

July 28, 1990
**National Intelligence Daily for Saturday, 28 July
1990**

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Summary:

The CIA's National Intelligence Daily for 28 July 1990 describes the latest developments in Persian Gulf, Liberia, Bulgaria, the Soviet Union, Poland, Papua New Guinea, China, Zaire, OPEC, Haiti and South Africa.

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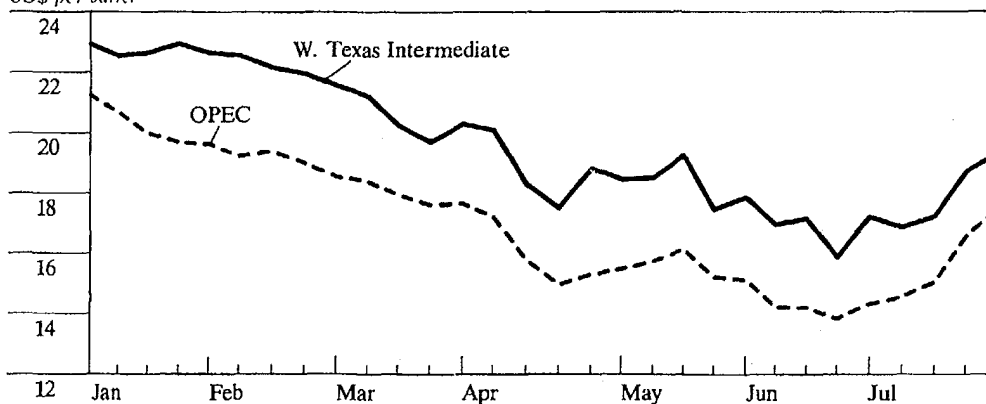
Contents

	Persian Gulf: Kuwait Under the Gun	1
Notes	Liberia: Skirmishing Continues	5
	Bulgaria: Leadership Under Fire	6
	USSR:	
	Baltic Republics, Yel'tsin Get Cozy	7
	Belorussia Climbs on Sovereignty Bandwagon	8
	Armenians Seek To Force Gorbachev's Hand	8
	Poland: Okays Privatization Bill, Seeks Investors	9
	Papua New Guinea: Talks With Rebels May Open Tomorrow	10
	China: Criticism of US Shift on Cambodia Growing	11
	Zaire: Domestic Discontent Rising	11
In Brief		12
Special Analyses	OPEC: Iraq on the Rise	13
	Haiti: Rightist Assertiveness Threatens Elections	14
	South Africa: Communist Party Goes Public	15

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28 July 1990

1008

~~Top Secret~~**Crude Oil Prices, 1990***US\$ per barrel***OPEC's New Production Shares (million barrels a day of crude oil)**

	New Quota	Previous Quota	July Output	Need to Cut
Algeria	0.827	0.827	0.8	
Ecuador	0.273	0.273	0.3	
Gabon	0.197	0.197	0.25	0.05
Indonesia	1.374	1.374	1.3	
Iran	3.140	3.140	2.9	
Iraq	3.140	3.140	2.9	
Kuwait ^a	1.500	1.500	1.9	0.4
Libya	1.233	1.233	1.2	
Nigeria	1.611	1.611	1.6	
Qatar	0.371	0.371	0.4	
Saudi Arabia ^a	5.380	5.380	5.6	0.2
UAE	1.500	1.094	1.9	0.4
Venezuela	1.945	1.945	2.0	
Total	22.491	22.085	23.05	

^a Includes Neutral Zone production.

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~~Top Secret~~

28 July 1990

1009

~~Top Secret~~**PERSIAN GULF: Kuwait Under the Gun**

OPEC ministers agreed yesterday to raise the target price for oil to \$21 per barrel, but if Saddam Husayn does not receive assurances of what he considers adequate compensation from Kuwait in talks over the next few days, Iraqi military action is highly likely.

OPEC Raises Price

The ministers signed an accord raising the target oil price by \$3 to \$21 per barrel and agreed to a new production ceiling of 22.5 million b/d for the remainder of this year. The new ceiling is 400,000 b/d above the previous ceiling but is about half a million b/d below recent OPEC production because several producers have been exceeding their quotas. Oil prices have risen in recent weeks in anticipation of the new accord; the OPEC basket price has risen nearly \$4 this month to \$17.50 per barrel.

Comment: If OPEC production remains near the new ceiling, the basket price probably will average \$17-20 per barrel for the rest of the year, hovering in the upper end of the range during the fourth quarter. Market psychology could boost prices earlier, especially if the Gulf Arab states cut output as expected.

Iraqi-Kuwaiti Talks Set

Senior Iraqi official Izzat Ibrahim and Kuwaiti Crown Prince Saad al-Abdallah are to meet in Jeddah today to begin talks arranged by Egypt's Mubarak and Saudi King Fahd to resolve the crisis. The Crown Prince is due in Baghdad on Monday for talks with Saddam. Baghdad yesterday reiterated that Kuwait must be prepared "to remove the harm and aggression" Iraq has suffered, and the Crown Prince said that Kuwait will not bow to threats and extortion.

