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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Thursday, 9 May 1991



Approved for Release
Date JUN 1999

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[REDACTED]

IRAQ-KUWAIT: Situation Report

Baghdad probably has ordered air defense units not to fire on coalition aircraft. The first large protest by Islamic conservatives since last November indicates religious tension is growing in Saudi Arabia.

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[REDACTED]

[REDACTED]

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Recent Iraqi firings probably were intended to harass the overflights and test US patience; having done this, Baghdad probably will become more cautious and cease firing at coalition aircraft, at least temporarily.

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Saudi Religious Tension Over Reform Growing

[REDACTED]

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The protests were directed against government efforts to prevent one of the region's hardline religious leaders from declaring Saudi Arabia's most prominent advocate of reform to be an infidel.

This demonstration is the first large protest by religious conservatives since last November when several thousand zealots protested in Riyadh against Saudi women who defied the ban on females driving. Since the end of the war with Iraq, tension has increased between Saudis who favor political and social reform and religious zealots who defend the Islamic legal and political system.

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The chances of a major religious upheaval are limited by the government's pervasive security network and by the reduction of Western forces, which robs fanatics of a rallying point.

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Ground Forces Developments

[REDACTED]

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continued

[REDACTED]

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[REDACTED]

[REDACTED] Continued insurgent activity almost certainly will spur the Iraqis to maintain a security presence in the north even as they move units back to garrisons for reconstitution. Kurdish fighters, possibly emboldened by the presence of coalition forces, are likely to carry out similar actions; Iraqi retaliation probably will stay clear of coalition forces but could interfere with the return of refugees. [REDACTED] b (3)

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Continuing Problems for UN in Turkey and Iraq

The UN High Commissioner for Refugees decided on Tuesday to assume full responsibility for protecting and assisting refugees in northern Iraq and along the Iraqi-Turkish border. [REDACTED]

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[REDACTED]

[REDACTED] The UNHCR has lacked a clear mandate and has been uncertain whether it should register refugees to ensure against forcible repatriation or provide humanitarian assistance. [REDACTED]

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[REDACTED] The new decision and apparent progress in formulating plans may stave off private relief agencies' concerns about the UNHCR's effectiveness. [REDACTED] b (3)

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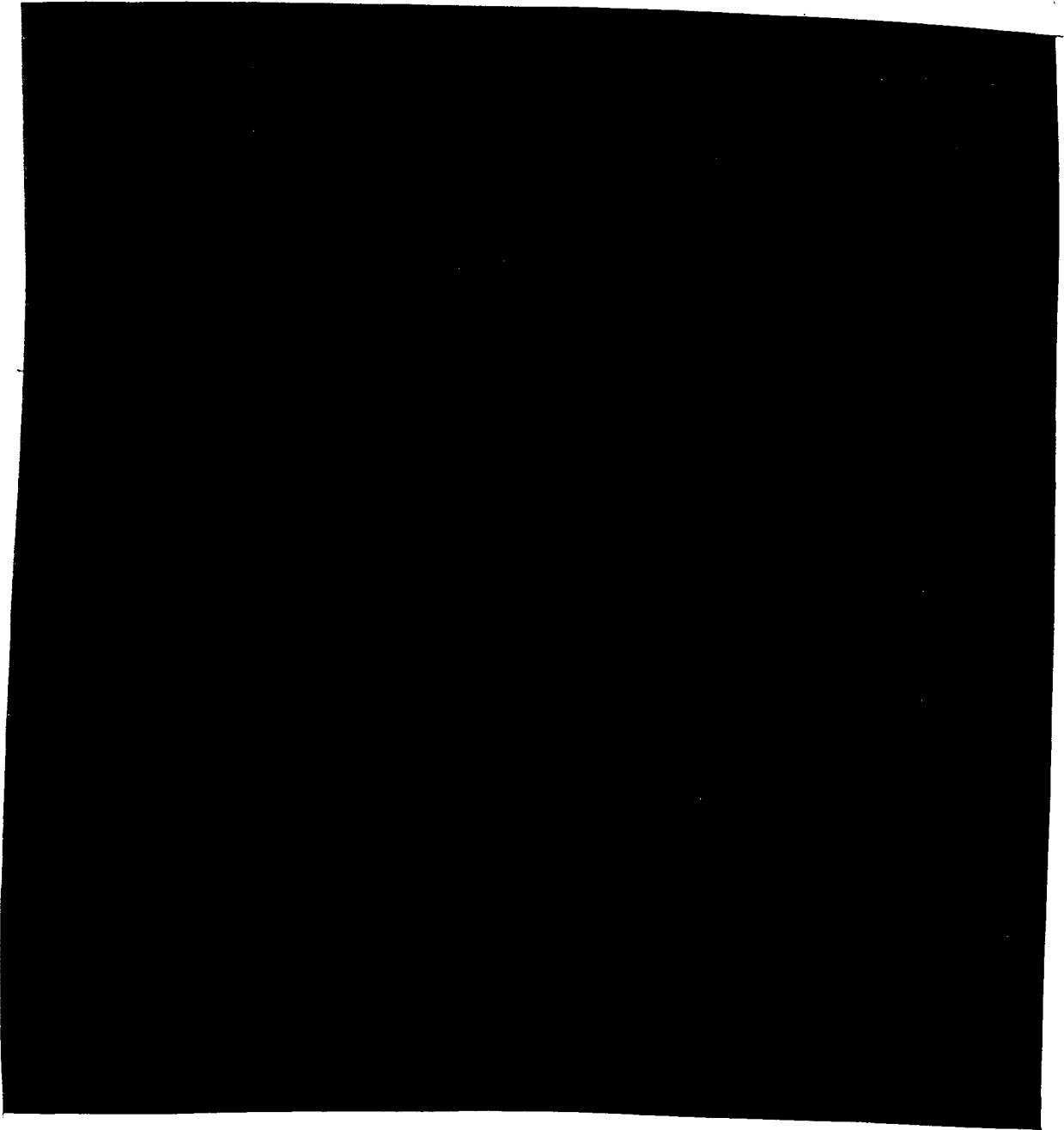
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ISRAEL-LEBANON: Tel Aviv Hinting Incursion Possible

