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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

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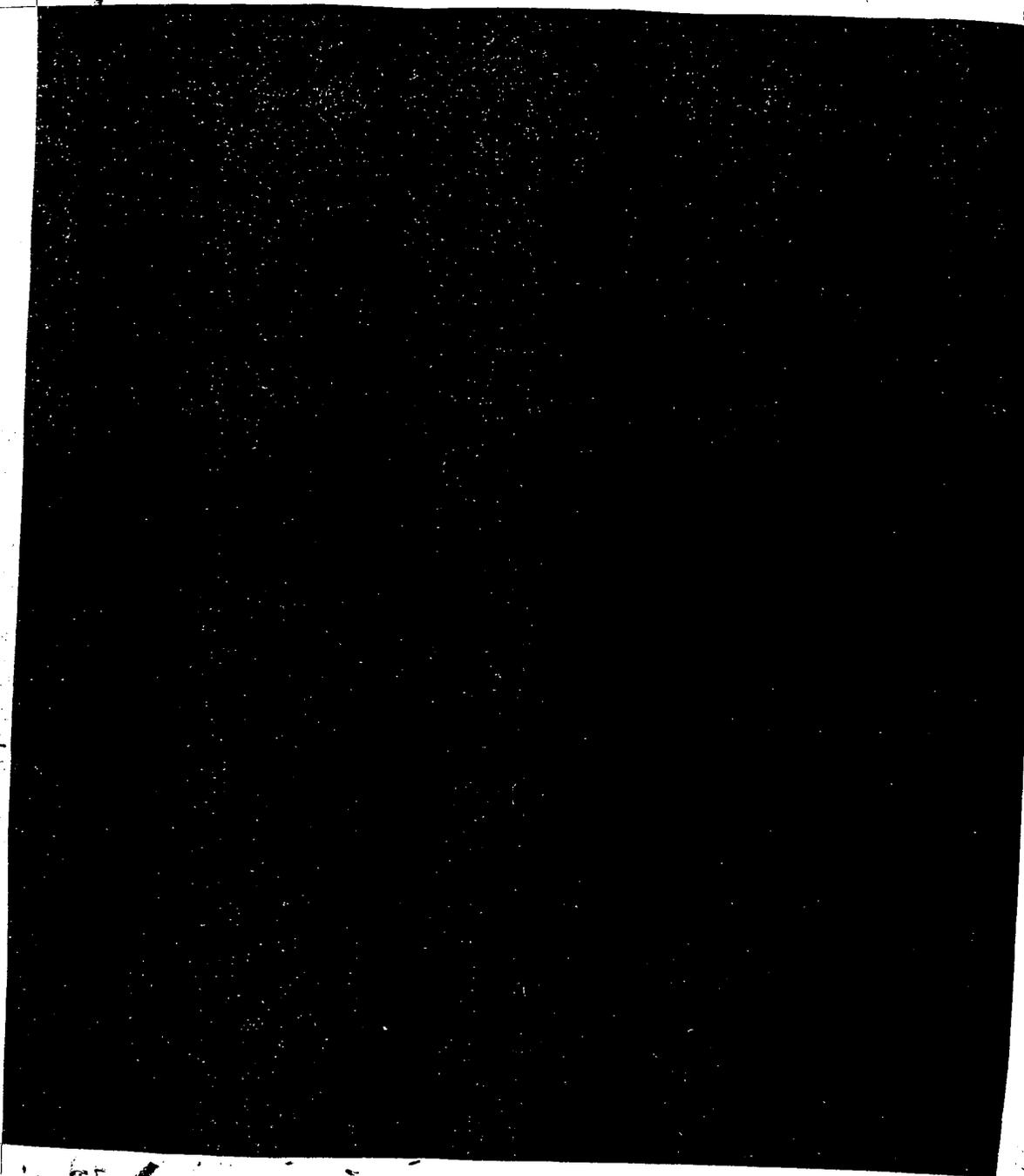
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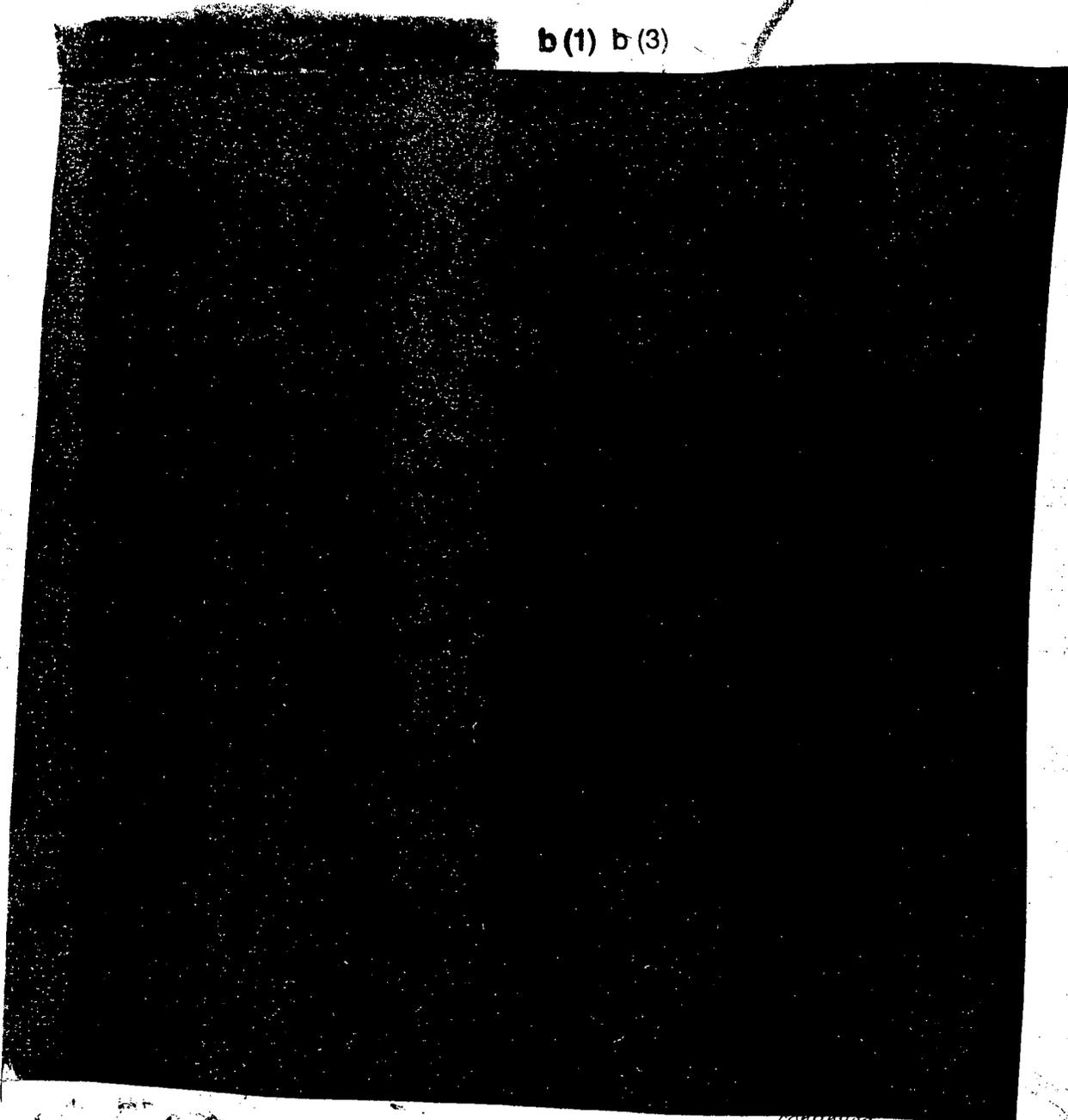
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EC Decides on Details of Monitoring Force

