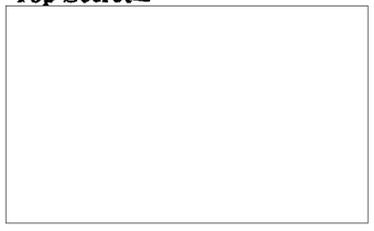


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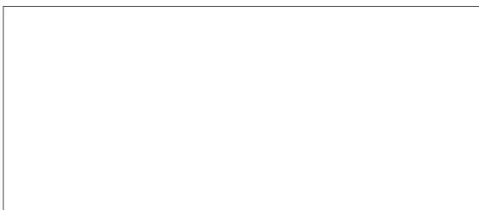
CIA/CPAS --- NID 90-170JX ---



Director of Central Intelligence

# NATIONAL INTELLIGENCE DAILY

Monday, 23 July 1990



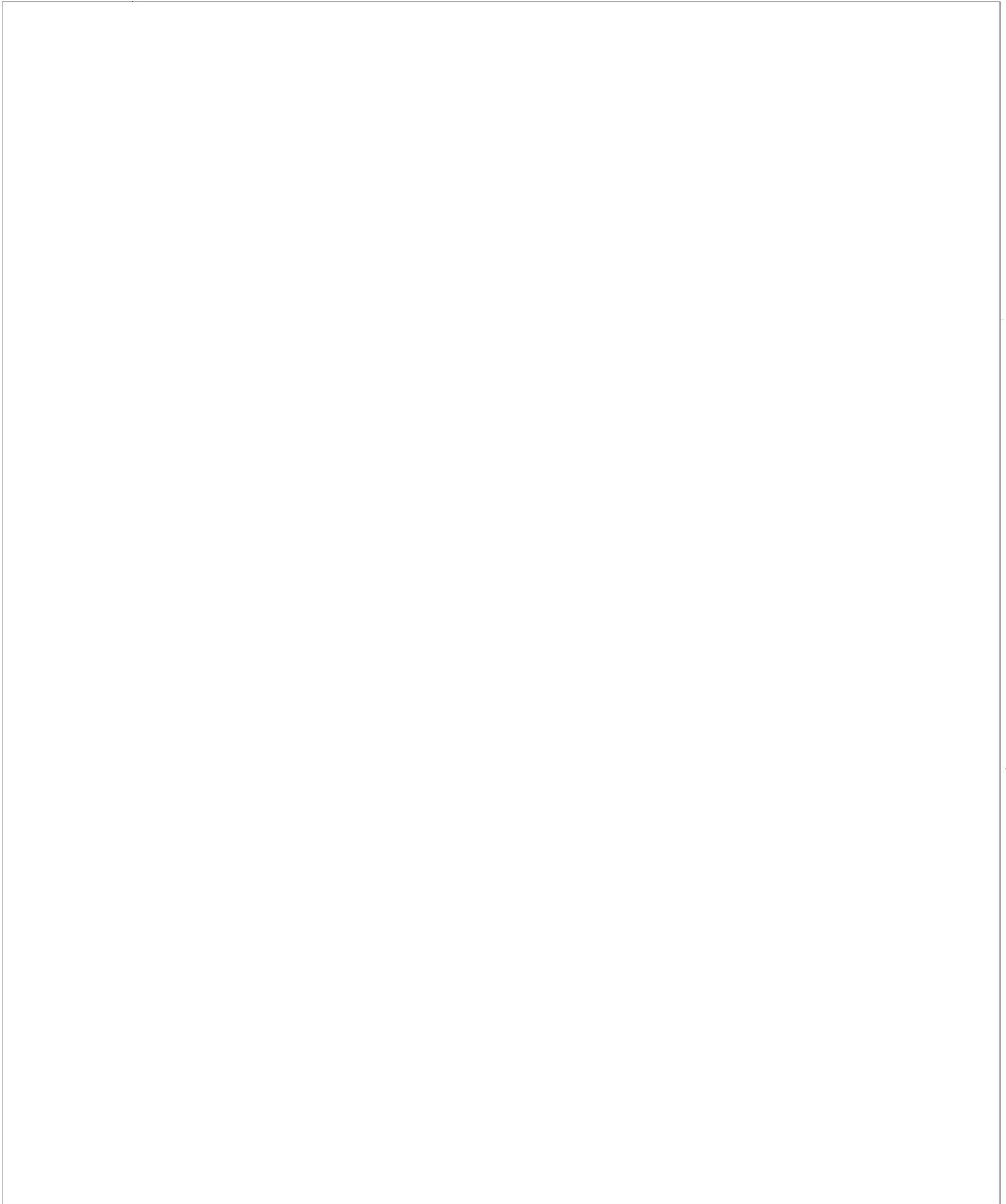
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23 July 1990

