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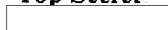


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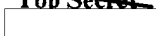
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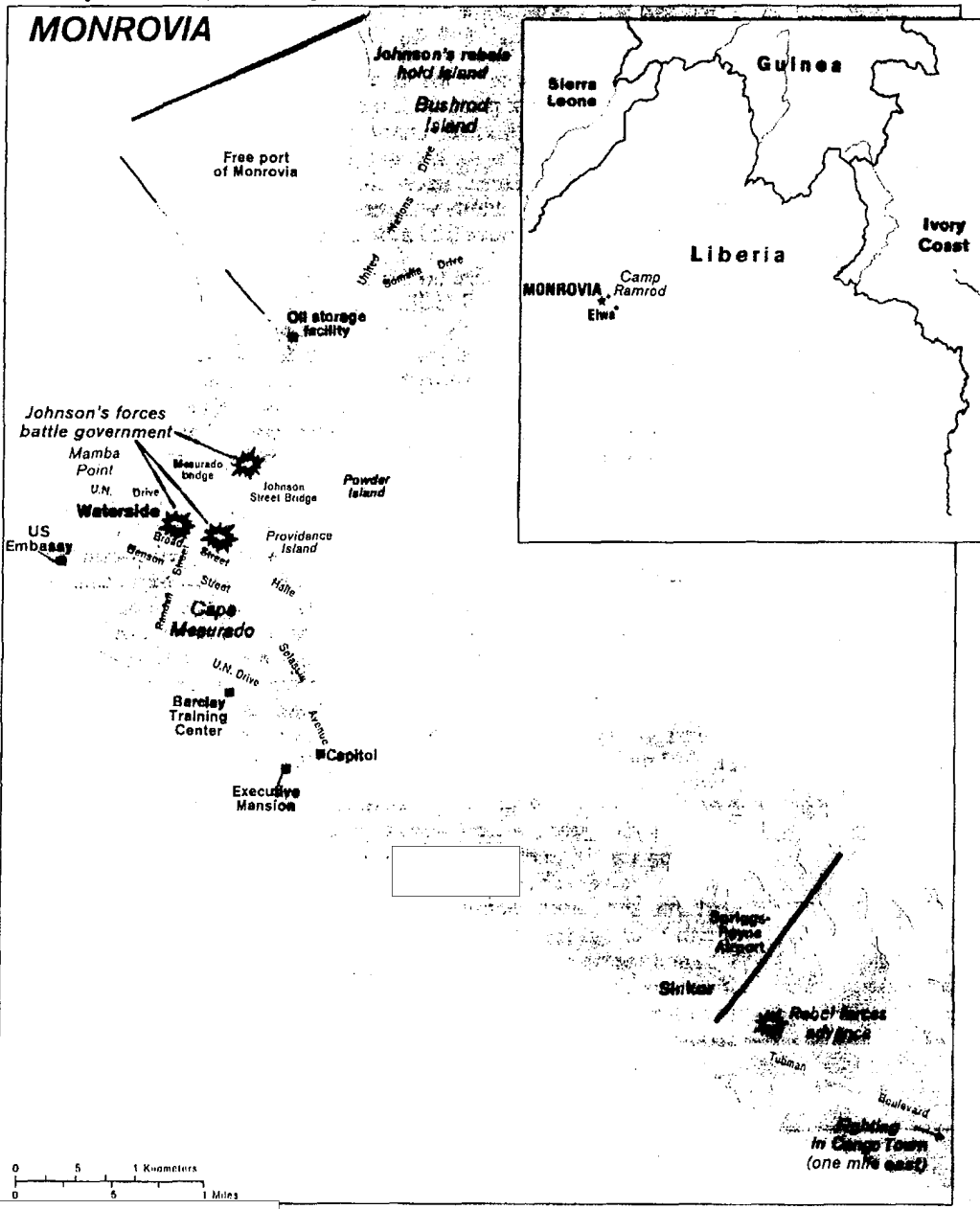
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Military Situation, Late July 1990



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LIBERIA:

Heavy Fighting Resumes

Fighting broke out in several sections of Monrovia yesterday as rival rebel groups engaged Doe's army from opposite ends of the capital.

Heavy firing occurred yesterday morning between the army and Prince Johnson's forces at the two bridges leading from Bushrod Island into the city, in Waterside, and parts of downtown Monrovia. Fighting was also reported in Sinkor and Congo Town, probably between Charles Taylor's troops and government soldiers. Although the fighting downtown abated by afternoon, skirmishes continued throughout the day in the southern Congo Town suburb. Shooting also was heard at Spriggs-Payne Airport, and some

claim Taylor's troops have captured the airfield.

the army was preparing to attack the mission compound at Elwa and warned people to leave. After their departure, loud explosions and heavy firing began.

The army remains suspicious of US intentions and of those seeking refuge at area churches, schools, and hospitals. A government communique charged that US officials, including the former Ambassador, had been involved in helping the rebels. Soldiers yesterday entered a local hospital and school and chased people out.

Johnson's forces have gained a number of recruits since arriving on Bushrod Island last week. Johnson reportedly has set up headquarters there and is passing out free rice and rallying the residents. He claims he plans to "get" Doe, then deal with Taylor.

Comment: The vise on Monrovia may tighten again today. Johnson's forces seem to be continuing their strategy of hit-and-run attacks downtown, followed by a return to Bushrod toward the end of the day to regroup. Taylor's troops apparently have decided to abandon their more cautious tactics and bypass Camp Ramrod, risk a rear assault, and enter the capital along back roads. As the army becomes penned in on both sides, the behavior of government soldiers toward those suspected of sympathizing with the insurgents—including displaced persons and foreign diplomats—is likely to grow more erratic and unpredictable.

