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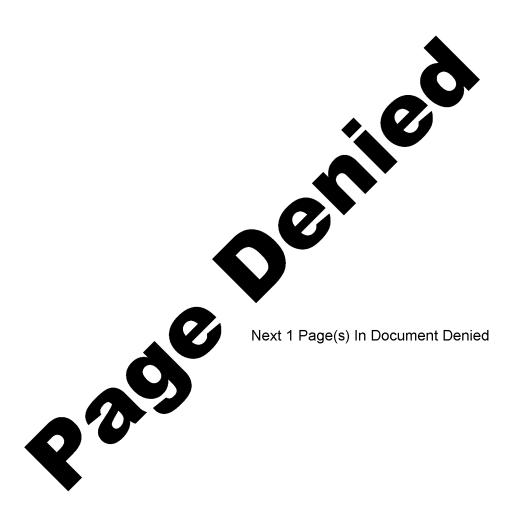


PERSIAN GULF:	Situation Report
Iranian Reaction	Since the Iran Ajr was hit, Iranian leaders have continued to portray themselves as undeterred by the prospect of conflict with the US or international isolation. President Khamenei, speaking at the UN, stressed the success of Iran's Islamic revolution despite opposition from the US and the UN's allegedly weak response to Iraq's invasion
	in 1980. Khamenei and Assembly Speaker Rafsanjani have both publicly threatened retaliation against the US for the attack and warned implicitly that US interests outside the Gulf are at risk, a point repeated in a Tehran Radio commentary.
	in 1980. Khamenei and Assembly Speaker Rafsanjani have both publicly threatened retaliation against the US for the attack and warned implicitly that US interests outside the Gulf are at risk, a point
Gulf States' Reactions	in 1980. Khamenei and Assembly Speaker Rafsanjani have both publicly threatened retaliation against the US for the attack and warned implicitly that US interests outside the Gulf are at risk, a point repeated in a Tehran Radio commentary. Comment: The Iranians' uncompromising rhetoric and their virtual abandonment of any hint of flexibility on accepting UN Resolution 598 suggests an increased willingness to risk UN sanctions. The emotions that are sure to be aroused in Iran over the deaths of Iranians by US fire increase Iran's incentive to strike at US interests. Iranian leaders
	in 1980. Khamenei and Assembly Speaker Rafsanjani have both publicly threatened retaliation against the US for the attack and warned implicitly that US interests outside the Gulf are at risk, a point repeated in a Tehran Radio commentary. Comment: The Iranians' uncompromising rhetoric and their virtual abandonment of any hint of flexibility on accepting UN Resolution 598 suggests an increased willingness to risk UN sanctions. The emotions that are sure to be aroused in Iran over the deaths of Iranians by US fire increase Iran's incentive to strike at US interests. Iranian leaders probably believe they must act soon or lose credibility. Kuwaiti and Bahraini officials have expressed strong approval of the US attack on the Iranian minelaying ship Ajr, according to US Embassy reporting. the Kuwaitis were pleased to see the US actively back up its commitment

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NICARAGUA:	Cease-Fire Announced	25X1
	The Sandinistas' announcement of a partial cease-fire is probably intended to encourage rebel field commanders to abandon the struggle and will put the onus on the insurgents for any continued fighting.	25X1
•	President Ortega, citing the regime's determination to comply with the Central American peace plan, announced yesterday that Managua would postpone offensive military operations in certain parts of the country. Government troops will be concentrated in specific areas and defend themselves only if attacked.	25X1
	Ortega called on the National Reconciliation Commission headed by Cardinal Obando to seek out insurgent field commanders and determine their willingness to abide by a cease-fire and accept government amnesty. Recently formed local peace commissions comprised of prominent citizens, clergy, and relatives of insurgents will also participate in talks with the rebels.	25X1
·	Simultaneously, Managua announced that the Catholic Church radio station, closed since late 1985, will be allowed to reopen immediately.	25X1
	Comment: Although no date for the start of the cease-fire was announced, Managua is likely to move ahead quickly. The regime probably calculates that the move will help head off international pressure to negotiate a cease-fire agreement directly with rebel leaders.	25X1
	The cease-fire probably will be limited to some isolated, sparsely populated, rural areas in eastern and southern Nicaragua where large numbers of insurgents operate. Withdrawing government troops from such areas would limit the guerrillas' ability to attack better-defended economic and military targets but would not abandon major segments of the population to rebel control.	25X1
•	The reopening of the radio station follows the regime's decision last weekend to allow <i>La Prensa</i> to resume publication and will be welcomed by the church hierarchy. Deterioration of the radio station's equipment over the past 18 months may delay its opening for several weeks	25X1