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**Contents**



**Eastern Europe: Pact Turning to Diplomacy** 5



**East Germany: Economy Continues Slide** 8

**Notes**



**In Brief**

11

**Special Analyses**



~~Top Secret~~



23 July 1990

1295

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~~Top Secret~~



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23 July 1990

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23 July 1990

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23 July 1990

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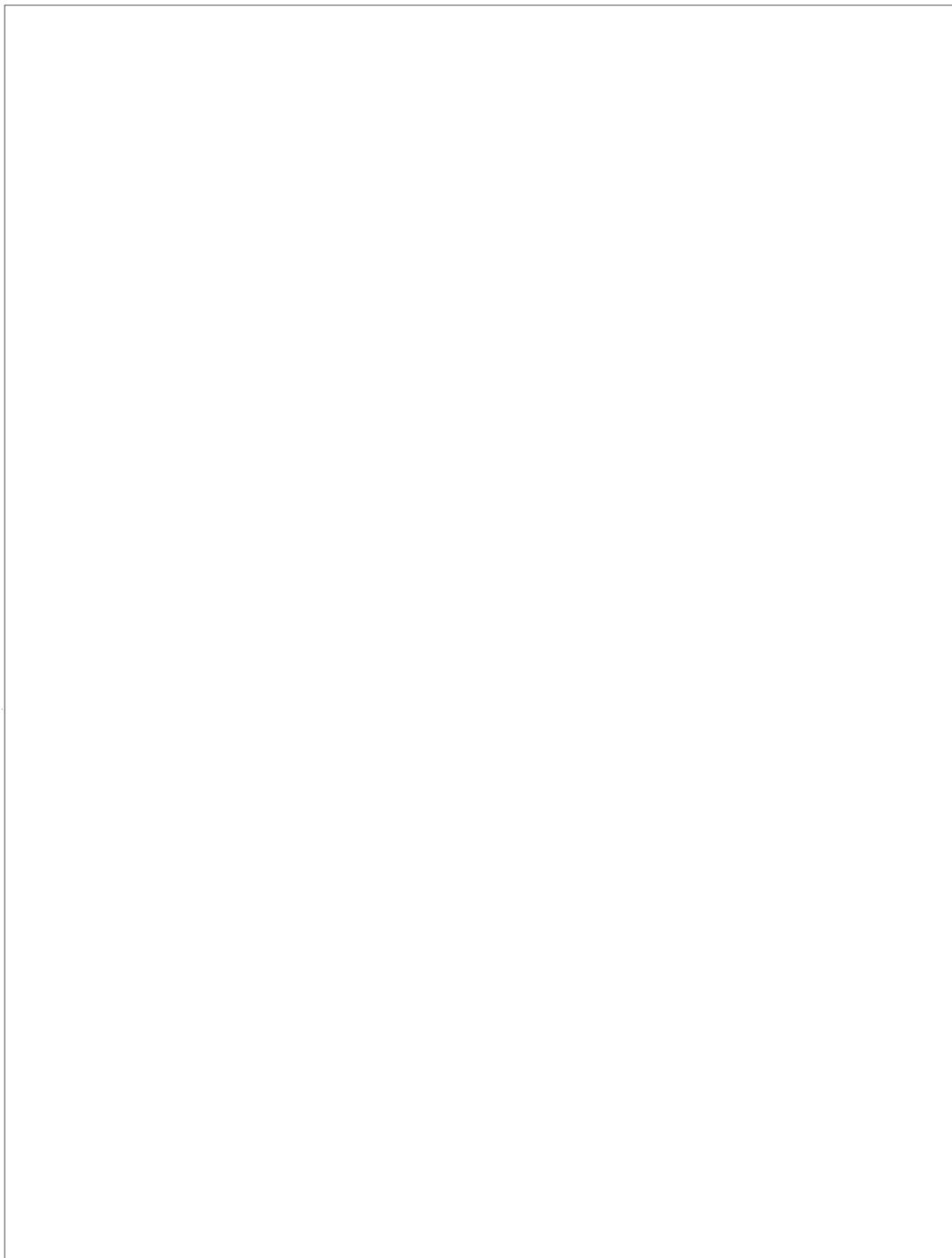


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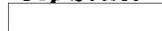
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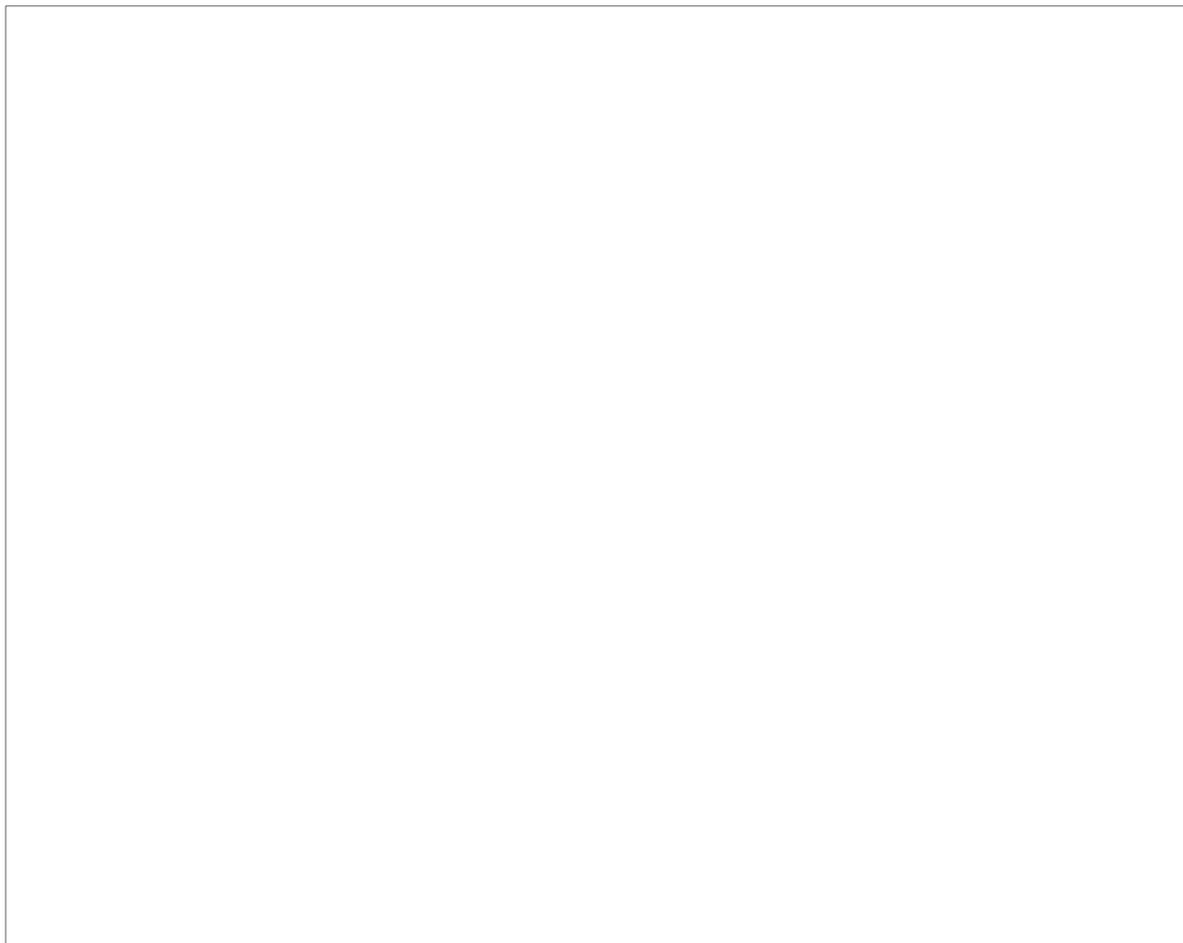
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### Trilateral Security Proposal

