

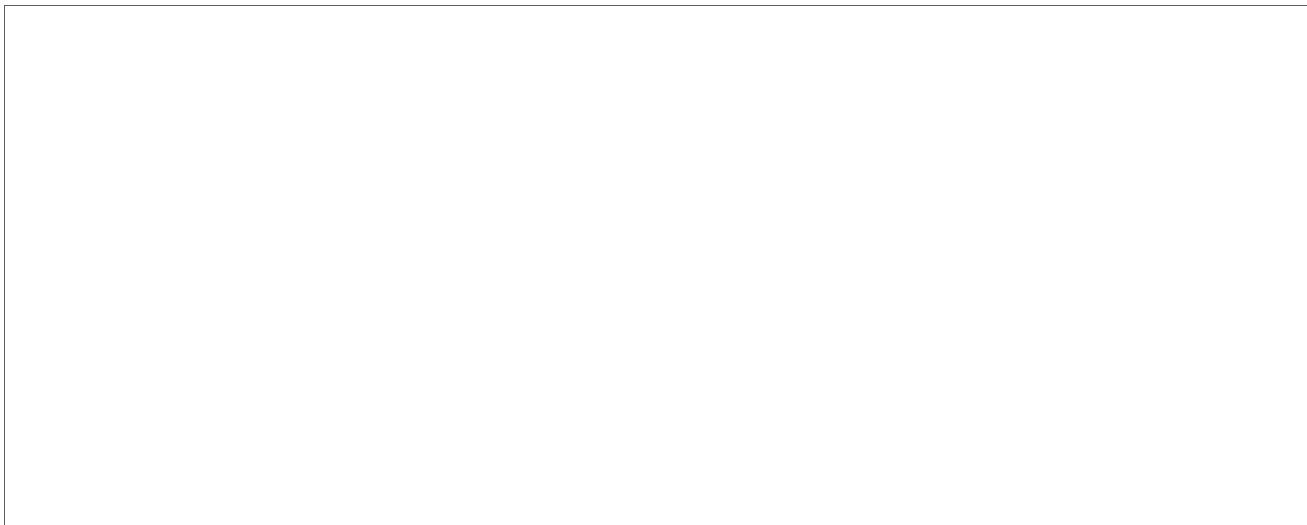
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certainly would not be able to form a coalition against the Ba'athists and would have to support Saddam's continued leadership. Saddam's security services will use infiltration and intimidation to ensure that the new parties remain tame. The move is part of Saddam's broader strategy to project a moderate image in the hope that the West will drop sanctions. [redacted]

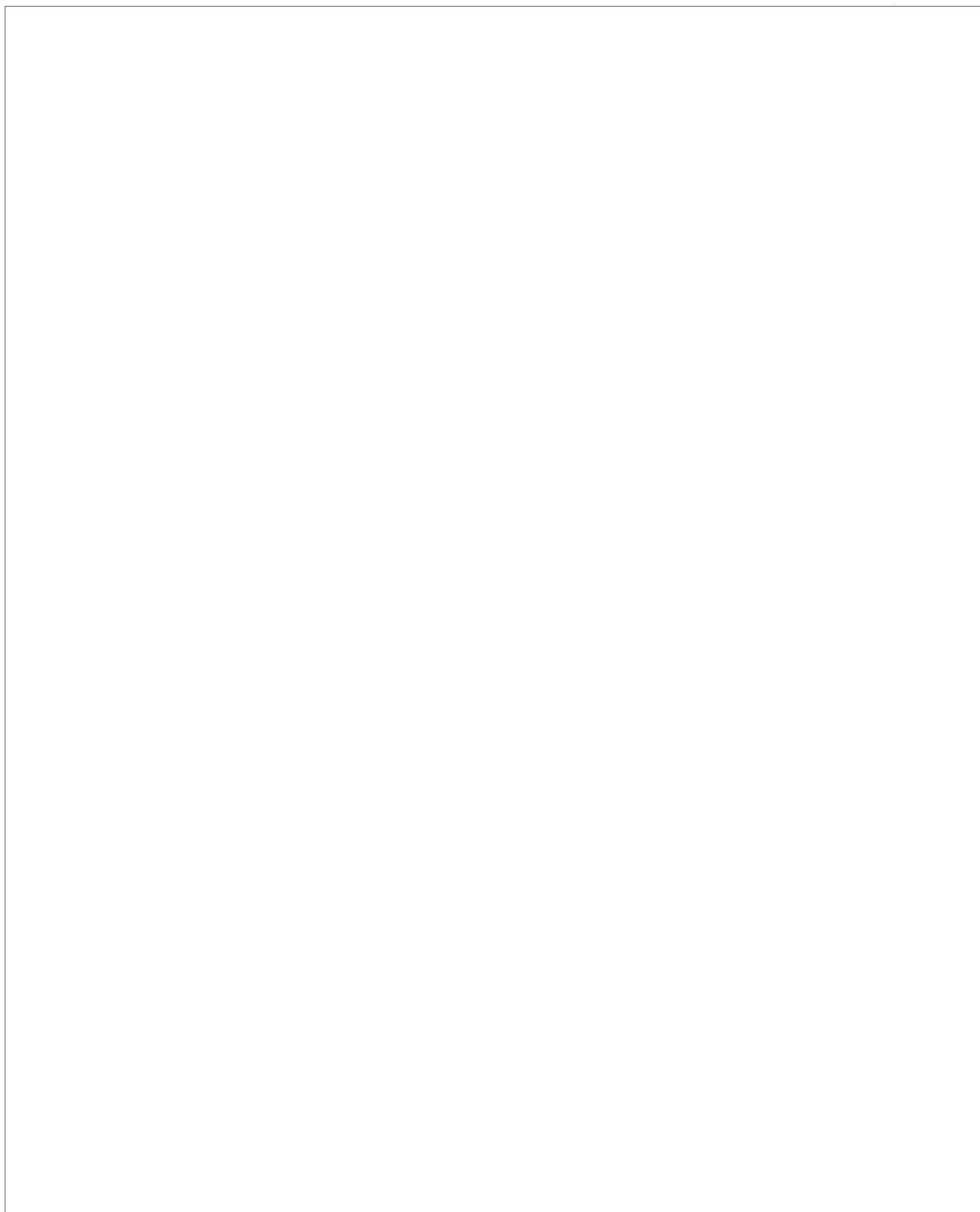
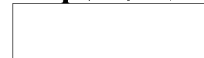
**Gulf Humanitarian
Measures To Be
Considered**

