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Central Intelligence Agency

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Washington, D.C. 20505

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29 November 1989

MEMORANDUM

SUBJECT: Eastern Europe On The Eve Of The Malta Meeting

CZECHOSLOVAKIA

Overview: Massive public pressure, including a successful general strike this week, led to the historic vote in parliament on Wednesday to end one-party rule. The demoralized leadership has been purged of most of its old guard members and divisions in government and Communist party ranks are deepening. The opposition has coalesced around a group of dissidents and reformers called Civic Forum, which is demanding free elections, a free press, a market economy, and an end to the Communist Party's monopoly. The opposition will continue to press for accelerated liberalization in the weeks ahead. [redacted]

Next Key Event: Buoyed by the successful nationwide strike, opposition leaders will be watching closely how Premier Adamec honors his agreement to form a broad coalition government by 3 December and to push for democratic reforms. The new government will be expected to move rapidly to establish a timetable for free elections, and almost certainly will come under renewed public pressure if it does not. Reform members of the party are pushing to move up the extraordinary party congress that has been called for 26 January. Party reformists almost certainly will use the congress to press for removing the remaining hardliners and installing a reform-oriented Central Committee. [redacted]

Information was prepared by [redacted] EURA/[redacted] may be reached on [redacted] for further information.

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EAST GERMANY

Overview: In the face of continued large-scale demonstrations and emigration to the West, plus a growing grass roots rebellion within its own ranks, the new East German leadership promised unprecedented reforms to open up the political system and decentralize management of the economy. Contacts with West Germany have increased dramatically on a variety of fronts and have increased discussion of reunification. The regime remains under popular pressure to hold democratic elections in the near future. []

Next Key Event: The next few weeks likely will see additional movement toward political liberalization. Roundtable discussions between the government and the opposition, tentatively set to begin on 7 December, will focus mainly on electoral reform, probably will proceed in tandem with parliamentary talks on this issue, and possibly will increase pressure for free elections. An extraordinary party congress scheduled for 15-17 December likely will sack party leader Krenz, elect a reformist Central Committee, and revamp the party program. Some in the party may even press for a vote to reconstitute the party as a social democratic organization. During Chancellor Kohl's visit, scheduled to begin on 19 December, West German economic aid will be the number one topic for the East Germans. The East Germans also likely will push for restarting the inter-German security dialogue and almost certainly will want to follow up on Kohl's proposal earlier this week outlining a German confederation. []

POLAND

Overview: The Mazowiecki government, Poland's first postwar non-Communist government, is gradually dismantling the Stalinist system of controls and laying the groundwork for rapid movement toward a market economy. Despite continuing inflation and shortages, the population has generally remained calm, but its patience will be tried this winter. Warsaw no doubt is pleased with recent additions to the Western aid package, but worries about the ability of Western donors to provide the right kind of assistance when needed. []

Next Key Event: Warsaw will be holding its breath while the IMF resumes negotiations with Polish officials next week on a standby agreement. Warsaw wants to secure a letter of intent by the end of the year to facilitate Western contributions to Warsaw's requested \$1 billion Stabilization Fund and to help regain access to Western bank loans. The Mazowiecki government realizes that a key element in its staying power is its ability to gain Western financial support--particularly from the United States and West Germany. The Communist party congress scheduled to begin on 27 January likely will result in a formal split between social-

democratic and hardline factions, which will further reduce party influence on the reform process.

HUNGARY

Overview: Hungary is also moving to terminate traditional Communist party rule. The Communist party has renounced its dictatorial role and the resurgent legislature has laid the groundwork for Hungary's transition to parliamentary democracy by revamping the constitution and legalizing opposition parties. Hungary's growing liberalization has led to a reorientation of its foreign and defense policies. Recent evidence indicates increased consultation with Western countries on a variety of security and other multilateral issues, as well as public questioning of Warsaw Pact ties. Eventual withdrawal from the Pact is an increasingly open topic of discussion, and pressure to pull out almost certainly will intensify dramatically after next year's parliamentary elections.

Next Key Event: The National Assembly, which is to begin its next session in mid-December, will continue to be the most prominent forum for debating proposed reforms. Topping the agenda will be deciding the date of next year's parliamentary elections--March now seems a reasonable bet--which will likely result in the massive defeat of the now ruling Socialist party and its possible exclusion from the next government. The Assembly will also reconsider the government's economic program, but almost certainly will wait until after the elections to undertake the tough austerity measures needed to shore up Budapest's shaky financial position.

