

December 15, 1989
**National Intelligence Daily for Friday, 15 December
1989**

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Summary:

The CIA's National Intelligence Daily for Friday, 15 December 1989 describes the latest developments in Germany, Czechoslovakia, Bulgaria, USSR, East Germany, South Africa, Yugoslavia, Argentina and France.

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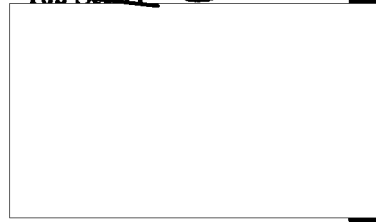
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Director of Central Intelligence

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NATIONAL INTELLIGENCE DAILY

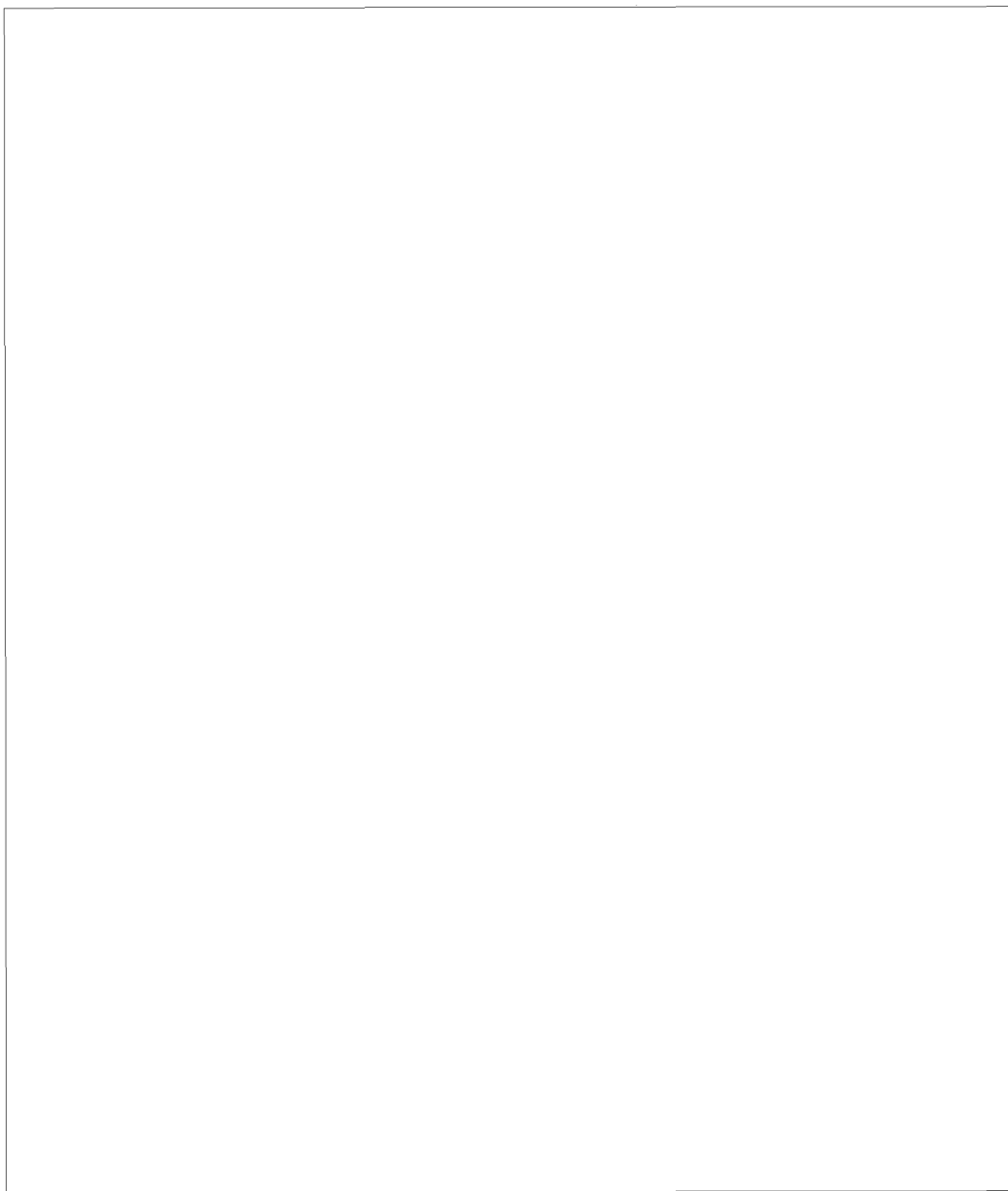
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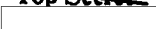


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GERMANY:

Party Links Multiplying

The two Germanys are rapidly expanding political and economic ties, and Chancellor Kohl's visit on Tuesday may accelerate this trend.

Official links also are expanding rapidly. West German Economics Minister Haussmann met yesterday with East German Premier Modrow and other officials and agreed to form a joint economic commission to expand trade and investment. East German Foreign Minister Fischer and West German officials also met Wednesday to discuss unspecified security issues; earlier this week Bonn and East Berlin agreed to hold their first high-level military talks.