Tel Aviv's implied warning yesterday of impending Israeli military action in southern Lebanon probably is meant to show its reluctance to move ahead on Arab-Israeli peace negotiations until more immediate border security issues are resolved. [redacted] b (3)

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[redacted]

Israeli forces in northern Israel, however, could launch a [redacted] incursion with little or no warning. [redacted]

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Comment: Tel Aviv probably is trying to encourage the US to press Syria for more action on disbanding militias in Lebanon, particularly in the south. An Israeli cross-border military operation might also be intended to provoke Syria and other key Arab states into backing away from the current effort to revive the peace process. [redacted]

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The Israelis have grounds for some concern that the Lebanese Government's effort to disband militias in the Beirut area will encourage armed elements to move south, from where they could attack Israeli forces. No major cross-border attacks have occurred in southern Lebanon in recent weeks, however, [redacted]

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[redacted]

Israeli military activity outside the Israeli-declared security zone in southern Lebanon almost certainly would derail the Harawi government's effort to deploy the Lebanese Army in the south and to disband Lebanese and Palestinian militias. Damascus would react to any major Israeli incursion by renewing its demand for the immediate withdrawal of Israeli troops from Lebanon and by portraying the action as an example of Israel's lack of commitment to the peace process. [redacted] b (3)

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USSR:

Testing Middle East Peace Prospects

b (3) *Foreign Minister Bessmertnykh will almost certainly urge all parties to compromise to spur movement toward Arab-Israeli talks, but he is unlikely to announce full diplomatic relations with Israel during his current visit.* [REDACTED]

b (3) When he began his tour yesterday, Bessmertnykh played down hopes for any breakthroughs. TASS said he saw his tour as a test of whether the Soviet concept of the peace process matches reality in the region. [REDACTED]

Bessmertnykh continued deflecting speculation that he would announce the resumption of full diplomatic relations with Israel when he visits there tomorrow, restating the Soviet position that Israel first must show genuine movement on the peace process. His spokesman implied the results of the entire tour will yield a clearer idea of the peace prospects and thereby resolve the question of restoring relations with Israel. [REDACTED]

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[REDACTED]

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Bessmertnykh probably will only promise to consider full ties favorably, allowing the Soviets to play this card later when they consider it most advantageous. [REDACTED]

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The Israelis will try to maximize their chances for rapidly resuming full diplomatic ties by claiming serious interest in the peace process. Tel Aviv will reiterate its readiness to attend a regional conference, [REDACTED]

