



**Director of
Central
Intelligence**

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National Intelligence Daily

**Wednesday
16 September 1987**



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PERSIAN GULF:

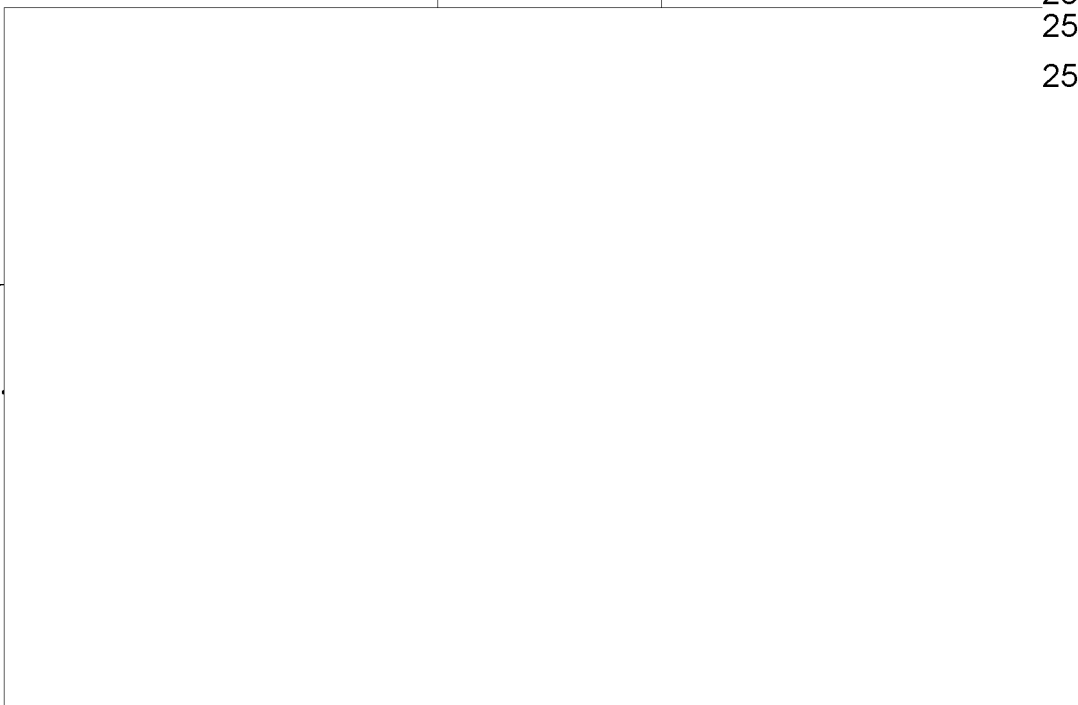
Situation Report



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Algerian Foreign Minister Arrives in Tehran

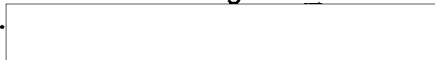
According to the Iranian press, Algerian Foreign Minister Taleb Ibrahimi arrived in Tehran yesterday to discuss bilateral issues and the current session of the UN General Assembly. The Foreign Minister will also visit Baghdad.

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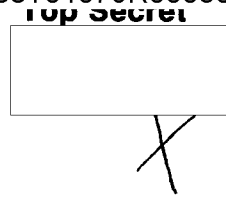
Comment: The Algerian Foreign Minister is likely to probe for signs of Iranian flexibility on negotiating an end to the war. An Algerian mediation effort in 1982 ended when Iraq shot down the Algerian Foreign Minister's plane, killing all aboard.

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SRI LANKA-INDIA: Tamils Strife Taxes Indian Force

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India is planning stiffer military force to curb factional fighting among Sri Lankan Tamil militants who are challenging the implementation of the July peace accord.

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The Liberation Tigers of Tamil Eelam are intensifying their efforts to undermine the accord by defying Indian troops and Sri Lankan authorities. The Tigers organized a large demonstration in the north to protest India's alleged failure to protect them from attacks by rival Tamil insurgents.

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More than 150 people have died in the recent fighting, according to press reports.

