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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Thursday, 7 September 1989

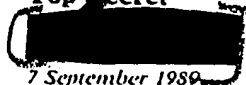


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INTERNATIONAL: US Antidrug Strategy Well Received

The initial reaction from Latin America and Western Europe to the new US antinarcotics strategy generally has been to laud Washington's determination to tackle demand for drugs and to welcome prospects for increased assistance to several regional governments. [redacted] b3

In *Mexico*, media have commended the US commitment to reduce domestic consumption and have noted a positive change in the US perception of the need to implement a multilateral approach to fighting drug trafficking. A *Bahamian* editorial took the same tack, portraying the US drug plan as a significant shift in strategy. [redacted] b3

US drug strategy on Monday, praised US intentions to proceed forcefully against domestic demand and repeated their support for an Andean-US antinarcotics summit. Peru's antidrug police chief publicly hailed the decision to allot additional funds. [redacted] b3

Colombian Government spokesmen welcomed US technical cooperation but emphasized that Bogota has ruled out asking for foreign troops. A cabinet minister has called on the US to "punish consumers," reiterating that Colombia views the problem to be related mainly to consumption. [redacted] b3

West European reaction ranges from general approval to criticism of some aspects of the program. *Spanish* drug czar Miguel Solans and some press reports faulted the program for a lack of emphasis on curbing drug usage. A conservative *French* paper, however, says the strategy answers Latin American charges that the US is not doing enough to stop demand. A *West German* daily comments that the US needs to commit more funds to the project but doubts that US politicians are willing to raise taxes. A *Soviet* Foreign Ministry spokesman said on Wednesday that sending US troops to Colombia to combat drug trafficking would be "impermissible interference" in Bogota's affairs. [redacted] b3

[redacted] b3 As more reactions from Latin leaders appear, they probably will not diverge significantly from the generally supportive position already conveyed in the media. Some governments may voice concern over being left out of parts of Washington's new efforts. Ecuador's President Borja probably will make clear that Quito's past cooperation with the US on counternarcotics entitles him to an invitation to a summit. West European leaders probably view the US strategy as realistic in a time of tight budgets. They may seek to take advantage of the momentum by encouraging broader West European counternarcotics cooperation with Latin America. Moscow may fear US troops in Colombia could set a precedent for Peru, where Moscow has an important military relationship. [redacted] b3

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COLOMBIA: Greater Drug Violence Likely

Attacks against dependents of Colombian military and police officers probably is the first stage of an intensifying campaign of intimidation and violence by the drug traffickers, which will be spurred on by the government's decision to extradite drug money manager Eduardo Martinez Romero [redacted] b3

b3 Unidentified gunmen have murdered the wives of a ranking Colombian Army officer and a National Police major in separate attacks this week. [redacted] both officers had been involved in antinarcotics activities. [redacted] b3

Trafficker reprisals are also continuing in Medellin: in the latest violence, two banks were bombed Tuesday, and a restaurant owned by a supporter of slain presidential candidate Luis Carlos Galan was torched. Two US correspondents were among four injured in a bombing the same day of another restaurant frequented by foreign journalists. [redacted] b3

To protect against further attacks, the government has announced additional measures to protect key members of the judiciary; security has also been increased at government and commercial buildings and at Bogota airport, and public gatherings have been banned in Bogota. The government last night issued a decree enabling it to remove mayors and to place cities under temporary military control. Bogota also has promised a \$250,000 reward to any citizen providing information leading to the arrest of major drug kingpins. [redacted] b3

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The military is on heightened alert in anticipation of additional reprisals for the government's decision to extradite Martinez Romero. [redacted]

b3 [redacted] The apparent targeting of military and police dependents demonstrates the growing anger of the traffickers over the disruption of some drug operations. They evidently hope to play on widespread fears within the armed and security personnel of terrorist reprisals to undercut support for the government's crackdown. The extradition will boost the morale of Colombian military and security forces, but it will almost certainly prompt a rapidly escalating campaign of trafficker intimidation and violence; the drug lords had previously threatened to kill 10 judges for every trafficker extradited. Traffickers may also target US interests in Colombia. [redacted] b3

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SOUTH AFRICA: National Party Wins Small

South Africa's ruling National Party, faced with its failure to win a majority in yesterday's election and with renewed black opposition activity, is likely to move cautiously on plans for limited reforms centered on consultations with black leaders. [REDACTED] b3

Although the Nationalists lost support on both ends of the political spectrum, the Conservative Party easily retained its position as the official opposition, making enough gains in Transvaal and Orange Free State Provinces nearly to double its representation. The Conservative Party also demonstrated increased support outside its traditional strongholds, winning two seats in Cape Province and making enough inroads in Natal to throw several races to the proreform Democratic Party. [REDACTED] b3

The Democrats—founded last February by the merger of the former official opposition Progressive Federal Party and other proreform parties—performed well nationwide, regaining the support of many reform-minded whites who opted for the National Party in 1987. The DP did particularly well in affluent English-speaking areas, but it also picked up some support among moderate Afrikaners. [REDACTED] b3

b7 [REDACTED] The National Party's slim majority—its lowest since it first upset the old United Party in 1948—is likely to fuel an ongoing debate in the party over the pace of reform, complicating postelection plans for reform and for talks with black leaders. Acting President F. W. de Klerk—whose election to the presidency remains virtually assured when the electoral college meets next week—must ensure any moves are fully backed by the National Party caucus or risk an exodus to the opposition. Anxious to avoid the appearance of negotiating under pressure, de Klerk is likely to wait until security measures have curtailed black unrest before proceeding with his agenda. [REDACTED] b3