UN High Commissioner for Refugees Sadako Ogata will meet with US officials in Washington next week to discuss international relief efforts. Sadruddin Agha Khan, the UN Secretary General's executive delegate for humanitarian aid to the Gulf and a contender for the post of secretary general, arrives on Tuesday seeking funds for Gulf relief. [redacted]

Comment: Ogata is likely to discuss international refugee issues in general, but Sadruddin probably will focus entirely on the Gulf. His largely unsuccessful fundraising attempts at the 12 June international pledging conference in Geneva and the impending withdrawal of coalition forces may add a note of urgency to his appeals. Funding requests probably will emphasize the guard force and high-deficit projects like food aid and infrastructure rehabilitation; current pledges total only 30 percent of the projected UN budget for Gulf aid. Sadruddin probably hopes success here would advance his candidacy for secretary general. [redacted]

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— Lithuanian, center negotiations working groups met on Tuesday . . . Soviets rebuffed Vilnius's attempt to nail down discussion agenda, hedged on future meetings . . . continue to stall genuine negotiations. [redacted]

Middle East

— Sudanese rebel leader Garang, President Bashir reportedly willing to begin preliminary peace discussions . . . most likely motivated by need to obtain international relief . . . differences over Islamic law, democracy will hamper talks. [redacted]

— Tunisian President Ben Ali to announce major Cabinet changes, [redacted] . . . Prime Minister Karoui, Defense Minister Boulares probably will be replaced . . . sacking unpopular Boulares likely to sit well with military. [redacted]

East Asia

— Takako Doi resigning as Japanese Socialist party head after recent electoral setbacks . . . successor to be chosen next month . . .

— South Korea's ruling party won nearly two-thirds of local elections Thursday . . . opposition wins occurred in traditional strongholds . . . presidential hopeful Kim Young Sam likely to take credit for victory, increasing party's infighting. [redacted]

Americas

— Cuban human rights activists who attended Havana church service as gesture of support for peaceful change beaten by security forces last Sunday . . . similar incidents likely as regime cracks down on dissent before Pan-American Games in August. [redacted]

