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PRIORITY

FRP:
BRIEF

OUTGOING

[REDACTED]

[REDACTED]

ASP

PAGE 001
TOT: 150500Z JUN 91

[REDACTED]

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BRIEF

TO: PRIORITY EUROPEAN BRIEF.

150500Z

[REDACTED]

~~WINTTEL~~

SUBJECT: HERewith SUPPORT CABLE FOR EUROPEAN BRIEF
FOR 15 JUNE 1991

[REDACTED]

(b)(1)
(b)(3)
(S)

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[REDACTED]

FROM: DDI/O/CPAS

SUBJECT: EAST EUROPEAN BRIEF [REDACTED] FOR 15 JUNE 1991.

CONTENTS

1. IRAQ-KUWAIT: SITUATION REPORT [REDACTED]

[REDACTED]

1. IRAQ-KUWAIT: SITUATION REPORT [REDACTED]

TENSION IN DAHUK GROWING

APPROVED FOR RELEASE
DATE: JAN 2001

TENSION IS MOUNTING IN DAHUK AS IRAQI SECURITY PERSONNEL AND
KURDISH REBELS REDEPLOY IN ANTICIPATION OF A COALITION WITHDRAWAL.

[REDACTED]

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OUTGOING MESSAGE

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CTA/CPAS
EPA 94-144

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[REDACTED]

[REDACTED]

EXPLOSIONS AND SPORADIC GUNFIRE ARE INCREASINGLY COMMON; THE UN IS TRYING TO PROTECT ITS PERSONNEL, AND SOME PRIVATE RELIEF WORKERS HAVE LEFT THE AREA. [REDACTED]

COMMENT: THE SECURITY SITUATION IN DAHUK ALMOST CERTAINLY WILL CONTINUE TO DETERIORATE, INCREASING THE RISK TO COALITION AND UN PERSONNEL. [REDACTED]

PROBLEMS FORMING UN GUARD FORCE FOR NORTHERN IRAQ

AFTER AN INTERNATIONAL CONFERENCE ON WEDNESDAY TO ELICIT CONTRIBUTIONS TO THE UN GUARD FORCE TO BE DEPLOYED IN NORTHERN IRAQ, PLEDGES OF PERSONNEL AND FINANCIAL SUPPORT REMAIN WELL BELOW THE AMOUNT REQUESTED BY THE UN, [REDACTED] AUSTRIA, DENMARK, FINLAND, GREECE, AND THE UN PLEDGED A TOTAL OF 300 GUARDS OF THE 500 NEEDED, AND SEVERAL OTHERS HAVE SAID THEY MAY CONTRIBUTE PERSONNEL. CONFIRMED FINANCIAL PLEDGES--FROM FINLAND, NORWAY, SWEDEN, AND THE US--AMOUNT TO ABOUT ONE-THIRD OF THE ESTIMATED \$35 MILLION NEEDED TO FUND THE FORCE. UN SPECIAL REPRESENTATIVE SADRUDDIN AGA KHAN EMPHASIZED THAT THE UNIT WILL NOT BE A POLICE OR PEACEKEEPING FORCE BUT RATHER WILL MONITOR SECURITY INCIDENTS, WITNESS THE REFUGEES' RETURN, AND HELP BUILD REFUGEES' CONFIDENCE IN THEIR SAFE REPATRIATION. [REDACTED]

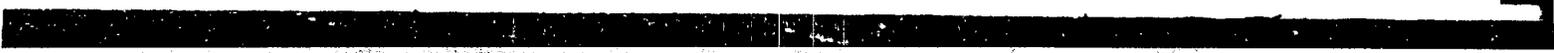
COMMENT: UNCERTAINTY ABOUT THE MISSION OF THE UN GUARDS MAY ACCOUNT FOR SOME COUNTRIES' RELUCTANCE TO CONTRIBUTE. AN INEFFECTIVE UN GUARD FORCE WOULD HAMPER OTHER UN HUMANITARIAN ASSISTANCE ACTIVITIES AND COULD SLOW REFUGEE REPATRIATION. [REDACTED]

[REDACTED]

[REDACTED]

2. POLAND: ECONOMIC PROBLEMS UNDERCUTTING IMF PROGRAM [REDACTED]

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POLAND'S CONTINUING ECONOMIC SLIDE IS GENERATING POLITICAL FRUSTRATION AND MAKING IT INCREASINGLY DOUBTFUL THAT WARSAW WILL COMPLY WITH ITS IMF PROGRAM.

