

May 18, 1989
**National Intelligence Daily for Thursday, 18 May
1989**

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Summary:

The CIA's National Intelligence Daily for 18 May 1989 describes the latest developments in China, the Soviet Union, Ethiopia, Panama, El Salvador, Venezuela, West Germany, Bolivia, Poland, Iran, Saudi Arabia and Philippines.

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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Thursday, 18 May 1989

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CHINA:

Protests Become a Mass Movement

The growing participation of Communist Party and government officials in the student protests in Beijing suggests that some reformist leaders may be manipulating the demonstrations to strengthen their hand against rivals, but the options for dealing with the protests are becoming increasingly limited.

A growing number of the 1 million-plus protesters in Tiananmen Square yesterday were workers, government employees, and members of the party and military. Some of those groups have ties to Zhao or other reform leaders and openly displayed banners identifying their affiliation. Some are demanding that Premier Li Peng and even Deng Xiaoping step down. Zhao has generally been spared criticism, and some banners have called on demonstrators to support him.

China's normally strict internal party discipline apparently has failed to prevent party organizations from throwing their support to the students. A group from the party's theoretical school has joined demonstrators, claiming that party officials across the nation support student demands. China's official student union, which students criticized earlier as lacking true representation, and the Communist Youth League have urged top leaders to meet with student demonstrators and heed their demands.

The protests were initially critical of all of China's top leaders; now, although still spontaneous for the most part, they appear to be taking on an increasingly pro-Zhao tone at the expense of Li Peng, the architect of China's current economic retrenchment. Any such manipulation by Zhao will widen the leadership division and complicate efforts to deal with the students.

Beijing's range of options is dwindling in any case. The government may continue making some conciliatory gestures, playing for time, hoping the protests will lose steam once General Secretary Gorbachev leaves China. But as more groups join the students, the protests may pick up momentum. If hardliners prevail, the use of force would risk turning the public against the entire party leadership and even causing splits in the military and police, some of whose members at least sympathize with the students.

Zhao may favor such a move, hoping to use the growing popular support to counter orthodox party opponents and regain the upper hand, but much still may depend on whether Deng sanctions such a move.

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USSR-CHINA: Gorbachev Visits Shanghai

b (3) *Soviet General Secretary Gorbachev arrived in Shanghai this morning for a one-day visit to China's main commercial port and to take a good look at a Chinese special industrial zone before returning home to Moscow tonight.*

b (3) Gorbachev has met with Shanghai party chief Jiang Zemin and will tour the Minhang Development Zone, where he is to see a Sino-Japanese joint venture and a "completely" Chinese factory. But as Gorbachev himself noted at his press conference yesterday, some events might be canceled because of student demonstrations in Shanghai.

b (3) [REDACTED], Gorbachev refused to pass judgment on the student demonstrations but expressed the hope that Chinese youth and Chinese leaders would resolve their differences. On Cambodia, he said the Soviets and Chinese now understood each other's position better and would continue their dialogue. Gorbachev also reiterated points from his speech at the Great Hall of the People earlier in the day about seeking a complete demilitarization of the Sino-Soviet border and increased economic cooperation with the Chinese.

b (3) [REDACTED] Although the demonstrations have disrupted many of the social events on his schedule, Gorbachev [REDACTED] was pleased with his reception in Beijing and that the summit accomplished his main goals of normalizing state and party relations. Differences over Cambodia apparently were not resolved, but progress may have been made on other contentious issues. The decision to raise the level of the Soviet and Chinese delegations discussing the disputed territory along the Sino-Soviet border, for example, suggests that issue is moving rapidly toward a successful conclusion.

b (3) The only major event that remains is the issuance of a joint communique. Moscow may be still holding out for a formal, signed communique of principles governing the relationship, like the China-US communique of 1972, but recent statements by Soviet and Chinese spokesmen indicate that an informal press communique is more likely.