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PANAMA: Delvalle Considers Resigning	
Panamanian President Delvalle will seriously consider resigning if he and the regime cannot find a solution to the current political crisis, Delvalle's family and advisers	25X1
are telling him that he lacks support from the military, from the ruling-party coalition, and, increasingly, from the business sector. Moreover, he feels under pressure to bring about the removal of	
improving.	25 X 1
Comment: Delvalle has raised the possibility of resigning several times in the past to increase his leverage with Noriega. He probably hopes this tactic will force the military to allow him greater latitude in policymaking. Noriega and the General Staff want the President to stay on, fearing his resignation would embolden the opposition and increase international criticism. In addition, the military is reluctant to	
allow outspoken Vice President Esquivel to succeed Delvalle.	25X1 25X1
BRAZIL: Controversy Over Draft Constitution	25 X 11
The latest version of Brazil's draft' constitution reflects minor compromise on a few controversial issues, but the process still has a long way to go and bitter debate is likely when the final draft reaches the full Constituent Assembly next month. According to the US Embassy key provisions include a parliamentary system of government—to be implemented in March 1988—a six-year term for President Sarney, and retention of—with some restrictions—the military's prerogatives to protect law and order. The draft also includes a watered-down but still controversial amnesty provision for	25X1
Comment: The amnesty provision has been tempered to meet major concerns of the armed forces, but military leaders are certain to remain preoccupied over this issue and over the entire constitutional drafting process. The military will continue to lobby Assembly delegates to modify their positions on amnesty. President Sarney has shown weak leadership thus far—in fact, the amendments he proposed earlier have been largely rejected in this version—and is	
	Panamanian President Delvalle will seriously consider resigning if he and the regime cannot find a solution to the current political crisis, Delvalle's family and advisers are telling him that he lacks support from the military, from the ruling-party coalition, and, increasingly, from the business sector. Moreover, he feels under pressure to bring about the removal of Defense Chief Noriega, even as Noriega's political position is improving. Comment: Delvalle has raised the possibility of resigning several times in the past to increase his leverage with Noriega. He probably hopes this tactic will force the military to allow him greater latitude in policymaking. Noriega and the General Staff want the President to stay on, fearing his resignation would embolden the opposition and increase international criticism. In addition, the military is reluctant to allow outspoken Vice President Esquivel to succeed Delvalle BRAZIL: Controversy Over Draft Constitution The latest version of Brazil's draft' constitution The latest version of Brazil's draft' constitution reflects minor compromise on a few controversial issues, but the process still has a long way to go and bitter debate is likely when the final draft reaches the full Constituent (seembly next month. According to the US Embassy key provisions include a parliamentary system of government—to be implemented in March 1988—a six-year term for President Sarney, and retention of—with some restrictions—the military's prerogatives to protect law and order. The draft also includes a watered-down but still controversial amnesty provision for military personnel cashiered for political reasons. Comment: The amnesty provision has been tempered to meet major concerns of the armed forces, but military will continue to lobby Assembly delegates to modify their positions on amnesty. President Sarney has

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	CUBA: Paris Club Creditors Meet		
	The Paris Club of Western creditors will discuss Cuban debt relief. Havana's fail policies to meet debt repayment schedule patience of official creditors, according Paris Club chairman Trichet has reported have to "reorient their whole thinking of is tiring of one-sided efforts to help Havaduly released data showing increased hear-zero economic growth in 1986. Comment: The Paris Club will probably Cuba because of Havana's refusal to condition adjustment. They may compromise on the repayment, but deteriorating hard current preclude full Cuban payments to credition continue to limit Havana's access to Westerowth, which will, in turn, accelerate Comments.	lure to change economic ules has exhausted the to US Embassy reporting. edly said that creditors might on Cuba," suggesting the Club ana meet payments. Cuba last lard currency deficits and of extend no new credits to coperate on economic old debt to encourage future ency accounts probably ors this year. Lack of credit will estern imports critical to	25X1
	PERU: Unresponsive Oil Policy	X	25 X 1
	Peru's failure to address the concerns of prompt the firm to withdraw, according that would discourage foreign investme firm, which produces nearly half of Perudisputes, has encountered bureaucratic supplies and equipment, and faces according the more than \$800 million to its high firm, whose operations were nationalized to receive any compensation.	to the US Embassy, a move nt in this key industry. The US u's oil, is entangled in tax delays in importing critical usations that it improperly nome office. Another US oil ed in December 1985, has yet	25X1
	Comment: The pullout of the company industry that from 1980 to 1985 was Pe earner. Since President Garcia took off dropped 14 percent, and last year expo Despite complaints by Peru's national cunderfunding and complex import contideliveries of spare parts, Garcia has paindustry's problems.	eru's major foreign exchange ice, oil production has ort volume declined by a fifth. oil companies about rols, which have delayed	25 X 1