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GERMANY: Coalition Squabble

The East German government crisis is moving toward compromise, and political unification may now take place before December; even if Prime Minister de Maiziere is forced to lead a minority government, the all-German elections almost certainly will stay on schedule. [redacted]

East and West German legislative committees meet today to seek a compromise on all-German election procedures and the timing of unification. East Germany's Liberals, who withdrew from de Maiziere's coalition on Tuesday, and its Social Democrats, who are threatening to withdraw, have been pressing for unification before elections so that West German rules would apply. De Maiziere yesterday hinted he might accept accession before elections, especially if the 5-percent threshold now required in West Germany for legislative representation is reduced. Press reports indicate he is in close contact with Chancellor Kohl. [redacted]

Comment: A compromise is likely, perhaps at today's meeting; Kohl is increasingly confident he does not need different election rules to win in East Germany. He, de Maiziere, and the East German coalition parties also want to avoid prolonged uncertainty. Several of the existing proposals would let de Maiziere save face and still retain some leverage in negotiations with Bonn on the terms of political union. Accession directly after the unity treaty is ratified could become increasingly attractive if the East German coalition is weakened and public confidence ebbs. [redacted]

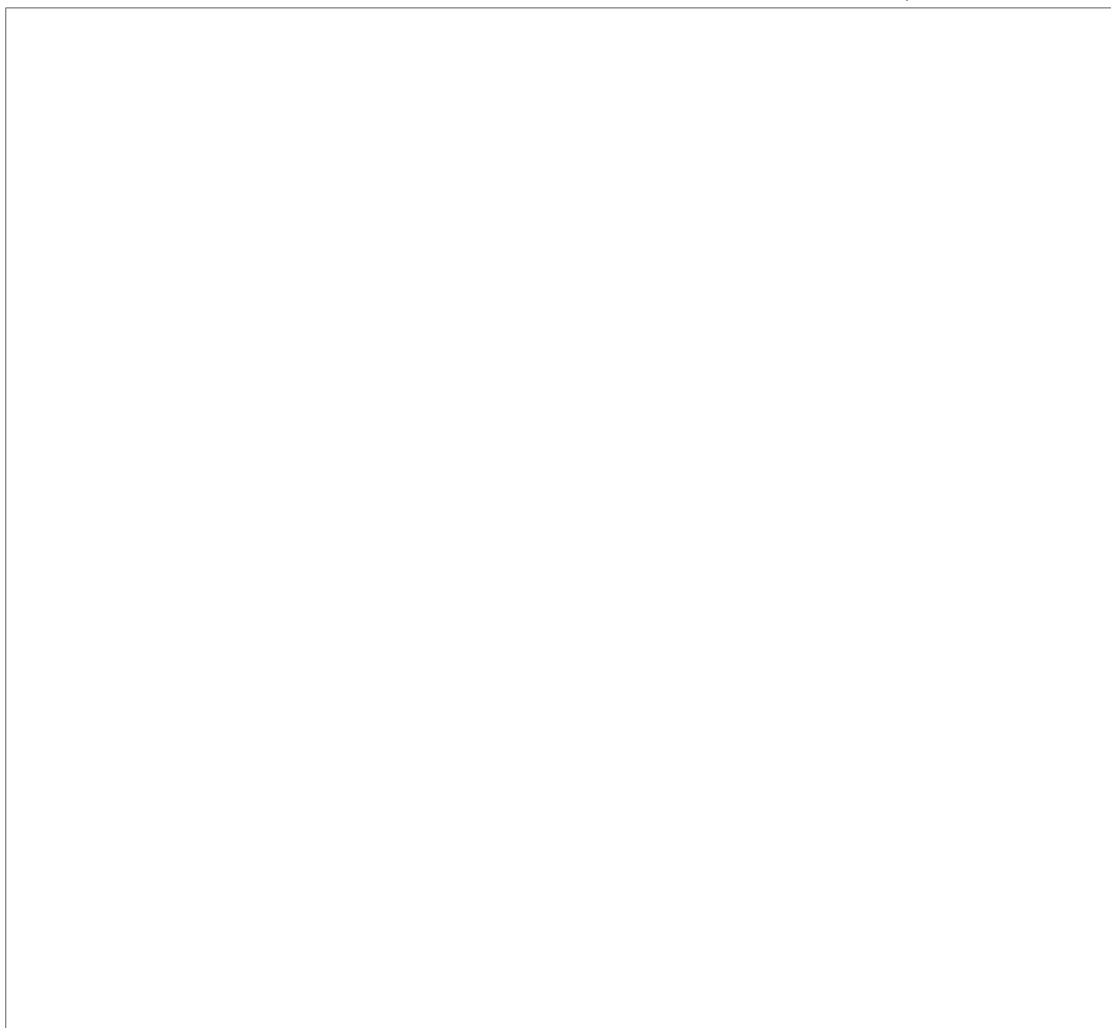
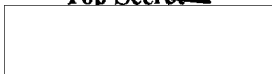
Even if no compromise can be reached and de Maiziere's coalition breaks up, his Christian Democrats probably can build ad hoc majorities on key issues, although cooperation with the former Communists could hurt them. Even in opposition, the Social Democrats and Liberals probably would endorse the unification treaty—the final major task of the East German legislature—to avoid voter backlash. Continued East German squabbling could, however, mar Kohl's envisioned triumphal march toward the all-German election and his portrayal of himself as "Chancellor of all the Germans." [redacted]

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USSR:

Supply Problems Squeeze Industry

Increasing supply disruptions are contributing to an absolute decline in industrial production and are prompting leading enterprise managers to increase pressure on the central leadership to reassert control over distribution.