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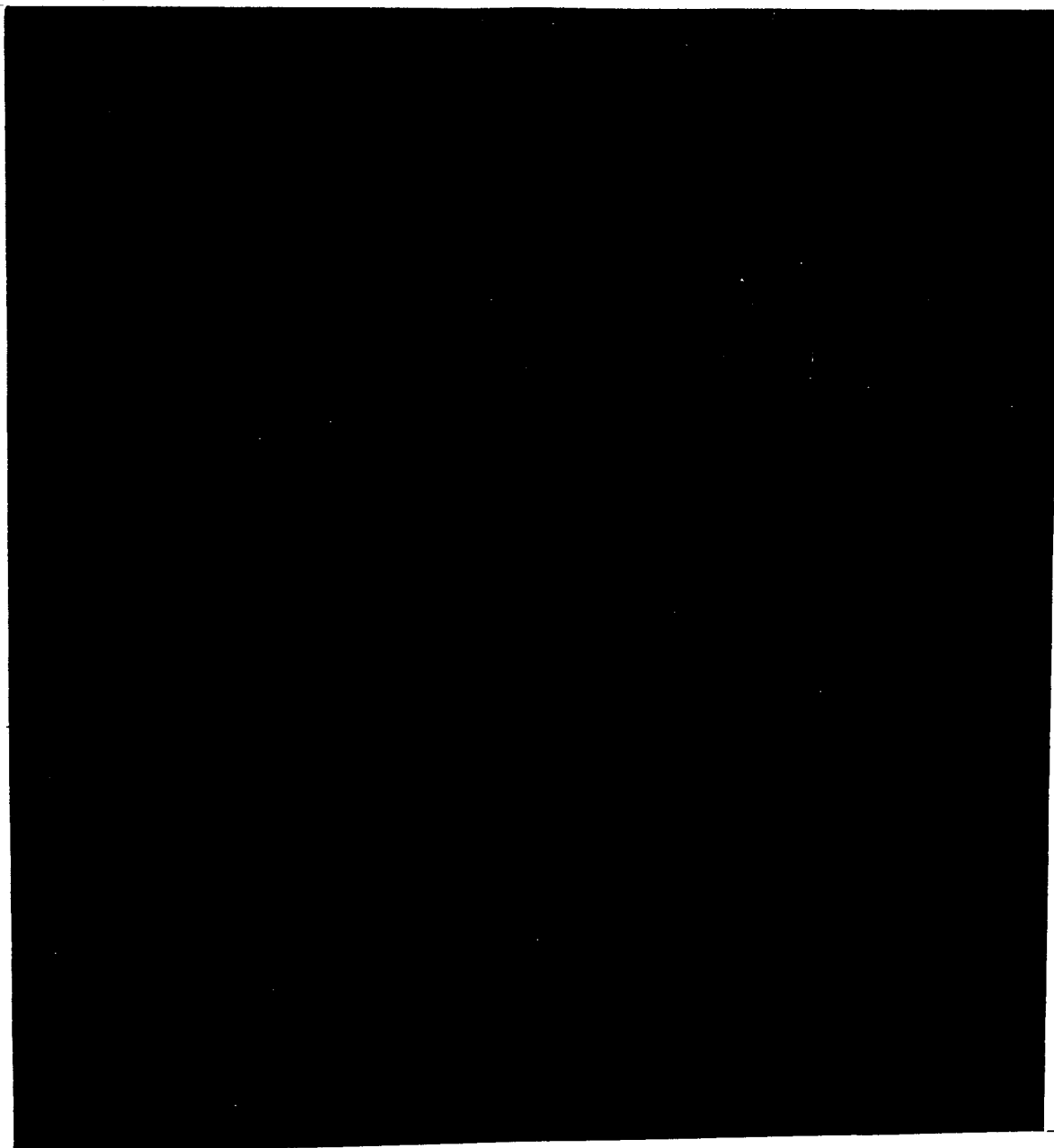
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ETHIOPIA:

Situation Report

Situation in
Addis Ababa

Pro-Mengistu forces appeared to have gained the upper hand in the capital by last night, but the situation remains fluid. Fighting around the Defense Ministry, which was occupied by coup plotters, and at the State Council building, where some of President Mengistu's civilian supporters were located, has apparently subsided. Heavy artillery and troops remain at key locations. [REDACTED] government forces are conducting house-to-house searches for suspected coup plotters and have carried out summary executions. The former Army commander for Tigray Province—whose court-martial was a factor in setting off the coup—[REDACTED] was executed [REDACTED]. An early evening curfew was imposed, but the regime has instructed the public by radio to return to work [REDACTED]. The populace is bracing for more fighting by hoarding food and other supplies.