EC foreign ministers yesterday offered a proposal on the structure and functions of the observer force that will monitor the cease-fire and the conditions for starting negotiations for a new constitutional order in Yugoslavia. The force will be deployed as soon as the Yugoslav federal government and the republics of Slovenia and Croatia agree to the proposal.

- The monitoring force will have diplomatic status and consist of 30 to 50 civilian and military observers from all 12 EC member states. None of the monitors will carry firearms and even military personnel will wear civilian clothes. They will operate under the Community flag and report to the EC, Belgrade and the republics, and the CSCE. Their mission will last for 90 days and can be extended by mutual agreement.
- The force will operate in Slovenia and, perhaps, Croatia but not in Serbia unless Belgrade invites them.
- The force will investigate alleged cease-fire violations and certify that Slovenia and Croatia are taking no further steps toward independence. Monitors will also verify the return of troops to their barracks and the release of prisoners.

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YUGOSLAVIA:

Situation Report

The federal Army continues to mobilize forces for a possible operation, and Slovenia's legislature has approved the EC-brokered Brioni peace package.

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Army Under Increasing Strain

Tensions rose again yesterday in Serb areas of Croatia as Serbs allegedly burned an evacuated Croatian village. Croatian officials claim the republic can expect a federal attack in five days. The federal Army continues to mobilize units and has intensified training.

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b (3) The Army's mobilization suggests a major operation may be in the offing. As desertions and strain begin to take their toll, the Army leadership may perceive its only chance for military success is to act soon.

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Slovenia Calls for EC Guarantees

Slovenia's legislature yesterday acquiesced in the controversial EC-brokered Brioni accord by a 10-to-1 margin but also voted to ask the EC to protect Slovenia against future federal military action and requested recognition as an independent state from the other republics.

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The federal Presidency again delayed discussion of the accord, until tomorrow, when it also has called for a meeting with the republic presidents. Macedonia's representative on the Presidency, who

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visited Slovenia on Tuesday, [redacted] both the federation and Slovenia are violating the cease-fire and called for the EC to put pressure on both parties.

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Tensions on Albanian Border

Yugoslav and Albanian border guards exchanged fire Tuesday night after Albanians on both sides of the frontier allegedly tried to knock down border markers. Last week Albanian President Alia placed the Army on alert and reinforced the border in response to reports of planned Serbian aggression against ethnic Albanians in Kosovo.

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[redacted] The idea of a "Greater Albania" is gaining popularity, and Tirane claims the troop reinforcement is to protect against a Serbian attack on Albania or an influx of refugees. The action increases the odds that Albania could become embroiled in Kosovo if violence occurs there, but the Albanian military would not be much of a threat to Yugoslav forces.