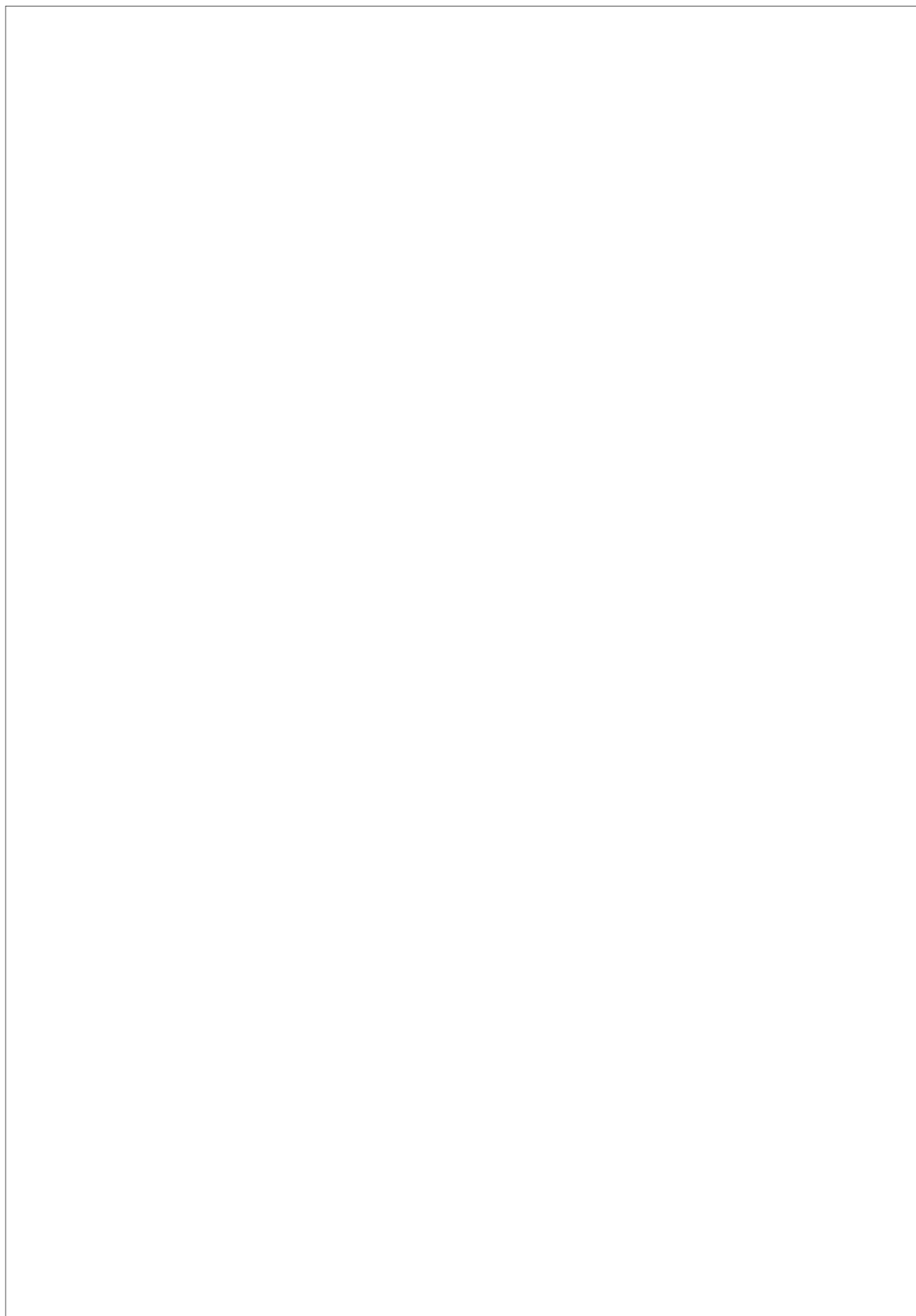
Africa

[redacted] military grumbling, possible coup plotting in Mozambique . . . President Chissano aware of threat, capital remains calm . . . continuing negotiations with RENAMO insurgents may be fueling military dissatisfaction. [redacted]

— Kenya yesterday released last of three prominent multiparty advocates arrested last year . . . trying to co-opt dissidents, quiet foreign critics before anniversary of bloody riots 7 July . . . President Moi vows crackdown if agitation increases. [redacted]

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Special Analysis

JAPAN:
Weakness in Economy Despite GNP Surge

Japan's inflation-adjusted GNP grew at an annual rate of 11 percent during the first three months of this year, but a close look at the numbers indicates business activity remains weak. [redacted]

The government's GNP figures released this week suggest Japan's business slowdown since early last year has ended. But a significant share of the increase in growth was driven by large financial flows that do not paint an accurate picture of real economic activity:

- Japanese firms, probably reacting to tight credit at home, substantially increased profit repatriation from overseas investments in the first quarter, adding to domestic income and GNP.
- The Persian Gulf crisis kept Japanese tourists home, sharply curtailing what is typically a drain on national income and GNP.

These factors probably are transitory—overseas travel is already on the upswing and repatriation of overseas investment income may be slowing—suggesting that next quarter's GNP growth figures could show a sharp slowdown. [redacted]

Moreover, the first-quarter figures show signs of weakness in business activity. Inventories rose sharply, reflecting sluggish sales and suggesting that production may slow further in the months ahead while stockpiled goods are being sold. Plant and equipment investment grew more slowly in the first quarter than it did during the last three months of 1990. Consumer expenditures grew at an annual rate of only 3 percent. [redacted]

Other government data also highlight sluggishness in the economy. Most important, industrial production has stagnated so far this year, with output in April about 2 percent below the January level. New housing starts fell roughly 19 percent in April from year-earlier levels, the sixth consecutive monthly decline. And in March, weak domestic sales prompted Japanese auto companies to cut production for the first time in nine months; [redacted] the decline accelerated in April. [redacted]

