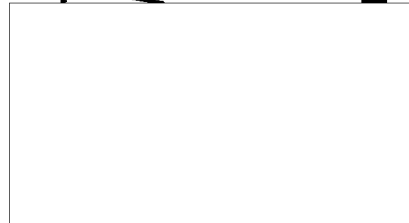


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Director of Central Intelligence

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NATIONAL INTELLIGENCE DAILY

Tuesday, 19 December 1989



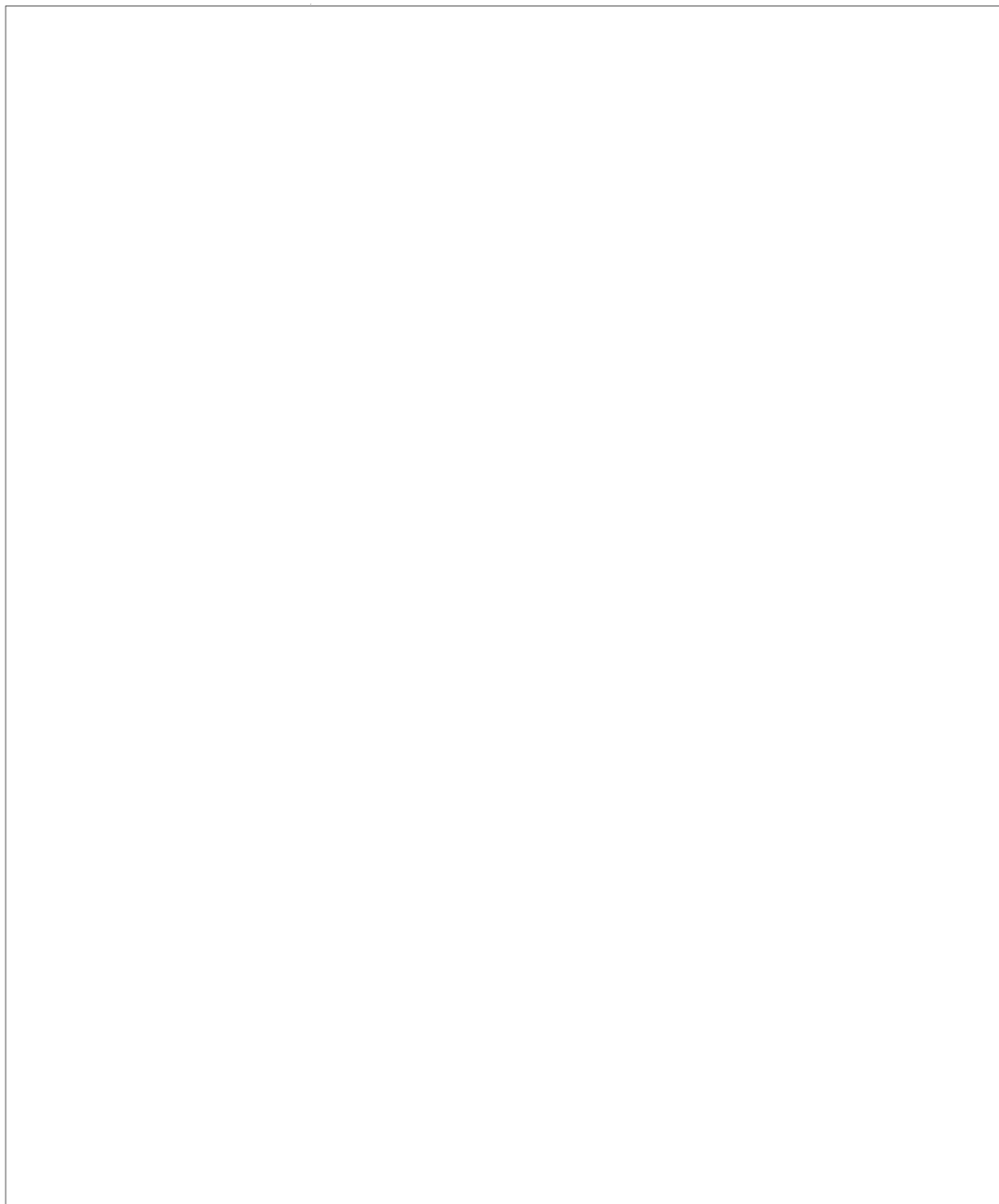
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19 December 1989