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SOUTH AFRICA: Reactions to Lifting of US Sanctions.

South African government and business leaders welcomed the lifting of most US sanctions, while the ANC has offered muted criticism. **b (3)**

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South African business leaders not only foresee immediate benefits from a resumption of trade but also emphasize that increased business confidence will help revive the economy, now mired in recession. **b (3)**

ANC leaders said that, in light of continuing violence and disputes over political prisoners, sanctions were scrapped prematurely but added that the move would not adversely affect ANC relations with Washington. At their recent conference, ANC delegates failed to reach a consensus on sanctions. **b (3)**

b (3) President de Klerk's popularity will be boosted among whites who are particularly anxious for reduced international isolation and even modest economic benefits. Because significant uncertainty over future political stability and economic policies almost certainly will discourage sizable inflows of new foreign capital, the removal of US sanctions probably will have only a limited impact on the South African economy over the near term. Regaining IMF borrowing privileges, still impeded by remaining US sanctions legislation, will be one of Pretoria's primary goals. **b (3)**

ANC leaders clearly placed a higher priority on prior US consultation than on the specific timing of the move. Although they will still work to slow the lifting of remaining Western sanctions, they are unlikely to dissuade other countries from resuming trade with South Africa. US influence with black militants—never strong—will fall over the short term. **b (3)**

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USSR: Tough Vote Likely at Russian Congress

During the inauguration yesterday of Boris Yel'tsin, he and Gorbachev both spoke briefly, emphasizing cooperation between the center and the republics. Yel'tsin declared his support for "radical" reforms, and Gorbachev congratulated Yel'tsin on his election. The Russian Congress today begins voting on a new Supreme Soviet chairman from among six candidates: first deputy chairman Pavel Khasbulatov, legislation committee chairman Sergey Shakhray, foreign affairs committee chairman Vladimir Lukin, Rossiya bloc chairman Sergey Baburin, Russian Communist Party Politburo member Viktor Stepanov, and sociologist Nikolay Arzhannikov.

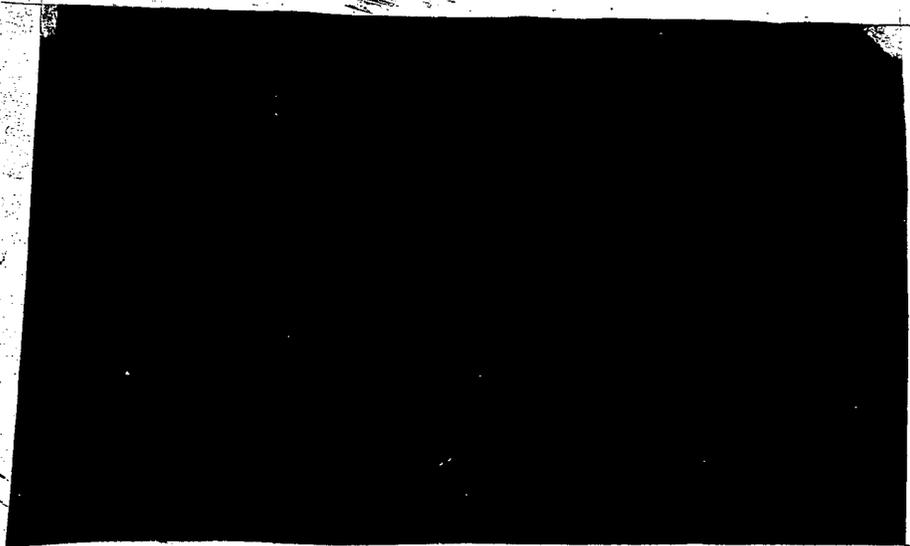
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The Gorbachev-Yel'tsin exchange indicates rapprochement—based on their joint recognition that they need to cooperate to maintain internal stability—continues at least for now. Selecting Yel'tsin's successor, however, will involve intense politicking and probably will not occur in the first round. Neither Democratic Russia nor the Communists of Russia have enough votes to put their respective candidates, Khasbulatov and Stepanov, over the top, and reformers will be divided among Khasbulatov, Shakhray, and Lukin—all of whom are close to Yel'tsin. Many radicals do not support Yel'tsin's preferred candidate, Khasbulatov, and could split their votes between Shakhray and Lukin. If one of the three makes it to a second round against either Stepanov or Baburin, the radicals will close ranks to prevent the Communist Party candidate from winning.

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SOUTH AFRICA: Verifying Nuclear Compliance

South Africa signed the nuclear Non-Proliferation Treaty on Monday [redacted]

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[redacted] Pretoria now has 18 months to bring the NPT protocols into force, which require that all of its nuclear material be open to international inspection. [South Africa operated a pilot uranium enrichment plant for the production of highly enriched, weapons grade uranium (HEU) from the late 1970s until the plant was shut down in February 1990.]

[redacted] Pretoria probably has not made a final decision as to whether to declare all or a part of its HEU. It probably will be disinclined to declare any HEU that has been converted into nuclear weapon components and could decide to maintain a stockpile of such components in South Africa.