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New Delhi is ^{ON 14 Sept} considering additional military efforts to force the Tamils to cease their violence. Indian Prime Minister Gandhi met with his senior ministers ~~Monday~~ to discuss the fighting, according to the US Embassy in New Delhi.

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The Indian Army already has conducted cordon-and-search operations in the east to disarm Tamil militants, according to the Embassy in Colombo.

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Comment: Jayewardene is concerned that the continued violence will bolster the influence of Sinhalese opposition leaders against the accord. India will probably try to prevent Indian troops from becoming too mired in the Tamil fighting. An expanded Indian naval blockade and aircraft overflights would be intended to signal Tiger leaders that Indian patience is wearing thin. If these moves did not end the clashes, the Indians would probably rely on their troop buildup to expand cordon-and-search operations, ultimately the surest way to enforce the accord among the still-armed Tamil groups. Such direct military involvement would increase the chances of a protracted Indian occupation of parts of Sri Lanka.

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HAITI: Officially Recognized Political Parties

Party	Leader	Orientation
Haitian Christian Democratic Party (PDCH)	Reverend Sylvio Claude	Center left
Movement for the Organization of the Country (MOP)	Gerard-Philippe Auguste	Center left; populist
National Agricultural and Industrial Party (PAIN)	Louis Dejoie	Centrist
Assembly of National Progressive Democrats (RDNP)	Leslie Manigat	Centrist
Democratic Movement for the Liberation of Haiti (MODELH)/Democratic Revolutionary Party (PRDH)	Francois Latortue	Centrist
Movement for the Installation of Democracy in Haiti (MIDH)	Marc Bazin	Centrist
National Party for the Defense of Workers (PNDT)	Reverend Dumas Arnold	Centrist
Haitian Social Christian Party (PSCH)	Gregoire Eugene	Centrist
Mobilization for National Development (MDN)	Hubert DeRonceray	Centrist
National Party of Work (PNT)	Thomas Desulme	Center right; populist
National Union of Democratic Forces (UNFD)	Lamartiniere Honorat	Rightist; Duvalierist
Union for Haitian Renewal (URH)	Edouard Francisque	Far right; Duvalierist
Alliance for the Renaissance of Haiti (ARA)	Alex Dominique	Unknown
Party of Haitian Patriots (PPH)	Francois Magloire	Unknown
National Union of Haitian Democrats (UNDH)	Jean Theogene	Unknown

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HAITI:

Electoral Progress Slow

Haiti's independent electoral commission is proceeding slowly with preparations for the presidential election on 29 November, but the tense political atmosphere continues to impede the campaign. [Redacted]

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The ruling council has provided \$6 million to finance the commission's activities and has legally recognized at least 15 political parties, allowing them to field presidential candidates, according to the US Embassy. Nevertheless, electoral commission members remain dubious of the council's commitment to democracy and have said they will not begin extensive organizing throughout the country until the council guarantees the safety of election workers and candidates. The Embassy says leading moderate presidential contenders are concerned about their safety because of the murder of a centrist leader last month by peasants. [Redacted]

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Several dissidents who participated in earlier antigovernment demonstrations have been murdered in the capital in recent weeks. [Redacted]

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Colonel Jean-Claude Paul, commander of the elite Dessallines Battalion, is responsible for some of the recent killings. [Redacted]

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[Redacted] Paul has formed a private 50-member security force, largely from loyal troops and former militiamen. Although the council has been under public and foreign diplomatic pressure to replace Paul, council member Regala reportedly has ruled out his removal [Redacted]

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Despite widespread public doubts about the council's political intentions [Redacted] President Namphy and Regala remain committed to holding the election. [Redacted]

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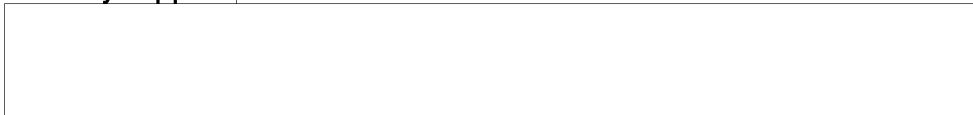