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Contents

	Romania: Antiregime Protests	1
	Czechoslovakia: Communist Party Struggling To Survive	2
	USSR: Lithuanian Party Congress Opens	3
	[Redacted]	4
	[Redacted]	5
Notes	USSR-Europe: Shevardnadze on Unilateral Cuts	6
	[Redacted]	6
	[Redacted]	7
	Western Europe: Treaty Easing Border Controls Delayed	7
	USSR: Controls on Foreign Information Disintegrating	8
	[Redacted]	8
	Taiwan: Move To Cool Stock Market Probably Inadequate	9
	[Redacted]	9
	UK: Unlikely To Back Down on Repatriating Vietnamese	10
	[Redacted]	10
	[Redacted]	11
	[Redacted]	11
	[Redacted]	12
	[Redacted]	13
	[Redacted]	15



~~Top Secret~~



19 December 1989

1 196

~~Top Secret~~**Antigovernment Demonstrations, 16-17 December 1989****Hungarians Outraged, Soviets Quiet So Far**

The Hungarian National Assembly yesterday condemned Romania's persecution of Laszlo Tokes as a brutal violation of basic human rights and urged the Budapest government to take specific steps to defend Tokes and his congregation. The ruling Socialist Party has issued its own condemnation of Romania. About 50,000 participated in a demonstration in Budapest last night called by the Hungarian Democratic Forum to protest the Romanian actions.

Romania-bashing is a sure way to win votes in Hungary, and the increasing openness of Hungarian politics could encourage partisan competition in demanding sanctions against Romania. If demonstrators believe rumors of great bloodshed, Hungarian police may have difficulty protecting the Romanian Embassy from attacks.

Moscow has not commented officially on the Tokes affair, and press coverage of the riots has been light. Today's edition of *Izvestiya*, however, refers to Tokes as a human rights champion and notes that his house arrest has attracted international attention. Moscow is likely to condemn the violence, reiterate the need for reform, and offer at least private support for Hungary's efforts to raise the issue internationally.

~~Top Secret~~

19 December 1989

1197

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ROMANIA:

Antiregime Protests

The protests in Timisoara and Arad over the weekend, the largest since the Brasov riots in 1987, are the latest signals that the corrupt and repressive Ceausescu regime cannot indefinitely resist the changes engulfing Eastern Europe. [redacted]

Security has been tightened throughout the country since riot police opened fire on thousands of antigovernment demonstrators in the two cities in ethnically diverse Transylvania. Timisoara was outwardly calm yesterday, despite unconfirmed reports that hundreds of demonstrators were killed and a number arrested by heavily armed security forces. The fate of Laszlo Tokes, the ethnic Hungarian clergyman and civil rights activist whose court-ordered eviction sparked the protests, is unknown. Romania has closed its borders with Hungary, Yugoslavia, Bulgaria, and the USSR. President Ceausescu yesterday proceeded with a scheduled visit to Iran.

[redacted]

Comment: The brutal response to the demonstrations signals Ceausescu's determination to continue to resist popular demands for change, even at the risk of further international criticism and deeper isolation. His decision not to postpone his trip to Tehran was calculated to project confidence and strength, although privately he has become increasingly alarmed about the impact of Bloc developments on his regime. He has acknowledged, for instance, that reform ideas have infected the party and galvanized forces eager to depose him. He has also decreed that shortages of consumer goods, particularly food, should be eliminated within two years, presumably in an attempt to dampen public unrest over shortages this winter.

[redacted]

Ceausescu's crackdown indicates that he retains the loyalty of the privileged security forces, at least for now. They fear any relaxation of controls would make them targets for popular rage, but their reliability will be increasingly doubtful as the political and economic crisis deepens. They could eventually support a disaffected individual or group in the party leadership and move against the hardline dictator under the banner of nationalist renewal.

