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[redacted]**MADAGASCAR: Protests Paralyze Capital**

Opposition leaders are demanding President Ratsiraka's resignation by Independence Day on 26 June, as massive demonstrations continue in Antananarivo; more than 100,000 people reportedly are protesting against poverty, corruption, and government favoritism.

[redacted] opposition leaders yesterday petitioned the High Court to declare the presidency vacant, asked for equal access to the media, and urged legislators to resign. They claim to have the support of several unnamed senior military officers; a prominent retired officer spoke at an opposition rally on Monday. Although the teachers and transport unions have heeded the opposition's call for a general strike, [redacted] government ministries and most private industries are operating normally. [redacted]

Comment: The demonstrations are the most serious threat to Ratsiraka's 16-year rule and appear increasingly focused on populist issues. Although the government has launched some counterdemonstrations in the provinces, leaders may believe their tolerance of protesters and internal divisions in the opposition will eventually weaken the protests. The failure of the general strike may indicate public support for the opposition's program is lower than the protests would suggest. However, if the demonstrations turn violent— [redacted] radical youths are beginning to intimidate nonprotesters—and if the opposition continues to claim military support, Ratsiraka may feel compelled to crack down.

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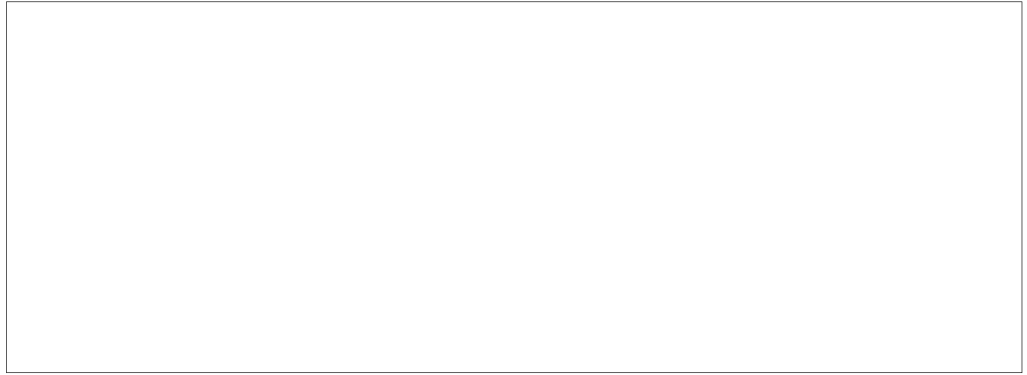


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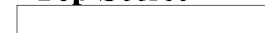


19 June 1991

~~Top Secret~~



~~Top Secret~~



19 June 1991



Contents

	USSR: Situation Report	1
	[Redacted]	3
Notes	[Redacted]	4
	[Redacted]	4
	USSR: Pressure on Estonian Prime Minister Increasing	5
	[Redacted]	5
	Algeria: New Cabinet Named	6
	[Redacted]	6
	[Redacted]	7
	[Redacted]	7
	Madagascar: Protests Paralyze Capital	8
In Brief		9
Special Analyses	USSR: Challenges Facing Yel'tsin	10
	Philippines: Economic, Political Impact of the Volcano	12
	[Redacted]	13