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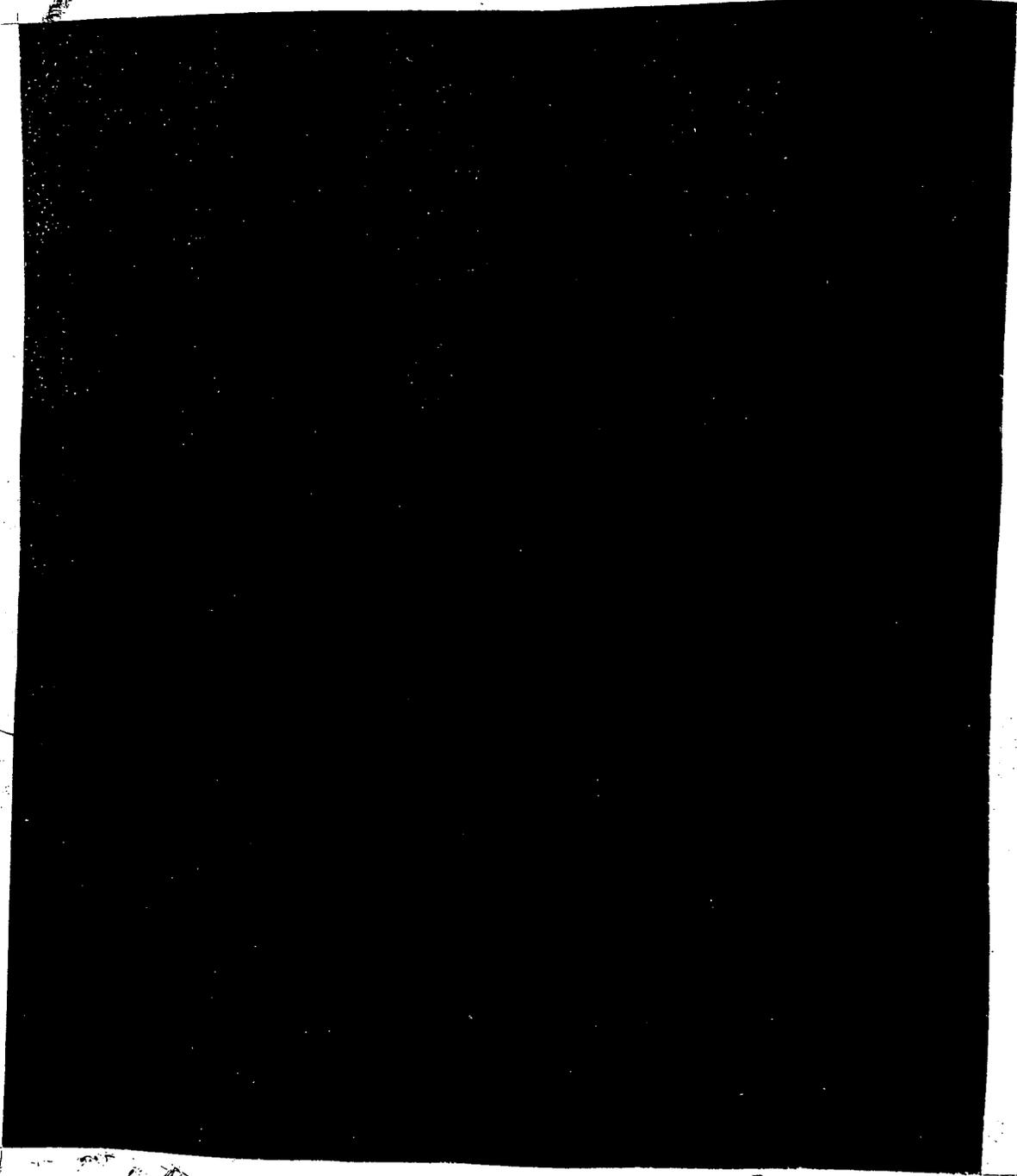
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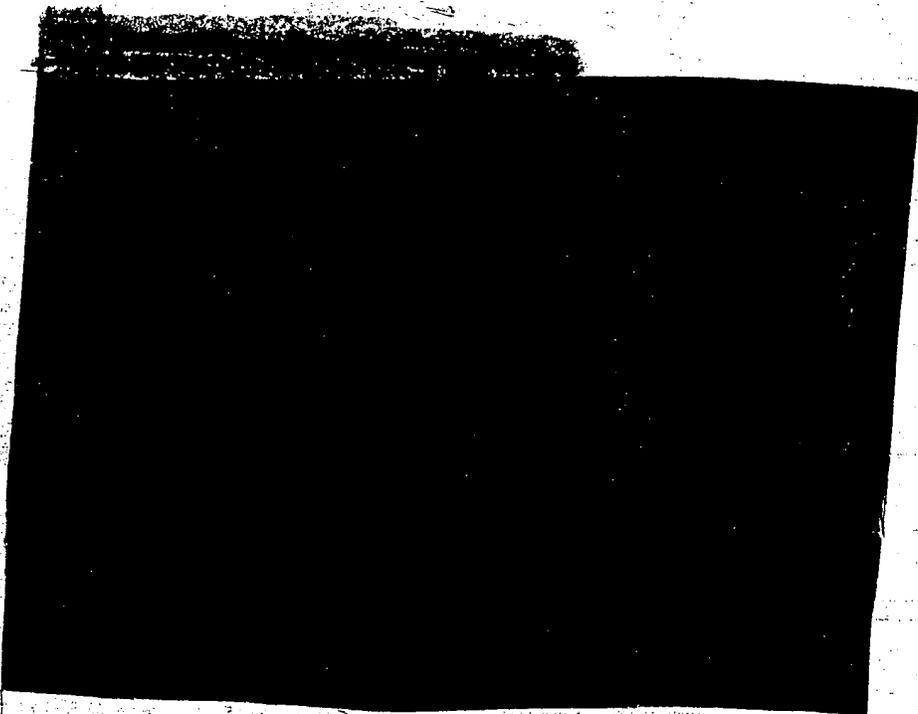