Strikes, ethnic disturbances, transport bottlenecks, environmentally motivated plant closings, and republic efforts to establish economic sovereignty have combined to create serious supply backups. Official statistics show delivery shortfalls in industry during the first six months of this year are almost double those for the same period in 1989 and became much worse last month. Press reports indicate lack of input has forced several major factories to halt production temporarily. Severe shortages of raw materials last month threatened to close the Magnitogorsk metals plant, the country's largest steel producer; its customers include key auto and farm equipment manufacturers.

Citing the snowball effect of supply interruptions in the highly monopolistic economy, senior managers at some 50 machine-building enterprises made an urgent public appeal last week for Moscow to reinstitute fixed quotas for material supplies. They warned that supplies of mining equipment, turbines, and oil-processing machinery would be in jeopardy without emergency measures and that several key industrial facilities have been unable to sign "a single supply contract" for next year.

Comment: Oil supply arrangements have been coming apart as the power of the central supply apparatus and ministries has dwindled. Although Gorbachev has encouraged enterprises to make their own deals with suppliers, the green light has not been given for a total decentralization of wholesale trade, and enterprise managers are unsure how to proceed. Moreover, questions of price reform and the percentage of total output the central government can requisition are beginning to paralyze enterprise decision making. The longer Moscow vacillates on its economic reform program, the longer such confusion will continue at the enterprise level and the more likely industrial production will decline further and the economic crisis will grow.

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USSR-INDIA: Relations Warm but Old Issues Persist

Indian Prime Minister Singh has reinforced longstanding strong ties by developing good working relations with his hosts in Moscow this week; press reports indicate slow but steady progress probably was made on bilateral military and economic issues.

Gorbachev termed the visit an act of continuity and trust, and both leaders emphasized the all-encompassing, cooperative nature of bilateral relations, a theme echoed in the media. A joint statement focused on the benefits of disarmament, equitable international economic relations, and the growing interdependence of nations. The two sides advocated an extension of their Friendship Treaty and called for a long-term economic cooperation plan, both to be signed next year during a Gorbachev visit to India.

Singh was accompanied by a full complement of defense, economic, and foreign policy advisers and officials who held extensive discussions with their Soviet counterparts. According to TASS, Moscow reiterated its low-key support for India's stand on Kashmir. Earlier this month, *Izvestiya* had voiced some concern about the possible use of nuclear weapons in an Indo-Pakistani war, but the Soviets did not follow up with public comments during Singh's visit. Discussions resumed on the ruble-rupee clearing account mechanism to govern bilateral trade; Moscow and New Delhi had agreed in principle last month to continue the arrangement.

Comment: Singh accomplished his primary goal of reaffirming the importance of India's ties to the USSR; neither side had expected significant movement on military and economic issues. Moscow almost certainly raised its concerns about Indo-Pakistani tensions, but it did not press the Indians to be more flexible on Kashmir. The Soviets probably remain satisfied that war is not imminent and did not want to mar the first summit with the new Indian leadership.

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UK Defense Review Projects Large Cuts

Defense Secretary King yesterday outlined sweeping changes in all British forces over the next five to seven years:

- Military personnel will be cut by 57,000, leaving manpower strength of approximately 250,000.
- Army—40,000-man cut to about 115,000 troops. British I Corps cut from four to two divisions. New mobile strategic reserve division to be formed. New main battle tank order to be reduced further.
- RAF—14,000-man cut to 75,000 personnel and from 27 to 22 combat squadrons. Both Buccaneer maritime strike squadrons will be cut as well as all four Phantom fighter squadrons. Three Tornado fighter-bomber squadrons to be stored, and two to be converted to maritime strike.
- Royal Navy—3,000-man cut to 60,000 personnel. Escort fleet to be cut from 48 to 40. Attack submarines cut from 29 to 16. Trident program retained.

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~~Top Secret~~**UK: Projecting Large Cuts in European Forces**

The deep cuts in military forces that Defense Secretary King outlined yesterday will sharply reduce the UK's military presence on the continent while maintaining forces for home defense and overseas intervention. King said the cuts would occur over the next five to seven years if Soviet forces continue to leave Eastern Europe and a CFE accord is signed. Total personnel cuts could reach 57,000 troops, nearly a fifth of the UK's active military manpower. [redacted]

Comment: King's announcement shows Thatcher's belated recognition that the threat from the East has declined radically and that the public expects a peace dividend of increased social spending. London may try to secure its European presence by merging its two remaining army divisions in West Germany into multinational corps and relying more on reserve units for reinforcements. Although personnel cuts in UK-based forces will be relatively small, the fleet will lose almost a fourth of its warships. Plans to retain three aircraft carriers and two amphibious assault ships and to form a mobile reserve division, however, indicate London will maintain a modest capability to intervene overseas. [redacted]

YUGOSLAVIA: Croatia's Serbs Declare Sovereignty

Leaders of Croatia's 600,000 Serbs asserted at a mass rally yesterday that Serbs have the right to secede from the republic and "integrate" with other Yugoslav "nations." Croatian President Tudjman in a speech to the republic legislature denounced the move as an attempt to destabilize Croatia and provoke armed intervention. He indirectly accused the hardline Communist leadership in Serbia of manipulating the Serb minority in Croatia in order to topple his government. [redacted]

Comment: The sovereignty declaration will aggravate ethnic tensions in Croatia and increase the prospect of civil conflict, especially if the nationalistic Tudjman carries out his threat to purge Serbs from the bureaucracy. Tudjman's allegation of Serbian subversion in Croatia will complicate efforts to work out a compromise on the future structure of Yugoslavia. [redacted]

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~~Top Secret~~**USSR: Trying To Control "Illegal" Armed Groups**

