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TO: [REDACTED] EUROPEAN BRIEF.

WNINTEL

[REDACTED]

SUBJECT: EUROPEAN BRIEF [REDACTED] FOR 03 AUGUST 1989

FROM: DDI/O/CPAS [REDACTED]

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1. LEBANON: SITUATION REPORT [REDACTED] b3

HOSTAGE CRISIS

THE HOSTAGE CRISIS REMAINS TENSE WITH HIZBALLAH AND ISRAEL TRADING THREATS, BUT EACH APPEARS TO BE WAITING FOR THE OTHER TO MOVE FIRST.

Approved for Release
Date JUN 1999

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BE CAREFUL NOT TO JEOPARDIZE SOVIET TIES TO IRAN OR SYRIA BY PRESSING TOO HARD FOR CONCESSIONS. THE USSR IS ALSO SENSITIVE TO FEARS IN SYRIA AND IRAN OF SUPERPOWER COLLUSION, AND IT WILL TRY TO AVOID APPEARING TO BE AN ADVOCATE OF US VIEWS ON THE HOSTAGES.

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2. USSR: GORBACHEV TRADING ON FOREIGN POLICY SUCCESSES

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PRESIDENT GORBACHEV'S SPEECH ON FOREIGN POLICY TO THE SUPREME SOVIET ON TUESDAY SUGGESTS HE EXPECTS THAT BODY TO HELP PUSH HIS FOREIGN AND DEFENSE POLICY INITIATIVES MORE AGGRESSIVELY.

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GORBACHEV GAVE A GLOWING ACCOUNT OF HIS MEETINGS WITH LEADERS OF OTHER COUNTRIES, EXPLICITLY REFUTING CRITICS WHO HAVE ACCUSED HIM OF SPENDING TOO MUCH TIME ON FOREIGN AFFAIRS AND MAKING TOO MANY CONCESSIONS TO THE WEST. HE SAID FOREIGN AND DOMESTIC POLICIES ARE INEXTRICABLY LINKED AND SUCCESS OR FAILURE IN THE ONE ARENA WOULD AFFECT THE OTHER.

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IMPLICITLY DISPUTING A REMARK BY DEFENSE MINISTER YAZOV IN LONDON LAST WEEK, GORBACHEV CREDITED THE WEST WITH A SERIES OF RESPONSES TO UNILATERAL SOVIET MILITARY CONCESSIONS. HE INCLUDED THE LEVELING OFF IN US DEFENSE SPENDING, THE WITHDRAWAL FROM EUROPE OF A NUMBER OF NUCLEAR WEAPONS, AND THE POSITIVE US RESPONSE TO SOVIET CONVENTIONAL ARMS CONTROL PROPOSALS.

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GORBACHEV INVITED THE CONGRESS OF PEOPLE'S DEPUTIES, THE SUPREME SOVIET, AND ITS RELEVANT COMMITTEES AND COMMISSIONS TO HELP ENSURE THAT THE USSR STRICTLY ABIDES BY ITS TREATY COMMITMENTS. HE IMPLIED THAT PAST COMMITMENTS HAD BEEN VIOLATED BECAUSE THE POLITICAL LEADERSHIP LET THE BUREAUCRACY FRUSTRATE ITS INTENT.

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THE SOVIET PRESIDENT COMPLAINED ABOUT THE DIFFICULTY OF CHANGING THE USSR'S FOREIGN ECONOMIC POLICY, CLAIMING IT WAS MUCH MORE DIFFICULT THAN DEALING WITH HUMAN RIGHTS OR ARMS CONTROL. HE ALSO PLAYED UP HIS OWN ROLE IN CHANGING THE USSR'S INTERNATIONAL IMAGE, NOTING THE IMPORTANCE OF PERSONALITY IN CURRENT INTERNATIONAL POLITICS.

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GORBACHEV GOT FEW SOFT QUESTIONS IN THE SESSION AFTER HIS REPORT. HE TOLD A DEPUTY THAT THE LEADERSHIP HAD ALREADY DECIDED TO CUT TENS OF WEAPONS PROGRAMS AND WOULD BE SOLICITING THE SUPREME SOVIET'S ADVICE ABOUT ADDITIONAL CUTS.