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19 December 1989

1198

~~Top Secret~~**CZECHOSLOVAKIA: Communist Party Struggling To Survive**

Reformers have taken control of the Slovak Communist Party and expect to take over the national Communist Party at the congress opening tomorrow; the party could split if reformers win less than a complete victory. [redacted]

The Slovak Republic Communist Party suspended the memberships of several hardliners and elected a new Central Committee at the extraordinary congress on Sunday. The new leaders have called for the rehabilitation of Prague Spring reformers and the party's transformation into a "modern European-type leftist party." [redacted]

The Democratic Forum of Communists, which claims to represent 60,000 reformers, has hinted it will split off if not given a voice in choosing the new Central Committee. The reformers demand a purge of hardliners tainted by participation in crushing the Prague Spring, including current General Secretary Urbanek. [redacted] the Forum's public approval rating at 32 percent, double the Communist Party's 16 percent. [redacted]

Comment: The radical reformers apparently have already taken control of the Slovak Communist Party and probably will join forces with Czech reformers to try to purge the hardliners from the national party. Urbanek may be unable to control the course of the congress and could lose his position, even though he has purged notorious hardliners from the Presidium and called for the resignation of compromised Central Committee members. Presidium member Vasil Mohorita, who has endorsed remaking the party and its image, may be acceptable to the Forum as a successor. [redacted]

If the new leadership does not make a clean break with the past or attempts to negotiate a compromise between orthodox and reform wings, the Forum may bolt and create a Eurocommunist party. Such a party probably would lure away many rank-and-file party members. The Communists still face an uphill battle to regain the trust of a hostile population. [redacted]

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USSR: Balts Warned Against Foreign Contacts

Moscow has become more concerned about foreign contacts as central influence over politics erodes in the republics.

[redacted]

The USSR Politburo last month criticized Lithuanian Communist Party leader Brazauskas for granting too many interviews to foreign journalists, according to press reports. In an interview earlier this month, the KGB chief in Lithuania accused foreign visitors to the republic of giving moral and material support to extremists. The KGB in Latvia has played up contacts between members of the revived Latvian Social Democratic Workers' Party, founded in 1904, and foreign sympathizers in its reporting on the discovery last month of an arms cache at the home of a party leader. It also has alleged visiting emigres have engaged in espionage.

Gorbachev's reproach and the criticism of Brazauskas probably reflect Moscow's concern that the Balts are using contacts with emigre groups and journalists to build international support for Baltic independence. KGB accusations of foreign involvement with nationalist groups have cropped up in the Ukraine and Central Asia as well; they probably show concern about potential material aid to radical groups but might also be an effort to lay the legal groundwork for any future move against radicals.

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19 December 1989

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USSR:

Lithuanian Party Congress Opens

The Lithuanian Communist party probably will declare its independence from the Communist Party of the Soviet Union at the republic party congress that opens today; such a declaration would underscore Moscow's waning control of the non-Russian republics and probably would prompt other republic parties to follow Lithuania's example in breaking away. [redacted]

For months President Gorbachev and other Politburo members have pressed Lithuanian party leaders to drop their plans to seek independence for the republic party. Most [redacted] however, are confident the republic party has not changed its plans for the congress. Yesterday, however, a senior Lithuanian party official hinted in a Soviet television interview that the congress might postpone a final decision on party independence. [redacted] if the Lithuanian party goes its own way perhaps 20 percent of its members, including many ethnic Russians and Poles, will choose to stay in the CPSU. [redacted]

Comment: Gorbachev may be able to persuade the Lithuanians to defer a decision by arguing that independence would limit the constituency of *perestroika* within the national party. Moscow could respond to a declaration of independence by stripping the maverick party of benefits, such as a voice in national party decisionmaking and the use of national party buildings and printing facilities. At the same time, despite the blow to his prestige, Gorbachev and other leaders probably would want to work with the new party in order to retain some influence over local politics. A response that is more bark than bite would encourage Communist parties in Estonia, Latvia, Georgia, and perhaps Armenia to follow the Lithuanian lead. Moreover, Gorbachev probably would come under greater pressure from moderates and traditionalists in the leadership to adopt a tougher line against republic nationalists. [redacted]

By declaring its independence, the Lithuanian party could represent itself as a defender of nationalist aspirations and probably improve its standing in republic elections in February. A republic party split along ethnic lines, however, would heighten local ethnic tensions in the republic. [redacted]