Comment: Even if election preparations are completed on time, the candidates' hesitant campaigning could lead to a low voter turnout that would undercut the election's legitimacy. [Redacted]

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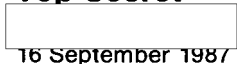
Namphy and Regala probably are reluctant to discipline or remove Paul because such a move would jeopardize the council's critical military support. [Redacted]

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HUNGARY:

National Assembly To Debate Austerity Program

on 16 September

Debate on the government's proposed tax reform and austerity program, which begins in the National Assembly today, is likely to be acrimonious and might result in a sizable number of opposing votes

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A senior Hungarian official has told the US Embassy that the National Assembly is unlikely to take the unprecedented step of voting down the Council of Ministers' program, but it may weaken measures intended to improve the balance of payments, to restructure industry, and to further economic reform. The leadership has already decided to move more cautiously in reducing subsidies in order to limit bankruptcies where high unemployment could arise.

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Despite the regime's consultation with many interest groups, broad opposition to the package continues to build. ~~According to Embassy reporting~~ Public trust in the government is waning, and the trade unions fear unrest if price increases and a new personal income tax squeeze living standards further.

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Prime Minister Grosz, in a frank interview designed to win support for the program and restore regime credibility, warned that there are no better alternatives and that temporary hardships must be accepted. He blamed current economic problems on the leadership and hinted at calling an extraordinary party congress before 1990. Major personnel changes are slated for later in the fall.

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Comment: The National Assembly usually registers pro forma approval of party programs, but the deteriorating economic situation has provoked its members to express dissent more openly. While the regime may welcome debate as a demonstration of its receptiveness to society's concerns, dilution of its program might severely hamper efforts to revive the economy and reassure creditors, tarnishing Grosz's image as a strong leader. Rumors of personnel changes following the session indicate Grosz will try to push ahead with the program, despite the risk to the already fragile social consensus.

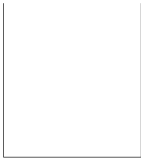
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NIGERIA:

First Steps Toward Civilian Rule

Nigeria's military rulers are taking the first steps toward returning to civilian leadership, but the transition does not appear to be engendering much enthusiasm among a population discouraged by the failure of an ambitious economic reform program to show tangible results.

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Guidelines for nonpartisan local elections—scheduled for early December—have yet to be announced, but voter registration will begin next month. Former politicians have already begun jockeying for power despite a ban on political activity. ~~According to the US Embassy/~~ ~~The Embassy also reports that~~ the committee appointed to review the 1979 constitution will have six months to complete its work; it apparently is barred from addressing contentious issues such as the establishment of Islamic courts.

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Comment: President Babangida probably hopes that by retaining the ban on political activities for as long as possible and by limiting the range of acceptable constitutional changes he can avoid focusing on the sharp ethnic, regional, and religious differences that have created instability in the past. The regime will be hard pressed to keep tensions in check, however, as the pace of political activity quickens. The transition begins at a time of heightened tensions between Christians and Muslims, and ~~the Embassy reports~~ many Nigerians believe the two political parties called for in the transition program will divide along religious lines.

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~~Nigeria's continuing economic problems will complicate the transition process. The military itself is unhappy about shrinking benefits and has shown little enthusiasm for returning to civilian rule,~~

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~~small businessmen are complaining because rising interest rates are threatening their businesses. Government plans to reduce petroleum, transport, and power subsidies will increase dissatisfaction with the economic situation.~~

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[Redacted]

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[Redacted]

LEBANON-PALESTINIANS: Talks To End Camps War

[Redacted]

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Recent talks between Palestinians in southern Lebanon allied with Yasir Arafat and the pro-Syrian Amal militia are allowing both sides a respite, but major fighting probably will resume shortly. The recent negotiations, aimed at ending the nearly three-year-old struggle for control of the Palestinian refugee camps, produced a shaky cease-fire that was broken on ~~Sunday~~ when Amal militiamen fired on the camps in Beirut and Sidon. ~~According to the US Embassy,~~ Amal's original demand that the Palestinians reduce their armed presence in the south and withdraw to the camps was not seriously addressed. The Palestinians had demanded that Amal lift the nine-month-old siege of the camps in Beirut and Tyre and that they be allowed to rebuild the camps.