Other groups have been even more ambitious. The East German opposition group Democracy Now yesterday proposed a three-stage plan for a united, neutral Germany.

Comment: The expanding network of links is outpacing formal policy decisions and moving the two Germanys toward de facto unity. The root cause is the weakness of East German institutions; for example, West German support probably will play a major role in determining which East German parties can compete effectively in the election set for 6 May.

Kohl will finalize the joint economic commission proposal during his visit and probably complete agreements on infrastructure projects. He may offer a major aid program. He also will use his visit to advance his proposals for confederal political structures, but plans like those of Democracy Now make it more difficult for him to retain public support for measured progress toward confederal institutions. The growing economic ties he is arranging will in any case push East Germany toward a more market-oriented economy and lay the economic groundwork for reunification.

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Czechoslovakia: Powers of the President

The presidency in Czechoslovakia has been a prestigious but not a powerful position. The incumbent customarily spends much of his time on protocolary functions. Constitutionally, the President is empowered to:

- Convene and dissolve the Federal Assembly.
- Appoint and recall the Premier and Cabinet members.
- Appoint and promote generals.
- Grant amnesties and pardons.
- Declare war at the government's recommendation.

He is also titular commander in chief of the armed forces. The next president, to be selected by the end of January, probably will serve only until free elections are held later next year. Despite his brief tenure, his powers may prove crucial if disorder erupts or a political impasse develops.

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~~Top Secret~~**CZECHOSLOVAKIA: Contesting How To Pick a President**

The election of a president will be the next benchmark in Czechoslovakia's movement toward democracy.

The Civic Forum and the Communist Party have not yet agreed on how to select the president but have decided to give themselves until 24 January to hold the election. They reportedly also agreed that to be eligible a candidate must be a Czech who is not affiliated with any political party. The Communist Party spokesman, however, contends that only the extraordinary party congress set for next Wednesday has the right to determine the party's stance on the election process. The Democratic Forum of Communists, the reform wing of the party which claims 50,000 adherents, has demanded that the president be popularly elected.

Recent polls indicate that popular support is split among various candidates, including Civic Forum leader Vaclav Havel, Prague Spring-era leader Cestmir Cisar, reform economist Valtr Komarek, and Alexander Dubcek. One poll rates popular support for Civic Forum at 78 percent and for the Communists at only 16 percent.

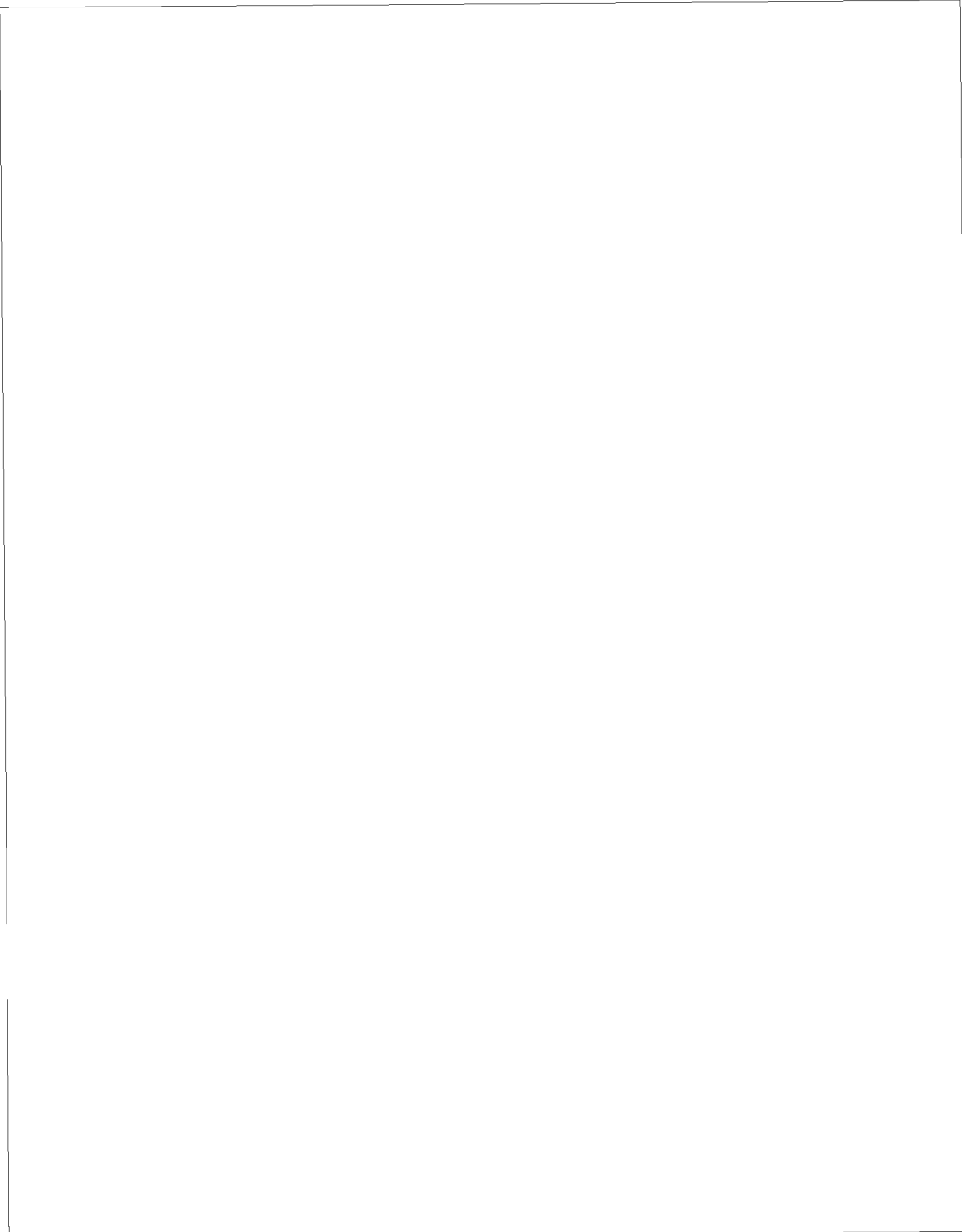
Comment: The intense negotiations over how to elect a new president suggest that both sides realize the post's importance to democratization. The Civic Forum wants a president who will be a symbol of the break with past abuses and who will protect the fragile democratization process from possible Communist power plays. The Communist Party seeks to deny the presidency to Vaclav Havel, and hopes to install someone more agreeable to Communist influence.