Nevertheless, over the longer run, de Klerk must move forward with the National Party's plans for some form of dialogue with black leaders and for limited apartheid reforms or risk losing additional support to the proreform Democratic Party. National Party leaders probably also realize that a failure to live up to the expectations for major new initiatives would lead to wider black unrest and heighten South Africa's international isolation. [REDACTED] b3

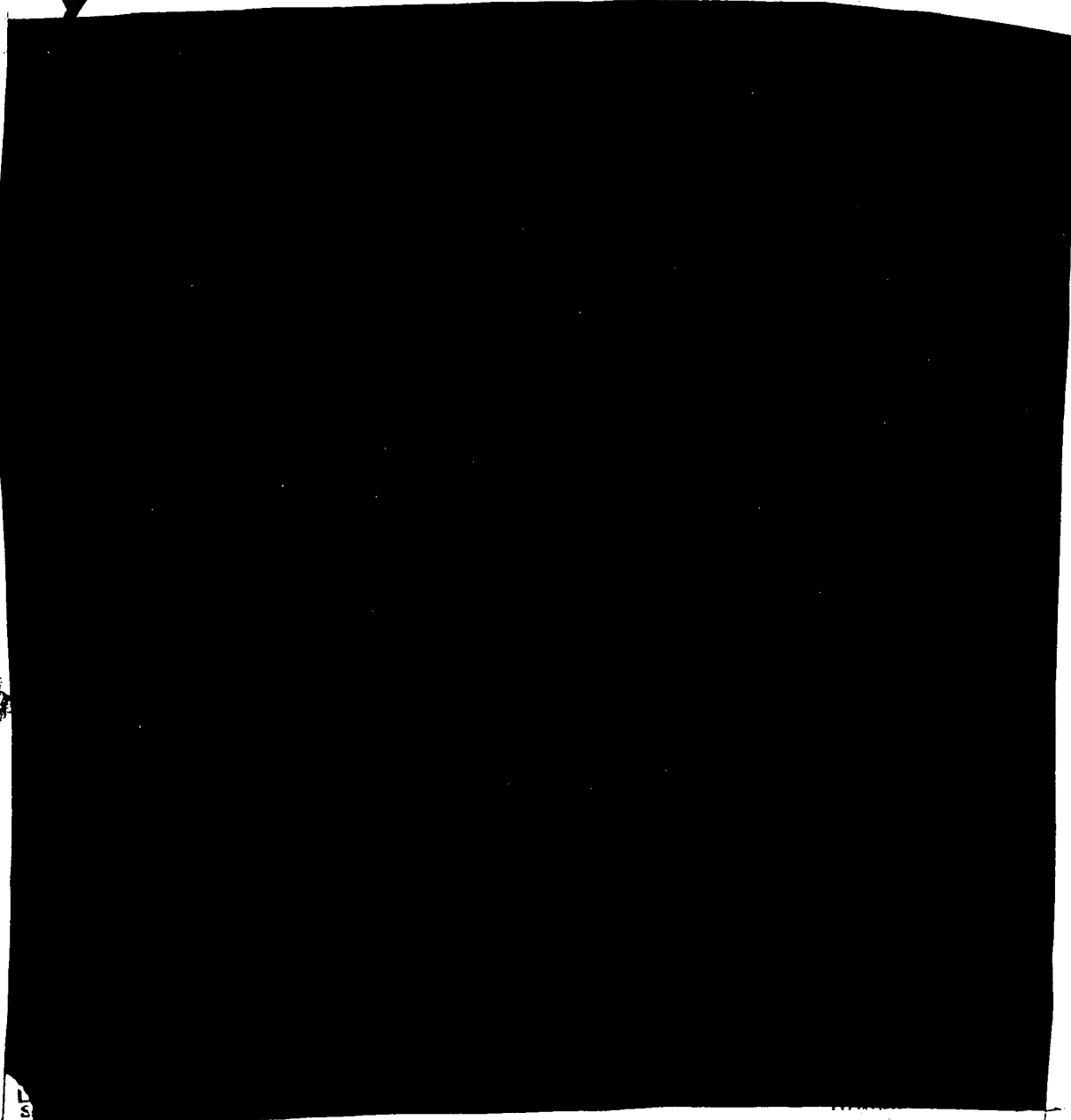
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LEBANON:

After the US Evacuation

The evacuation of US personnel from Beirut probably will have little immediate effect on the situation in Lebanon; increased Syrian air activity over Lebanon risks an air clash with Israel.

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General Awn condemned the evacuation, although most Lebanese officials have not reacted publicly. Awn said the "American Cain could not look Abel in the eye," and the leader of the Christian hardline Phalange Party, George Saadeh, said he was astonished by the move. Druze leader Junblatt told [redacted] yesterday that the evacuation would harden the views of Christian extremists.

