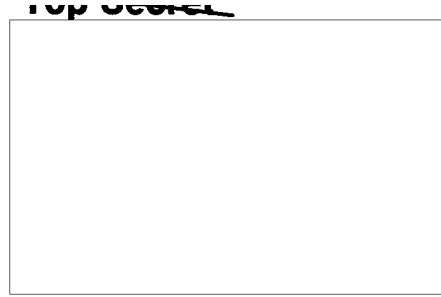


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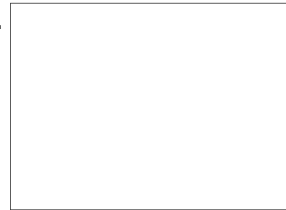


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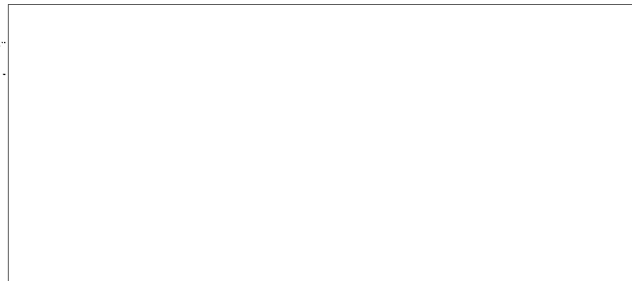


National Intelligence Daily

Wednesday
19 August 1987



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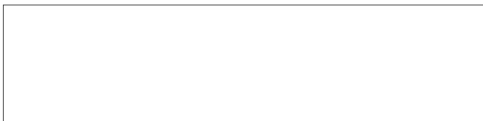
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Positions on Wages and Benefits

Mining Companies

Union

Wage increase of 15 to 23.5 percent*

Wage increase of 30 percent

18 days annual leave

30 days annual leave

Death benefits equal to two years' wages

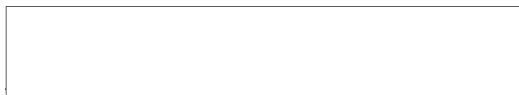
Death benefits equal to five years' wages

46- to 48-hour workweek

40-hour workweek; no mandatory overtime

Paid holiday on 16 June

*South Africa's annual inflation rate averages close to 17 percent.



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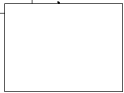


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SOUTH AFRICA:

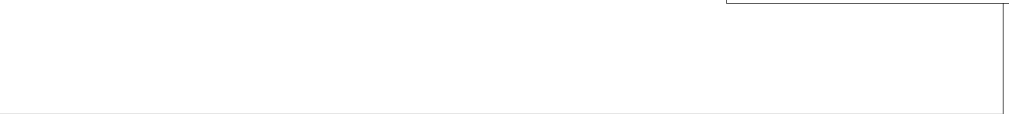
Strike Deadlocked


South African mineowners and union officials apparently have made little progress toward a settlement of the 10-day-old strike, and tensions are increasing between workers and security forces. 

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Talks between mineowners and union officials aimed at limiting strike-related violence broke down ^{on 18 August} yesterday after the union reported that 15 miners had been injured by police. Union leaders have ~~maintained~~ ^{reportedly} since the beginning of the strike that mineowners have allowed the South African police to intimidate strikers. 

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Companies report some miners are returning to work, but most union members are still on strike, according to press reports. The strike has not spread widely to other sectors, although workers at a platinum refinery struck this weekend over plans to move the plant. In addition, the management of the state-run nuclear fuel plant, fearing sabotage, have locked out union workers. 

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Comment: Neither side has budged publicly from its initial bargaining position. The strike has gone on much longer than mineowners anticipated, however, and they may be reassessing their hardline position on the wage issue. Union leaders probably are worried that local union officials will become more tempted to use violence to enforce the strike as the dispute drags on. 

