

April 28, 1989

National Intelligence Daily for Friday, 28 April 1989

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Summary:

The CIA's National Intelligence Daily for 28 April 1989 describes the latest developments in Lebanon, Iran, China, Vietnam, the Soviet Union, Paraguay, Nicaragua, Hungary, and New Zealand.

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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Friday, 28 April 1989



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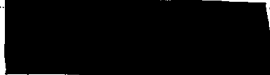


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The *National Intelligence Daily* is prepared in the Central Intelligence Agency in cooperation with the other US foreign intelligence organizations.



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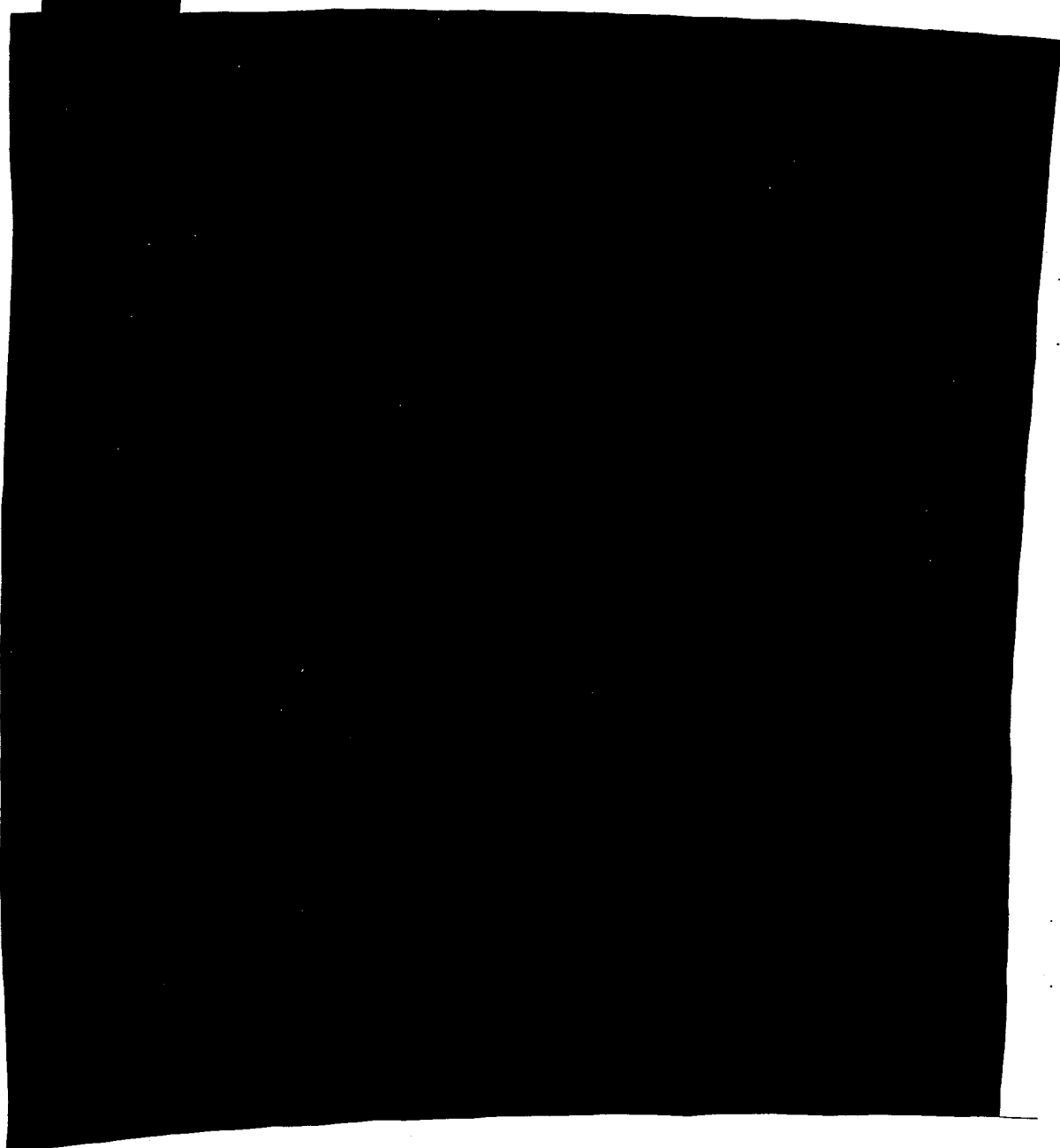
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LEBANON-IRAN: Tehran Sends in New Troops



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Arab League foreign ministers agreed in Tunis [redacted] to form an Arab observer force to monitor the cease-fire in Lebanon they have proposed to start at noon [redacted] the 300-man observer force would fly the Arab League flag, operate under the command of a Kuwaiti officer, and deploy for about three months. The League called for lifting blockades on all ports, roads, and airports and for reopening crossing points between East and West Beirut. [redacted]

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[redacted] Iraq's provision of military support to Lebanese Christians almost certainly spurred Iran to increase its role in Lebanon. The new Iranian forces probably will be deployed to Ba'labakk, although a move by some of the troops to West Beirut or even southern Lebanon is possible. With the arrival of the Iranians, Hizballah may move more of its own fighters to southern Lebanon. Israel would react forcefully to any shift in the military balance near its security zone. [redacted]

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Damascus may have allowed the unprecedented increase in Iranian troops as a gesture to Iran in exchange for Hizballah's participation in a future military confrontation with the Christians. The Syrians in any case will not accept what they see as an Iraqi-sponsored Arab League proposal, particularly if the Iraqis were part of the deterrent force. Syrian naval operations suggest they are preparing to interdict an anticipated Iraqi arms shipment to the Christians. [redacted]

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Syria probably calculates that the Arab League's effort will fail because of Christian intransigence and the League's traditional reluctance to press Damascus on contentious issues. [redacted]

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CHINA-VIETNAM: Bilateral Talks Slated for Early May

Beijing and Hanoi will hold a second round of talks on Cambodia in which they will try to resolve differences on a comprehensive settlement before General Secretary Gorbachev arrives in China. [REDACTED]

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China's Foreign Ministry spokesman announced yesterday that talks with the Vietnamese at the Vice Foreign Minister level, scheduled originally for late February, will be held in Beijing on 8-10 May. Beijing has publicly welcomed Phnom Penh's proposal for general elections in Cambodia after Vietnamese troops leave but has called for strict international supervision. Meanwhile, Soviet Deputy Foreign Minister Rogachev is in Beijing, continuing what a Soviet Embassy spokesman calls very complicated private talks in preparation for next month's summit. [REDACTED]

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[REDACTED] Beijing deferred the talks with Vietnam until the eve of Gorbachev's arrival on 15 May to maximize pressure on Hanoi to compromise on key issues. Beijing and Moscow may be counting on Vietnamese concessions to ease the dialogue on Cambodia at their summit. Beijing will push Hanoi to be flexible on powersharing in a provisional government in Cambodia and to accept UN supervision of Vietnam's troop withdrawal and of elections in Cambodia. [REDACTED]