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Tel Aviv and Damascus have not commented publicly on the evacuation. The Israelis continue to keep a close eye on Syrian air activity over Lebanon.

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[redacted] Christian criticism of the US move probably will not translate into increased political support for Awn. And Syrian leaders almost certainly are pleased by the US evacuation; they will view it as a sign that Washington does not back Awn. President Assad will not shift tactics against the Christian enclave, however, solely because of Washington's move. He probably views Washington's role in producing a settlement of the Lebanese crisis as less important now because of its reduced access to Christian leaders.

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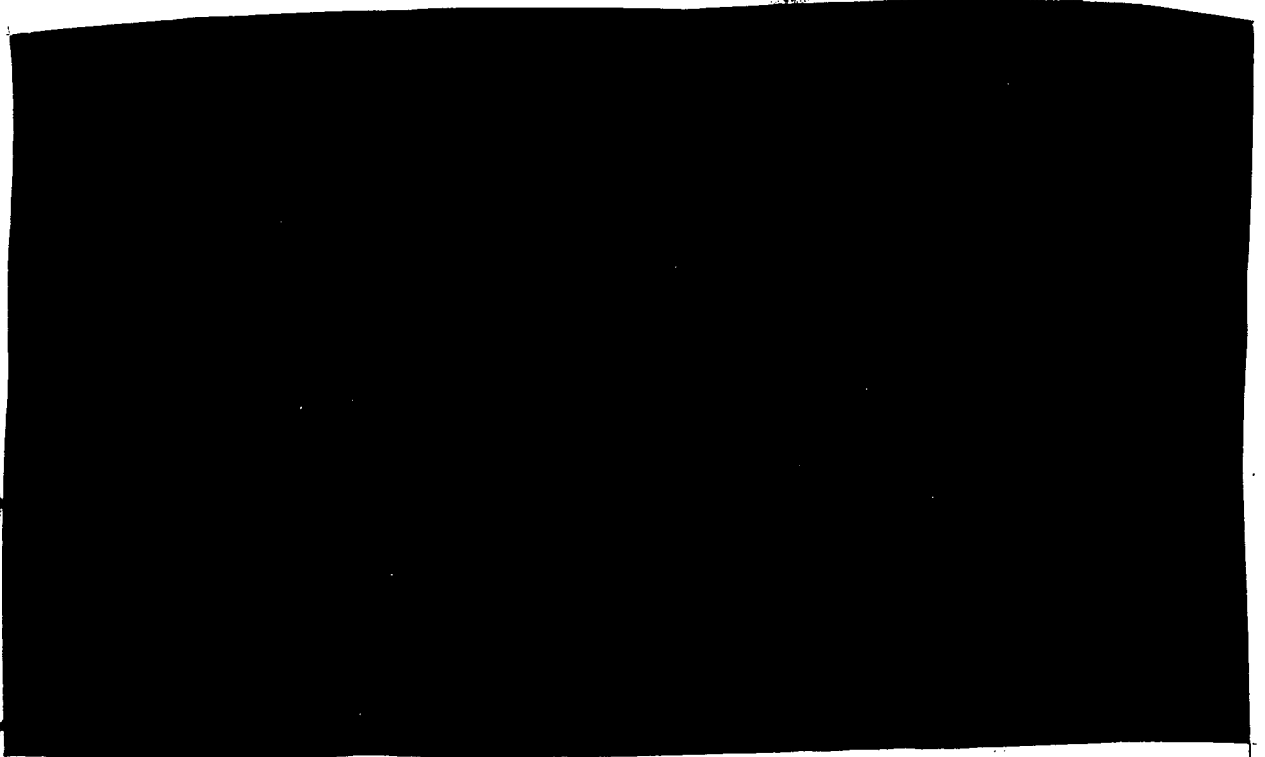
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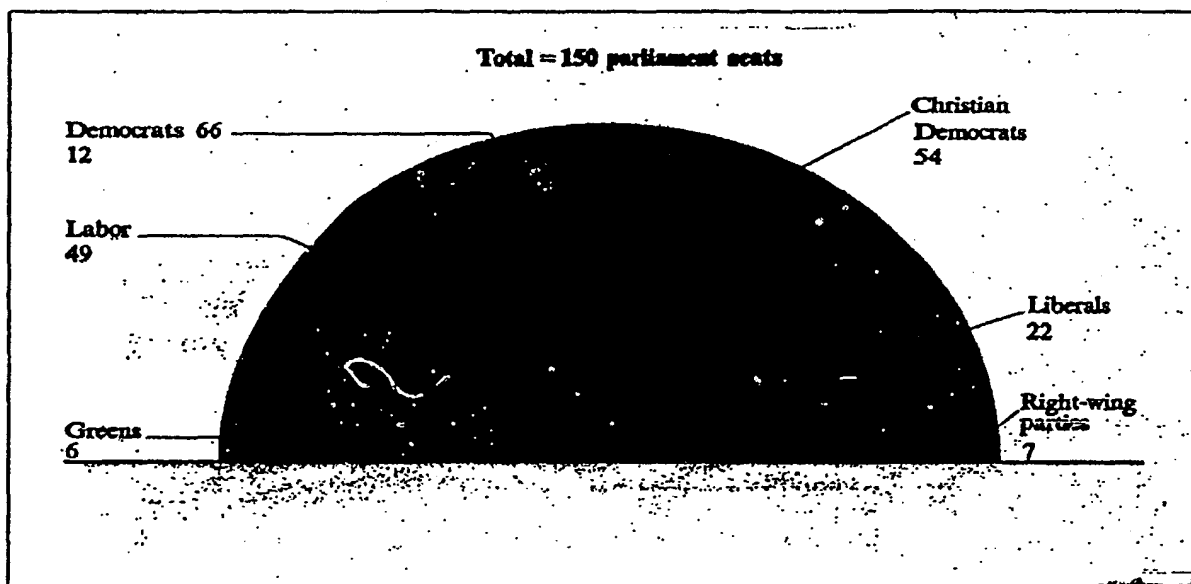
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Netherlands: Election Outcome, 6 September 1989