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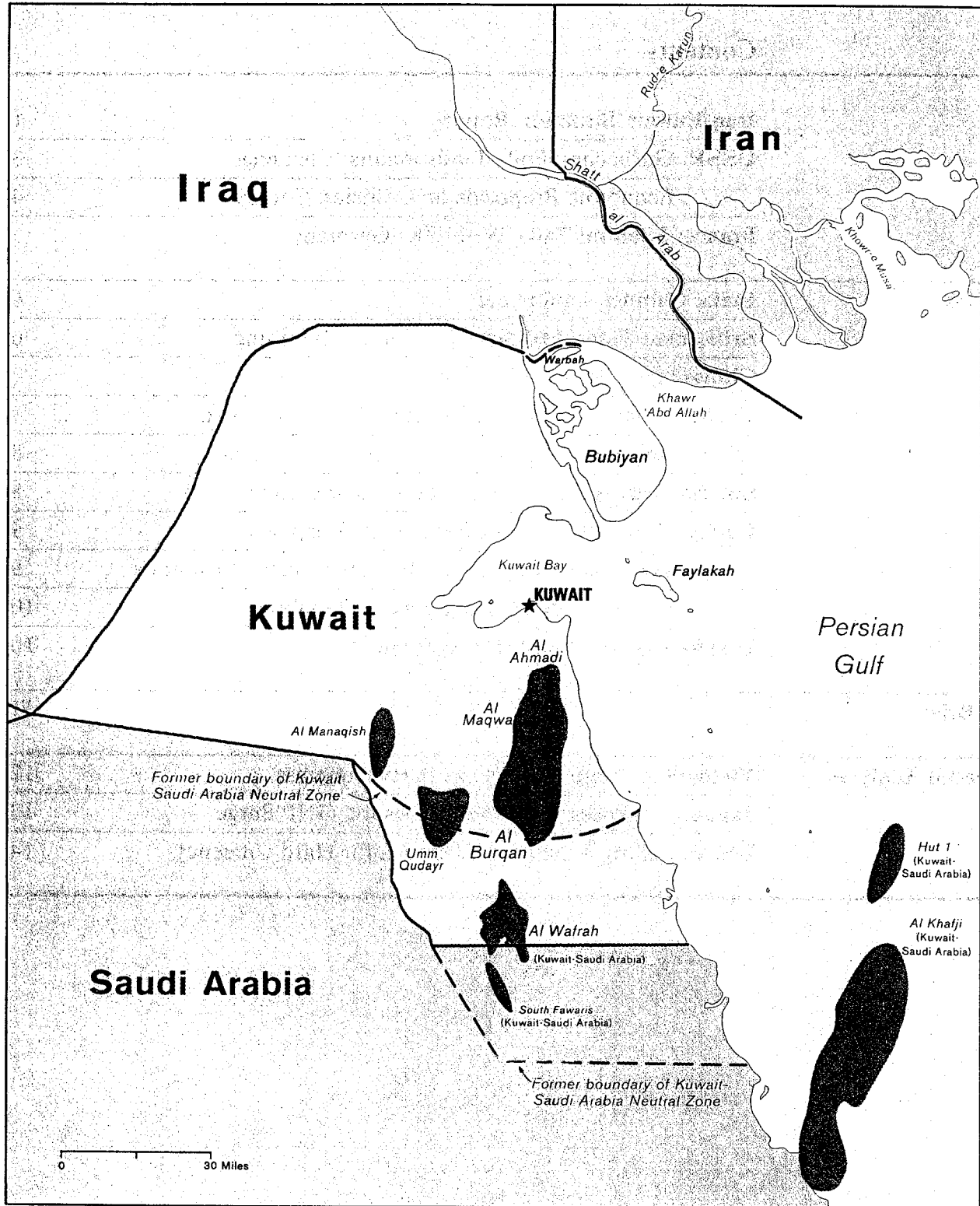


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Selected Kuwaiti Oilfields



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[REDACTED]**INDIA: Cabinet Announced**

Prime Minister Rao's speedy selection yesterday of a cabinet of more than 50 members apparently is intended to signal that his new administration will hit the ground running; Rao and his ministers took the oath of office within 24 hours after he was formally asked to form a government. The chief minister of Maharashtra state and Rao rival, Sharad Pawar, has announced that he will join the cabinet after arranging for a successor; he will accept only the Defense, Finance, or Home Affairs portfolio [REDACTED]

Comment: Rao's cabinet—composed largely of Congress Party establishment figures from among Rajiv Gandhi's coterie, ambitious state-level politicians, and regional and religious factions—shows caution and a desire to show party unity. By including hardheaded economic pragmatists, the Prime Minister has made clear his intent to focus on financial issues. If Pawar joins the cabinet, it will suggest a temporary accommodation between the rivals, although he probably sees a major cabinet post as a springboard to national leadership.
[REDACTED]

SRI LANKA: Tamil Militants Blamed for Bombing

Tamil Tiger militants are suspected in the suicide car bombing yesterday of a Defense Ministry complex in Colombo that killed more than 20 people, injured 50, and severely damaged nearby embassies and US-owned properties. Despite a crackdown on Tiger activity in southern India and increased patrolling by the Sri Lankan and Indian Navies to curtail arms smuggling, the militants appear as strong as ever [REDACTED]

Comment: This second major attack in Colombo in four months suggests the Tigers believe expanding the war to the relatively peaceful south will help them influence the government to grant the Tamils independence. The Tigers also probably are seeking revenge for a large-scale offensive the Army launched last week in the northeast. The government is now likely to intensify its military campaign and to stop trying to restart peace talks. [REDACTED]

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USSR:

Gorbachev Foils Traditionalist Challenge

Working closely with Supreme Soviet Chairman Luk'yanov to manage the legislative session, Gorbachev yesterday easily thwarted Prime Minister Pavlov's bid for expanded powers. [redacted]

In a dramatic address to the Supreme Soviet yesterday, Gorbachev rejected Pavlov's request for additional powers, denied a political rift existed between them, expressed full support for the cabinet's work, and said delaying reforms was dangerous. He also sharply criticized Soyuz faction hardliners, who earlier this week had denounced his lack of leadership, charging them with trying to undermine cooperation among the legislature, the cabinet, and the republics. [redacted] hardline traditionalists were isolated and embarrassed by Gorbachev's onslaught; one traditionalist deputy accused Defense Minister Yazov, KGB chief Kryuchkov, and Internal Affairs Minister Pugo of abandoning Soyuz. [redacted]

