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June 21, 1990
National Intelligence Daily for Thursday, 21 June 1990

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Summary:

The CIA’s National Intelligence Daily for Thursday, 21 June 1990 describes the latest developments in USSR, Canada, Israel, EC, Nicaragua, Australia, Cuba.

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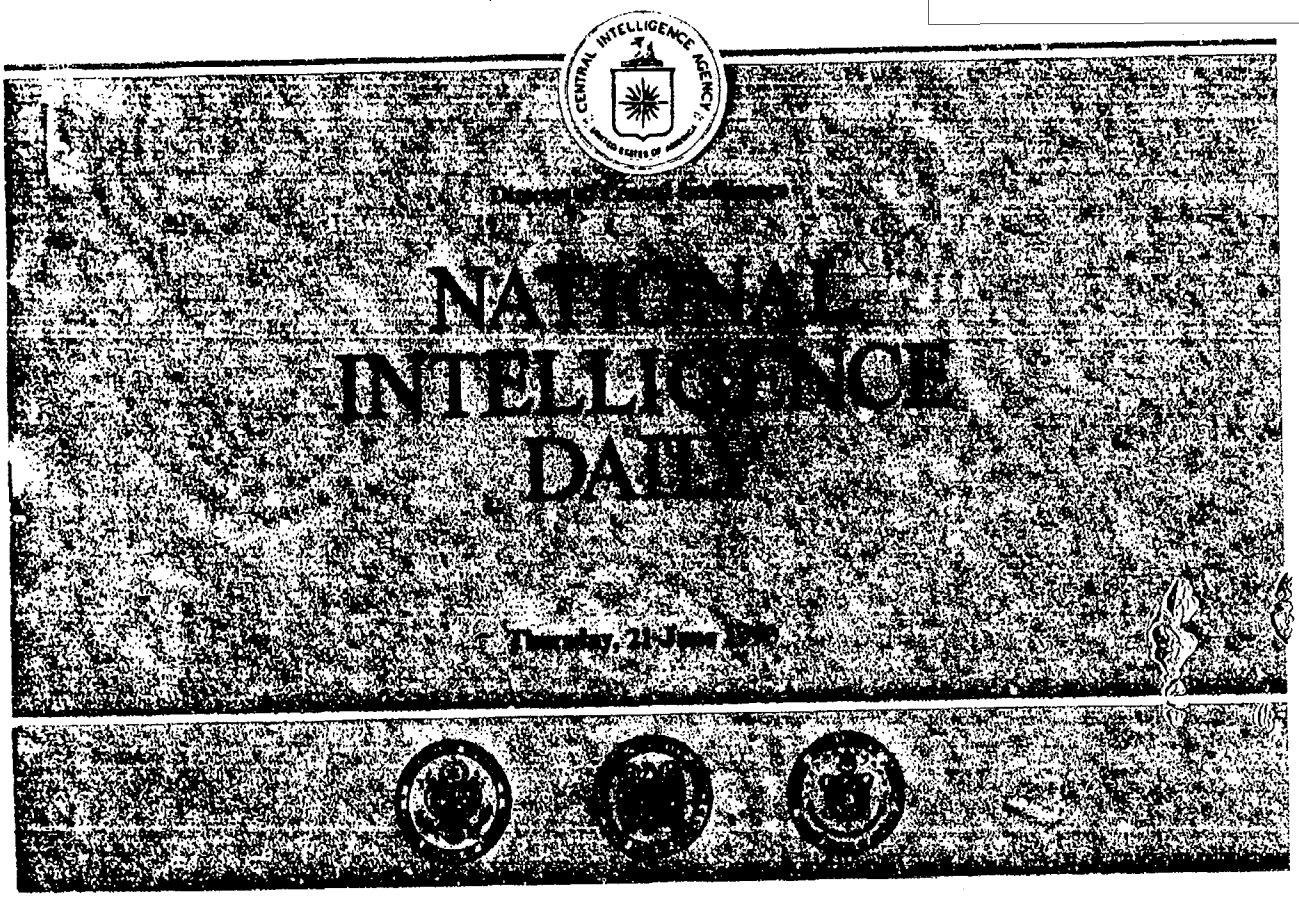
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USSR: **Party Traditionalists Strike Back**

General Secretary Gorbachev's hint yesterday that he might not run for reelection to the party's top post overshadowed the second day of the Russian Republic party conference, dominated so far by traditionalist assaults on the party leadership.

Commenting yesterday on a proposal in the Russian legislature to bar individuals from occupying both the top party and government posts, Gorbachev said, "Someone else might be the General Secretary" by the time the CPSU congress opens next month. Politburo traditionalist Ligachev responded that the party leader must devote full attention to party affairs or "do without the party." Moscow party chief Prokof'yev came to Gorbachev's defense, arguing it is essential that Gorbachev occupy both posts, at least for the time being.

Ligachev deplored the declining influence of the Politburo and the Central Committee in economic and foreign policy and blamed himself for not joining the fight sooner against the "antisocialist forces" that he said are destroying the Communist Party and the union structure. Krasnodar party boss Polozkov, who gave Boris Yel'tsin a run for the Russian Republic leadership last month, blamed party leaders for the CPSU's current crisis but stopped short of demanding their replacement.