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~~Top Secret~~ b3**NETHERLANDS: Lubbers Wins**

Prime Minister Ruud Lubbers's Christian Democratic Appeal will be given the first chance to form a new government as a result of the election yesterday. It remains the largest single party with 54 seats, but its previous coalition partner, the rightwing Liberals, dropped from 27 to 22 seats. The antinuclear Labor Party lost three of its 52 seats, Democrats 66 picked up two seats for a total of 12, and the "Green Left" alliance of small leftist parties gained six seats. [REDACTED] b3

b3 [REDACTED] Lubbers and Foreign Minister van den Broek almost certainly will head the next government, but coalition negotiations will be difficult and might take months. Lubbers probably would like to lead his third center-right government in coalition with the Liberals, and the two parties may be able to muster a slim majority with their 76 out of 150 seats. The Liberals' losses and internal disarray, however, may force Lubbers to turn to the Labor Party. A center-left government under Lubbers, including his Christian Democrats, Labor, and D'66 probably would undercut Dutch support for NATO nuclear modernization programs, threaten the Dutch commitment to nuclear tasks assigned by NATO, and freeze or reduce defense spending. [REDACTED] b3

POLAND: New Government To Be Announced

Premier Mazowiecki will present his cabinet nominations today, and the Polish parliament is expected to complete its debate and confirm the Solidarity-led government next Tuesday. The Communists will retain the defense, interior, and, most likely, foreign affairs portfolios but otherwise will yield their levers of control to Solidarity, which will have a plurality of the more than 20 cabinet posts. Solidarity leaders have insisted the hotly contested Radio and Television Committee must be under their control. Solidarity's coalition partners, the United Peasants and Democratic Parties, have been given significant responsibilities; some Solidarity legislators have grumbled that they were not adequately consulted in the selection of the cabinet. [REDACTED] b3

b3 [REDACTED] Although a landmark event, the installation of the first non-Communist government in Eastern Europe in more than 40 years marks only one small step in a long, probably stormy transition toward a more democratic Poland. The role of the premiership in relation to that of President Jaruzelski will have to be sorted out, and new Solidarity ministers will have to overcome the inertia of entrenched, hostile bureaucracies. Mazowiecki has yet to fashion an economic reform program acceptable to competing domestic groups and to the international community. The Communist party has grudgingly accepted its loss of the government and is not likely to ease Mazowiecki's path. [REDACTED] b3

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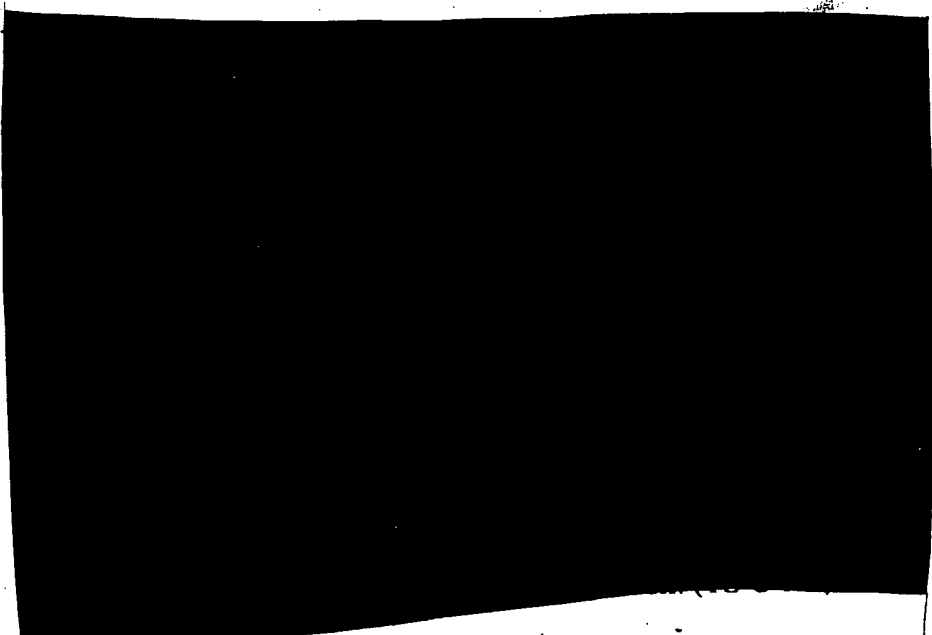
CZECHOSLOVAKIA-USSR: Soviet Condemns 1968 Invasion

