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Director of Central Intelligence

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Saturday, 21 July 1990



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IRAQ:

Keeping the Pressure on Kuwait

Baghdad's tough public stance toward Kuwait probably is meant to extort financial aid from its neighbor and higher oil prices at the semiannual OPEC ministerial-level meeting opening Wednesday in Geneva.

Iraq's government-controlled media are reiterating Saddam Husayn's threats this week of "effective action" to force Kuwait and the United Arab Emirates to reduce oil production; there has been no explicit threat of military action. The Iraqi press is emphasizing the regime's accusations that Kuwait and the UAE are colluding with the US to hold down oil prices.

Comment: Baghdad probably hopes Arab efforts to defuse the situation and popular Arab support for its position will force Kuwait—and perhaps the UAE as well—to cut back on oil sales and possibly provide financial aid. More Iraqi threats are likely, especially before next week's OPEC meeting.

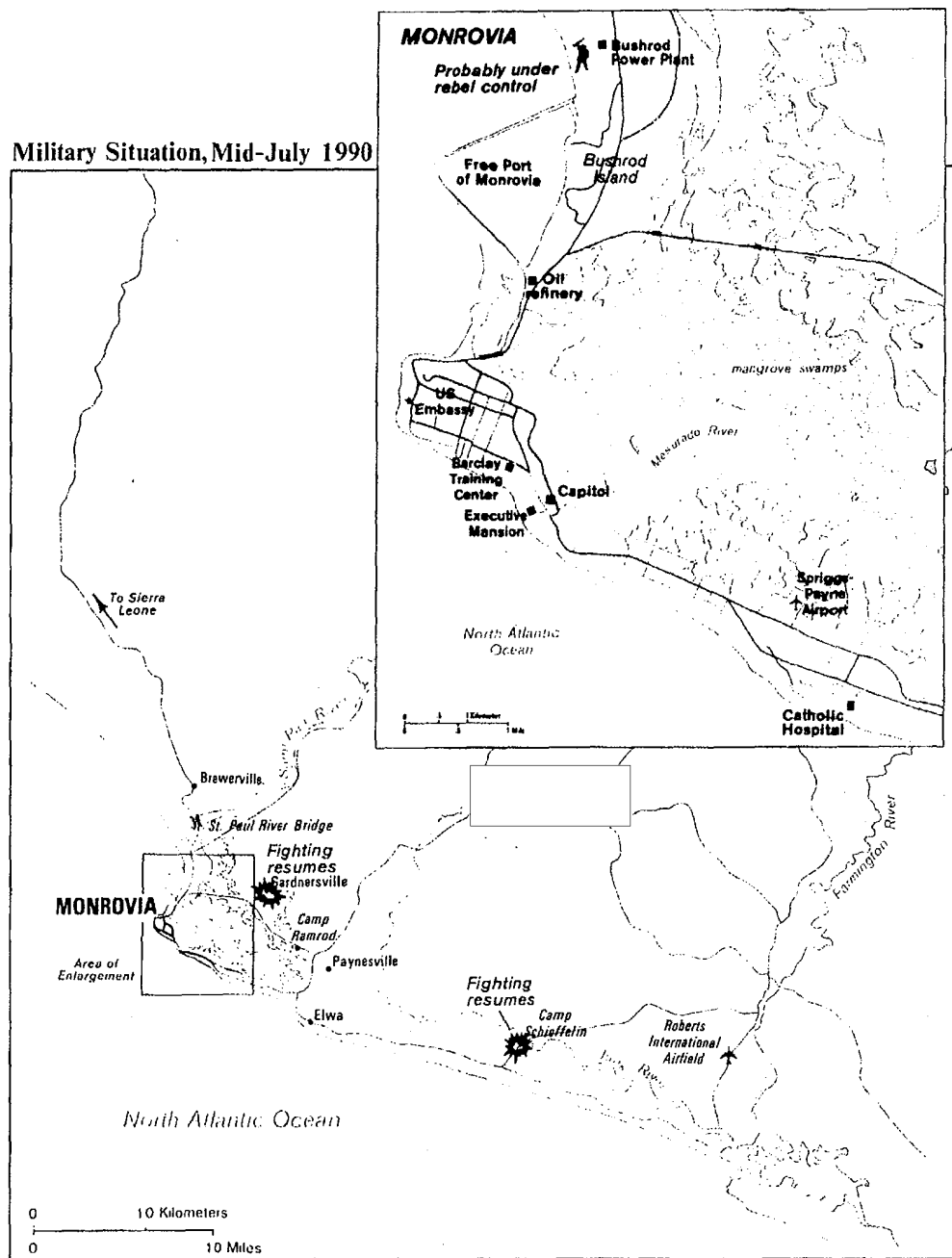
Although Saddam's charges of a US conspiracy may play well to Arab publics, most Arab states probably see the dispute as primarily economic and do not expect military confrontation. If Iraqi saber rattling continues after the OPEC meeting, however, Kuwait probably will gain increased support, particularly from Gulf states.

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Military Situation, Mid-July 1990



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LIBERIA:

Peace Talks End, Fighting Resumes

Anti-US sentiment is growing as the rebels renew their push into Monrovia and President Doe and his desperate army seek scapegoats.

Peace talks in Sierra Leone ended Thursday without resolving any of the issues under consideration. The rebels continue to insist that Doe must leave before any agreement.

Rebel forces have advanced from the north across the St. Paul River Bridge and gained a foothold on Bushrod Island.

They reportedly are ferrying troops into the area. the insurgents probably control the electric generating plant on the island. Fighting is also reported at Gardnersville and Camp Schieffelin. Numerous army casualties have been arriving at the local hospital.