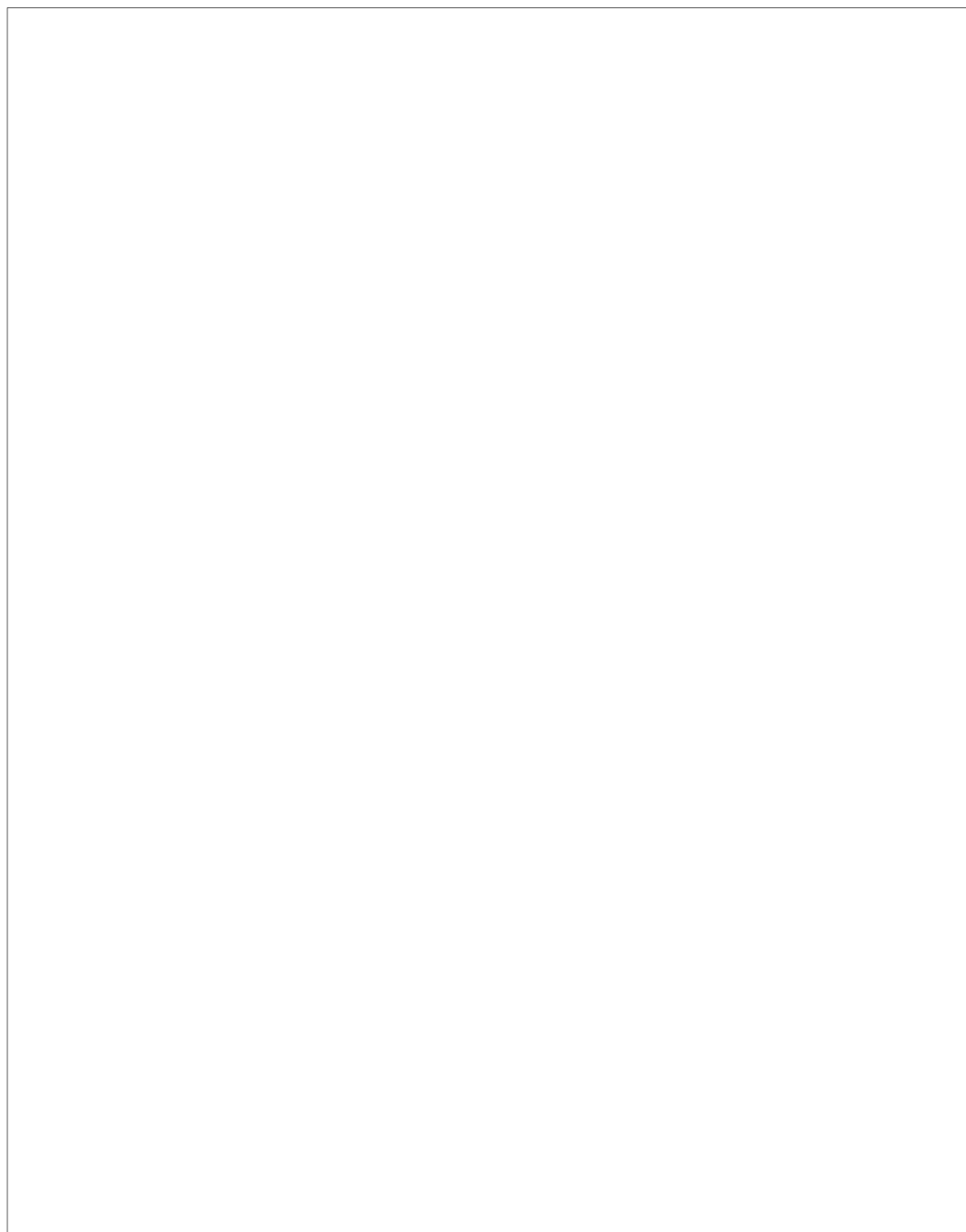
Gorbachev's decree yesterday ordering armed units not authorized by Soviet legislation to disband within 15 days will provide an important test of his authority in the non-Russian republics. The decree authorizes national and republic security authorities to confiscate weapons and related materiel and to prosecute anyone aiding or abetting the formation of extralegal groups. The Lithuanian legislature last week began setting up republic military formations; Latvia, Georgia, and the Ukraine have asserted a right to their own armed forces; and armed independent or quasi-official units are operating in Armenia, Azerbaijan, and Georgia, and are being formed in the Ukraine. Azerbaijan President Mutalibov in a meeting with Gorbachev last Friday demanded that immediate steps be taken to disarm Armenian militants. [redacted]

Comment: The decree is almost certainly meant to reverse the steady growth of organized violence in Armenia, Azerbaijan, and Central Asia and the formation of republic militias. The text is not likely to be taken seriously by republic officials or the armed groups. The use of force to disarm radical groups—the most pressing problem—almost certainly risks provoking a violent confrontation, especially in Armenia and Georgia. If Gorbachev does not try to enforce the decree, however, he will expose the impotence of presidential authority. [redacted]