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The North
and East

Coup-related activity, meanwhile, has shifted outside Shewa, the central province. [REDACTED]

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[REDACTED] the EPLF has accepted a plan broadcast from Asmera—apparently by a spokesman for the rebelling military units—calling for a cease-fire, immediate negotiations, and formation of a transitional government. [REDACTED] also [REDACTED] named the head of the National Defense Council, Maj. Gen. Seyoum Makonnen, Ethiopia's new leader; he is widely respected as one of the few officers to stand up to Mengistu and blame him for the Army's recent defeats in Tigray. [REDACTED] EPLF forces marched unimpeded into Asmera yesterday. [REDACTED]

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[REDACTED] The outcome of the coup hinges increasingly on developments in the north and east. The extent of support in the Second Revolutionary Army for the coup plotters remains unclear. [REDACTED]

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[REDACTED] however, it would increase the likelihood of a face-off between renegade northern Army units and pro-Mengistu forces to the south.

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Mengistu's
Response

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Safety of US
Personnel

[REDACTED] The
airport in Addis Ababa remains closed, but [REDACTED] will reopen
tomorrow. [REDACTED]

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Comment: The 600 US citizens in the capital could still be at
risk if unrest spreads in response to the government's campaign
of retribution or if essential services break down. [REDACTED]

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PANAMA:

Regime Options on Hold

Defense Chief Noriega has put options for an interim government on hold while he gauges the opposition's staying power, the depth of hemispheric condemnation, and Washington's next move.

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The general strike called by the opposition yesterday was largely unsuccessful. Roughly 50 percent of businesses in Panama City and Colon were open, but worker absenteeism was high and business was slow. Opposition supporters stayed off the streets, and the police presence was heavier than normal.

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The OAS foreign ministers late yesterday agreed to a proposal to condemn the regime's electoral abuses and to send a three-member delegation to Panama but avoided a formal call for Noriega to step down.

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Noriega apparently is refraining from a decision on an interim governmental arrangement until the dust settles at the OAS and foreign media attention dies down. He probably is confident that the OAS will not produce a call for him to step down and that its enthusiasm for addressing the Panama problem will wither, particularly following the opposition's dismal strike performance. Nonetheless, Noriega may be anticipating harsher US moves should the diplomatic efforts stumble.

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EL SALVADOR: Insurgents Launch Offensive

Marxist insurgents last week began a nationwide military effort to disrupt the economy, discourage foreign investment, and force the new ARENA government into negotiations.

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The campaign includes sabotage and harassing attacks against military posts, concentrating in rural areas.

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[REDACTED]

An assassination attempt occurred Tuesday against the National Assembly President—who was on an earlier guerrilla hit list.

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[REDACTED]

The military has responded aggressively to the rebel attacks, conducting frequent patrols in contested areas. A controversy over the selection of a new defense minister, meanwhile, has led the high command to order several units in the capital on alert in response to threats that Air Force Commander Bustillo will use force if necessary to stop the nomination of Chief of Staff Ponce.

b (3)

b (3)

Despite a recent series of military setbacks, the insurgents are still strong enough to attack lightly guarded rural targets; they probably are not able to overrun a fortified military installation. They will continue to strike targets of opportunity in San Salvador and may attempt additional assassinations. The lapse of the unofficial border agreement may allow the rebels freer use of Honduran territory as a sanctuary and staging base.

b (3)

Although Bustillo appears convinced that he has been passed over for defense minister, a final decision on the appointment probably has not been made. Bustillo is not likely to incite his subordinates to violence, but the imbroglio threatens to drive a wedge between the Army and the Air Force and distract attention from the war effort.