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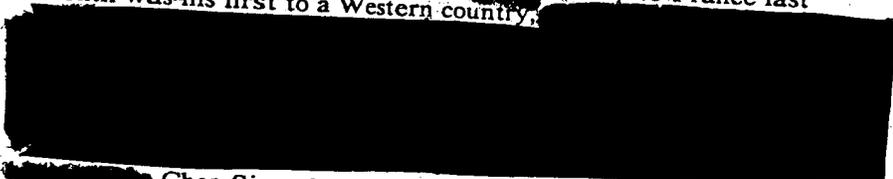


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CAMBODIA: Regime Seeking Foreign Support

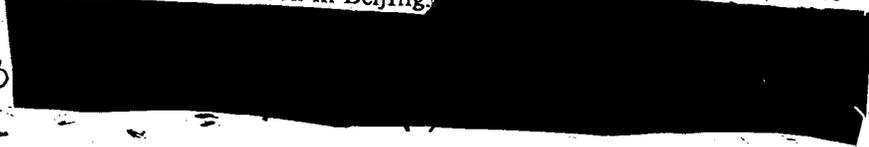
National Assembly Chairman Chea Sim will discuss the peace process and seek humanitarian and development aid during his visit to Japan. His trip to France last month was his first to a Western country.

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b (3) Chea Sim, the regime's most powerful official, is taking a more active role in Phnom Penh's all-out effort to gain international legitimacy and to win support for its position in peace negotiations that resume next week in Beijing.



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In Brief

Europe

— Bulgaria has closed four Soviet-built nuclear plants producing one-fourth of its electricity after IAEA found them unsafe ... extensive repairs may take years ... Western nations have pledged funds, technical aid, replacement power.

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USSR

— Explosion Monday injured one at Estonian government building housing price department, border guards ... perpetrators probably local backers of Soviet center increasing pressure on border guards, angry at recent price hikes.

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— Lithuanian government in disarray over expected public reaction to recently announced price hikes ... may lead to coalition with more moderate proindependence figures ... could produce more gradual approach to independence.

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— Gorbachev, Prime Minister Gonzalez signed first Soviet-Spanish treaty ... followed similar Soviet agreements with France, Germany, Italy, unlikely to have much impact ... Moscow touting importance for new European architecture.

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Americas

— Panama offering World Bank compromise on reducing public work force, privatization procedures ... more concessions probably necessary for new Bank, IMF support ... even then, legislative approval may delay disbursements until yearend.

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— Canada to continue economic sanctions against South Africa, seeking more progress toward ending apartheid ... likely to lift sanctions after October Commonwealth conference if Pretoria broadens reform.

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Asia

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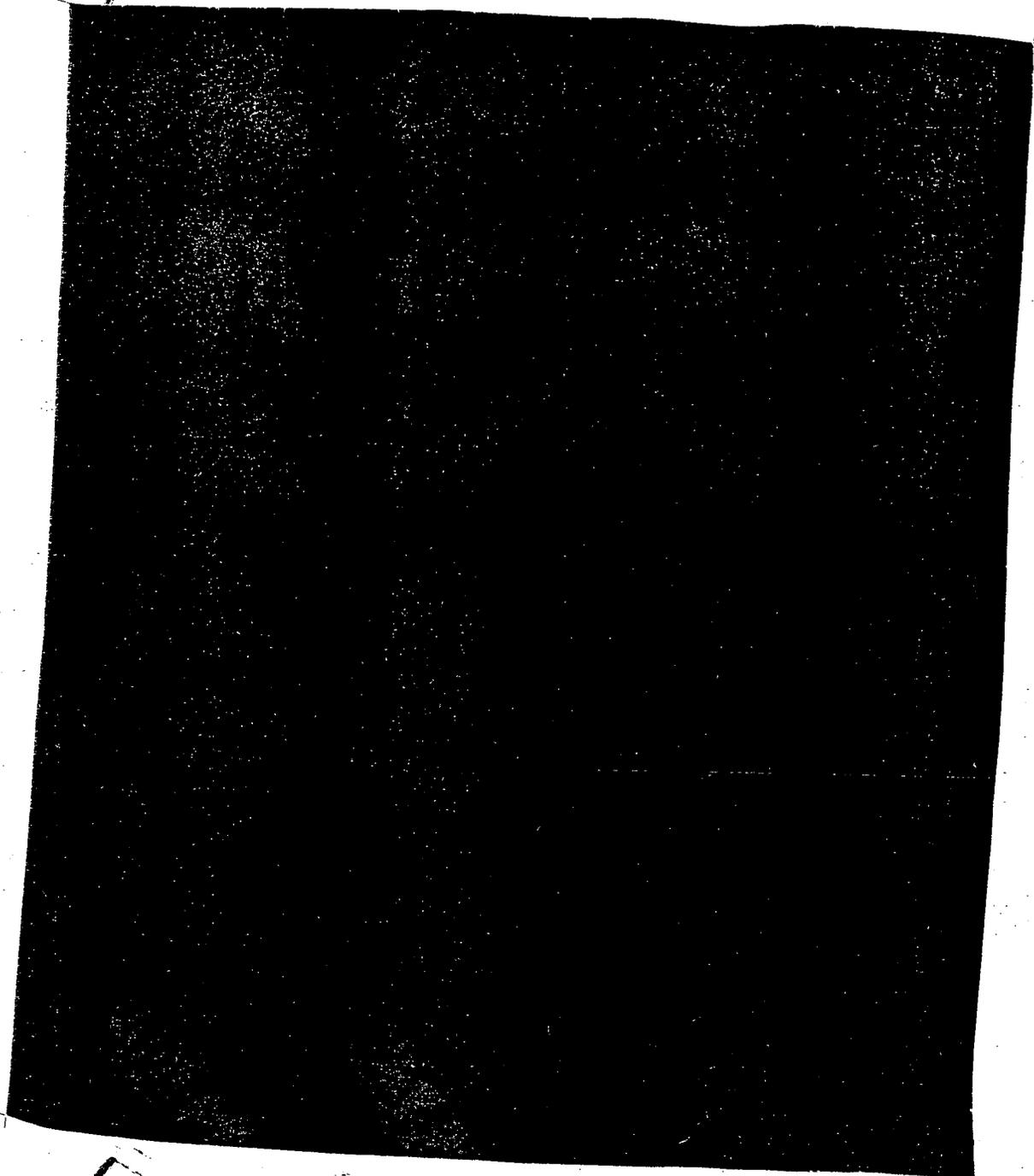
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Special Analysis