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	COLOMBIA: Leftists Protest Political Murders	25 X 1 25 X 1
	Communist labor leaders are organizing nationwide demonstrations temorrew to protest recent murders of leftwing politicians, union leaders, and educators. Marches are planned in five major cities, and as many as 50,000 people may demonstrate in Bogota, according to	25 X 1
	the US-Embassy. insurgent-front-	25 X 1 25 X 1
•.	organizations-hone-to-use-the-rallies-to-promote-querrilla-unity-	25X1
	·	25X1
	Comment: The year-old Communist labor confederation, Colombia's largest labor group, has been working with the insurgents to publicize charges that the military and rightwing death squads are involved in the murders of leftists. Similar protests in June attracted large crowds but did not result in major violence. More demonstrations are likely and will probably culminate in a general strike before the end of the year.	25X1 25X1
	USSR: Personnel Reduction in Military Staffs	25 X 1
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	The staffs of all Soviet headquarters at military district level and above will be cut by 15 percent.	25 X 1
	Officers affected by the cuts reportedly will	25 X 1
	be reassigned to combat units or retired if age 60 or older; new officers assigned to key headquarters billets will be one rank lower	
	than the current incumbents.	25X1 25X1
	the program would be completed by the end of the year and would affect approximately)700 generals. General Secretary Gorbachev may have revealed this decision during a meeting with senior officers early in the summer, where he questioned the USSR's	25 X 1
	need for 4,000 general officers.	25 X 1
•	Comment: If both officers and enlisted personnel are included in this program, the overall cuts may involve tens of thousands of men. Of the reported 700 generals affected, most probably are over age 60 and will be retired. Gorbachev believes that cuts in headquarters staffs are needed as part of his drive to save resources and eliminate unnecessary or unproductive officers. The 15-percent reduction in staffs, however, probably will cause resentment among senior officers, especially coming on the heels of the personnel firings that resulted from the Cessna incident. Many younger officers might see the move as potentially beneficial to their careers.	25X1
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SRI LANKA-INDIA: Tigers Reassessing Strategy	
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The press reports	25 X 1
that one Tiger leader has resorted to a hunger strike to win support for his group's position and that the Tigers have finally submitted nominees for the interim provincial council to the Indian Government.	20/(1
Tionimices for the interim provincial council to the indian government.	25 X 1
Comment: The Tigers apparently recognize that their efforts to dominate rival Tamil groups and intimidate residents of Eastern Province through violence have weakened support for their organization. They may hope that a temporary emphasis on nonviolence will recover lost support and that a show of cooperation with India, particularly through the submission of names for the interim council, will strengthen their position in the future provincial government. Sri Lanka's local Tamil population may feel emboldened by the presence of Indian troops, however, and may respond less than enthusiastically to Tiger efforts.	25X1
PHILIPPINES-ASEAN: Summit Venue in Question	25 X 1
Senior officials from several member countries of Association of Southeast Asian Nations have expressed concern about the security	
situation in the Philippines and may request that the meeting of ASEAN heads of state, scheduled for December in Manila, be postponed or moved, Indonesian Foreign Minister Mochtar reportedly plans to suggest a change of venue at a special meeting of ASEAN foreign ministers in New York this month. President Aquino has publicly pledged full security for visiting ASEAN leaders and claims the armed forces are taking	25 X 1
measures to make Manila secure.	25 X 1
Comment: The concerns of the ASEAN leaders are part of the aftermath of the recent coup attempt in the Philippines and the military's failure to capture the rebel military leader, Colonel Honasan. Aquino almost certainly sees the summit as an opportunity to improve the Philippines' international status, show Manila can play an active regional role, and demonstrate the viability of her government. The loss of the summit would be seen as a vote of no confidence from ASEAN neighbors. Unless Aquino can convince them she is firmly in control, she will probably fail to secure the summit.	25X1 25X1
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	ETHIOPIA: New Autonomous Regions Established	•
-	Ethiopia has announced the creation of five autonomous regions— Eritrea, Tigray, and Assab in the north, and Dire Dawa and the Ogaden in the east—that will have limited control over their internal economic and political affairs. Addis Ababa also redrew existing provincial boundaries to create a total of 24 provinces with a view to increasing administrative efficiency.	25X′
,	Comment: President Mengistu probably hopes to undercut local support for insurgents by meeting some of the demands for self-rule by dissidents in Eritrea, Tigray, and the Ogaden. In addition, Addis Ababa may calculate that the granting of a measure of autonomy to ethnic Somalis in the Ogaden—which Mogadishu has long identified as its principal objective in pressing Somalia's claim to the region—will clear the way for resumption of stalled talks on the disputed border. The creation of the regions may marginally erode local support for the regional rebellions, but Eritrean and Tigrean leaders have already rejected the new arrangement. Somalia probably will dismiss the changes as cosmetic and adopt a wait-and-see attitude.	25X1
	SOMALIA: Backpedaling on IMF Reforms	25X′
	President Siad has announced plans to reverse key parts of Somalia's IMF reform program by ending the foreign exchange auction and reimposing fixed prices on some food items, according to the US Embassy. The Foreign Minister told US diplomats that the changes are not intended to repudiate reform but to bring it into line with domestic priorities. A member of the Siad family recently charged privately, however, that US pressure for economic liberalization is intended to undermine the President's rule, according to the Embassy.	25 X 1
	Comment: Siad probably decided to cancel the auction—which has sharply devalued the Somali shilling—to appease his Marehan clan, whose financial and political interests have been damaged by the IMF reforms. He probably judged that Mogadishu's declining ability to pay for imports, together with reduced US military aid, is eroding vital support from the armed forces. He also may have concluded that returning the economy to government control will improve the standard of living. In breaching IMF guidelines, Somalia risks losing substantial assistance from the US and others, but Siad probably expects to persuade donors to accommodate the changes.	25X 25X
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Possible Politburo Alignment