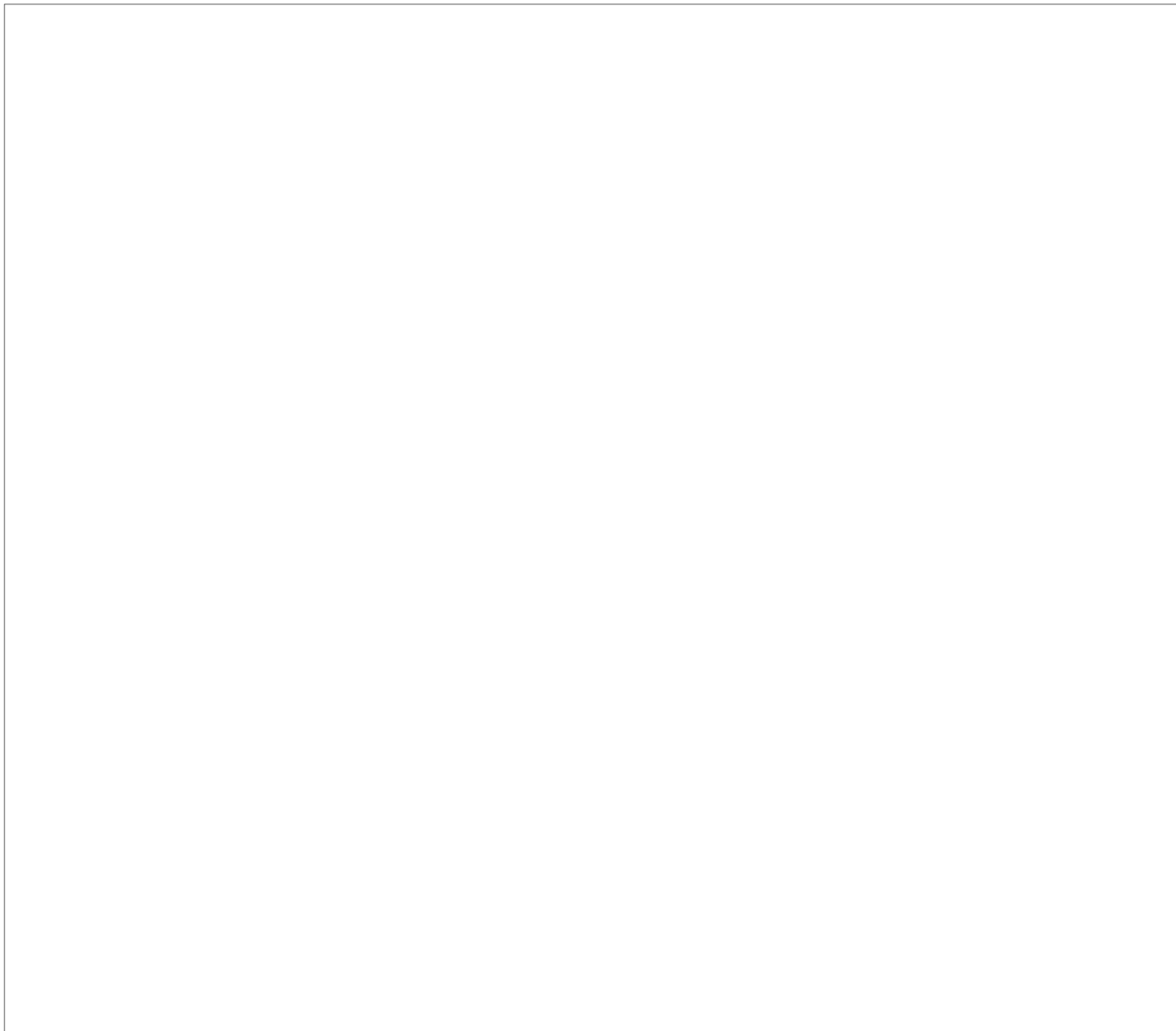
[redacted]

Comment: Gorbachev's rejection of Pavlov's bid and his attacks on opponents of reform—the strongest since he adopted a more moderate line this spring—indicate that he is, at least for now, committed to working with Yel'tsin and republic leaders to secure a union treaty. Gorbachev also may believe that sharply criticizing hardliners will help him with Western leaders as the London economic summit nears. [redacted]

Gorbachev, with Luk'yanov's help, apparently still controls the Supreme Soviet. Pavlov's contrite manner after his defeat further demonstrates Gorbachev's ability to outmaneuver his foes. Hardline traditionalists are not likely to give up the fight against the union treaty and against reforms that would reduce central control, but yesterday's outcome shows that the traditionalist camp is in disarray. The emergence of a prominent democratic party will reveal the traditionalists' virtual political bankruptcy. [redacted]

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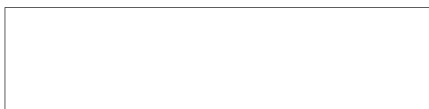
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USSR:

Economic Proposals on Collision Course

Gorbachev again faces a choice between fundamentally contradictory economic proposals—the Pavlov plan and the Yavlinskiy plan. [redacted]