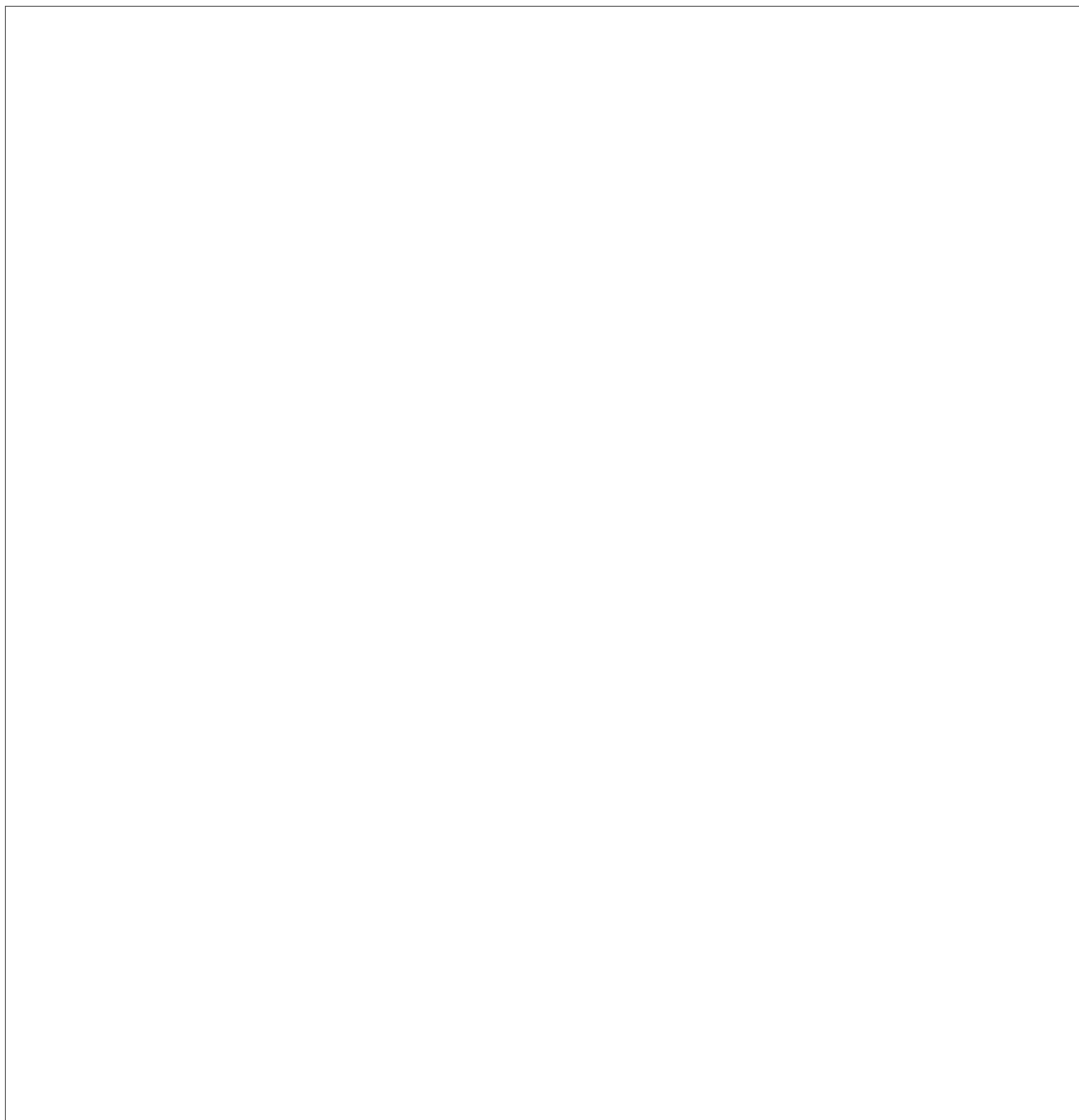
Allegations of US support for the rebels have been increasing daily. Yesterday, the Foreign Ministry accused the chief of the US Military Mission of leading the rebel attack on Bushrod Island and ordered his departure within 24 hours.

Comment: The rebels appear to have written off the peace talks and almost certainly will press for a military solution. With the road to Sierra Leone closed, Doe's cornered troops are likely to put up stiff resistance and may attempt to carry out Doe's orders to destroy the city. In their desperation, they probably will lash out at anyone suspected of supporting the rebels, including US citizens and other expatriates.