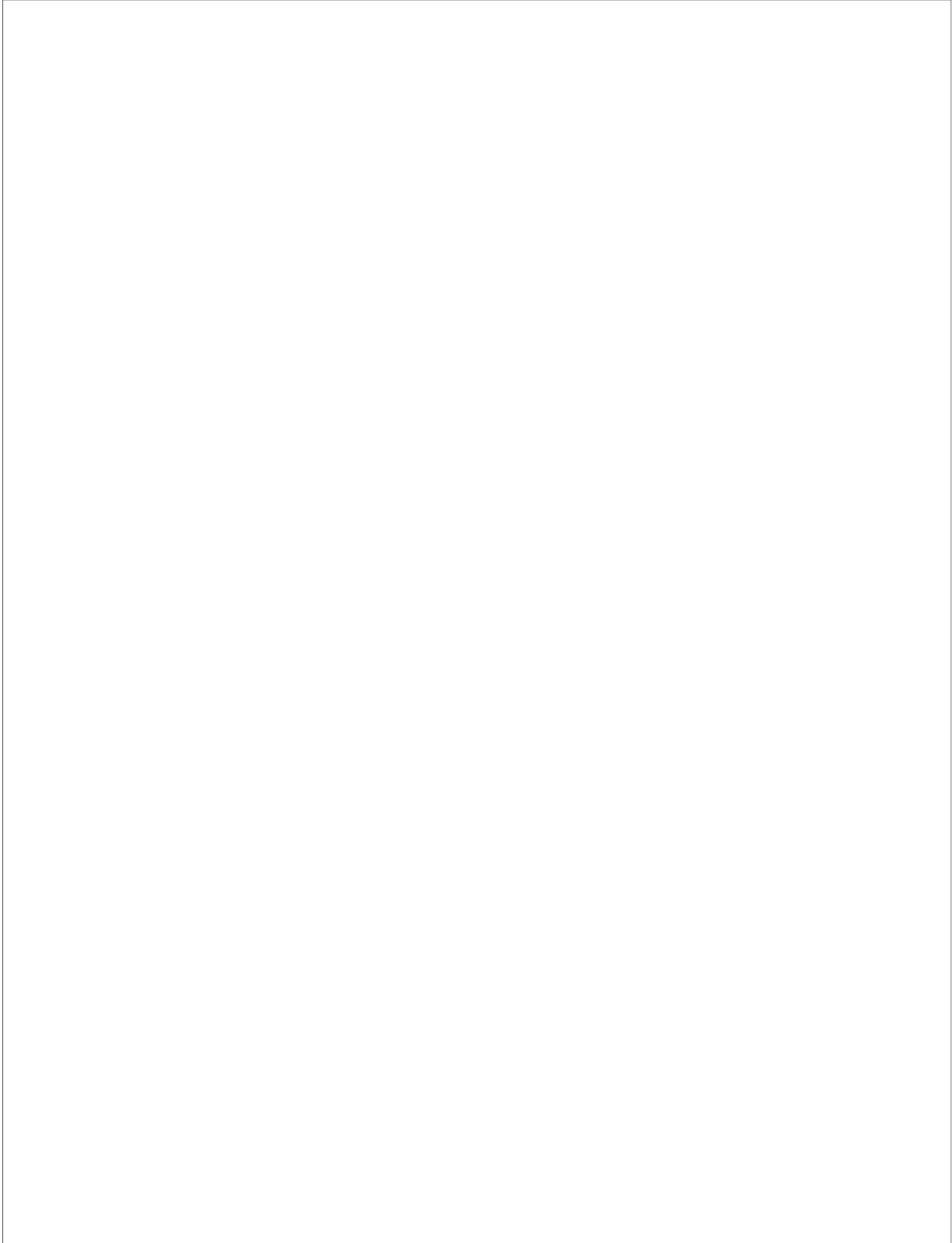
~~Top Secret~~**ALGERIA: New Cabinet Named**

Algeria's new 28-seat cabinet, appointed yesterday, generally comprises pragmatic, market-oriented technocrats. Many are older professionals whom Prime Minister Ghozali knew in previous economic and foreign affairs assignments. The Defense and Justice Ministers and three others retain their posts. Ghozali has significantly expanded the number of economic portfolios, created a Human Rights Ministry, and appointed two women and an opposition figure to the cabinet. [redacted]

Comment: Ghozali has drawn heavily on Algeria's civil service to form a government that is likely to serve only until a legislative election is held, probably late this year. He has stressed competence and commitment to economic reform over political experience in his selections, and the new cabinet appears designed to appease non-Islamic opposition leaders. The government probably will have a limited mandate to stabilize Algeria's shaky economy and lay groundwork for the election. Ghozali probably will maintain tight personal control over both foreign affairs and economic policy but leave domestic political affairs to others. [redacted]

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19 June 1991

~~Top Secret~~

In Brief

Europe

— EC talks with Nordics, **Austria, Switzerland**, last night reached agreement on European Economic Area . . . **Norway, Iceland** conceded to **Spanish** demand for fishing rights . . . pact will lessen urgency of **Finland**, Norway to apply for EC membership.