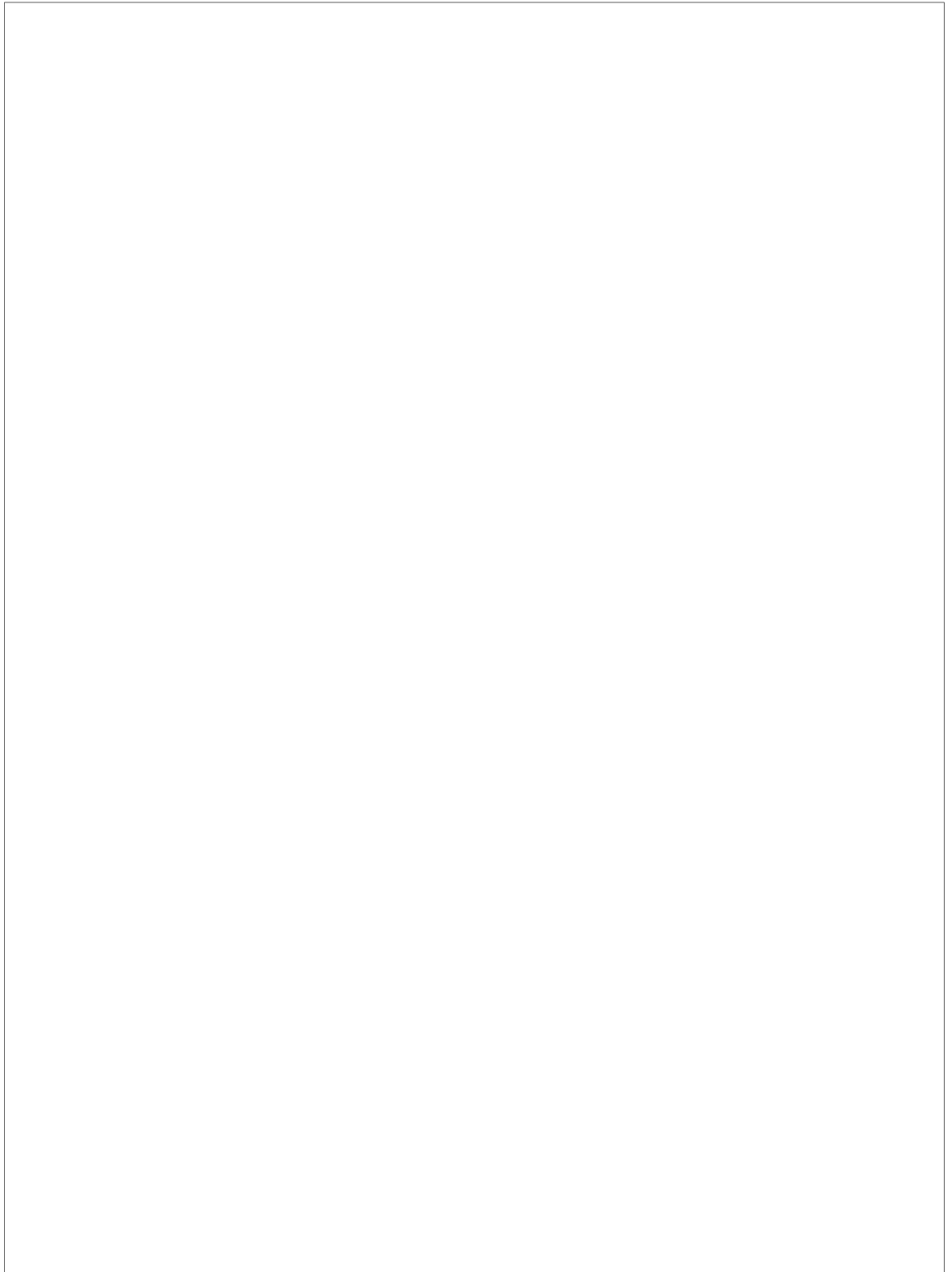
Last fall Gorbachev attempted to merge the reformist Shatalin plan with the traditionalist Ryzhkov plan. The resulting hybrid tilted strongly toward the traditionalists and was attacked by reformers. The failure of that plan and the accelerating economic decline led the Pavlov government in April to propose the so-called anticrisis program, which pays lipservice to market reform but retains significant central control over the economy. When the draft was criticized, Prime Minister Pavlov negotiated changes with republic leaders that increased the role of the republics but made no improvements in terms of reform economics. As of last week, the Russian Republic and the Ukraine still had not approved the plan. [redacted]

Meanwhile, Soviet reformer Yavlinskiy, with some backing from Gorbachev and Yel'tsin and the cooperation of Western experts, has drafted an alternative program that would commit the country to real market reform in return for increased Western assistance. Yel'tsin has indicated that the Yavlinskiy plan is consistent with the reform plans of the Russian Republic, and Kazak leader Nazarbayev and Gorbachev also have commented favorably. Pavlov, however, has strongly criticized the Yavlinskiy plan. To reconcile these plans, Gorbachev has set up and chairs a working group of representatives from the republics and the center, including Pavlov. He wants consensus on a plan that he can present to the London summit in July, but the two programs are at odds on such critical issues as price reform and privatization. [redacted]

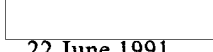
Comment: A compromise between real market reform and piecemeal tinkering will please neither traditionalists nor reformers and will provoke a new political crisis and accelerate the economic downturn. Gorbachev has been reluctant to support genuine economic reform in the past but now seems convinced that Western help is needed to revitalize the Soviet economy; he has been told that a viable reform program is a precondition for any such assistance. Gorbachev also needs the support of the republics, especially the Russian Republic, and Yel'tsin remains critical of Pavlov's program. A decision to support the Yavlinskiy plan almost certainly would lead to the Prime Minister's resignation or removal. Gorbachev might accept this; the reported rift between the two men widened this week when Pavlov attempted to gain authority at Gorbachev's expense. The Yavlinskiy program would face strong opposition in the USSR Supreme Soviet, but the backing of Gorbachev and the other key leaders probably could push it through with only minor revisions. [redacted]

