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~~Top Secret~~**USSR-ITALY: Gorbachev Stresses Theme of a New Europe**

President Gorbachev's statements in Italy have accorded high priority to securing the West's understanding and support for the changes under way in Eastern Europe and the USSR and the recognition that noninterference in those changes is of mutual interest. In his speech to the Italian Parliament yesterday, he concentrated on Pan-European themes and characterized the current period not as the "end of history" but as a transition to a new historical epoch. He noted that change is under way in the West as well as in Eastern Europe and the USSR, and he warned against "provocative statements" or efforts to reap "selfish" gains from events. In view of the changes under way, he proposed holding a "Helsinki Two" European summit next year instead of 1992. [redacted]

Comment: The absence of Soviet initiatives, other than Gorbachev's renewed call Wednesday for international discussion of the US and Soviet naval presence in the Mediterranean and his proposal to advance the date for Helsinki Two, suggests he believes any surprises now might upstage his meeting with President Bush and be counterproductive. [redacted]

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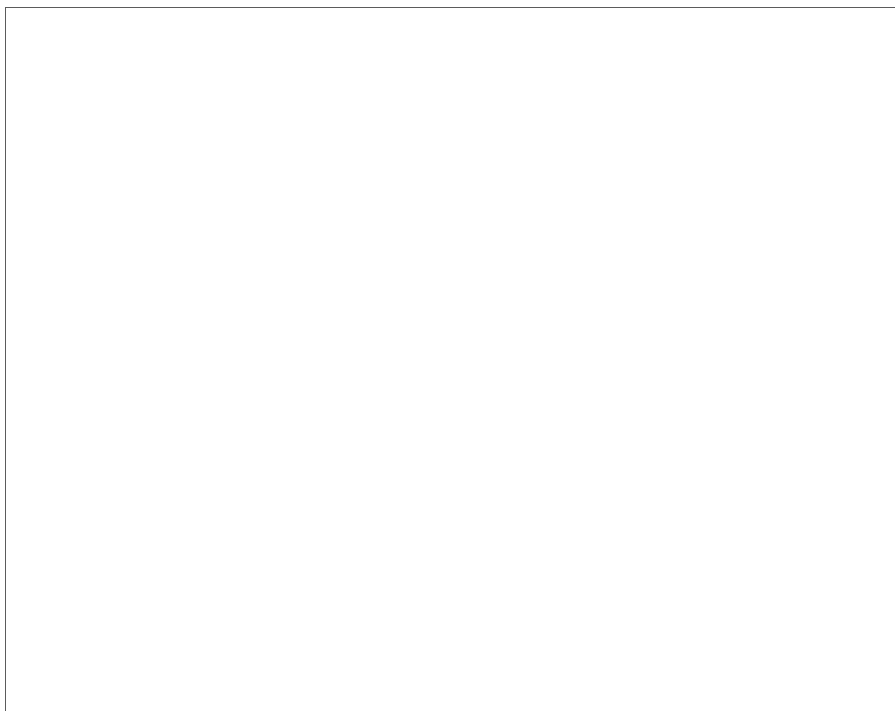
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IRAN: Unrest Over Economic Conditions Increasing

Public patience with continued economic difficulties is wearing thin as the regime continues to debate economic policy. [redacted]

[redacted] residents in Tehran are increasingly vocal in complaining about inflation. [redacted] rising food prices sparked a riot in late October in which the security forces killed 12 people and injured 100. Radiobroadcasts by exiled Iranian dissidents claim university students in several cities went on strike last month against inadequate living conditions and were assaulted twice by security forces. Iranian legislators have argued publicly about the forced eviction of students occupying a government building and on the best way to meet the protesters' needs. [redacted]

Comment: These disturbances are no threat to the regime, but they underscore the pressure Rafsanjani is under to show progress in coming months in improving economic conditions in order to preserve public confidence in his leadership. Both his supporters and his hardline opponents are trying to exploit the student disturbances to advance their different solutions to Iran's economic stagnation, suggesting that reaching a consensus on economic policy will be difficult. [redacted]

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Resurgence of Bulgaria's Agrarian Party

The Bulgarian National Agrarian Union, commonly referred to as the Agrarian Party, is a potential catalyst for political change. Since 1948 it has been the only other party the Communist Party has allowed. It has played a subservient but legitimizing role for the Communists, enabling them to claim democratic credentials and to maintain links to agrarian parties and organizations abroad. The 89-year-old party nonetheless is heir to a tradition of broad-based power that peaked in the 1920s under party chief and premier Aleksandur Stamboliski.

The Communist Party places restrictions on the party's membership, but even so it claims 120,000 adherents, as compared with approximately 1 million Communist Party members. Many in the Agrarian party hold important state posts and some seats in the National Assembly. For example, party secretary Petur Tanchev is deputy secretary of the State Council and served as Minister of Justice in the early 1960s.

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TAIWAN:

Ruling-Party Election Victory Expected

Taiwan's ruling party is expected to win tomorrow's national and local elections easily, and President Li Teng-hui hopes to use the victory to overcome party hardliners who oppose his reform policies and to ensure his election in February for a six-year term.

Good organization and finances should enable the ruling Nationalist Party to dominate the polls as voters select representatives to the Legislative Yuan, Provincial Assembly, and county and municipal posts. One election expert estimates the ruling party will garner at least 65 percent of the vote. The opposition Democratic Progressive Party, weakened by internal squabbling about Taiwan independence and the failure to capitalize on key voter issues like the environment, should capture most of the remaining votes.