Czechoslovak President Havel and Hungarian President Goncez during their meeting in Prague on 12 July called for a tripartite pact linking their countries to Poland and agreed the three countries would try to establish security agreements with NATO as well as with the USSR. In addition, they discussed the possibility of regional cooperation between their two countries and the Ukraine and Serbia.

Continued interest in close cooperation among the three most Western-oriented states in Eastern Europe underscores concerns about potential instability caused by the breakup of the Pact and, especially for Poland, the fears stimulated by the rise of a united Germany. The envisioned tripartite organization would facilitate the three countries' integration into Western Europe. Havel, in particular, probably believes that stability in the USSR would benefit from such a link between East and West.

The Soviets probably would not object to such an arrangement if it did not interrupt movement toward a CSCE-based European security framework. The idea that the Ukraine and Serbia could be associated in such regional cooperation suggests Prague and Budapest expect these areas may soon have autonomous foreign policies as central authority loosens in the USSR and in Yugoslavia.

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23 July 1990

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EUROPE:**Pact Turning to Diplomacy**

*A Warsaw Pact group began work last week on reform proposals that would begin a formal dismantling of the Pact's military structure.*

The group plans to present the proposals, which include one that abolishes the Combined Command of the Combined Armed Forces, to a Pact summit this fall. It also decided that the Pact's Disarmament Commission should become more active and that the alliance should submit its concept for a reformed Warsaw Treaty to the CSCE summit, also in the fall. During the session, East Germany said it would withdraw from the Pact on unification, and the day after the meeting it canceled its participation in future Pact military exercises. The group, which met near Prague, will resume talks in Berlin next month.

**Comment:** The East European states clearly are looking for alternative forms of cooperation on security issues. Czechoslovakia described the refurbishment of the Disarmament Commission as a way to build new security structures in Europe to replace the Pact and overcome Europe's divisions. Hungary has announced its intention to leave the Pact, and all members endorse using CSCE to create a Pan-European security order. The heads of state of Czechoslovakia and Hungary on 12 July discussed a proposal for regional cooperation on military and security issues.

The Soviets have indicated they expect significant changes in the Pact's military structures and recently cleared the way for East Germany to withdraw. Moscow undoubtedly views its allies' commitments to Pact reforms and to strengthening the Commission as a way to preserve the Pact's political role until new European security relations are established. The Soviets are encouraged that other East European countries are not following Hungary's lead out of the Pact.

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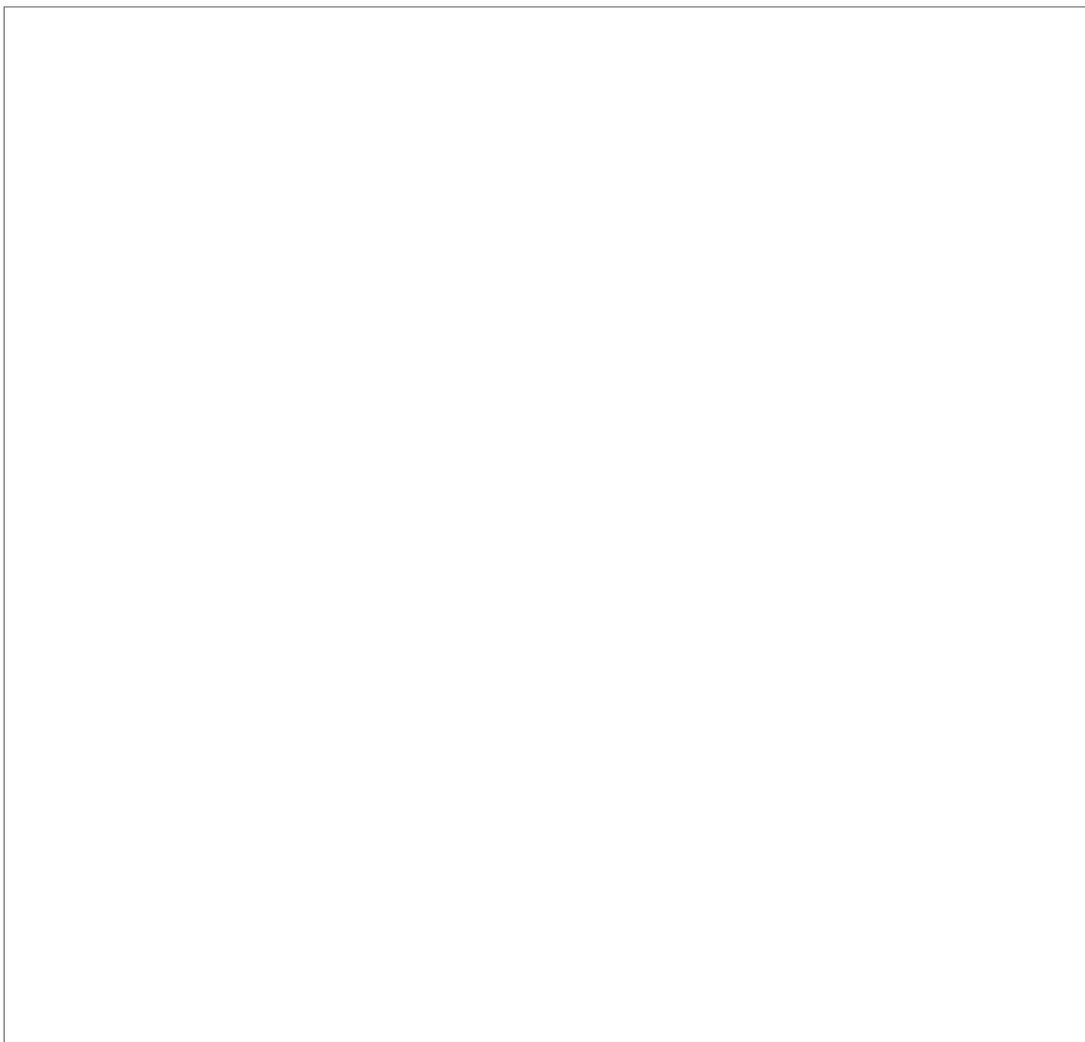
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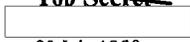
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~~Top Secret~~**EAST GERMANY: Economy Continues Slide**