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19 December 1989

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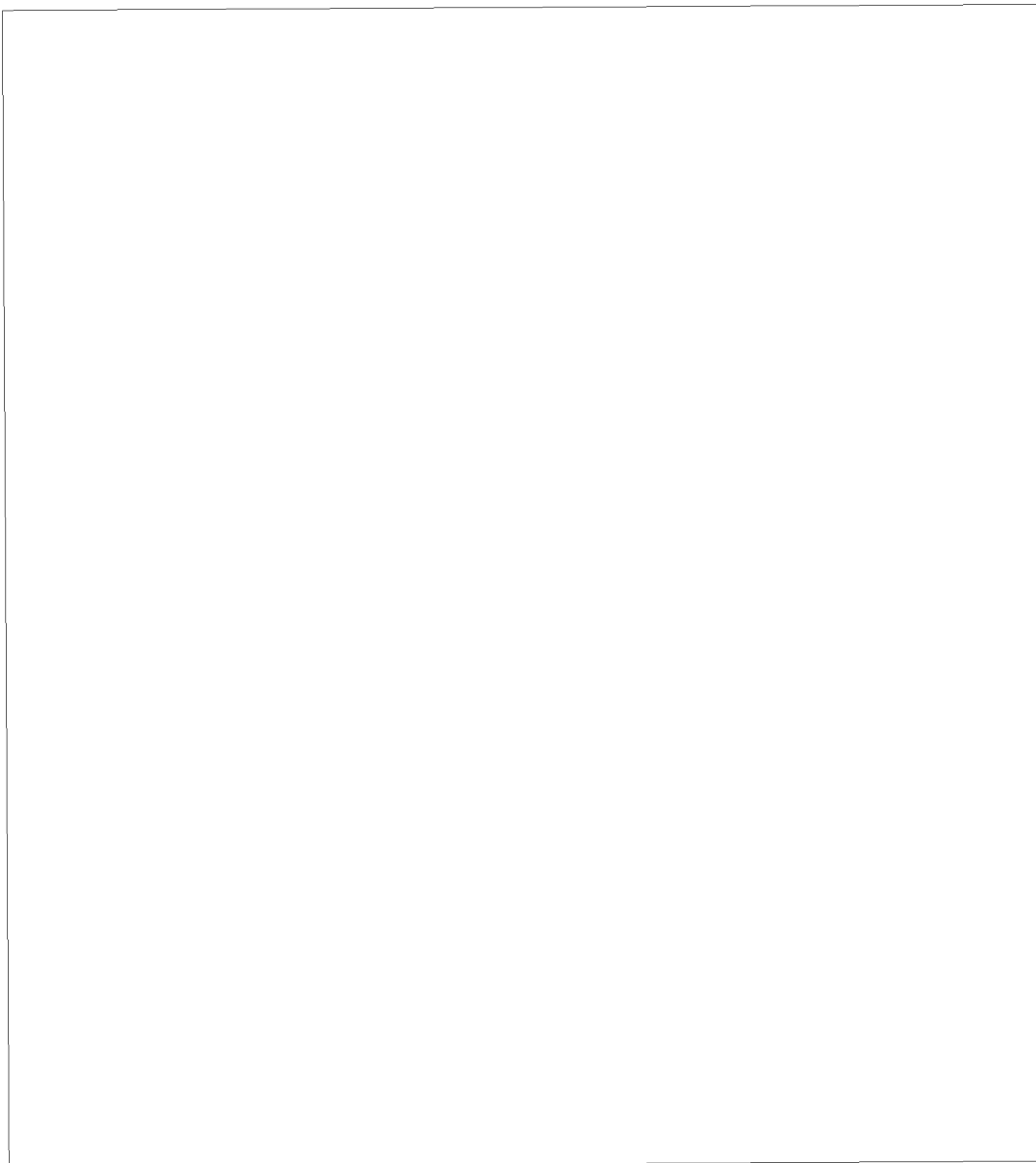
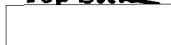
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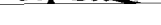