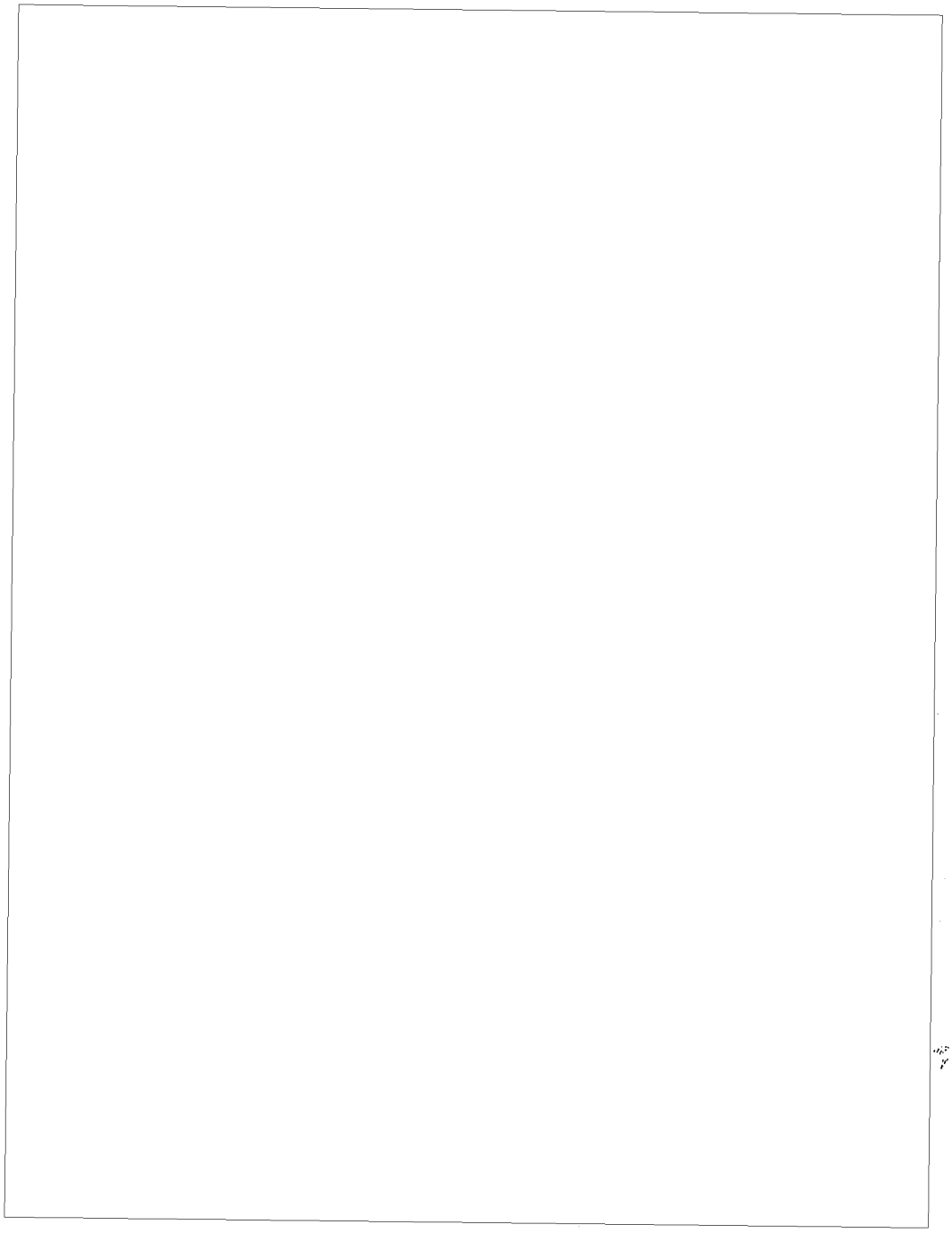
The conference voted overwhelmingly to create a Russian Republic Communist party and is scheduled to elect its leadership today.

Comment: Soviet officials have tried to quash widespread rumors that Gorbachev will not seek reelection. His remark may have been intended to exploit the fierce traditionalist attacks to build support for his continued tenure. Although Gorbachev's allies have consistently defended his right to hold both posts, critics have claimed he is paying too much attention to the presidency at the party's expense.

The high profile of traditionalists at the conference belies their numbers, which some party officials put at 10 to 20 percent of the party as a whole. Similar outbursts at previous party meetings have not undermined Gorbachev's ability to achieve consensus for his positions. But the traditionalists, who have the most to lose from the changes he envisions, are unlikely to pull any punches in what may be their last round.

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CANADA: **Meech Lake Accord Still in Jeopardy**

Ratification of the Meech Lake accord by the deadline Saturday is becoming increasingly doubtful; Prime Minister Mulroney may be forced to try to persuade provincial leaders to accept extension of the deadline.

It is increasingly unlikely that Manitoba will sign on time. The provincial legislature began debate on the accord only yesterday; a Cree Indian, protesting the exclusion of native concerns, had used procedural tactics to delay consideration for more than a week. Manitoba's Premier Filmon is resisting pressure from Ottawa to cut short debate or public hearings on the accord.

Mulroney yesterday introduced in Parliament a resolution urging Manitoba and Newfoundland to approve the accord on schedule. He also canceled the adjournment of the House, set for this week, in case last-minute attention to the Meech Lake process is needed. Alternatives to signing by Saturday may include extending the deadline or proclaiming that parts of the accord that supposedly do not require unanimous provincial approval are ratified and leaving other parts to be approved later.

Comment: Mulroney's legislative resolution will be mostly symbolic. Filmon, who heads a minority government, will risk opposition support if he tries to ram the accord through. In Newfoundland, a slim majority in the legislature probably will vote for the accord.

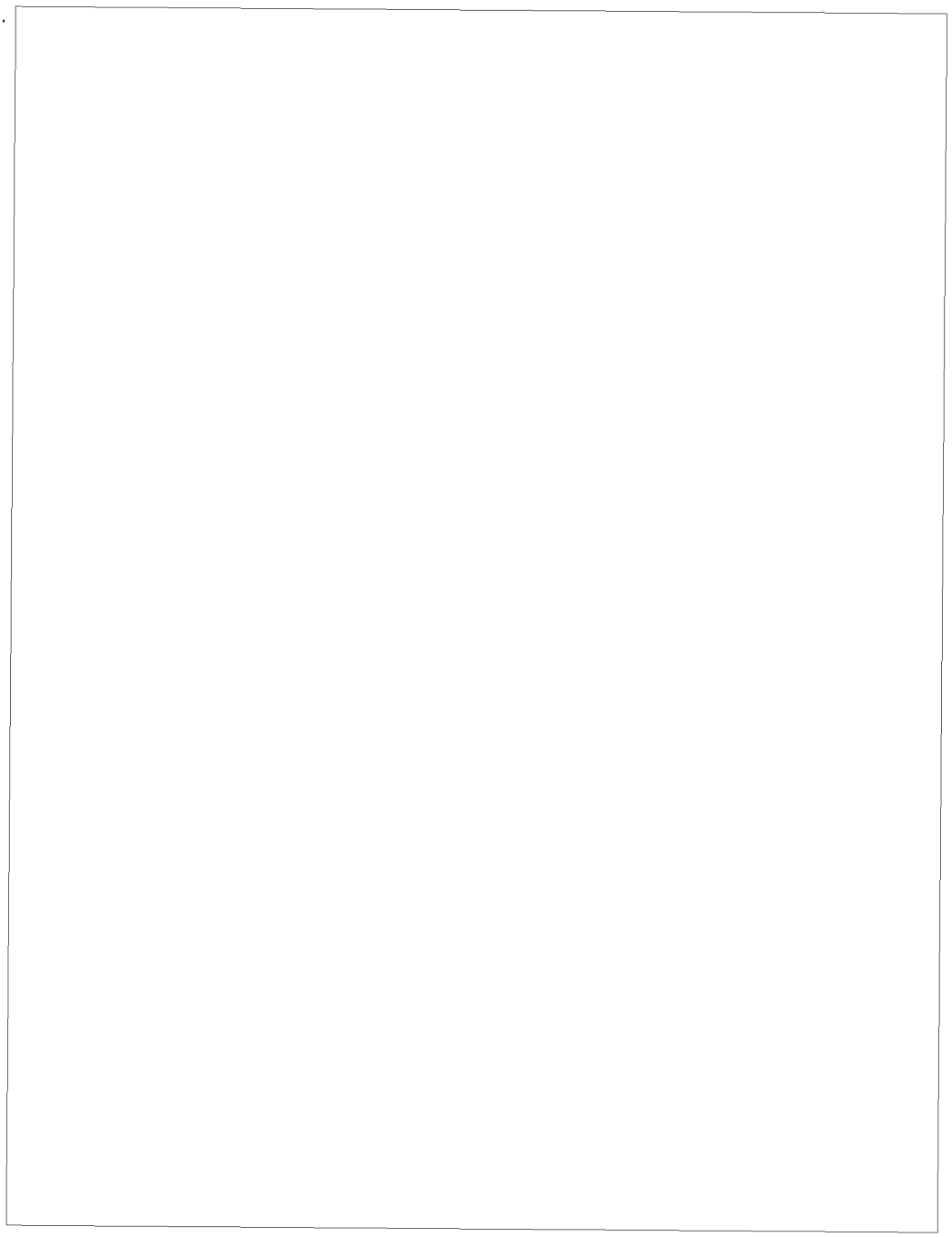
Extension of the deadline—which Quebec says it would reject—would bring arguments about the length of the extension and efforts by more groups to add to the accord. Implementing some parts of the accord without unanimous approval almost certainly would not satisfy Quebec and would raise questions about the accord's legitimacy.

