

August 1, 1989
**National Intelligence Daily for Tuesday, 1 August
1989**

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Summary:

The CIA's National Intelligence Daily for 1 August 1989 describes the latest developments in Lebanon, Cuba, Poland, the Soviet Union, Iran, China, Kuwait, and Afghanistan.

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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Tuesday, 1 August 1989



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Hostages Held in Lebanon as of 31 July 1989

Name/Occupation	Date/Place of Abduction	Hizballah Front Group
<i>US Hostages</i>		
Terry Anderson Middle East Bureau Chief, AP	16 March 1985 West Beirut	Islamic Jihad
Thomas Sutherland Dean, American University Beirut	10 June 1985 West Beirut	Islamic Jihad
Frank Reed Director, Lebanese International School	9 September 1986 West Beirut	Revolutionary Justice Organization
Joseph Cicippio Deputy Comptroller, AUB	12 September 1986 West Beirut	Revolutionary Justice Organization
Edward Tracy Itinerant writer	21 October 1986	Revolutionary Justice Organization
Alann Steen Professor, Beirut University College	24 January 1987	Islamic Jihad for the Liberation of Palestine
Robert Polhill Professor, Beirut University College	24 January 1987	Islamic Jihad for the Liberation of Palestine
John (Jesse) Turner Professor, Beirut University College	24 January 1987	Islamic Jihad for the Liberation of Palestine
<i>British Hostages</i>		
John McCarthy Journalist	17 April 1986	Believed held by Hizballah
Terry Waite Anglican Church envoy	20 January 1987	Believed held by Hizballah
Brian Keenan Irish teacher	11 April 1986	Believed held by Hizballah

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LEBANON:

Implications of Higgins's Death

Lieutenant Colonel Higgins's apparent execution underscores the threat to other US hostages held by Hizballah. [REDACTED] b (3)

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A caller from the Organization for the Oppressed of the Earth—a Hizballah front group—said British hostage Terry Waite will be executed at 0800 EDT today if Hizballah cleric Shaykh Ubayd is not released by Israel. Another Hizballah front group, the Revolutionary Justice Organization, has threatened to kill US hostage Joseph Cicippio by 1100 EDT today if Ubayd is not released by that time.

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Israeli press reports Ubayd has confessed to playing a role in the kidnapping of two Israeli soldiers and Higgins and to other terrorist acts. Tel Aviv publicly offered yesterday to swap the Hizballah captives and all Shia detainees held by Israel for three Israeli soldiers and all foreign hostages in Lebanon, but some Israeli officials are skeptical that Hizballah or Tehran would agree to a hostage exchange. Syrian press, meanwhile, condemned the murder of Higgins as "a surprise and an outrage." [REDACTED]

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[REDACTED] Hizballah wants the US and Israel to see Higgins's death as the first step in an escalating response to Ubayd's abduction. Tel Aviv probably still hopes that Ubayd's capture affords them greater leverage in negotiating the release of the three Israelis believed held by Shia radicals. Hizballah has not expressed an interest in negotiating for Ubayd but so far has avoided antagonizing Tel Aviv by threatening the Israeli captives. Despite protestations of outrage, Syria almost certainly will not jeopardize its strong ties to Iran and working relationship with Hizballah in Lebanon by actively assisting the US to free the hostages or turning a blind eye to US military retaliation for the Higgins murder. [REDACTED]

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CUBA:

More Interior Ministry Officials Arrested

President Castro's detention of former Interior Minister Abrantes may herald a more extensive, and riskier, crackdown on corruption.

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Four former Interior Ministry officers, including Abrantes, have been arrested for negligence, corruption, and illegal currency transactions. They were also accused of cronyism, which was said to have hampered the official investigation into the Ministry's role in the Ochoa narcotics and corruption scandal. In addition, five Interior Ministry generals were demoted to colonel and retired, all but one of them were reportedly dismissed from their posts in mid-June.

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The government also announced the detention of the former director of an enterprise associated with the Ministry that deals in hard currency. Meanwhile, that 31 foreign firms have been ordered to close their local offices, in part to tighten the access Cubans have to foreign exchange.

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Abrantes's arrest probably resulted from information uncovered in the past month and is an embarrassment to Castro. When Abrantes was dismissed in June, Havana noted that he still enjoyed the leadership's trust and esteem. Many of the officials arrested or retired had already lost their positions, suggesting they were not a threat to the regime. The military remains largely untouched by the anticorruption campaign.

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The toughening of Castro's purge of the Interior Ministry and his actions against foreign companies indicate that the regime has been surprised by the extent of corruption. Castro's apparent intolerance of his subordinates' illicit activity may reflect his determination to preserve Cuban "socialism" regardless of the reforms undertaken by other Communist countries. His actions, however, increasingly risk defections among those in the bureaucracy who believe the rules of the game have suddenly been changed.