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~~Top Secret~~**USSR: Violent Ukrainian Separatists Reappear**

Two violence-prone Ukrainian separatist groups—a radical student group and the Organization of Ukrainian Nationalists–Ukrainian Insurgent Army (OUN-UPA)—have reappeared during the past year under the protection of nationalist politicians in the western Ukraine. *Pravda* recently denounced attempts by local politicians to rehabilitate the OUN-UPA—which fought alongside forces in World War II—as evidence of the danger of unrestrained Ukrainian nationalism. Last week more than 200 Ukrainian Supreme Soviet deputies, most of them Communists, condemned the attempted exoneration of such groups as a flagrant violation of republic law. Ultranationalist groups have been blamed for a series of attacks on Communist property over the past few months. [redacted]

Comment: The center probably is attacking the ultranationalists to discredit the independence movement, to press President Kravchuk and other moderates to rein in the more radical forces, and to ensure that the Ukrainian legislature does not try to block a new union treaty. Ultranationalist groups no doubt are responsible for the attacks on party property, although KGB provocation cannot be ruled out. For the most part, the groups are small and largely confined to the western Ukraine. Even so, republic leaders, including moderates in Rukh, are concerned about their potential to cause instability, particularly if they acquire arms. [redacted]

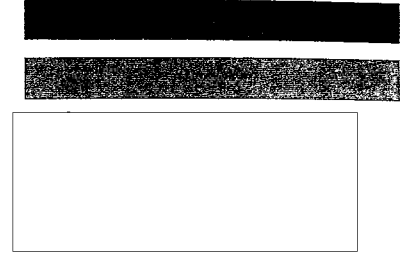
USSR: Belorussian Legislature Rejects Strikers' Demands

The Communist-controlled Belorussian legislature this week rejected demands of the republic's Strike Committee, including nationalization of party property and the dissolution of party committees in industrial enterprises. Republic authorities have been harassing and arresting committee leaders and are bringing criminal charges against them. The legislature accepted in principal a presidential system but rejected a proposal that it elect the president. The opposition and the newly formed Communists for Democracy reportedly lobbied hard for a popular election. [redacted]

Comment: Hardline Communists are trying to maintain control and minimize political concessions. An increasingly assertive opposition will press hard for a fair presidential election. The republic's Communist leaders probably feel confident that strike committees have lost momentum after internal quarreling prevented them from organizing a republicwide strike last month. Nonetheless, authorities risk further strikes if they continue to stonewall against popular resolve for reform. [redacted]

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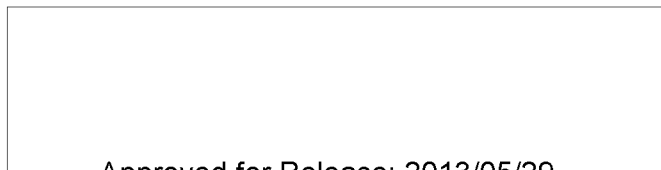
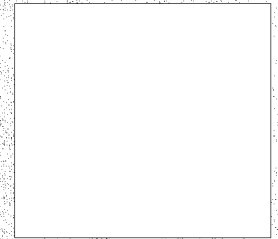
Susan



Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Saturday, 22 June 1991



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22 June 1991

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Special Analysis

VIETNAM:**Change Unlikely at Party Congress**

Hanoi's seventh Communist Party Congress opens Monday against a backdrop of serious domestic problems that no one in the leadership appears able to solve; it probably will focus on ensuring stability and strong party control and will offer few initiatives.

Policy documents the congress will approve probably will do little more than embellish current policies. The Economic Plan to Year 2000 pays lipservice to continued economic reform but emphasizes the central role of the state in most economic matters and gives no indication of how reform should proceed. The draft political platform asserts an overriding need for domestic stability but offers only continued Communist Party rule as a solution to mounting disaffection. Provisions of the platform relating to the military are vague, indicating no consensus has been reached on the future role of the Army.

Senior leadership shifts are likely. Two Politburo positions are already vacant, and press reports suggest several more members may resign. Speculation about Foreign Minister Nguyen Co Thach has been particularly intense; some press reports suggest he will be forced to resign because he has not gained widespread Western recognition for Vietnam. Any new leaders will have been carefully groomed and will at least outwardly share their predecessors' concerns with maintaining continuity and party authority, but younger leaders with different experiences could eventually change the system.