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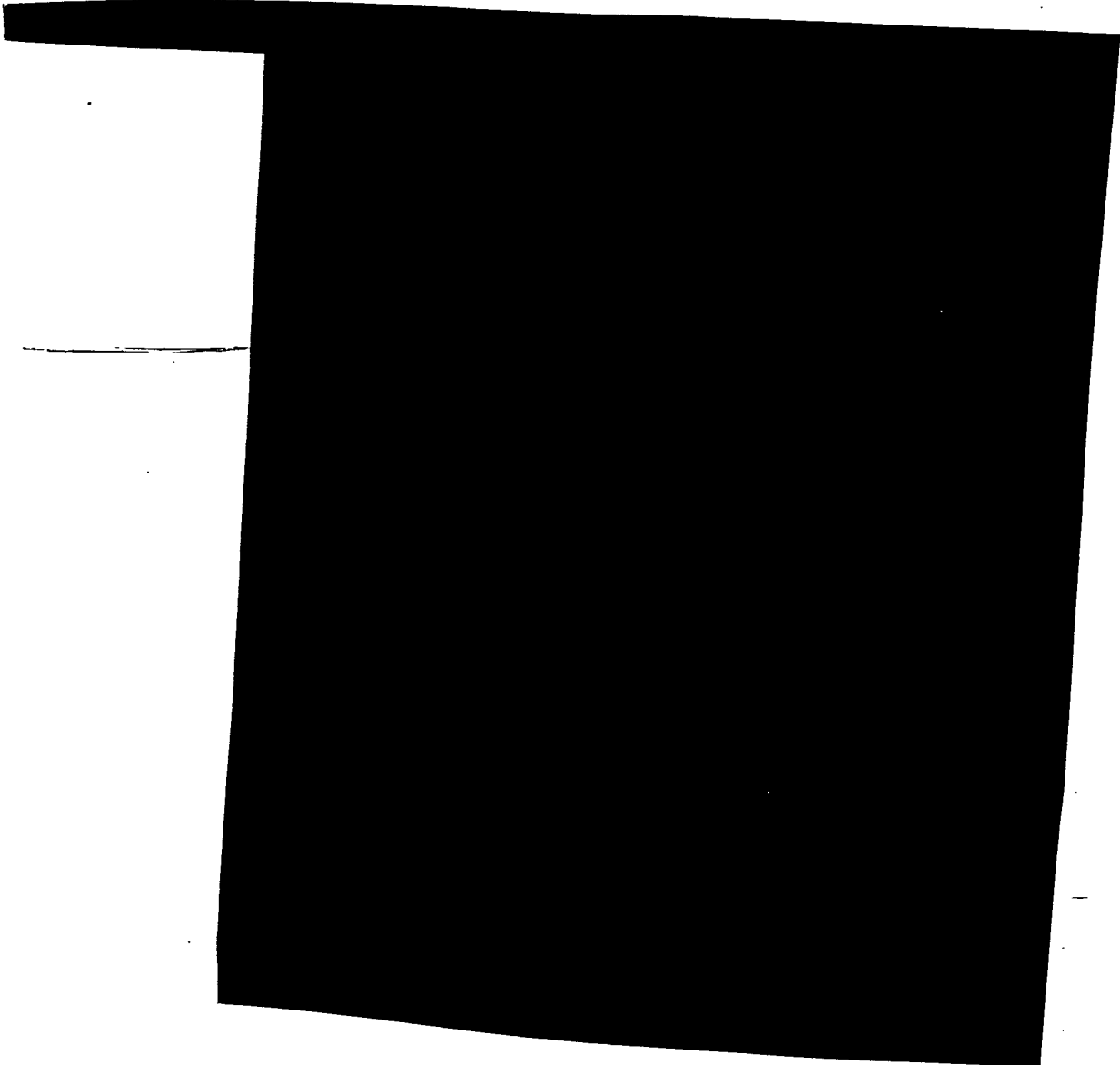
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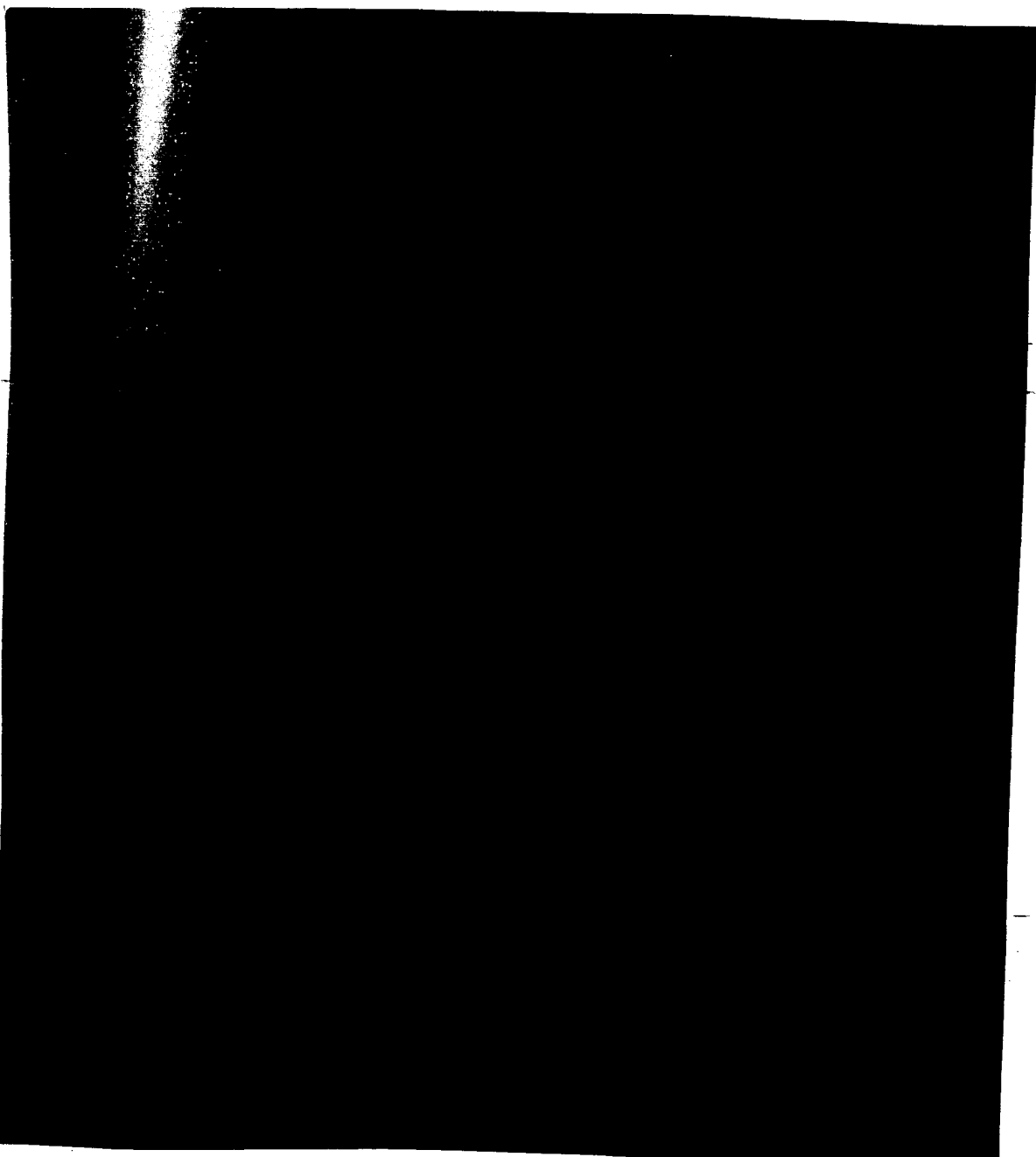
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INDIA-PAKIS : Mounting Frictions Over Kashmir

