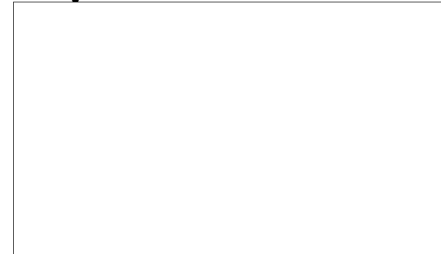




**Director of  
Central  
Intelligence**

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# **National Intelligence Daily**

**Friday  
13 November 1987**

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**ARAB STATES:                    Reported Syrian Shift on Iran-Iraq War**

***Jordanian officials believe Syria has dramatically altered its position on the Iran-Iraq war, but differing accounts of Syrian support for the authoritative final resolutions capping the Arab League's summit suggest Damascus may still be weighing its options.*** [Redacted]

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A senior Jordanian official has told US Embassy officials in Amman that Syria will not submit reservations on any summit resolutions and that it will restore diplomatic relations and open its border with Iraq within two weeks. The Jordanian official claimed that the resolutions are still in draft and will not be available before next week. He said that financial inducements were not responsible for the changed Syrian position. [Redacted]

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Bahraini Foreign Minister Khalifa, however, has told US officials in Manama that Syria has already stated its intention to reserve on key resolutions, including Arab League support for Kuwaiti measures to protect its shipping and the possible implementation of the Arab defense pact. Adding to the confusion about the resolutions, the Iraqi News Agency has published texts of summit resolutions it claims were issued by the League in Amman; no other source has put out any version of the resolutions. Moreover, Syrian Foreign Minister Shara has publicly discounted the reports of a reconciliation between Damascus and Baghdad. [Redacted]

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**Comment:** If the Jordanian official's account of Syria's position is accurate, it would represent a major shift in Syrian tactics on the Iran-Iraq war. Still, Damascus would almost certainly try to maintain its ties to Tehran and seek to use its support for League criticism of Iran primarily as a way to extract major financial assistance from the Gulf Arab states. [Redacted]

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Arab League resolutions—not the final communique issued on Wednesday—represent official League positions, and League members have 10 days from the date they are issued to reserve on any or all of them. Syria, for example, reserved its position on several resolutions critical of Iran that were issued by the Arab League foreign ministers when they convened two months ago. [Redacted]

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**ANGOLA-USSR: Cuban Troop Withdrawal at Issue**

***The Angolan Government appears to be trying to gain Soviet and Cuban approval for a new, more flexible proposal on Cuban troop withdrawal.*** [Redacted]

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During his visit to Moscow last week for the 70th anniversary of the Bolshevik Revolution, President dos Santos almost certainly discussed his new plan calling for a more rapid withdrawal timetable for Cuban troops in exchange for a South African departure from Namibia under UN Security Council Resolution 435. According to US diplomatic reporting, Angolan Chief of Staff N'dalu and Foreign Minister Dunem visited Havana and Moscow last month to discuss the new plan. African specialists in the Soviet Foreign Ministry said last week that Moscow does not oppose the US-Angolan talks but believes Havana should be included in the Cuban troop withdrawal negotiations. [Redacted]

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**Comment:** The recent failure of Luanda's military offensive against UNITA may have increased the leverage of dos Santos and other senior officials within the regime who favor flexibility on the withdrawal issue in order to constrain South Africa's ability to support UNITA and to improve relations with the West. Because the security of the regime is dependent on Moscow and Havana, however, the new proposal is subject to their approval. [Redacted]

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Havana almost certainly will continue to delay any agreement on a timetable that would call for a rapid withdrawal of its forces. Although direct Cuban participation in the talks might help provide Fidel Castro a face-saving way out of Angola, he almost certainly is concerned that a withdrawal would damage his international prestige unless he can present it as a victory. He also probably is concerned about the problems of reintegrating 37,000 Cuban military personnel into an already weakened economy. [Redacted]

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As part of a general Soviet effort to appear supportive of political solutions to regional conflicts, Moscow may adopt a more flexible public position on the negotiations. In private, the Soviets will not press the Cubans on a withdrawal at this time because Soviet-Cuban ties are already tense and because a continuation of the status quo would not threaten Soviet interests. Moreover, Moscow would gain little by this pressure because it probably calculates that South African intransigence on withdrawal from Namibia will stall negotiations. [Redacted]

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**YUGOSLAVIA: Government Collapse Possible**