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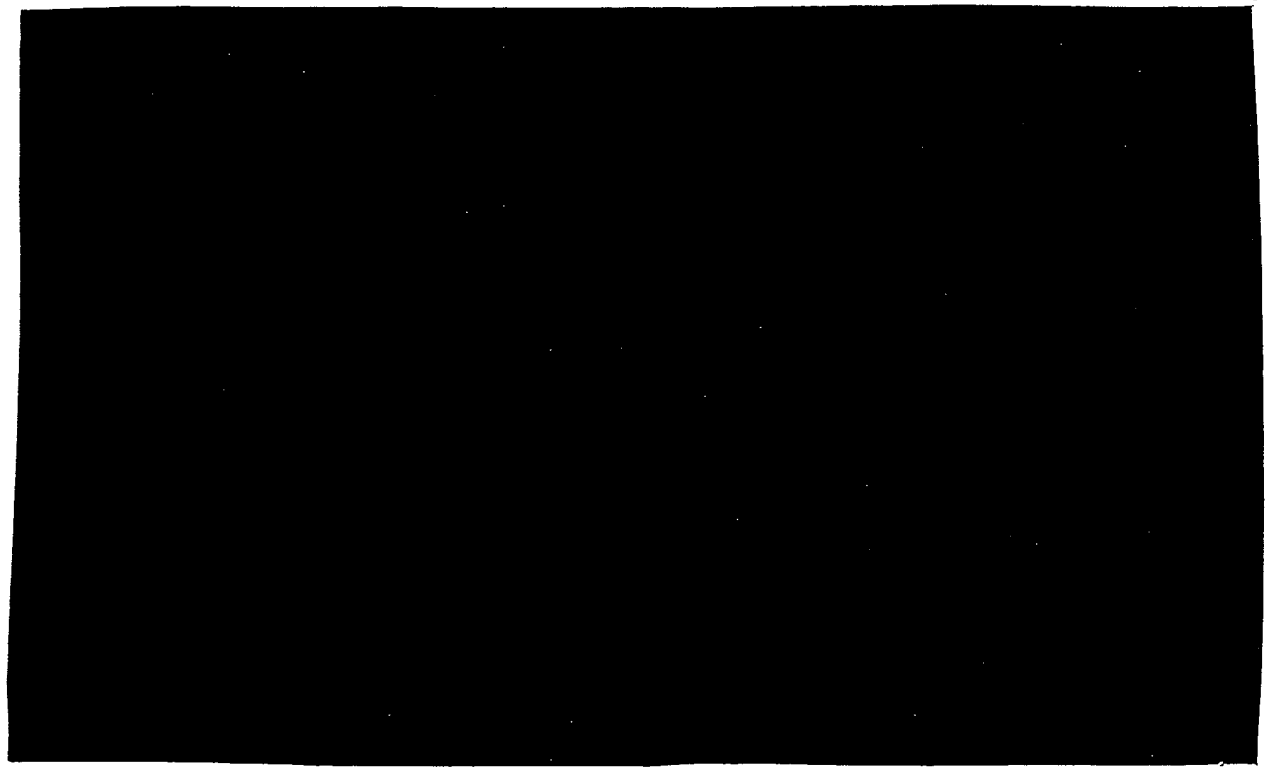
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POLAND: New Prime Minister Proposed

New Communist party leader Rakowski yesterday proposed President Jaruzelski's protege, Gen. Czeslaw Kiszczak, as the party candidate for prime minister. [REDACTED] b (3)
 Kiszczak proved his effectiveness as the regime's chief negotiator with Solidarity during the roundtable talks early this year. His first task will be to select a cabinet. Once confirmed by the legislature's lower house, the new government then faces the potentially explosive environment today's decontrol of food prices may cause. [REDACTED] b (3)

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[REDACTED] Kiszczak will have to parcel out ministries to the Communist party's coalition partners to strengthen the ruling coalition. Solidarity is not likely to participate in the cabinet directly, but Kiszczak probably hopes his good relations with most Solidarity legislative leaders will gain him opposition support for selected political and economic reform measures. Most opposition legislators, however, are not likely to support painful austerity measures. Kiszczak may face wide-scale worker unrest over food price hikes—meat prices could triple while adjustments to worker incomes lag—but even if workers stay calm now, enterprises may be pressed to make additional pay raises that could overwhelm Warsaw's efforts to control wage hikes. [REDACTED]

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USSR: Congress Likely To Condemn 1939 Pact

A commission of the Congress of People's Deputies set up to study the Molotov-Ribbentrop pact will publish its findings this week. [REDACTED] In conclusions President Gorbachev [REDACTED] has approved, the commission will urge the Congress to nullify the Hitler-Stalin nonaggression treaty and recognize that the Soviet takeover of Estonia, Latvia, and Lithuania in 1940 violated international law. The commission, headed by Politburo member Yakovlev, will also stress, however, that future talks on the status of the Baltic republics must consider the current geopolitical and demographic situation. [REDACTED]

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[REDACTED] The report, which the Congress will have to approve officially this fall, is a major victory for Baltic nationalists, who will use it to press their case for independence. [REDACTED]

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[REDACTED] they hope to reinstate the 1920 treaty in which the USSR recognized Lithuania's independence. Gorbachev has said firmly he opposes secession but apparently hopes to preempt radical nationalist demands in the Baltic region by showing he is willing to renegotiate the republics' status. [REDACTED]

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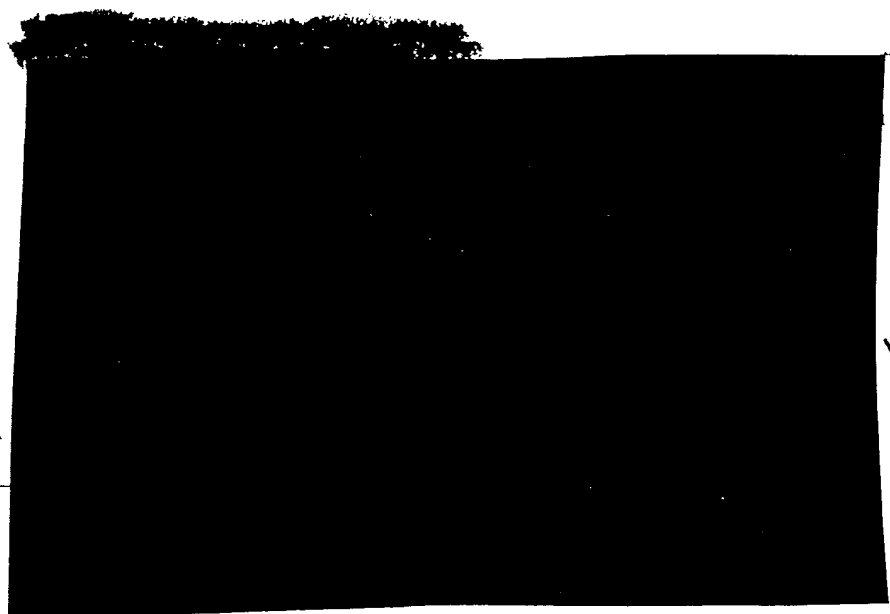
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USSR: Shevardnadze's Surprise Stop in Iran

The Soviet Foreign Minister, returning home from the international conference on Cambodia in Paris, stopped in Tehran yesterday. ~~_____~~ Iranian Foreign Minister Velayati said ~~_____~~ yesterday that talks with Shevardnadze would cover Afghanistan, the Iran-Iraq peace talks, and bilateral relations. In February Shevardnadze became the highest level Soviet official to visit Tehran since 1973. The current visit follows Iranian Assembly Speaker Rafsanjani's election as President and Shevardnadze's meeting in Paris with the US Secretary of State and coincides with the start of US-Soviet talks on Afghanistan and Iran in Stockholm. ~~_____~~