Spiraling violence and public recriminations over Indian control of Kashmir are threatening to undo months of quiet diplomacy that had reduced tensions between India and Pakistan. [REDACTED]

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[REDACTED]

Islamabad and New Delhi are trading harsh accusations over Kashmir. Senior Pakistani officials, including Prime Minister Sharif, are condemning Indian human rights abuses of Kashmiri Muslims, while Pakistani editorials are calling for a new diplomatic offensive on Kashmir. New Delhi has accused Islamabad of directing the insurgency through a "Kashmir Cell" and of masterminding last month's kidnapping of two Swedes in the region. [REDACTED]

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[REDACTED] A series of high-level diplomatic exchanges had eased tensions since the two states nearly went to war last spring, but the increasing violence in Kashmir and heightened public rhetoric almost certainly will jeopardize follow-on meetings. [REDACTED]

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[REDACTED]

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USSR: Yel'tsin Pushes Land Reform

The Russian leader has for the first time used the extraordinary powers granted him by the Russian congress in April in order to help implement the republic land reform law passed late last year. The order he signed on Tuesday cites foot-dragging by local officials in some regions of the republic and makes Russian congress deputies responsible for monitoring and reporting this month on the progress of distributing land to citizens for private farming. According to Yel'tsin, 17,000 independent farms have been established to date in Russia. [REDACTED]

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[REDACTED] Delegating responsibility to the deputies shows both Yel'tsin's distrust of entrenched local officials and his lack of an effective apparatus to carry out his decisions. He may hope by putting deputies on the spot to get them to take more responsibility for implementing legislation. Although the number of private farms is likely to increase sharply this year, so far they amount to less than half of 1 percent of planted Russian acreage. Continued obstruction from some local officials; limited availability of equipment, chemicals, and seed; and the remoteness of some parcels will also limit gains from privatization at least in the near term. [REDACTED]

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YEMEN: Economic Conditions Spark Disarray

Increasing unemployment and hard currency shortages are fueling public disorder that probably will surge in the next few months as economic conditions worsen.