*East Germany's increasingly painful economic restructuring, although necessary for eventual recovery, is unsettling and potentially risky for the de Maiziere and Kohl governments.*

Official statistics released last week indicate East Germany's industrial output in the first half of this year was more than 7 percent below that of the same period last year. Labor Minister Hildebrandt announced Wednesday that unemployment had increased by more than half to 2.5 percent since German Economic and Monetary Union began on 1 July; in a radio interview yesterday, she reiterated fears that unemployment will reach 15 to 20 percent this year. Enterprises have failed to meet payrolls, and managers are trimming work forces. The Minister—and West German industry—sharply criticized recent agreements negotiated by West German unions that grant workers in several industries large pay hikes and shorter hours.

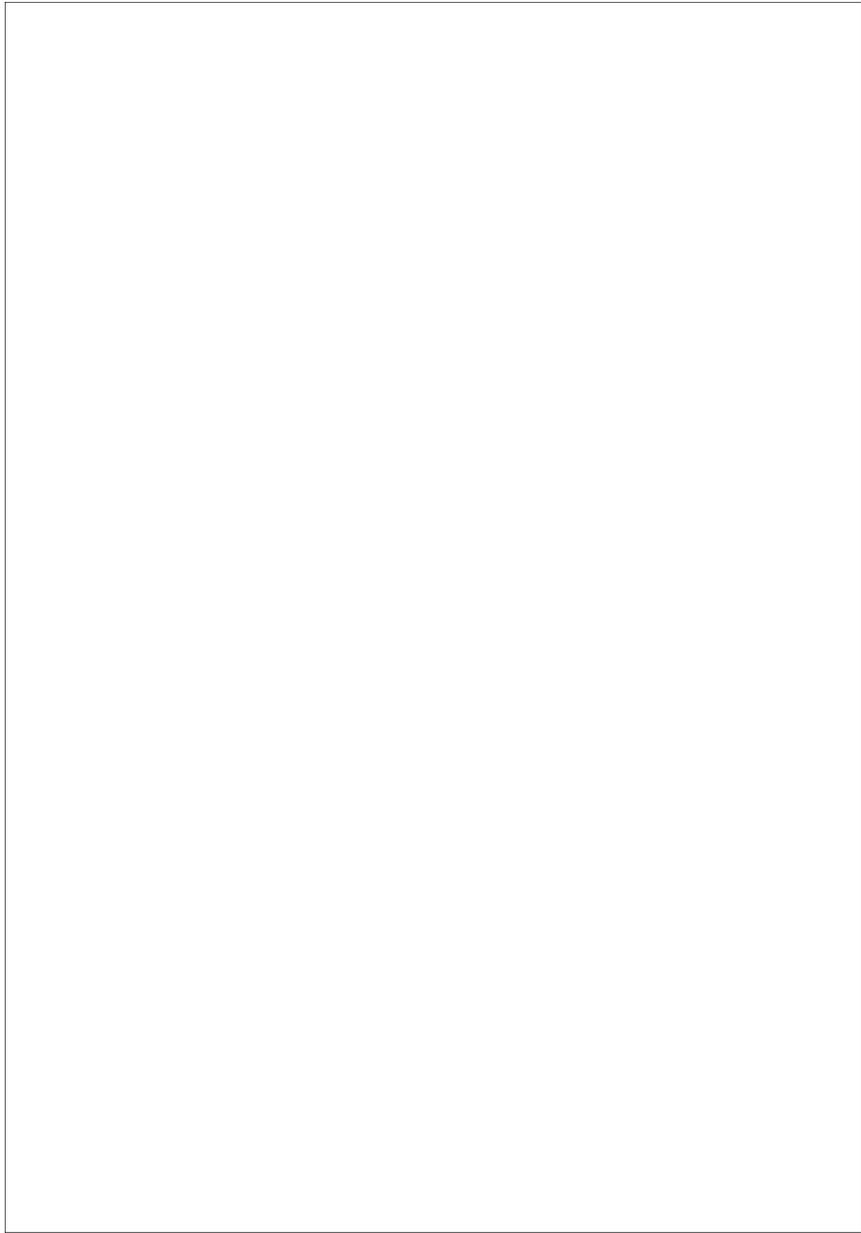
**Comment:** Bonn and East Berlin regard a temporary recession as necessary to force out inefficient industries, reorganize management, and reallocate workers. Meanwhile, West Germany is providing direct short-term aid and is even increasing the pool of credit for teetering East German industries and farms from \$2.4 billion to \$4.8 billion. West German Economics Minister Haussmann is jawboning West German retailers to buy more East German goods, and East Germany's Agriculture Minister has approved a \$1 billion package to help farms through the planting season.