INDUSTRIAL PRODUCTION IN APRIL WAS DOWN 10 PERCENT FROM MARCH, ACCORDING TO POLISH STATISTICS, AND DAILY OUTPUT WAS THE LOWEST IN 16 MONTHS. SECTORS HEAVILY DEPENDENT ON EXPORTS TO THE USSR--METALLURGY AND MACHINE BUILDING--SUFFERED THE MOST. SOME 40 PERCENT OF POLISH ENTERPRISES REPORTED LOSSES IN THE FIRST QUARTER, AND LOWER TAX REVENUES PUSHED THE BUDGET DEFICIT HIGHER. THE ONLY BRIGHT SPOT IS A LOWER-THAN-EXPECTED MONTHLY RATE OF INFLATION FROM 2.7 PERCENT IN APRIL.

AFTER A STRONG EXPORT PERFORMANCE LAST YEAR, WARSAW'S PAYMENTS POSITION HAS DETERIORATED SHARPLY. THE COLLAPSE OF EXPORTS TO THE USSR; A SURGE IN IMPORTS, PARTICULARLY OF FOOD AND OTHER CONSUMER GOODS; AND HARD CURRENCY PAYMENTS FOR SOVIET GOODS HAVE PUT THE TRADE ACCOUNT INTO SUBSTANTIAL DEFICIT.

IN RESPONSE, GOVERNMENT DEVALUED THE CURRENCY BY 14 PERCENT IN MAY TO TRY TO MAKE POLISH GOODS MORE COMPETITIVE IN DOMESTIC AS WELL AS FOREIGN MARKETS, AND PRESIDENT WALESA LAST WEEK REQUESTED AUTHORITY TO BYPASS PARLIAMENT TO SHAKE LOOSE KEY ECONOMIC LEGISLATION. ON TUESDAY PREMIER BIELECKI THAT WARSAW WOULD ASK BANKS AND GOVERNMENT CREDITORS TO FORGIVE \$3.1 BILLION IN POLISH DEBT IN EXCHANGE FOR THE ESTABLISHMENT OF AN ENVIRONMENTAL FUND IN POLAND.

COMMENT:

THE POLES ARE SURE TO FACE A TOUGH REVIEW BY THE FUND IN AUGUST AND COULD COME UNDER PPESSURE TO IMPOSE EVEN TOUGHER AND POLITICALLY MORE DANGEROUS STABILIZATION MEASURES; FURTHER DEVALUATIONS COULD BOLSTER EXTERNAL ACCOUNTS BUT WOULD ALSO REKINDLE INFLATION.

THIS BLEAK PICTURE IS DRIVING WALESA'S RECENT POLITICAL MANEUVERING AND AGGRAVATING THE GOVERNMENT FRUSTRATION WITH THE LEGISLATURE'S FAILURE TO ACT ON ECONOMIC REFORM LEGISLATION. MEANWHILE, STRIKES AND OPINION POLLS SHOW THE POPULATION'S GROWING IMPATIENCE, AND POLITICAL STRIFE IS LIKELY TO GROW AS THE FALL PARLIAMENTARY ELECTION APPROACHES.