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THIS WAS GORBACHEV'S FIRST APPEARANCE BEFORE THE SUPREME SOVIET IN RESPONSE TO THE NEW BODY'S REQUEST, AND HE USED IT TO TRY TO RESTORE NATIONAL MORALE AND HIS OWN IMAGE AS A LEADER. BOTH HAVE BEEN UNDERMINED BY THE UNPRECEDENTED STRIKES AND ETHNIC CLASHES OF RECENT MONTHS.

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3. POLAND: ROUGH ROAD AHEAD FOR NEW PREMIER

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NEWLY CONFIRMED PREMIER KISZCZAK, PRESIDENT JARUZELSKI'S CLOSEST POLITICAL AIDE, FACES WHAT HE HAS TERMED SEVERAL CRITICAL

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WEEKS TRYING TO FORM A CABINET, SET ECONOMIC POLICY, AND DEAL WITH POTENTIALLY EXPLOSIVE PRICE HIKES. [REDACTED] b3

b3 MOST COMMUNIST AND OTHER COALITION DELEGATES SUPPORTED KISZCZAK, BUT THE OPPOSITION VOTED AGAINST HIM EN MASSE. [REDACTED] b3
[REDACTED] THE UNITED PEASANT PARTY (UPP), WHICH HAS BEEN ALLIED WITH THE COMMUNISTS, BALKED AT THE NOMINATION BUT TOED THE LINE AFTER INTENSE NEGOTIATIONS WITH KISZCZAK AND JARUZELSKI. ELECTING A PREMIER WAS ALSO COMPLICATED BY THE BITTER PARTISAN EFFORTS OF SOME SOLIDARITY DELEGATES TO IMPEACH FORMER PREMIER RAKOWSKI. [REDACTED] b3

b3 [REDACTED] WITH THE TOP GOVERNMENT POSTS CONTROLLED BY TWO CLOSELY ASSOCIATED MILITARY MEN, JARUZELSKI AND KISZCZAK, THE COMMUNIST PARTY PROBABLY WILL CONTINUE SLOWLY DECLINING IN IMPORTANCE. THE UPP'S MANEUVERING WAS PART OF EFFORTS TO WIN CABINET POSTS, INCLUDING A DEPUTY PREMIERSHIP AND POSSIBLY THE FOREIGN MINISTRY TO GAIN A VOICE IN AGRICULTURAL POLICY, AND TO OFFSET THE INFLUENCE OF PRIVATE FARMERS' SOLIDARITY, AN IMPORTANT ELEMENT IN THE OPPOSITION. BOTH JARUZELSKI AND KISZCZAK WILL TRY TO BUILD ON THEIR PERSONAL RECORD OF NEGOTIATING WITH SOLIDARITY LEADERS TO WIN OPPOSITION SUPPORT FOR NECESSARY TOUGH REFORMS; KISZCZAK HAS ALREADY SAID HE WILL TRY TO BRING OPPOSITION FIGURES INTO HIS GOVERNMENT. [REDACTED] b3

b3 THE OPPOSITION HAS FEW INCENTIVES FOR COOPERATION AND WILL ATTACK THE GOVERNMENT'S PROGRAM, CITING THE PARTY'S REPEATED ABUSE OF POWER. MANY OPPOSITION DELEGATES APPARENTLY BELIEVE THE KISZCZAK GOVERNMENT WILL BE SHORT LIVED AND PROBABLY REALIZE THAT SUPPORTING THE REFORM PROGRAM MIGHT ALIENATE LARGE PARTS OF THEIR CONSTITUENCIES. PLANT CLOSINGS, FOR EXAMPLE, WOULD ANGER WORKERS, AND REMOVING FOOD SUBSIDIES COULD DIVIDE URBAN CONSUMERS FROM FARMERS IN OPPOSITION RANKS. [REDACTED] b3

KISZCZAK PROBABLY HOPES FOR A BREATHING SPACE AFTER TUESDAY'S PRICE HIKES TO PUT TOGETHER HIS GOVERNMENT AND TO ENUNCIATE ECONOMIC POLICY. MOST OBSERVERS, HOWEVER, PREDICT WIDESPREAD UNREST AS THE FULL FORCE OF THE HIKES HITS IN COMING WEEKS. SOLIDARITY LATER THIS MONTH ALSO OBSERVES SEVERAL IMPORTANT ANNIVERSARIES THAT HAVE SPARKED MASSIVE DEMONSTRATIONS IN THE PAST. THE IMPEACHMENT PROCEEDINGS AGAINST RAKOWSKI MAY ALSO SIGNIFY THAT DEADLOCK AND BITTER CONFLICT ARE MORE LIKELY THAN POLITICAL COMPROMISE IN THE NEAR TERM. [REDACTED] b3