Comment: Saddam almost certainly will present the Kuwaitis with a set of demands, including repayment for "stolen" Iraqi oil, agreement to contribute to an Arab reconstruction fund, and territorial concessions; he may seek control of Warbah and Bubiyan Islands. If he does not receive what he deems to be adequate payment, he almost certainly will take military action. Saddam is unlikely to do so before his meeting with the Kuwaiti Crown Prince.

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28 July 1990

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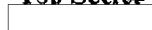
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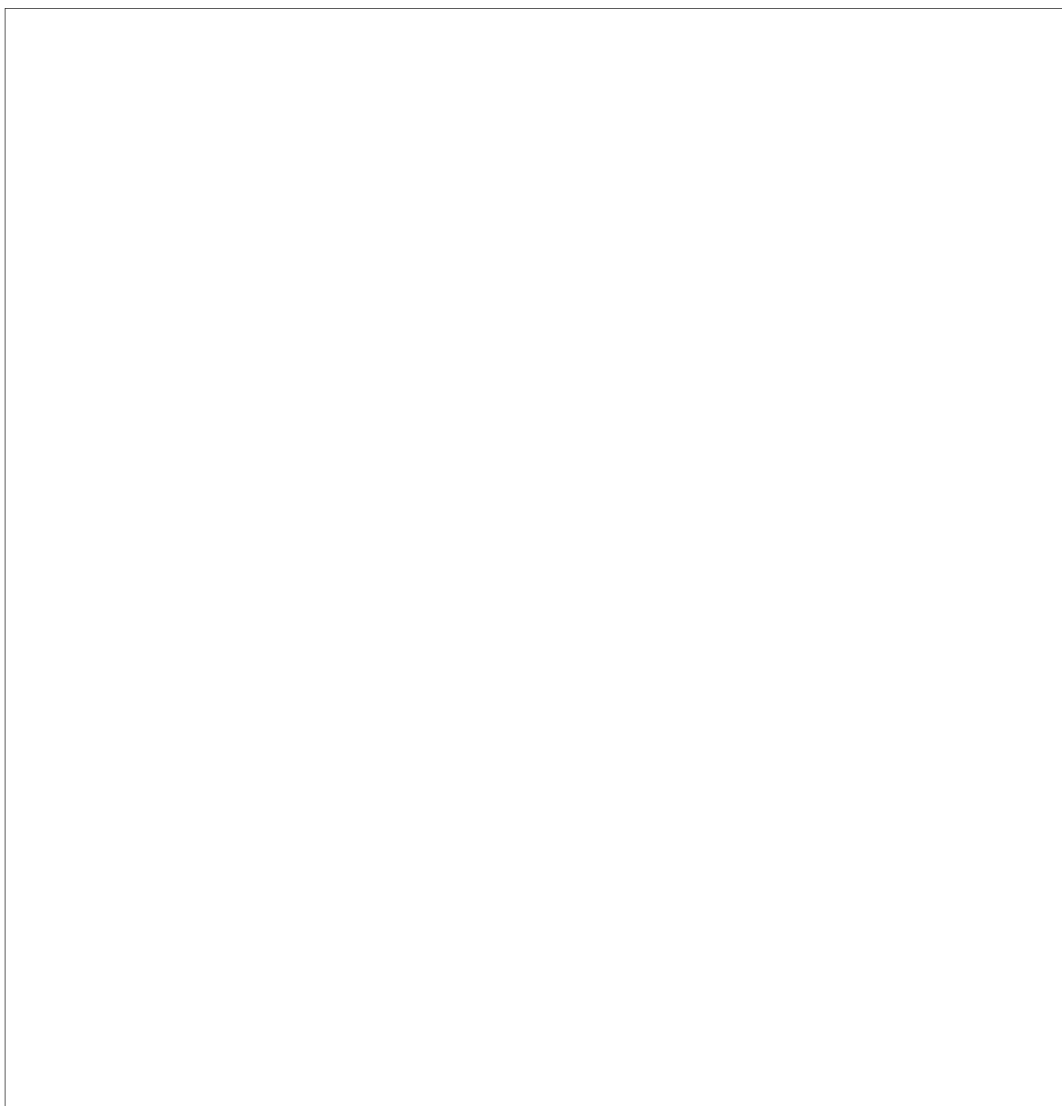
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28 July 1990