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Hanoi will counter that China should be satisfied with Vietnam's accelerated withdrawal timetable and with Phnom Penh's political and economic reforms, including elections in Cambodia later this year, Hun Sen's proposal for an independent council to prepare for elections, and his willingness to modify symbols of his regime like its flag and anthem. The Vietnamese probably will press Beijing to begin reducing aid to the resistance and will look to Prince Sihanouk's meeting with Hun Sen next week to set the stage for progress on that issue with the Chinese. [REDACTED]

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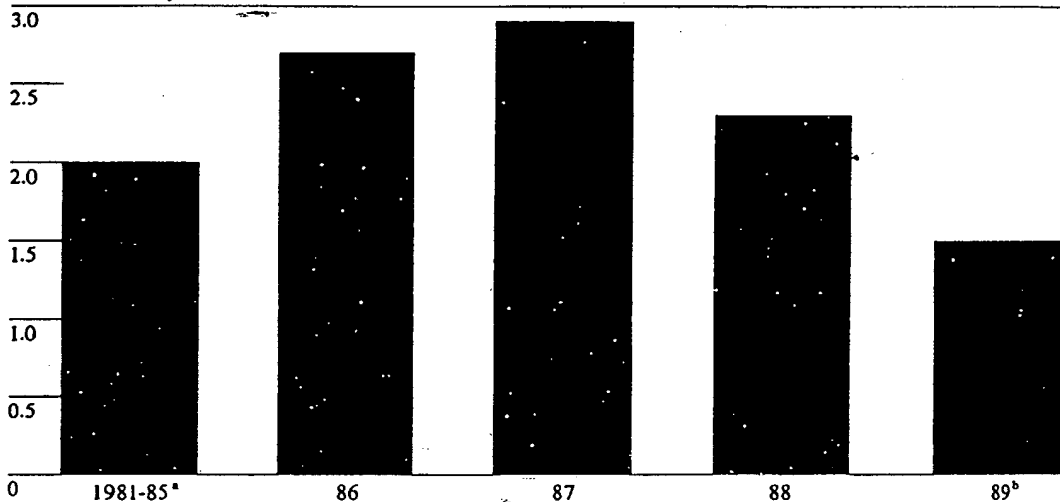
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**USSR: Growth of Industrial Production,
1981-89**

Percent



*Average annual rate of growth.

^bFirst quarter 1989 compared with first quarter 1988.

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USSR:

Poor First-Quarter Economic Performance

Recently released Soviet statistics for the first quarter of this year show little progress in bringing financial order to the economy, quickening the pace of industrial modernization, or improving consumer welfare.

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first-quarter industrial production rose by a lackluster 1.5 percent over the same period last year. If this trend persists, industrial growth will not exceed last year's sluggish pace. The production of electric power grew more slowly than at any time since the early 1980s, growth of natural gas output slowed considerably, and average daily oil production declined by 1.5 percent. The Soviets also said they have made little progress in the effort to produce more state-of-the-art equipment.

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For consumers, wages continued to outstrip labor productivity, and the regime made little progress in increasing supplies of consumer items, with the exception of alcoholic beverages. The availability of consumer durables changed little from last year, indicating that efforts to increase the production of consumer goods in defense industries have not had much effect so far. Food shortages are still widespread, and collective farm market prices continue to rise rapidly.

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Investment expenditures maintained their fast climb. But the value of new factories brought on line declined, probably because much of the increase in investment spending by enterprises during the quarter went to new projects rather than to completing existing ones. Individual plant managers may be investing more now because they expect prices of machinery and construction costs to keep rising. Moscow also reported a big dropoff in housing completions and in social service facilities in the first quarter.

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General Secretary Gorbachev has made midcourse corrections since last year to get a tighter financial grip on the economy by controlling wages and prices and cutting investment and defense spending. The economy is off to a poor start this year, however, and things are probably not going to get much better soon. The regime therefore is likely to resort to further administrative controls to keep a lid on wages and investment spending. Premier Ryzhkov blamed "group selfishness on the part of ministries and enterprises" for the excessive wage increases and ordered an investigation in an attempt to bring the situation under control by midyear.

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Soviet Press Publishes Unusually Sharp Debate

Gorbachev's Determination To Press Ahead

"We are dissatisfied with what we have done in the economy. This is especially true of end results. . . . At this time, comrades, one can easily yield to transient sentiments and step back from the charted course. This would be dangerous; to retreat under the pressure of circumstances. We should have the courage and ability to pursue consistently the charted line under difficult conditions."

Criticism From Central Committee Members

"People say there is no sense of a clear line at the top, the party Central Committee is trying to do too much at once and is displaying haste. All this causes additional difficulties at the local level."

— *V. I. Melnikov, Komi Obkom boss*

"We are very worried about the emerging political situation in the country . . . informal groups exploit the difficulties with food supply, health care, and the ecological situation to confuse people, sow discord, whip up unhealthy nationalist sentiments, and even sometimes put forward antisoviet and antiparty slogans."

— *A. P. Myashnikov, Irkutsk miner*

"Economic reform is marking time [because of] the inconsistent, hasty, ill-considered adoption of a number of legislative acts, such as those on the struggle against drunkenness, and the cooperative movement. . . . Speculation . . . has essentially become legal."

— *Yuriy Solovyev, Leningrad party boss*

"I think it is downright immoral to stir up such questions [referring to public suggestions to remove Lenin from the mausoleum]. Why do senior officials and secretaries of the Central Committee, in particular comrades Yakovlev and Medvedev, who are responsible for ideology . . . not rebuff our ideological opponents?"

— *R. S. Bobovikov, Vladimir Obkom boss*

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USSR:

Frustrations With Perestroyka Vented at Plenum

The debate in the Central Committee Tuesday, published in part in yesterday's Soviet press, shows General Secretary Gorbachev's determination to press ahead with reform despite the difficulty of forging a consensus in the party on specific policies. [REDACTED]

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In his closing speech, Gorbachev admitted failing to solve the country's grave economic problems. He noted that many of the policies he supported, including increased spending on social programs, along with the leadership's failure to control growing investment and military expenditures, had contributed to a rapidly growing budget deficit. Gorbachev acknowledged that his economic reforms had removed the levers the center needs to influence enterprise activity without giving enterprises incentives to work flat out for the state. [REDACTED]

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Gorbachev forcefully rejected the argument advanced by some speakers that reforms had gone "too far," however, and argued that, on the contrary, the elections for the new Congress of People's Deputies last month amounted to a public mandate for further reform. He blamed many of the economic problems on mismanagement at all levels, citing some Central Committee members by name and criticizing party bosses for not providing leadership. Gorbachev warned that officials are personally accountable for overseeing reform and implied that economists must provide a better blueprint. [REDACTED]