Africa

— **Angolan** Joint Political Military Commission—**MPLA, UNITA, Portugal, US, USSR**—held successful first meeting Monday . . . Luanda agreed **UNITA** may resupply through neighboring countries . . . group will meet with **Savimbi** Saturday.

— After talks with **Cameroonian** Government failed, opposition mounting protests for reform conference . . . plans blockade of capital, rallies in front of **US**, other Western embassies . . . violence likely, may threaten regime's survival.

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19 June 1991

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His Agenda in Washington

Yel'tsin hopes to overcome the mixed reviews he received during his trip to France in April and to project the image of a statesman by holding substantive meetings and avoiding controversy. He deliberately scheduled his trip to Washington just days after his election and will try to convince the US that the Russian Republic is in the forefront of democratic change in the USSR and that the success of its reform program depends in part on foreign aid and technical assistance. He is likely to portray himself as pushing Gorbachev to move the country in a democratic direction. He is also likely to seek expanded cultural ties and commercial relations with US firms.

Yel'tsin will support Western aid to the USSR, particularly interest-free loans and investment, but he will stress republic interests, reiterate his own acceptance of accountability for aid use, and may urge that assistance be channeled directly to the republics. He may also ask for US support to help Russia's agroindustrial sector and encourage direct US investment in Russian industries, particularly oil, natural gas, and forestry. Yel'tsin is also likely to press the US to grant the USSR most-favored-nation status because the lowering of US import tariffs on Soviet goods would help improve Russia's export outlook and its attractiveness to foreign investors.

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19 June 1991

~~Top Secret~~

USSR:

Situation Report

Prime Minister Pavlov's request that his government be given additional powers has received a positive initial response from traditionalist Supreme Soviet deputies, who also have supported his attacks on economic reform. President Gorbachev has acceded to a demand by the legislature that it play a role in the already contentious union treaty negotiations, a move that is sure to complicate the deliberations. []

Traditionalists Attack on Political Issues

In what Soviet television characterized as a heated argument in legislative debate yesterday, deputies from the traditionalist Soyuz group supported Pavlov's request for expanded powers and assailed Gorbachev's indecisiveness. Pavlov justified his request by claiming Gorbachev is too busy to exercise his statutory power over day-to-day economic issues and said he had not consulted the President beforehand. A presidential spokesman acknowledged that Pavlov had not informed Gorbachev of the request but said it should not be regarded as a political challenge, a point Vice President Yanayev also made. A reformist deputy, however, characterized Pavlov's address and unpublished speeches on Monday by the leaders of the army, KGB, and Interior Ministry as part of a coordinated campaign to remove Gorbachev from power. A Supreme Soviet committee will formulate a response to Pavlov's request, which will be considered again on Friday. []