[Redacted]

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Comment: Deep animosities between Arafat and Syrian surrogates remain serious obstacles to an agreement on the role of the Palestinians in Lebanon. Syria is preoccupied with more pressing regional and internal issues and may view the cease-fire as a way to deemphasize the conflict with Arafat. Arafat may see the talks as an opportunity to ameliorate dissatisfaction with his leadership among some of his lieutenants in Lebanon

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[Redacted]

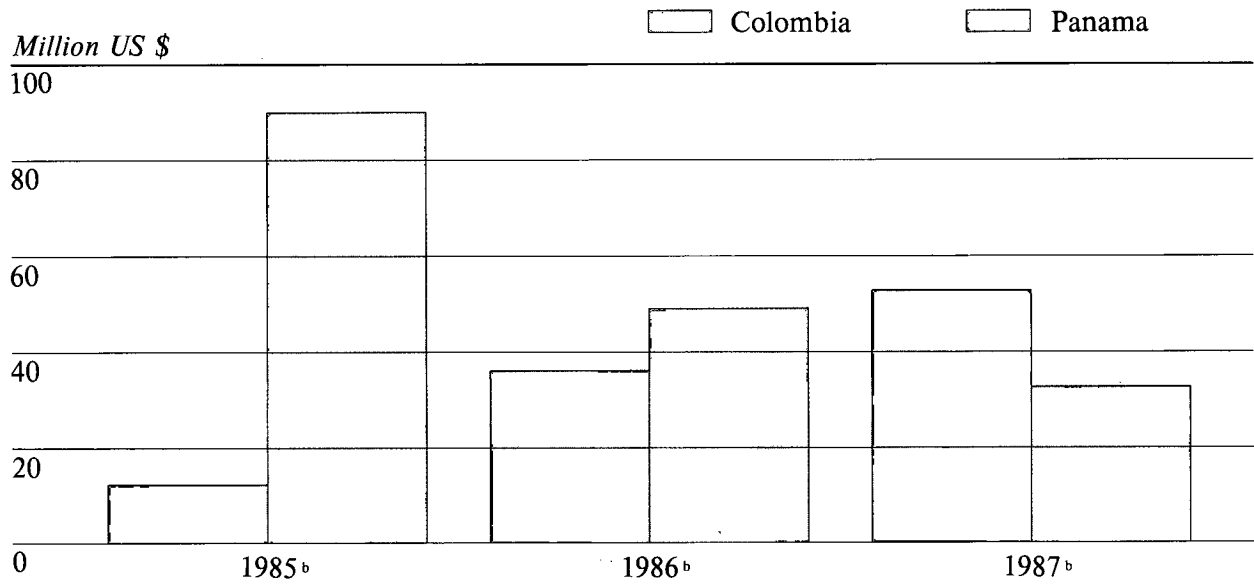
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**Colombia-Panama:
Surplus US Currency Returned to the Federal Reserve^a**



^a Monthly Average.
^b January through July.



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[Redacted]

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COLOMBIA-PANAMA: Countering Drug Money Laundering

Colombia's Council of Ministers is considering legislation to discourage the laundering of drug money through Colombian banks. According to press reporting, the proposal was triggered by a surge in capital flows to Colombian banks this year brought about by the current political crisis in Panama, a major money-laundering center. The law would obligate Colombian financial institutions to report deposits of more than \$200,000 and withdrawals in excess of \$2,000. A depositor's inability to explain satisfactorily the legitimacy of his funds would subject him to arrest and trial.

[Redacted]

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Comment: US bank data indicate that US currency returns from Colombia have surged, offsetting sharply lower returns from Panama. The shift is a strong indication of money laundering as well as of capital flight. The proposed law demonstrates Bogota's attempt to control drugs, but the government lacks a significant enforcement capability. Moreover, the proposed deposit reporting requirement is too high to pose more than an inconvenience to traffickers. There is no prescribed punishment for banks that fail to report or knowingly accept illicit funds, and an asset forfeiture provision is lacking.