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In contrast, many—including several not retiring from the Central Committee—endorsed further reform in principle, but attacked the specifics. They were particularly critical of excesses in *glasnost* and democratization and of ill-conceived economic reforms. Leningrad party boss Solovyev, defeated in the March elections, expressed concern that some members were trying to turn the party into a group of debating clubs. Of the Central Committee members who were resigning, most appeared to accept their fate grudgingly, while a few expressed open dissatisfaction. [REDACTED]

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[REDACTED] Gorbachev's speech indicates that, with the plenum's retirement of more than 20 percent of the Central Committee behind him, he will take the political offensive in deepening his reform program. The frustrations voiced by Central Committee members suggest, however, that he will continue to face difficulty in getting many Central Committee members on board with specific policies. And it remains to be seen whether Gorbachev can follow his critique of economic problems with a workable means for solving them. [REDACTED]

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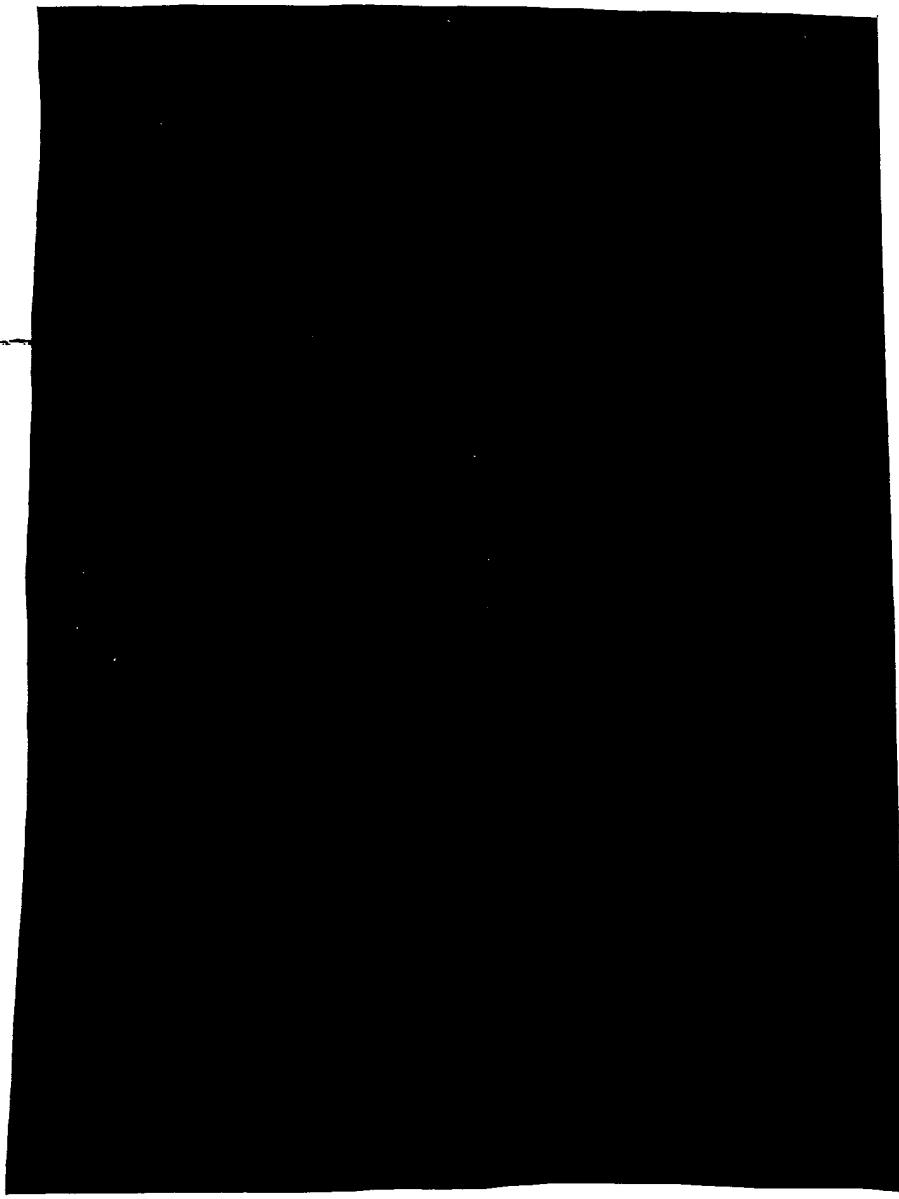
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PARAGUAY:

Rodriguez Favored in Election Monday

General Rodriguez, who has ruled Paraguay since overthrowing Alfredo Stroessner in February, is headed for a decisive win in the presidential election; his Colorado Party should take the congressional contest.

Rodriguez may capture as much as 70 percent of the vote, [redacted]. His chief challenger, Domingo Laino of the Authentic Radical Liberal Party, [redacted] is prepared to accept the election results, satisfied for now with establishing a political base. Colorado legislative candidates are not faring as well as Rodriguez, [redacted] and Laino's party hopes to win a fourth of the seats.

Rodriguez has promised to reform the corrupt, authoritarian system of the Stroessner era and is campaigning as the man to guide Paraguay to democracy. The Colorados have publicly proposed revising the constitution to outlaw successive presidential terms, and Rodriguez has said he will step down in 1993. The press is already being allowed unprecedented freedom, and trials of members of the former regime on charges of corruption and human rights abuses are under way.

Some members of the ruling elite are resisting economic and political change that could threaten their power bases. [redacted] the military continues to sanction contraband. The Supreme Court President has resigned because of pressure to grant favors to government officials.

[redacted] Rodriguez has no need to resort to fraud, but old-line Colorado bosses may try to rig local balloting. He will probably shuffle the cabinet and military command after his inauguration to consolidate his position. Disunity in the Colorado Party's leadership, which helped bring down Stroessner, will remain a challenge. And Rodriguez's followthrough on his professed commitment to democratic reforms may be determined in large measure by his willingness and ability to overcome resistance by the party's old guard.