If worker protests spread more widely and quickly than anticipated, divisions between Kohl and his East German Christian Democratic clients could become serious. A surge in emergency aid costs could deter vital private investment and force Kohl to consider raising taxes, damaging the Christian Democrats' electoral prospects.

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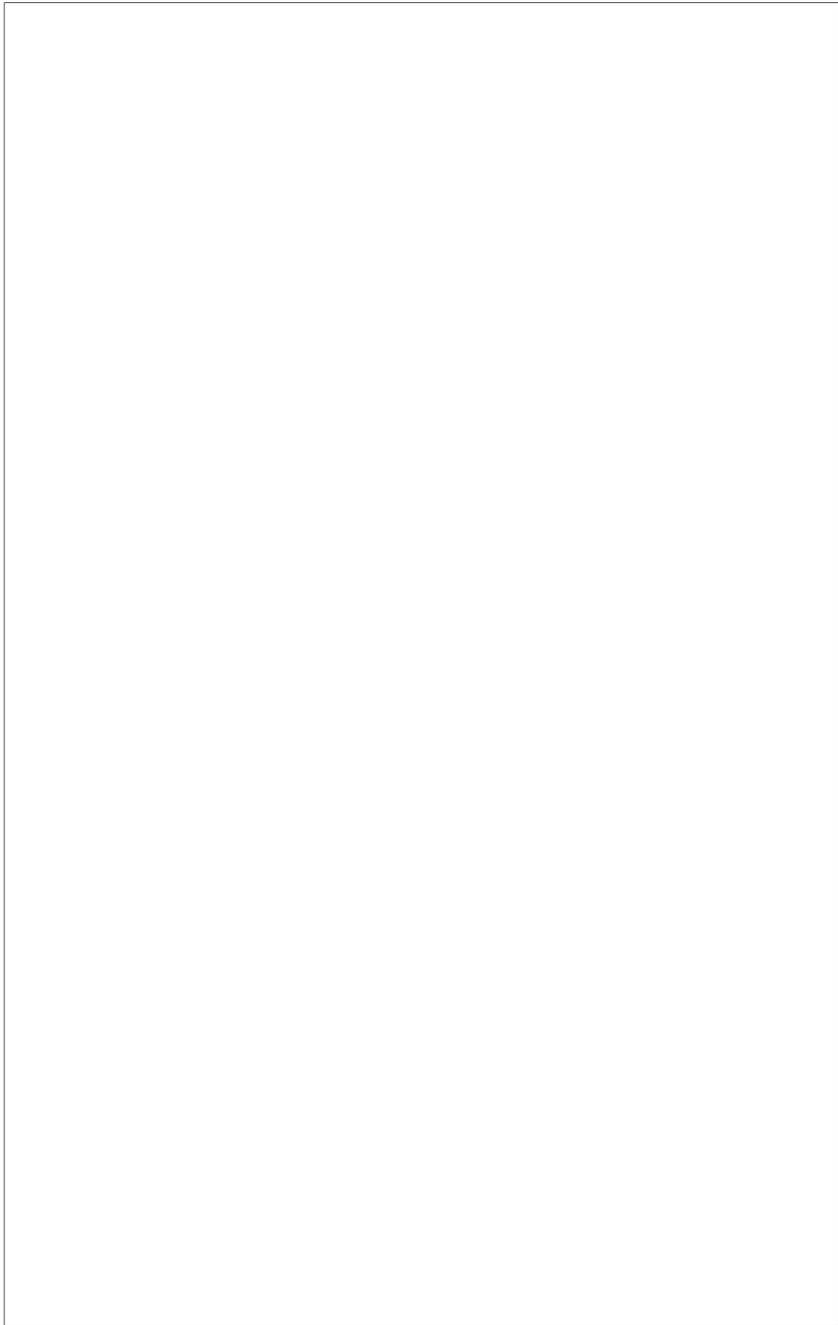
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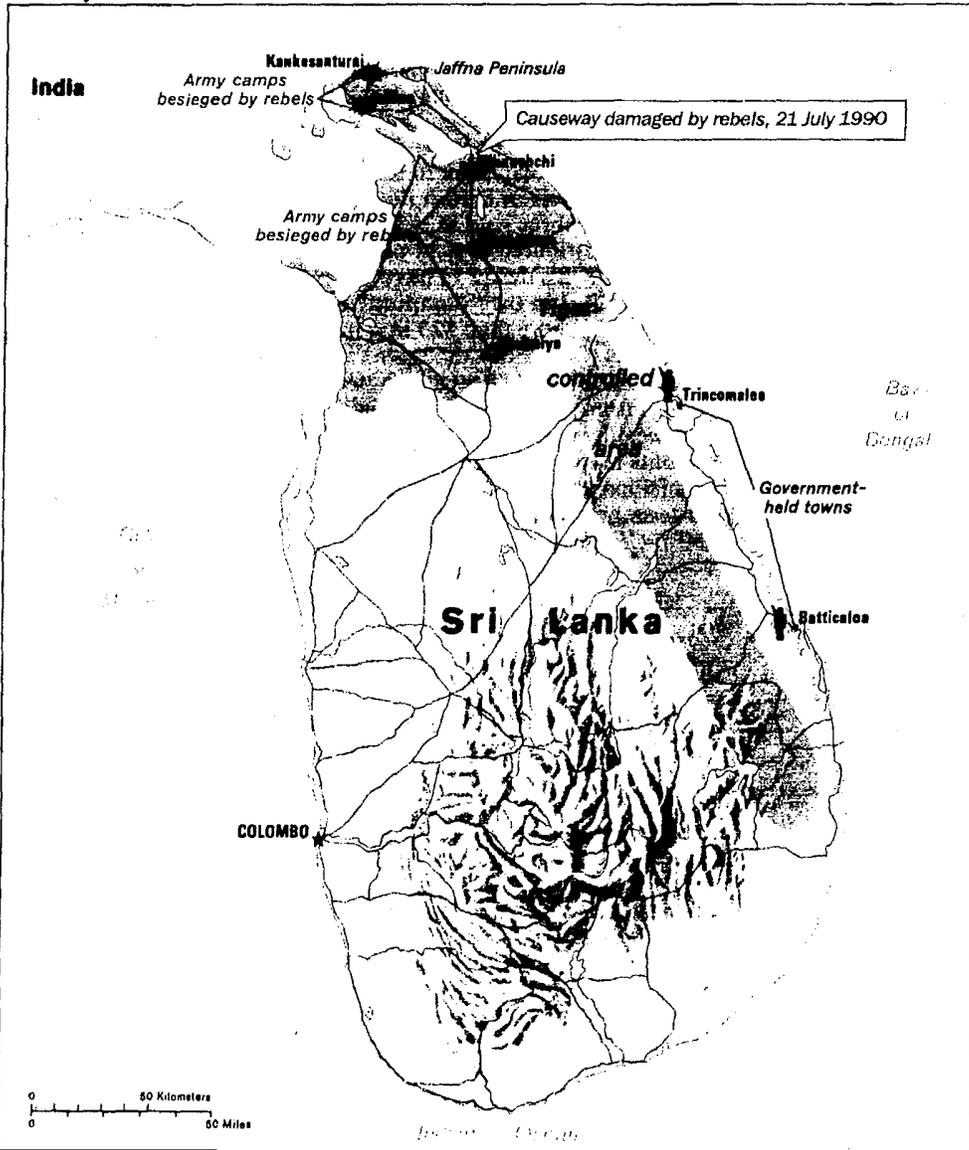
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Military Situation