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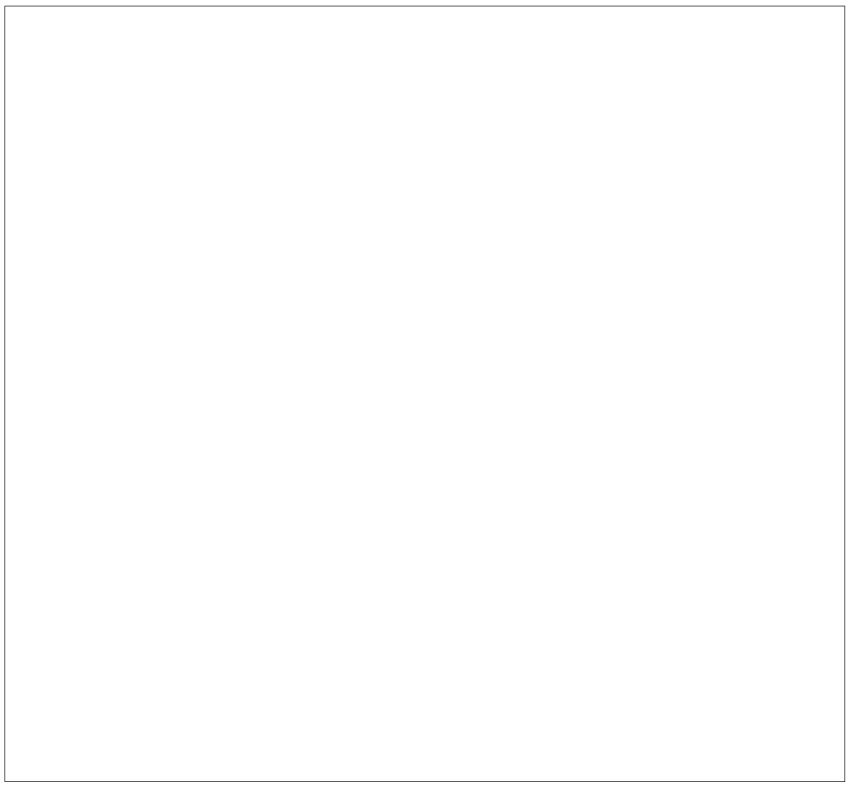
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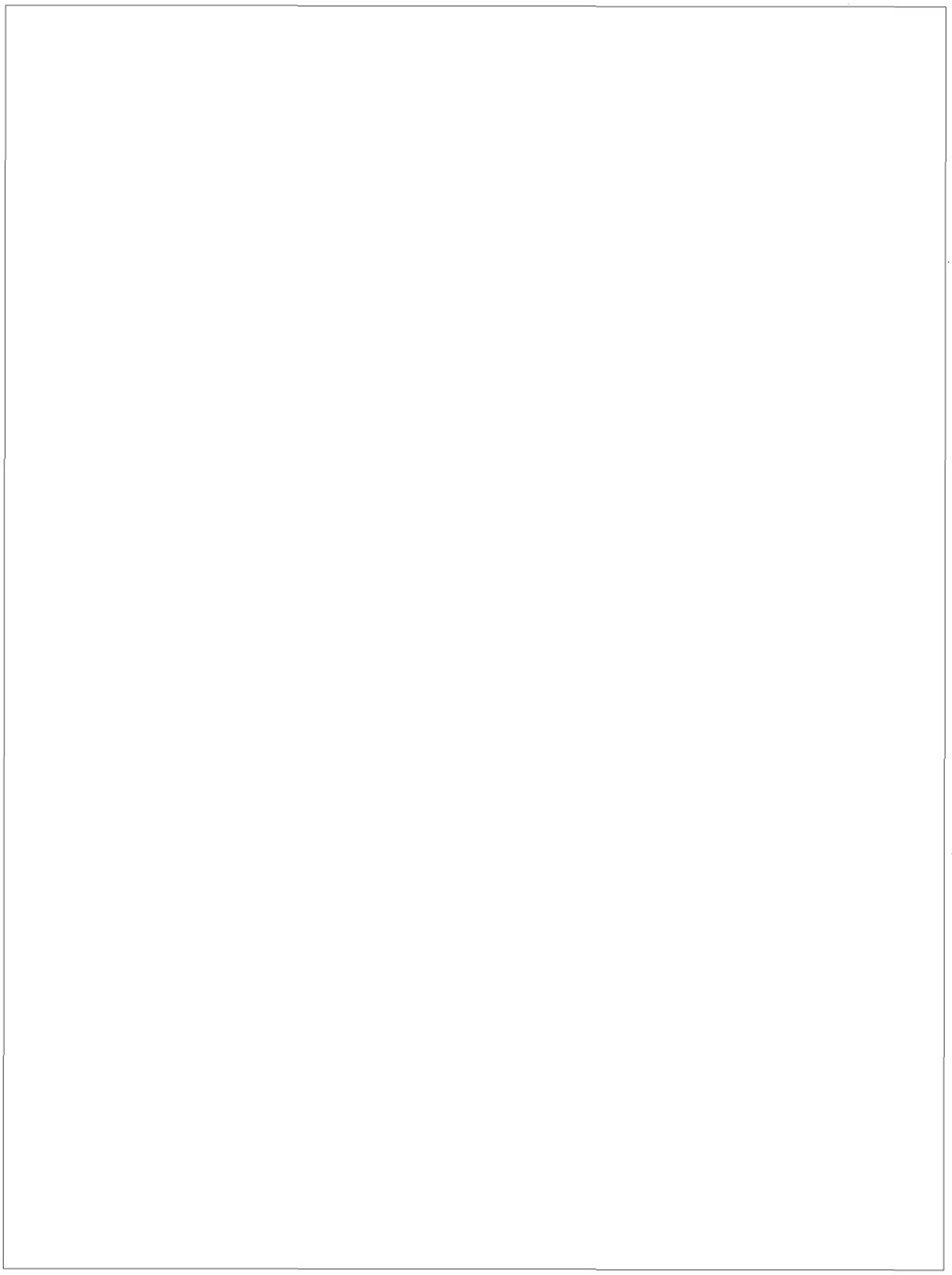
ISRAEL: Rabin Preparing To Challenge Peres