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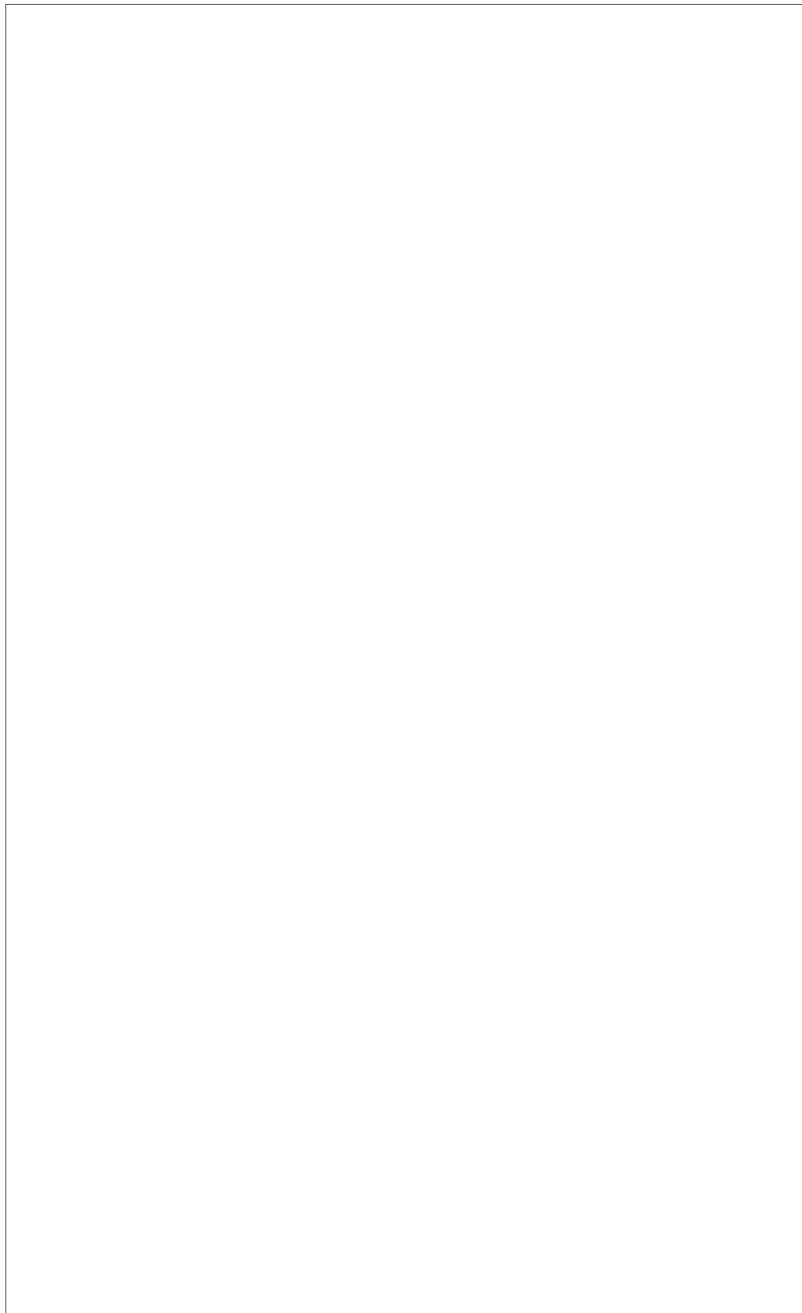
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~~Top Secret~~**USSR: Military Presence in Angola Criticized**

Izvestiya has denounced the Soviet military presence in Angola. In the latest in a series of articles critical of Moscow's military support to Third World regimes, it faulted especially the role Soviet advisers played in helping plan the recent Mavinga offensive, which "sharply exacerbated" the situation. Calling the war senseless, the author wondered how Soviet efforts to promote a political settlement square with the USSR's involvement with an offensive military operation. He lamented the secrecy surrounding the amount of military aid given to Angola and urged the US and Soviets to help promote a peaceful settlement.

Comment: The Soviets have 1,100 to 1,200 military advisers in Angola and show no sign of drawing them down, as they have from Ethiopia and Mozambique. The *Izvestiya* piece appears meant to spur public and legislative debate on the wisdom of continuing military support to Angola in an era of constrained resources and as Moscow promotes regional settlements. *Izvestiya* has also harshly criticized Soviet military aid relationships with Ethiopia and Syria; it has reviewed more favorably the USSR's profitable arms relations with India.

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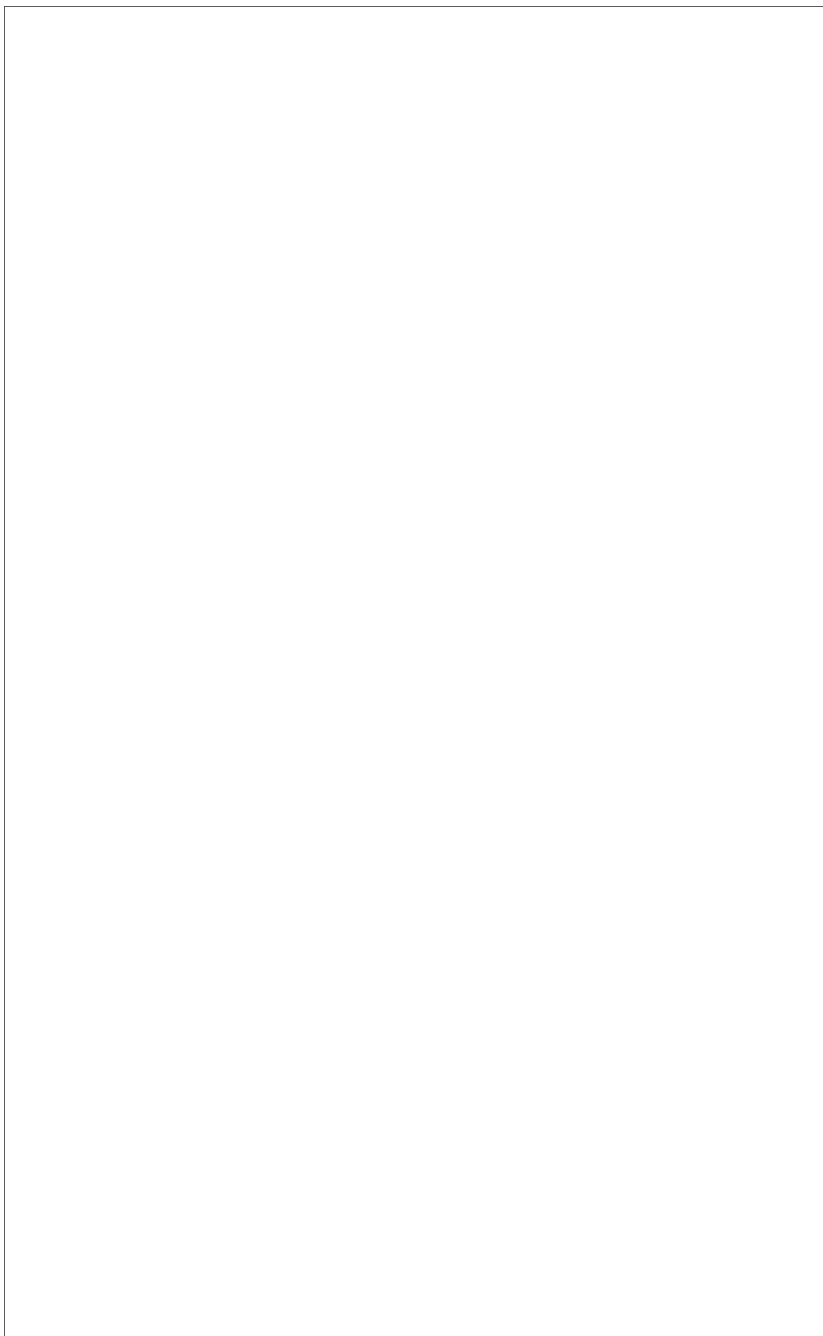