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VENEZUELA: Labor Dissatisfaction Grows

The general strike the Venezuelan Confederation of Workers (CTV) is holding today highlights organized labor's unhappiness with the economic austerity policies of President Perez and heralds widening fissures in his Democratic Action (AD) party. (b3)

A special CTV congress last month called the strike as a way to protest the lifting of price controls and subsidies, which has led consumer prices to jump some 40 percent since February. (b3) the widespread riots in March convinced CTV leaders they had lost touch with the rank and file, and, as a result, they are rethinking their largely cooperative relationship with government and business, as well as their role in the AD. (b3)

Since the riots, wildcat work stoppages have flared, particularly in Maracaibo—Venezuela's second-largest city and the center of its oil industry. (b1, b3)

Perez is clearly upset with the CTV's militancy. He publicly denounced the idea of a general strike and vigorously defended his economic program at the CTV congress. That did not, however, stop Perez from announcing on the eve of labor's traditional May Day demonstrations that the lowest-paid public workers would get pay supplements to help cover increased food and transportation costs and that he was submitting a bill to Congress to create 140,000 jobs. (b1, b3)

Mollifying labor is a high political priority for Perez. Doing so will be difficult, however, because he is determined to maintain the integrity of his economic program, and CTV leaders are equally determined to force changes through job actions and demonstrations. Perez will probably continue to make tactical concessions and may even allow another round of wage increases to placate union rank and file while exploiting his problems at home to press the international financial community for help. (b3)

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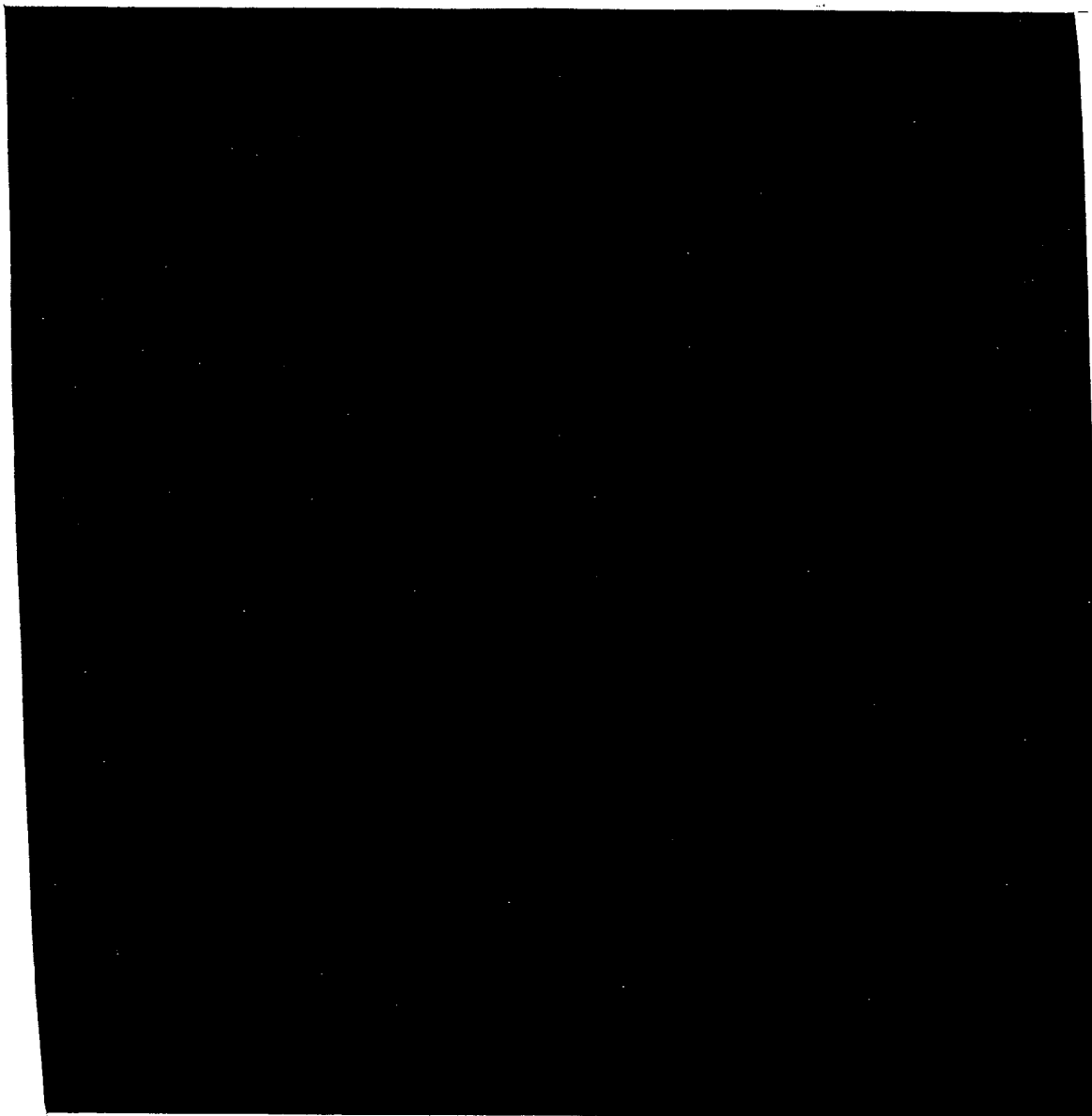
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WEST GERMANY: Hammadi Conviction Raises Terrorist Threat