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**In Brief**

**South Asia**

— Tamil Tigers on Saturday dynamited key causeway in northern Sri Lanka linking Tiger-held peninsula to mainland . . . despite repair work, hampers refugees fleeing southward, government forces moving northward to relieve besieged Army camps. [Redacted]

**East Asia**

— All 80 South Korean legislators resigned today as threatened . . . protesting government's tough legislative tactics and demanding new election . . . government refusing to acknowledge resignations

[Redacted]

**USSR/Europe**

[Redacted]

— Soviet Premier Ryzhkov met Saturday with timber industry officials to discuss wood, paper shortages . . . cutbacks in newspapers, a key government medium, most visible result of strained paper supply as *glasnost*-driven demand rises. [Redacted]

— East German parliament yesterday voted to restore five states eliminated by Communists in 1952 . . . administrative structure now compatible for union with West Germany . . . East Berlin given status to permit fusion with West Berlin. [Redacted]

**Americas**

— Leftist terrorists in Peru increasing assassinations, bombings before Fujimori's inauguration as president Saturday . . . authorities say dozens of unexploded devices also found . . . massive security presence likely at ceremonies. [Redacted]

[Redacted]

**Middle East**

— Israel's Labor Party central committee yesterday voted against forcing early contest for party leadership . . . gives Shimon Peres reprieve until next year, but Yitzhak Rabin will continue efforts to unseat him. [Redacted]