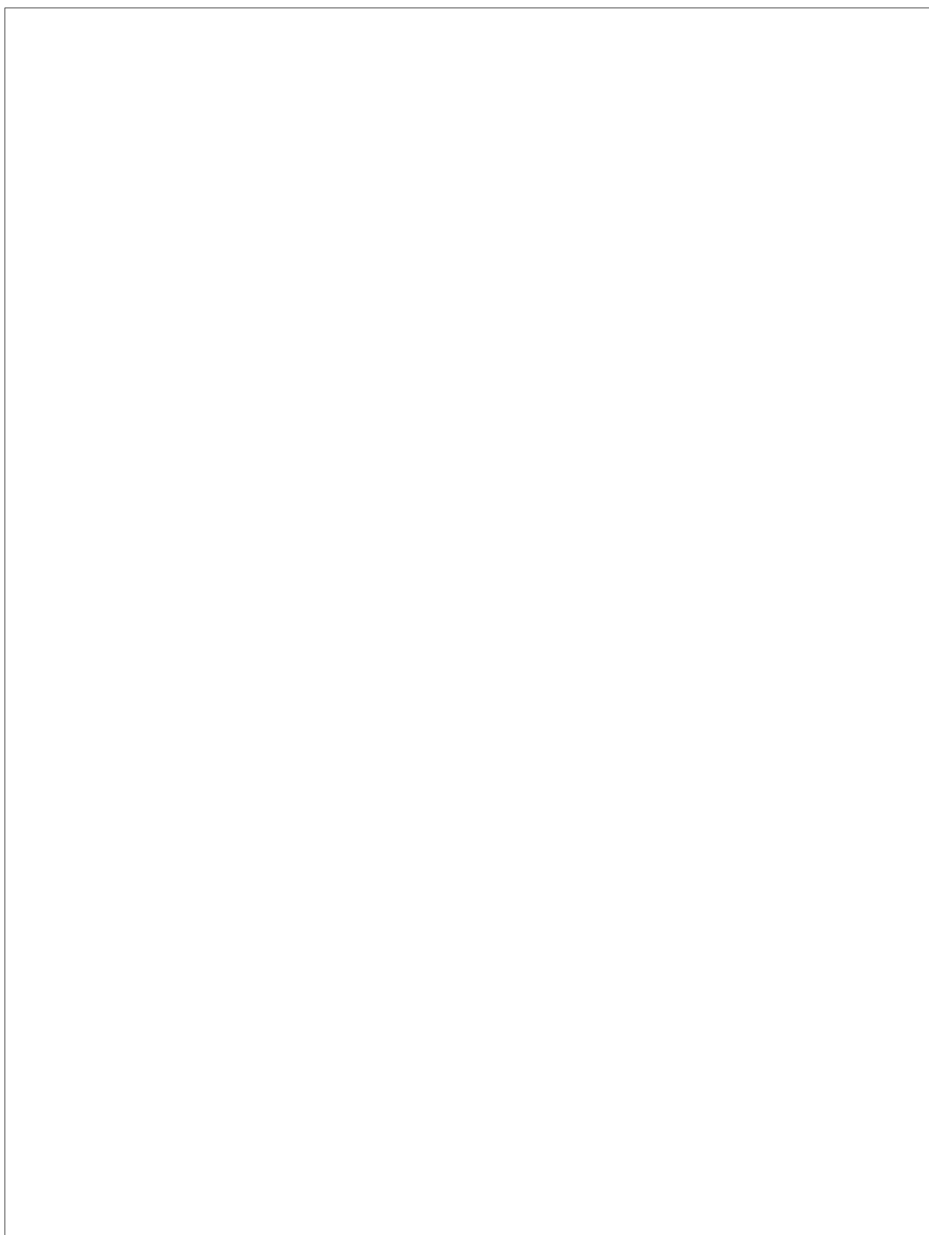
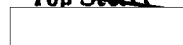
Li is likely to face a more serious challenge after the elections from hardliners in his party, backed by Chief of Staff Hao Po-ts'un, who are running their own candidates. They are disturbed by Li's political liberalization program, by growing tolerance of dissent, and by his efforts to let more native Taiwanese participate in the governing process.

Comment: Most Nationalist candidates likely to be elected support Li's reform measures; their victory should help his image before the presidential election. Hao and other hardliners, however, will try to use their small block of legislative supporters to complicate Li's effort to build a consensus on reform legislation. Hao's allies in the National Assembly, Taiwan's electoral college, are also threatening to run their own candidate for the presidency or to impose their own vice-presidential choice on Li to preserve their power and perquisites. To ensure his own nomination and election, he may have to make concessions to hardliners that include giving them a voice in the pace and scope of future reforms and retaining Hao as a key adviser.

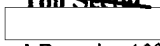
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[redacted]**BULGARIA: Pressures on New Regime Growing**

Bulgaria's new General Secretary, Petur Mladenov, is under growing pressure to undertake political reforms of the sort that may well undermine the Communist Party's power. Members of the long-domicile Agrarian Party recently called on their leaders to seek for the party equal status with the Communist Party and suggested eliminating the constitutional amendment that guarantees the Communist Party's leading role. Small prodemocracy rallies continue throughout the country, despite recent Politburo warnings and reports that it has directed regional officials to discourage demonstrations. Inmates in at least two prisons have begun hunger strikes, demanding legal reforms and improved prison conditions.

[redacted]

Comment: Mladenov's strategy of allowing more *glasnost* in an effort to contain pressure for reforms may backfire, forcing him to accept genuine pluralism. The Agrarian Party, a power in pre-Communist Bulgaria, probably will more aggressively demand pluralism in the next few months as its reform-minded rank and file dislodges the old leadership. Although demonstrations remain small, they are widespread and dissidence is growing. The regime probably will propose at a Central Committee plenum and National Assembly session in two weeks some legal reforms in response to popular demands. Piecemeal political reform and growing economic difficulties, however, may fuel larger demonstrations.