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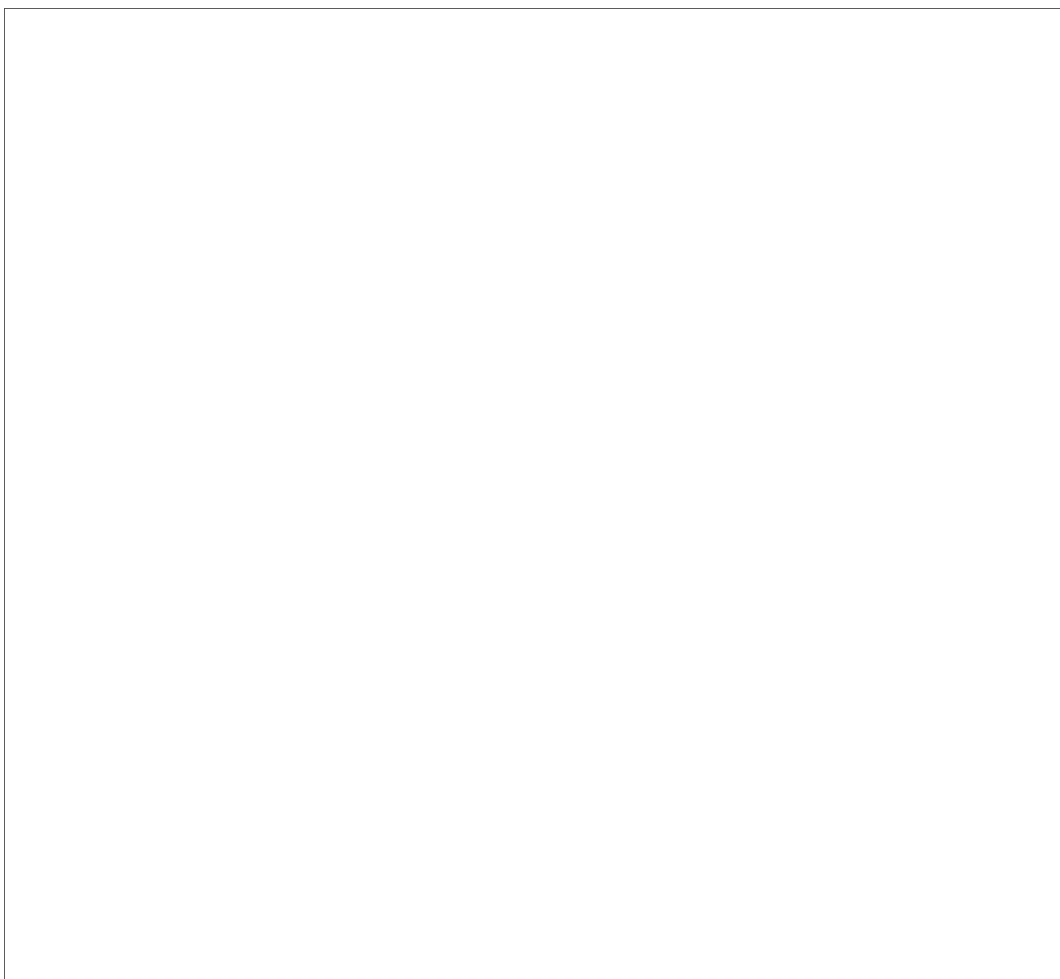
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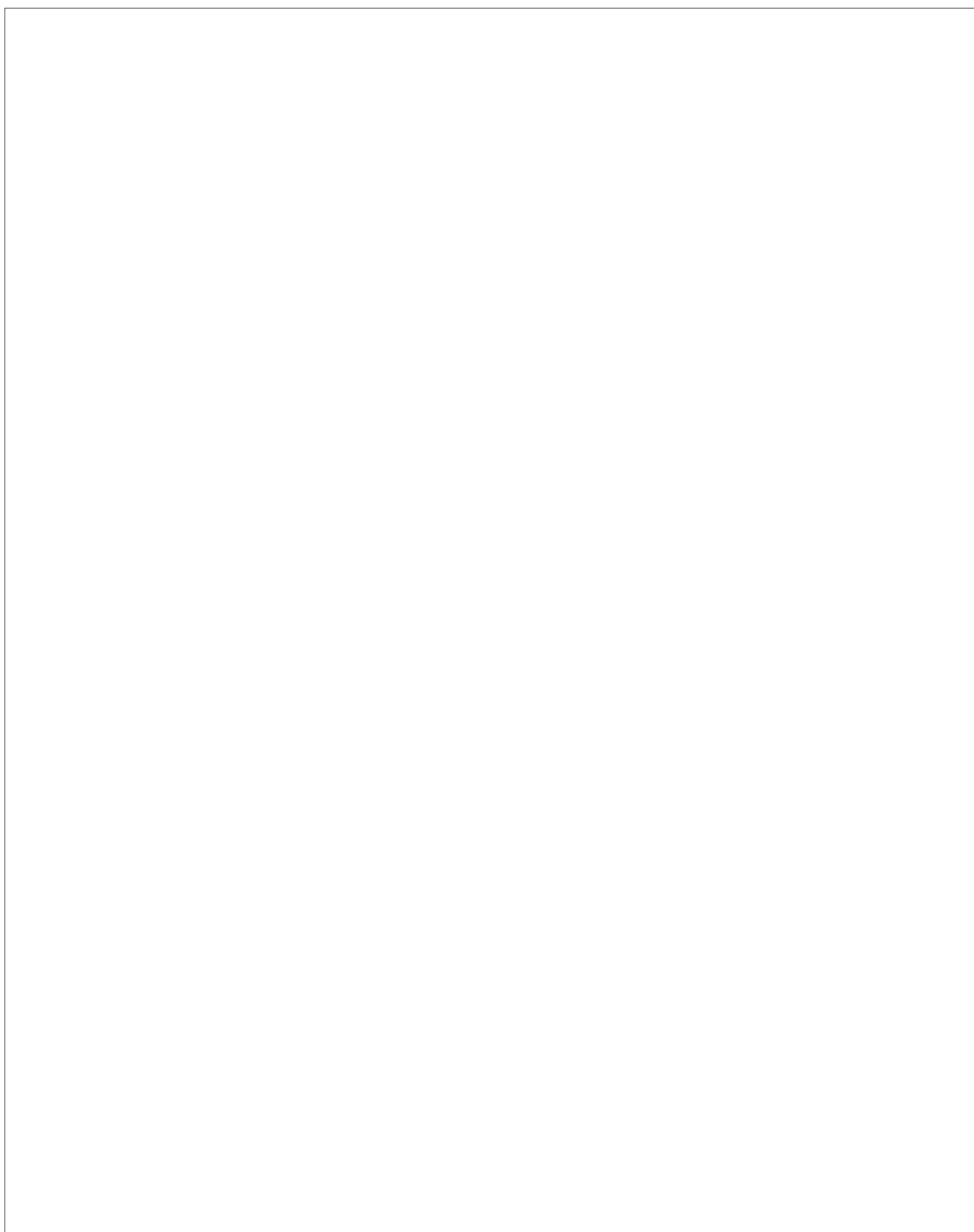