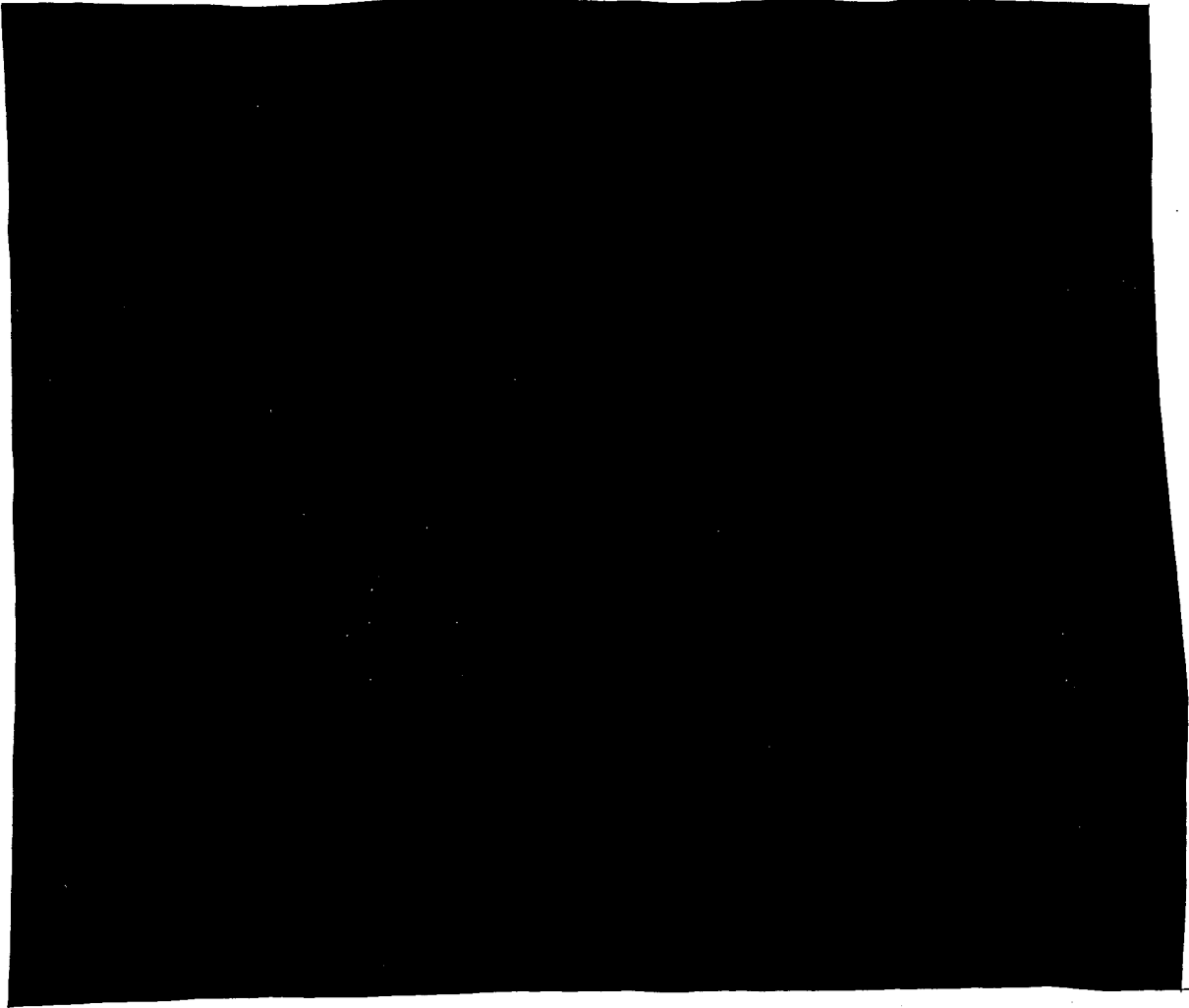
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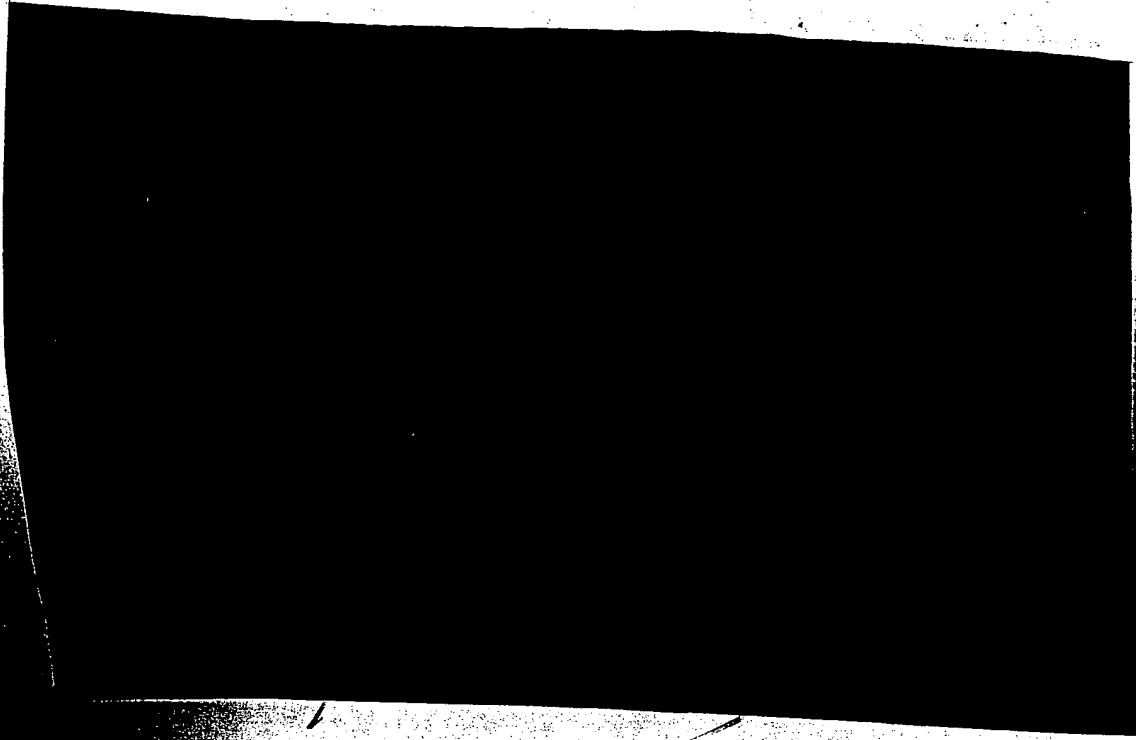
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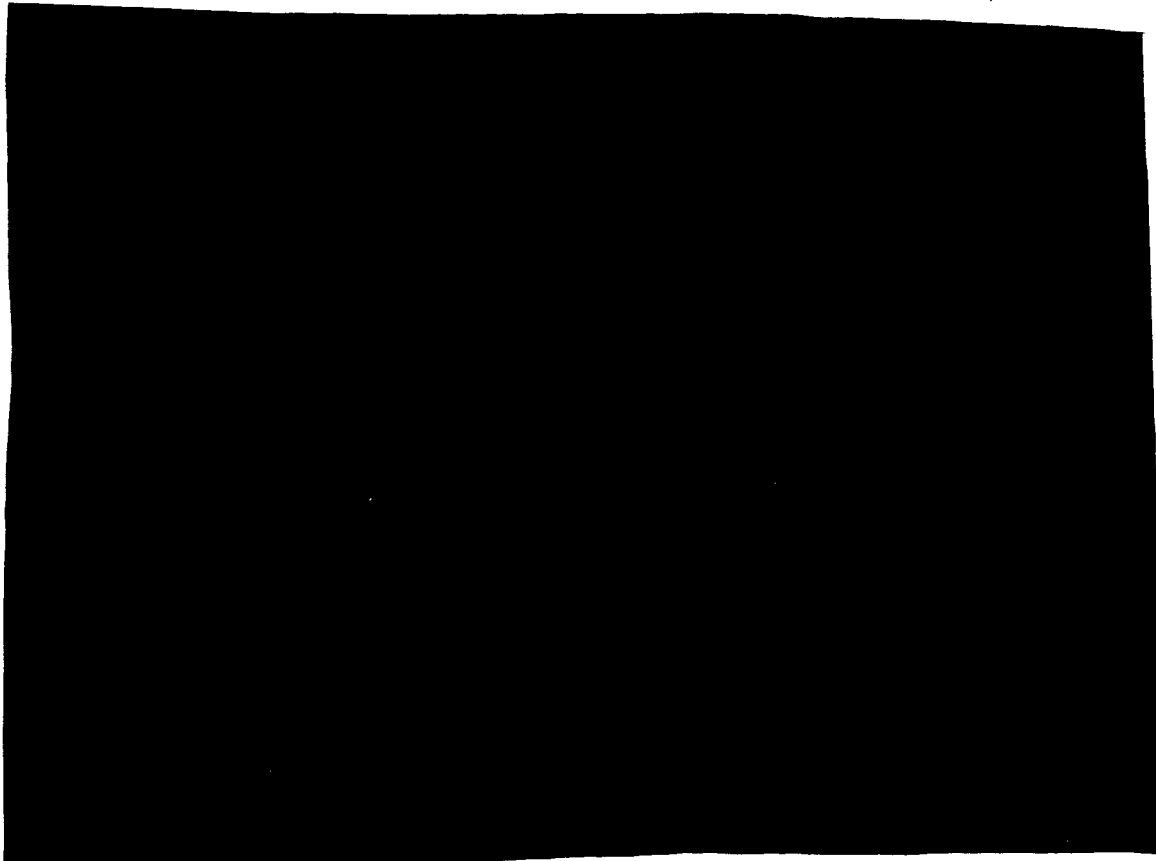
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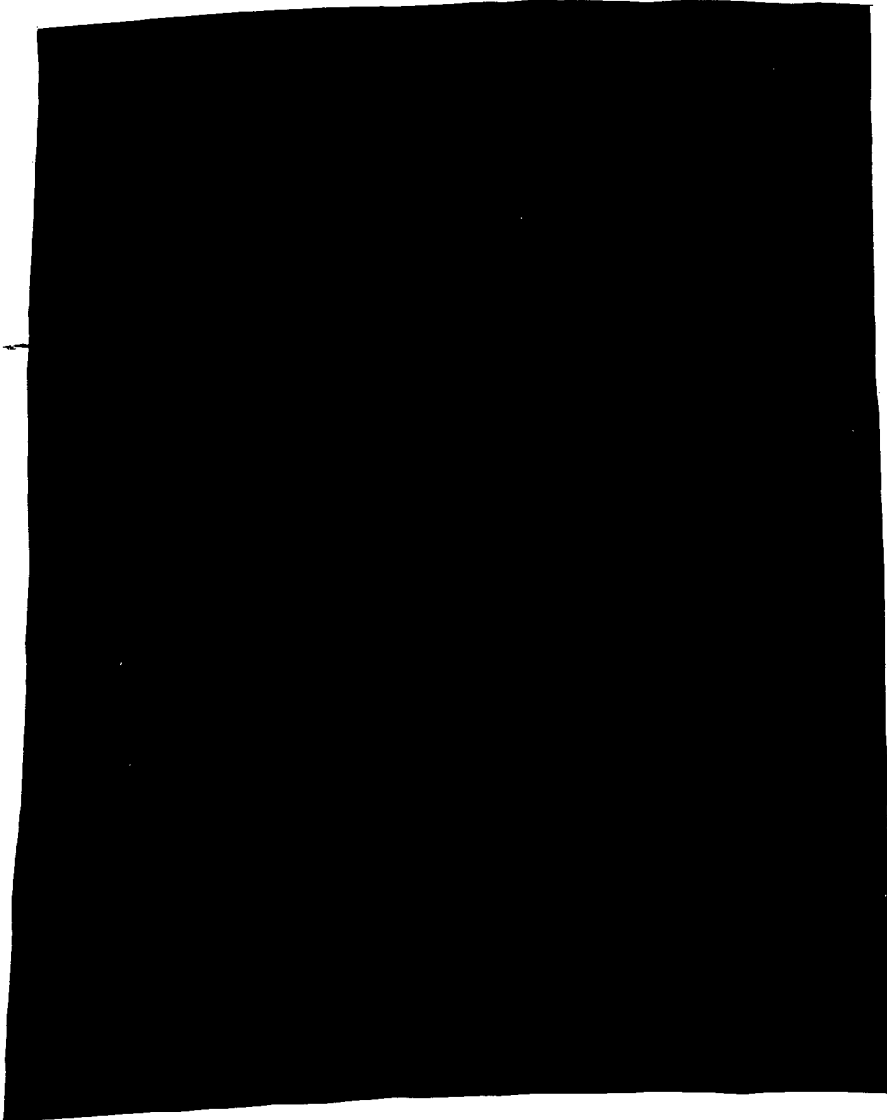
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CHINA: Government Offers To Talk With Students