BULGARIA

Overview: New party chief Mladenov, who replaced longtime party boss Zhivkov in November, has promised to open up the Bulgarian system and has taken some steps to lessen repression and reinstate dissident party members. He has not implemented--nor is he likely to--reforms that would lessen the party's leading role or allow opposition parties. He actually appears to be moving to restrict or discourage further public demonstrations and limit dissident activity. Opposition leaders, though skeptical of Mladenov's willingness to implement radical reforms, may await the results of next month's party plenum before deciding whether to take to the streets again.

Next Key Event: The party plenum on 11 December and a National Assembly session on 14 December will provide a test of Mladenov's intentions. He probably will eliminate the remaining hardliners from the Politburo and appoint moderates to the party and government leadership. The regime probably also will take measures to stabilize Bulgaria's finances and improve the availability of consumer goods, but is not likely to adopt significant economic reforms. These moves would leave the party

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in control of the levers of power while giving Mladenov additional breathing room. [REDACTED]

YUGOSLAVIA AND ROMANIA

Ethnic tensions and economic problems continue to threaten stability in Yugoslavia. The ongoing trial of a former ethnic Albanian political leader has provoked new clashes between ethnic Albanians and security forces as well as condemnation of Serbian-sponsored repression in Kosovo throughout the more liberal northern republics. As the economy continues to deteriorate, the federal legislature remains unable to reach agreement on President Markovic's proposed program of free-market reforms. In Romania, the last bastion of ultra-orthodoxy in the Warsaw Pact, the recently concluded party congress unanimously reelected President Ceausescu, who emphatically rejected the political and economic reforms sweeping Eastern Europe. The boycott of the proceedings by Western Ambassadors and others reflected Romania's increasing international isolation. Despite continued economic deterioration and Ceausescu's unpopularity, he faces no credible challenger and change is unlikely until he leaves the scene. [REDACTED]

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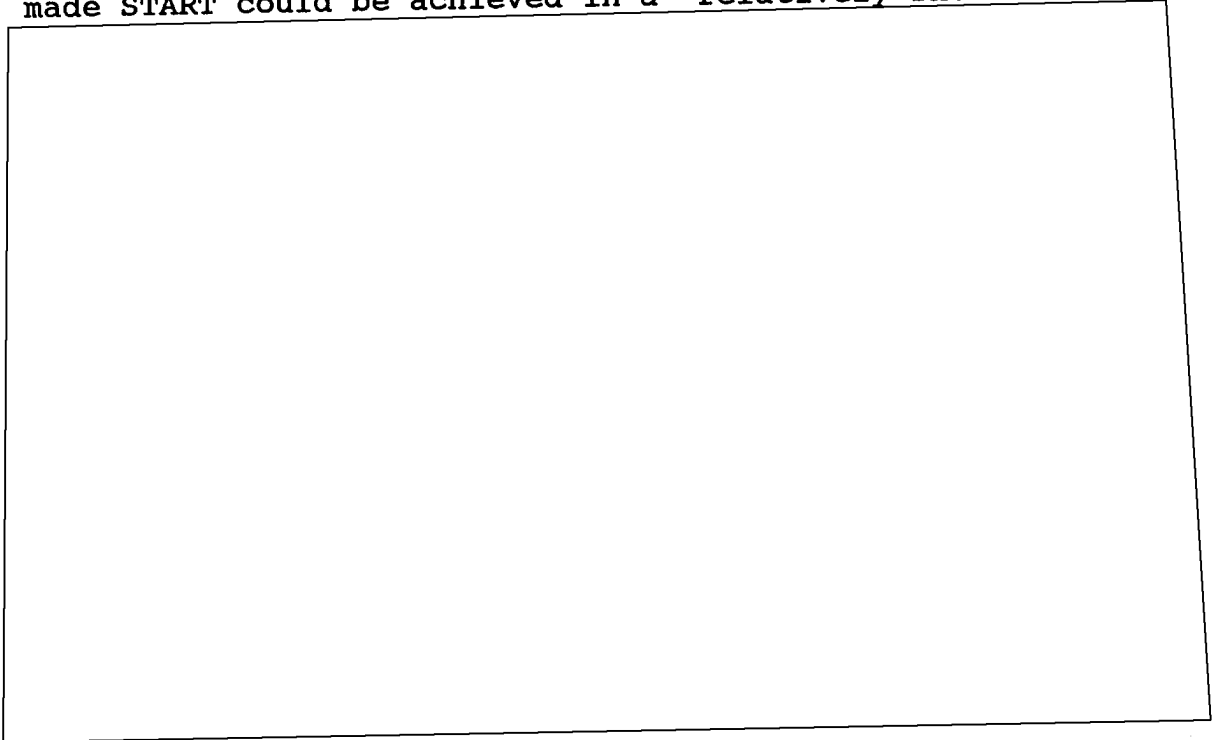
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Intelligence Update for Malta