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USSR:

Armenians, Azeris Reject Nagorno-Karabakh Decision

The USSR Supreme Soviet compromise on Nagorno-Karabakh has provoked a new wave of violence and protest and increased the risk that Armenians will resort to terrorism. [redacted]

Several hundred thousand Armenians protested on Wednesday the Supreme Soviet's decision to return the disputed region to full Azeri control. The demonstrators asked the republic government to distribute arms, claiming that they are ready to defend Armenia with their lives, and called for opposition to Moscow. According to Western press reports, the Armenian Supreme Soviet and the Armenian shadow government in Nagorno-Karabakh met yesterday and proclaimed Armenia and Nagorno-Karabakh "one sovereign state." An Armenian Front spokesman said Armenians will turn to the UN and the international Armenian community if the declaration is rejected by Moscow. [redacted]

Meanwhile, at a rally of some 200,000 people organized by the Azeri People's Front in Baku on Wednesday, front leaders called for the general strike to continue and blasted the Supreme Soviet decision because it still allows Moscow oversight of the region. Azeri republic officials have praised the legislature's decision as beneficial to Azerbaijan. [redacted]

Comment: The virulently hostile reaction of nonofficial Azeris and of the Armenians to the decision is further evidence of the intractability of the situation. Under the compromise, Azeris clearly won the right to keep control of Nagorno-Karabakh, while the Armenians in the region gained limited autonomy. Nonetheless, Azeri Front leaders and the Armenian government, with strong popular backing, have taken extreme positions that portend a serious escalation of the struggle. [redacted]

The situation may require President Gorbachev's direct involvement, especially if it forces Moscow to mobilize more Internal Affairs troops to maintain order. Meanwhile, as Armenians' sense of isolation and vulnerability grows, ASALA or a similar terrorist group may find recruits among the population. [redacted]

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The Supreme Soviet: An Economic Report Card

The new Supreme Soviet has thus far passed a substantial amount of economic legislation, largely aimed at stabilizing the economy and improving consumer welfare. It has displayed its independence by rejecting or modifying government-sponsored drafts and has generally taken a populist stance including:

- Approval of measures controlling prices of many cooperatives and banning some types of cooperative activities.
- Approval of the 1990 plan and budget without major changes, but with some support for increasing funding for social programs.
- A refusal to raise taxes—and thus prices—on beer and tobacco sales.
- Adoption of increases starting this year in old-age pensions, veterans' benefits, and welfare payments to the disabled.
- Approval of the "basic provisions" of a new pension law projected to raise benefits by 29 billion rubles during 1991-95.
- Adoption of emergency measures to stabilize consumer markets, including the retraction of enterprise rights to raise prices and to use above-plan profits.

When the second Supreme Soviet session closed Tuesday, much economic reform legislation remained to be enacted. The law on leasing has been passed, but action on the laws on property and land use has been postponed to allow more time for public discussion. Deputy Prime Minister Abalkin's blueprint for economic reform—scheduled for consideration by the Congress of People's Deputies later this month—will serve as a major test of the new state institution's position on *perestroyka*.

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Food Situation Bleak in Moscow

At a meeting in Moscow late last month, officials in charge of supplying the city with foodstuffs commented that the city "has not faced such a difficult [food] situation ever." A survey of Moscow's state stores, where most meat is sold, showed that in mid-October 88 shops had no meat, 221 had no beef, and 323 had no pork. Some 154 stores had no pancake flour, and bread supplies were erratic. Sugar rationing had not been handled correctly: for two weeks in October one bakery in four was out of sugar. Local officials blamed suppliers for not complying with delivery plans.