Hizballah terrorists will threaten and probably take reprisals against West German interests to press Bonn to release convicted TWA hijacker Muhammad Hammadi. b3

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Several West German medical workers were abducted in Lebanon last week. The demands made when they were taken reportedly included limiting Hammadi's sentence to five years and releasing a Hizballah terrorist imprisoned in Cyprus. b3

b (3)

Bonn late last week took several actions to reduce its vulnerability in Lebanon, probably in anticipation of the Hammadi verdict. It repeated earlier warnings to West German nationals to leave and withdrew its Embassy staff from Beirut. b3

b (3)

Comment: Hizballah is likely to take actions against West German personnel and interests. In January 1987, Muhammad's brother directed the kidnappings of two West German hostages and probably those of four Beirut University professors to prevent Muhammad's extradition to the US. Hizballah terrorists can also operate outside Lebanon: Lufthansa aircraft and offices and nonofficial West German cultural facilities probably are particularly at risk. b3

b (3)

The court's harsh comments on Hammadi and the stiff sentence given him restrict Bonn's room for maneuver. If confronted with a spectacular terrorist incident, West German leaders probably would offer private assurances of an early release once Hammadi becomes legally eligible for parole. But they might not feel obliged to follow through on any promise made under duress, and they would try to avoid showing weakness to the voters and angering the US. b3