4. YUGOSLAVIA: RECALL OF ENVOY TO US [REDACTED] b3

BELGRADE'S RECALL OF AMBASSADOR KOVACEVIC FROM WASHINGTON ON TUESDAY IS INDICATIVE OF SERBIAN STRONGMAN MILOSEVIC'S EFFORTS TO INFLUENCE YUGOSLAV FOREIGN POLICY IN WAYS LIKELY TO HARM RELATIONS WITH THE US. [REDACTED] b3

b3 BELGRADE HAS GIVEN KOVACEVIC'S REMOVAL LOW-KEY TREATMENT, BUT [REDACTED] IT WAS PROMPTED MAINLY BY SERBIAN OFFICIALS. THE SERBIAN PRESS, WHICH MILOSEVIC CONTROLS, HAS ATTACKED KOVACEVIC AND FOREIGN MINISTER LONCAR IN PAST MONTHS FOR FAILING TO ADEQUATELY DISPUTE WESTERN CHARGES THAT SERBIA IS VIOLATING THE HUMAN RIGHTS OF ETHNIC ALBANIANS IN KOSOVO PROVINCE. THE SERBIAN REPUBLIC ALSO HAS ISSUED ATTACKS ON US OFFICIALS, OPPOSED KEY FOREIGN TRADE LEGISLATION PROPOSED BY PREMIER MARKOVIC IN HIS ECONOMIC REFORM PACKAGE, AND INCREASED FOREIGN VISITS AND PRESS STATEMENTS BY THE REPUBLIC'S PREVIOUSLY MORIBUND FOREIGN MINISTRY. [REDACTED] b3

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MILOSEVIC'S AGGRESSIVE CAMPAIGN IS GENERATING CONCERN IN BELGRADE AND ABROAD. LONCAR LAST WEEK PUBLICLY WARNED THAT THE LATEST SERBIAN MOVES COULD JEOPARDIZE THE COUNTRY'S HERETOFORE UNIFIED FOREIGN POLICY. MARKOVIC STRONGLY CRITICIZED SERBIAN OPPOSITION TO HIS GOVERNMENT'S FOREIGN TRADE PROPOSALS.

[REDACTED]

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b3 [REDACTED] KOVACEVIC'S RECALL IS THE STRONGEST INDICATION YET THAT MILOSEVIC IS MAKING SOME HEADWAY IN IMPAIRING BELGRADE'S ABILITY TO IMPLEMENT FOREIGN POLICY. MILOSEVIC PROBABLY HOPES THE CAMPAIGN WILL DEFLECT THE BRUNT OF US AND WESTERN CRITICISM OF SERBIAN ACTIONS IN KOSOVO TO OTHER OFFICIALS.

THE SITUATION MAY ALSO BURDEN BILATERAL RELATIONS WITH THE US. BELGRADE WILL MORE STRONGLY PROTEST US STATEMENTS ON KOSOVO, AND THE SERBIAN PRESS PROBABLY WILL INCREASINGLY PORTRAY US OFFICIALS AS X'ANTI-SERB.'. YUGOSLAV OFFICIALS, FEARING SERBIAN CENSURE, ARE LIKELY TO BE LESS FLEXIBLE IN TALKS WITH THE US. ETHNIC GROUPS IN YUGOSLAVIA MAY TRY TO EMBROIL THE US IN THEIR DOMESTIC STRUGGLES, AND AGREEMENT ON IMF DEBT RESCHEDULING, COULD BE THWARTED BY THE ATTACKS ON MARKOVIC'S REFORM PROPOSALS.