3. USSR: ISLAMIC FERMENT IN CAUCASUS REGION

ISLAMIC DEMONSTRATORS CLASHED WITH LOCAL SECURITY FORCES THURSDAY IN MAKHACHKALA, CAPITAL OF THE AUTONOMOUS REPUBLIC OF DAGESTAN, IN THE NORTH CAUCASUS REGION. MUSLIMS HAVE BEEN PROTESTING SINCE EARLY THIS MONTH OVER THE SMALL NUMBER OF DAGESTANI PILGRIMS PERMITTED TO MAKE THE HAJJ TO SAUDI ARABIA AND DEMANDING THE GOVERNMENT SUBSIDIZE MOST OF THE COSTS OF THE TRIP. OFFICIAL SOURCES SAY THAT SECURITY FORCES DISPERSED THE CROWD ONLY AFTER IT ATTACKED THE REPUBLIC SUPREME SOVIET AND COUNCIL OF MINISTERS BUILDINGS AND THAT THERE WERE NO DEATHS; AN ISLAMIC ACTIVIST, HOWEVER, CLAIMS THAT ONE DEMONSTRATOR WAS SLAIN. THE DAGESTAN SUPREME SOVIET HAS DECLARED A STATE OF EMERGENCY IN THE CAPITAL.

COMMENT: THE CLASH IS A FURTHER ESCALATION OF THE STRUGGLE BETWEEN THE TRADITIONALIST, PROCENTER DAGESTANI LEADERSHIP AND THE

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NEARLY 90-PERCENT MUSLIM POPULATION WITH A LONG HISTORY OF ACTIVISM. THE LOCAL GOVERNMENT HAS ALREADY MADE MODEST CONCESSIONS AND PROBABLY WILL OFFER MORE TO AVOID FURTHER UNREST, BUT IT DOES NOT HAVE THE RESOURCES TO PROVIDE HAJJ SUBSIDIES AND HAS SOUGHT HELP FROM THE REPUBLIC AND NATIONAL GOVERNMENTS. NEWLY ELECTED RUSSIAN PRESIDENT YEL'TSIN HAS PROPOSED FUNDING FUTURE PILGRIMAGES FOR ALL FAITHS THROUGH JOINT-STOCK COMPANIES. THE DAGESTANI DISTURBANCE MAY FUEL MUSLIM DISCONTENT ELSEWHERE IN THE USSR.

4. USSR: PRESIDENTIAL STAFF EXPANDS AT PARTY'S EXPENSE

GORBACHEV IS EXPANDING HIS STAFF WITH TRANSFERS FROM THE COMMUNIST PARTY BUREAUCRACY. THE ENTIRE 40-PERSON STAFF OF THE CENTRAL COMMITTEE DEFENSE DEPARTMENT HAS BEEN REASSIGNED TO THE DEFENSE COUNCIL. ALL ECONOMIC EXPERTS IN THE CENTRAL COMMITTEE BUREAUCRACY ARE BEING TRANSFERRED TO THE SECURITY COUNCIL.

COMMENT: SUCH PERSONNEL MOVES HAVE BEEN UNDER WAY FOR MORE THAN A YEAR AND WILL SIGNIFICANTLY ERODE THE PARTY'S REMAINING POLICY INFLUENCE; THE CENTRAL COMMITTEE APPARATUS HAS ONLY ONE-FOURTH OF ITS ORIGINAL PERSONNEL STRENGTH. BECAUSE GORBACHEV HAS RELIED ON THE CENTRAL COMMITTEE STAFF FOR ADMINISTRATIVE SUPPORT SINCE BECOMING PRESIDENT, HOWEVER, THE CHANGES ARE UNLIKELY TO HAVE MUCH EFFECT ON THE ADVICE HE RECEIVES. THE TRANSFER OF PERSONNEL TO THE DEFENSE COUNCIL WILL INCREASE CIVILIAN INFLUENCE IN THAT BODY, WHICH HISTORICALLY HAS BEEN COMPOSED OF GENERAL STAFF OFFICERS. THE ECONOMISTS' REASSIGNMENT TO THE SECURITY COUNCIL WILL BUTTRESS THE ROLE OF YEVGENIY PRIMAKOV, WHO HOLDS THE COUNCIL'S ECONOMIC PORTFOLIO.