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~~_____~~ Sending the Foreign Minister to Tehran for the second time in five months is an unusual move by Moscow and may reflect, in part, eagerness to strengthen relations with the newly elected head of state. Tehran may seek assurances that Moscow will not yield to US pressure against selling arms to Iran and that it will consult with Tehran before working out any deals with the US on Afghanistan or the Iran-Iraq peace talks. Shevardnadze probably will brief the Iranians on his talks with Secretary Baker. Tehran is sure to urge the Soviets to support its position in the UN Security Council negotiations with Iraq and may discuss details of the Soviet weapons deal. Velayati may brief Shevardnadze on his recent visit to Islamabad to discuss Afghanistan. ~~_____~~

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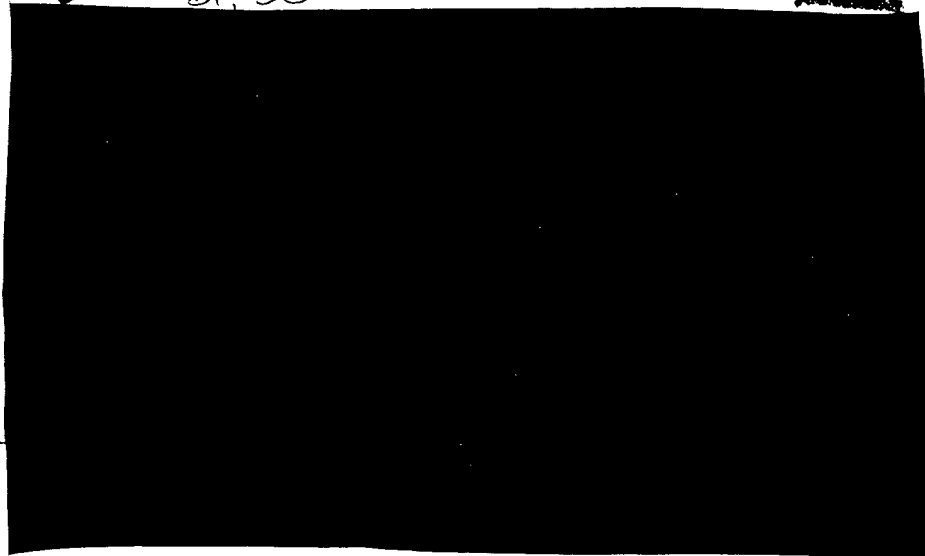
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CHINA-USSR: Scheduling Talks on Reducing Forces

Soviet Foreign Minister Shevardnadze and Chinese Foreign Minister Qian agreed on Sunday while attending the conference on Cambodia in Paris to have diplomatic and military experts meet in Moscow this November to discuss force reductions along the Sino-Soviet border, ~~_____~~ In their first meeting since the Sino-Soviet summit in May, the two ministers also agreed to hold a fourth round of border talks in Beijing this October. ~~_____~~

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~~_____~~ The Soviets and the Chinese appear to have made a concerted effort in the past two months to ensure that the recent turmoil in China does not disrupt their new normalized relations. ~~_____~~ The Chinese ~~_____~~ had agreed in principle to the force-reduction talks before the summit but resisted Soviet efforts to set a date for the first meeting. They may have been encouraged to move ahead because Moscow is rapidly completing its promised military drawdown in Mongolia. The talks are not likely to progress quickly because the Chinese military distrusts the Soviets and there are many complexities to working out an agreement. But Beijing may believe such talks will help force the West to end its embargo on arms sales to China. The Soviets have long sought a dialogue with Beijing on military issues and probably hope the talks will lead to a broader military relationship. ~~_____~~