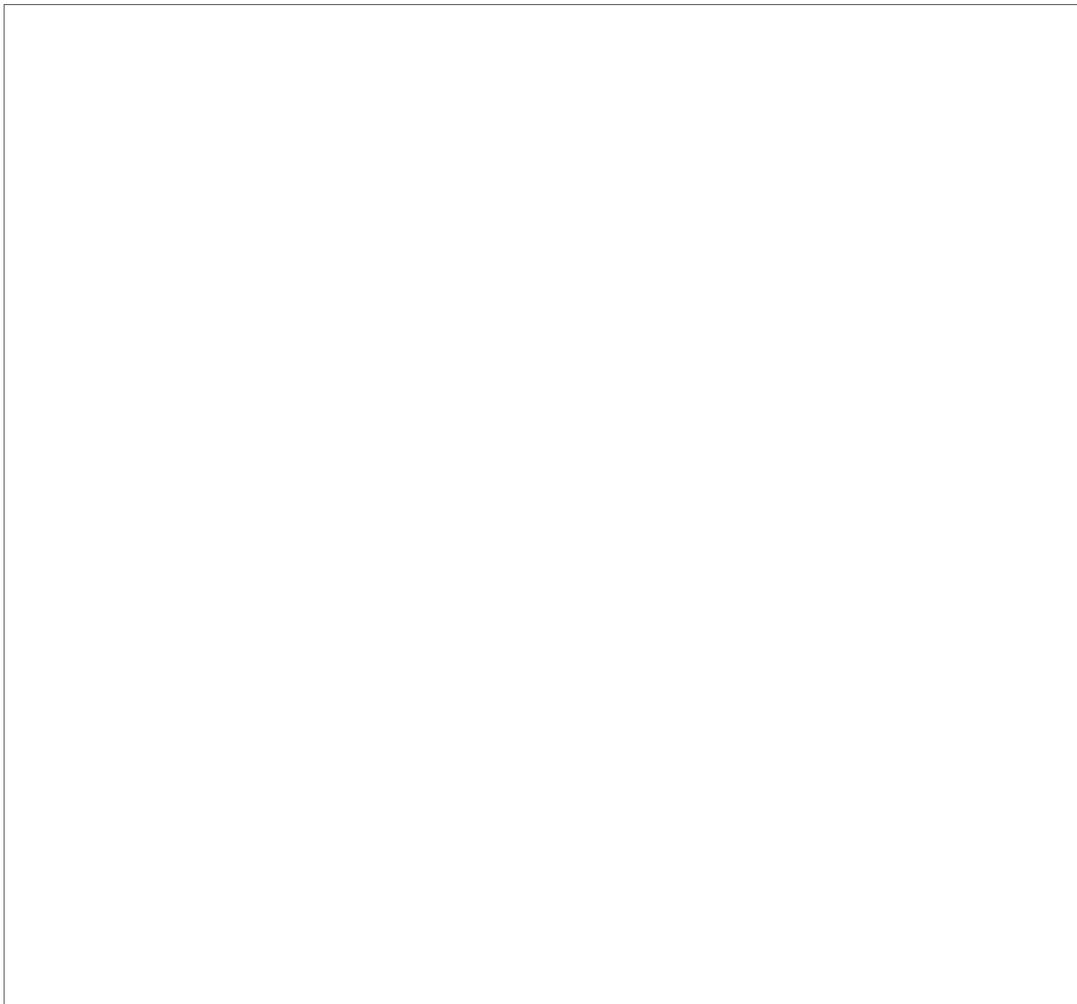
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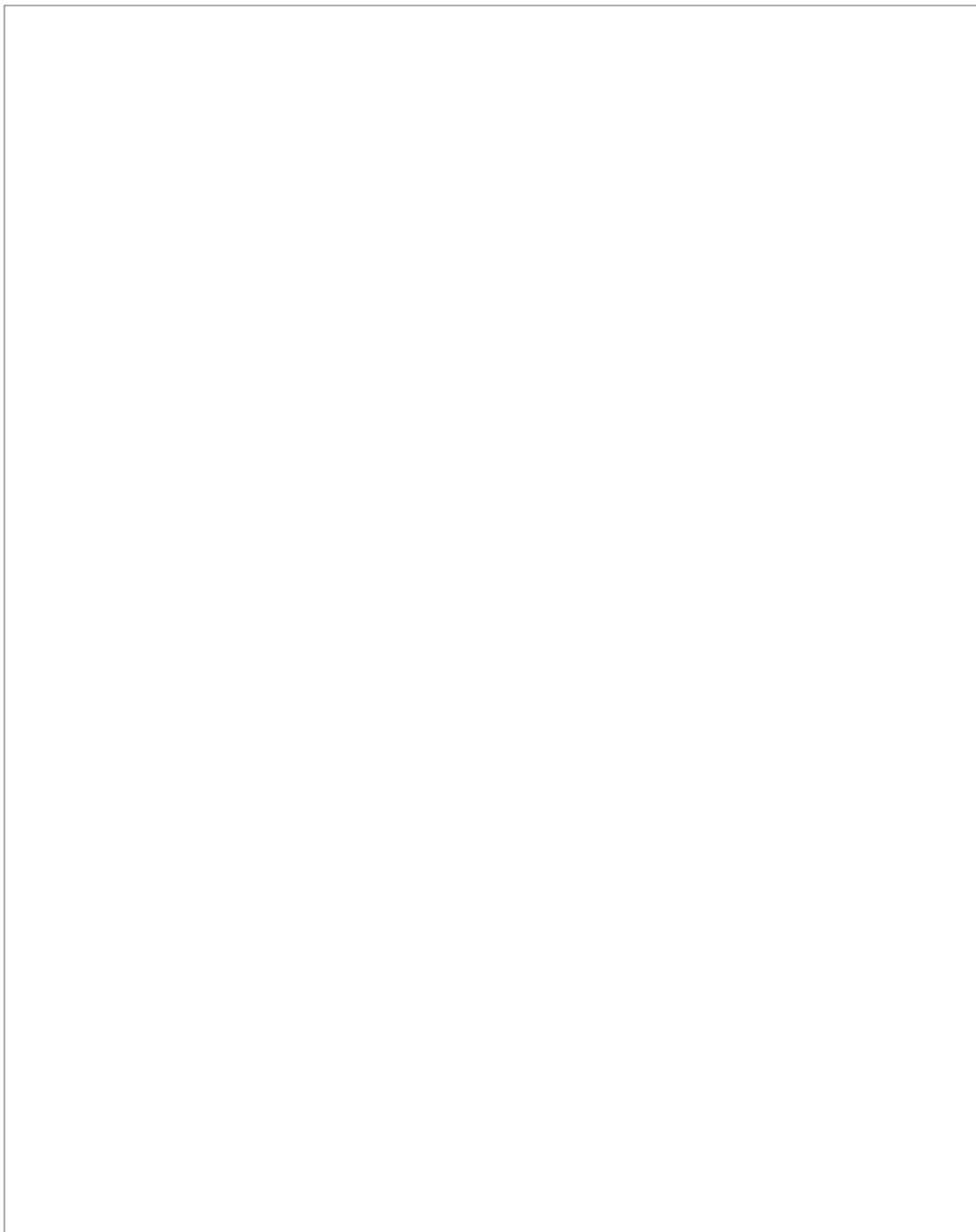