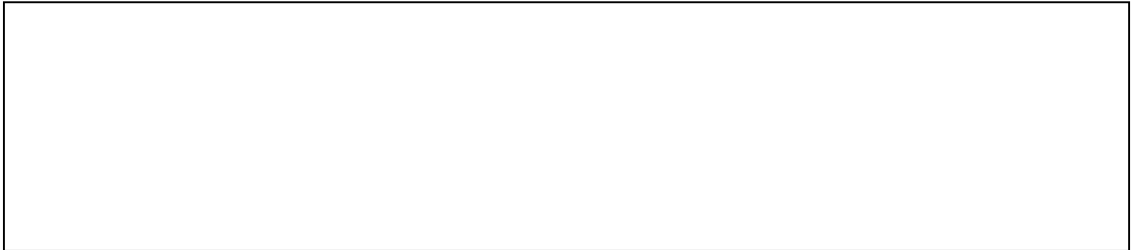
On the Malta agenda, Soviet Foreign Minister Shevardnadze told the Italian Communist Daily Unita on Tuesday that he "would not rule out" arms control agreements at Malta and that "this also goes for offensive, strategic arms." He went on to say that if a political decision is made START could be achieved in a "relatively short time."

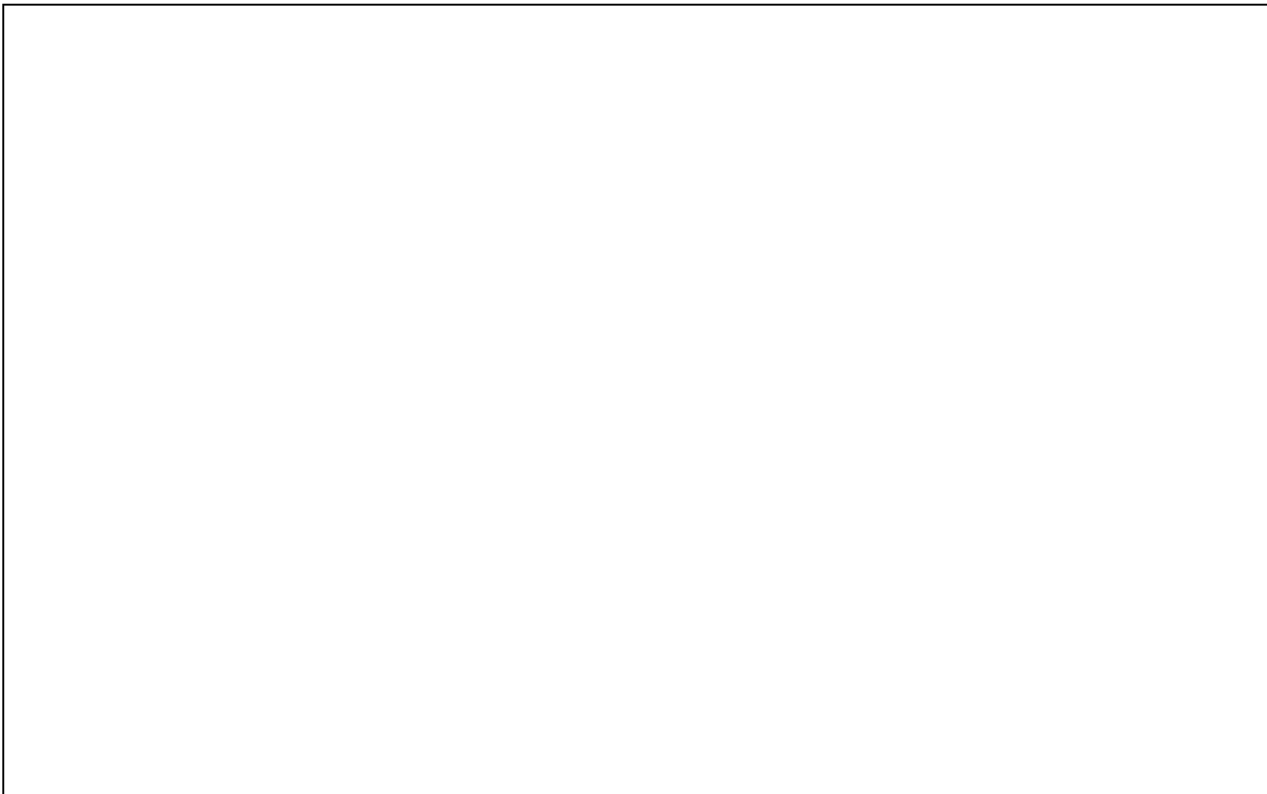


On Germany, the tumultuous developments in Eastern Europe have forced the Soviets to reexamine their views and seem to have engendered some evolution in their position.



views among Gorbachev's advisors range from continued opposition to any discussion of reunification to a belief that it eventually must take place if Europe is to become stable.