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Although the strike at the platinum plant is not directly related to the miners' strike, the platinum workers probably calculate that action against mining companies already under pressure may bring concessions. ~~Serious disruption of platinum production would directly affect international platinum prices because South African ore accounts for almost 80 percent of the world supply.~~ 

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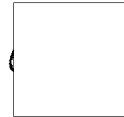
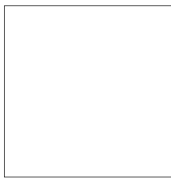
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SRI LANKA: Attack Disrupts Parliament


reportedly

on 18 Aug
Sri Lankan President Jayewardene escaped injury from two explosions and a shot fired at him during a meeting in the Parliament building early ~~yesterday~~. ~~According to the US Embassy in Colombo~~ one member of Parliament has died and at least 14 others were injured, including Prime Minister Premadasa and National Security Minister Athulathmudali. Press reports indicate ~~Colombo believes~~ the Janatha Vimukthi Peramuna, which is opposed to the Indo-Sri Lankan peace accord, was behind the attack 
~~the group has at least 5,000 sympathizers in the government security forces.~~ 

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Comment: Additional attacks against government officials and installations are likely as Parliament attempts to reconvene ~~tomorrow~~. Jayewardene probably will move ahead with the current parliamentary session but will not allow debate on the controversial peace accord. His assassination or additional attacks against his senior ministers would most likely cause New Delhi to deploy troops to Colombo and other areas of the Sinhalese south to restore order and prevent the emergence of a hardline Sinhalese government. The attack ~~yesterday~~ will probably help Jayewardene ease tensions within his own party over the accord by rallying support against Sinhalese radicals. 


on 20 August.

on 18 Aug.

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IRAQ-USSR: Relations Strained

on 18 Aug
Iraq is reacting angrily to a perceived ~~warming~~ in Soviet relations with Iran. An editorial in an Iraqi newspaper ~~yesterday~~ warned indirectly that the Soviets risked losing Arab friends by dragging their heels in implementing UN Security Council Resolution 598, which calls for an end to the Gulf war. Similar criticism was voiced Saturday on Iraqi television 

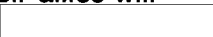
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 Iraqi newspapers are giving the US more frequent favorable comment than the USSR, according to the US Embassy in Baghdad. 

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Comment: Baghdad believes the USSR regards Iran as the greater geopolitical prize and is concerned that Moscow's efforts to increase Soviet influence in Tehran are at Iraq's expense. Iraqi dependence on Soviet arms, however, limits Baghdad's ability to punish Moscow. The Iraqis, by making their criticism public, probably hope their allies will join them in working to halt a Soviet drift toward Tehran. 

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COLOMBIA-US: New Approach to Extradition

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President Barco is pessimistic about prospects for the bilateral extradition treaty and has asked the US to send a team of legal experts to Colombia next month to help him devise a new way to handle extradition of major drug traffickers, according to the US Embassy. Bogota halted extraditions in July after Colombia's Supreme Court ruled the treaty's ratifying legislation unconstitutional. Since then, Colombian courts have revoked arrest warrants for several major traffickers. Barco told the US Ambassador this week that Colombia's congress is not likely to revalidate the treaty but said he wants to explore other options with the US team.

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Comment: Barco's willingness to work with Washington reflects his deepening concern about the inability of Colombia's judicial system to prosecute traffickers effectively. Despite growing legislative and public opposition, he remains firm in his support for some extradition arrangement.

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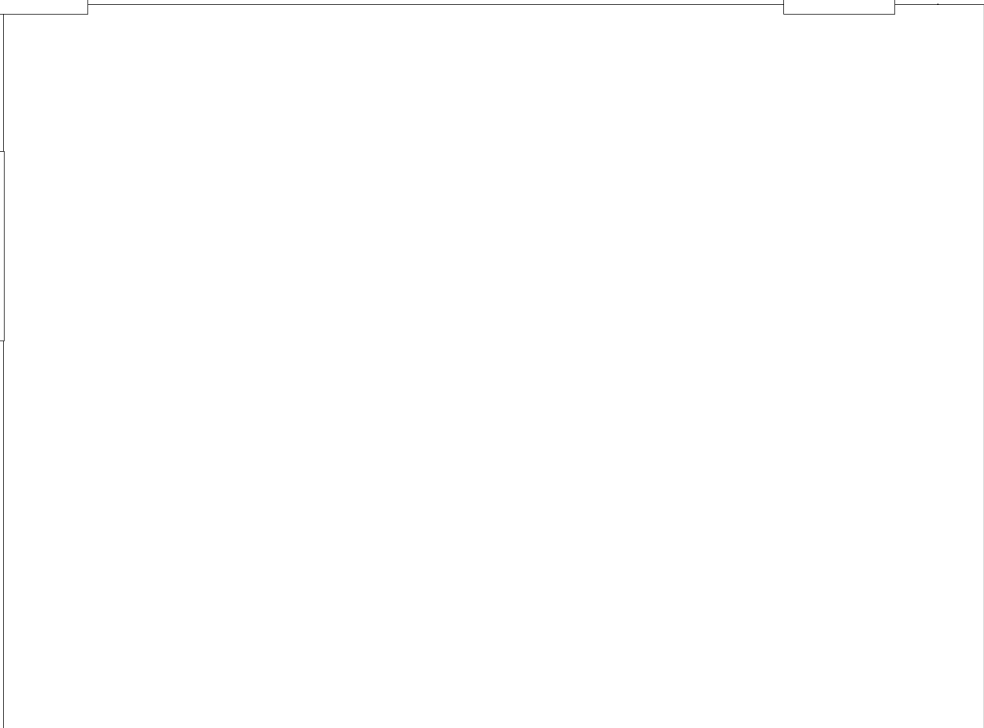
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SOUTH KOREA: Major Strike Ends