YUGOSLAVIA:

Army's Next Moves

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[Redacted]

The Army's poor showing in Slovenia probably has temporarily discredited those in the high command who planned the move. They apparently anticipated little resistance and dispatched company-size units, without adequate support, that were easily cut off and surrounded. Within a week almost 2,000 men—about 20 percent of the Army's forces in Slovenia—surrendered or were captured.

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Rift in Army Leadership

The resurgence of the moderates in the military leadership was evident last weekend, when Defense Minister Kadijevec—conspicuously absent from public view during much of the crisis—reappeared to call for a peaceful transformation. Other key moderates include Deputy Defense Minister Brovet and General Raseta, the deputy commander of the 5th Military District, which includes Slovenia and most of Croatia.

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Army Chief of Staff Adzic—the leading advocate of crushing both Slovene resistance and Croatian independence—seems to be using the cease-fire to regroup.

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Adzic almost certainly chose the 5th Military District's new commander, General Avramovic, who is a prominent hardliner.

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Next Move

The Army probably will accept Slovenia's secession, but may still launch a punitive attack if the republic violates the cease-fire. Even the hardliners recognize there is little public support for military intervention, and the republics want to withdraw their conscripts from Slovenia. Desertions, casualties, serious logistic problems, and low morale have sapped the ground force's combat capability. Moving hundreds of tanks, armored vehicles, and support units

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Armed Forces in Yugoslavia

Military conflict in Yugoslavia would pit the Yugoslav People's Army—a conventional armored force of some 150,000 men with a full range of combat arms and support services—against more lightly armed infantry forces under republic control. Slovenia's defense rests on its 60,000-man reserve Territorial Defense Force, while Croatia commands a 40,000-strong paramilitary force. Croatia and Slovenia also could draw on substantial additional reserves. Republic forces are trained in guerrilla warfare, and their recent extensive gray arms market purchases have included automatic weapons, light antiaircraft and antiarmor weapons, and a variety of munitions.

Although the Army is more mobile, better equipped and better trained than the republic forces, the conflict is eroding its advantages. The Army was stretched thin by months of low-level violence even before the recent fighting, and a major ground campaign against Slovenia would be difficult. It almost certainly could not prevail simultaneously against Slovene and Croatian forces, which would have the advantages of terrain and being on the defensive. Moreover, the recent violence has exacerbated longstanding ethnic strains within both enlisted and officer ranks; the military is beginning to break into factions, as mostly Serb reinforcements are introduced and non-Serb troops desert or refuse to report for duty.

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across Croatia to Slovenia would take at least a week, and the Army would encounter stiff Croatian and Slovenian guerrilla resistance. The Slovene Territorial Defense Forces, equipped with recently captured Army weapons, such as armor and antitank missiles, probably could inflict serious damage on the Army.

The Army almost certainly would intervene if Croatia attempted to secede before reaching an agreement covering the large Serb populations there.

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The Army most likely would use large numbers of armored forces to overcome opposition. With sympathetic segments of the populace, short supply lines, and a secure rear area, it probably could hold a significant portion of Croatia and influence the republic's negotiations with the federal authorities.