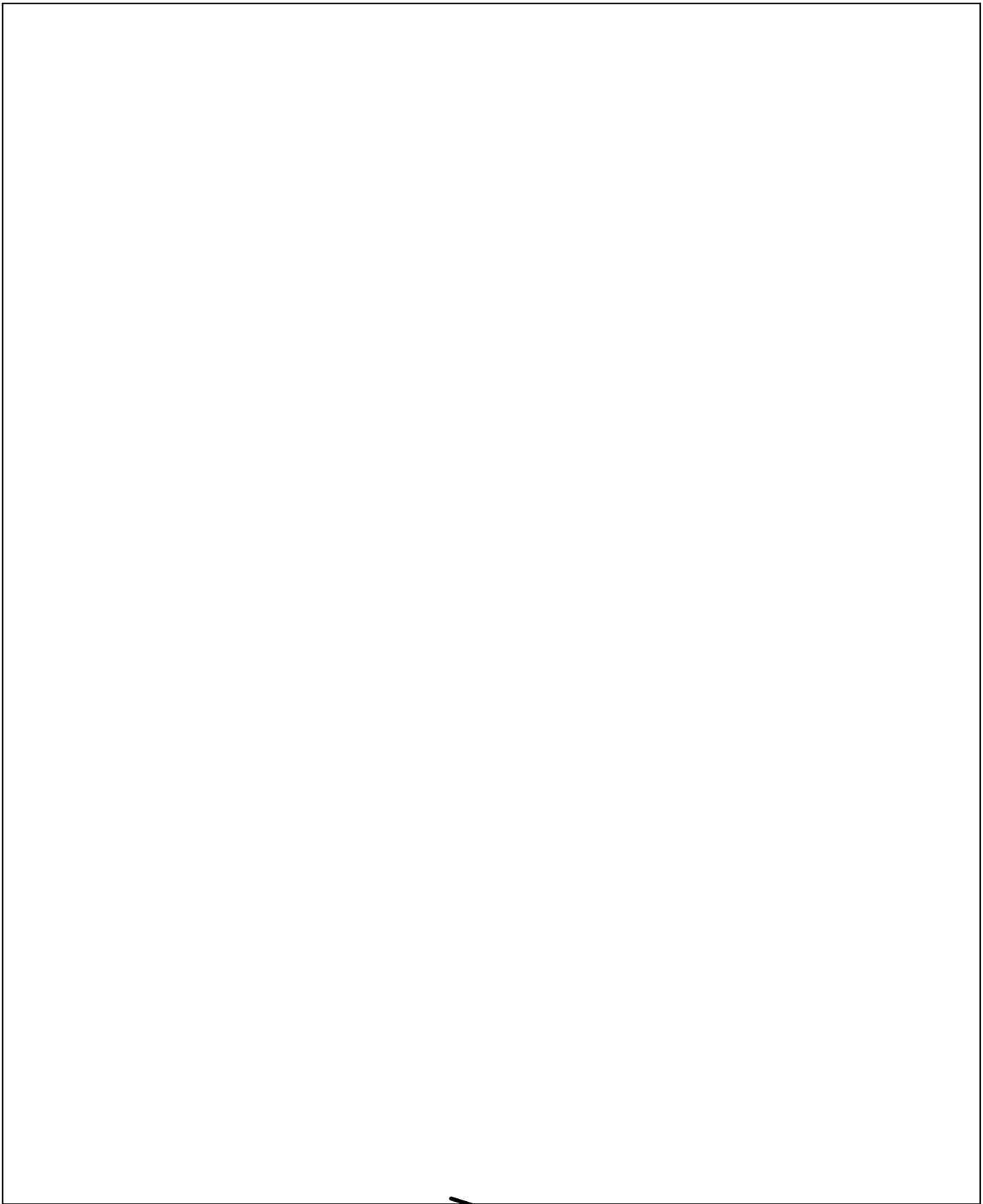
On the Soviet emigration law, the Supreme Soviet, contrary to expectations, ended its session on Tuesday without passing the measure.

--There is substantial agreement, however, on the need to pass a bill liberalizing emigration--if only to meet Washington's preconditions for obtaining Most Favored Nation trade status--and Soviet media accounts indicate no deep divisions among legislators over the bill's provisions. The bill will most likely have a high priority when the Supreme Soviet reconvenes next February or March.