The Communist reformers' demand for a direct presidential election, which would require a constitutional amendment, probably is a delaying tactic to gain time to regroup after next week's congress. They almost certainly expect to win a reform-oriented Central Committee and a revamped Presidium. The latest polls confirm the Communists' sagging fortunes, however, and their maneuvers to prevent a quick decision on the presidency may backfire if the public suspects that they are trying to hold on to power.

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Delay in the National Assembly is intensifying public pressure to accelerate the reform process.

In postponing the vote on the article guaranteeing the Communist Party's leading role, the legislature cited a constitutional requirement to submit such measures a month in advance. The decision brought more than 20,000 people to the parliament building, shouting, "We are here, come on out." General Secretary Mladenov and several legislators did and were booed and hissed when they encouraged the crowd to go home. The Assembly then condemned the protest and vowed not to bow to protesters demands, warning that they would be held responsible if attempts at destabilization continue. The legislature yesterday actually rejected decrees submitted by the State Council for the first time ever and continued its session late into the night because of lengthy debates.

Mladenov is also under pressure from more radical members of the party leadership to increase the pace of reform. Western press reports say he threatened to resign at the Central Committee plenum that ended Wednesday in response to increasing radical criticism. Purges of hardliners have begun in the provinces, and Mladenov indicated this week that the municipal and regional party organizations are to be purged before the party congress begins in March.

Comment: Public anger augurs massive protests if the regime ignores popular demands for reform. Protests tomorrow probably will be large even if the Assembly reverses its decision on the constitution.

Fissures in the regime between reformers and more moderate and orthodox figures are likely to widen. The reformers, apparently led by Politburo and Secretariat members Aleksander Lilov and Andrey Lukanov, seem to be gaining strength and will use public pressure to push Mladenov aside if he is seen as undermining party efforts to stay ahead of the reform process.

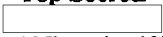
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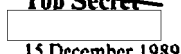
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USSR:

To Give Soviet Germans, Tatars Full Autonomy

The USSR Supreme Soviet's decision to repatriate the Volga Germans and the Crimean Tatars to their pre-World War II homelands in the Russian and Ukrainian Republics will anger officials in these areas, who will try to derail the legislation.

In an interview on 28 November explaining the Supreme Soviet's decision to restore the rights of forcibly resettled minorities, the chairman of the legislature's Commission for Nationalities Policy and Interethnic Relations said that the German Autonomous Republic would be restored on the territory of Volgograd and Saratov Oblasts in the Russian Republic and that the Crimean Oblast in the Ukraine would be upgraded to its 1944 status of an autonomous republic. Some 200,000 Volga Germans and all remaining Crimean Tatars—up to 500,000—would be allowed to return to their homelands, which Stalin abolished during World War II. The chairman expressed hope that the creation of a German republic will stem the emigration of Soviet Germans to West Germany.

Comment: The Supreme Soviet's decision, which was clearly influenced in part by Moscow's interest in West German economic support and Bonn's desire to stop Soviet German emigration to West Germany, will satisfy longstanding demands by both minority groups. Local officials in Saratov Oblast, however, oppose an autonomous German republic, although they would accept a German entity subordinated to their own administration. And the Crimea, a popular resort area in the Ukraine that has doubled its predominantly Russian population since the Tatars were exiled, already suffers from a severe shortage of housing and jobs. Many republic-level officials worry that the new law will encourage other minorities to demand territory or greater autonomy in their present locales. Such demands would be particularly destabilizing to the Russian Republic, which has 31 autonomous formations.