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28 July 1990

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28 July 1990

10 15

~~Top Secret~~**LIBERIA: Skirmishing Continues**

Johnson's rebel faction, reportedly consisting of about 250 men, skirmished with government troops in Monrovia's business district again yesterday. The group advanced within a mile of the US Embassy but may have withdrawn to replenish ammunition from bases on Bushrod Island.

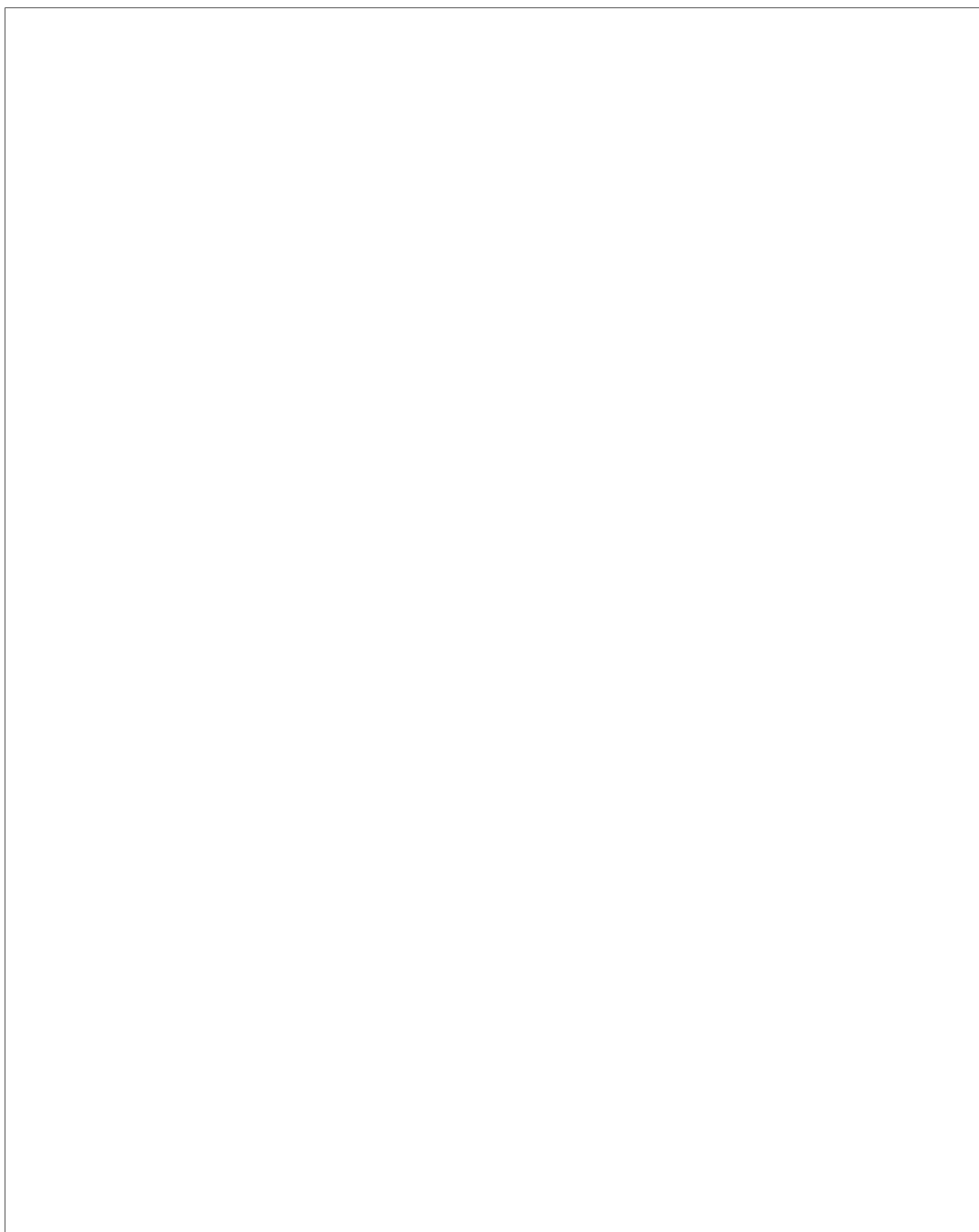
Sinkor and Congotown remain quiet, although government soldiers have resumed looting in the area.