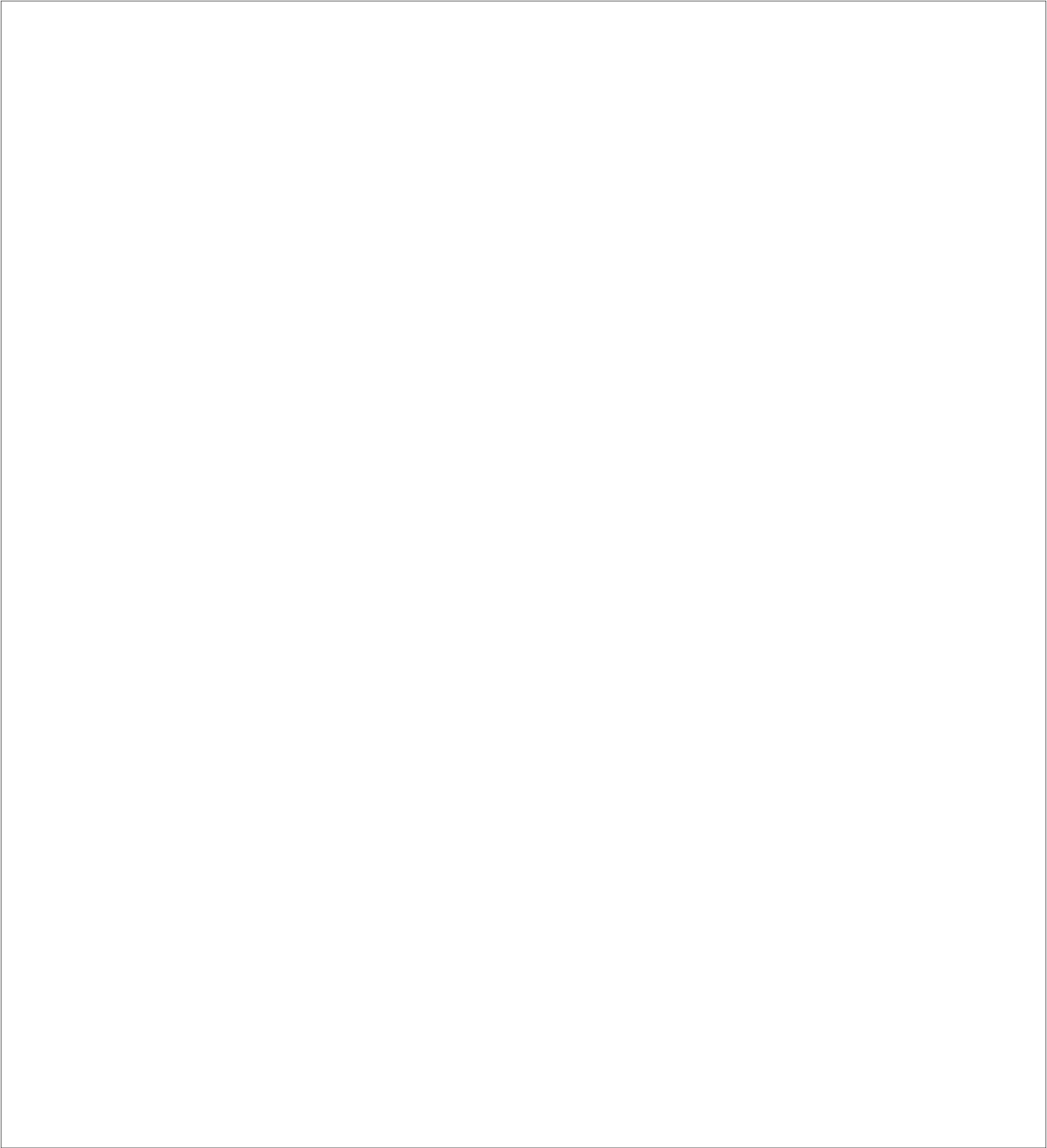
Comment: Traditionalists appear to be using the Supreme Soviet to attack not only what they see as Gorbachev's unacceptable concessions to the republics on the union treaty but also the reformist orientation of his policies in recent weeks. The degree of coordination between Pavlov, leaders of the security forces, and Soyuz deputies is not clear, but hardliners probably see the traditionalist-dominated legislature as an arena in which they can challenge Gorbachev as a legitimate "democratic" opposition. Gorbachev previously has fended off challenges from both reformists and traditionalists in the legislature, and the body's political clout has declined steadily. Hardliners may now gain new support, however, from moderate deputies who resent Gorbachev's previous exclusion of the legislature from the union treaty process and fear being put out of business by provisions for a new, elected legislature. []

And Blast Economic Reforms

Pavlov and other traditionalists have launched a spirited attack on the economic program proposed by reform economist Grigoriy Yavlinskiy and offered their own plan, which calls for strong central controls. The resistance to Yavlinskiy's plan was evident in a Cabinet

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19 June 1991

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19 June 1991

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of Ministers resolution published on Monday that would keep strict central control over the economy through next year. The resolution calls for keeping enterprises subject to centrally mandated state orders and to priority requirements for deliveries to central agencies, such as the Defense and Internal Affairs Ministries and the KGB as well as to a federal tax. [redacted]

Comment: The Yavlinskiy plan, with its heavy reliance on market reforms, is intended to prove the seriousness of Soviet reform efforts for the G-7 summit next month. The cabinet resolution not only undermines that effort, but its emphasis on central economic prerogatives may weaken republic support for the union treaty. It again suggests that the Prime Minister would have to be replaced before any major economic reform plan could be implemented. [redacted]