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Last month bakers and butchers in the capital refused to sell at official prices, and in Aden demonstrations broke out over the high cost of living, slow salary payments, and poor city services.

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support for the regime will erode if economic conditions continue to decline. The nearly 850,000 Yemeni workers who were expelled from Saudi Arabia during the Persian Gulf war are running out of savings and are likely to add to the unrest; Salih's efforts to find new foreign jobs for them have been futile. Widespread disorder would impede Salih's efforts to encourage foreign investment in Yemen and may interfere with petroleum exploration; unrest could also begin to spill over into Saudi Arabia.

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CAMBODIA: UN Officials To Monitor Cease-Fire

The UN and the cochairmen of the Paris Conference on Cambodia—France and Indonesia—yesterday dispatched three military officers to encourage all Cambodian factions to observe the temporary cease-fire, which began on 1 May.

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The regime and the resistance are accusing each other of cease-fire violations, mostly shellings.

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a breakdown of the cease-fire would undermine the Supreme National Council meeting tentatively scheduled for early next month in Jakarta. They also plan to establish communications with each faction's military commanders, who have been left out of the peace process so far and could become obstacles to a settlement.

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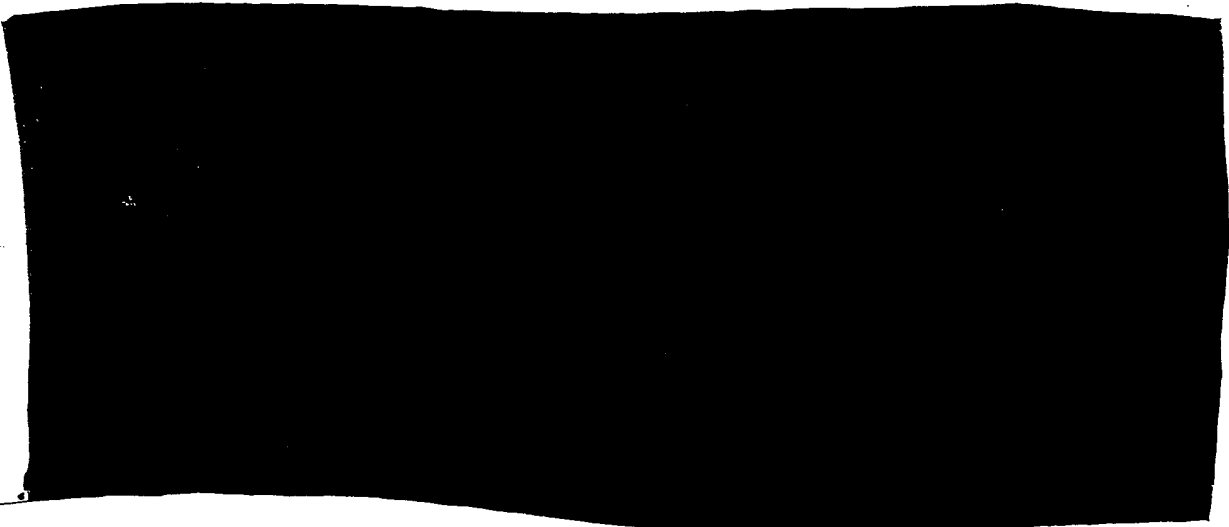
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In Brief

USSR

- Moderate reformer [redacted] named USSR Railways Minister ... first change in critical sector's leadership since 1982 ... probably will stress equipment modernization but unlikely to revive moribund rail system. [redacted] b (3) b (1)
- South Ossetia has dropped claim to be full Soviet republic, asserting autonomy in Georgia but under Russia ... Communist Party support likely, but Georgian legislature has effectively killed idea ... Yel'tsin may try to avoid involvement. [redacted] b (3)

b (1) b (3)

[redacted]

Europe

- Yugoslav Presidency last night unanimously called on Army to oversee confiscation of weapons, end activity of militias in Croatia ... effort to display evenhandedness between Serb and Croat factions ... enforcement of decision likely to spark more violence. [redacted] b (3)
- Bulgaria, USSR will soon begin talks on bilateral treaty ... [redacted]

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[redacted]

[redacted]

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Middle East

- Internal strains in Algeria's largest opposition party, Islamic Salvation Front ... Executive Council contradicting moderate Front president's call for general strike, legislative election boycott ... may help other Islamic parties in vote 27 June. [redacted] b (3)

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[redacted]