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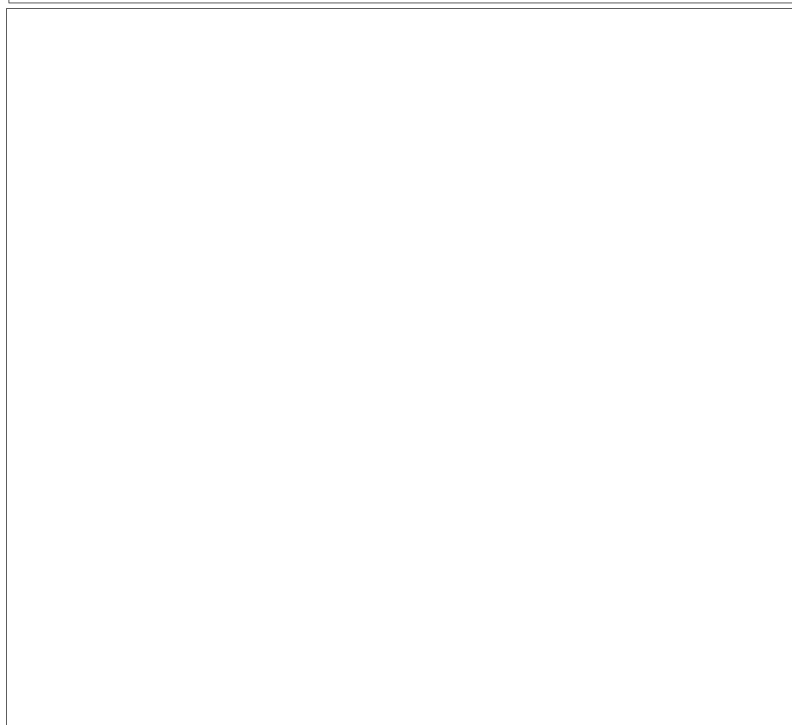
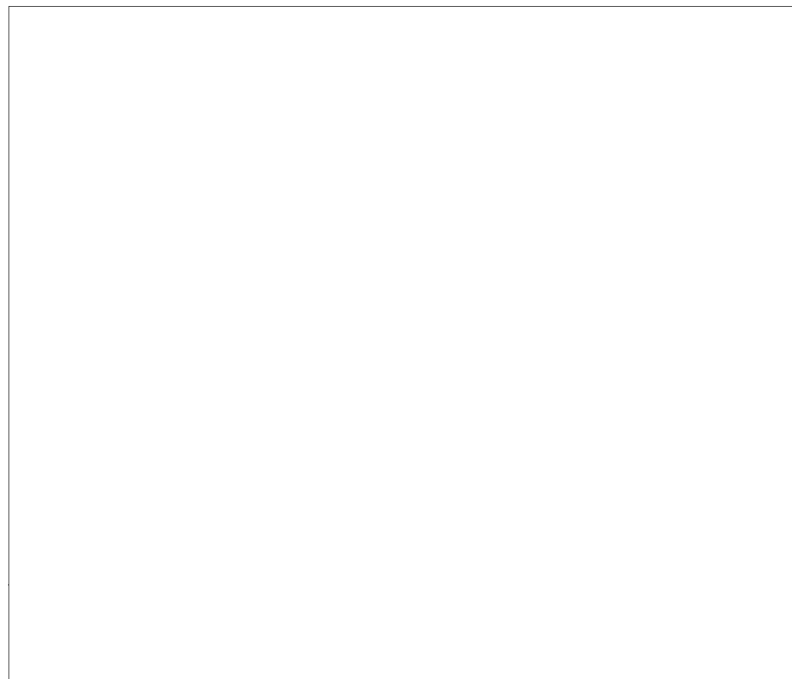
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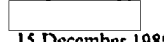
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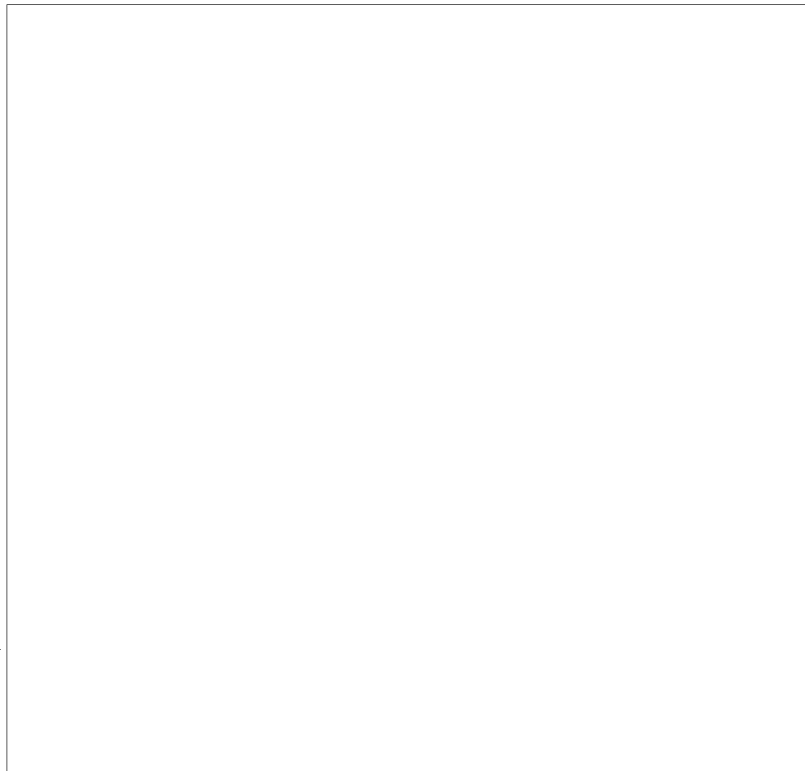