Chinese leaders yesterday accepted a student demand for a dialogue but insisted that students go through official student unions and stop their protests. Beijing students told Western reporters that they viewed the offer as a concession and apparently remained on campus.

[REDACTED] b3

b3 [REDACTED] The government is probably trying to buy time and get the students out of the streets as international delegates and foreign reporters begin to arrive for a meeting of the Asian Development Bank next week—China's first large international conference. Chinese leaders are not likely to accept other student demands, however, which include a free press and rescinding regulations against demonstrations. Students, for their part, probably will insist on dealing directly with the leadership; they will try to hold more demonstrations on or before 4 May, the 70th anniversary of a pro-democracy movement, if they are rebuffed. [REDACTED]

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NICARAGUA: Poll Shows Opposition Gains

Although an independent public opinion poll suggests the opposition parties collectively may be more popular than the Sandinistas, the opposition still has virtually no prospect of winning the election next February. The survey, conducted for the left-leaning opposition newspaper *La Cronica*, showed 36 percent of respondents favoring opposition parties, an increase of 11 percent over last month, 30 percent favoring the ruling party, and 25 percent undecided. The rest said they would not vote in the election. Violeta Chamorro, owner of the opposition newspaper *La Prensa*, appears to be the opposition's most popular candidate, virtually tied with President Ortega at slightly less than 15 percent of the first preference responses. Chamorro has not yet said she would run for president even though some opposition groups favor her candidacy. [REDACTED]

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b3 [REDACTED] The validity of the poll is difficult to gauge, but even if opposition parties are more popular collectively than the Sandinistas, they cannot defeat the ruling party without uniting behind a single candidate; even if they did, the security apparatus would thwart them. Erick Ramirez of the Social Christian Party has already declared his candidacy, and other political figures are likely to follow his lead. The Sandinistas will use whatever tactics necessary, through the electoral machinery, mass organizations, and the vast security apparatus, to prevent an opposition win. [REDACTED]