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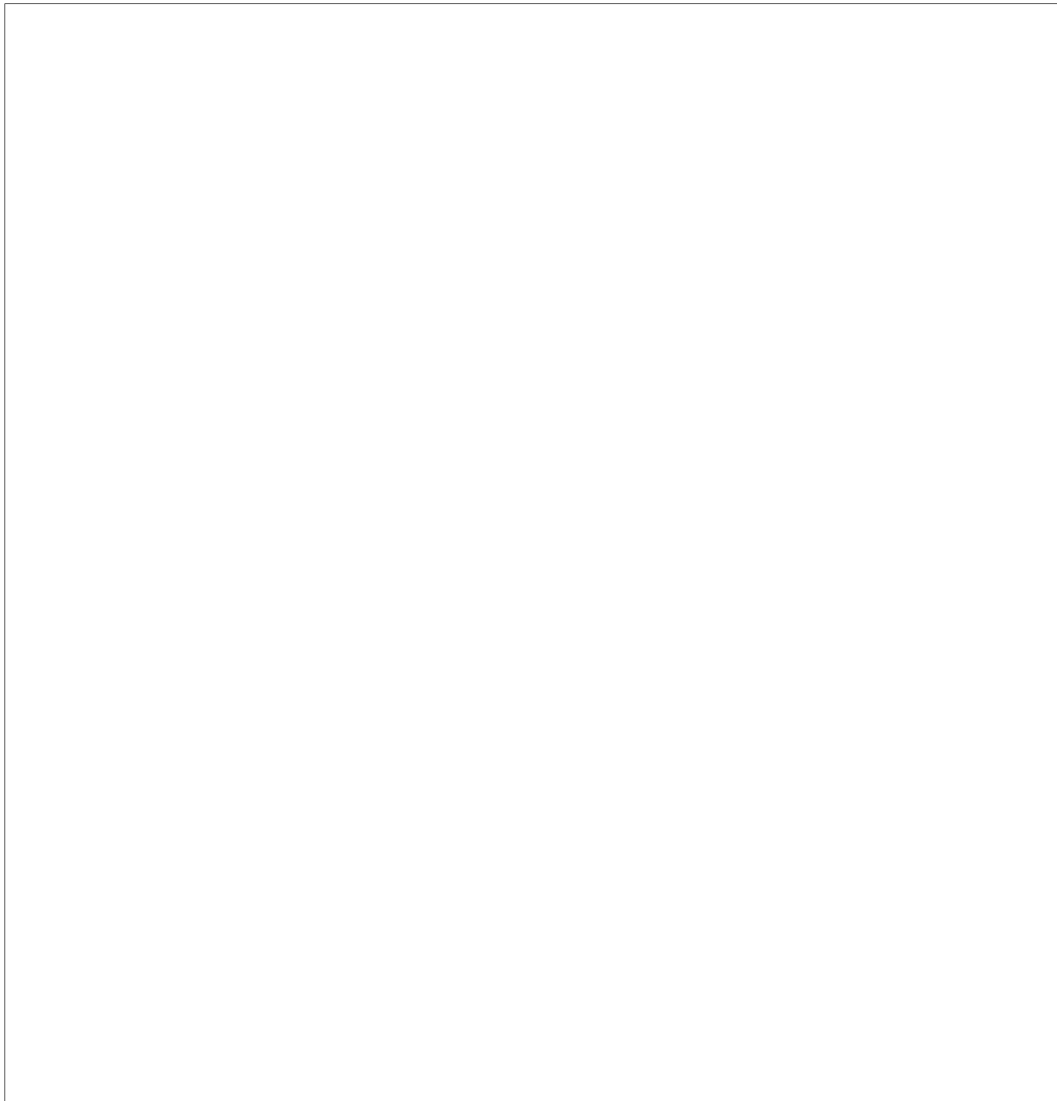


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~~Top Secret~~**In Brief****Middle East**

- **Algerian** President Bendjedid shuffled government yesterday . . . former Army Chief of Staff Nezzar named Defense Minister . . . first time president has given up defense portfolio since independence . . . may give military renewed political role.
- **Algeria** freed 15 Islamic terrorists yesterday as gesture to Islamic Salvation Front . . . Bendjedid hopes move will enable him to avoid early national election . . . vote now could improve chances for fundamentalists.