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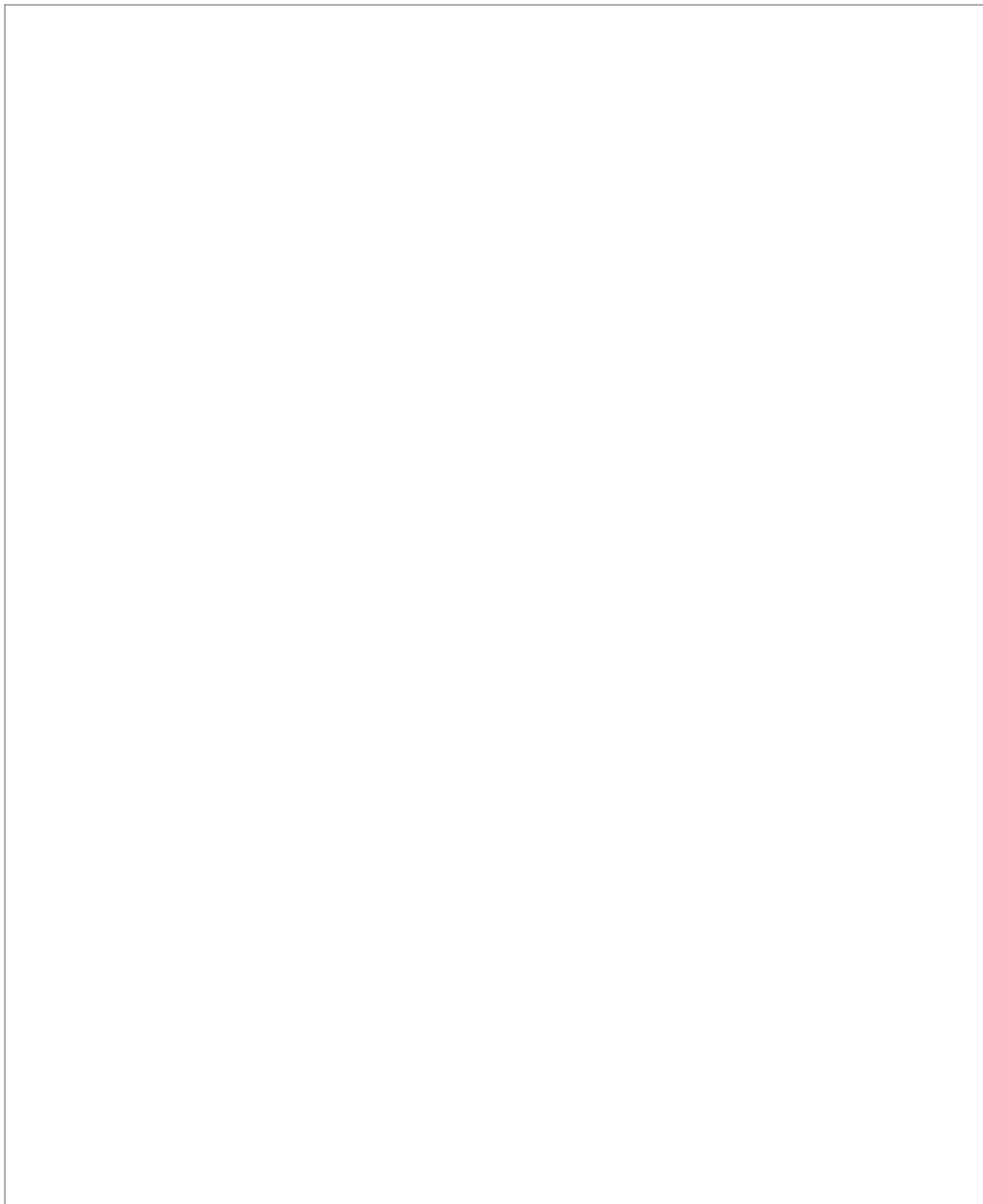


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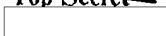
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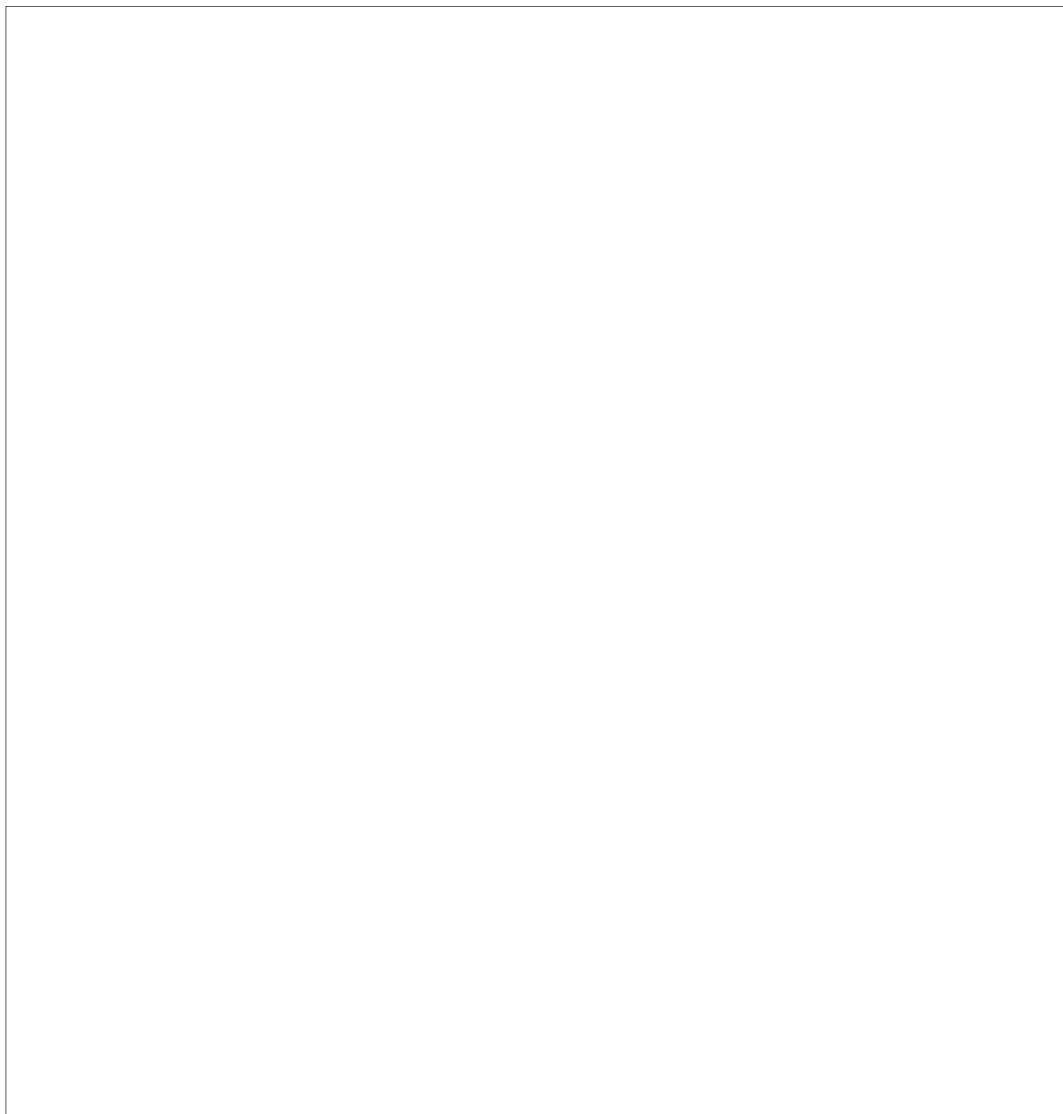
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KOREAS:

North Avoiding Exchanges

North Korea responded to President Roh's proposal for free travel between the Koreas yesterday by repeating demands the South has previously dismissed, but Seoul may offer concessions to maintain pressure on P'yongyang.