Some 20 of the Labor Party's 38 Knesset members met yesterday in support of replacing party chairman Peres with former Defense Minister Rabin; another eight members who did not attend announced they also support Rabin. The meeting discussed ways to depose Peres; attendees favor early elections in local party branches in about two months.

Comment: Backing for Rabin has snowballed since Peres failed to prevent Prime Minister Shamir from forming a rightwing-religious government. Rabin probably needs a few months, however, to consolidate his hold on Labor's formerly pro-Peres Central Committee, which elects the leader. He is by far the most popular politician in Israel, and most party members probably see him as the most effective person to oppose Shamir. The Shamir government probably will survive until the election set for fall 1992 regardless of who leads the opposition, but if it falters Rabin would be more likely than Peres to take full advantage.

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EC: Growing Consensus for Aid to USSR

West Europeans are increasingly inclined to provide large-scale credits to the USSR though leaders do not yet agree on the conditions to attach. The West Germans are lobbying hard for a Western aid commitment—today's West German newspapers report Bonn will guarantee some $3 billion in private credits to the USSR. [redacted]

Chancellor Kohl is expected to write each of the Group of Seven leaders to call for cooperation—especially from the US—on the issue. President Mitterrand has tried to push France into the lead on the issue with his call this week for aid, but he did not reveal his position on conditions. [redacted]

Comment: Kohl hopes to develop a substantial Western export-credit package—possibly at least $10 billion—but probably only will push for a formal agreement after Moscow agrees to NATO membership for a unified Germany. [redacted] French and Italian leaders are likely to insist on economic and political conditions for a financial package. Prime Minister Thatcher is even more insistent that assistance without accompanying Soviet reforms would be wasted. Such divergent views are likely to animate discussions at the Dublin EC summit next week; they will stymie efforts to develop a European consensus in advance of the G-7 summit in Houston next month. [redacted]

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NICARAGUA: Sandinistas Trying To Improve Image

To win support at home and abroad, the Sandinistas are planning reforms that will enable them to portray themselves as social democrats. Party officials reportedly agreed at an assembly last weekend to establish a committee to investigate corruption during Sandinista rule and to elect leaders by secret ballot next February. Army Commander Humberto Ortega, who renounced his party post to continue serving in the military, apparently did not attend the meeting. Some hardliners complained about the party's cooperation with the Chamorro government, according to press accounts. Former President Daniel Ortega left afterward to consult with Fidel Castro in Havana; a Sandinista spokesman said the party intends to maintain close ties to the Cuban Communists.

Comment: Moderate Sandinista leaders believe cleaning up the party's image is key to gaining respectability abroad and widening their support at home. The transition to a more democratic orientation is likely to be rocky. Hardliners, still smarting from the electoral defeat in February, may resist the reforms or try to wrest control from the moderates.

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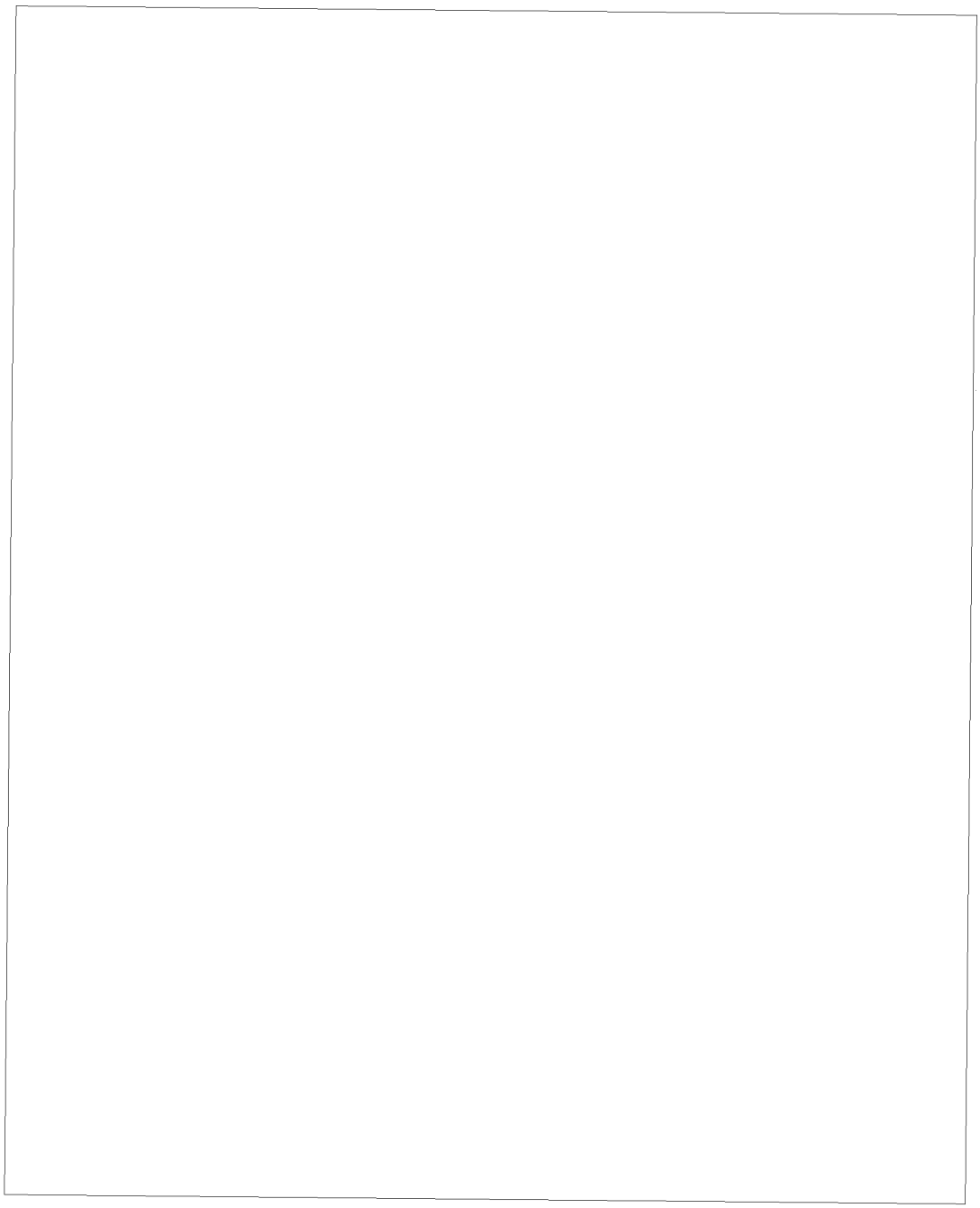
AUSTRALIA-CHINA: Rising Tensions Over Students