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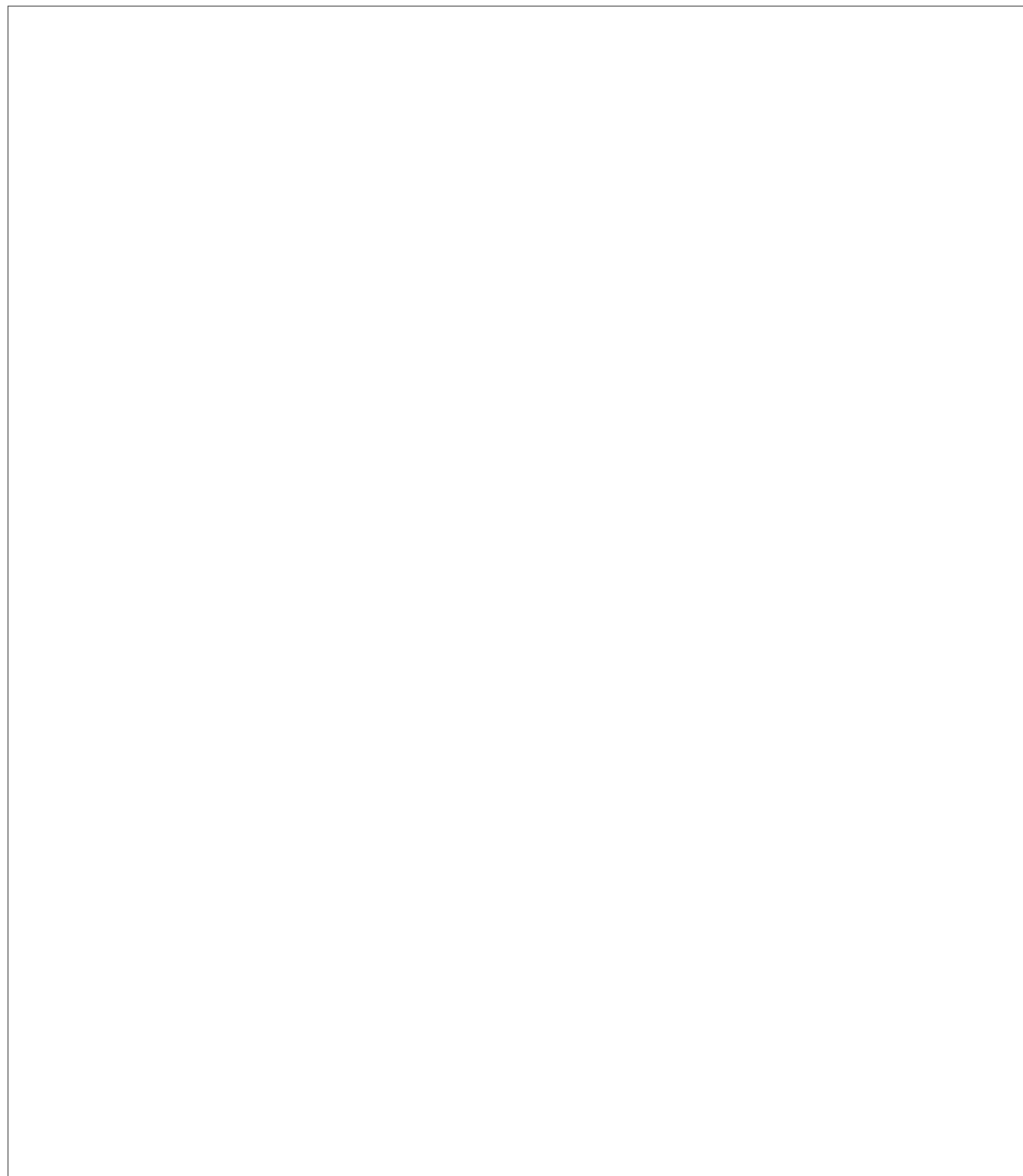
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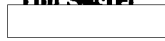
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19 December 1989