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~~Top Secret~~**SOUTH AFRICA: Black-on-Black Violence Increasing**

Political violence is again increasing in South Africa and may jump this weekend as the ANC marks the anniversary of its military wing. Clashes between rival black political groups in Natal Province this month have already claimed more than 70 lives, a record pace. In response, Pretoria has augmented security forces in Natal's black townships and is conducting house-to-house searches. Meanwhile, a strike by black transport workers has resulted in mass dismissals and more violence and intimidation, including bombings. [redacted]

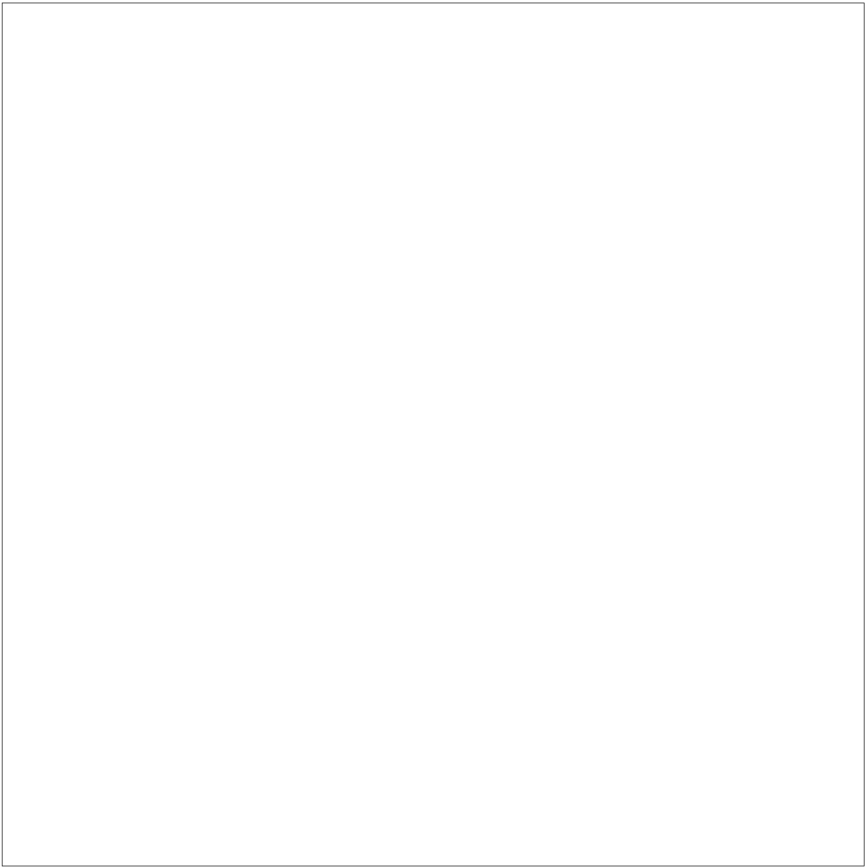
Comment: The collapse of peace talks last month between moderate Zulu Chief Buthelezi and the ANC and their subsequent war of words have fueled the violence in Natal, which traditionally increases during the holiday period. The expanded security presence may trigger new allegations that Pretoria is exploiting black-on-black violence. The ANC, which has probably had a hand in the transport strike bombings, may mark tomorrow's anniversary with further attacks. [redacted]

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~~Top Secret~~**YUGOSLAVIA: Croatia Backs Multiparty System**

Croatia will join Slovenia in holding free, multiparty elections this spring, a step that will encourage reformers elsewhere in Yugoslavia but also widen regional differences. The Croatian party congress on Wednesday endorsed a multiparty system in Croatia, scheduled free elections in the republic by April, called for postponement of the national party congress slated for January, and advocated deleting the Communist party's leading role from the national Constitution [redacted]. It elected Ivica Racan, a political moderate who strongly opposes Serbian strongman Milosevic, as party chief. [redacted]

Comment: The Croatian reforms follow a meeting in Zagreb last weekend between Slovene and Croatian leaders and probably reflect an emerging Croatian-Slovene strategy against Milosevic. The outcome of the Croatian congress probably will encourage sentiment for multiparty systems in other regions outside Milosevic's control. Even in conservative Bosnia and Macedonia, liberals already have pushed through the legalization of nonofficial political groups and may now demand more far-reaching reforms. The national party congress is likely to be postponed, a development that will encourage reform measures by other regions and widen the distance between Serbia and the more liberal republics, increasingly undermining the consensus on national policies. [redacted]