Unresolved Union Treaty Issues

Participants in the union treaty talks yesterday said disagreement continued over such issues as taxation, the structure of the national legislature, the status of autonomous republics, and control over the defense, energy, and power industries. Kazakhstan President Nazarbayev is seeking to meet with the eight other republic leaders, probably to devise proposals for reducing the power retained by the center in the current draft. [redacted] The Democratic Congress, an interrepublic meeting of democratic movements, decided over the weekend to recommend that republic supreme soviets reject the draft treaty. Gorbachev, meanwhile, has indicated the USSR Supreme Soviet will be an equal player in the treaty process and, along with the republics, will send a delegation to the working group preparing the final draft. [redacted]

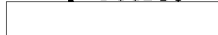
Comment: By increasing the Supreme Soviet role in the process, Gorbachev is acceding to traditionalist pressure. If the Supreme Soviet gains a role genuinely equal to that of the republics, it almost certainly would snarl final negotiations. Even without the participation of the Supreme Soviet, the draft treaty will run into considerable opposition at the republic level and major revisions will be necessary. [redacted]

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19 June 1991

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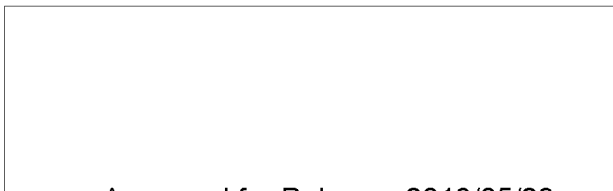
Susan



Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Wednesday, 19 June 1991



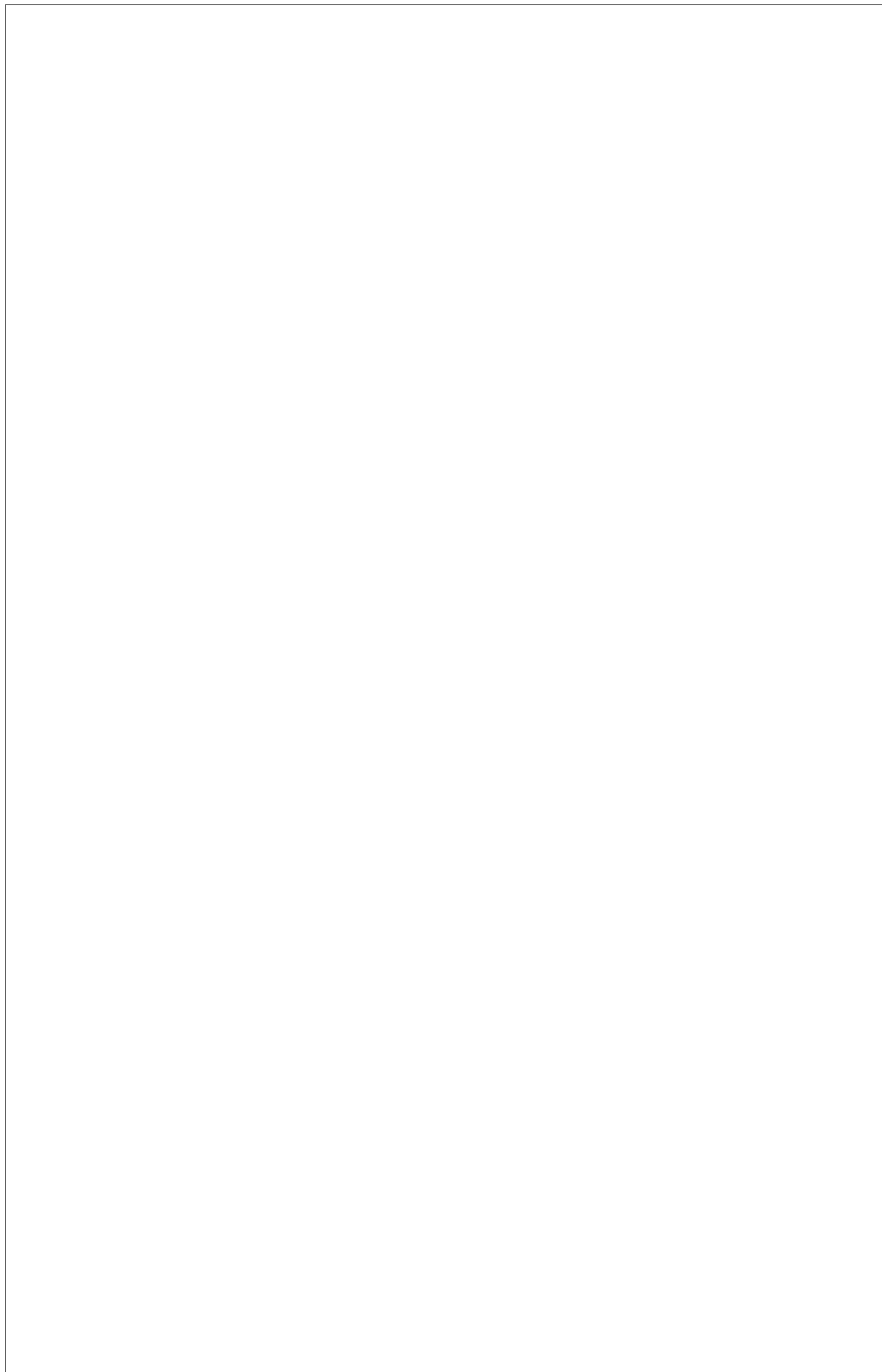
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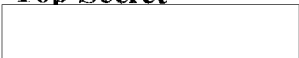
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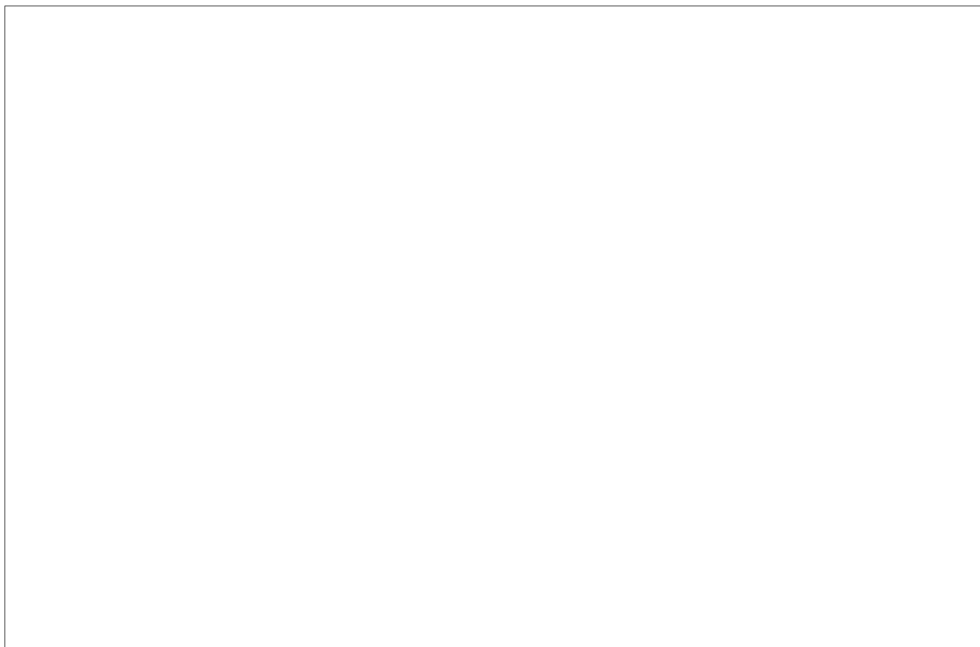

19 June 1991

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**USSR: Pressure on Estonian Prime Minister Increasing**

Dissatisfaction with Estonian Prime Minister Savisaar is increasingly open. On Monday 27 of the republic's 105 legislators reportedly signed a petition calling for a vote of no confidence in his government. They represent several proindependence parties that have long criticized Savisaar's policies and management style and include three backers of the Popular Front, whose 42 members in the legislature are his primary base of support there. The legislature's Russian-speaking members reportedly refused to sign the petition.