***Chances are growing that the government of Premier Mikulic will fall within the next six months.*** [Redacted]

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The first test comes today as debate on Mikulic's revised anti-inflation program begins in the Federal Assembly. The government's original plan to curb inflation, now running at 135 percent annually, had to be rewritten after strong opposition from several regional assemblies. Should Mikulic's latest plan fail to win support, delegates reportedly may seek his resignation through an unprecedented vote of no confidence. [Redacted]

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Another hurdle will come soon, when Belgrade asks Western banks and governments for new debt relief, probably on terms that will provoke sharp confrontation. Creditors have told Belgrade that any new agreement must include an accord with the IMF—probably a standby involving strict oversight. Mikulic has pledged publicly to avoid a formal IMF standby program [Redacted]

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A third test comes next May, when the government faces a constitutionally required vote of confidence midway through its four-year term. Until now, such votes have been pro forma. [Redacted]

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**Comment:** Mikulic is likely to survive the current crisis, but chances are about even that he will resign or be forced from office by next May. He has publicly linked his tenure to the economy's recovery, the prospect of which is poor, and he will probably grow increasingly frustrated by regional opposition to his programs. Mikulic's pride may lead him to resign rather than face the public humiliation of a no-confidence vote. [Redacted]

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If Mikulic goes, his successor is no more likely to be capable of overcoming fractious regional interests and implementing the reforms the economy badly needs. Under an informal regional selection process, his successor is likely to be drawn from the more backward southern republics, which are less inclined to follow market-oriented policies. Any successor, however, is likely to continue Belgrade's longstanding foreign policy of balancing between East and West. [Redacted]

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**ROMANIA:****Headed for Grim Winter**

***The outlook for the economy this winter appears unusually bleak, and the recent appointment of a former head of the security service as Interior Minister and other personnel moves probably reflect the regime's fear of a growing potential for unrest.*** [redacted]

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Many Romanian officials are deeply concerned about this winter's food supply, [redacted] The grain crop this year was about 15 percent less than that in 1986, and some other crops also fared poorly. [redacted]

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Energy supplies will be taut; Romania's electrical generating capacity, according to recent information, is at best no higher than it was last winter, when several sectors suffered cuts of 30 percent in gas and electricity. Sharp cuts in energy supplies to households were announced this week, much earlier in the cold season than in past years. Factories and enterprises are likely to face shortages of other materials. In a move to force enterprises to become more efficient, President Ceausescu recently announced the government will seize all stocks of raw materials, leaving enterprises only sufficient materials to meet short-term production goals. [redacted]

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**Comment:** Ceausescu could avoid further deterioration of the food supply by purchasing grain on the world market, but he is unlikely to do this because of his determination to use scarce hard currency to reduce Romania's debt. The regime presumably hopes the recent purge of high-level energy officials—who had failed to ensure proper maintenance of some power plants—will remedy problems with electricity supplies, but inadequate fuel to generate electricity will limit improvements in the power supply. If Ceausescu follows through on his orders to confiscate raw materials from factory stocks, many enterprises will experience increased disruptions. [redacted]

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The populace, fearful of the security service, has accepted significant deprivation over the past several years. But the regime presumably realizes that the economy will experience more than its usual serious winter troubles and that the people are facing reductions from last winter's marginal food and energy supplies. Ceausescu's power appears firm, but his elevation of a security expert to head the Interior Ministry indicates that he is taking no chances in ensuring the continued loyalty of the security service, the regime's chief mainstay.

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**NICARAGUA: Opposition Party Divides**

A split within Nicaragua's major opposition party apparently will further hinder efforts by regime opponents to press the Sandinistas for democratic reforms. The US Embassy reports that Social Christian Party President Erick Ramirez barred his rival's supporters from the party's congress last weekend. Ramirez, whose opponents have accused him of cooperating with the Sandinistas, also withdrew the party from the opposition alliance—the Democratic *Coordinadora*.

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**Comment:** The Social Christians have long been plagued by infighting; the latest split is the worst in their history. The party has been the opposition group most successful in organizing grassroots support, but its recent troubles will hurt its organizational work at the local level and thereby further reduce the opposition's prospects for winning municipal elections and seats in the planned Central American parliament. Without the Social Christians, the opposition alliance will probably find it more difficult to organize antigovernment marches.

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**EL SALVADOR: New Killings Plague Government**

Three well-publicized killings in El Salvador in recent weeks are probably unrelated, but they may presage a resurgence of politically motivated murders as elections slated for next spring draw near. The two most recent victims appear to be farmworkers, whose murders, according to the US Embassy, may have been a common crime disguised to appear politically motivated. The government has made little progress in investigating the killing of a prominent leftist human rights activist late last month. His death derailed government negotiations with the rebels. Meanwhile, a recent UN study accuses the insurgents of widespread summary executions of civilians and indicates that political killings of civilians by the military continue to decline.