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[redacted]

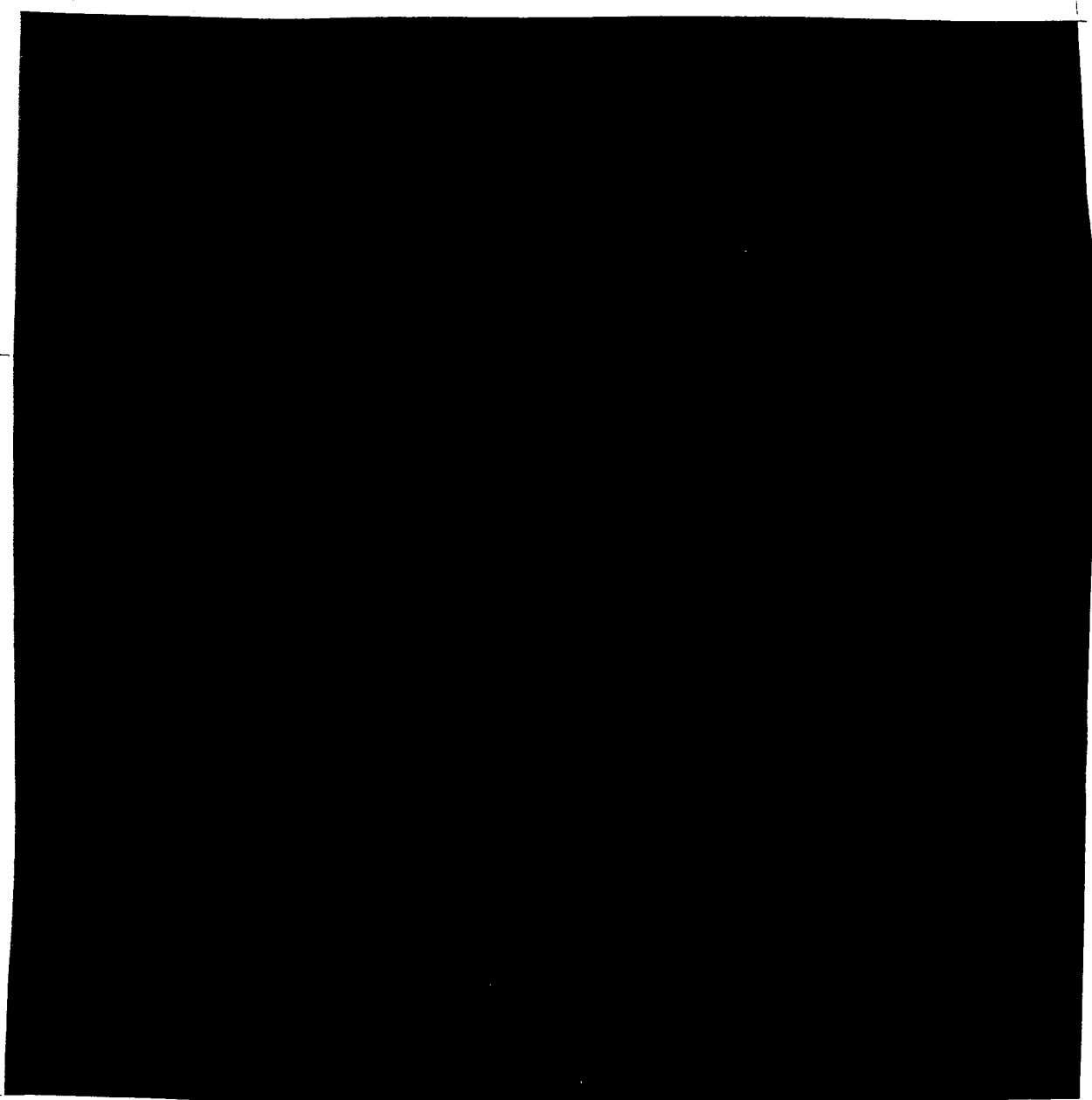
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Special Analysis

UN: Race for Secretary General Heating Up

b (1) b (3) [Redacted]

The election will take place this fall during the 46th UN General Assembly. African candidates have dominated the race so far; they contend it is "Africa's turn" to hold the position, an argument most other Third World states accept. To increase Africa's chances without stirring regional rivalries, the OAU hopes to agree on a short slate of African candidates at a June summit meeting in Nigeria.

b (1) b (3) [Redacted]

Some European countries believe competence—not regional rotation—should be the first criterion in selecting the next Secretary General,

b (1) b (3) [Redacted]

b (1) b (3) [Redacted]