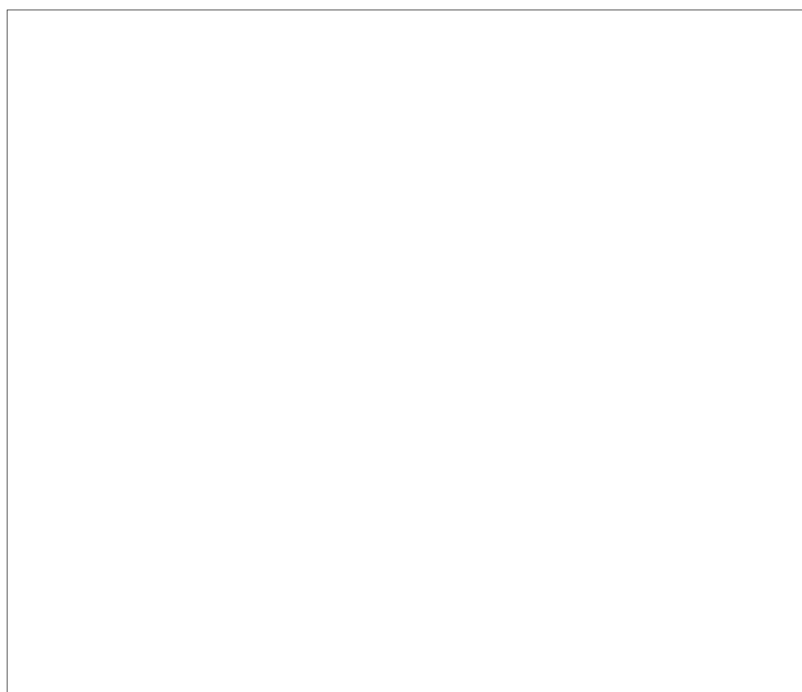
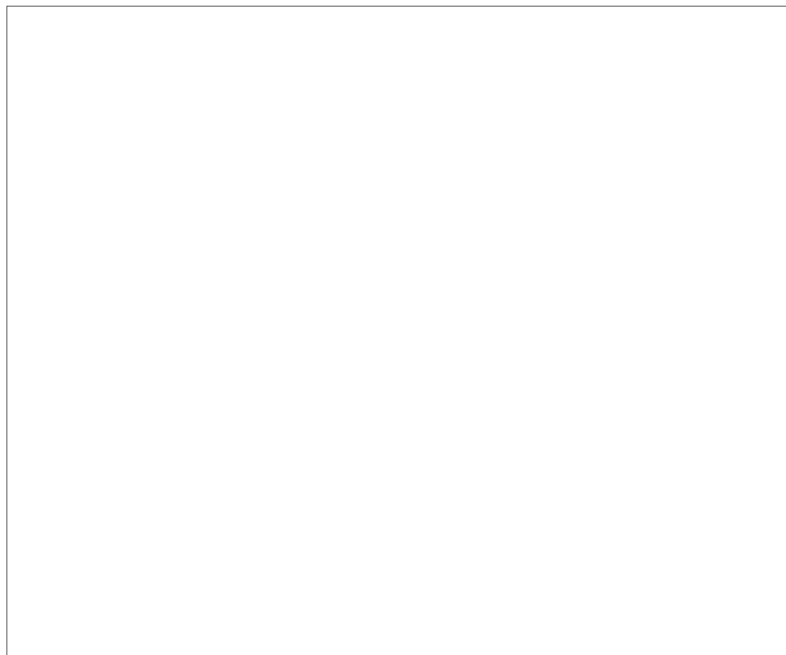
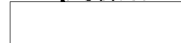
The stores reporting shortages amount to fewer than 5 percent of Moscow's nearly 3,300 food stores. But consumers who are forced to go far afield by crowded metro or bus for products and officials faced with complaints are likely to perceive the situation as worse than it is.

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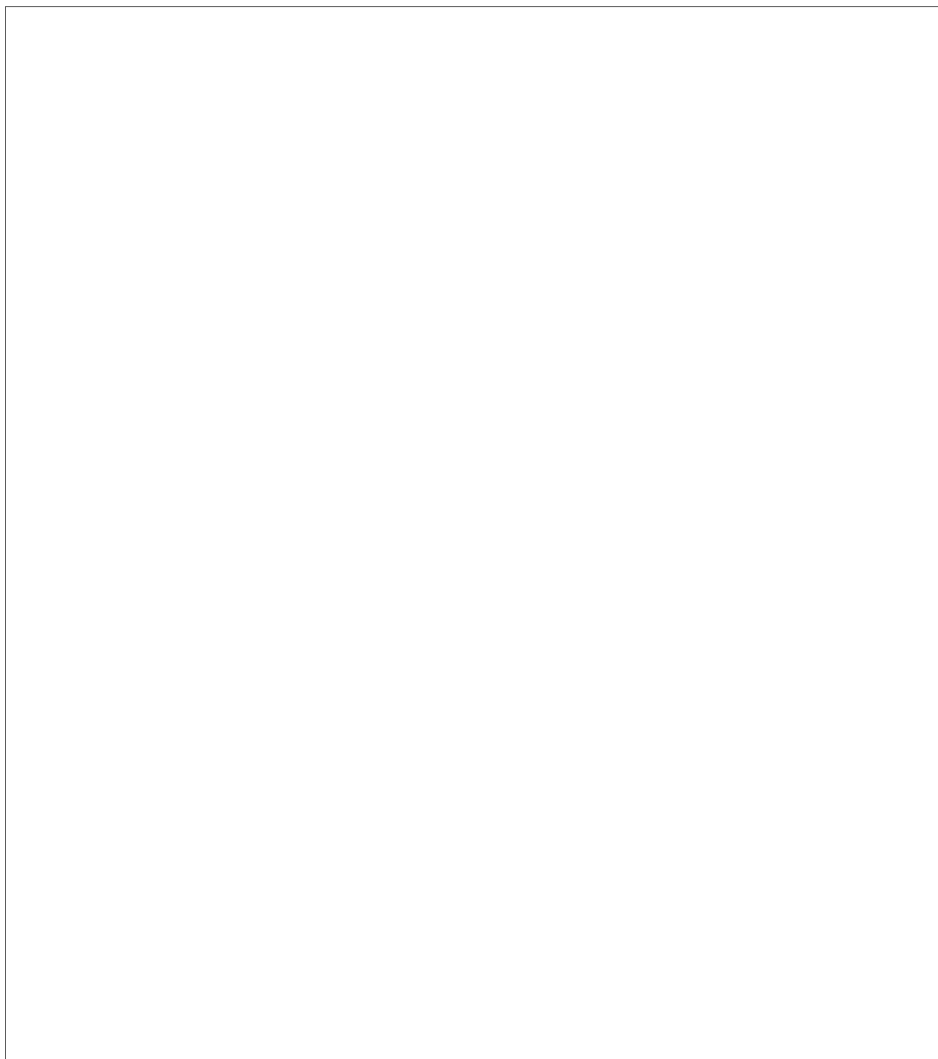
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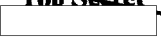
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Soviets Grappling With Nationalities Issues Elsewhere

Moscow

The CPSU Central Committee has created a Department of National Relations in an attempt to maintain a party foothold in nationalities policy, an area increasingly dominated by the Supreme Soviet. The department will focus on ethnic issues and probably will be headed by new party Secretary Girenko.