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**Comment:** Both the extreme left and radical right benefit from such killings, which both discourage leftists now in exile from returning to participate in next year's legislative elections and serve as a pretext for the insurgents to avoid meaningful peace negotiations. On balance, however, the left gains more in propaganda terms when a prominent leftist activist is killed, because the government is almost always blamed for such murders, even though government links to rightwing extremist groups have been dramatically reduced since 1984.

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**BANGLADESH: Government Arrests Opposition Leaders**

President Ershad's use of mass arrests, including the detention of both major opposition leaders, and of steps to prevent demonstrators from entering Dhaka have stopped the opposition from fomenting enough disorder to topple his government. According to US Embassy and press reports, police put Nationalist Party leader Begum Ziur Rahman and Awami League leader Sheikh Hasina Wazed under house arrest on Wednesday to undercut the opposition's momentum. A general strike called by the opposition was observed throughout the country yesterday. [Redacted]

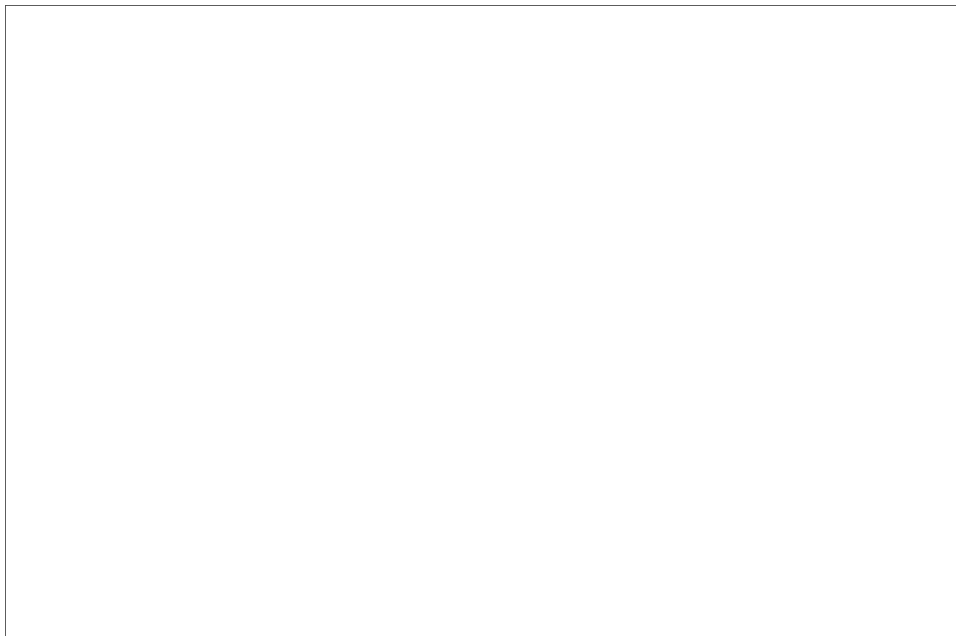
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**Comment:** The opposition, which plans to announce its next step today, aims to create enough turmoil to provoke the military to intervene and bring to an end the rule of the unpopular Ershad. The security situation would have to deteriorate significantly more than it has so far for that to happen. [Redacted] the opposition may call for daily half-day strikes—already announced for tomorrow and Sunday—to keep the government on edge, but it is unlikely that strikes alone will energize the campaign against Ershad.

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**VIETNAM-CAMBODIA: Hanoi May Join Talks**

Vietnamese Foreign Minister Nguyen Co Thach may meet with Prince Sihanouk in France before the end of this year to discuss Cambodia, [Redacted] Thach reportedly will either attend the proposed meeting between Prince Sihanouk and People's Republic of Kampuchea Prime Minister Hun Sen or meet separately with Sihanouk. Topics for discussion are likely to include the composition of a postsettlement government, [Redacted]

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**Comment:** Vietnam may have concluded the time is right to participate in talks after recent tactical adjustments in China's position on Cambodia and on the future role of the Khmer Rouge. Hanoi probably senses an opportunity to animate further the diplomatic process and to increase the Khmer Rouge's isolation—or even to begin discussing its role in a settlement, with an eye toward minimizing that role. Although Vietnamese participation would improve the chances for more substantive negotiations, Hanoi wants its client regime to appear to be leading the effort and therefore would keep a low profile. [Redacted]