Gorbachev Supporters	
Viktor Nikonov a Agriculture Secretary	Praised by Gorbachev as agricultural reform coordinator.
Nikolay Ryzhkov Premier	Backs radical economic reform but may prefer slower pace.
Eduard Shevardnadze Foreign Minister	Loyalty extends beyond foreign policy matters.
Nikolay Slyun'kov ^a Economic Secretary	Economic reform specialist; backed by Ryzhkov.
Aleksandr Yakovlev ^a Propaganda Secretary	Handpicked by Gorbachev; leading advocate of drastic reform.
Lev Zaykov Industry Secretary	Promoted rapidly under Gorbachev; backs party reform.
Position Unclear	
Vitaliy Vorotnikov RSFSR Premier	Speeches noncommittal; promoted under Andropov.
Mikhail Solomentsev Party Control Chief	Basically for reform but may have reservations.
Probably Skeptical	· · · · · · · · · · · · · · · · · · ·
Geydar Aliyev 1st Deputy Premier	Reportedly at odds with Gorbachev and under investigation for corruption.
Viktor Chebrikov KGB Chief	Supported Gorbachev at first but now sees dangers; Gorbachev rumored to want new KGB chief.
Andrey Gromyko President	Gave key support to Gorbachev in 1985. May have strong objections to policies; could be pivotal figure in this group.
Yegor Ligachev Number Two in Party	Supported Gorbachev at first, now alarmed by his policies. Being squeezed out.
Vladimir Shcherbitskiy Ukraine Party Chief	Has begun to back some reforms but might side with opponents in showdown.

^a Promoted to full Politburo member at June 1987 plenum.