Comment: Johnson's forces will continue hit-and-run tactics in downtown Monrovia, but supply shortages probably will prevent them from maintaining a position in the area. Animosity between Johnson and Taylor increases chances that US citizens may be caught in crossfire between the rebel groups. A drawn-out battle against the government, however, may force the rebels to call a temporary truce.

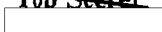
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28 July 1990

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~~Top Secret~~**BULGARIA: Leadership Under Fire**

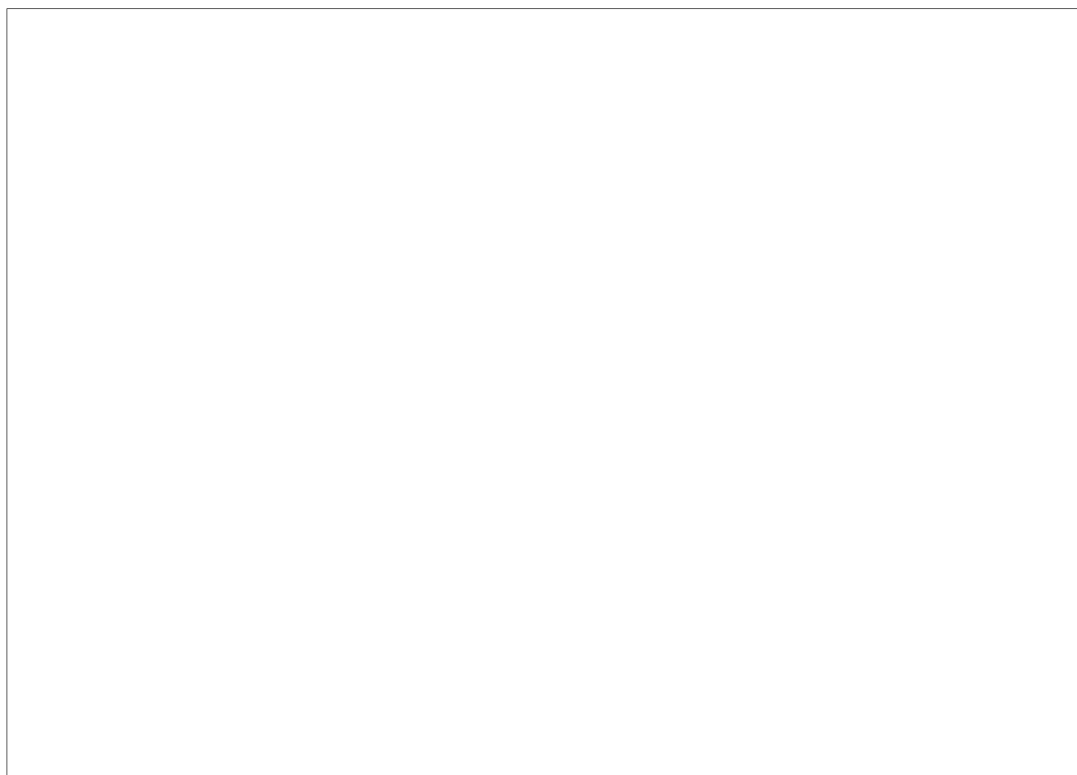
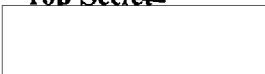
At least 1,000 demonstrators yesterday protested the National Assembly's decision—on grounds of national security—not to publicize the speech former leader Todor Zhivkov is to give before it next week. The unrest prompted Internal Affairs Minister Semerdzhiev to offer his resignation. [REDACTED]

Comment: The Socialist (formerly Communist) government is in a no-win situation. The speech is likely to hurt its credibility, as Zhivkov almost certainly will implicate most, if not all, of the current leaders, including Premier Lukanov, in past abuses. Refusal to release the speech risks widespread demonstrations and demands for the government to step down. At a minimum, the controversy probably has killed any chance the Socialists had of persuading the opposition to join a coalition government, and it may spur more resignations. [REDACTED]

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28 July 1990

10 19

~~Top Secret~~**USSR: Baltic Republics, Yel'tsin Get Cozy**

Meeting in Riga, the three Baltic republic leaders and Russian Republic President Yel'tsin agreed last night to conclude treaties governing their relations within six to eight weeks. Russian Republic representatives began talks with Lithuania this week and are scheduled to begin discussions with their Latvian counterparts on Monday. A senior aide to Gorbachev told Estonian President Ruutel on Thursday that his boss wants to begin negotiations next week on a new status for Estonia within the Soviet federation, according to Western press reports.