Europe

- **Italian** Prime Minister Andreotti, Gorbachev will discuss West European aid in Moscow today . . . Rome hopes aid will give Gorbachev time to reform economy . . . also wants **USSR** to see alternative to special relationship with **Germany**.
- **East Germany** opening office to focus on controlling strategic trade to **USSR** . . . probably not fully operational until September . . . difficulties include lack of training, problems classifying indigenous technology, tracing shipments.

Africa

- **Zambian** President Kaunda has announced release of 1,000 political prisoners, postponed referendum on multiparty democracy until next year . . . trying to placate critics calling for political liberalization while buying time following coup attempt this month.

Americas

- **Salvadoran** peace talks ended yesterday with agreement on human rights but not military reform . . . FMLN reportedly prepared to launch operations in capital, elsewhere . . . commanders may assess talks before deciding whether to go ahead.

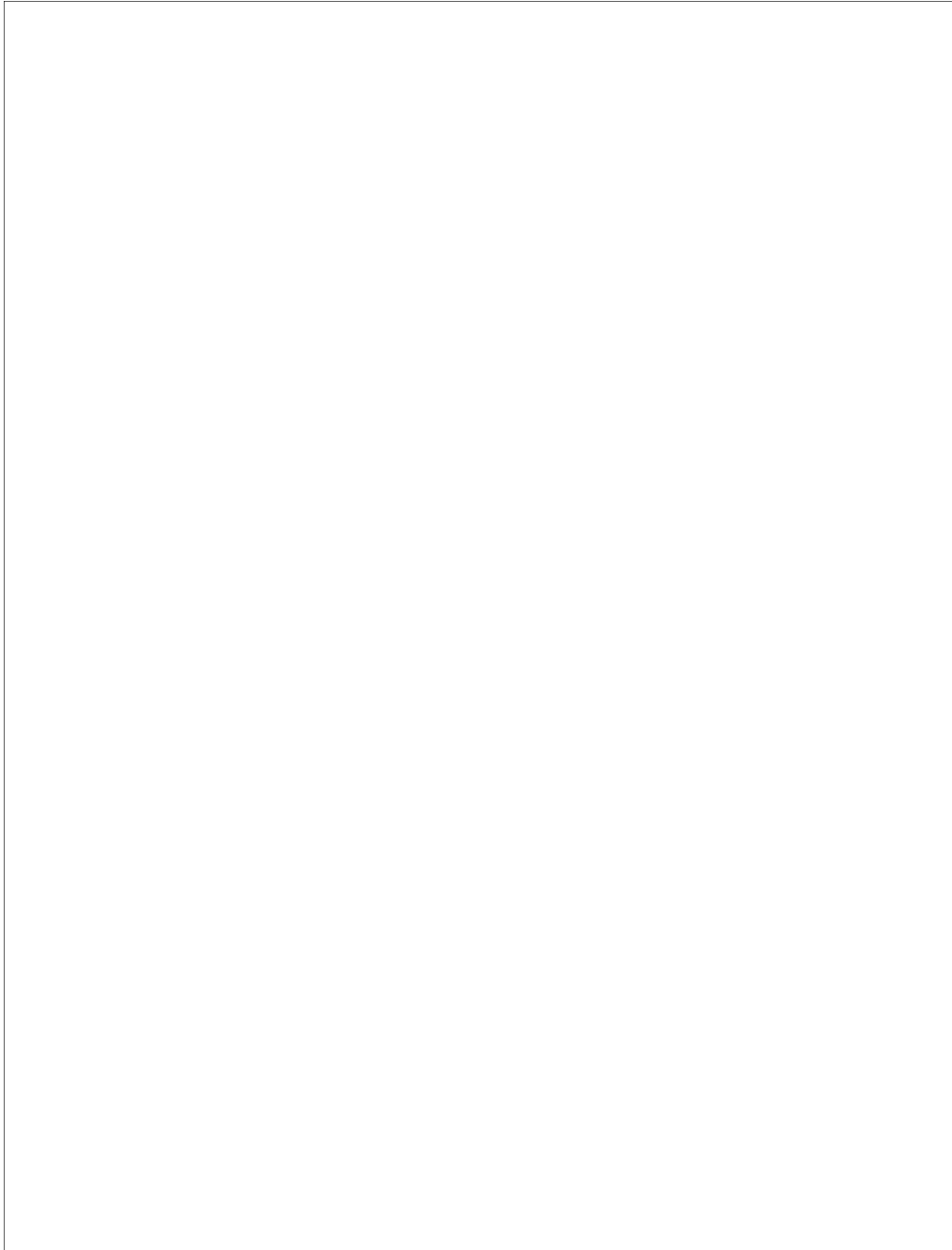
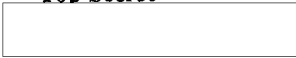
East Asia

- **UK, Italy, West Germany, France, Australia, Canada** to boycott **China's** Army Day celebration next week, following **US** lead . . . **Japan** will attend . . . suggests resolve on lethal military sales ban despite easing of economic sanctions.