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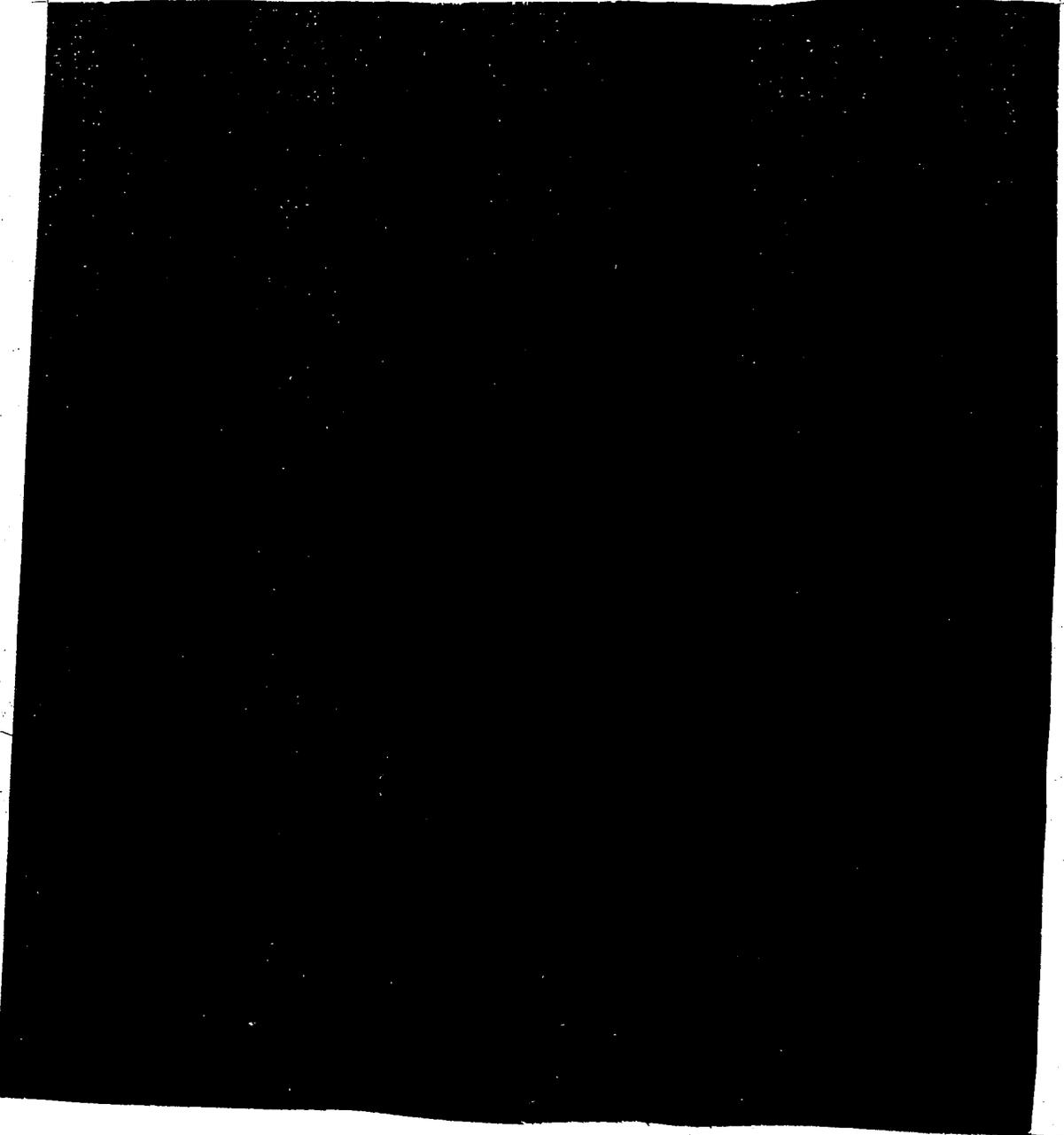
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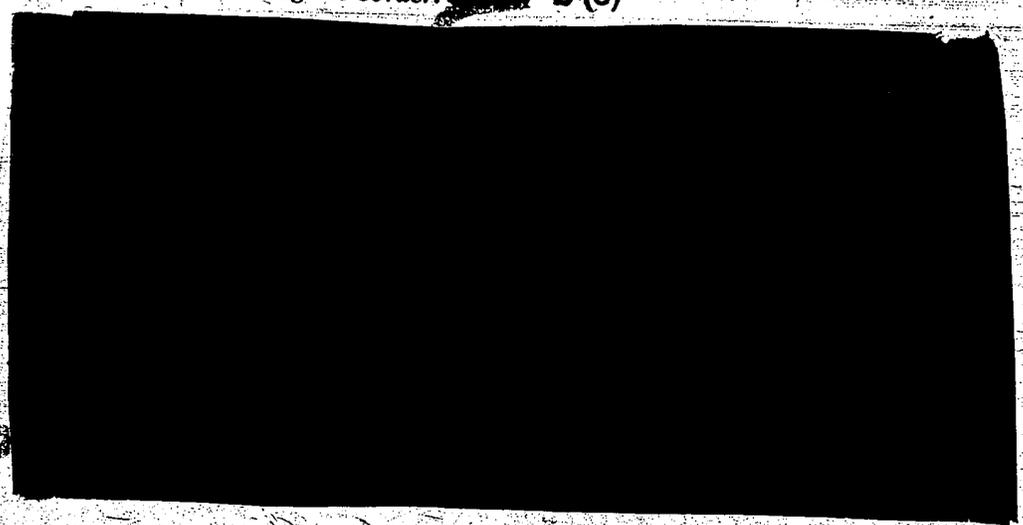
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Special Analysis