Latvia

According to TASS, agents of the Latvian Ministry of Internal Affairs and KGB have found a "large arms cache" in the home of a Latvian Democratic Workers Party member, who was subsequently arrested. The group, although radically proindependence and anti-Soviet, is nonviolent. The arrest may be a setup by local hardliners, and the TASS disclosure no doubt is intended to discredit the group, which includes members of the Latvian Popular Front. This is the first arrest of an independence activist in the Baltic Republics since the movement blossomed in recent years.

The Latvian Communist Party has decided to hold a Central Committee plenum in January to adopt a new charter, program, and bylaws superceding the basic documents of the CPSU—on which all republic party documents currently are based—and elect a new party leadership, TASS reports. The decision was made at a meeting in which party members hotly debated a proposal to form an independent party that would reject both a "dogmatic" Marxist stance and a constitutionally guaranteed "leading role." Some party officials said such steps would cleave the party, which is split about equally between Latvians and Russians.

Lithuania

Moscow radio reports Politburo member and ideology Secretary Medvedev has arrived in Vilnius to attend a republic party meeting. The meeting, according to Medvedev, will continue the dialogue on the question of party independence begun in Moscow in mid-November when Lithuanian party leaders were summoned by the Politburo to discuss their coming Congress. The conclave, opening on 19 December, was called to consider breaking with the CPSU.

Georgia

Georgian militiamen continue to ring Tskhinvali, the capital of the Ossetian Autonomous Oblast, to separate armed Georgian nationalists from minority Ossetians. Ossetian officials, who have called for secession from the Georgian Republic, have asked for a curfew and for Moscow to replace the Georgians with MVD internal troops. But Moscow, afraid of getting in the middle of another Nagorno-Karabakh situation, will probably stall and encourage local authorities to calm the situation.

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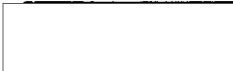
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Gorbachev's Political Position

Despite the poor economic situation in the USSR and growing dissatisfaction that *perestroika* seems not to be paying off, Gorbachev's political position in the short term seems relatively secure. His sacking of Politburo traditionalists Chebrikov and Shcherbitskiy at the nationalities plenum in September showed that he retains the political initiative, and measures he has taken in the past year to gain tighter control of the KGB have improved his personal security. Moreover, hardliners in the party lack a leader and a well-defined program to replace Gorbachev and his policies. Gorbachev's assumption of the state presidency and his efforts to enhance the power of the Supreme Soviet have given him additional protection against a political challenge.

Nevertheless, in some areas the party apparatus has begun to fight back. At a Leningrad rally on 22 November, organized by local party officials, speakers denounced the Central Committee and the Supreme Soviet for neglecting the party's interests. In Yaroslavl many radical intellectuals are concerned about the formation of armed bands, reportedly with the assistance of orthodox party bureaucrats, which could be used to crack down on intellectuals, demonstrators, and cooperatives.

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USSR:

Outlook Poor for Winter Food Supplies

Soviet farm production and food imports are up this year, but lagging procurements, shipping bottlenecks, and under-the-counter sales of food mean that in many city stores shelves will be bare than usual this winter. [redacted]

State purchases of farm products for urban residents and food processing have been running as much as 30 percent below plan in some republics. Unusually severe shortages of fuel, spare parts, and trucks hampered transport throughout the season and contributed to the shortfalls. [redacted]

In addition, in many places regional officials who are now responsible for local food supplies are not enforcing procurement plans and have curtailed interregional trade to keep locally produced food at home. Uzbekistan and Kirgizia have sharply reduced or stopped shipments of fruits and vegetables outside republic borders. The procurement lag in some areas of the country is so great that the Soviet press reports it cannot be bridged. [redacted]

Moscow this year has had unusual difficulty moving products from farms to wholesale and retail trade and food-processing enterprises. Strikes and ethnic unrest severely disrupted rail transport, delaying shipments and increasing losses. Much of the food delivered to the distribution system will never reach store shelves. Theft by workers and under-the-counter sales reportedly are increasing. Special systems to deliver food to high-priority workplaces are expanding as the regime scrambles to head off worker unrest. [redacted]

Comment: While few Soviet citizens are likely to go hungry this winter, many—including the pensioners and low-income workers who make up a fifth of the population—will eat less meat, dairy products, and vegetables. They will probably consume more bread and potatoes but have a harder time finding them. Two-thirds of the population is urban, and those who do not have access to special distribution systems will be forced to choose between waiting in longer lines in state stores, bribing sellers for goods, paying much higher prices in collective farm markets or going without. The regime probably will have to expand coupon rationing this winter to cope with shortages. If regional disparities in food supplies become extreme, Moscow may have to allocate additional food from limited central stocks or risk localized unrest and strikes. [redacted]