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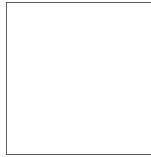
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NORTH KOREA-SOUTH KOREA: Talks on Olympics Proposed

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P'yongyang yesterday called for talks with Seoul to break the deadlock over cohosting of the Olympics. A South Korean Olympic official responded publicly that the South is willing to discuss the matter with the North after consulting with the International Olympic Committee. Seoul's first reaction, however,

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was to reject the talks proposal and demand that P'yongyang accept the share of games offered by the IOC in July, according to the US Embassy.

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Comment: The games open in a year, and time is running out for an agreement. P'yongyang's offer may be part of a renewed effort to win international support for its demand for equal status. The North has gained little in the existing talks forum, and P'yongyang almost certainly is disappointed by its failure to win concessions on cohosting before invitations are issued tomorrow. It may test prospects for a renewed Olympic boycott campaign at a conference of Communist sports ministers next week in the USSR. Although the South's official response underscores its desire to be seen as flexible. Seoul's preference for a hardline approach suggests any talks will face major obstacles.

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In Brief

Middle East





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— **USSR** yesterday said two Soviet advisers missing in southern **Libya** . . . earlier reports indicate **Chad** captured Eastern Bloc personnel in raid on Ma'tan as Sarra airfield . . . unusual public move supplements diplomatic efforts for release. 

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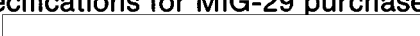
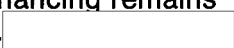
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— **Lebanon's** economy helping **Libyan** effort to recruit Lebanese mercenaries . . .  says about 150 Druze signed up for \$2,000 monthly salary, enormous sum by Lebanese standards . . . recruiting continues among Lebanese Shia. 

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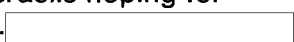
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— **Jordanian** Prime Minister Rifai claims agreement reached on technical specifications for MIG-29 purchase from **Soviets**, according to  . . . financing remains only obstacle, but Rifai confident will be resolved. 

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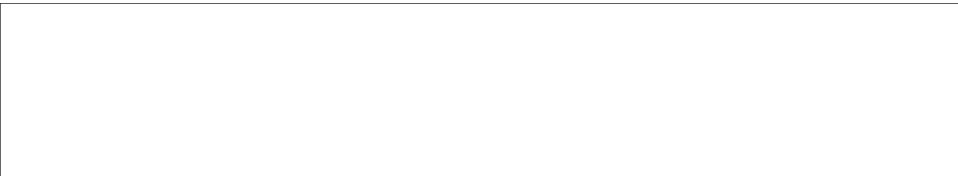
— **Israel, Hungary** agreed yesterday to establish limited diplomatic relations . . . after **Poland**, second East European state to establish Interests Section in Tel Aviv in past year . . . Israelis hoping for similar agreements with **Bulgaria, Yugoslavia**. 

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Americas



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Africa

— Frontline States to hold summit in **Tanzania** later this week, according to press . . . probably will formulate common strategy for UN General Assembly discussions on **Namibia**, discuss Commonwealth meeting next month in Vancouver. 



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East Asia

- Press indicates **Vietnam** freed some 500 civilian, military officials of former South Vietnamese Government . . . claims more than 6,500 freed under amnesty announced this month . . . suggests more responsive approach to ~~US~~ humanitarian concerns. 25X1
- Former **South Korean** Prime Minister and Security Chief Kim Chong Pil to announce presidential candidacy later this month . . . ruling camp apparently failed to deter bid . . . would lessen votes for ruling-party nominee Roh Tae Woo. 25X1