Canberra's decision to extend by four years the visas of Chinese students has prompted a strong diplomatic protest from Beijing. Some 30,000 Chinese students who arrived in Australia by January will be eligible for the visa extensions. Beijing has warned that Canberra's decision will have a "negative effect" on academic and cultural exchanges. Over the past year Canberra has maintained a hard line toward China but stopped short of severing economic ties; it only recently lifted a ban on high-level contacts.

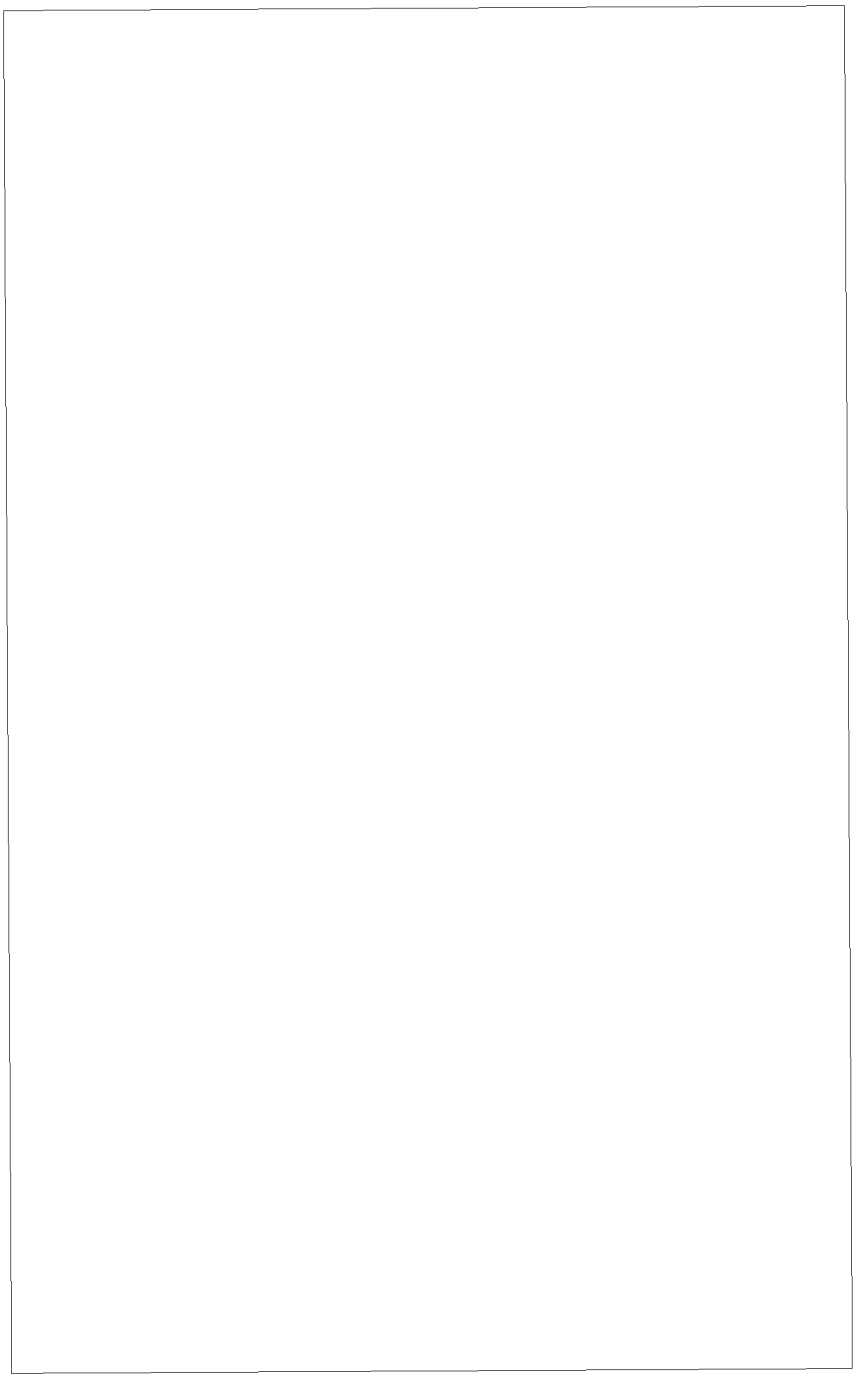
Comment: Prime Minister Hawke is unlikely to reverse his decision on the students, one rooted in his personal response to China's crackdown a year ago. Hawke and Foreign Minister Evans have not been swayed by domestic critics who claim that trade with China is suffering or who compare his generous treatment of Chinese students with Canberra's recent decision to expel more than 200 Cambodian refugees who have arrived in Australia since November.

