middle- and upper-class white minority.

Students

Leftwing university and secondary school students, who have clashed violently with police, are operating independently of the opposition. Their main concern before Diaz made his allegations was opposition to the government's proposed education and fiscal austerity reforms.

The Catholic Church

The Church, under Archbishop Marcos McGrath, has criticized government corruption and human rights abuses and seconded the Crusade's call for Noriega to step down. Despite its sympathy for the opposition, however, the Church—generally conservative and lacking a strong populist element—is not likely to assume a leadership role. The Church's more moderate rhetoric in recent days indicates it hopes to act as a mediator between the regime and the opposition.

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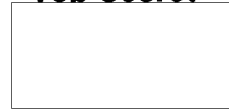
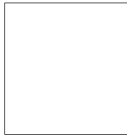
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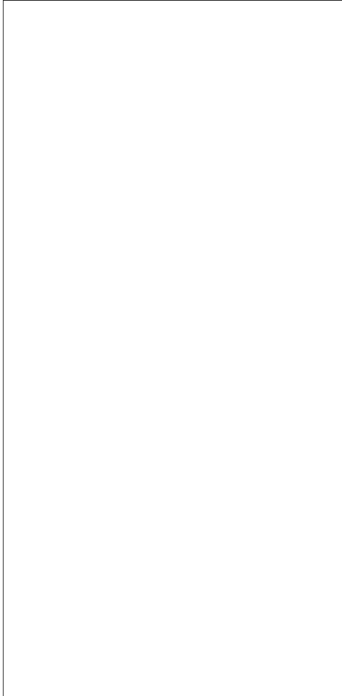


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Special Analysis

PANAMA:

Opposition on the Offensive



Panama's diverse opposition, emboldened by the success of its recent general strike and despite its vulnerability to reprisals by the military, remains largely unwilling to compromise in its campaign to oust strongman General Noriega. Led by the business-based National Civil Crusade, which organized the antigovernment rally today, the opposition movement poses the greatest challenge yet to the military-dominated regime.

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Although the Crusade is a loose-knit alliance with no recognized leadership, a coordinating committee of its more prominent members has emerged. ~~Its~~ fear of reprisal has kept any individual or group from becoming identified as the group's leader.

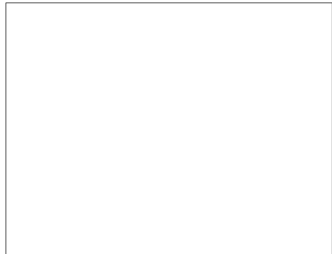
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The Crusade is bridging the gap between the traditional middle- and upper-class political opposition and the low-income, working-class groups that have been the backbone of the regime's support. Participation in such Crusade activities as car caravans, demonstrations, nonviolent mass rallies, and business strikes has broadened to include all sectors of Panamanian society, according to the US Embassy.

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Seizing the Initiative

The Crusade has demonstrated considerable ingenuity in its campaign against Noriega. Its leaders publish a daily underground newsletter and have an effective communications network that coordinates activities and warns members to go into hiding to avoid arrest. Embassy reporting indicates Crusade leaders outmaneuvered government officials in the competition for the support of businesses in the two-day general strike last week.

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Increasingly frustrated, the regime has threatened Crusade members with arrest, subjected them to legal and economic harassment, and shut down opposition media. On Tuesday, the military raided Crusade headquarters and seized anti-Noriega literature and yesterday issued arrest warrants for several Crusade members. Noriega has offered concessions and last weekend promised to resign after the 1989 election, but the opposition rejected any deal and continued to insist he step down immediately. Nonetheless, some elements in the business community reportedly may be willing to consider negotiating with the government as long as a set date for Noriega's retirement is announced.

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Ties to Political Parties

Although the Crusade calls itself a nonpolitical movement, it has numerous links to Panama's traditional opposition parties. Many members of the political opposition own businesses or belong to organizations that participate in the Crusade.



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The opposition parties so far have failed to capitalize on the Crusade's success. ~~According to the Embassy, longstanding tensions between and within the parties has weakened their response to the crisis.~~ At age 86, Arnulfo Arias, leader of the Authentic Panamenista Party, is unable to exert the dynamic leadership he has in the past, and his continued presence has deepened schisms in his own party. The smaller Christian Democratic Party and Nationalist Republican Liberal Movement are unenthusiastic about a possible Arias-led government, but neither can produce a figure of equal stature.

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Groping for a Long-Term Strategy

The Crusade is hoping that a large turnout for the rally ^{on 6 August} today will help sustain if not build its momentum. The Crusade's activities have undermined international and domestic business confidence in the regime. ~~the Crusade will call another national strike, to last until Noriega leaves, but only after it has had enough time to organize and ensure near-total participation.~~ Crusade leaders apparently have not thought out what steps to take after the strike.



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~~Embassy reporting indicates that~~ the Crusade and the political parties [^] disagree about what to do if Noriega leaves. ~~The parties reportedly plan to continue their efforts until President Delvalle is replaced by an opposition-based civilian junta.~~ Crusade spokesmen, however, have vacillated over whether a Delvalle government would be acceptable once Noriega and his allies on the General Staff were removed and measures were taken to ensure a free election in 1989.



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