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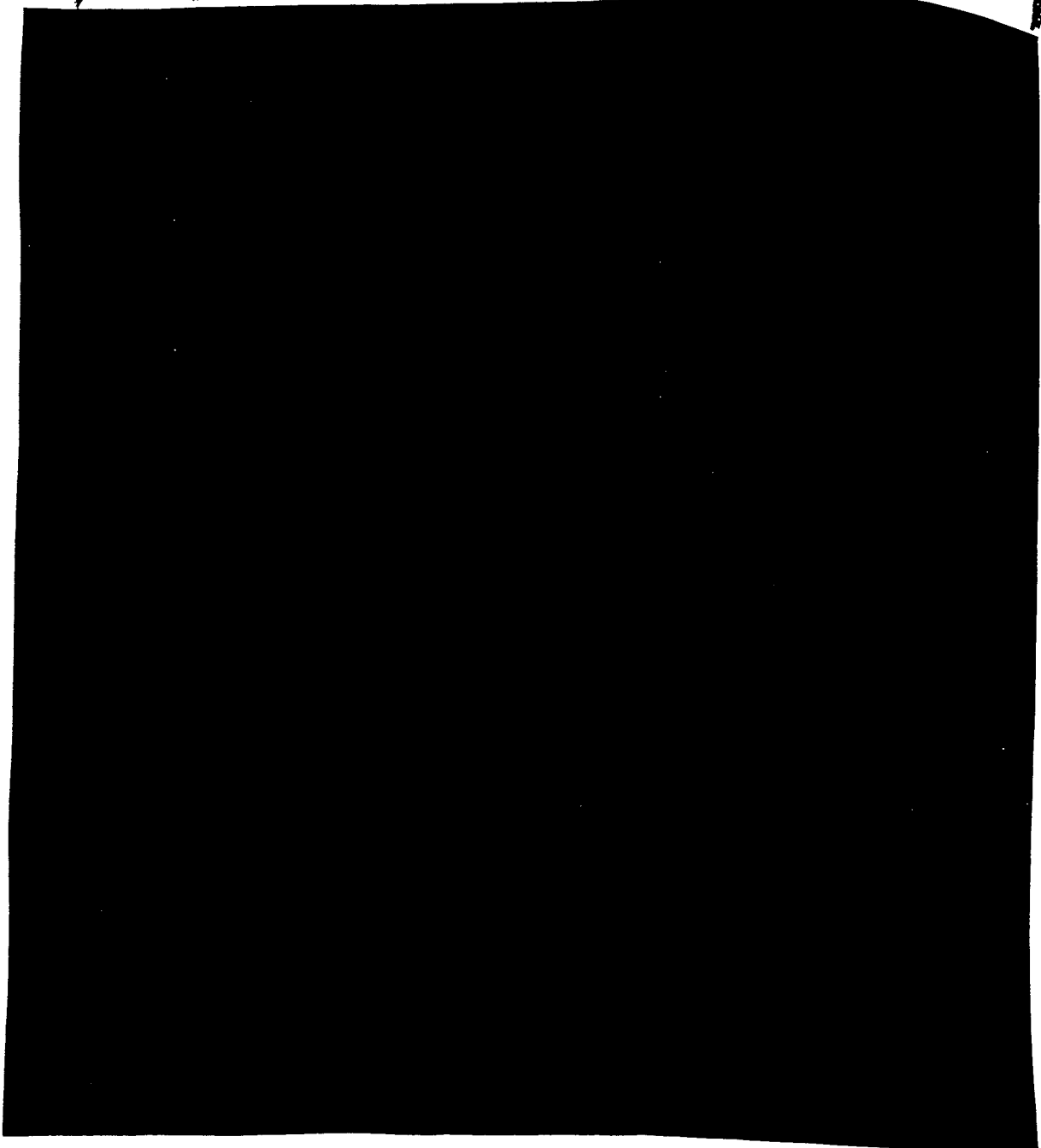
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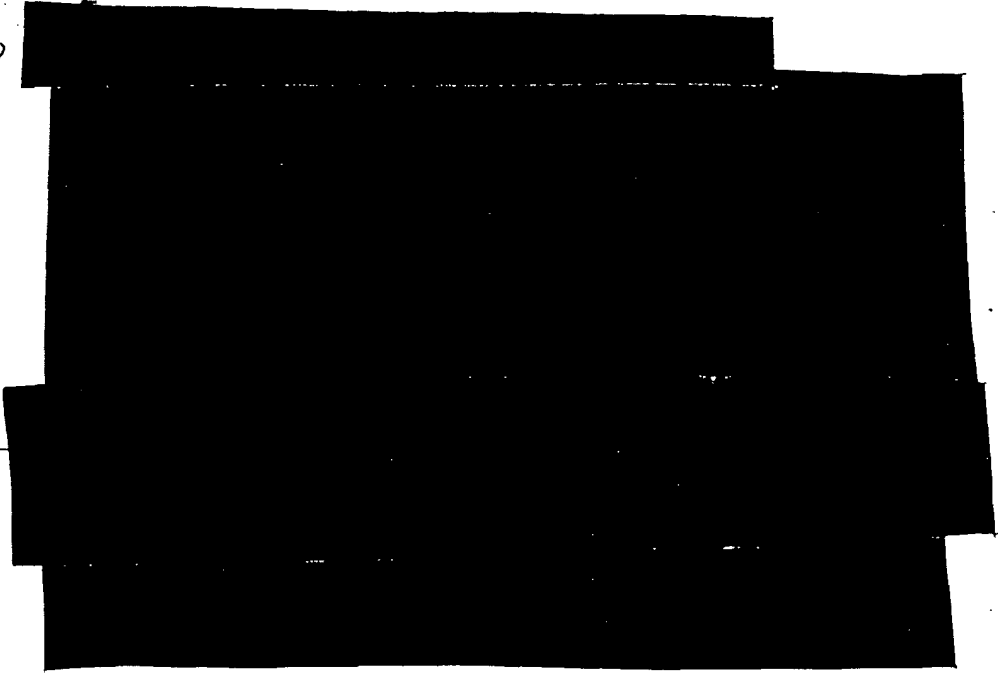
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KUWAIT-USSR: Military Exchanges

Kuwait last week publicly discounted press reports it had signed a new agreement to buy Soviet arms after the mid-July visit to Kuwait by Soviet First Deputy Defense Minister Kochetov. In the same week, however, a Kuwaiti military delegation headed by the Army commander completed a weeklong visit to the USSR that included tours of military facilities and meetings with Kochetov. ~~_____~~ Kuwait said only that the visit was intended to enhance bilateral military relations. ~~_____~~

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~~_____~~ Kuwait is using the exchanges to reaffirm its nonaligned credentials and strengthen its hand in negotiations with non-Soviet arms suppliers, including the US. ~~_____~~ The two sides probably reviewed existing Soviet arms contracts. ~~_____~~ and Moscow almost certainly offered the Kuwaitis new weapons systems. The Soviets also probably sought to allay Kuwaiti concerns about renewed Soviet-Iranian military cooperation. ~~_____~~

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In Brief

USSR

— Soviet political maverick Boris Yel'tsin, four other reform figures named to head new coalition in Congress of People's Deputies . . . raises Yel'tsin's stature . . . group's legislative program as yet unfocused. ~~██████████~~

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— Some Soviet railway workers in Russia, Ukraine threatening strike over working, living conditions . . . regions' industry, agriculture depend heavily on railroads . . . Moscow likely to take hard line if talks do not avert strike. ~~██████████~~

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— Marshal Akhromeyev, NATO Military Committee head Altenberg in Soviet TV interview stressed defensive nature of alliances, possible military cooperation . . . may reassure Soviet public of West's peaceful intentions during unilateral defense cuts. ~~██████████~~

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— Soviet Komsomol central committee plenum last weekend had sharp debate, little consensus . . . set up committee on June secession of Lithuanian branch, possible decentralization initiatives . . . growing internal factionalism likely. ~~██████████~~

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Americas

— Judges on strike in Medellin, Colombia's second-largest city, threatening to resign en masse . . . demanding more government protection . . . judge investigating rightwing paramilitary groups assassinated last Friday. ~~██████████~~

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~~██████████~~ Ecuador nationalized US-owned electrical company last week because of alleged overdue debt, failure to make new investment, other moves as agreed . . . move legal so far, protracted wrangling over compensation likely. ~~██████████~~

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— West Bank Palestinians, including PLO, increasingly using Israeli shekel to Jordanian dinar . . . dinar now 60 percent below 1988 yearend value . . . confidence in Jordanian Government, economy declining. Amman increasingly blaming Tel Aviv. ~~_____~~

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East Asia

— Over weekend South Korea postponed talks with North Korea aimed at family reunions . . . public contacts at least temporarily suspended to protest P'yongyang's dealings with South Korean dissidents . . . may resume later. ~~_____~~

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South Asia

— Bangladesh President Ershad hospitalized . . . ~~_____~~ . . . any prolonged illness likely to create power vacuum, may encourage antiregime activities. ~~_____~~

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Special Analysis

USSR: Unlikely To Soften Position on Afghan Settlement

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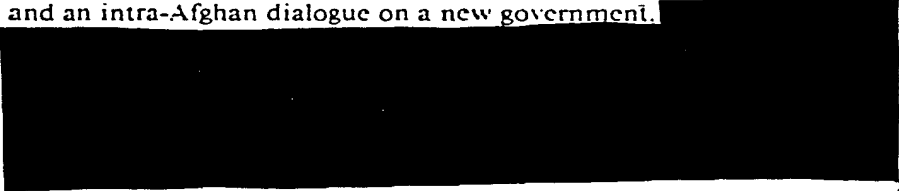


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Soviet Views and Proposals

Since its military withdrawal, Moscow has continued to advocate the measures to facilitate a political solution that General Secretary Gorbachev proposed at the UN in December: a cease-fire, a cutoff of arms supplies to all the Afghan groups, an international conference, and an intra-Afghan dialogue on a new government.