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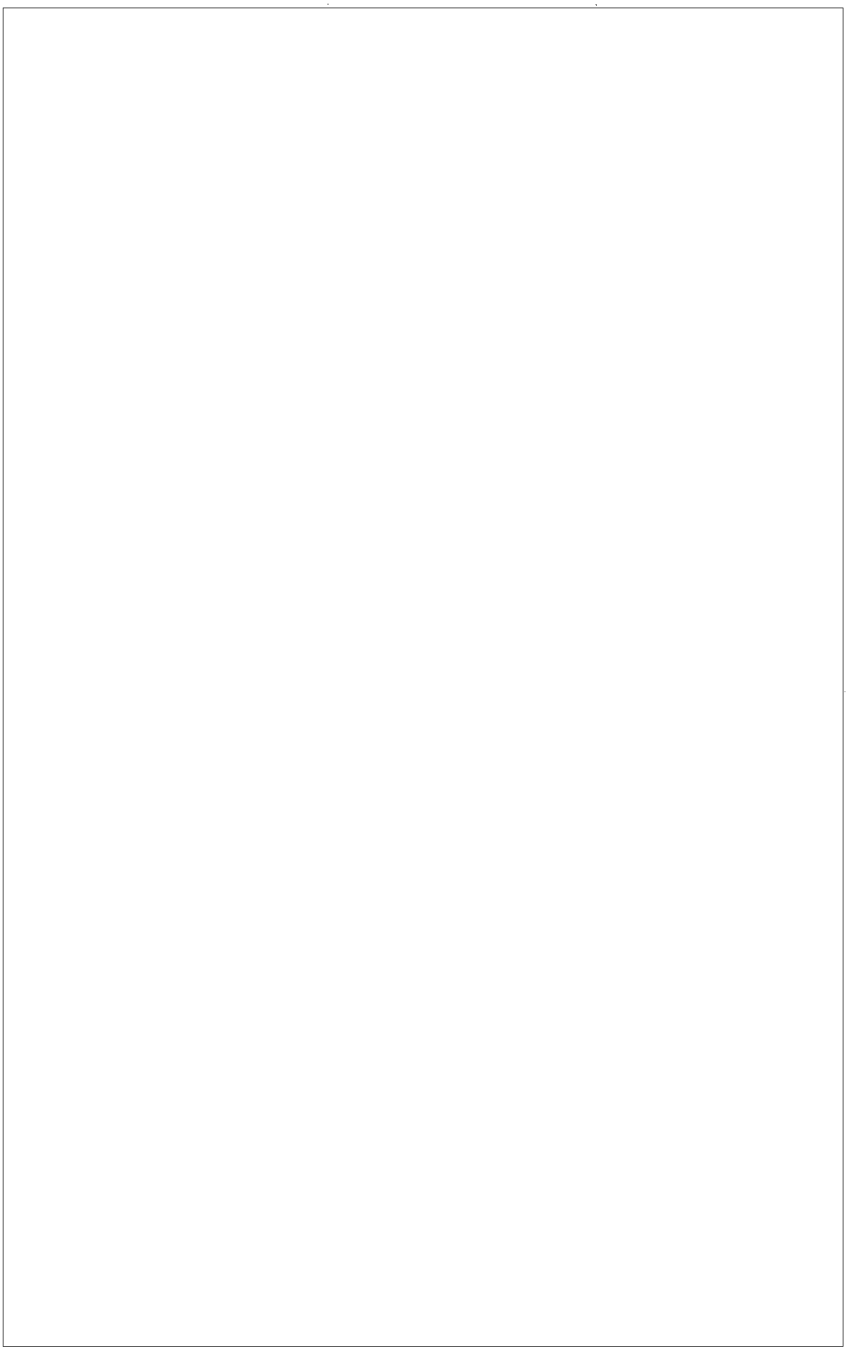
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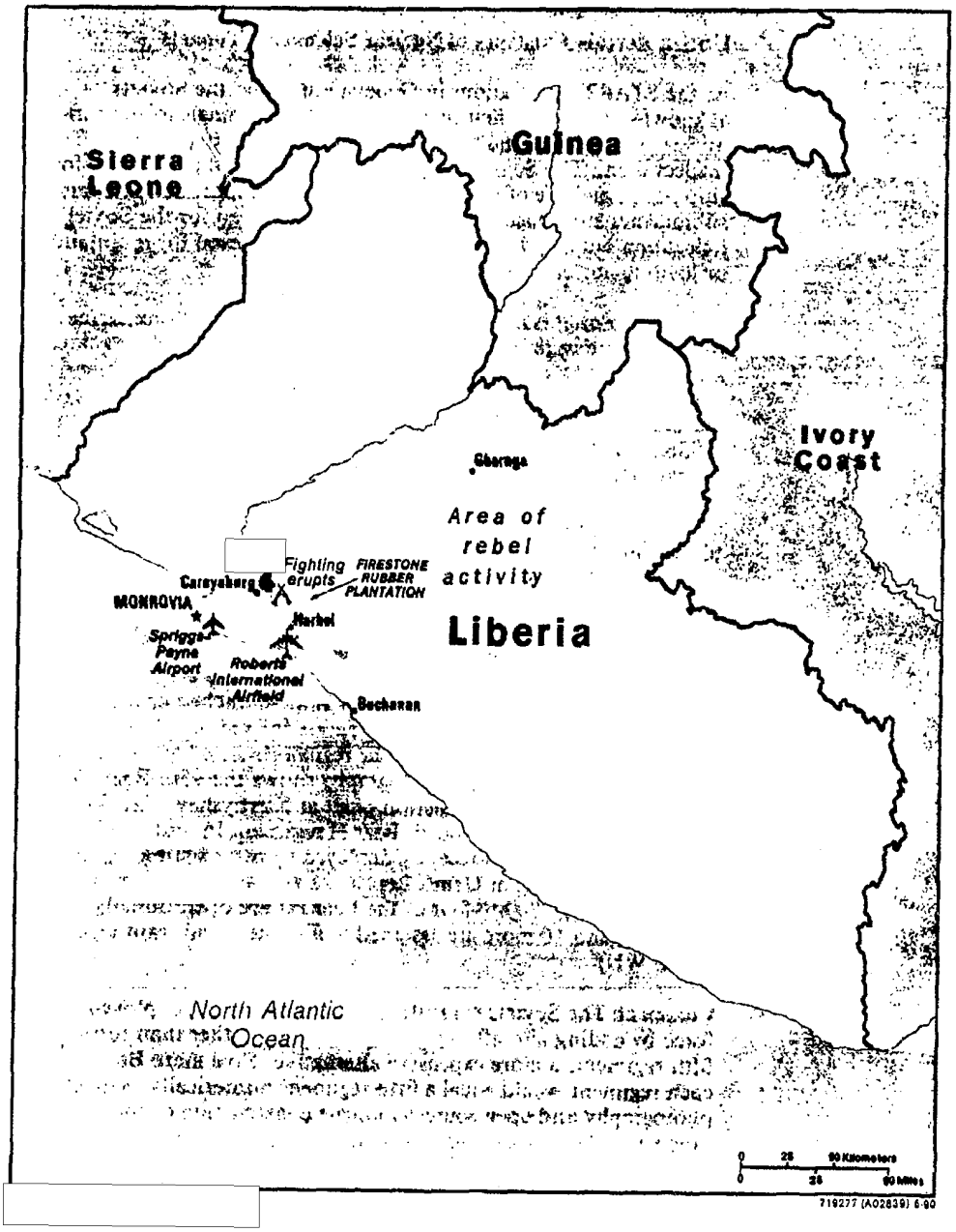
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Military Situation, 20 June 1990