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CPAS NID 89-278JX



Director of Central Intelligence

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NATIONAL INTELLIGENCE DAILY

Friday, 1 December 1989



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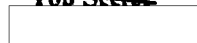
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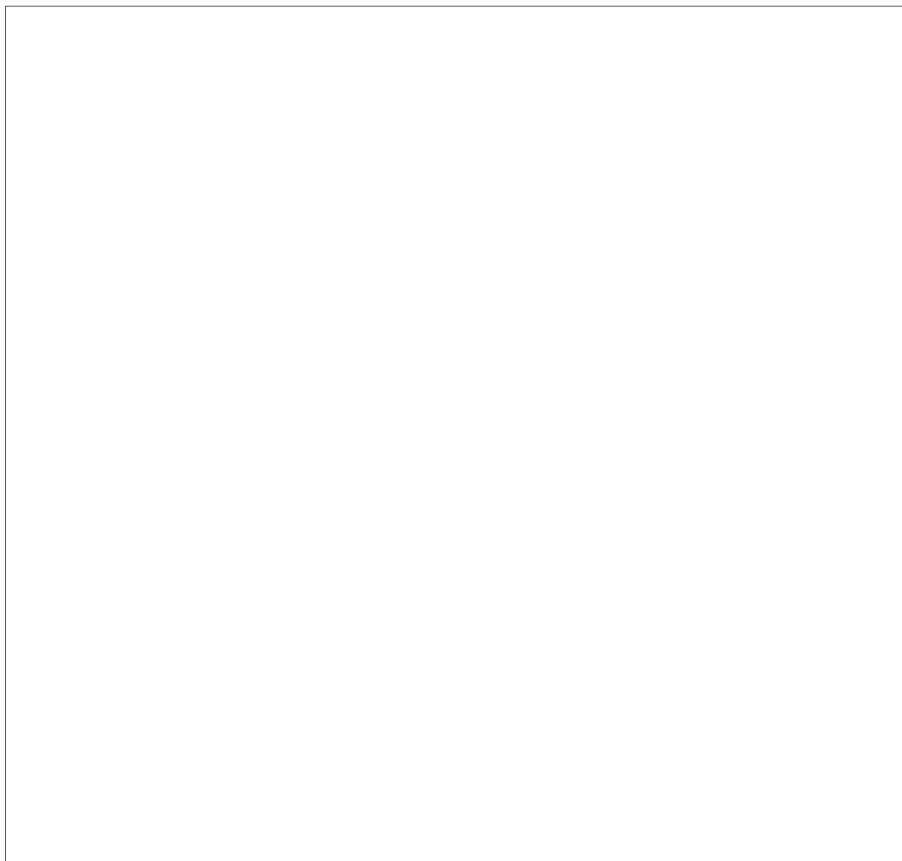
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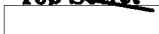
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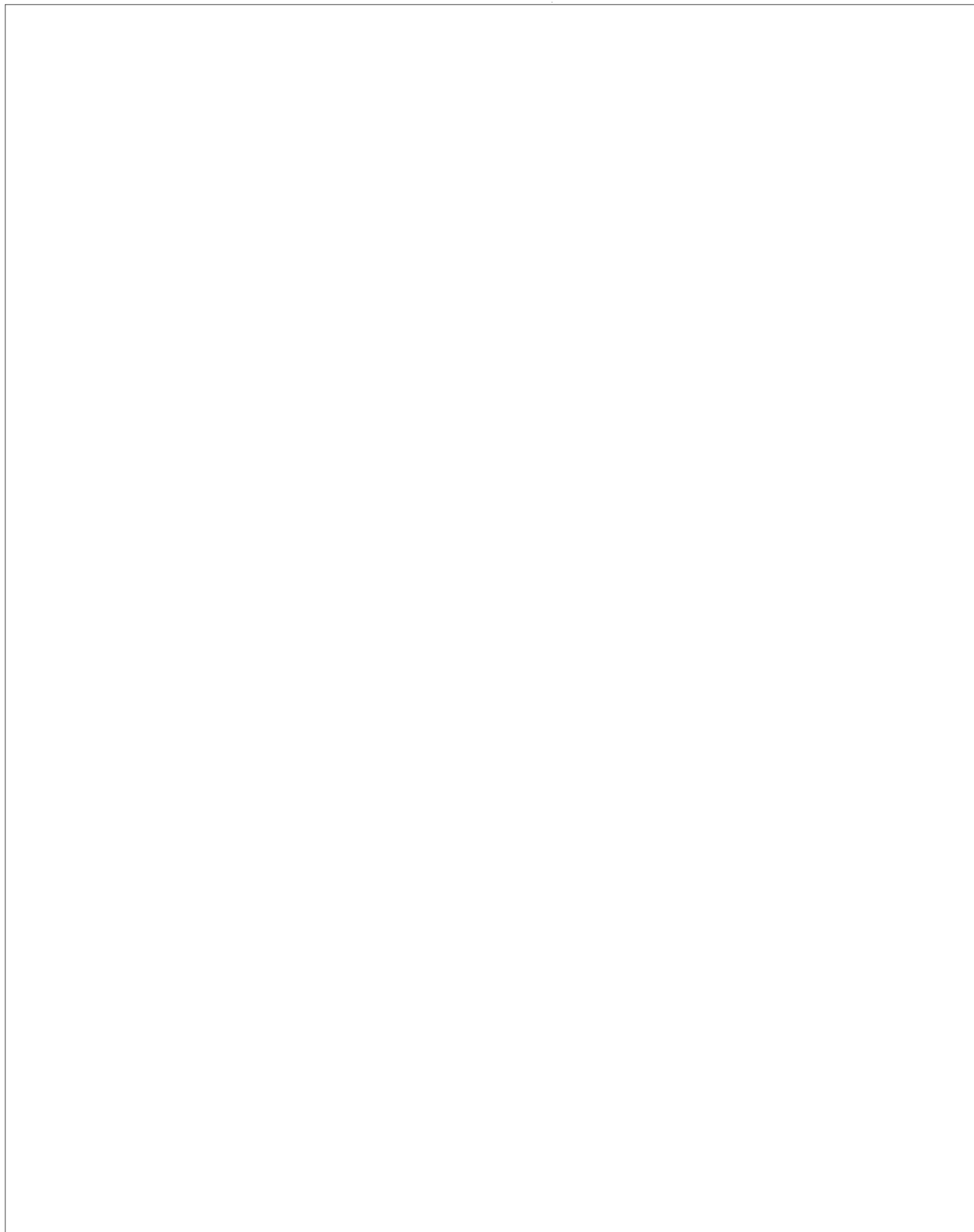
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Special Analysis

USSR: Wrestling Control From the Party

The new Supreme Soviet has shown far more independence than the party leadership seems to have expected, overturning its positions on key issues and building popular legitimacy at the expense of the Communist Party apparatus. The session of the Congress of People's Deputies opening on 12 December and the approaching republic and local elections are likely to strengthen state institutions further and to loosen the grip of the CPSU apparatus on society.