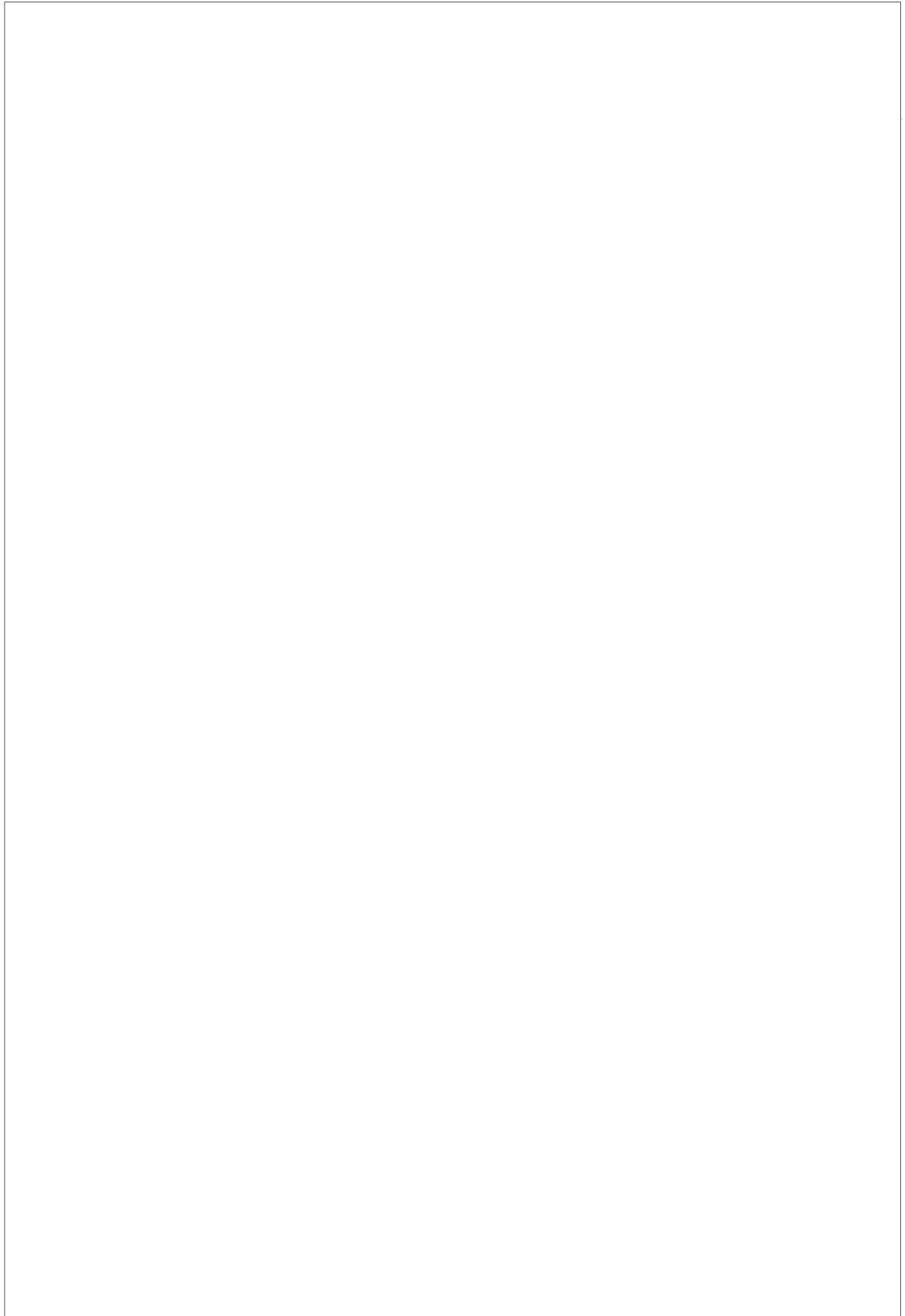


Comment: Savisaar's recent push to transform Estonia's heavily Russian northeastern corner into a special economic zone may have prompted the petition. Political foes, including President Ruutel, his chief rival, fear such a move presages a proposal to transfer the area to Russia in order to persuade the center to grant the republic independence. A substantial majority of legislators and Ruutel probably would oppose Savisaar's removal now, however, out of concern that it would encourage the center to intensify pressure on what it might see as an increasingly unstable republic government.