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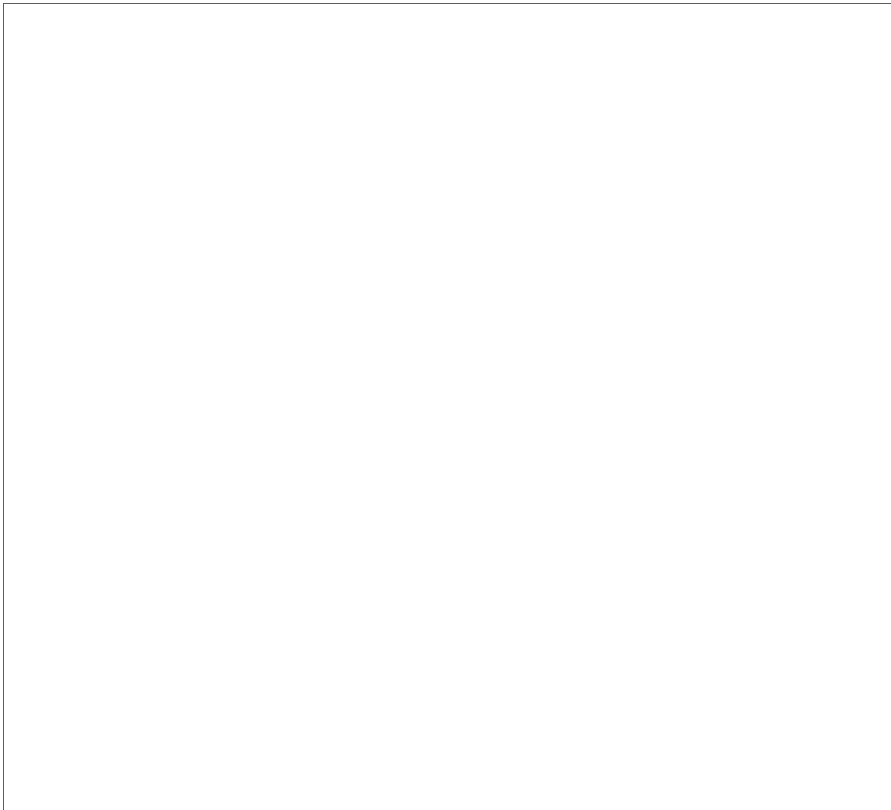
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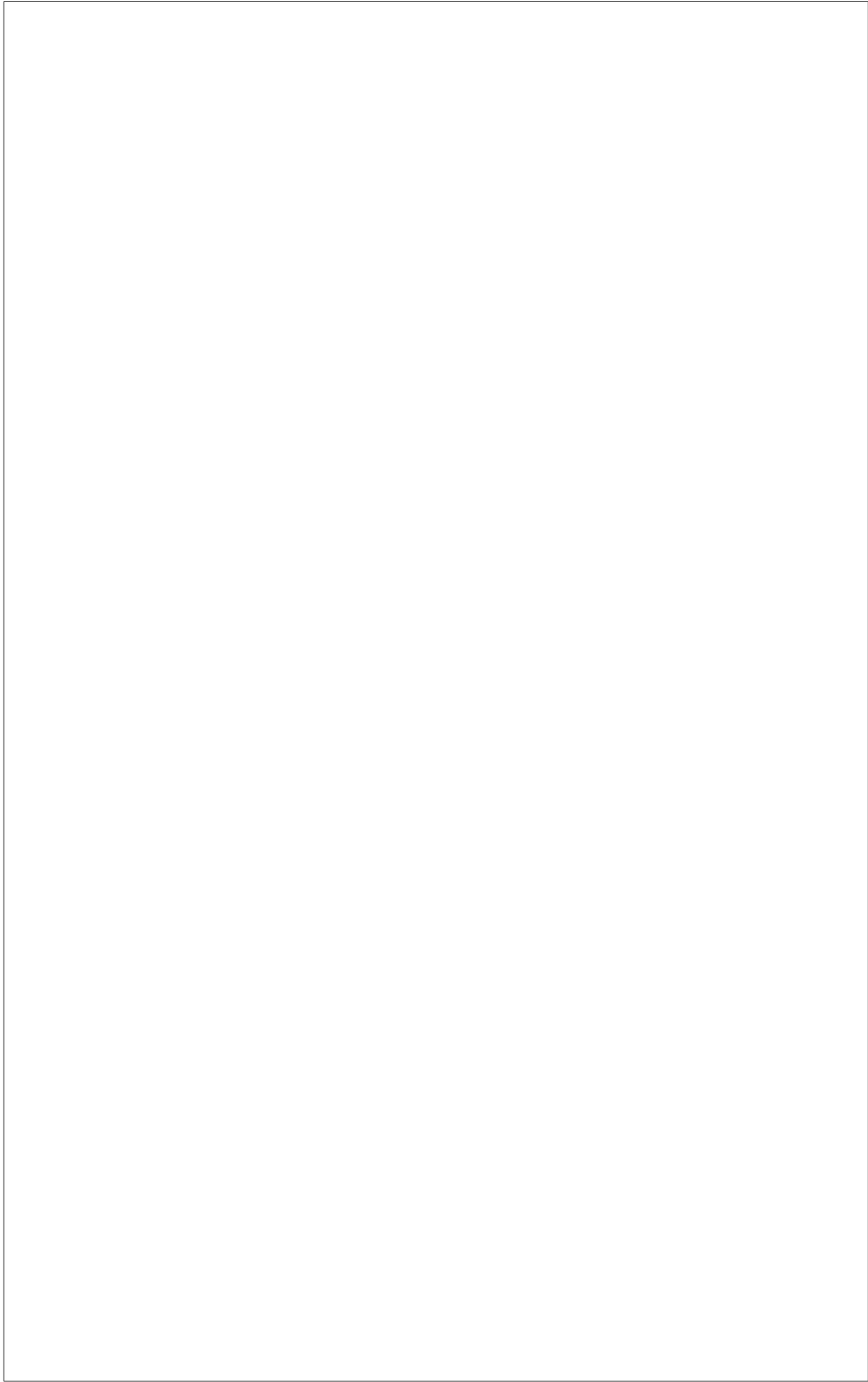


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