A Soviet official's denunciation of the invasion of Czechoslovakia will intensify the struggle between Prague's pragmatists and hardliners. In an interview this week, former Politburo member Kiril Mazurov, who orchestrated the Soviet moves in 1968, denounced the intervention and his role in it. He implied that Czechoslovak President Husak was co-opted by Moscow to act as its agent in dismantling the Prague Spring reforms. Mazurov ended with a call for the Czechoslovak old guard to resign at a Central Committee plenum this fall. [redacted] b7

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[redacted] Pragmatists in the Czechoslovak party will be emboldened by these comments to press for more meaningful reforms and for the replacement of leaders implicated by their role in the invasion. The implication that Husak was a turncoat will seriously taint him in the party and may presage his ouster at the plenum early next month. Although Mazurov—currently in the Congress of People's Deputies—was almost certainly expressing his personal view, this is the most critical Soviet statement yet on 1968; it evidently reflects the opinions of a faction in the Soviet leadership. It also is the first time a Soviet official has called publicly for the removal of East European leaders. If Prague raises the matter with Moscow, the Soviets will probably disclaim Mazurov's remarks and reiterate support for the current leadership. [redacted] b3

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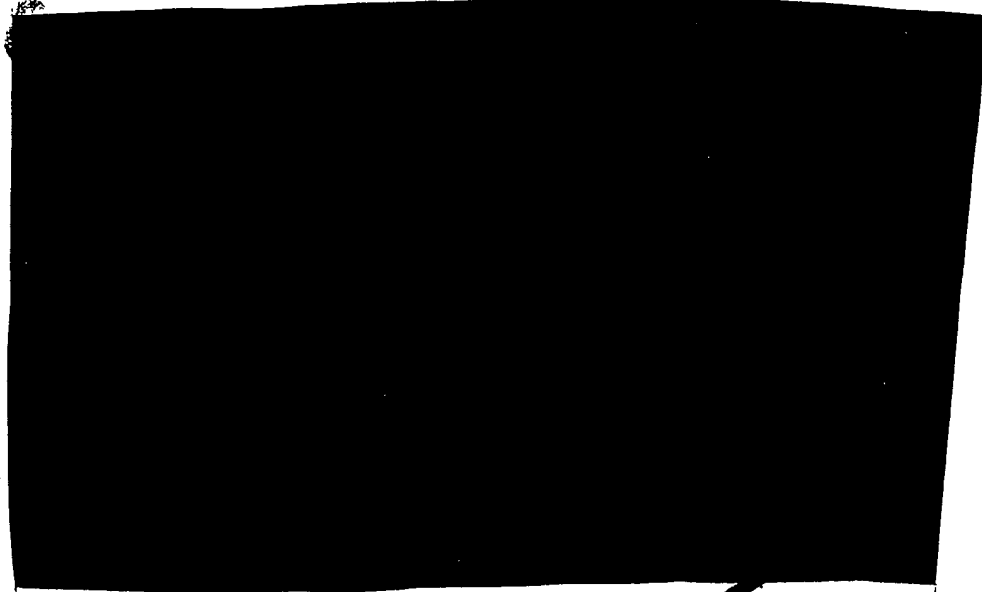
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BELIZE: Election Likely To Bring Little Policy Change

The victorious People's United Party almost certainly will maintain Belize's traditionally close relations with Washington. The PUP won 15 of a possible 28 National Assembly seats on Monday, and its leader, George Price, probably will succeed Manuel Esquivel as head of government, reclaiming the position he held from 1964 to 1984.

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Despite the apparent hopes of the traffickers, the new government is likely to continue serious antinarcotics efforts, especially against Belize's growing cocaine trafficking and crack abuse. The two sides are similar ideologically, but Esquivel's party was hurt by the PUP's charge that the common people had not benefited from recent economic growth. Although the new government is likely to deviate somewhat from Esquivel's conservative fiscal policies, perhaps by augmenting government social programs, no major policy changes are likely.

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BOLIVIA-ARGENTINA: Swapping Debt

Bolivia, hoping to get Argentina to resume regular payments for natural gas, has arranged a swap to eliminate bilateral debts. Under a preliminary agreement reached last week, La Paz will forgive some \$300 million in Argentine debt for gas, and Buenos Aires will write off nearly \$800 million in Bolivian debts, most of which would not have come due for more than a decade. Although the agreement is not to be finalized until November, Buenos Aires has promised to begin making payments in the meantime for gas delivered since the Menem government took office in July. [REDACTED] however, that the Bolivians owe \$61 million of the Argentine arrears to US gas producers and that La Paz lacks the cash to make payment on its own.

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[REDACTED] Argentine arrears have caused Bolivia severe foreign exchange difficulties in recent months; La Paz relied on gas payments for 40 percent of its foreign exchange earnings and for financing a fourth of government activities in 1988-89. The Bolivians apparently will get some urgently needed payments for gas in the next few months, but Argentina's economic crisis makes its ability to continue making payments questionable. La Paz probably will continue to run short on foreign exchange and have difficulty meeting its full obligations to the US firms involved in supplying the gas.