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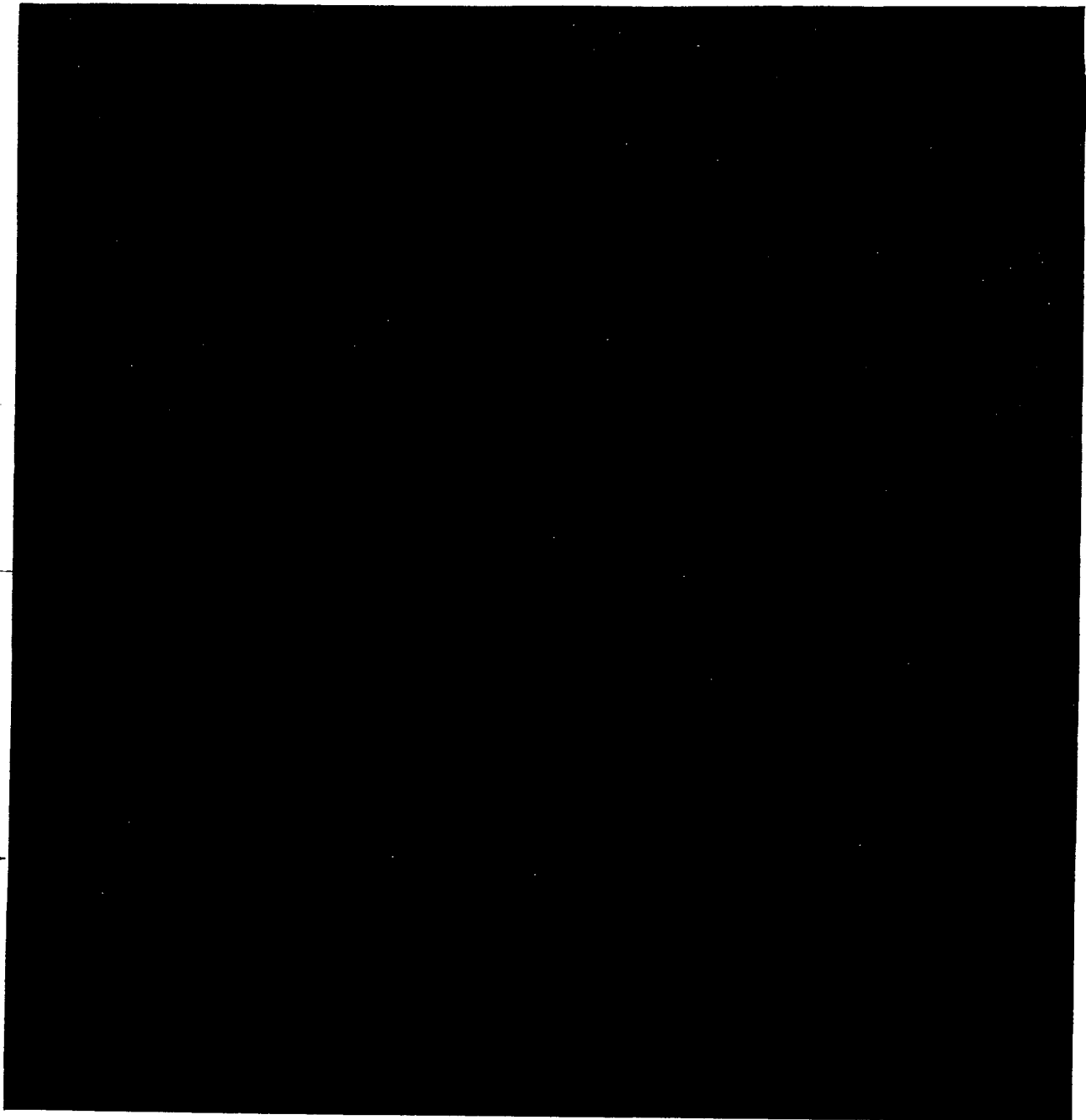
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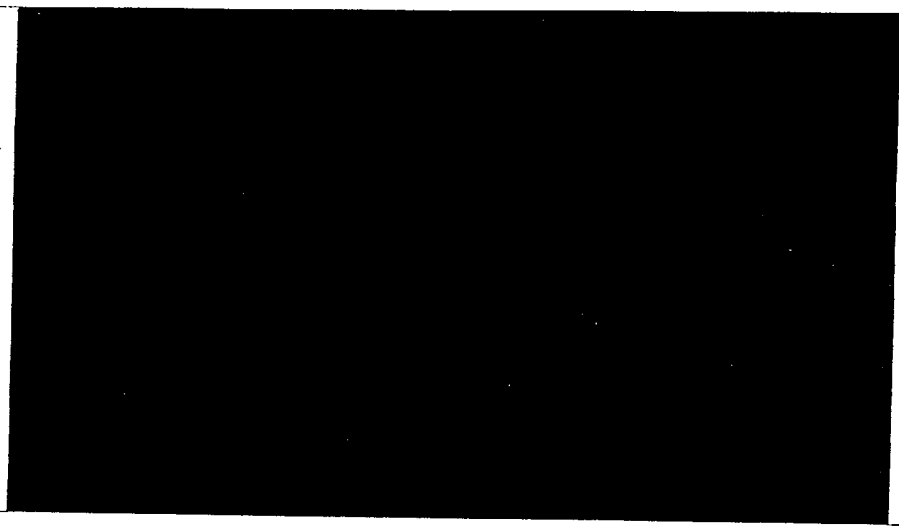
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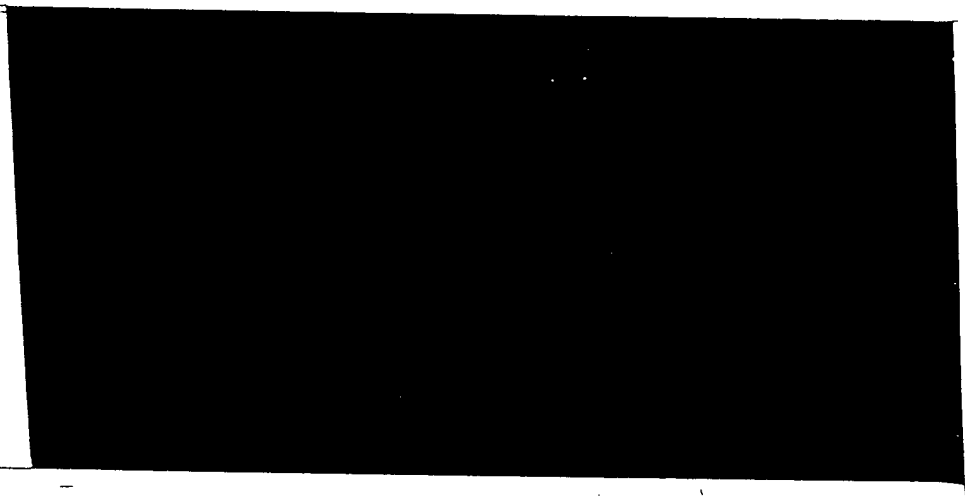
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BOLIVIA: Presidential Winner Not Yet Determined