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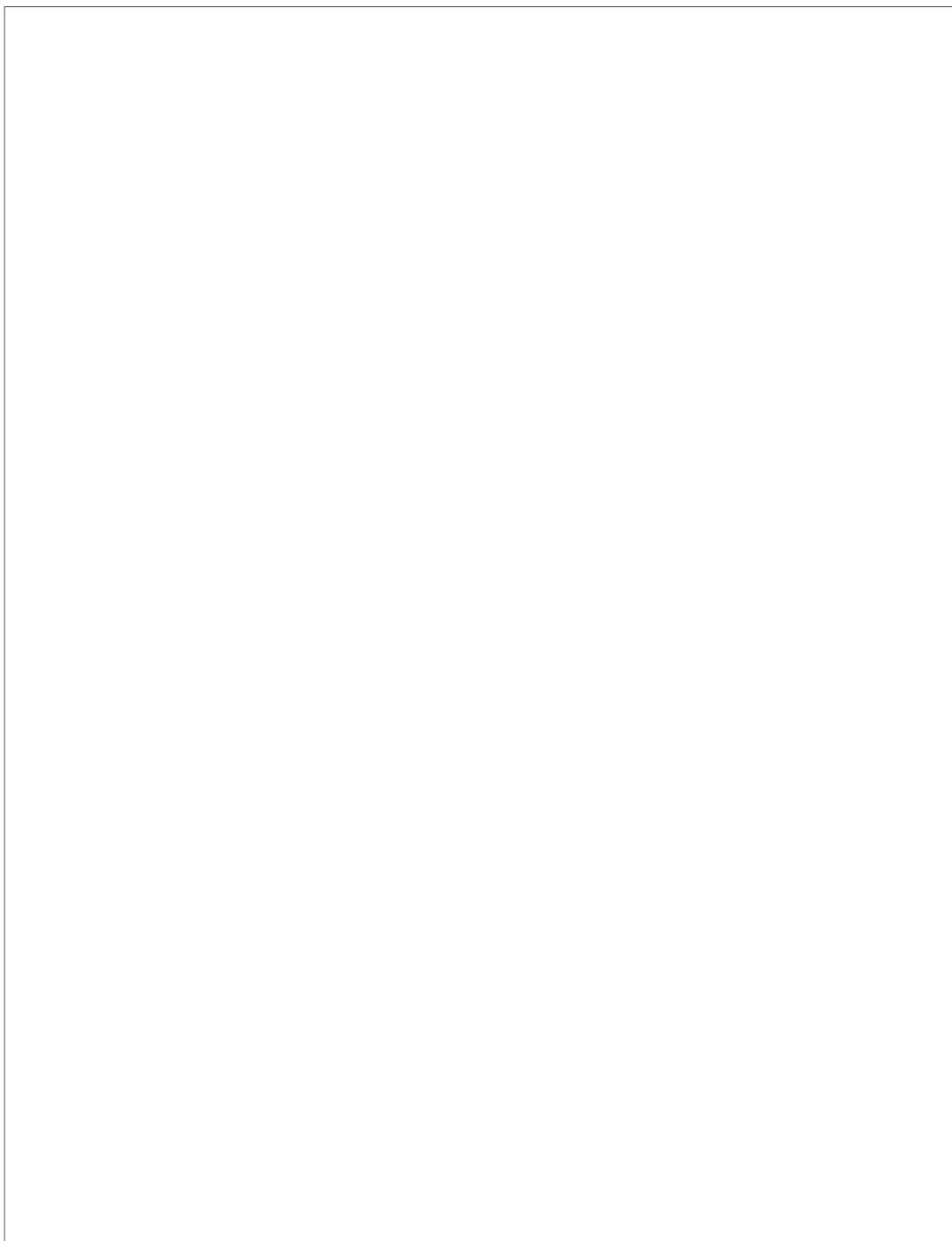


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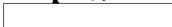
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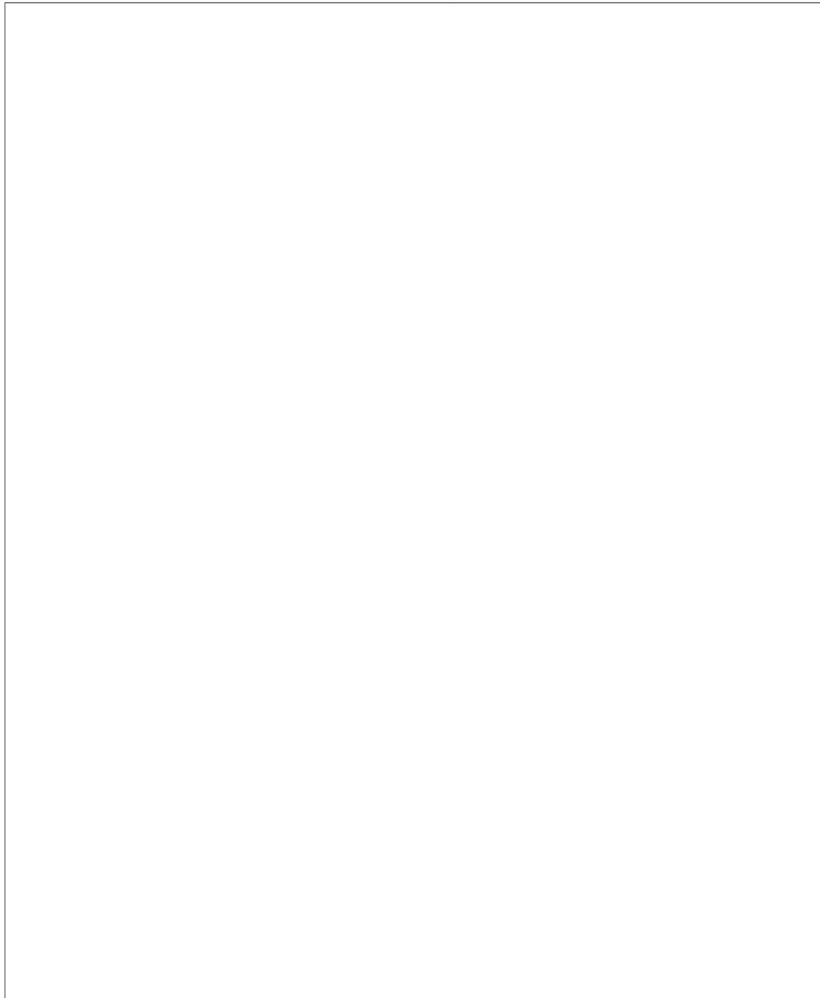
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23 July 1990

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