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[REDACTED]**USSR-EUROPE: Shevardnadze on Unilateral Cuts**

Soviet Foreign Minister Shevardnadze told reporters in Belgium yesterday that the USSR would not unilaterally remove all its troops from Eastern Europe. Shevardnadze, in Brussels for the signing of a trade and cooperation agreement with the European Community, reiterated Moscow's desire to bring home all Soviet troops stationed abroad by the year 2000 but suggested such a step could only be reciprocal and required the withdrawal of US troops from Europe. [REDACTED]

Comment: These comments appear to quash rumors that may have resulted from Soviet Deputy Foreign Minister Petrovsky's failure to specify [REDACTED] whether Moscow would implement its goal of bringing all troops home by the end of the century unilaterally. Shevardnadze undoubtedly intended to underline Moscow's expectation that an agreement to reduce conventional forces in Europe will be reached next year. He probably also hoped to reassure European audiences and domestic opponents that Moscow will not take precipitate or destabilizing actions. [REDACTED]

[REDACTED]

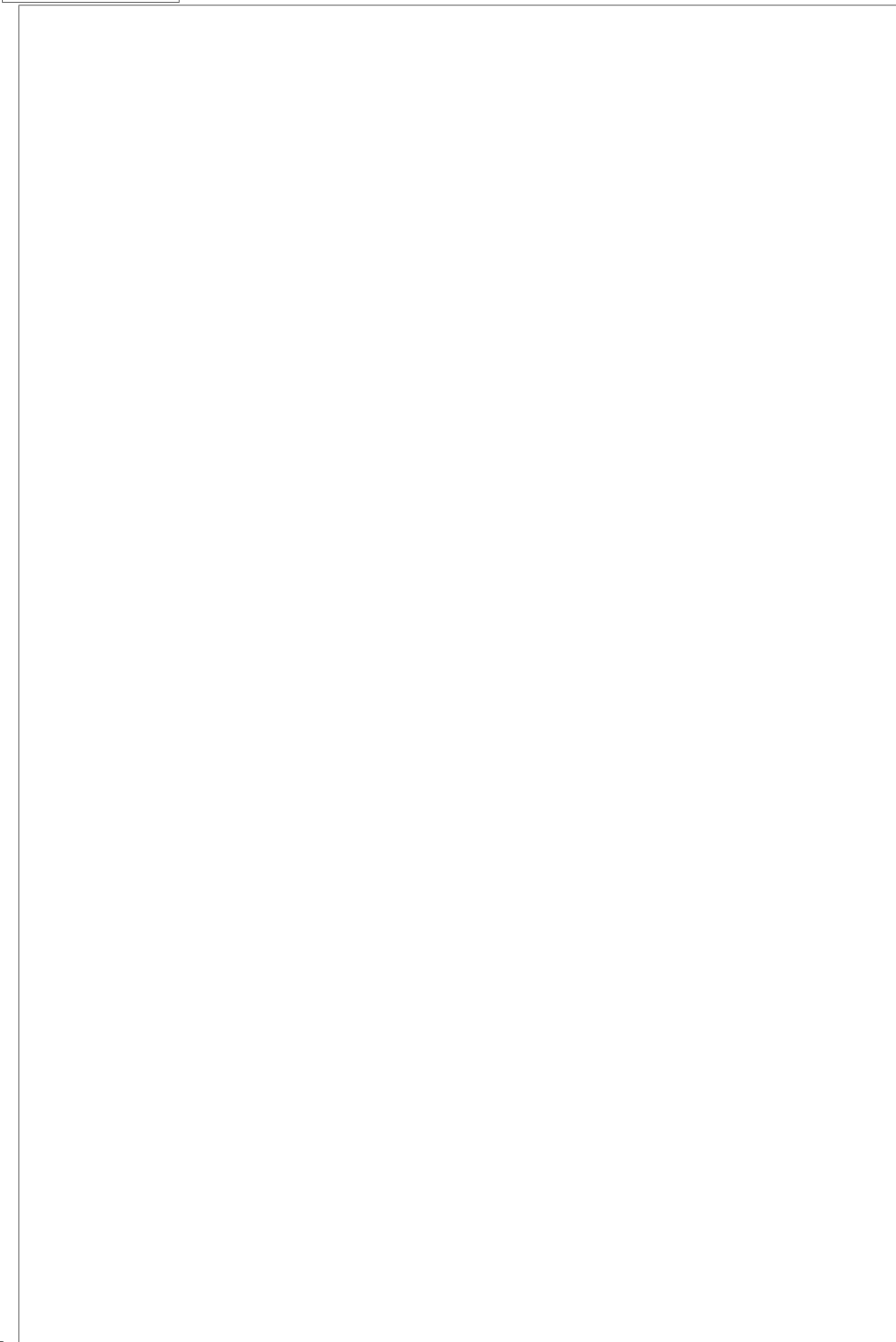
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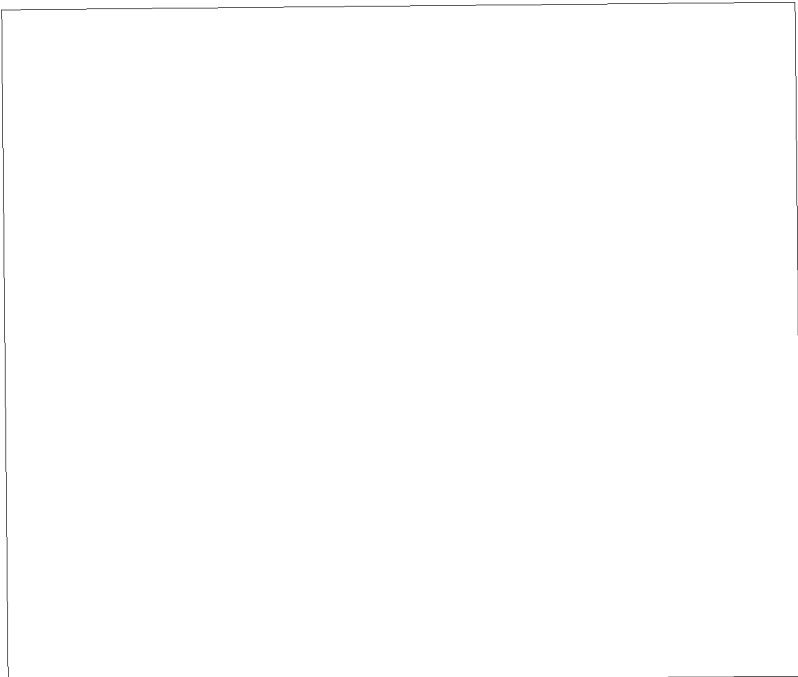
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19 December 1989