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In Brief

Africa

— **Liberian** rebels expanding control of countryside, government planning offensives near Firestone plantation, Buchanan . . . sides seeking improved bargaining position for peace talks next week.

USSR

— **USSR**'s leading party, government newspapers this week published harsh attacks on Kirghiz legislature . . . charging political intolerance, coverup of causes of recent ethnic violence . . . showing dissatisfaction with pace of reform.

— **Soviet** prosecutors have charged vandals who desecrated Jewish graves . . . strong show against ethnically motivated crime . . . also to stem emigration, meet Western requests for high-level opposition to anti-Semitism.

East Asia

— **China** released three dissidents who disappeared late last month, let **Taiwanese** pop singer Hou Dejian return to Taiwan . . . probably hoping to improve climate for Shanghai mayor's trip to US next month.

Europe

— **Hungary**'s stock exchange opening today with initial offering of 50 stocks . . . key to attracting foreign capital, privatizing firms . . . few Hungarians likely to have capital to invest.

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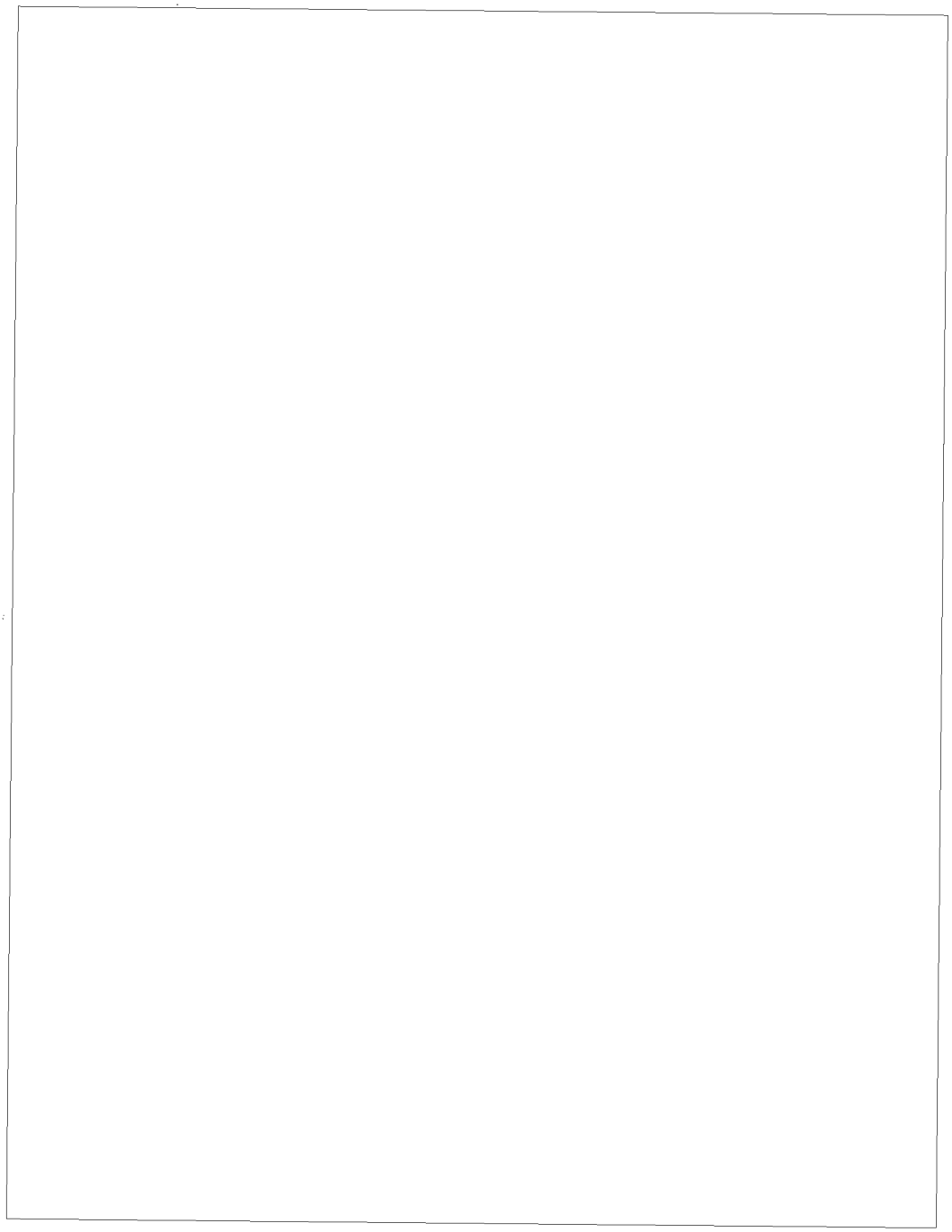
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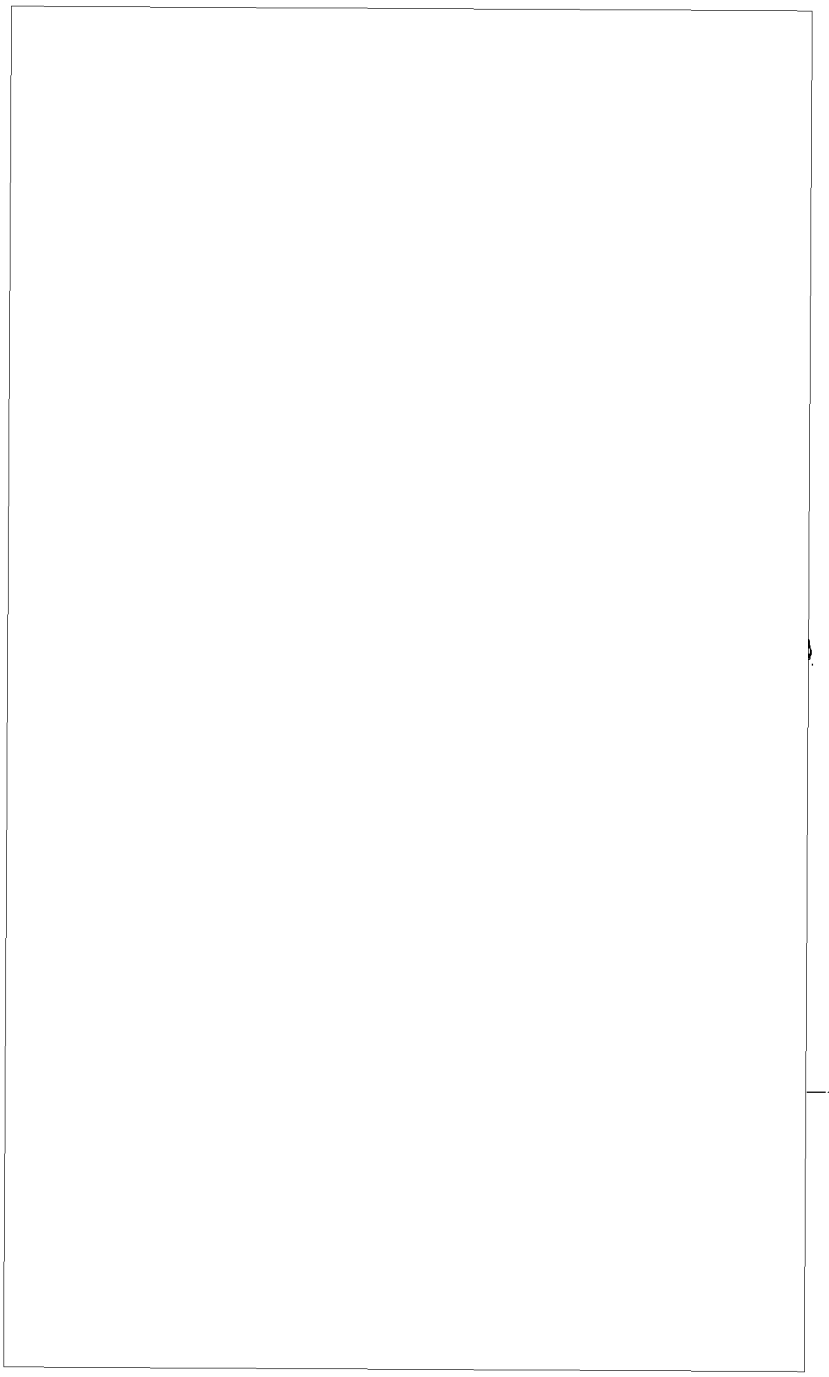
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Cuba: Life for the Common Man