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Some 20,000 Hyundai workers ended their strike in provincial Ulsan ~~yesterday~~ after the Vice Minister of Labor proposed a mediation plan. He promised to help workers win pay raises by 1 September and to persuade Hyundai's management to recognize a new worker organization spanning the conglomerate's six main subsidiaries. Nearly 400 strikes throughout South Korea remain unresolved, but more than 500 other job actions have been settled since worker unrest began five weeks ago.

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Comment: Hyundai is the second largest firm in South Korea, and Seoul probably viewed the crippling strike there as a test case. Government officials no doubt hope their formula will establish a framework for resolving other labor disputes and allow the government to keep intervention at a minimum. For now, Seoul can maintain a low profile because the economy is strong—real GNP growth through June was 15.3 percent—and disputes at many large firms have been settled. If protests begin to hurt economic growth or become violent, the government will consider stronger measures.

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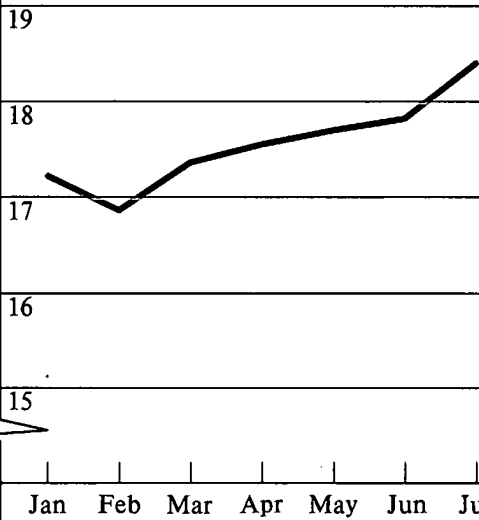


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OPEC Oil Production and World Oil Prices, 1987

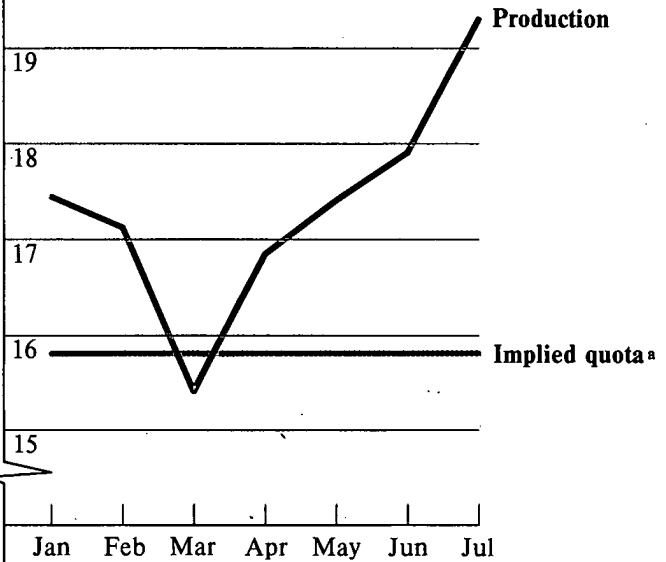
World Average Crude Oil Prices

US \$ per barrel



OPEC Crude Oil Production

Million b/d



^a Iran has not accepted a quota. Overall quota includes an Iraqi quota of 1.466 million b/d, which other members assigned to Iraq.