In its first two sessions this year, the legislature has rejected nine of more than 60 nominees for government posts and forced substantial liberalization in leadership bills on private property and the right to strike.

In October the Supreme Soviet recommended the elimination of guaranteed seats in the Congress of People's Deputies for the Communist Party and other social institutions, threatening a compromise Gorbachev brokered last year with a CPSU apparatus reluctant to accept greater democratization.

Even though the process has moved faster than Gorbachev may have anticipated, he has continued to encourage the Supreme Soviet's independence and tried to enhance its prestige by chairing many sessions and using the legislature to trumpet new reform legislation. Although Gorbachev sometimes manipulates parliamentary rules to get his way, he has accepted votes that have gone against him and brokered compromises behind the scenes on especially contentious issues.

Decline of the Party Apparatus

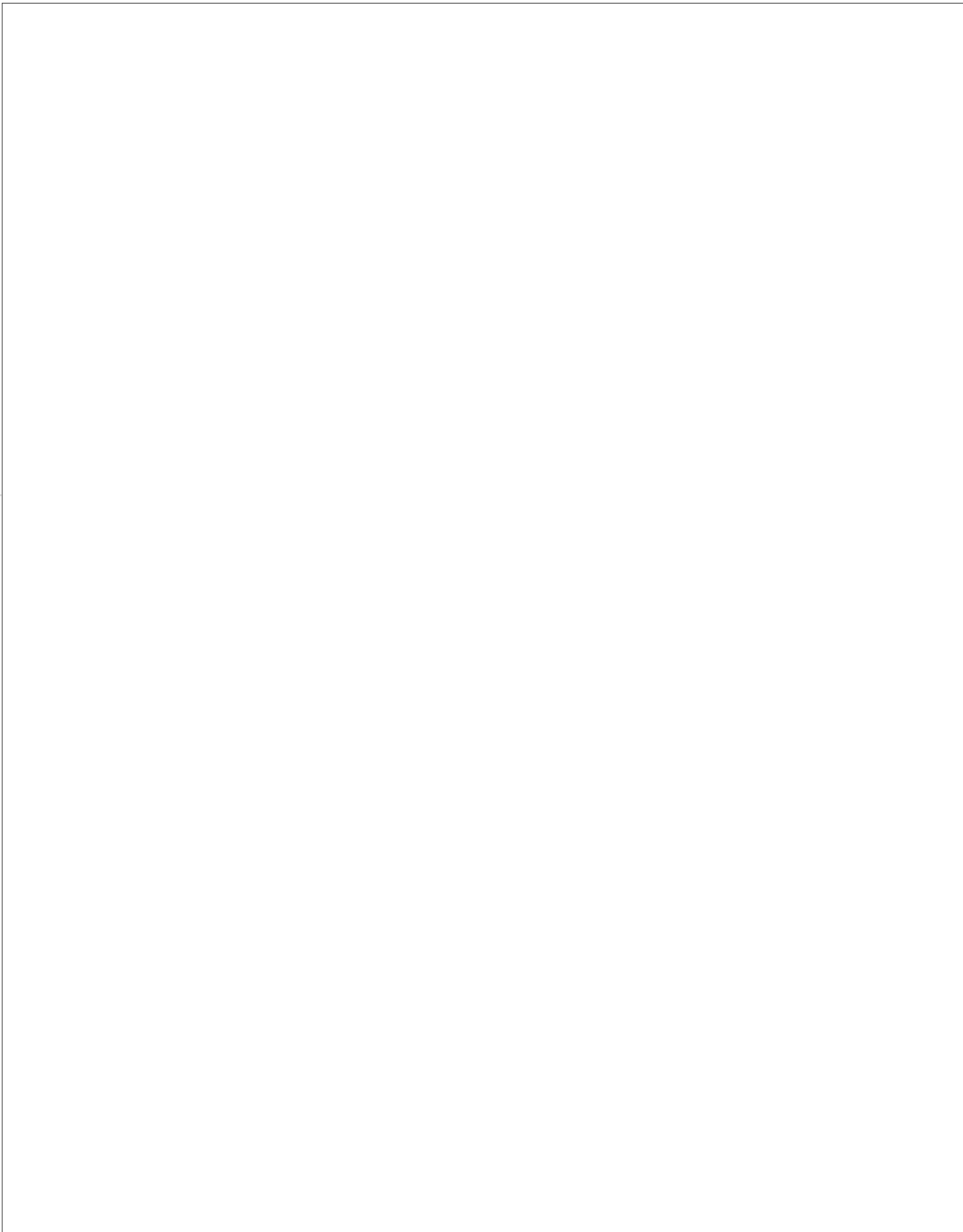
The Supreme Soviet's rapid emergence as an independent actor has been accompanied by a sharp decline in the authority and prestige of the party apparatus. The average citizen reportedly is now far more interested in what the legislature is doing than in party policy and leadership changes. Large numbers of citizens favor multiparty democracy and hold the party in lower regard than the new legislature. Gorbachev insists the party must reform itself and has used the new state institutions to press it to change. He still argues, however, that the CPSU is needed to manage the reform process during the transition.