For the average Cuban, daily life is an endless round of waiting in line for erratic public services and scarce food and consumer goods. Cubans spend six hours a day in bus trips to market and workplaces. Buses are overcrowded, frequently off schedule, and poorly maintained,

Consumer items and food supplies have been rationed since Fidel Castro came to power, and many Cubans resort to the black market despite the high cost and risk involved. Housing shortages persist, particularly in Havana, and overcrowding is cited as a serious problem. Electric and water service is regularly interrupted. The average family does not have a telephone, and most public phones do not function,

Even the regime's accomplishments in health and education are blemished. Free medical care is offset by expensive medicines, indifferent health workers, and crowded hospitals. Preuniversity students are required to "volunteer" their time for agricultural work, and university admissions are based less on academic qualifications than on political orientation.

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Special Analysis

CUBA: **Economic Outlook Bleak**

Cuba's economic situation is the grimmest since Fidel Castro came to power and appears certain to get worse by yearend. Government officials are opting for harsh austerity rather than reform and evidently believe they can control discontent.

The economy has deteriorated since 1986, and recent events have accelerated the decline. Foreign currency reserves are below $90 million—barely enough to cover a month's hard currency imports. Growing debt problems and lost trade credits from Europe, Latin America, and Japan severely restrict Havana's ability to obtain raw materials for industry and agriculture.

More Bad News Ahead

Further setbacks seem likely. Although the Cubans have announced their sugar harvest was 8 million tons this year, they admit they were plagued by technical problems and bad weather.

Political changes in the USSR and Eastern Europe have disrupted trade in general, idling Cuba's import-dependent industries. The USSR, which provides Havana $4.1 billion in economic assistance annually, intends to phase out present nonconvertible currency trade arrangements in favor of hard currency trade at market prices early next year, Most subsidized trade with Eastern Europe also will end by next year, costing Havana some $400 million annually. Cuba almost certainly will be unable to find

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new trading partners willing to grant preferential terms like what Moscow has provided; Havana has been unable to secure closer trade links to China or Latin America.

Castro has repeatedly warned that more austerity measures are coming. He has a contingency plan—in case Soviet aid is cut off—that would suspend housing and school construction for five years, drastically reduce the use of cement, and shut down the clothing and textile industry, according to Cuban press reports.

Few Prospects for Reform

Castro continues to embrace orthodox Marxist economics for the most part. He has endorsed new management techniques in the civilian defense and agriculture sectors, allowing some managers to fire unproductive workers, enforce tough quality control measures, and offer production-based incentives. The limited application of these production-based reforms suggests the overall economic impact will be minimal. Meanwhile, considerable attention is directed to a few high-profile projects—such as the Pan-American Games next year—diverting already scarce economic resources from public programs.

Outlook

Castro's unwillingness to reform and the disruption of trade with the USSR and Eastern Europe might precipitate a 15-to-20 percent decline in economic activity over the next five years. Public services—including Castro's prized health care system—will erode, unemployment will become a serious problem, and the government's ability to supply food will be further strained. To deflect criticism of harsh austerity, the regime will publicize its maintenance of price subsidies on basic commodities.

Press reporting already suggests the government is worried that the public—particularly the young, who are less committed to the goals of the revolution and are aware of the reform movements in the USSR and Eastern Europe—may begin to fix the blame on Castro and his repressive security apparatus.