Comment: Yel'tsin probably hopes this accord will increase his leverage over Gorbachev as the two leaders vie for influence over the process of restructuring the union. He may also want to pressure Gorbachev to soften his policy toward the Baltic republics. They probably remain unsure about how much help they will ultimately receive from Yel'tsin. Nevertheless, his apparent readiness to develop relations and the possibility of the Russian Republic's recognition of Baltic independence are likely to encourage the Baltic leaders to continue to resist Gorbachev's entreaties that they should seek a new status in a renewed federation rather than try to break away.

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Moldavia Takes Step To Implement Sovereignty

The Moldavian legislature on Thursday elected the republic's chief prosecutor to replace a Moscow appointee. The move will intensify the battle with the center for control of key republic institutions. A similar action by Lithuania in March increased tension between Vilnius and Moscow.

~~Top Secret~~

28 July 1990

1021

~~Top Secret~~**USSR: Belorussia Climbs on the Sovereignty Bandwagon**

Belorussia yesterday became the latest Soviet republic to adopt a declaration of sovereignty. The declaration reserves to the republic the right to secede from the USSR, says Belorussia will be a nuclear-free zone and a neutral state, and asserts that no military base will be permitted without its approval. The text also says the republic has the right to maintain its own military forces, ignoring Gorbachev's decree Wednesday banning such formations.

Comment: Belorussia has been one of the central government's strongest supporters. Its declaration, similar to one neighboring Ukraine issued last week, is among the boldest Soviet republics have adopted in terms of the wide responsibilities it asserts for the republic. Like the Ukrainian pronouncement, it is a statement of principle that will require more specific legislation to have any practical effect.

USSR: Armenians Seek To Force Gorbachev's Hand

Spokesmen for Armenia's leading militant groups said yesterday they will defy Gorbachev's order to disband and warned of bloody confrontations if Soviet troops attempt to enforce it. Internal Affairs Minister Bakatin said yesterday that Soviet authorities are prepared to resort to force to disarm illegal militants, although

Bakatin and his subordinates were opposed to issuance of the decree, believing it could not be enforced and would drive illegal weapons underground. Meanwhile, Azerbaijan's President Mutalibov, the only republic leader to date to endorse the decree, announced that immediate steps would be taken to disarm Armenians in his republic, which presumably would include those in Nagorno-Karabakh.

Comment: Armenian republic leaders will probably try to avoid taking action on the decree, thereby forcing Gorbachev to move unilaterally against Armenian militants or risk exposing the hollowness of his order. Senior security and military officials wish to avoid becoming involved in interethnic disputes because of resulting antimilitary sentiments and sagging troop morale but will implement the decree if so ordered. Mutalibov's endorsement of the decree as a means of disarming Armenians indicates the potentially divisive nature of the order as some leaders try to turn it against local enemies.

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1022

~~Top Secret~~**POLAND: Okays Privatization Bill, Seeks Investors**

Poland's long-awaited bill to turn state firms into private ones easily cleared the legislature Thursday, but Warsaw faces formidable hurdles in attracting investors. The government has succeeded in limiting worker participation on the boards of directors of private firms to 30 percent, despite pressure from Solidarity legislators, but employees will be able to buy as much as 20 percent of the shares of a firm at preferential prices. Government approval will be required when foreign investors propose buying more than 10 percent of a company.

Comment: The bill is the centerpiece of Finance Minister Balcerowicz's program to restructure the economy. The lack of adequate domestic investment capital makes foreign investment crucial to Warsaw's goal of privatizing 20 to 30 companies by year's end. West Germany is the most promising source of capital, but old fears of German domination impelled the government to retain a veto on foreign participation. Additional obstacles for foreign investors include Poland's outdated industrial infrastructure and its lack of modern communications and transportation systems.

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1023

~~Top Secret~~**PAPUA NEW GUINEA: Talks With Rebels May Open Tomorrow**

Foreign Minister Somare claims he will not discuss secession during talks with the Bougainville insurgents to begin on a New Zealand warship tomorrow, according to press reports. Insurgent leaders, who declared Bougainville Island independent in May after forcing Port Moresby's troops to retreat, have not confirmed they will participate in the talks. Rebel cohesion reportedly has eroded since Port Moresby began a blockade of the island later in May. But the militants have not softened their demands for secession and for unrealistic compensation before they will reopen the Australian-owned copper mine they forced to shut down last year.

Comment: The talks are unlikely to resolve the standoff and may collapse immediately because no agenda has been set and neither side appears ready to compromise. Although government troops are ill prepared and led, some officers believe an invasion of Bougainville would salvage their image. Wellington probably sees its mediation role as proof at home and abroad that New Zealand remains a force in the region.