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**USSR: High Cost of Industrial Modernization**

Late last month, in a public lecture that once would have been remarkable for its frankness, a Soviet economist painted a grim picture of the backwardness of the USSR's industries, blaming the enormously inefficient use of labor and material resources for poor industrial performance. He noted that 50 million workers—a third of the labor force—are performing manual labor in the USSR, a figure unchanged since 1970, and complained that 35 billion rubles are spent annually on machinery maintenance and repair. The economist also said that "Siberian economists"—a reform-minded group increasingly prominent under General Secretary Gorbachev—have estimated the cost of modernizing the country's industrial base at 3.5 trillion rubles. [Redacted]

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**Comment:** Although the reference to 3.5 trillion rubles—five times the gross national product—undoubtedly includes more than capital investment, it underscores the huge commitment of resources that would be required to modernize Soviet industry. Effective modernization would require that most new investment be targeted not only for equipment and processes that improve the quality of industrial output, improve labor productivity, and reduce repair expenses but also for developing the vast infrastructure to use it, including extensive worker training. [Redacted]

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**In Brief**

**Americas**

— **Nicaraguan** Cardinal Obando in Washington through tomorrow to consult with Ortega, members of Congress, rebel political leaders . . . reportedly wants to discuss procedures for cease-fire talks before agreeing to serve as mediator. [Redacted]

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[Redacted]

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— **Cuban** military advisers going to **Algeria** in January to train **Polisario**, [Redacted] . . . previous aid limited mainly to medical personnel, some training in Cuba . . . Algiers likely to impose strict controls. [Redacted]

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— **USSR** opening trade office in **Guatemala** early next year, [Redacted] [Redacted] . agreement concluded during congressional trip to Moscow in August . . . President Cerezo, sensitive to military opposition, unlikely to establish diplomatic ties. [Redacted]

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**Middle East**

— Saudi press reports first meeting in more than year between **North Yemeni, Saudi** heads of state . . . both sides looking to ease tensions caused by continuing border problems . . . Saudi aid also likely to be discussed. [Redacted]

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[Redacted]

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**Europe**

— Panic buying in **Poland** fueled by fear of inflation worsening under reforms . . . [Redacted] . . . people skeptical regime can increase consumer goods, stabilize prices. [Redacted]

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— **Bulgaria** announcing auctions to lease hundreds of small businesses to individuals . . . first attempt at private enterprise, major part of economic reform . . . any postponement of next month's party conference could delay further reform. [Redacted]

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**East Asia**

— **China's** National People's Congress leaders to appoint acting premier to replace Zhao Ziyang, says Chinese press . . . traditionalists' choice Li Peng favored . . . Zhao's willingness to resign suggests reformers won significant concessions. [Redacted]

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**Special Analysis**

**CHINA-INDIA: Border Talks Open in New Delhi**

**Chinese Vice Foreign Minister Liu and Indian Foreign Secretary Menon meet today in New Delhi for the first round of border talks since tensions along the frontier increased last spring. Neither side is optimistic that the negotiations—the latest in a series begun in 1981—will result in a delineation of the border.** [Redacted]

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[Redacted]

[Redacted]

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[Redacted] A Chinese diplomat told US Embassy officials in New Delhi early last month that progress during this round would be very difficult, and Chinese academics subsequently told US diplomats in Beijing that there had been no sign of change in official Indian views on the boundary dispute. [Redacted]

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**Troop Dispositions**

Both sides seem to have tried over the past few months to reduce the level of tension along the border. [Redacted]

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[Redacted]

[Redacted] diplomatic reporting indicate that New Delhi has postponed a reinforcement exercise along the Chinese frontier until late next year. [Redacted]

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The necessary military forces remain in place, however, for renewed tension next spring should the current round of talks yield no political breakthrough. [Redacted]

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**No Sign of a Breakthrough**

Prime Minister Gandhi has little to gain at home right now from a statesmanlike gesture and would face criticism if he appeared to give in to Chinese pressure. New Delhi probably is satisfied that its strategy of seasonal military patrols and Parliament's grant of statehood to Arunachal Pradesh last year give India de facto control of land it claims along the eastern border. [Redacted]

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The Chinese also are unlikely to bring fresh initiatives. Beijing—believing itself the aggrieved party—is waiting for New Delhi to make the first move. A Chinese diplomat in New Delhi told US Embassy officials early last month that it is up to India to show a willingness to compromise. [Redacted]