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~~Top Secret~~**IRAQ-KUWAIT: Situation Report**

Kuwait is pushing hard to restore oil production but probably is overoptimistic about the pace at which well fires can be put out; Iraq's proposed law on political parties almost certainly will not reduce the Ba'th Party's preeminence; and UN representatives will meet in Washington next week to discuss refugee relief efforts. []

Kuwait Oilfield Optimism

Firefighters have controlled about 169 oil well fires and blowouts, and Kuwaiti oil officials expect that about two-thirds of the 600 damaged wells will be controlled by early September, []
 [] The Kuwaitis have resumed oil production in the Greater Al Burqan field at a rate of about 25,000 barrels per day and expect to reach 200,000 b/d there by yearend; at onshore and offshore fields of the Neutral Zone—shared equally with Saudi Arabia—production is at about 160,000 b/d, []
 Two international oil companies reportedly have contracts to restore production in the western oilfields of Al Manaqish and Umm Qudayr. []

Comment: Although Kuwaiti officials probably are overly optimistic about the well control timetable, their oil production estimates appear reasonable. Most of the remaining well fires—the exact number is still uncertain—will take more time to subdue than those already capped; the Kuwaitis are hiring more firefighters, but they do not have enough equipment to expand the effort from eight to 16 teams in coming weeks. The contracts with the major oil companies indicate the Kuwaitis are becoming more intent on restoring oil production quickly. Most Neutral Zone oil production comes from the undamaged offshore oilfields managed by a Japanese oil company; it is to be increased in a few months to more than 300,000 b/d. []

Saddam Feigns Political Reform

The Iraqi press yesterday announced that a new law allowing multiple political parties had been drafted. The ruling Revolutionary Command Council reportedly will study the draft next week before referring it to the National Assembly for final approval. []

Comment: The RCC and the Ba'th Party would stand to lose much from real political reforms, and the new multiparty law almost certainly will be a sham. The law is likely to resemble reforms postponed last year that were engineered to guarantee the Ba'th Party's preeminence. It also will mirror the token reforms promised in the draft Kurdish autonomy agreement. Any new parties almost

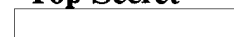
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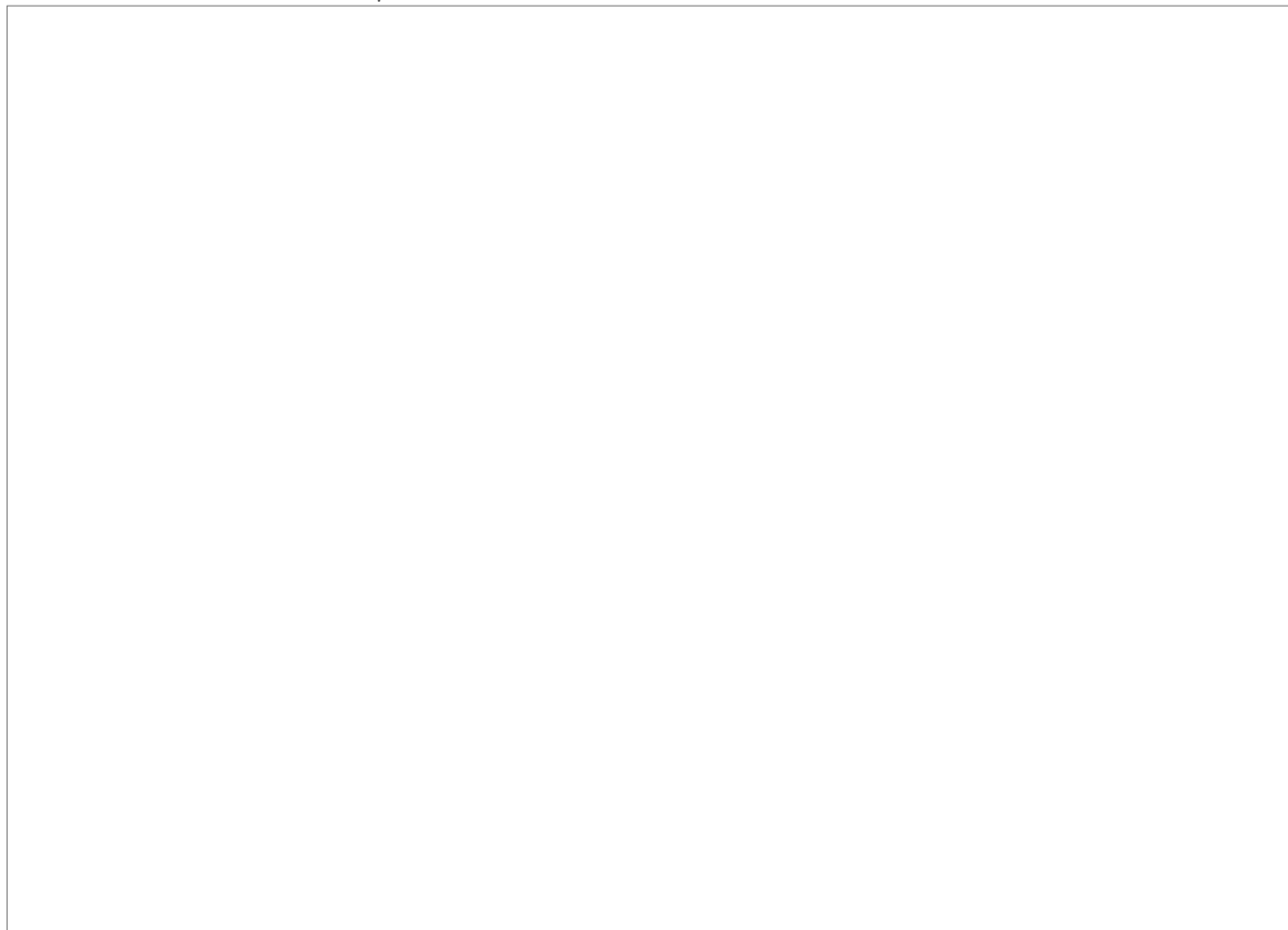
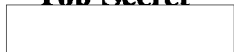


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