The North is demanding that South Korea release dissidents arrested for visiting the North and abolish the National Security Law used to suppress pro-North Korean sentiment. P'yongyang has asked the South to allow antigovernment groups to travel north before Roh's planned border opening in order to arrange a reunification rally in the Demilitarized Zone at Panmunjom on 15 August. The North has also demanded that massive tank barriers be removed by 12 August.

Comment: P'yongyang almost certainly expects Seoul will rebuff its conditions, but North Korea may have miscalculated. Roh's dramatic offer on Friday has won praise in the press as well as from opposition leaders, and Seoul may follow with more overtures to maintain momentum toward the prime-ministerial talks scheduled for September. Some 800 tons of rice collected in the South are to arrive at a North Korean port tomorrow or Monday, and Seoul has pledged not to seek propaganda advantage by publicizing the gift.

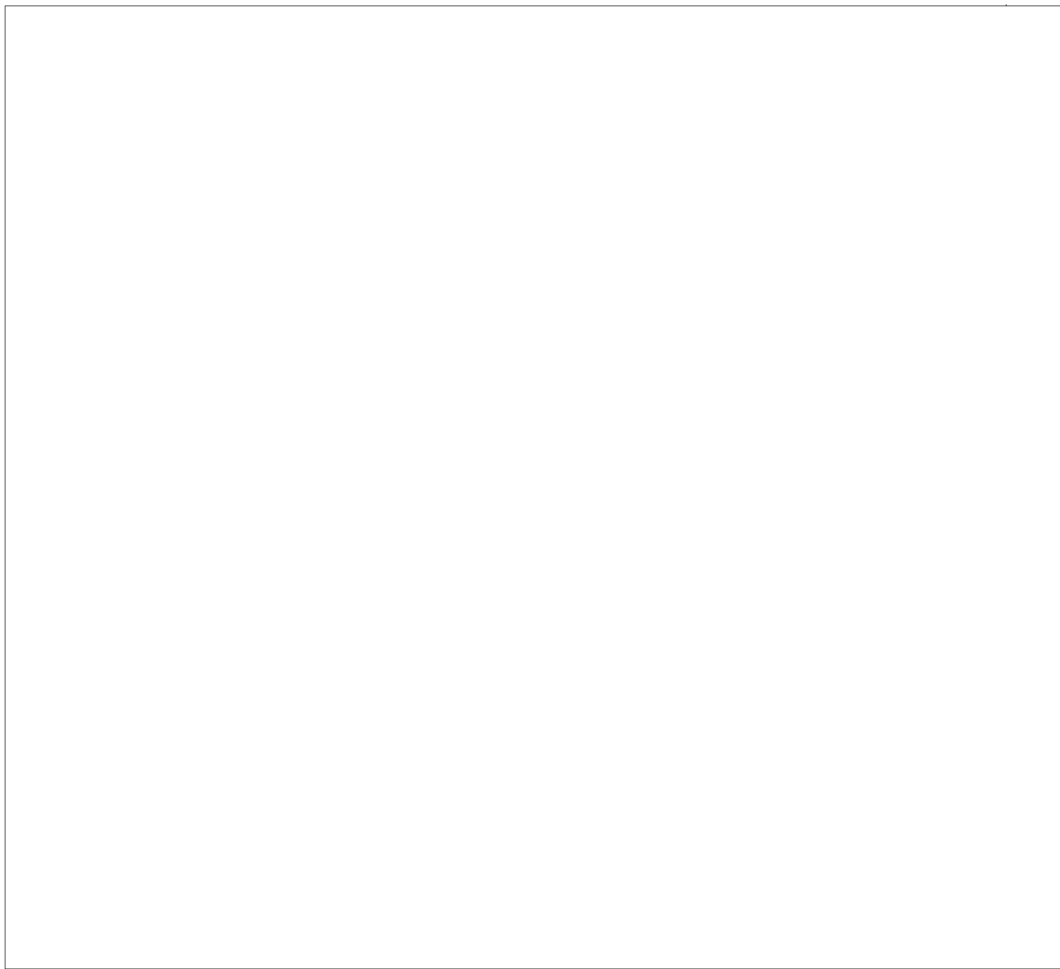
There is little chance South Korea will agree to remove the tank barriers or abolish the National Security Law, but it may offer some revisions. The ruling party, for example, has already discussed abolishing the ban on publicly praising North Korea. Seoul may also be willing to pardon some of the dissidents arrested this year for visiting North Korea without the government's approval.

Seoul could also put the ball back in the North's court by accepting P'yongyang's earlier offer to open its side of the joint security area at Panmunjom on 15 August. If Seoul inundates the northern side of Panmunjom with a large number of visitors, P'yongyang might be embarrassed because the South Korean public would see the North is not willing to go as far as the South in opening its border. The North publicized Roh's offer by denouncing it on domestic media, creating a slight risk that the expectations of its own population will be difficult to control.