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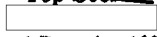
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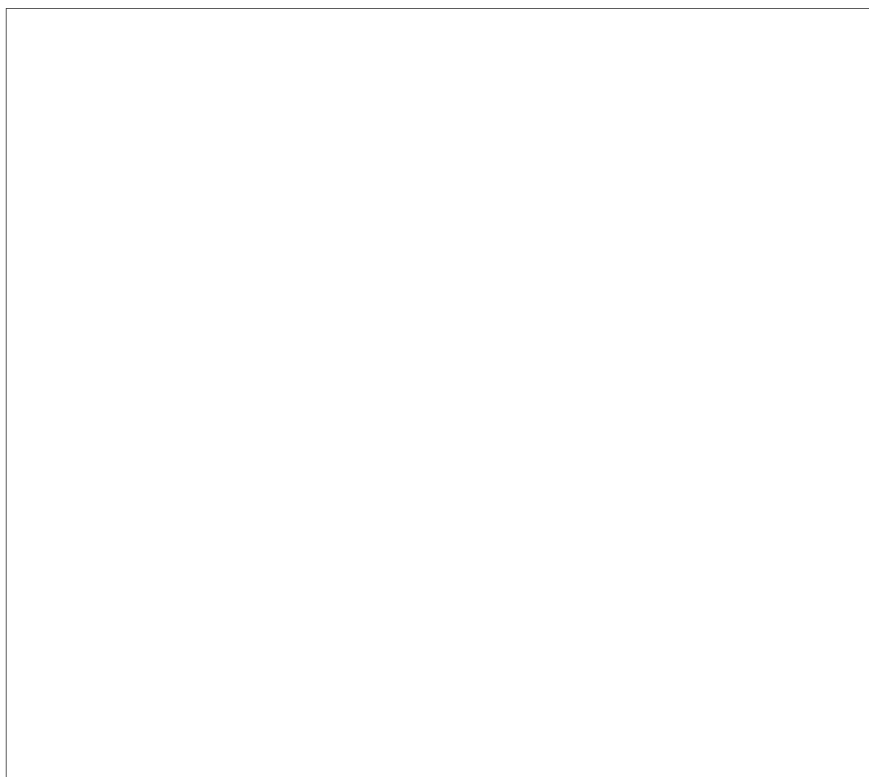
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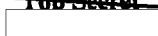
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Republic Elections Approaching

The party will be further challenged in a series of local and regional elections beginning this month. Republics are passing election reform laws that give far less protection to the interests of the party bureaucracy than the national Constitution does. Most republics have eliminated protected seats for party officials and taken steps to curb powers of local election commissions that party bosses used last spring to weed out threatening candidates. [redacted]

Meanwhile, political activism in the republics has intensified—often with the assistance of lawmakers in the national Supreme Soviet and some Politburo members—further weakening party bureaucrats. The political clout of popular fronts in several republics has already surpassed that of party organizations. Even in the Baltic Republics, where the local parties have been virtually co-opted by the front groups, CPSU-backed candidates are having trouble competing with more radical and separatist candidates. All of the new republic legislatures probably will be more responsive than present ones to the programs of local popular fronts. Dominance of the fronts will vary from republic to republic, however, and old-style political bossism will still have a foothold in many of the new bodies. In some, intrarepublic competition for power could partly overshadow conflict between the republics and Moscow. [redacted]

Prospects

The session of the Congress of People's Deputies beginning on 12 December could be critical for the party *apparatus*'s future in the new setting. Debate on protected seats for party officials in the Congress may prompt radical deputies to go further and seek repeal or reformulation of Article 6 of the Soviet Constitution, which guarantees the party's leading role. Even if Article 6 is retained for now, possibly in revised form, in the longer run popular pressure for broader and more rapid democratization is certain to expand the role of the new institutions and make the party less relevant. [redacted]

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EUROPE:****Reactions to German Unity Proposals**

Except for Poland and Czechoslovakia, reaction to Chancellor Kohl's reunification speech has been relatively low-key, probably because regime leaders want to avoid jeopardizing access to the West German aid they need to reform their economies. [redacted]

Kohl's speech has heightened Polish fears of renewed German territorial claims. The Polish press has widely attacked Kohl for failing to state unequivocally that a reunited Germany would respect Poland's western borders. Polish Communists have issued statements meant to discredit Prime Minister Mazowiecki for failing to protect Poland's security interests adequately during his recent meetings with Kohl. Mazowiecki has said his support for German self-determination depends on whether a united Germany would renounce any claim on Polish territory and reduce its military strength. [redacted]

The Czechoslovak regime publicly expressed surprise and concern at Kohl's speech and at the potential impact of reunification on European stability and security. Reactions from elsewhere in the region have been noncommittal. [redacted]

Comment: Bonn's refusal to acknowledge Poland's western borders explicitly is certain to make Warsaw less eager to loosen security arrangements with the Soviets. Communist efforts to exploit the German issue may prompt the Mazowiecki government to push West Germany harder for such assurances. Mazowiecki also will have to guard against countervailing pressures from the public in his relations with Moscow. Anti-Soviet sentiment flared this week when several thousand people demonstrated for the withdrawal of Soviet troops. [redacted]

The Czechoslovak reaction reflects the traditional efforts of the Communist authorities to play on perceived anti-German public sentiment. Prague may have reservations about possible German reunification but probably will moderate its tone when, as is likely, a more democratic government is elected, perhaps within a year. [redacted]

The other East European countries perceive few if any security concerns from a reintegrated Germany and see nothing to be gained by making statements that might annoy Bonn. Moreover, all of the East European governments, including Poland, seek stronger economic ties to West Germany to revive their economies. [redacted]

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