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19 August 1987

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[Redacted]

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OPEC: Overproduction Weakens Oil Prices

Rising OPEC production has caused spot North Sea oil prices to fall by \$2 a barrel over the past two weeks to near the same levels they were in June. OPEC crude oil production in July reached about 19.3 million barrels per day—2.7 million b/d over the quota agreed upon in June. Most of the major producers are currently producing above their quotas, with Iraq—which refuses to abide by its OPEC quota—Kuwait and the UAE being the worst offenders. Iraqi production will rise by about another 25 percent when the additional pipeline capacity through Turkey is fully operational—probably next month. Some OPEC members, Iran in particular, have been selling oil below official prices. [Redacted]

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Comment: Barring a major escalation in Gulf hostilities, if price discounting becomes more widespread or OPEC overproduction continues into the fall, excess stock building may set the stage for greater downward pressure on prices later this year. [Redacted]

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[Redacted]

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In Brief

USSR



Soviets say 12 spouses of US citizens can emigrate after Supreme Soviet overturned denials for access to state secrets . . . other pending appeals lacking US-Soviet angle will test if precedent is broad policy change

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Vatican officials have retracted report that Pope invited to Ukraine for 1,000th anniversary of Christianity as misunderstanding . . . **Soviet** official also denied report, but did not rule out visit still occurring if agenda differences overcome

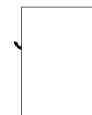
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Americas



Situation in **Haiti** normal yesterday following cancellation of transportation strike . . . ruling council, union reached compromise on gasoline price increase . . . settlement may help reduce tension, ease economic disruption.

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Leading **Chilean** labor group rallying today on worker-related issues . . . Communists reportedly may demonstrate to provoke security forces, building toward general strike next month . . . moderate opposition unlikely to cooperate.

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Europe



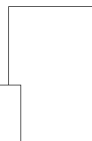
Danish Prime Minister calling for national election 8 September . . . Conservative-led government, socialist opposition nearly even in polls . . . slowing economy aids opposition, but short campaign and accomplishments favor incumbents.

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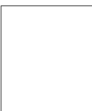
Middle East



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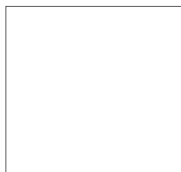


Pakistan indefinitely postponing port calls by **British, French** warships, . . . probably response to **Iranian** protests of earlier visits . . . no US port calls scheduled, but such requests likely to be refused.

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Agenda of Foreign Ministers' Meeting

- Establish Executive Commission comprised of five Central American Foreign Ministers.
- Establish working-level "technical commission" to help set timetables and guidelines for elements of peace plan, including negotiations on security issues and Central American parliament.
- Solicit aid of Contadora countries and UN and OAS Secretaries General to participate in International Verification Commission and establish parameters for its work.
- Formulate joint request for EC economic aid.
- Prepare for meeting with Contadora Foreign Ministers on 22 August and agree on how and when to get negotiations under way on security issues.

Positions of Central American Democracies on New US Aid to Nicaraguan Insurgents

- Costa Rica:** Arias favors suspension of aid until 7 November, when many requirements of peace accord take effect . . . nevertheless, says he would respect any decision US adopts.
- Honduras:** Azcona publicly supports continued US aid until 7 November and additional assistance after that if Nicaragua does not comply with peace commitments . . . Foreign Minister Lopez has termed immediate approval of contingency funding "absolutely essential."
- Guatemala:** Foreign Minister Quinones, who recently resigned, told US officials additional US aid should be approved immediately and held in escrow as contingency fund to ensure Sandinista compliance . . . Cerezo has not commented but is likely to adopt a more detached stance.
- El Salvador:** Duarte not supporting aid in wake of peace agreement . . . believes doing so could jeopardize Salvadoran aid requests in US Congress . . . wants aid resumed if Sandinistas do not comply with accord . . . most other Salvadoran officials favor approval of contingency funds now.

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Special Analysis

**CENTRAL
AMERICA:**

Postsummit Moves

Leaders of the four Central American democracies are convinced that the Guatemala peace accord will either achieve peace or, if the Sandinistas refuse to implement democratic reforms, isolate Nicaragua. Although they recognize that many parts of the agreement are vague, they have no unified strategy for the meeting in San Salvador, today of the five Central American Foreign Ministers, who are charged with organizing working committees to resolve ambiguities.