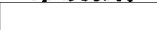
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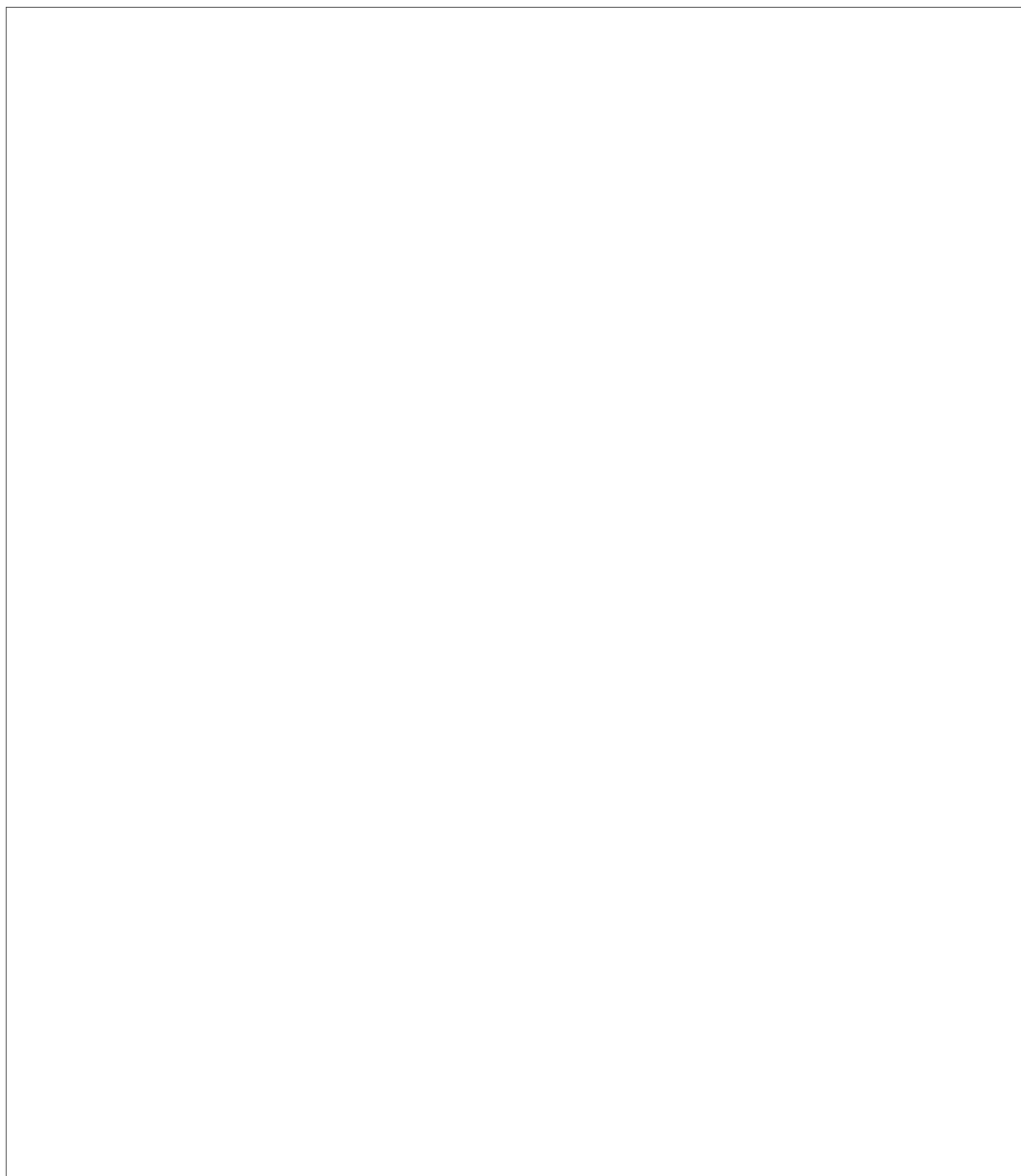
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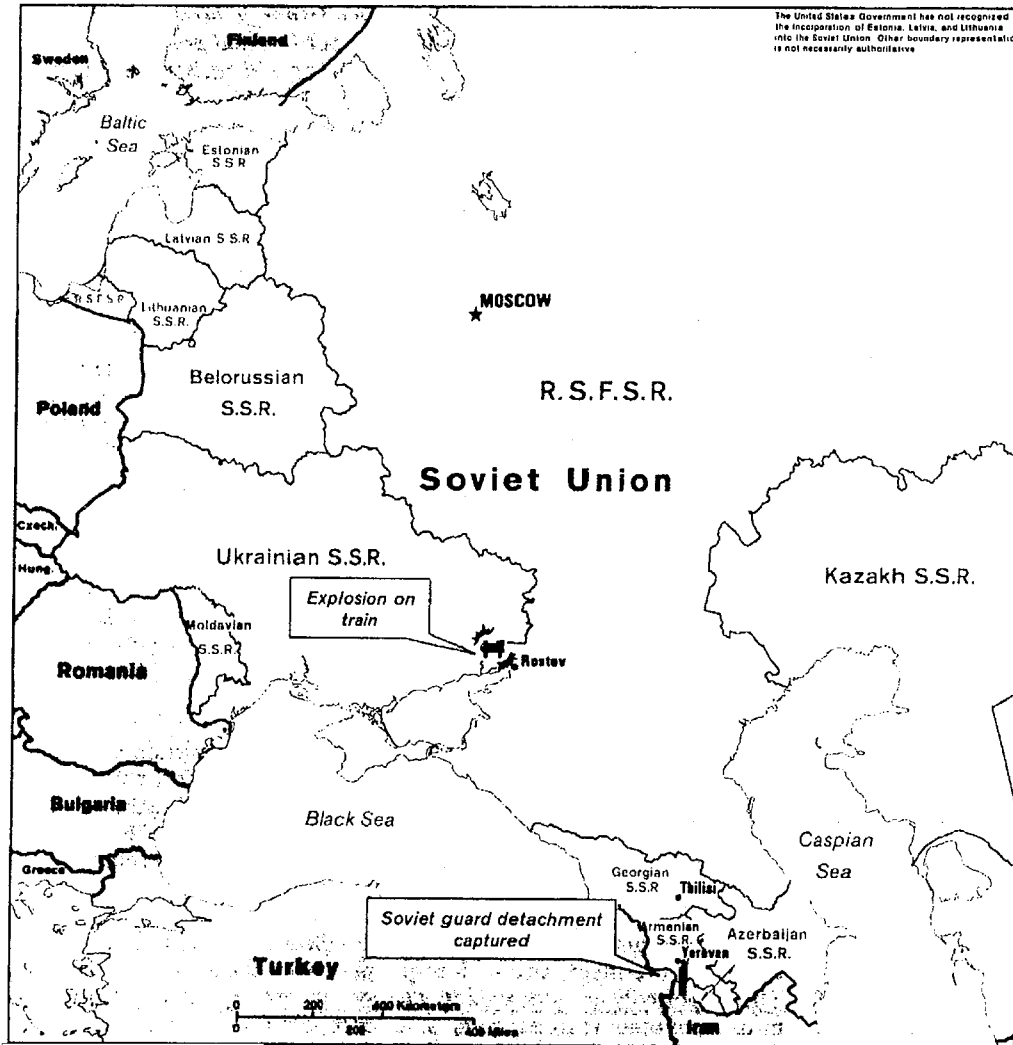