~~Top Secret~~


19 June 1991

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19 June 1991

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Special Analysis

USSR:

Challenges Facing Yel'tsin

As the first directly elected President of the Russian Republic, Boris Yel'tsin will be eager to use his US visit to show that Washington accepts him as a world statesman and that democratic progress in Russia is facilitating closer political and commercial ties to the West. Although he has a mandate for reform, Yel'tsin faces many obstacles and will increasingly be held accountable as Russian living standards continue to fall. [redacted]

Yel'tsin must try to implement his programs while contending with Communist opposition and holding together the loose coalition of democratic reformers, reform-minded Communist Party members, and others who support him but still see a need for a strong central government. His success in cementing his coalition will be especially critical for translating his mandate into legislative action. His popularity and ability to follow through on his campaign promises will depend on continued support in the legislature, and a legislative deadlock would be fatal to his hopes for rapid progress. [redacted]

Yel'tsin's Next Steps

Yel'tsin told Russians after the election not to expect much progress until the end of next year, but he knows he must show results soon or risk losing key elements of his support base. He indicated in an interview after his election that he would present a 100-day plan of action to the Russian legislature later this month. Despite broad support for his general reform agenda, Yel'tsin will face a major juggling act fulfilling his campaign promises to different constituencies, maintaining support for draconian measures needed as the economy worsens, and overcoming resistance from the center, which still controls many basic industries. His plan is likely to focus on three issues:

- Reducing the power of the Communist Party and other traditionalist institutions, including the military and the KGB.
- Concluding a union treaty without alienating either moderates who favor his cooperation with Gorbachev or radicals who view it as a betrayal of the breakaway republics.
- Stepping up the pace of economic reform, with particular attention to food supply and distribution, but without alienating hard-hit groups, particularly labor. [redacted]

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19 June 1991

~~Top Secret~~

Special Analysis

PHILIPPINES: Economic, Political Impact of the Volcano

The Aquino administration's efforts to deal with the destruction caused by Mt. Pinatubo will be hampered by the sluggish economy and may become embroiled in the 1992 election campaign. Manila probably has just begun to think about how the volcano complicates the negotiations over the future of the US military facilities at Clark Airbase and Subic Bay Naval Base. [redacted]

Initial Philippine Government assessments value the destruction of crops, infrastructure, and private property at about \$40 million in four central Luzon provinces. [redacted] the final bill may exceed the \$1.3 billion cost of last year's earthquake. [redacted]

With a stagnant economy—domestic output grew a marginal 0.2 percent in the first quarter of this year—and the 1991 budget deficit likely to reach \$1 billion, Manila will look to foreign donors and creditors for relief. Finance Department officials believe the disaster will bolster their efforts to defer as much as \$1.5 billion in payments owed to official creditors, according to press reports. In addition, Philippine legislators probably will cite the cost of the cleanup in their efforts to persuade President Aquino to approve recent legislation limiting interest and principal payments on Manila's \$29 billion foreign debt to 20 percent of export earnings. [redacted]

The administration's longtime domestic critics have begun to snipe at its response to the crisis, but most Filipinos probably will rally around the government in the short term. Defense Secretary Ramos, a leading presidential contender, chairs the National Disaster Coordinating Center, and his supporters will be quick to trumpet a successful assistance program. Backers of House Speaker Mitra and other rivals are likely to blame Ramos for any problems. [redacted]

Philippine officials almost certainly realize they have lost significant leverage in the military base negotiations; Manila's negotiators will be quick to label any US attempt to reopen financial compensation or other issues Manila considers closed as browbeating. Foreign Secretary Manglapus told the press this week he did not expect the compensation package to be reduced as a result of the damage. [redacted]

A US decision to withdraw permanently from Clark probably would spark charges that Manila will be left with the cleanup bill and may doom any chances for a Subic-only treaty. Critics are likely to argue that the evacuation of US personnel and dependents proves that a withdrawal period for US forces can be part of the new treaty's fixed term, rather than added on to its duration. [redacted]

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19 June 1991