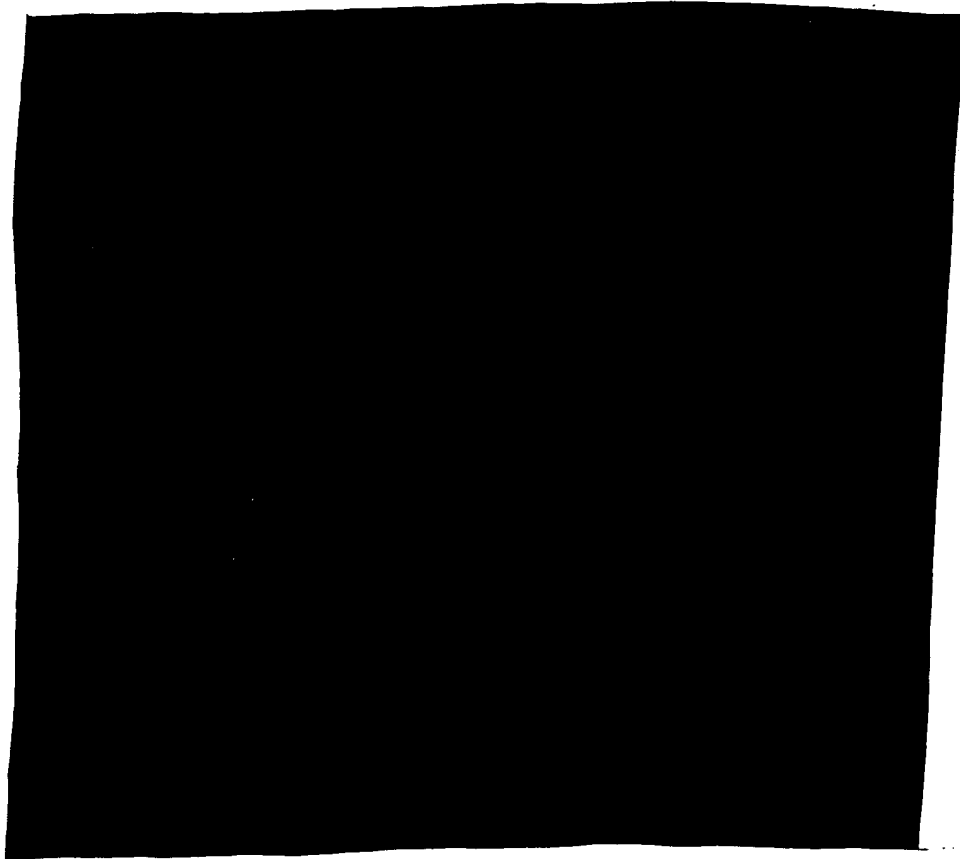
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HUNGARY: Ministers Changed Without Party's Say

Premier Nemeth, under pressure from both opposition groups and the official trade union to improve his government's performance, has appointed six experienced, well-educated technocrats to head key ministries. Under a new party rule, Nemeth proposed the changes directly to the National Assembly without getting prior approval from the party. The Assembly must decide whether to confirm the new ministers at its next session next month.

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b3 [redacted] By putting his own team in place and proposing them directly to the Assembly, Nemeth is able to distance himself and his nominees from the party and undercut further General Secretary Grosz's already weakened position. The new chairman of the National Planning Office, who is a leading candidate to head the new economics ministry, is not even a party member. [redacted]

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EC: New Strategy on Eastern Europe

The decision by the EC Foreign Ministers this week to coordinate their economic and political policies toward Eastern Europe shows an increased willingness to use the Community's economic weight to pursue political objectives. Belgian Foreign Minister Tindemans said the Ministers' new position on Eastern Europe was the EC's answer to *perestroyka*. The first actions under the new policy were to suspend formally the negotiations with Romania because of Bucharest's human rights record and to accelerate trade talks with Poland because of its recent political reforms. [redacted]

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b3 [redacted] The EC in the past had gone to great lengths to keep political and economic agendas separate, and the new pronouncement shows the Community's growing confidence and the importance it assigns to Eastern Europe. The Ministers probably believe their approaches to Romania and Poland, which mirror the policies of most individual West European states, will encourage East European reforms. Any sign that the EC can use its economic leverage to affect events in Eastern Europe even marginally probably would encourage a similar approach to other regions, such as Central America. [redacted]