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Armenian Militant Activities, Mid-July 1990



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USSR: Armenian Militants Attack Border Post

Armenian militants yesterday reportedly captured a Soviet guard detachment after a fierce fight near the Turkish border. The Armenian legislature halted its opening session and sent a delegation to seek the guards' release. According to a spokesman for the Soviet Internal Affairs Ministry, Armenian groups this week attacked Armenian police and security facilities or personnel in at least 10 districts. Meanwhile, four persons were killed and 10 injured in an explosion on a Georgia-to-Moscow passenger train near the Ukrainian border in what police call a premeditated act. They are holding a 34-year-old Azeri suspect who reportedly shouted a warning to others just before the explosion.

Comment: Attacks by extremists against Soviet military facilities and personnel in the Caucasus have increased in recent months. The attacks, like those against Armenian security facilities, most likely are to obtain weapons and neutralize security positions. By interrupting the legislative session and sending a high-level delegation to deal with the militants, the Armenian government hopes to convince Moscow the situation can be handled locally and to prevent the imposition of a state of emergency. Soviet forces in the area last month accused local authorities of conniving with the militants.

USSR: Debating Reduction of Party's Role in Military, KGB

Gorbachev's effort, begun at the CPSU congress, to push toward removing the KGB and the military from party control is being hotly debated. The new chief of the military's main Political Administration, General Shlyaga, vigorously opposes depoliticizing the military and the KGB; in an interview published in *Izvestiya* Thursday, he called that prospect "immoral" and expressed confidence it would not occur. Former KGB official Oleg Kalugin, who has used media exposés about KGB misconduct to rally support for the idea, has been nominated to run for a vacant seat in the legislature of the Russian Republic.

Comment: Shlyaga's remarks suggest some senior officials strongly oppose measures discussed at the congress to depoliticize the military, but it is clear the issue is now on the political agenda. Because deputies generally have immunity from prosecution, Kalugin will be in a better position to use his knowledge of KGB activities to make the case for depoliticization if he wins election to the Russian legislature. He may now have some high-level political support. Russian Republic President Yel'tsin is a strong proponent of depoliticization, and some Gorbachev confidants, including Alexander Yakovlev, may hold similar views. When questioned at the congress, Yakovlev offered only a mild rebuke of Kalugin's exposure of KGB activities.

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ROMANIA: Leadership Splits Growing

Divisions in the National Salvation Front over how to handle antiregime pressure are intensifying. On Thursday protesters in Timisoara called for the release of jailed student leader Marian Munteanu and those detained after last month's crackdown. After meeting with French President Mitterrand this week, Prime Minister Roman hinted Munteanu might be freed soon. President Iliescu, however, is maintaining a hard line. He has dismissed student claims that a videotape shows Munteanu appealing for nonviolence and refuses to withdraw his thanks to the miners for their brutal repression of last month's protests. Roman, however, has softened his response to those protests, announcing that some miners will be prosecuted.

Comment: Iliescu's intransigence emphasizes the factionalism within the Front, especially the divisions between him and Roman. The Prime Minister has been trying to improve the government's image in the West; his talks with Mitterrand encouraged France to press the EC to increase aid for Romania. Roman's willingness to differ publicly with Iliescu—particularly if supported by Defense Minister Stanculescu—almost certainly will intensify the President's isolation. Under such pressure, Iliescu is increasingly likely to renew brutal repression in response to further protests; another bloody crackdown may provoke Stanculescu to move against Iliescu.