The official count of votes cast on 7 May is only half finished, and the main parties are challenging errors in the counting. Final results are to be released on 27 May. With only urban area totals validated so far, preelection favorite Hugo Banzer has a minuscule lead in the presidential race over the ruling party's Sanchez de Lozada, who has insisted [REDACTED] that he will win by a slight margin. Jaime Paz Zamora of the Movement of the Revolutionary Left is 2 percentage points behind the leaders. The parties are discussing various coalition possibilities as they maneuver for the early August vote by the Congress, which will decide the presidency since no candidate received a majority of the popular vote. [REDACTED] the armed forces commander has moved to halt talk of military intervention on behalf of Banzer, who headed a military regime during the 1971-78 period. [REDACTED]

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POLAND: Catholic Church Legalized

Poland's legislature yesterday passed a law recognizing the Catholic Church. [REDACTED]

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b (3) [REDACTED] Giving the church legal status is an indicator of the regime's desperation for popular support, most immediately to improve its prospects in next month's legislative election. The regime also hopes to entice the church, long supportive of Solidarity, into a more neutral role. Warsaw, which recognized the political opposition in the roundtable accord, has, in legalizing the church, further abandoned its longstanding ideological claim to rule alone. It has also confirmed the church's status as Poland's leading moral political force. [REDACTED]

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IRAN-SAUDI ARABIA: Tehran Likely To Boycott Hajj Again

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Iran and Saudi Arabia have failed to agree on conditions for Iranian participation in the Hajj, the annual pilgrimage to Mecca, setting back efforts to improve relations. [REDACTED] Riyadh refuses to admit more than 45,000 Iranian pilgrims this year; Iran is demanding 150,000. Iran rejects the Saudi requirement that pilgrims pledge not to engage in political demonstrations. Tehran is charging that Riyadh's restrictions are "un-Islamic" and has rejected an invitation to a meeting of Islamic affairs ministers in Saudi Arabia.