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1024

~~Top Secret~~**CHINA: Criticism of US Shift on Cambodia Growing**

Hong Kong newspapers that Beijing controls have increased their attacks on the US policy shift on Cambodia, calling the move ill-considered and reckless. They also are spotlighting criticism by ASEAN and the Cambodian resistance. [redacted]

[redacted] The Chinese Assistant Foreign Minister for Asian Affairs, meanwhile, was in Bangkok this week for consultations and has invited the three resistance factions to meet in Beijing on 8 August. [redacted]

Comment: The use of unofficial channels to advance its harshest critiques suggests Beijing does not want to complicate further its relations with Washington. China almost certainly will increase its efforts to work with ASEAN countries and the Cambodian resistance toward a Cambodian settlement that curbs Vietnam's influence in Indochina and gives the Khmer Rouge a role. When Premier Li Peng visits Jakarta early next month to restore diplomatic relations, he may revive an earlier proposal for a regional meeting on Cambodia to include China, Vietnam, Thailand, Indonesia, and Laos. [redacted]

ZAIRE: Domestic Discontent Rising

Negotiations between the government and striking civil servants are deadlocked, increasing the likelihood of clashes between strikers and security forces. Civil servants believe the Mobutu regime has the economic resources to meet their demands and are increasingly frustrated by the government's intransigence. [redacted]

[redacted] The strikes reportedly have spread to parts of the private sector and to key government-controlled companies, including the diamond and copper industries. Students have taken to the streets chanting anti-Mobutu slogans. [redacted]

Comment: Mobutu's profligacy, declining export earnings, and reductions in Western bilateral and IMF and World Bank lending are limiting the government's ability to meet the demonstrators' demands. Public discontent is also being fueled by the slow pace of political reforms Mobutu promised in April. [redacted]

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Andreotti Goes to His Bench

Andreotti has selected respected, competent replacements for his cabinet, but only the new Defense Minister has a national political reputation.

Defense Minister Virginio Rognoni, an elder statesman in the Christian Democratic Party's left wing, lacks experience in defense matters. As Interior Minister (1979-83), he successfully directed the fight against terrorism after the murder of party leader Aldo Moro by terrorists. Rognoni has led the party group in the Chamber of Deputies, served as Justice Minister, and was president of the Justice Committee.

Rognoni studied law at Yale. He turns 66 on 5 August.

Agriculture Minister Vito Saccomandi, who has been director general for international relations in the Agriculture Ministry, has sought constructive solutions to differences between the EC and Washington on agricultural trade matters. He believes a compromise on agriculture is necessary at the Uruguay Round to avoid the disintegration of multilateral trade negotiations and the creation of regional trading blocs. Saccomandi, a professor of agricultural marketing, has served on the EC staff. He is 51.

Other new ministers include two Christian Democratic legislators, Public Works Minister Franco Piga and Education Minister Gerardo Bianco, and a former law professor, Minister of Southern Development Giovanni Marongiu.

~~Top Secret~~

28 July 1990

1026

~~Top Secret~~**In Brief****Europe**

- **Italian** Prime Minister Andreotti has replaced cabinet members who resigned on Thursday . . . their Christian Democratic Party faction says it will support government in confidence vote today . . . government nonetheless sure to be weaker.
- **Bulgaria** has asked **Romania** to close chemical plant near border, claiming it causes severe chlorine pollution in Bulgaria . . . continuing demonstrations, domestic pressure on Sofia will keep issue prominent in bilateral relations.
- **Soviet** Foreign Ministry spokesman Gerasimov suggests normalization of ties to **Albania** imminent . . . possibly in days, Albanian UN representative says . . . Moscow eager for political, economic, cultural ties despite Western criticism of Tirane.

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1027

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Special Analysis

OPEC:

Iraq on the Rise

Baghdad has exploited divisions among OPEC members and used threats of military action against Kuwait to gain significant control over OPEC policy. It undoubtedly believes it will have a much larger say in future OPEC decisions and may periodically resort again to military threats to extort concessions from other regional producers.

Baghdad's moves sharpen the division of OPEC into two camps: price hawks led by Iraq and moderates led by Saudi Arabia. The struggle focuses on whether to raise production quotas or oil prices. Baghdad and the other price hawks—Iran, Libya, and Algeria—favor increasing oil prices to \$25 per barrel as soon as possible and to \$30 over the next several years. Higher prices and production restraint by OPEC members will help Iraq finance planned expansion of its oil production capacity and position itself to demand increased production quotas in the future. The moderates, including the smaller Persian Gulf states, remain concerned that substantially higher oil prices will lead to lower oil demand by stimulating conservation and the development of alternative fuels, and by depressing economic growth in consuming countries.

The burden of challenging Iraq falls mainly on Saudi Arabia. Riyadh still has significant power in OPEC because of its excess production capacity and huge reserves but is unlikely to challenge Baghdad in the short term. It wants to avoid direct confrontation or a further escalation of regional tensions. Saudi Arabia also stands to gain from moderate price increases and probably believes it can keep Iraq from pushing prices to levels that would reduce demand.