Europe

- **Norway's** rightwing Progress Party gained against ruling Labor and Conservatives in nationwide municipal elections Monday . . . mainstream parties probably will retreat to traditional platforms to regain support . . . national election set for fall 1989. 25X1
- Defense Minister von Eekelen told press yesterday **Netherlands** might halt INF preparations when US-**Soviet** arms control agreement signed . . . probably not official position . . . public pressure to cease preparations likely before US ratification. 25X1
- **Poland's** Jaruzelski visiting **East Germany** today . . . first Bloc leader to see Honecker since his **West German** trip . . . likely to stress permanence of Germany's division, Poland's western border . . . Poles uneasy over inter-German relations. 25X1
- Leader of **UK** Campaign for Nuclear Disarmament will join Liberals . . . embarrassment for Liberal leader Steel, who must contend with powerful disarmament wing . . . complicates merger with Social Democrats, who are committed to nuclear defense. 25X1
- **Romanian** President Ceausescu replaced three Deputy Prime Ministers, reorganized several ministries . . . reflects concern with poor economic performance . . . not likely to improve economy weakened by energy, raw materials shortages. 25X1

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Special Analysis

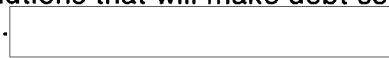
LATIN AMERICA: Urging New Debt Solutions

Key Latin American debtor nations increasingly are denouncing efforts by creditors to resolve the region's debt problems and are calling for new approaches, particularly to ease interest payment burdens. They hope collective action will strengthen their leverage in seeking major concessions.



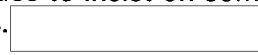
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Several of the large debtors, reacting to growing domestic political pressures and persistent economic difficulties, have criticized debt renegotiation procedures as time consuming and of only short-term usefulness. The major Latin debtors instead are stressing the need for innovative solutions that will make debt servicing manageable over the long term.



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Brazil has been the most strident in pushing for new strategies. In meetings with creditors early this month, Finance Minister Bresser called for a mechanism to convert half of Brazil's \$70 billion commercial bank debt to discounted bonds. Although Bresser moderated his proposal following strong negative reactions from creditors, Brazil continues to insist on some form of substantial relief from interest payments.



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~~Argentina's President Alfonsin has expressed frustration over the detrimental effect of the debt-service burden on the economy and wants a new longer term solution to the debt issue, according to the US Embassy in Buenos Aires. In particular, he advocates lowering interest rates used for debt service payments to 2 to 4 percent.~~



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Mexican President de la Madrid, although satisfied for now with the financial accord reached with the banks early this year, has asserted that creditors must take greater responsibility for achieving a lasting debt resolution.



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Factors Influencing Debtors

A combination of pressures and opportunities are prompting the major debtors to intensify their push for a new strategy at this time. Economic forecasts indicate that slow growth and rising interest rates in industrial countries may aggravate already weak payments positions among debtor nations. Political gains by proponents of

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hardline debt policies—like the Peronist victories recently in Argentina—are exerting increasing influence on moderate policymakers. Latin debtors see an unprecedented opportunity to win major concessions in view of the commercial banks' enlarged loan-loss reserves and the heightened sympathy apparent among creditor governments. [redacted]

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Delegates of the Cartagena Group of debtors agreed late last month to recommend to their 11 member governments that the Group become more active in devising approaches to the debt problem, according to the Embassy in Montevideo. A key proposal reportedly under consideration is to tie debt-service payments to banks to the lower values of the debts in the secondary markets. [redacted]

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Brazil's Bresser said he intends to meet with his Mexican and Argentine counterparts in New York on 24 September to discuss new approaches to debt before the annual joint IMF–World Bank meetings. The debt problem probably will be the major issue that Latin American governments raise, both in formal and informal sessions, at the IMF–World Bank meetings. [redacted]

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Implications

The international banking community will staunchly oppose radical Brazil-style proposals because they would decimate the gains achieved in tough negotiations with Mexico and Argentina, would weaken the link between domestic policy performance and external assistance, and might threaten the solvency of major US banks. On the other hand, the continued inability of Latin governments to obtain sufficient new financing and debt relief to meet development needs will increase the likelihood that populist politicians will replace more moderate leaders. Such shifts already are beginning to occur in Argentina, Ecuador, and Venezuela. [redacted]

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