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insisted that the present regime must be a party to negotiations on a new government and that the People's Democratic Party of Afghanistan (PDPA) must have a place in the resulting regime. Soviets have suggested that President Najibullah and other regime leaders could be removed in the course of negotiations or in their aftermath. A few have hinted that Najibullah's departure might be part of a package that also excluded or limited the role of resistance extremists, notably Gulbuddin Hikmatyar.

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The Soviets have recently stressed, however, that demands for the removal of Najibullah as the price of getting negotiations under way are unacceptable. First Deputy Foreign Minister Vorontsov has dismissed this possibility in several interviews.

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Prospects for Soviet Concessions

Doubts about the regime's long-term staying power and impatience at the burden of supporting it might prompt Moscow to move more quickly to get a settlement on track, perhaps by replacing Najibullah or agreeing to discuss a neutral transitional government.

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indicate that Moscow believes a continued military stalemate, resistance disunity, and international pressure may soon erode Pakistani and US resistance to dealing with the Kabul regime. As long as the regime's position does not deteriorate, Moscow appears committed to keeping Kabul's hand as strong as possible for the near future.

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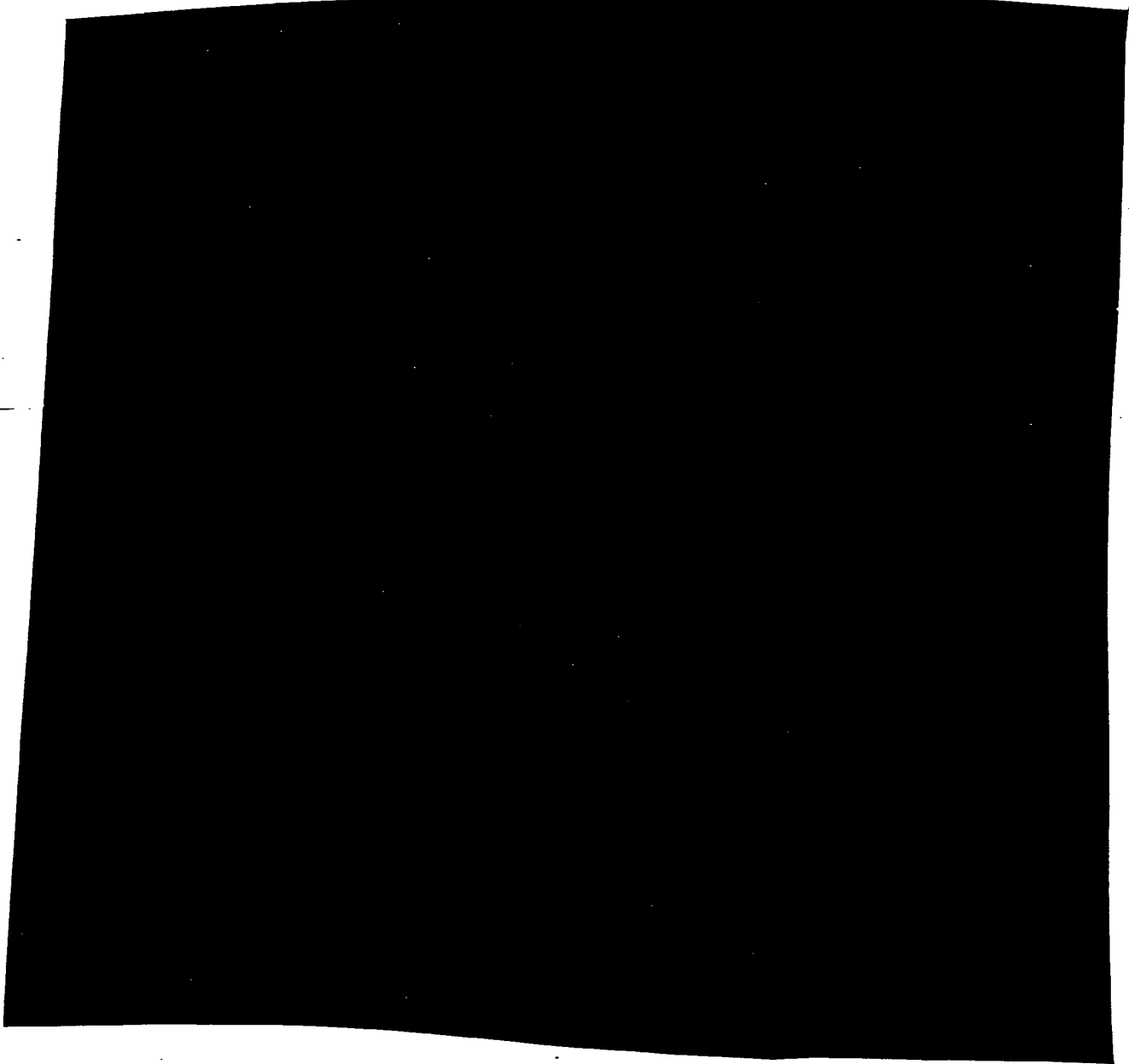
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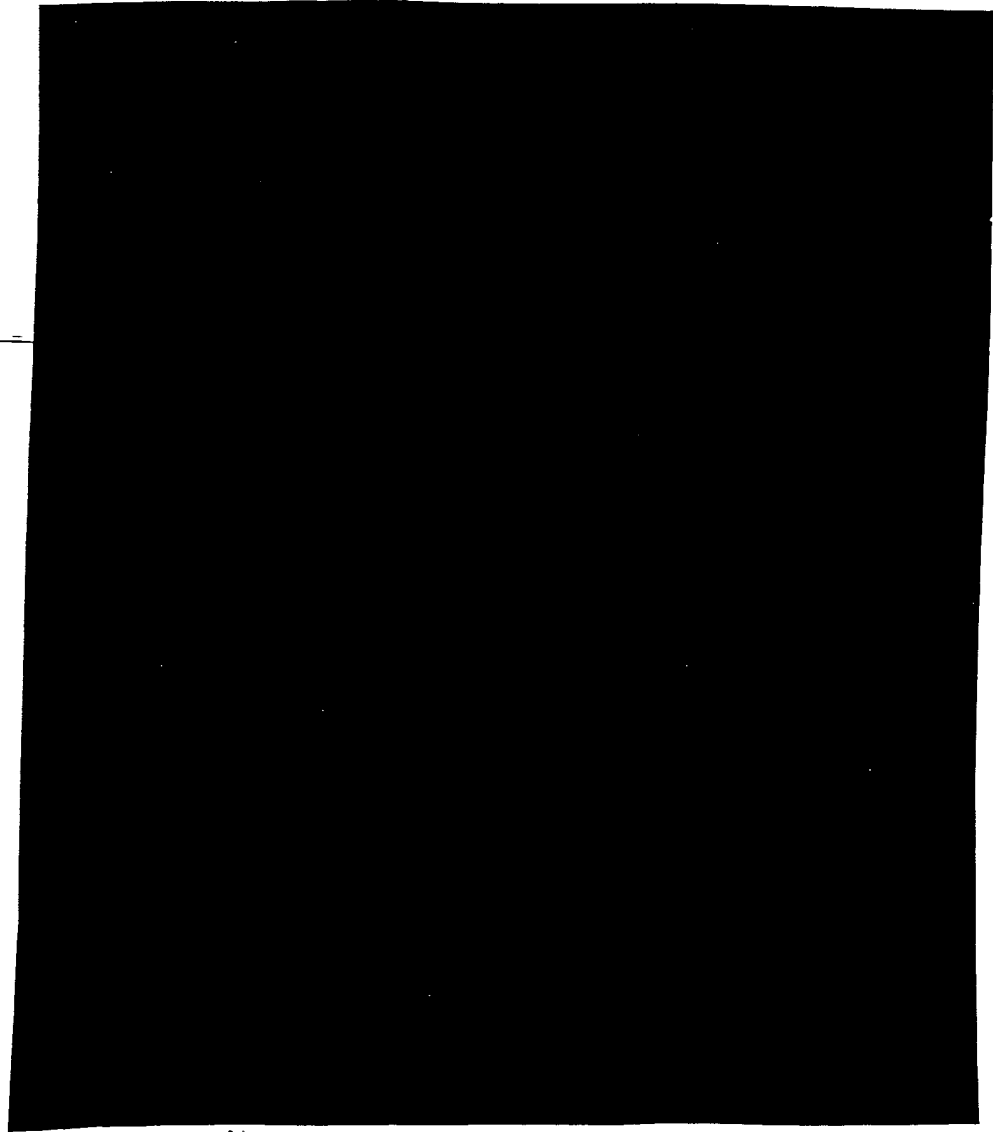
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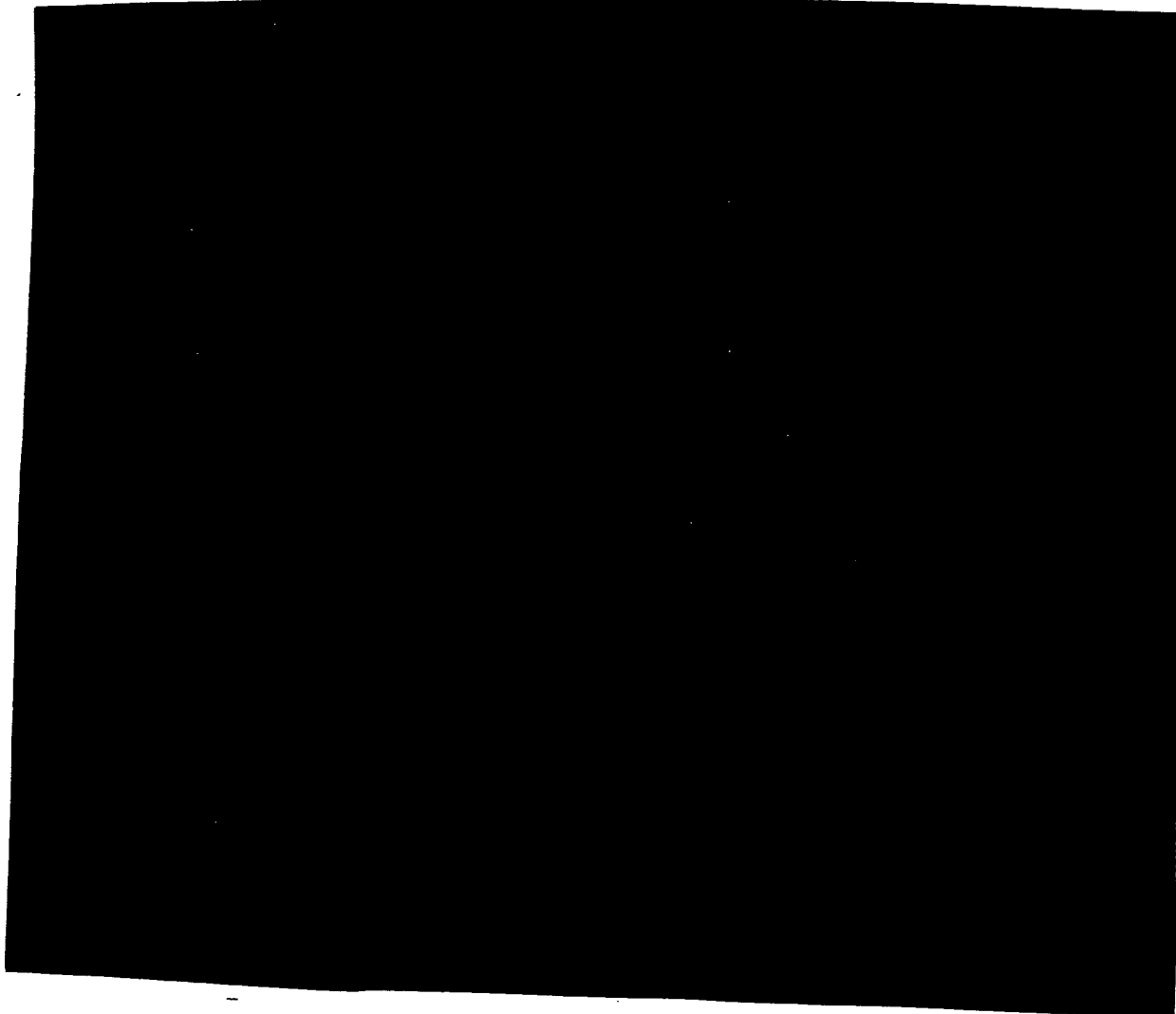
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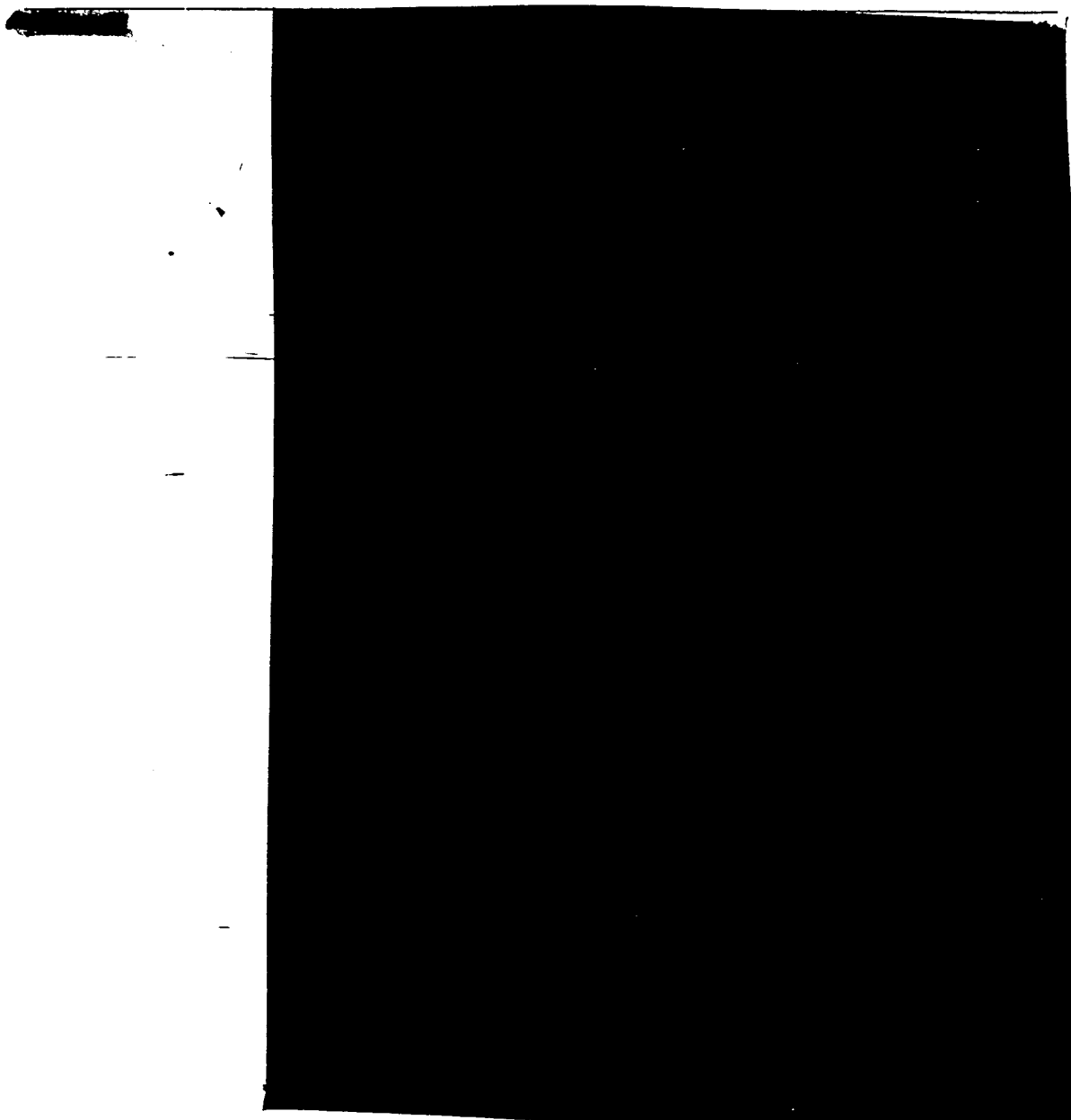
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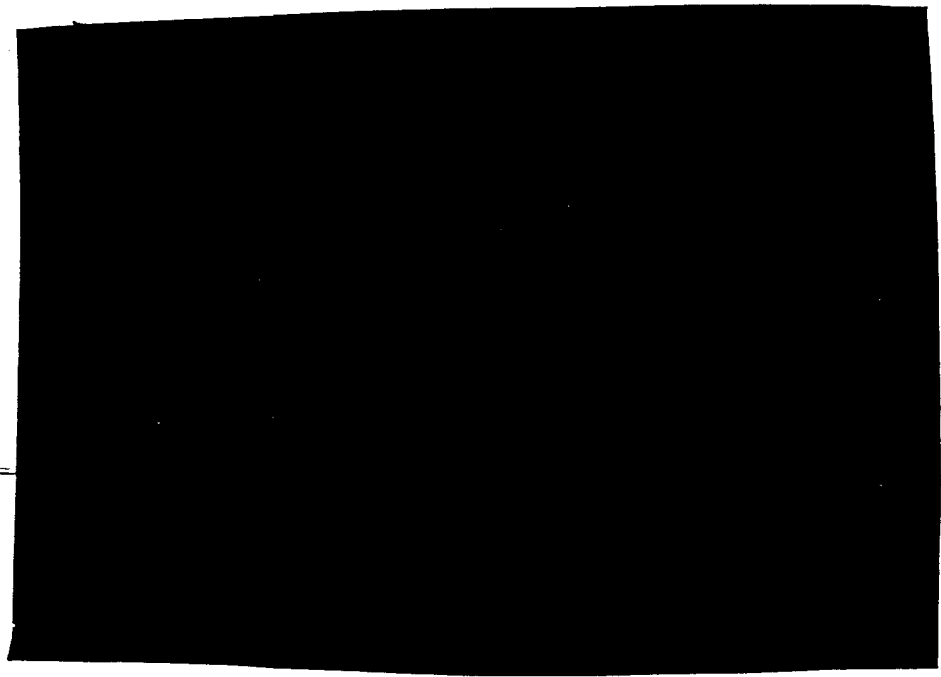