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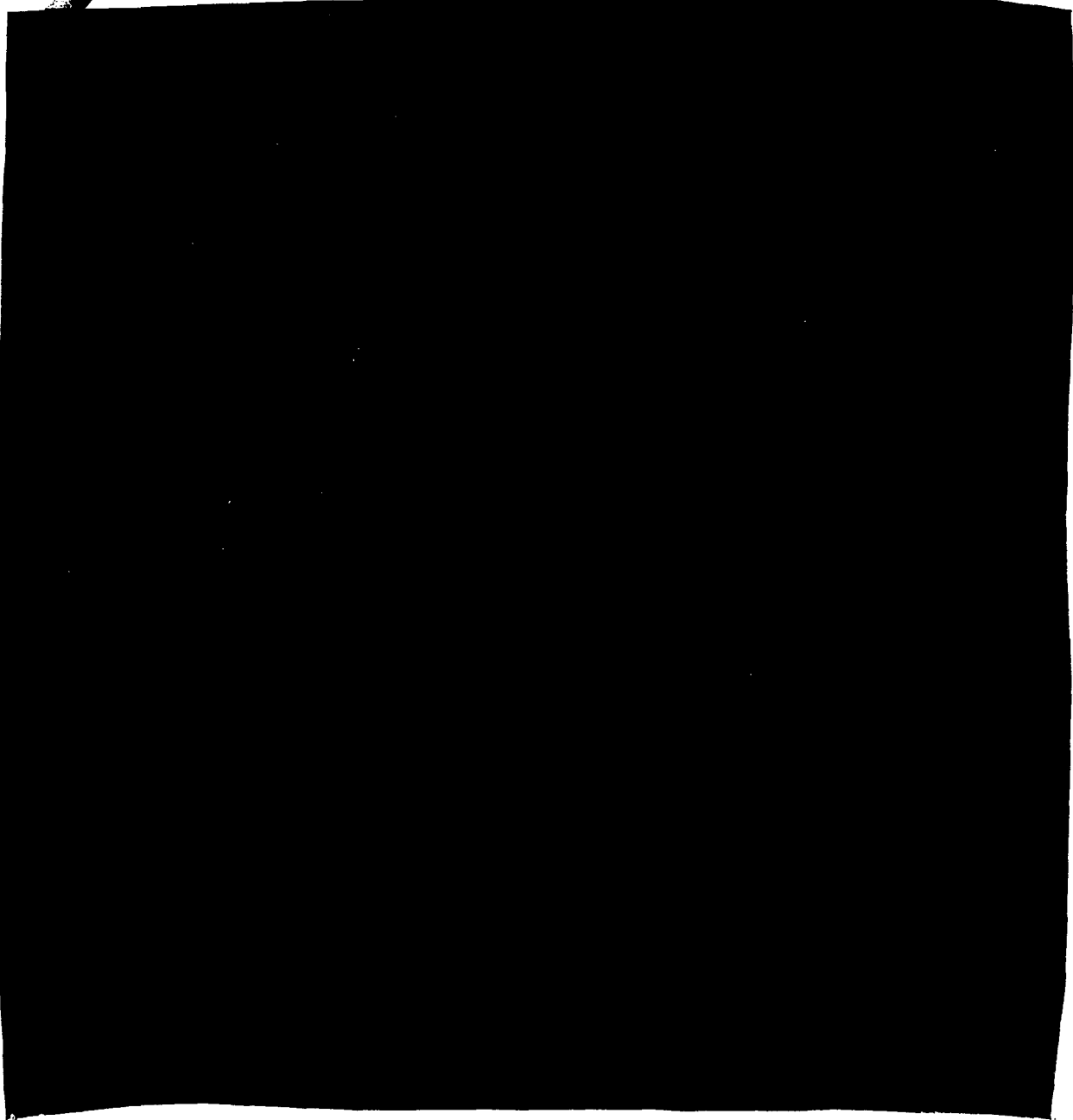
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In Brief

Middle East

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[Redacted]

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USSR

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[Redacted]

— USSR has denied visa to Israeli Agriculture Minister Katz-Oz, invited to festival by Estonians ... earlier vetoed similar Georgian invitation to Ariel Sharon ... shows Soviets' caution in bilateral relations, sensitivity to nationalist tensions. ~~Top Secret~~ b3

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[Redacted]

Americas

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East Asia

— South Korean police battled workers, students, Buddhist monks in separate protests yesterday ... radicals may try to use diverse grievances of groups to stoke fall protest campaign. ~~Top Secret~~ b3

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Moscow's Military-Security Options

If Moscow chose to oust Baltic party leaders, it probably would rely on airborne and Interior Ministry (MVD) troops to cordon off government and party buildings and secure airports and other key logistic points.

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[REDACTED]

Moscow would probably also augment the [REDACTED] troops already stationed in the Baltic area. [REDACTED] additional special police—trained and equipped to control rioting—are less than a day from the Baltics by road or rail. These would probably be used to round up separatist leaders and handle violent demonstrations.