Although no citizen from the five permanent Security Council countries has served as secretary general, former Soviet Foreign Minister Eduard Shevardnadze has publicly said he would consider it if asked. b (3)

b (1) b (3) [Redacted] Many UN diplomats believe African candidates have an inside track, but candidates from other regions also have emerged, particularly [Redacted] may be reluctant, however, to leave Oslo during a period of substantial change in Europe. Other possible compromise candidates

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include

[redacted] Indonesian Foreign Minister Alatas, who has publicly stated his interest in the position. [redacted]

Outlook

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Qualifications—not regional rotation—will remain the important consideration for most [redacted] countries, although many will not say so publicly for fear of irritating [redacted]. The USSR will probably join the US in trying to ensure that the next Secretary General is an expert manager and diplomat. The Security Council probably will use secret balloting for its part of the election, allowing the five permanent powers to anonymously block candidates they feel are unqualified or troublesome to their national interests. [redacted]

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Special Analysis

USSR: Yugoslavia as a Mirror

The Soviets see Yugoslavia as the USSR in microcosm: a multinational state suffering from the centrifugal forces of ethnic discord, economic collapse, and paralyzed central authority. The Soviets want any diplomatic initiatives on the Yugoslav crisis to be bilateral, both to maintain their own influence and to avoid setting precedents for international meddling in the threatened fragmentation of the USSR. They prefer a nonviolent solution that preserves Yugoslav unity but may support a crackdown that promises to avert civil war.

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[REDACTED]

The Soviet leadership also worries that the collapse of central authority in Yugoslavia would be followed by widespread ethnic violence, or even civil war, that could destabilize the entire region. Soviet Foreign Minister Bessmertnykh told a Belgrade newspaper recently that Yugoslavia's integrity is a "major prerequisite for stability in Europe."

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Seeking Yugoslav Unity, Western Hands Off

The Soviet leadership clearly favors a peaceful resolution to the Yugoslav crisis.

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[REDACTED]

b (1) b (3)

[REDACTED]

The Soviets also worry that greater foreign involvement in the Yugoslav crisis could set a dangerous precedent, undoubtedly one that could be applied to the USSR in a similar situation.

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[REDACTED]

Moscow may, however, push for EC aid and debt relief for Yugoslavia, arguing that improved economic conditions will reduce the possibility of violent change. [REDACTED]

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Not a Spectator

Moscow has only limited political and military influence over Yugoslavia's leaders. The Soviets' interests in Yugoslav unity, however, mean they almost certainly will continue their dialogue with the Yugoslav federal government in support of political rather than military solutions. The Soviets probably will also try to dissuade the Yugoslav military from acting without authorization from the political leadership. Nevertheless, Moscow probably believes and may argue that at some point a crackdown may be necessary to prevent civil war or violent dissolution. [REDACTED]

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Moscow will hesitate to work closely with Washington on the Yugoslav issue to avoid the precedent of foreign involvement, but the Soviets also believe the US would favor democratic solutions at the cost of Yugoslav unity. Nevertheless, they almost certainly would choose to work with Washington on some level rather than be left out of any US initiatives; they probably would prefer to keep such cooperation out of the public eye to avoid the appearance of interfering. [REDACTED]

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Violent disintegration of Yugoslavia probably would turn the Soviets toward closer cooperation with Washington and an emphasis on action through multilateral forums, particularly CSCE mechanisms for resolving conflict and monitoring human rights. Fearing a partition by Yugoslavia's neighbors, Moscow would also stress international commitment to respect existing borders. [REDACTED]