LEBANON:

Securing the South

Having successfully deployed Army forces in Sidon, the Lebanese Government hopes to consolidate its control throughout southern Lebanon and increase pressure on Israel to leave its self-declared security zone along the border. b (3)



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Beirut is lobbying the international community to press Israel to cooperate in negotiating the ASL's disarmament. The Lebanese Government argues that deploying troops in Lahd's enclave would give Beirut control over a major terrorist route to Israel and would strengthen its efforts to get Israel out of the security zone. [redacted] the government faces increasing domestic pressure to achieve an Israeli withdrawal, fearing that, without progress in the Jazzin area, its success in Sidon may be undermined. As long as Israel remains in the security zone, the Palestinians and Hizballah will continue to mount attacks that undercut Beirut's efforts to reassert its authority—such attacks have increased since the LAF deployments.

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Defense Minister Arens on Tuesday reiterated Israel's support for the ASL, and Tel Aviv almost certainly will oppose the ASL's disarmament or further Lebanese Army deployment in the enclave. The Israelis might, however, accept an ASL-Army arrangement that lets the Lebanese Government claim sovereignty over the Jazzin area without deploying more troops there. [redacted]

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USSR: Kravchuk and Constitutional Reform

Two drafts of the constitution are currently under consideration in the Ukrainian legislature. The first, supported by Kravchuk, was written by a commission dominated by nationalists and reformists. It would adopt the name Republic of Ukraine; provide for legislative, executive, and judicial branches of government; and call for a multiparty political system. Dismayed by the nature of the commission's draft, the legislature's hardline old guard has presented its own version, which specifies that the republic is socialist, is part of the Soviet Union, and retains the name Ukrainian Soviet Socialist Republic.

After heated debate, the Ukrainian legislature decided to hold a referendum in September on whether the republic should follow a socialist path, on what name the republic should use, and on what symbols the republic should use (Communist or nationalist). One major issue that apparently has been resolved is direct election of a republic president.

Although Kravchuk does not want to seriously antagonize President Gorbachev, he appears increasingly comfortable assuming the mantle of Ukrainian patriot. At a recent rally, for example, he rose to his feet when the crowd spontaneously broke into a rendition of the Ukrainian national anthem, which Soviet officials still regard as taboo. Kravchuk also has recently become more critical of Gorbachev; he disparaged Gorbachev during Turkish President Ozal's visit to the republic last March. Gorbachev has phoned Kravchuk on several occasions to express concern over Ukraine's delay on the union treaty.

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Special Analysis

USSR:

Ukraine for Looser Confederation

The postponement of a Ukrainian decision on a union treaty will allow those pushing for a tougher stance on sovereignty to gain influence. Leonid Kravchuk, chairman of the legislature, probably will continue to support a confederation, but only one in which central authority is sharply reduced. [REDACTED] b (3)

Kravchuk has been maneuvering carefully between the center and nationalists in Ukraine, but the current surge of anticenter sentiment in the republic and his own presidential ambitions have increased his willingness to challenge the Gorbachev government. Prompted by widespread protests, the republic legislature recently decided not to consider the treaty until September, after a commission recommends changes to reconcile inconsistencies between it and the far-reaching Ukrainian sovereignty declaration of last July. The decision gives Kravchuk considerable backing to resist pressure to sign any treaty this summer and has temporarily defused political tension in the republic. [REDACTED] b (3)

Fall will be the earliest Ukraine could consider the union treaty. A presidential election is scheduled for 1 December, and Kravchuk may postpone consideration of any union treaty until after the election. Although voters in the Ukrainian referendum in March supported membership in a union, they overwhelmingly endorsed a strong, sovereign Ukraine within a loose confederation. The legislature, moreover, has committed itself to ratifying a new constitution, possibly not until 1992, before accepting a union treaty. [REDACTED] b (3)

Consequences of Delay

The current heated legislative debate over the new republic constitution probably will further complicate treaty negotiations. The Ukrainian legislature has already passed a resolution that the constitution must conform to the sovereignty declaration that calls for republic rights, including an army and a currency, that Gorbachev is not likely to concede. Separatists are using the debate to press sovereignty advocates like Kravchuk to push even harder for Ukrainian rights in negotiations with the center. With the delay of the union treaty discussion, the nationalists are likely to become more assertive on sovereignty in the constitutional debate as Ukrainian sentiment moves increasingly toward independence. [REDACTED] b (3)

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Although publicly Kravchuk continues to support a union of sovereign states and some form of a union treaty, the nature of the treaty he would be willing to sign may be changing as politics in the republic shift. His strong stance on single-tier taxation and Ukrainian jurisdiction over republic economic assets and his presidential aspirations make him unlikely to sign the treaty in its current form. Moreover, as support for a looser union or even independence grows, he probably will become less and less cooperative with the center. Because of its vital importance to any union, Gorbachev may be willing to grant the republic some special consideration, including more time to settle its constitutional debate and possibly a bilateral protocol that concedes rights consistent with the new Ukrainian constitution. If Kravchuk and Yel'tsin, presidents of the essential core of the union, cannot get an acceptable agreement with the center, they probably will form an alliance, possibly including some other republics, that would create a de facto loose union and greatly reduce the center's authority.

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