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Moscow probably believes that airborne and MVD units—which have infantry fighting vehicles or armored personnel carriers—could deal with all except a full-scale rebellion. In that unlikely event, a dozen or so ground forces battalions from the Baltic MD could also be deployed without mobilizing reservists. A reservist callup in the Baltics would risk further antagonizing the local population, although it could also serve to intimidate nationalist leaders subject to callup.

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[REDACTED]

Meanwhile, the Soviet Defense Ministry is showing concern about rising hostility toward the armed forces in the Baltics. *Krasnaya zvezda* says the Ministry's chief political officer is meeting with personnel from the Baltic MD to discuss the local situation and the Central Committee's statement.

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[REDACTED]

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Special Analysis

USSR:

The Option of Force in the Baltics

The central party leadership is likely to persist in granting the Baltic republics greater autonomy while warning strongly against secession. President Gorbachev is gambling that a flexible and constructive approach to demands for autonomy eventually will erode secessionist sentiment, enabling him to avoid a show of force that would cripple his reform program and cost him international good will. Moscow ultimately would use force to prevent the secession of a Baltic republic but has a variety of options short of a major military crackdown to deter Baltic nationalists from moves toward secession. Widespread intercommunal violence, not Baltic political posturing, is the most likely trigger for a use of force. b3

Moscow is unlikely to abandon its support for far-reaching political and economic reforms in the Baltics that remain within the bounds of *perestroika* and disavow secession. Gorbachev has endorsed the concept of more independent republic party organizations and

Even the strongly cautionary Central Committee statement of 26 August affirmed plans the Supreme Soviet approved in July to allow the Balts to implement republic self-financing in January 1990—a year earlier than anywhere else—and to craft more radical plans for republic economic independence. The Central Committee statement criticizing the Baltic independence movement was nonetheless less conciliatory than many of Gorbachev's past comments and indicates there is a Politburo consensus that Baltic demands for independence are extreme. b3

No Good Options

The Baltic nationalists responded initially to the Central Committee's statement by postponing action on several controversial proposals but, over the long term, will not yield on their plan to use republic sovereignty within the USSR as a prelude to an eventual push for complete statehood.

The Moscow leadership almost certainly views the use of force as a last resort. Gorbachev last December [redacted] and has emphasized his desire to do everything possible to avoid using the military. Some leadership elements, such as party Secretaries Chebrikov and Ligachev, probably would turn more quickly than would Gorbachev

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Gains Made for Baltic Autonomy in 1989

- Pre-WW II national anthems, flags reasserted in all three republics.
- Popular-front candidates dominate March elections to the Congress of People's Deputies.
- National language laws passed in all three republics.
- Citizenship laws proposed in Estonia, Lithuania.
- USSR Supreme Soviet approves Baltic economic autonomy bill.
- Lithuanian party youth organization (Komsomol) severs ties to Moscow.
- Lithuanian party announces fall conference to consider cutting ties to CPSU.
- Congress of People's Deputies reportedly finds annexation of Baltic republics illegal.

Potential Flashpoints

- Outside agitation by reactionary Russian nationalist groups.
- Extremists gain control of Popular Fronts.
- Baltic parties split along ethnic lines.
- Moscow leadership in open conflict over nationality policy.
- Pronationalist Baltic party leaders fired.
- Nationalist, "parallel" government formed, declares secession.
- Widespread intercommunal violence erupts; MVD cannot control.
- Soviet troops deployed; martial law declared.

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from political means to the use of force, but in the end the entire leadership would agree on the necessity of military action if all other means failed to prevent secession. [redacted] b3

The leadership would first exhaust less drastic means. For example, Gorbachev could deprive activists of important advocates in Moscow by removing nationalist-minded officials, such as Lithuanian party chief Brazauskas or Estonian premier Toome. Or, central ministries could be directed to exert economic pressure by delaying the delivery of fuel or blocking foreign financial ventures. Alternatively, Moscow might emphasize its disapproval by increasing the presence and visibility of security (MVD and KGB) personnel or military units in the Baltics, hoping to cow dissenters and forestall a major bloodletting. In April the appearance of a few armored personnel carriers in Riga during a routine military command staff exercise reportedly discomfited Latvian nationalists. [redacted] b3

Moscow recognizes that these options carry the risk of provoking demonstrations and escalating into a situation ultimately trapping the central leadership into sending troops. The risk is less, however, than that associated with a general crackdown in the Baltic republics, which would be held in reserve as a last resort. A crackdown could force Gorbachev to retreat on the decentralizing aspects of his domestic reform program and sharpen nationality problems elsewhere in the country. It would also cost him much of the international good will derived from his diplomatic initiatives. [redacted] b3

Outlook

The political atmosphere between the Baltic capitals and Moscow will remain tense over the next few months as local parties try to maintain their credibility in the face of continued work by the popular fronts to press their action programs for independence. Critical points could occur this fall with republic-level elections in Estonia and Latvia or next spring when the fronts in both these republics plan to hold popular congresses that will consider declaring independence. *Sajudis* candidates in Lithuania are likely to win control of the republic legislature then. [redacted] b3

As long as Moscow continues its present course, republic party organizations have a chance of persuading nationalists not to provoke Moscow with calls for secession. The greatest threat to Moscow's policy of accommodation comes from the Russian minorities, who are much more likely than the Balts to attempt to provoke a violent confrontation. If widespread intercommunal violence then resulted, Moscow would declare martial law and use troops to restore order. [redacted] b3

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Iran's Economy: Bad and Getting Worse

Industry is operating at 30 percent of its capacity, unemployment stands at 30 percent, and inflation is running at some 80 percent annually. Urban housing shortages are becoming severe. Foreign exchange reserves have fallen below what are needed to cover two months' worth of imports. The population is increasing by a million every seven months, further stressing already overburdened government services.