ARGENTINA: Menem's Economic Program Fails

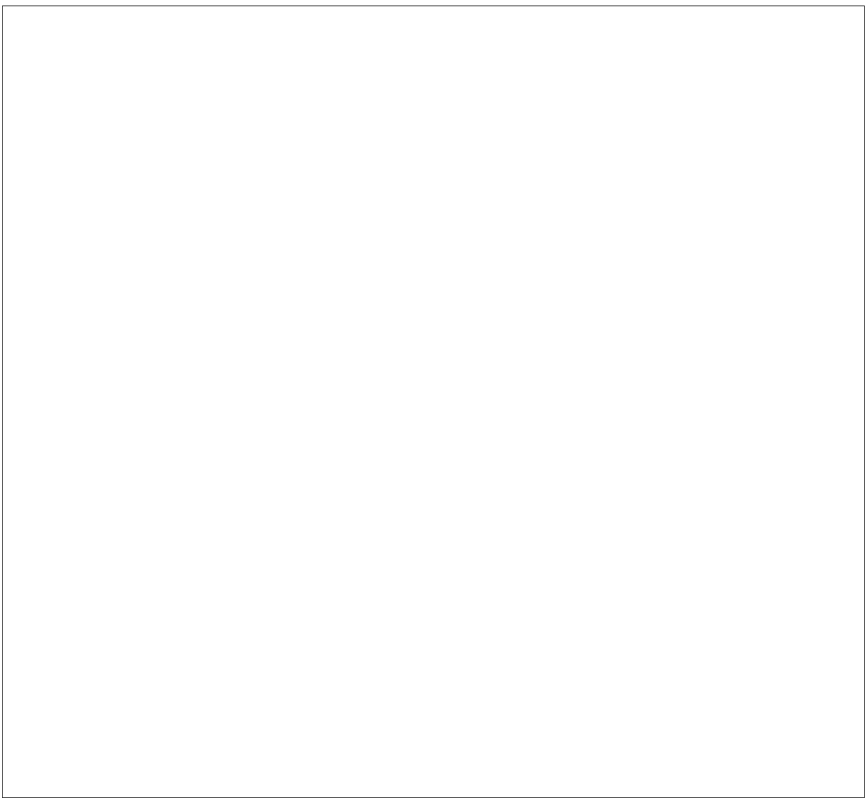
Market reaction in Argentina to the economic measures the government announced last weekend has been resoundingly negative. [redacted] investors and bankers are upset about the mandatory extension of debt maturities and the lack of spending cuts. The newly legal free exchange rate hit 1,550 australs to the dollar yesterday, increasing the spread between the official and free rates to 55 percent. As the government raised prices, inflationary expectations increased, prompting price markups of as much as 50 percent in one day. President Menem has been meeting with labor, business, and party leaders to forge a social pact committing all sectors to support his economic efforts, according to the press, and the Central Bank has declared a bank holiday today. [redacted]

Comment: Menem's strategy to stabilize the economy is rapidly unraveling despite last weekend's adjustments, and the bank holiday indicates he will probably move this weekend to try to stem the public's loss of confidence and avert a return to hyperinflation. In addition to necessary fiscal measures, the President may be forced to shuffle his economic team, including Economy Minister Rapanelli. A social pact would help Menem considerably, but labor is badly split and he may have trouble bringing along his own Peronist Party, also divided. [redacted]