BULGARIA: Nationalist Strikes Escalating

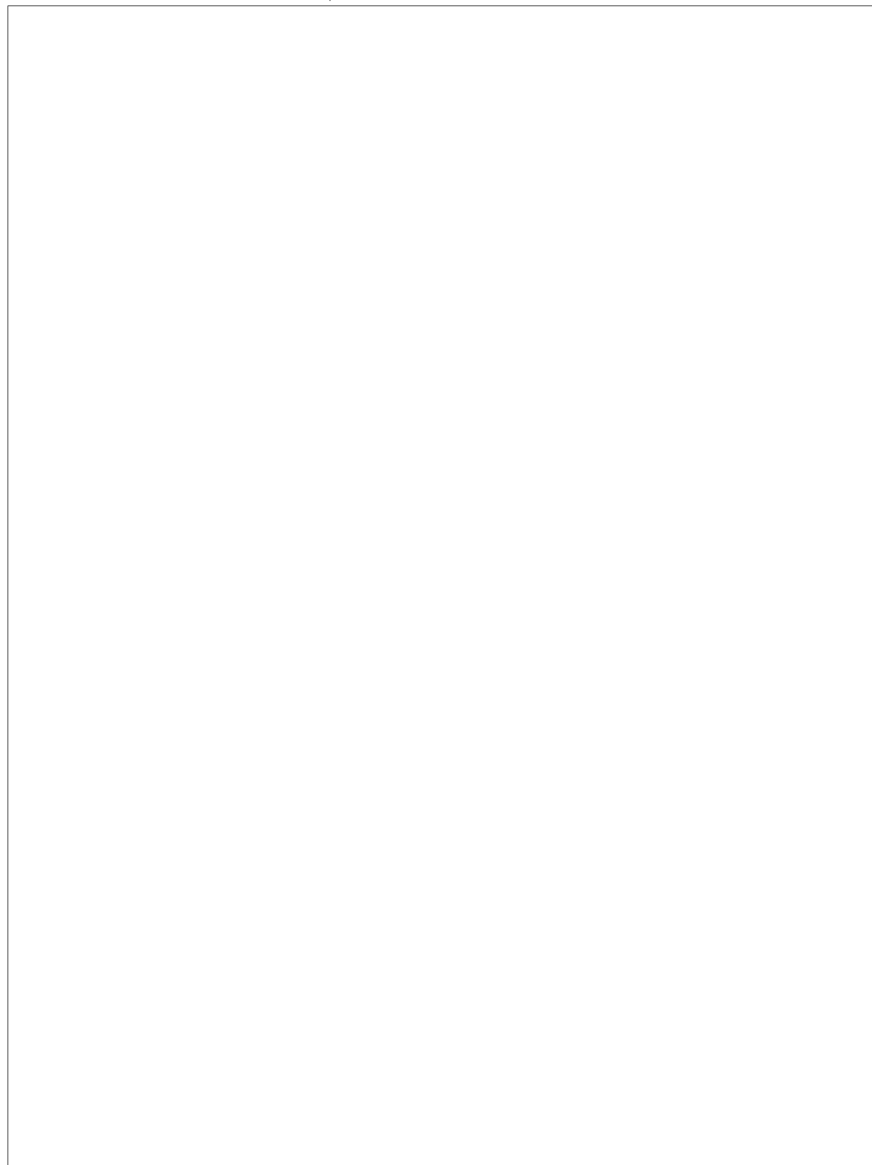
Strikes protesting ethnic Turkish participation in the National Assembly have virtually shut down several provincial cities. Regional chapters of the Committee for the Defense of National Interests, which organized the protests, have rejected appeals to desist from its national leadership, from the Assembly, and from the Bulgarian Socialist—formerly Communist—Party. Negotiations between government representatives and strike leaders broke down Thursday. Demonstrators vow to continue protests until ethnic Turks are removed from the Assembly.

Comment: The Assembly, engrossed in a partisan battle over electing a new president, is ill prepared to defuse the situation. Although anti-Turkish sentiment runs high among segments of both the Socialist Party and the opposition parties, the Assembly is unlikely to censure the Turkish party, fearing both a backlash from ethnic Turks and international condemnation. Even if an agreement is reached to settle this round of strikes, conflicts—some violent—between nationalist and ethnic Turkish groups are likely to occur often.

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USSR: Congress Decisions Push Party Reform

On the basis of incomplete information, the 19 July *Daily* reported the new CPSU rules and program make no mention of the party's vanguard role or the principle of democratic centralism. These terms in fact do appear in the full text of the rules. The documents therefore do not go nearly as far in meeting the demands of Westernizing reformers as the initial reporting suggested.

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— **Greek** New Democracy government obtained majority Thursday with switch of key centrist deputy . . . should ensure ratification of US base agreement in vote set for Monday, passage of new election law this fall.

— Slovene Assembly reportedly has restricted service of military draftees to **Yugoslav** republics of Slovenia, Croatia . . . presages formation of republic army . . . effort to remove republic from federal military may provoke Belgrade's intervention.

Africa

— **South African** President de Klerk, ANC leader Mandela met yesterday, full-scale meeting set for 6 August . . . ANC Executive Council convenes next week . . . two sides probably nearing agreement on release of political prisoners, return of exiles.

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USSR

-- Lithuanian Premier Prunskiene arrived in Moscow yesterday to begin talks with Soviet officials preliminary to formal negotiations ... President Landsbergis says they will probably not start until fall.

Americas

-- Cuba playing up line foreign diplomats fomenting instability ... displaying activists to accuse US, Czechoslovak, West German envoys ... trying to deter asylum seekers, but damaging already declining international support.

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~~Top Secret~~**Panama's Diplomatic Relations in Latin America**

Most Latin American governments that maintained ambassadors in Panama City have restored full diplomatic relations with the Endara government, but a handful have yet to send an ambassador.