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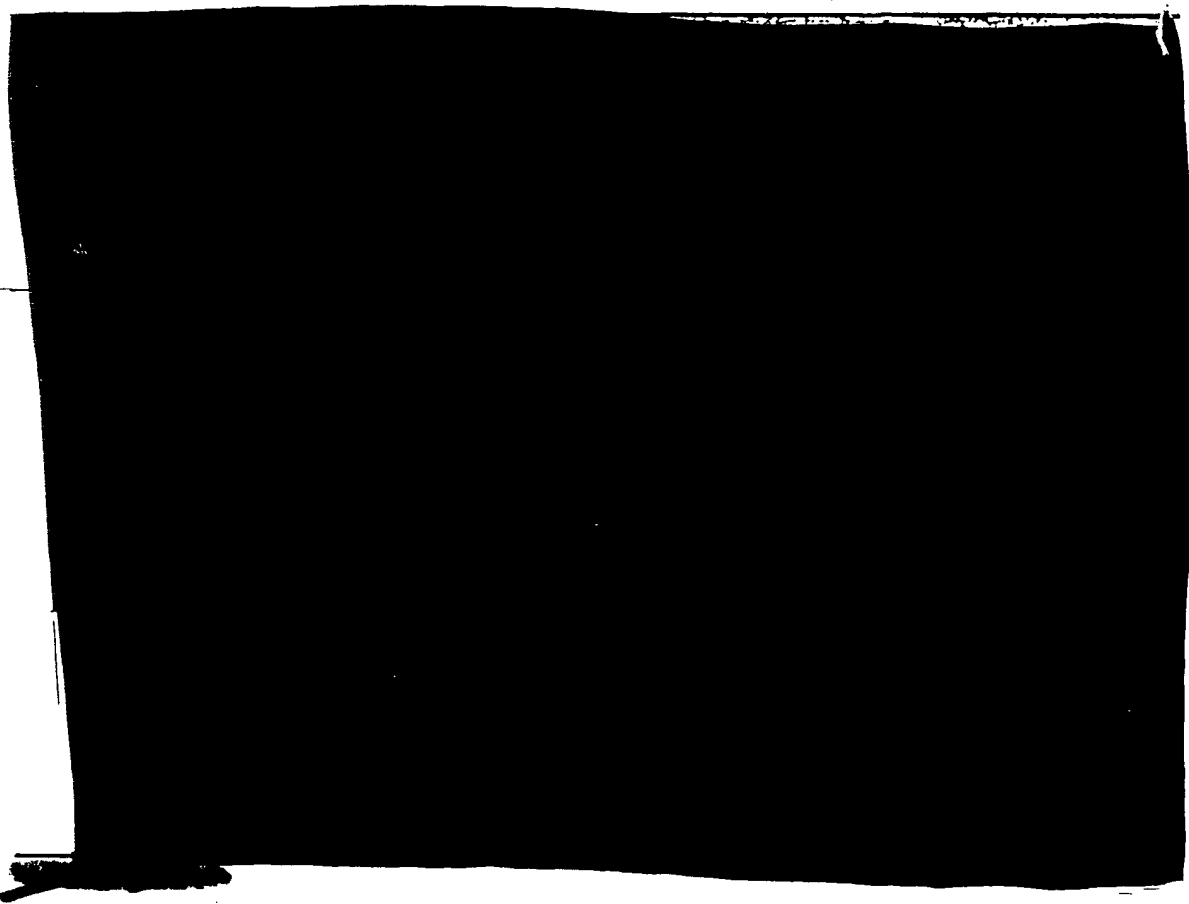
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Special Analysis

PANAMA: Endara Government Facing New Challenges

The recent breakup of the ruling coalition gives President Endara an opportunity to define an agenda for his chaotic administration and to take control of the demoralized security forces.

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With loyalists from his Arnulfista Party controlling most of the government, Endara is now in a position to impose discipline and policy coherence on an administration that was nearly paralyzed by political rivalries before he ousted the Christian Democrats.

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Comptroller Ruben Carles, appears to have emerged as the most powerful administration figure. Although he has maintained tight control over government spending,

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Bolstering Public Force

The administration, which was miserly toward the financially strapped Public Force when it was under Christian Democratic control, has begun to provide more funding in an effort to reform and co-opt the security forces and to address rising crime, a major public concern.

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The Arnulfistas' effort to build up the Public Force will be controversial, particularly if they try to make it into an instrument to harass or intimidate political opponents. The party and the security

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forces historically have been enemies, however, and officers, already suspicious of Endara's creation of security units under his direct control, will be wary of a political role. [REDACTED] b (3)

Significant Economic Reform Unlikely

The administration is now even less likely to undertake meaningful economic reform, a stance that probably will delay new loans from international financial institutions. [REDACTED] b (3)

[REDACTED] b (3)

[REDACTED] Christian Democratic leaders, many of whom opposed austerity measures even when they were in the coalition, have refused to support the plan; their legislative plurality makes early enactment highly unlikely. [REDACTED] b (3)

Faith in Democracy on the Line

The public is likely to hold Endara to a higher standard of performance now that he seemingly controls the government. If his administration decides to put partisan politics aside and focus on competent management and addressing social and economic problems, he may be able to strengthen its political position. Opposition criticism also may spur the administration to focus more on governing, especially if the Christian Democrats begin to outline alternative policies, particularly economic ones. [REDACTED] b (3)

If Endara and his new team fail to govern responsibly, however, Panamanians probably will further lose faith in the effectiveness of civilian government and democratic institutions. Corruption and Arnulfista vindictiveness against political opponents could make the public even more cynical if it concludes the new government is returning to the politics that prevailed before the military takeover in 1968. [REDACTED] b (3)

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