5. USSR: BALTIC REPUBLICS PURSUING FOREIGN INVESTMENT

THE BALTIC REPUBLICS HAVE JOINTLY APPROVED A PROGRAM TO TRY TO ATTRACT INCREASED DIRECT FOREIGN INVESTMENT BY ESTABLISHING INVESTMENT BANKS IN THE REGION AND A SINGLE BALTIC INVESTMENT BANK ABROAD, ACCORDING TO THE SOVIET PRESS. THE NORDIC INVESTMENT BANK HAS AGREED TO HELP ORGANIZE THE PROGRAM. THE NORDIC COUNCIL HAS ALLOCATED \$150 MILLION FOR INVESTMENT IN EXPORT-ORIENTED SECTORS, BUT ALL-UNION BUSINESSES ARE NOT ENTITLED TO RECEIVE FUNDS.

COMMENT: THE RECENT USSR SUPREME SOVIET DRAFT LAW ON FOREIGN INVESTMENT ALLOWS THE REPUBLICS SOME FLEXIBILITY IN THEIR INVESTMENT STRATEGIES, BUT THE CENTER PROBABLY WILL CRITICIZE THE EXCLUSION OF ALL-UNION ENTERPRISES. THE NORDIC ROLE AND THE ABILITY OF JOINT VENTURES TO REPATRIATE HARD CURRENCY PROFITS MAY ENCOURAGE SOME INVESTMENT, BUT SIGNIFICANT OBSTACLES REMAIN, INCLUDING AMBIGUOUS PROPERTY RIGHTS, HABITUAL SUPPLY DISRUPTIONS, DIFFICULT REPATRIATION OF RUBLE PROFITS, AND LIMITED CAPACITY OF BALTIC PORTS. THE NORDIC COUNTRIES PROBABLY WILL CONTINUE LIMITED ECONOMIC AID FOR THE REPUBLICS DESPITE THE CENTER'S CRITICISM.

USSR: DROUGHT THREATENS SPRING GRAINS

THE LAST SENTENCE OF THE NOTE ON PAGE 7 IN THE DAILY OF 14 JUNE 1991 SHOULD READ, "LACK OF NONGOVERNMENT CREDIT AND HARD CURRENCY PROBABLY WILL PRECLUDE THE SOVIETS FROM PURCHASING SUBSTANTIALLY MORE THAN 25 MILLION TONS."

6. IN BRIEF

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EUROPE

--BERLIN CITY PLANNER KILLED BY LETTER BOMB THURSDAY . . . FOLLOWS
ATTACK AGAINST REICHSTAG BUILDING TO PROTEST PROPOSED MOVE OF GERMAN
CAPITAL TO BERLIN . . . MORE ATTACKS LIKELY BEFORE BUNDESTAG VOTE
NEXT THURSDAY ON ISSUE. [REDACTED]

USSR

--BALTIC PRESS REPORTS SOVIET SOLDIERS ATTACKED SEVERAL BORDER POSTS
IN THE THREE BALTIC REPUBLICS YESTERDAY . . . THREE POSTS BURNED,
SOME BORDER GUARDS INJURED . . . PROBABLY WILL INCREASE . . . BALTIC
LEADERS' DETERMINATION TO BETTER ARM POSTS. [REDACTED]

ASIA

-- [REDACTED] ESCAPE OF TWO AMERICANS, BRITON ABDUCTED LAST
WEEK IN KASHMIR, INDIA, BY MUSLIM MILITANTS SEEKING PUBLICITY . . .
INSURGENTS STILL HOLD TWO SWEDISH ENGINEERS SEIZED LAST MARCH. [REDACTED]

DRVW 15 JUNE 2011.>
ORIG: CPAS/IPS (SMITH, 37056); REL: OCPAS 500 (X337206);
CL BY: 0386530.
END OF MESSAGE [REDACTED]

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