--Gorbachev no doubt is hoping that the record-high emigration flows from the USSR will persuade Washington to begin the process for granting trade benefits in the meantime. [REDACTED]

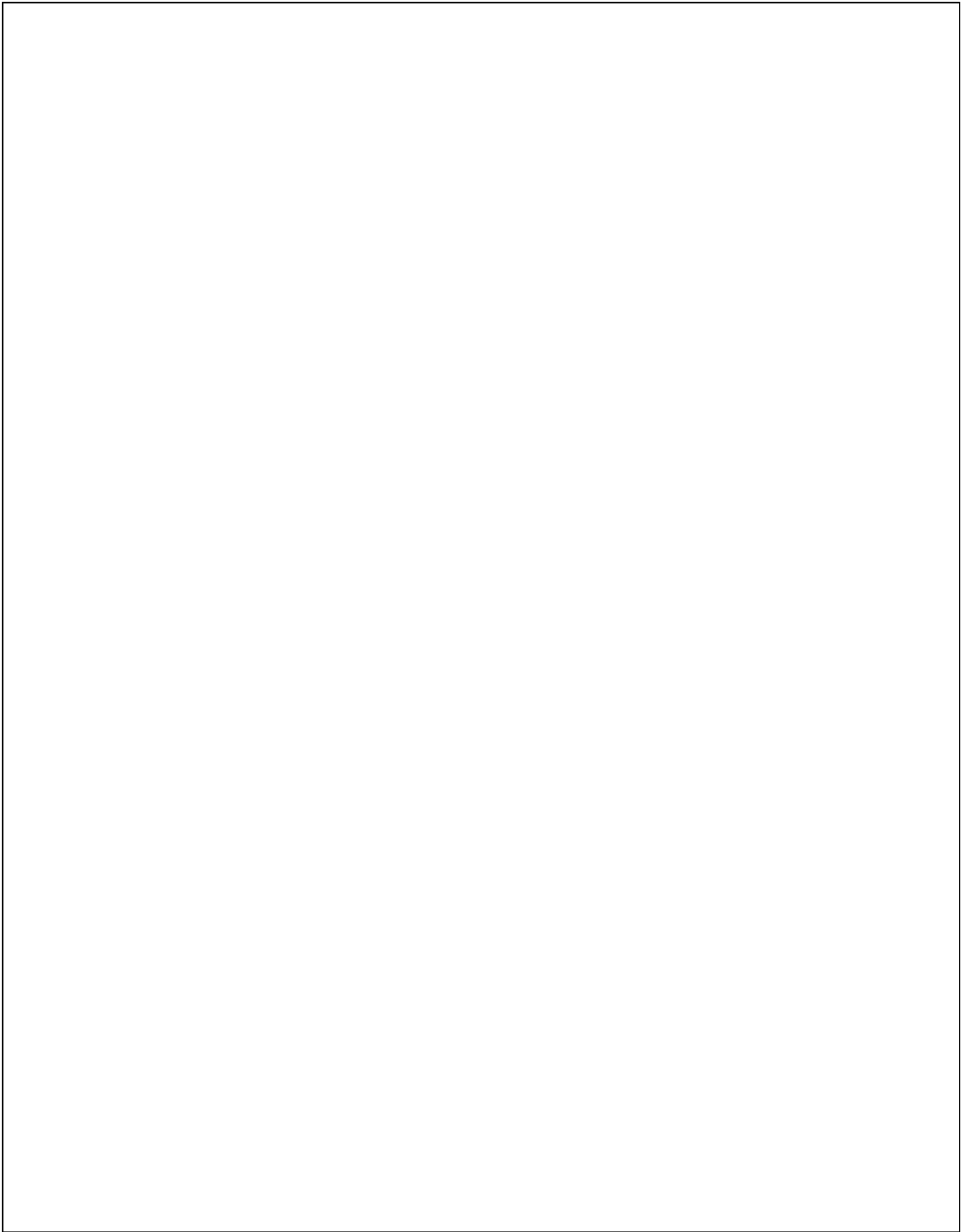
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MEMORANDUM FOR: Director of Central Intelligence

FROM: George Kolt
Director of Soviet Analysis, DI

SUBJECT: Suggested Talking Points for 30 November
1989 NSC Meeting

1. Action Requested: None required. This memorandum and particularly the attachments provide background information for the 0930, 30 November 1989, NSC meeting

2. The talking points are a collective effort of our office working under the leadership of They have been coordinated with the Chairman of National Intelligence Council, the Acting National Intelligence Officer for USSR and the Office of European Analysis, DI.

George Kolt

Attachments