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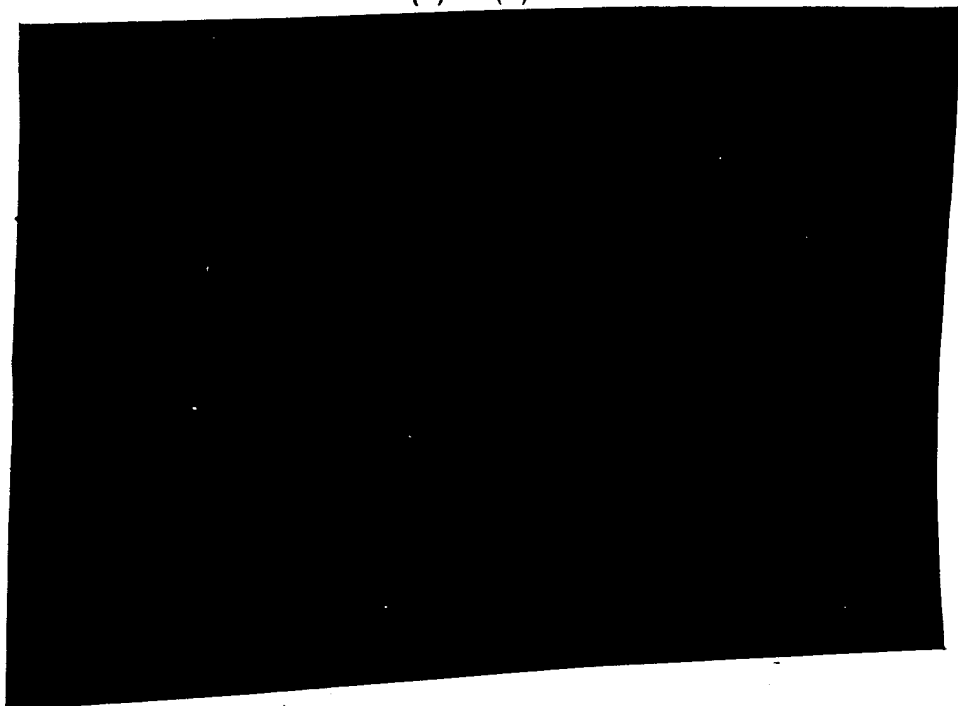
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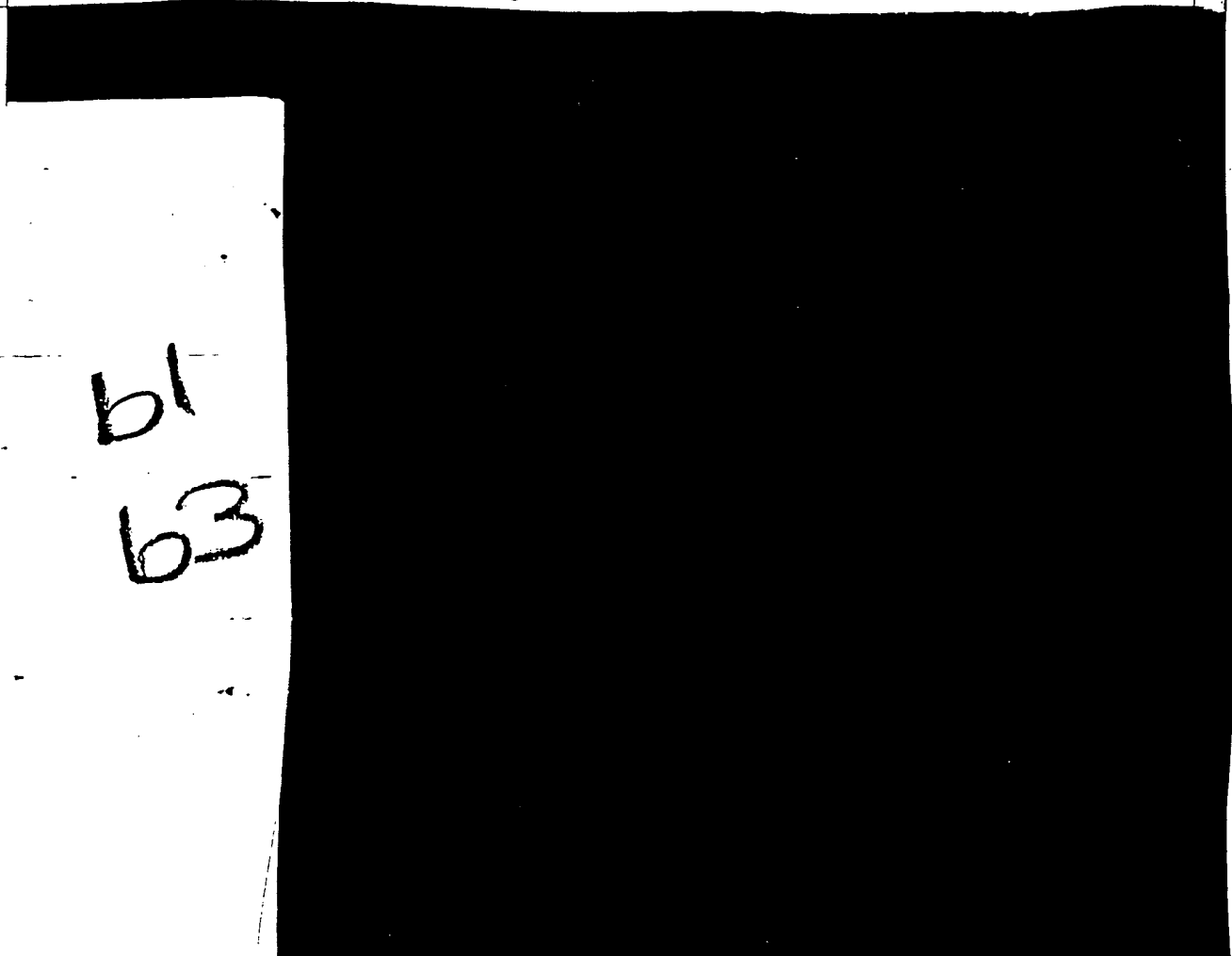
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Special Analysis



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