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reportedly on 19 August

The Presidents of the democracies believe they have cornered Nicaragua and reduced the influence of the Contadora mediators, ~~according to US Embassy reports~~. Costa Rican President Arias and Guatemalan President Cerezo are relishing their personal diplomatic triumphs, and Arias has won his goal of inducing Nicaragua to withdraw its suit against Costa Rica in the World Court. Salvadoran President Duarte views the accord as a means of isolating the Salvadoran rebels diplomatically and of putting pressure on Managua to follow his initiatives and conduct talks with the Nicaraguan rebels.



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Nevertheless, the initial euphoria has faded somewhat with the realization that much work remains, according to Embassy reports. Several Foreign Ministry officials say the plan was not intended to deal with all contingencies and in many respects is only a framework for further talks. The Presidents met alone at the summit, and the Foreign Ministers did not review the hastily drafted text.



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Separate Strategies

Although all the democracies agree with the need to keep the pressure on Nicaragua, only El Salvador has devised an active strategy. Duarte has challenged the Salvadoran rebels to enter cease-fire negotiations far in advance of the accord's deadline of 90 days and insists that Nicaragua do the same with its own insurgents. El Salvador has established a national dialogue commission in addition to the panel established by the peace agreement, announced its willingness to permit Nicaraguan inspections of its territory, and made plans for other unilateral moves, such as requesting peacekeeping forces to patrol the border.



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Duarte's attempts to promote parallel negotiations in El Salvador and Nicaragua pose hazards for the anti-Sandinista rebels, who undoubtedly have misgivings about his demand that they accept the

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[Redacted]

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peace accord as a prior condition for talks with Managua. Moreover, San Salvador does not want to demand that Managua halt military deliveries from the Soviet Bloc because it does not want to undermine its own case for US aid. [Redacted]

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In contrast to El Salvador, Guatemala has undertaken no initiatives and insists that its rebels must abandon the armed struggle before talks begin. The accord imposes few burdens on Honduras and Costa Rica, which have no insurgencies, other than they not allow their territory to be used for rebel attacks. Honduran President Azcona says the Nicaraguan guerrillas will have freedom to operate over the next 90 days, according to the US Embassy. [Redacted]

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[Redacted]

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[Redacted] Costa Rica has announced that it will be even

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more vigilant in preventing rebel use of its territory. [Redacted]

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Foreign Ministers Emphasize Procedure

In accordance with the peace agreement, the Foreign Ministers are meeting as an Executive Committee to negotiate details for implementation. The accord does not specify the number of working committees or their internal organization, and Embassy reports suggest the democracies have given these aspects little thought. A Salvadoran official says the meeting will focus on procedural matters rather than clarifying major substantive issues, such as cease-fire provisions. [Redacted]

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The discussion of issues to be covered in arms limitation talks may prove controversial. Honduran officials have told the US Embassy in Tegucigalpa that their major concern with the summit agreement is that it leaves the entire topic unresolved and open-ended. The Presidents requested Contadora mediation to tackle security issues, and the Foreign Ministers will travel to Caracas for talks with their Contadora counterparts on Saturday. [Redacted]

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Concerns Over US Policies

The democracies say the Guatemala peace agreement satisfies basic US interests and are anxious that Washington support it, according to Embassy reports. Duarte and Azcona plan to meet with the Nicaraguan rebel leadership to explain their policies. [Redacted]

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The democracies have different positions on future US aid to the anti-Sandinistas, ranging from Azcona's open support of contingency funding to Arias's muted opposition. Managua is almost certain to bring strong pressure on them to denounce US aid as incompatible with the agreement, and disagreement over the issue could disrupt the Foreign Ministers' meeting. [Redacted]

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Chronology of Selected Events in Panama