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5. INTERNATIONAL: CRUDE OIL PRICES SLIDING

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WORLD CRUDE OIL PRICES HAVE FALLEN TO THEIR LOWEST LEVELS SINCE FEBRUARY BECAUSE OF SLUGGISH OIL DEMAND AND RISING SUPPLIES. THE AVERAGE PRICE OF CRUDE OIL WORLDWIDE HAS FALLEN \$1.50 IN RECENT WEEKS TO ABOUT \$16.50 PER BARREL. PRELIMINARY DATA SUGGEST THAT THIS YEAR'S OECD OIL DEMAND IS SOMEWHAT SHORT OF EARLIER FORECASTS BECAUSE OF HIGHER OIL PRICES EARLIER IN THE YEAR AND SLOWER-THAN-EXPECTED ECONOMIC GROWTH. MEANWHILE, OIL SUPPLIES HAVE RISEN.

[REDACTED]

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[REDACTED] BECAUSE OPEC IS NOT LIKELY TO LIMIT PRODUCTION SOON, OIL PRICES ARE LIKELY TO REMAIN UNDER DOWNWARD PRESSURE AT LEAST UNTIL 23 SEPTEMBER WHEN THE CARTEL IS EXPECTED TO RECONSIDER ALLOCATING QUOTAS.

[REDACTED]

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6. USSR: REFORMERS SOFTEN LAW ON ANTI-SOVIET ACTIVITIES

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b3 THE SUPREME SOVIET THIS WEEK SIGNIFICANTLY RESTRICTED THE USSR'S CRIMINAL LAW DEALING WITH 'ANTI-SOVIET AGITATION AND PROPAGANDA.' [REDACTED] THE LAWS PREVIOUSLY RESTRICTED INDIVIDUAL FREEDOMS BY DEFINING ANTI-SOVIET AGITATION BROADLY AND BY MAKING CALLS 'FOR OBSTRUCTING THE EXECUTION OF SOVIET LAWS' ILLEGAL. SUCH LAWS HAVE BEEN USED AGAINST SOVIET DISSIDENTS, RELIGIOUS BELIEVERS, AND OTHER NONCONFORMISTS. THE NEW

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VERSION, HOWEVER, DOES PROHIBIT PUBLIC CALLS FOR THE VIOLENT
OVERTHROW OR CHANGE OF THE STATE OR SYSTEM--A PROHIBITION LIKE THOSE
IN THE LAWS OF WESTERN NATIONS. THE SUPREME SOVIET ALSO DELETED FROM
-A DRAFT APRIL DECREE ADDITIONAL PENALTIES FOR USING COPYING MACHINES
TO DISTRIBUTE LITERATURE ADVOCATING THE OVERTHROW OF THE STATE.

THIS VICTORY FOR REFORMERS FOLLOW THE REPEAL IN JUNE
BY THE CONGRESS OF PEOPLE'S DEPUTIES OF A PROVISION OF THE APRIL
DECREE MAKING IT A CRIME TO INSULT STATE OFFICIALS AND REVERSES
ATTEMPTS TO DAMPEN PRESIDENT GORBACHEV'S LEGAL REFORM MOVEMENT BY
HARDLINERS WHO SEEK STRONGER MEASURES TO COMBAT CRIME AND ETHNIC
UNREST. UNCERTAINTIES ABOUT THE NEW LAW REMAIN:
IT IS UNCLEAR, FOR EXAMPLE, WHETHER THE NEW DECREE CONTINUES TO
PUNISH ACTIONS ATTRIBUTED TO FOREIGN INCITEMENT.

7. IN BRIEF



EUROPE

X--EC-SPONSORED MEETING YESTERDAY CALLED FOR COORDINATING
ASSISTANCE TO POLAND, HUNGARY, USING PROCEEDS FROM SALE OF FOOD
SHIPMENTS TO PROMOTE PRIVATE AGRICULTURE . . . NEXT MEETING TO
REVIEW BILATERAL PROGRAMS, IDENTIFY GAPS, ELIMINATE DUPLICATION.

SOUTH ASIA

X--AFGHAN INTERIM GOVERNMENT INFORMATION MINISTRY OBJECTED TO
US-SOVIET TALKS . . . REJECTED ROLE FOR NAJIBULLAH, ZAHIR SHAH,
X'OUTSIDE' SETTLEMENT EFFORTS WITHOUT RESISTANCE PARTICIPATION
X. . . MINISTRY STATEMENT NOT APPROVED BY INTERIM GOVERNMENT.



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