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To complicate matters, the same diplomat said Beijing would raise India's handling of the Tibetan issue during the bilateral discussions opening today. [Redacted]

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China seems to have been placated by subsequent statements from New Delhi's Ministry of External Affairs that called on the Dalai Lama to refrain from political statements while on Indian soil. Anti-Chinese demonstrations by Tibetans in India during the talks. [Redacted]

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[Redacted] could easily rekindle Chinese sensitivity on this issue. [Redacted]

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**Special Analysis**

**TUNISIA:**

**Prospects for New Government**

***President Ben Ali's initial actions bode well for Tunisia's stability as well as for the continuation of its strongly pro-Western foreign policy, including close relations with the US.*** [Redacted]

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Ben Ali's willingness to open the political system stifled by former President Bourguiba will gain the public's confidence and give the government a grace period in which to meet some of the political, economic, and social needs of the country. It is unlikely that Bourguiba or his supporters will immediately challenge Ben Ali; if they did, they probably would not succeed. [Redacted]

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The greatest threat to the new government will come from the Islamic fundamentalists, the largest opposition group. Ben Ali has decided to postpone trials of fundamentalists to avoid provoking protests against his government but has indicated that the crackdown against fundamentalists will continue even if those who have not committed serious crimes are released from jail. Fundamentalist leaders have approved of the takeover and are pressing for further political reform. [Redacted]

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As the President liberalizes the political system, he must take care not to jeopardize his standing with supporters in the ruling party and the Army. Bourguiba's Destourian Socialists have ruled the country since independence 31 years ago, and they are probably concerned that new freedoms for the opposition might weaken their hold on power. [Redacted]

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Tunis will try to strengthen relations with moderate Arab states while remaining wary of Libya and Algeria. Ben Ali probably will continue to rebuild relations with Tripoli and eventually restore diplomatic ties, but he is not likely to respond to Algerian urging that Libya be permitted to join the treaty linking Tunisia with Algeria and Mauritania without guarantees against Libyan meddling in Tunisian affairs. [Redacted]

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Ben Ali almost certainly views security and economic aid from the US as crucial to Tunisian stability. He will not, however, want to appear overly dependent on the US, given the perception among some Tunisians that his links to Washington are close. [Redacted]

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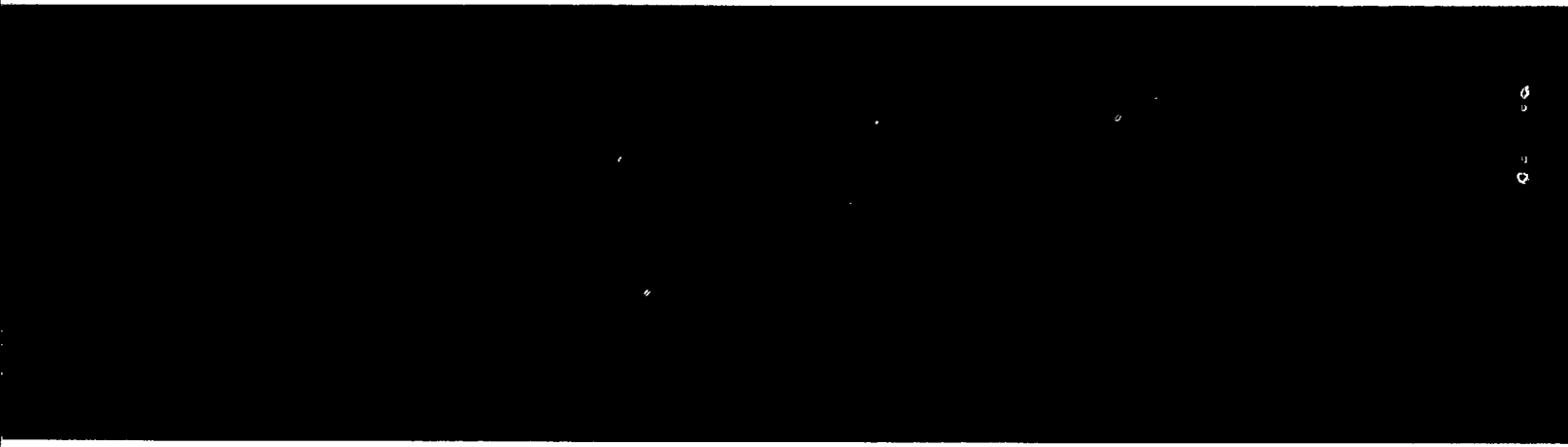


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