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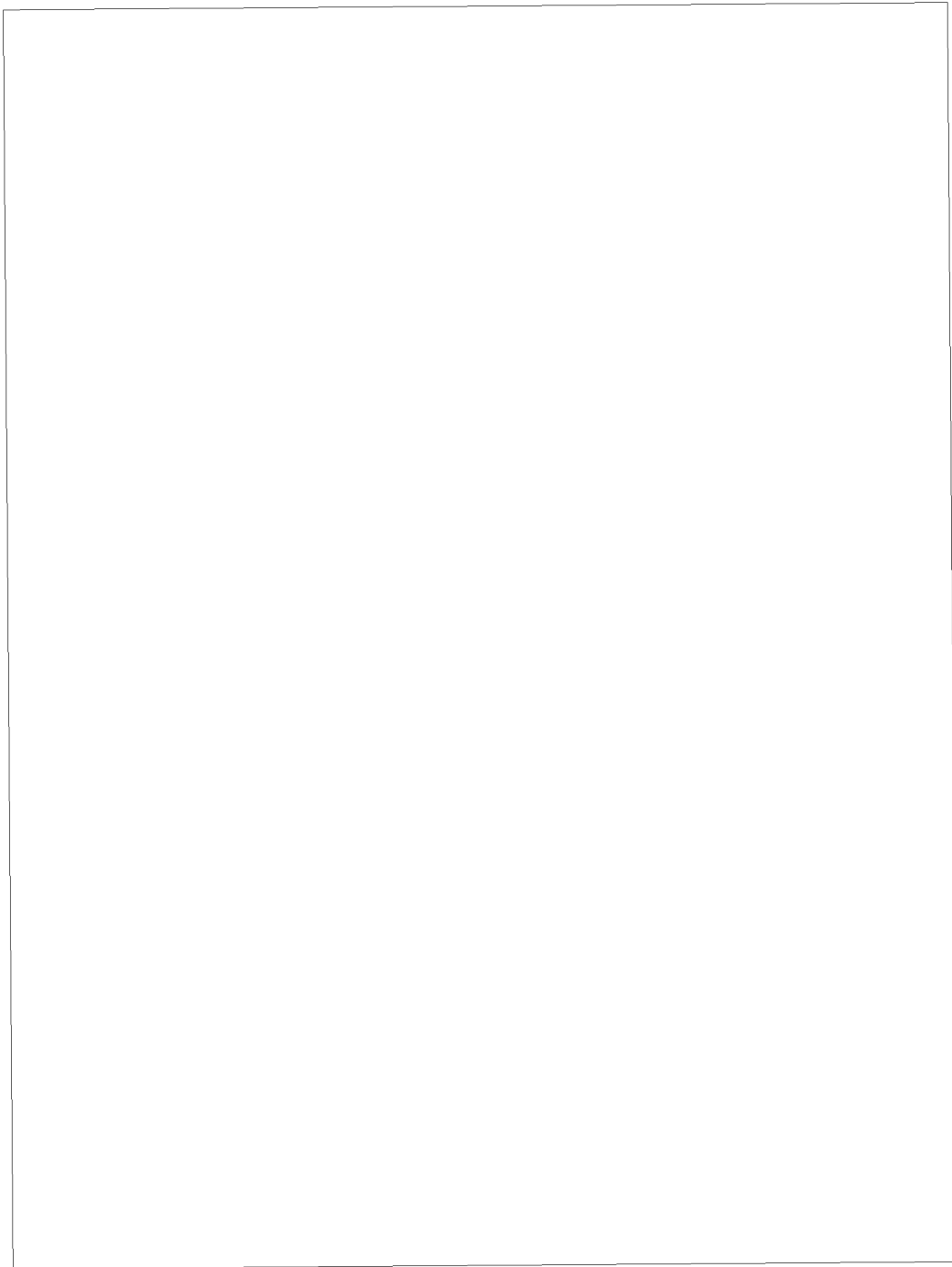


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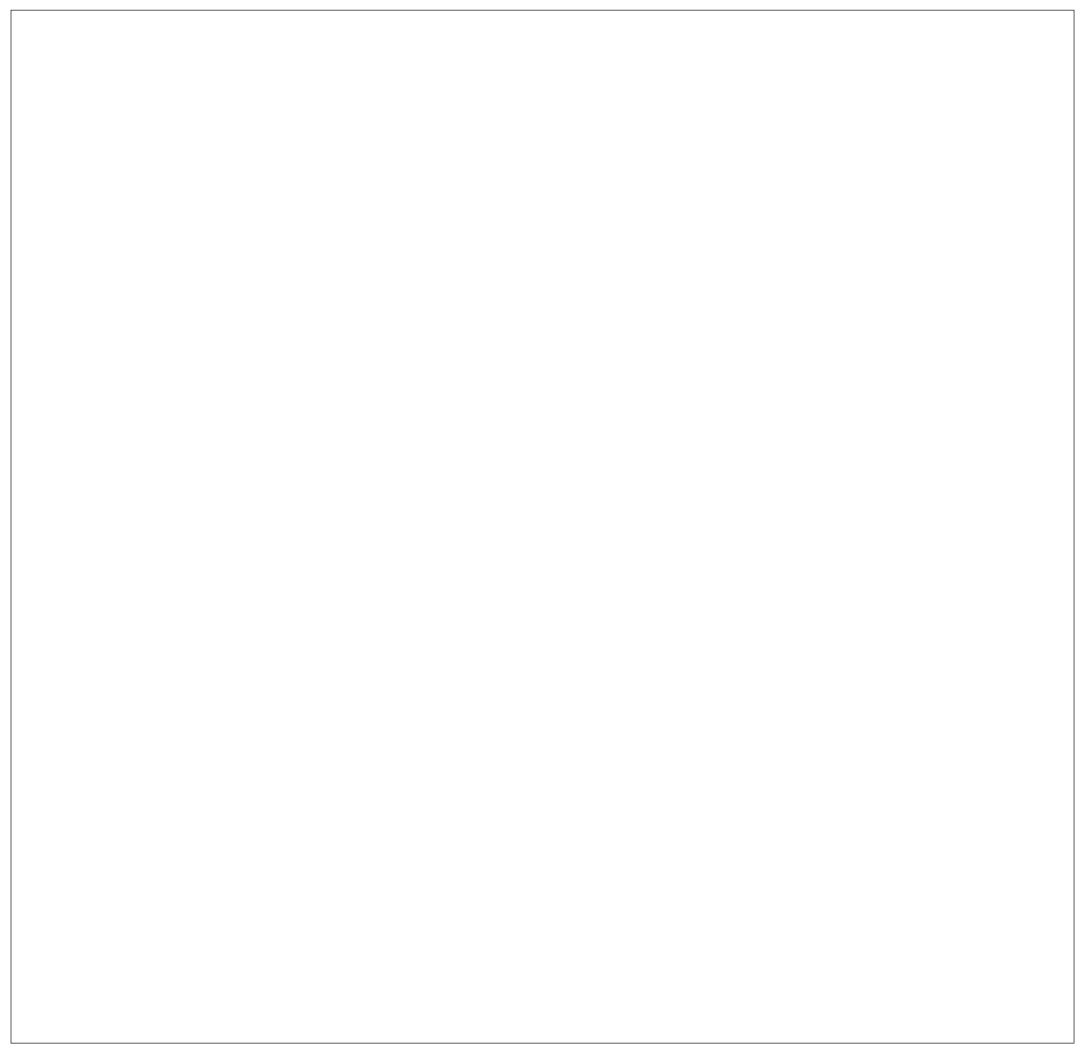
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Special Analysis