Date	Event	Comment
9-10 June	Violent clashes between demonstrators and security forces.	Sparked by Chief of Staff Diaz's charges of Noriega's involvement in electoral fraud, political murder, and corruption.
11 June	State of emergency imposed.	
11-16 June	General strike.	80 percent of businesses comply initially; 200 detained by security forces.
20 June	State of emergency extended.	
28 June	Opposition marches.	6,000 women call for Noriega's ouster.
29 June	State of emergency lifted.	
30 June	Proregime rally.	5,000 to 10,000 participate in front of US Embassy, denounce US Senate resolution.
2 July	Firebombings.	Police stand by during attacks on opposition businesses.
3 July	Antiregime violence.	Clashes involving students and police at University of Panama result in 100 injured.
4-5 July	General strike.	Called over weekend; only partial compliance.
8 July	Ban on protests.	Announced by Delvalle after three days of peaceful—but growing—opposition demonstrations.
10 July	Opposition rally.	Broken up by security forces; 300 detained; businesses, government offices, schools closed.
26-27 July	Government crackdown.	Diaz arrested; opposition newspapers closed.
27-28 July	General strike.	90 percent compliance; first confirmed death in antigovernment protest in outlying province.
31 July	Proregime rally.	Draws 50,000 to 75,000 to mark anniversary of former strongman Torrijos's death; government workers given time off to attend.
6 August	Opposition rally.	Involves 40,000 to 60,000; lifting of ban on rally prevents violence.
17 August	Opposition rally.	5,000 to 8,000 participants; leaders blamed low turnout on presence of security forces.
17-18 August	General strike.	Mixed compliance; less successful than prior efforts.

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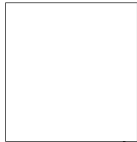
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Special Analysis

PANAMA:

Opportunity for Dialogue

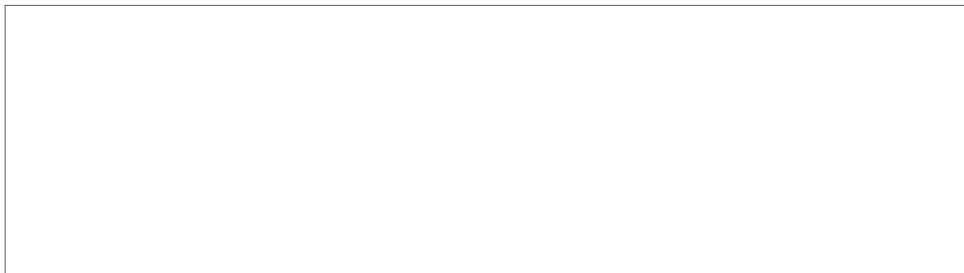
Opposition leaders probably view the disappointing response to their strike on Monday as a sign the movement is losing its momentum. Some now may be willing to abandon their demand that Defense Chief Noriega resign immediately in the interest of initiating a dialogue while the opposition still has leverage on the regime. 

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The National Civil Crusade's call for a fourth general strike to demonstrate for Noriega's ouster resulted in only a partial shutdown of Panama City, despite an earlier decision by the opposition to shorten the strike from 72 hours to 24 hours. A growing segment of the business community now appears unwilling to endure the increasing economic sacrifices required for continued strike activity. Moreover, the regime's recent tough actions, including closing the opposition press and issuing arrest warrants for opposition leaders, place the Crusade increasingly on the defensive. US Embassy reporting suggests the opposition, lacking clear leadership and a specific political agenda, may have difficulty agreeing on new strategies to exert pressure on the regime. 

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Regime Response




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The government probably will attempt to capitalize on the Crusade's lack of direction by redoubling its efforts to bring the opposition to the bargaining table. The regime has said it is anxious to enter into a dialogue and is willing to meet many opposition demands, including electoral and judicial reforms and a withdrawal of the military from politics. 

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 The regime might also agree to cancel the arrest warrants on Crusade leaders if the opposition agreed to reopen the opposition press if the Crusade pledges in

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return to cease publishing "seditious" material. The government has steadfastly refused, however, to negotiate Noriega's removal before his planned resignation after the 1989 election.

[Redacted]

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The government, sensing that a growing moderate faction of the opposition is willing to negotiate, has approached businessmen and bankers to serve as intermediaries, and

[Redacted]

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[Redacted] some prominent bankers are willing to play a role in facilitating dialogue to end the confrontation

[Redacted]

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Prospects for Dialogue

The outlook for negotiating a resolution of the crisis would improve considerably if the opposition retreated from its demand that Noriega resign immediately and if the Defense Chief indicated willingness to consider stepping down before the election in 1989. If the opposition refuses to begin talks soon, the regime, sensing opposition momentum is waning, may raise the ante by setting new preconditions for a dialogue.