Country	Representation Level	Asylum Seekers in Embassy
Argentina	Ambassador	None
Bolivia	Chargé; ambassador to be named	None
Brazil	Chargé; recently upgraded	None
Chile	Ambassador	None
Colombia	Ambassador	None
Costa Rica	Ambassador	None
Cuba	Chargé	Leftwing paramilitary leader
Ecuador	Ambassador	Former Minister of Justice
El Salvador	Ambassador	None
Guatemala	Ambassador	None
Honduras	Ambassador	None
Jamaica	Chargé; ambassador to be named	None
Mexico	Chargé	Ex-director, national bank
Nicaragua	Ambassador	None
Peru	Chargé; recently upgraded	Two senior Panama Defense Forces officers
Uruguay	Ambassador	None
Venezuela	Ambassador	None

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Special Analysis

PANAMA:

Charting a New Foreign Policy

The Endara government is abandoning the ambitious, Third World-oriented policies of recent military regimes and is seeking close links to Central American countries and the US. It has gained respectability and acceptance from most of its Latin American neighbors and has begun receiving substantial economic aid from Washington, achieving the main foreign policy goals it had on coming to power in December. Relations with Cuba and Libya have deteriorated badly, but to protect economic interests and avoid appearing to be Washington's stooge Panama City has stopped short of breaking ties.

In the six months since Manuel Noriega's ouster, Panama has focused its foreign policy on obtaining US aid and normalizing relations with its neighbors. Some \$420 million in US assistance has begun arriving, and Panama has exchanged ambassadors with nearly every Latin American government that previously recognized the Noriega regime. Several holdouts have raised the level of their representation or have said they will do so. Latin displeasure over the US intervention, typified by the Rio Group's demand in April that the Endara government hold an election to legitimize itself, has largely subsided, but Mexico, Peru, and Brazil continue to block Panama's reentry into the Rio Group.

Political asylum for Noriega regime figures remains an obstacle to full relations with Mexico and Peru. Mexico City has granted Noriega's national bank director asylum in its Embassy, and the Peruvian Embassy harbors two of Noriega's closest military aides. The Endara government has criminal charges pending against all three and refuses to grant them safe conduct out of the country. Nevertheless, Panama and Peru reportedly are negotiating, and Lima has accepted a new Panamanian ambassador.

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Looking to Europe and Asia

The new government has been much slower in trying to improve ties to Western Europe and Asia, both potential sources of foreign aid. Strapped for operating funds, several of its key embassies in Europe remained unstaffed for months. Vice President Arias Calderon has sought help in Western Europe, but the Europeans give Panama low priority and have been reluctant to extend aid.

Japan and Taiwan, although reluctant to provide large amounts of assistance, have pledged aid to clear arrearages if the West Europeans also contribute. President Endara visited Taiwan last month

Outlook

Panama will increasingly distance itself from the activist, Third World-oriented foreign policy of the Torrijos and Noriega dictatorships, which opposed many US positions in the OAS, the UN, and the Nonaligned Movement. Endara probably has accepted exclusion from the Rio Group and, reversing Panama's traditional stance, is exploring closer ties to Central American neighbors. He recently attended a Central American summit as an observer. Panamanian officials have also criticized the OAS, which they have viewed with disdain since mediation efforts between Endara and Noriega failed last year.

Panama's focus will remain on Washington, its major economic benefactor.

Nonetheless, cooperation with the US is likely to be aggravated by nationalist sensitivities, which have already surfaced over US rights under the Canal treaties and bank secrecy laws, and by Panama's desire to show it is independent of Washington.

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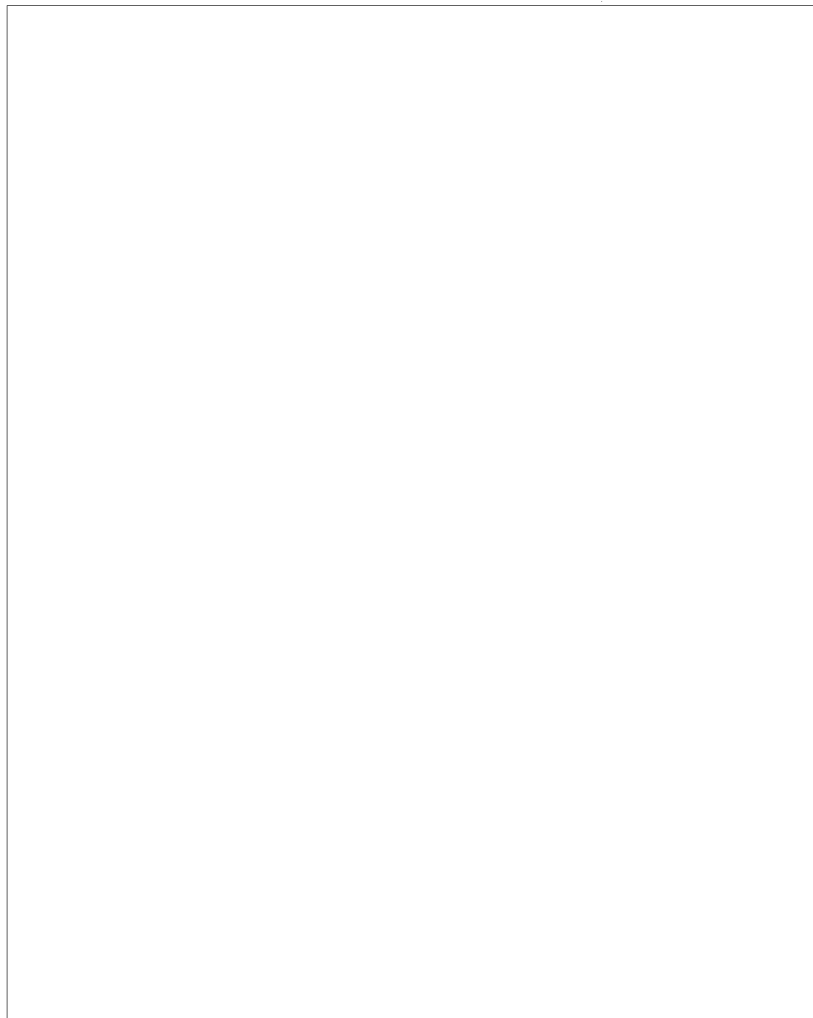
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