Iran probably needs at least \$60 billion to engage in large-scale civilian reconstruction, but its recently released five-year plan has allowed for only \$2 billion in foreign reconstruction credits annually. Almost half of this amount is earmarked for projects in the energy sector.

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Special Analysis

IRAN:

Rafsanjani's Initial Prospects

The Iranian President helped win Assembly approval of his Cabinet by supporting many of the radical policies of his rivals. The real measure of his power will be whether he can win approval of more pragmatic policies without splintering his coalition. b3

Rafsanjani's first test is likely to come on the issue of seeking foreign financing. He probably will win approval to obtain only a limited amount of Western financing for specific projects. Rafsanjani probably will seek to broaden Iran's commercial ties to the West while limiting its political contacts. b3

The Economy

Rafsanjani must deal with a bleak economic situation, but he has presented no specific reform program. Iran's current economic policies reflect the influence of officials who are more concerned about maintaining Iran's economic independence than they are about pursuing recovery. This bias is particularly evident in the meager foreign reserves allocated for development. b3

Rafsanjani must know the economic goals he has set cannot be met without the West's help. He has warned against basing economic policy solely on ideology, a direct slap at his extremist rivals. b3

Some areas of foreign trade and some industries probably will be shifted from the public to the private sector. Rafsanjani probably will agree to increase taxes on the wealthy but will delay action on such divisive programs as land reform. b3

Terrorism

Rafsanjani's government almost certainly will continue to sponsor terrorism to support specific foreign policy goals and to eliminate Tehran's opponents overseas. Rafsanjani and Supreme Leader Khomeini have explicitly kept in force Khomeini's death edict against author Salman Rushdie. They probably have also approved broad policies against antiregime elements; since May these policies have led to the assassination of five exiles in three countries and to terrorist bombings in Mecca during the hajj. The prospect is increasing that extremists will conduct rogue terrorist operations to embarrass Rafsanjani. b3

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Lebanon and the Palestinians

Rafsanjani's new government will continue to expand Iran's relations with radical Palestinian groups and its influence in Lebanon. Iranian officials are fostering greater cooperation among the Palestinians and between the Palestinians and Hizballah. The groundwork was laid during Iranian-sponsored meetings that included all of these groups in Tehran in July and Damascus in August. Tehran is expanding aid to Amal, the more moderate Shia group, and promoting Amal-Hizballah reconciliation. (b) (3)

Iran wants the Palestinians and Hizballah to participate in attacks on East Beirut and to conduct operations against Israeli targets in southern Lebanon. Iran recently has intensified its anti-Israel policy. Rafsanjani probably sees such a policy as a way to curry favor with his domestic opponents at little cost to Iran. (b) (3)

The USSR and the US

The new government will continue to expand relations with the USSR, beginning with implementation of recent economic agreements. An arms deal probably will be concluded by the end of the year. Tehran and Moscow are likely to cooperate more on regional issues. Rafsanjani, through his mouthpiece the *Tehran Times*, has endorsed Communist participation in an Afghan coalition government, and Iran probably will seek to coordinate more closely with Moscow on Lebanon. Pressure from Iranian radicals is likely to force Rafsanjani to continue to be hostile toward the US. (b) (3)

Persian Gulf

Rafsanjani probably will continue Iran's selective approach to the Persian Gulf states: cultivating good relations with Oman, the UAE, and Kuwait while remaining bitterly hostile toward Saudi Arabia. Iran probably will not attempt to foment revolution in the Gulf states in the near term. It will, however, continue to provide financial aid and propaganda support to dissident Shias and military training to some in Iran. (b) (3)

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Rafsanjani's relatively flexible policies will change if his domestic position erodes. He might then attempt to recover by supporting subversive activities. [REDACTED] b3

b3 [REDACTED]: The radicals' loss of critical cabinet and judiciary posts has deprived them of most of the institutional leverage they needed to block Rafsanjani's economic and diplomatic policies. They are still influential in the Consultative Assembly, but Rafsanjani's ability to control the deputies is shown by their endorsement of his entire cabinet slate. His need to appear responsive to their demands for adherence to Khomeini's legacy, however, will make him cautious in improving ties to the West. [REDACTED] b3

In preparation for a more pragmatic foreign policy, Iranian leaders and media are softening their line toward the West, including the US; for example, President Bush is being favorably distinguished from his predecessors. Tehran also declared publicly on Tuesday its interest in improving ties to Saudi Arabia. In line with these policies, the Rafsanjani government's support for terrorism (aside from the targeting of overseas Iranians suspected of aiming to overthrow the regime) is likely to diminish—particularly with former Interior Minister Mohtashemi, a patron of Lebanon's Hizballah, out of the cabinet. [REDACTED] b3

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