Riyadh probably would reassert itself in OPEC if Iraq were to press cartel members to cut production from currently agreed levels or if the Saudis believed prices were rising too fast. Saudi Arabia can also substantially increase its oil production in an effort to moderate Iraqi behavior. Short of that, Riyadh could provide financial assistance to Baghdad in return for flexibility on oil policy.

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1028

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Special Analysis

HAITI:

Rightist Assertiveness Threatens Election

President Trouillot has weathered another political storm that threatened to bring down her interim government, but the increasing assertiveness of the far right has greatly diminished prospects for a free and fair election in November.

Trouillot's willingness to discuss an accommodation with the cogoverning State Council helped reduce popular pressure on her to resign after two former Duvalierist ministers returned to Haiti early this month. her decision to accede to the Council's demand that the protocol defining their relationship be published in the government newspaper has opened the way for talks on other disputes. Key leaders in the country's major political coalition have decided to back a negotiated settlement, but talks are likely to be short lived unless Trouillot makes other concessions.

Although the President's position appears to have stabilized, the government is reluctant to challenge the powerful far right, a key Council demand. The military, many of whose leaders reportedly are sympathetic to the right, has yet to arrest the returned Duvalierists for past crimes or the men responsible for an attack on the Council last month that left one member dead. Several leading Duvalierists reportedly have armed supporters and are well financed;

Even the voluntary departure from Haiti of those responsible for the latest turmoil probably would not significantly diminish the threat to the election. Radical leftists would try harder to force out other Duvalierists, increasing the likelihood of clashes between the two extremes. Moreover, any Duvalierist who leaves almost certainly will continue plotting while safely abroad.

The government's failure to bring the far right to heel has heightened concern among leaders of mainstream parties about Trouillot's ability to prevent extremists from dominating or disrupting the election. Most parties almost certainly will boycott the election if Duvalierists intimidate the election board into ignoring the constitutional ban against their participation. If the board prevents most Duvalierists from running, the resulting increased violence by the far right will greatly reduce voter turnout and may even cause cancellation of the election.

~~Top Secret~~

1029

~~Top Secret~~

South Africa



Joe Slovo Communist Party's Political Strategist

Slovo has been a Communist activist for almost 50 years and an ANC member since the 1960s. The South African Government has long touted him as public enemy number one, but he is a member of the ANC team meeting with the government on a new constitutional dispensation. Slovo probably hopes launching the SACP as an overt party will dispel concerns about Communist influence in the ANC. He is likely to maintain unity between the SACP and the ANC during the talks, but the groups' interests probably will diverge in the long run.

The pragmatic Slovo seems to have reevaluated his doctrinaire beliefs and now advocates multiparty democracy. He explains the failed Communism of Eastern Europe as an ideological distortion that separated "socialism" from democracy. Slovo still calls for some nationalization to redress the imbalances of apartheid, however, and recent allegations that he continues to build underground military networks call into question his commitment to peaceful change.

Slovo was tried for treason and banned in the early 1960s. He fled South Africa in 1963 and subsequently served as the ANC's military operations chief until he became the SACP secretary general in the mid-1980s. Until recently the only white on the ANC Executive Committee, Slovo is widely respected by other ANC leaders, whom he advises on both political and military matters; he is a folk hero in black townships.

Trained as a lawyer, the 64-year-old Slovo is a formidable negotiator; he helped draft the Freedom Charter in 1955. He is a widower, his wife having been killed by a letter bomb in 1982.

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~~Top Secret~~

28 July 1990

1030

~~Top Secret~~

Special Analysis

SOUTH AFRICA: Communist Party Goes Public

The South African Communist Party (SACP) marks its 69th anniversary tomorrow by founding an overt political party. It has been shaken by waning influence over ANC strategy and by Pretoria's claims of involvement in a plot to subvert the ANC-government talks, but it retains widespread support among black militants.

Pretoria has alleged a plot by the SACP and the ANC's military wing to overthrow the government if talks fail; it apparently hopes to divide ANC moderates led by Nelson Mandela from hardliners in the SACP and the ANC's military wing. Pretoria plans to use the alleged conspiracy to press Mandela for a formal end to the armed struggle in the talks that resume on 6 August.

So far, however, Mandela and other ANC political leaders have stood by the Communist Party and the ANC's military wing, condemning the government's crackdown on ANC operatives, including the arrest of a member of the ANC National Executive Committee. Mandela has stressed publicly that the ANC will not review its commitment to armed struggle until its remaining preconditions to talks have been met, but he maintains that most of those arrested were operating under outdated orders and infiltrated before the ANC-government talks in May.

Despite strains between the two groups, the SACP's heavy representation in the ANC leadership probably will ensure that the alliance remains intact until the two organizations compete in a new political system. Nevertheless, SACP influence over ANC strategy is constrained by the ideological impact of trends in the USSR and Eastern Europe and the dominance of moderates in the ANC who are eager to maintain Western support. Despite widespread sympathy for SACP aims among militant youth and trade union leaders, the party's limited funds and overlapping membership with the ANC will limit its ability to organize a separate constituency.

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