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	Special Analysis
USSR:	Politburo Polemics Intensify
	General Secretary Gorbachev strengthened his hold on the Politburo at the June plenum, but it appears that his reform agenda is alienating a still-powerful Politburo minority increasingly skeptical of aspects of his program. Party secretary Ligachev and KGB chief Chebrikov, taking advantage of Gorbachev's absence on vacation, have launched an attack on abuses of openness—glasnost—that appears to be a direct challenge to key Gorbachev policies. Unless the party leader callence these dissenting voices—either through accommodation or a showdown—their outspokenness will encourage those in the lower ranks of the party who are resisting Gorbachev's policies.
	Comment: Public differences between Gorbachev and his de facto party deputy, Yegor Ligachev, became increasingly evident about the time of the June plenum. At the plenum, Gorbachev promoted three allies to full Politburo membership, diluting the influence of Ligachev who has been acting as a spokesman for party conservatives. Despite the promotion of Aleksandr Yakovlev and Viktor Nikonov to oversee ideology and agriculture, respectively, Ligachev continues to be active in these fields, sending messages that appear to conflict with those of Gorbachev's allies. This has been most evident in the ideological sphere, where Ligachev has differed openly with Gorbachev and Yakovlev over the limits of glasnost.
	For the first time, these concerns of Ligachev's are being openly supported by another Politburo member. He and Chebrikov are now suggesting that Gorbachev's policies are producing unacceptable consequences. there are other contentious issues in the Politburo, such as economic reform and arms control. In his latest remarks Ligachev stressed that the media should be guided by the speeches of Gorbachev and "other leaders"—rather than just the party leader, as is the norm. Speeches last week by Ligachev and Chebrikov laid out their concerns about Gorbachev's program.
	Their principal theme is that <i>glasnost</i> is getting out of control. Ligachev lashed out at editors who on their own authority print only one side of a story. He called for the practice to be "stamped out," hinting strongly at the need to impose tighter controls on the media.
	Both leaders also argued that <i>glasnost</i> is being used by enemies to subvert Soviet society and stir up minority nationalities; they specifically pointed to recent demonstrations in the Baltic republics.
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	Ligachev claimed that reactionary forces are forming a "u to "wreck our policy." Chebrikov, implicitly criticizing the political prisoners who then aid the West, argued in effect rights concessions do not work. Both men were sharply critical of current efforts to reinternistory, particularly the reopening of the Stalin question ar	release of that human 2 pret Soviet nd efforts to	25X1
•	discredit the Brezhnev era. Ligachev has defended the ecgains made during the Brezhnev years and noted that miliwith the West was achieved then. Gorbachev and his allies encouraging the historical critics, apparently hoping that it thoroughly discrediting the past they will help pave the waterforms. Both leaders implicitly defended the current system of col	itary parity s have been by ny for major 2	25 X 1
	agriculture. Gorbachev has announced agriculture will be of a forthcoming plenum and hinted that he wants fundamenages in the current system. A debate is raging in the Sover the merits of collectivization, and the remarks of Ligachebrikov decisively reject the line being advanced by refit was a mistake.	the subject nental Soviet press achev and ormers that	25 X 1
- 6 1	Prospects The changes at the June plenum appear to have ensured a slim working majority on most issues. If he were in serior crouble, Foreign Minister Shevardnadze would probably not been able to take the initiatives that led to basic agreeme US on an arms control package	us political ot have nt with the	25 X 1
(! !	The sharpening of Ligachev's rhetoric and his apparent all Chebrikov, however, suggest that differences within the P may be approaching a critical point. Gorbachev's support in the party Central Committee, where a majority of member their positions under Brezhnev and many members feel the Gorbachev's reforms. Sorbachev's reforms.	olitburo is weaker in is attained reatened by many 2	25 X 1
*	and even their control over subordinates. A disaffected Pominority might try to bring its case to the Central Commit	olitburo	25 X 1
(!	The current assault on Gorbachev's policies may stem modesperation than strength. There have been persistent rund Moscow over the past year that Gorbachev plans to move and Ligachev to less influential posts. Perhaps to set the second control of the second control	mors in Chebrikov	
	continued	i	

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	Gorbachev reportedly established recently special groups headed by supporters to monitor the KGB and control the course of <i>glasnost</i> .	25 X
•	Even under a policy of <i>glasnost</i> , the airing of top-level dissenting views is not in Gorbachev's interest, and he will want to move to silence them.	25X ² 25X ²
•	the Comment: INP-believes this analysis overstates both the intensity of disagreement within the Politburo and its effect on leadership cohesion. The differences identified here would in the past have been signs of a serious challenge to a party leader, but the latitude for public debate among leaders may be broader in the Gorbachev era of glasnost.	25X
	The differences appear to center on how to implement reforms that all agree are essential. Ligachev and Chebrikov do reflect uneasiness among segments of the party over the trend of events in the cultural field, and Gorbachev and Ligachev do differ in tone and emphasis. Gorbachev himself, however, has warned that limits must be placed on <i>glasnost</i> , called for "more discipline, more order," and condemned a "disrespectful attitude" toward the achievements of the Stalin era. Gorbachev, in sum, has encouraged the airing of divergent	

views, and is not necessarily threatened when they appear.

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