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b (3)

[REDACTED] Barring an unlikely last-minute compromise, Tehran will boycott the July Hajj as it did last year. The Saudi position has strengthened the hand of hardline Iranian leaders who would like to reverse efforts to improve bilateral ties. Tehran is now more likely to sponsor terrorism in the Persian Gulf to intimidate Riyadh. [REDACTED]

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In Brief

Europe

— Milan Pancevski named Yugoslav Communist Party President yesterday ... agrees with Serbian leader Milosevic's tough line on ethnic Albanians, although wary of Serb nationalism ... advocates tight party control, might steer party from reform. [REDACTED] b (3)

— Czechoslovak regime's release of jailed activist Vaclav Havel yesterday intended to improve image before Paris CSCE meeting late this month ... probably also response to Soviet pressure ... may renew leadership debate on dissident policy. [REDACTED] b (3)

b1 b3

b1 b3

USSR

b (3)

[REDACTED] Soviet troop withdrawal from Poland to begin shortly ... unidentified motorized unit, tank regiment to leave first ... regiment may be training unit or part of tank division being restructured. [REDACTED] b (3)

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b1 b3

East Asia

b1 b3

Americas

b3

[REDACTED] dispute between Ecuador, US bank defused ... Finance Minister claims bank to return \$81 million recently seized ... supportive US statements likely to preserve bilateral ties, responsible debt policies. [REDACTED] b (3)

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Philippines: Flawed Strategy

The Rowe assassination does not mark a fundamental shift in the insurgents' policy on targeting Americans. Attacks on US interests have been considered a valid tactic to undermine the government in Manila since long before President Aquino took office in 1986. The CPP leadership probably believes it can exploit current anti-US sentiment and reduce the risk that any further attack on Americans would build sympathy for the US. Nonetheless, the party's logic in ordering the Rowe assassination and antibases campaign has potentially serious flaws:

- Recent nationwide polls suggest party leaders may have overestimated the depth of discontent with the Aquino administration and their ability to exploit it. [REDACTED] b3
[REDACTED] Aquino remains popular—64 percent of respondents still support her—despite a growing recognition that she has failed to address key problems like government corruption and inefficiency and widespread poverty. Similar polls show negligible support for the insurgents.
- The insurgents probably have exaggerated the harm attacks on US interests will do to US-Philippine relations, specifically to the bases talks. Non-Communist nationalists still dominate opposition to bases, and Communist-sponsored anti-US rallies are poorly attended.
- Communist leaders appear to assume that attacks on the US will produce either a marked reduction in US military aid or a significant increase that could be used to undercut popular support for Aquino. In focusing on the US, however, the party may overlook Philippine military initiatives, such as deep penetration agents, that have worked well; it also is failing to widen the limited appeal of the party's propaganda.

Neither the Rowe attack nor the antibases campaign ensures lasting cooperation between the political and military wings. Unless party leaders can show a drop in Aquino's popularity or a serious break in US-Philippine relations, divisions may intensify between the political cadre and the guerrillas, most of whom favor more widespread violence against US and Philippine targets.

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Special Analysis

PHILIPPINES: Communists' Anti-US Campaign

The assassination of US Army Col. James Rowe last month is part of an anti-US campaign by the Communist Party of the Philippines to portray the administration of President Aquino as weak and to play up the party's opposition to the US bases. (3)

The government can do little to prevent violence by the party and almost certainly believes US personnel are largely responsible for protecting themselves. Communist and nationalist groups probably will cite the Aquino government's condemnation of the assassination and augmentation of security at US facilities as proof that Manila is more responsive to US interests than to the needs of Filipinos. (3)

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Party leaders probably did not anticipate the controversy Rowe's killing has created between Washington and Manila over the pace of the investigation or the Philippine Government's ambivalence toward the US. The insurgents probably are pleased that the Philippine Congress decided to open hearings on the US military's role in the counterinsurgency and US servicemen's behavior toward Filipinos. Press reports from Manila indicate that the participation of an [redacted] of Rowe's murder has reinforced public perceptions that the Aquino administration gives US officials extraterritorial jurisdiction in the Philippines. (3)

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