[Redacted]

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Profit Performance of Privatized Companies*Million US \$*

Company	Year of Privatization	Pretax Profit (Loss) to Financial Year Ending					
		1981	1982	1983	1984	1985	1986
British Aerospace	1981	105.9	127.1	123.5	180.3	225.8	260.0
Cable and Wireless	1981	96.1	133.8	235.1	285.1	367.8	442.5
Amersham International	1982	6.1	12.7	16.8	20.5	25.8	26.3
National Freight Consortium	1982	6.5	15.1	17.7	70.3	40.8	55.5
Britoil	1983	655.5 ^a	771.0	879.0	1,032.0	1,095.0	NA
Associated British Ports	1983	-15.5	8.3	21.7	-9.6 ^b	25.8	25.8
Enterprise Oil	1984			48.3 ^c	207.7	207.8	166.7
Jaguar	1984	-47.5	14.4	75.0	137.3	181.9	181.2
British Telecom	1985	855.0	1,404.0	1,546.5	1,485.0	2,220.0	2,715.0
British Gas	1986		645.0	1,204.5	1,363.5	1,068.0	1,173.0
British Airways	1987	-211.5	-162.0	111.0	277.5	286.5	292.5

^a Part of British National Oil Company.^b Effects of coal strike.^c Eight-month figures only.

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Special Analysis

UK:

Thatcher's Privatization Program

Prime Minister Thatcher's drive to return state-owned industries to the private sector is redressing some of the worst ills associated with state ownership of British industry. As privatization has been accompanied by generally favorable economic performance, few in the UK now challenge Thatcher's assertion that the economy can grow and provide jobs without extensive government intervention. At the same time, however, London's failure to deregulate some privatized industries and curb market dominance by monopolies may limit the long-term benefits of the program.



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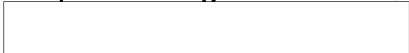
Thatcher has spelled out several specific goals for the program, including increased competition and efficiency in the denationalized sector, expanded stock ownership, and reduced government budget deficits and taxpayer liability for the losses of state-owned enterprises. As a complement to privatization, Thatcher has also introduced plans to deregulate industry and to promote competition among services typically provided by the public sector.



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Economic Impact

Privatization has greatly reduced the government's role in the British economy. The government has sold one-third of the state sector's assets, including all or part of companies involved in aerospace, chemicals, energy, telecommunications, and transportation. It has raised more than \$17 billion since 1979, and the sale of public housing to tenants has added another \$19 billion in income, helping reduce the deficit from 4.9 percent of gross domestic product in 1979 to 1.5 percent in 1986.



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A recent government study found that as a result of government policies, particularly privatization, stock ownership has tripled since 1979; almost 20 percent of the adult population now own stocks. The expansion of share ownership will make it more difficult to reverse Thatcher's program.



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So far, however, Thatcher has done little to encourage competition within the privatized industries, and the nationalized sector continues to dominate major sectors of the economy such as coal, steel, water, and electricity. Several firms, including British Telecom and British Gas, have been sold intact and kept their monopoly status. And although London has permitted small companies to compete against monopolies in specialized areas, particularly in telecommunications,

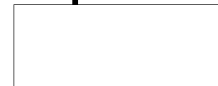
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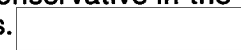
the failure to deregulate the newly privatized industries and curb market dominance by monopolies continue to stifle vigorous competition and reduces the benefits of privatization. (



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Political Effect

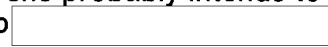
Thatcher has gained politically from privatization. She has touted her government's success with initial privatizations and has used funds from asset sales to cut taxes and increase the Tories' popularity—without expending new public money. Public opinion polls showed that a majority of first-time shareowners voted Conservative in the 1987 election, as did most first-time homeowners.



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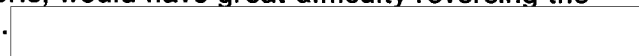
Outlook

Thatcher has pledged to continue privatization in her third term, but her current approach is not likely to correct past mistakes. London will concentrate on privatizing public utilities, including electricity and water, where the direct economic benefits are doubtful. The government will also sell its remaining stake in British Petroleum this summer and the remaining subsidiaries of the National Bus Company. Thatcher has ruled out for now the sale of the steel and coal industries, although ultimately she probably intends to return these industries to private ownership



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Whether or not privatization improves British competitiveness, Thatcher has successfully broken the decades-old public view that an increasing state sector was both inevitable and in some ways more appropriate for the UK. Public acceptance of a reduced government role in industry and an environment of greater opportunity for entrepreneurs are likely to lead to a stronger emphasis on free markets in shaping economic policy. Even a future Labor government, regardless of its rhetoric, would have great difficulty reversing the privatization program.



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