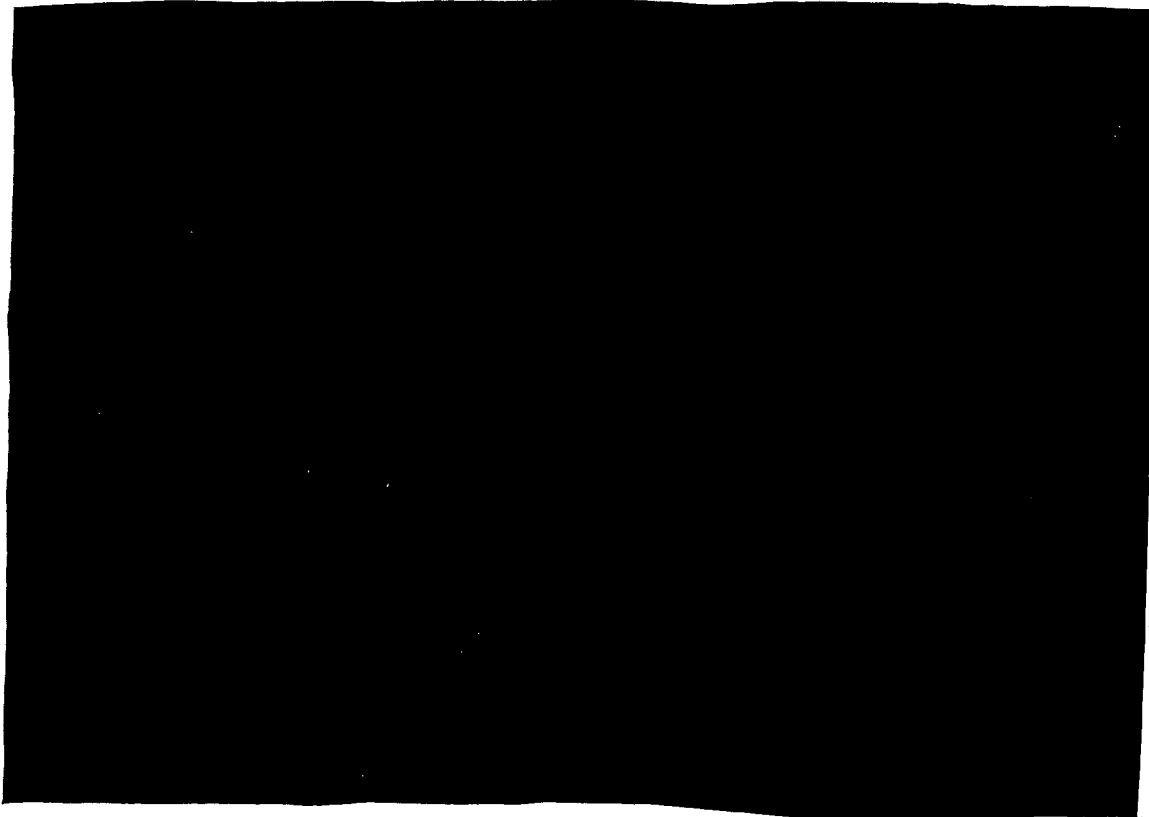
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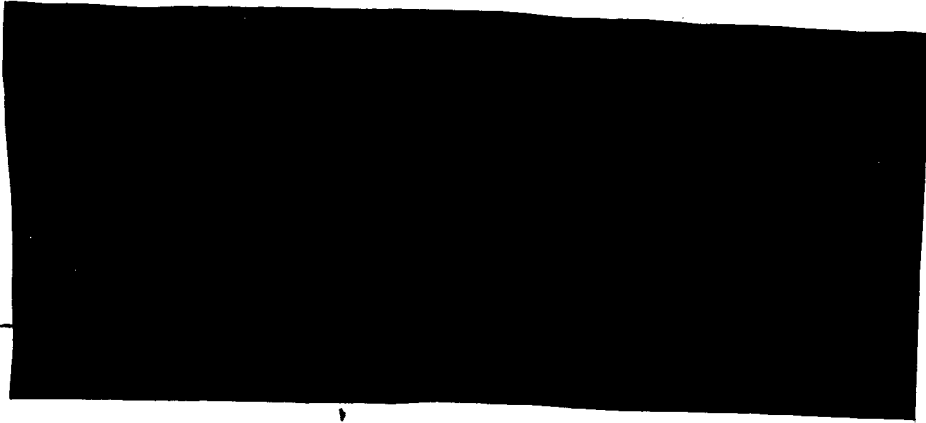
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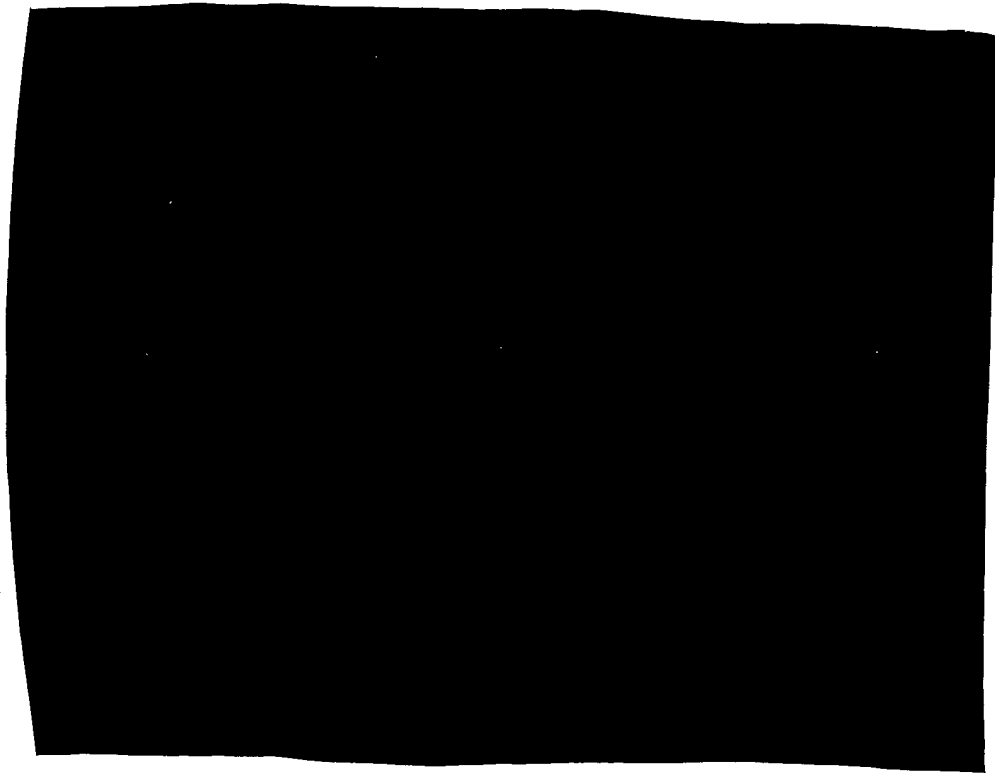
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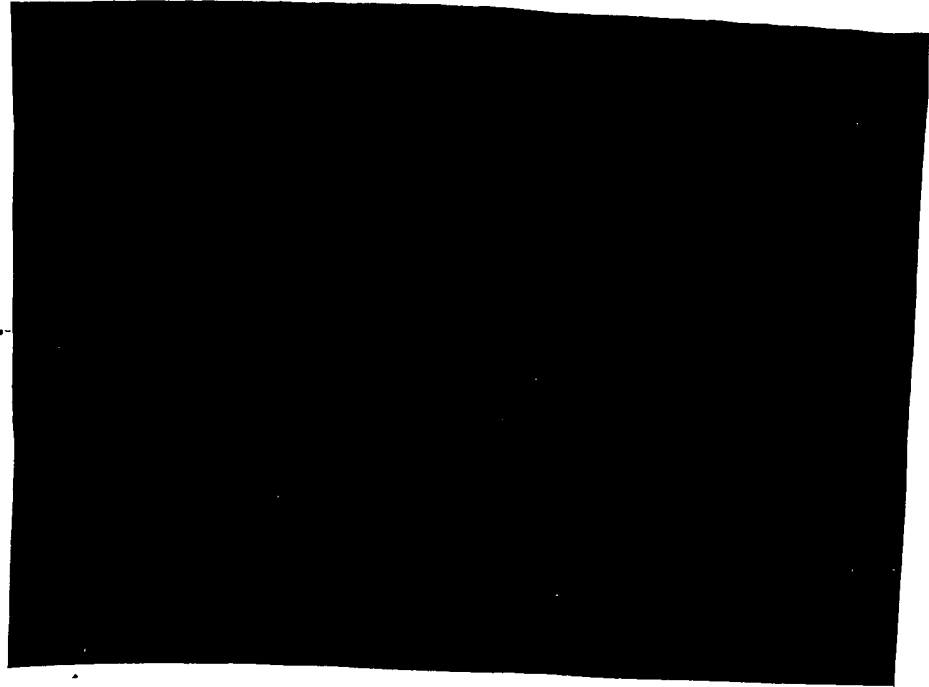
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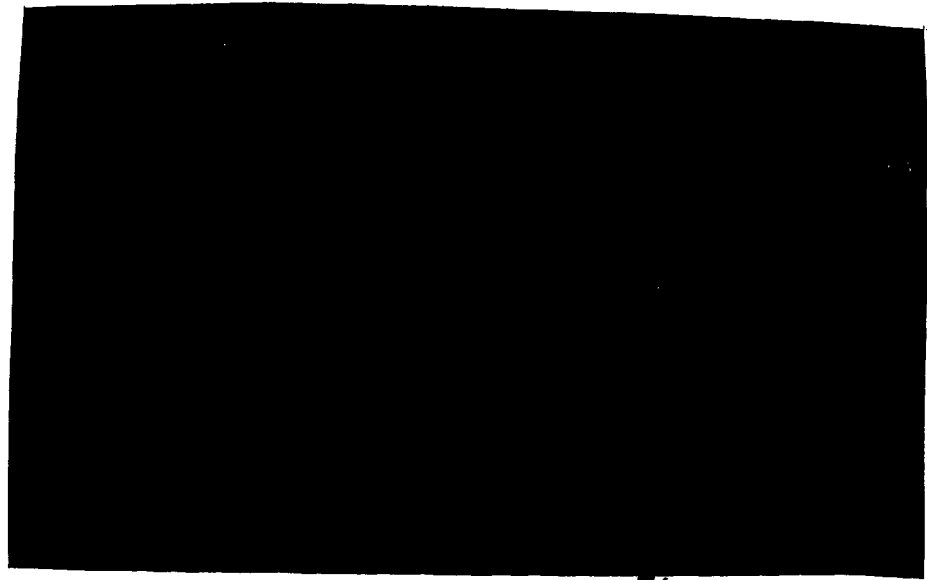
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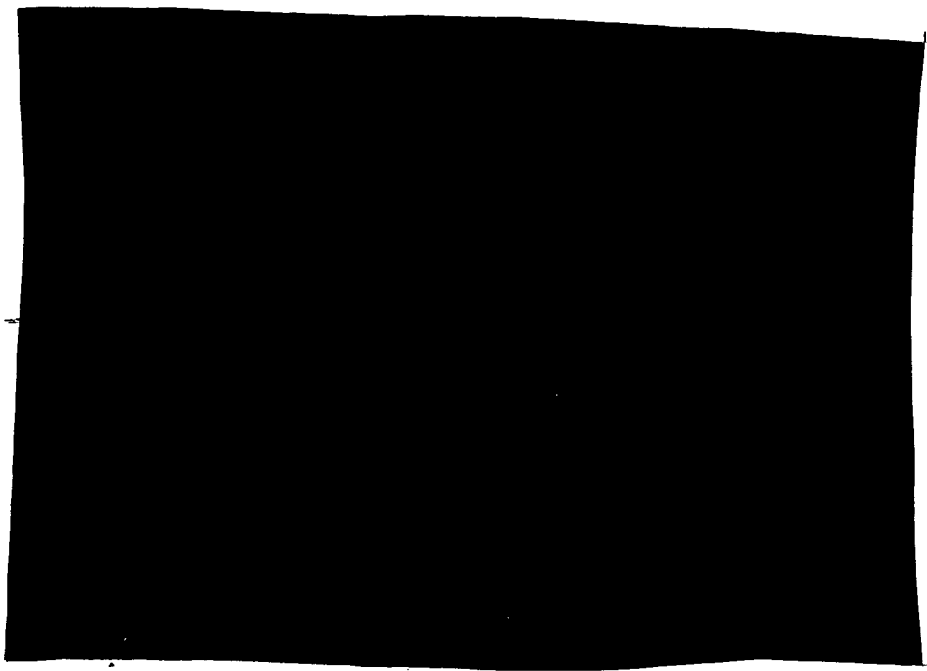
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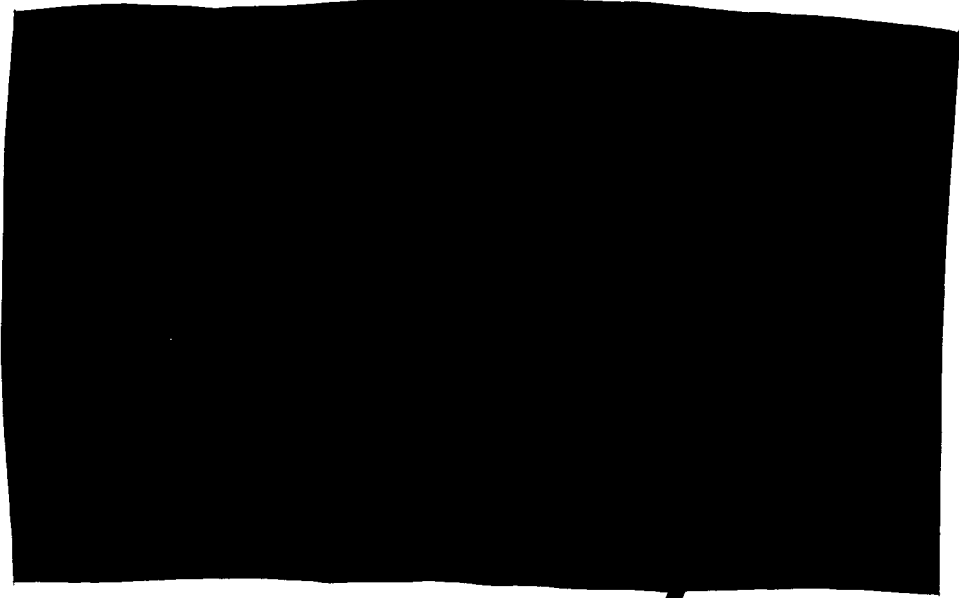
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NEW ZEALAND: Uproar Over Lange's ANZUS Statement