FRANCE:**President Mitterrand's Europe Speaks French**

Mitterrand's immediate objective as he meets with President Bush tomorrow is for France to play a leading role among West Europeans in reacting to the turmoil in Eastern Europe and the prospect of German reunification. He wants Western Europe to speak with one voice, preferably through the EC, and to not be diverted from its near-term integration goals. On security policy, he wants France to be a major architect of a new Europe that still includes the US. Although Paris does not want to lose what it sees as a unique opportunity to reduce East-West tensions, it is being cautious because of the ambiguity and fragility of East Bloc reform.

Mitterrand believes a common West European response is needed to rein in Bonn and to reduce President Gorbachev's ability to drive wedges that would separate the US from Western Europe. French officials probably also believe common structures and policies can relieve public pressure for precipitous Western responses to Eastern reforms. Mitterrand probably believes that Western Europe will be better able, through NATO and the EC, to convince Moscow and Washington to stay the course and help manage change in Europe.

Mitterrand's preference for a common front extends to the German issue. He accepts the inevitability of German reunification but he is the leading advocate of a go-slow approach and will insist on Four-Power approval of any steps. His recent warning that a vote by the two Germanys to unite is "a necessary, but not a sufficient condition" for reunification shows his deep concern over the impact of reunification.

Mitterrand conveyed these concerns to Gorbachev earlier this month. To the extent that he believes the US is too accommodating to the Germans, Paris will support Moscow's efforts to institutionalize the Four-Power forum as a means of exerting more control over reunification.

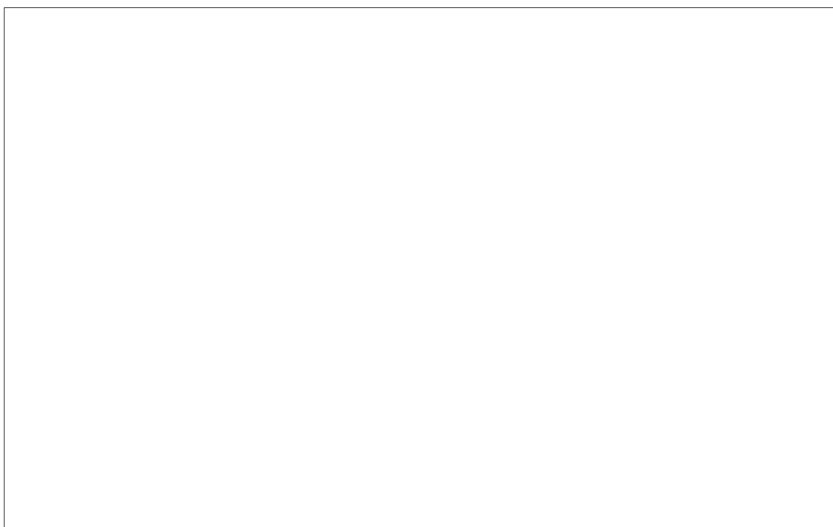
Instrument of Choice: The European Community

Mitterrand sees the EC as becoming capable of coordinating common European responses to economic and possibly security issues. One of his major concerns is that events in Eastern Europe are diverting attention from the EC's push for greater unity. His stress on EC integration is designed to keep Bonn's economic, political, and security policies under a West European umbrella and thus reduce the prospect for unilateral, destabilizing German moves.

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Mitterrand and other French leaders expect a reduced US contribution to Europe and are looking for ways to compensate. The French nevertheless almost certainly regard the stationing of some US forces on the continent as essential to French and European security. Mitterrand shares the perception of a diminishing Soviet threat but worries that the breakup of the Eastern Bloc and moves toward German reunification will lead to tensions that could spill over to Western Europe. [redacted]

The French want to focus security and arms control discussions in forums such as CSCE that envision a continuing US role but where Europeans have a stronger voice. Mitterrand also is emphasizing the role of European defense structures in managing the transition to a new European order. His public comments suggests that—at least in the short run—he prefers such options as a stronger European voice in NATO or a reinvigoration of the Western European Union. Over the longer haul, however, he may be contemplating new structures. [redacted]

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