Prime Minister Lange's surprise announcement at Yale University this week that Wellington is considering withdrawing from the ANZUS council has angered members of his Cabinet and is drawing strong public opposition.

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[REDACTED]

Lange's announcement also caught his Labor Party offguard, and Labor members were reluctant to defend him during a Parliamentary debate. New Zealand media have criticized Lange because he had long promised not to withdraw from ANZUS.

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[REDACTED]

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Lange's announcement is sure to revive complaints in the Cabinet that he is unreliable and could encourage challenges to his leadership. The party warned him last year against making unilateral decisions, and the public criticism of his US speech suggests he has now lost even more credibility. Lange, who returns home this weekend, will probably press ahead with a withdrawal from ANZUS in the hope of turning the public against the opposition National Party, which says it would welcome a resumption of US Navy ship visits if it wins the election in October 1990.

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In Brief

Europe

— Italian Foreign Minister Andreotti yesterday reiterated need for progress on conventional arms talks before SNF negotiations...

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— Hungarian party president Janos Kadar seriously ill, unable to perform ceremonial duties... reformers calling for critique of Kadar era... political problems of party boss Grosz limit his ability to prevent Kadar's ouster.

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USSR

— Violent student riots [REDACTED] closed universities for three days in Tashkent, [REDACTED]... Arab students were source of information... local students said to be protesting presence of foreign, Russian students.

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— Leading Soviet economic adviser this month said publicly 1991-95 plan will feature tight financial policy... sharp cut in spending for defense, space... defense portions of five-year plan probably being finalized.

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[REDACTED]

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East Asia

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Middle East

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