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WESTERN EUROPE: Treaty Easing Border Controls Delayed

Bonn's decision last Thursday to delay signing the Schengen Treaty, which eliminates border controls among France, West Germany, and the Benelux countries, probably is being applauded quietly in most EC capitals. Bonn called for a reopening of negotiations early next year, citing concerns that the travel rights of East Germans may not be sufficiently protected by the current accord.

Benelux politicians also are raising human rights and privacy concerns about provisions for cross-border police activities; Paris reportedly is asking for tougher immigration controls.

Comment: Bonn's action is not likely to raise serious doubts about its commitment to West European integration. Other West European partners to the treaty were considering similar steps; the Dutch quickly followed the West German lead. Many West European officials have long considered a treaty by this year as too optimistic. Even if the participating countries sign the treaty in 1990, other EC members who are not involved, notably the UK, are not likely to go along with eliminating internal borders as part of the EC-92 process.

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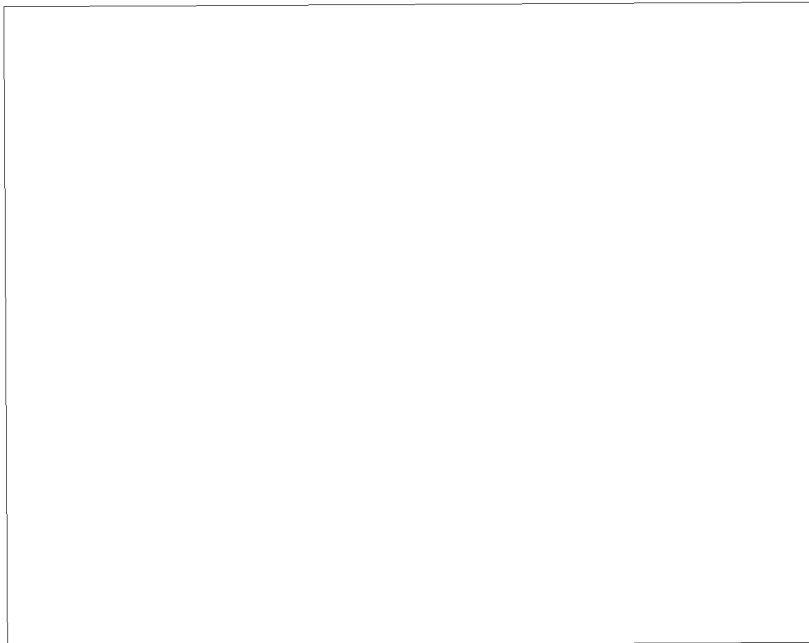
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[redacted]**USSR: Controls on Foreign Information Disintegrating**

In recent months, Moscow has given the Soviet public unprecedented access to new sources of foreign information. *Izvestiya* reported this month that individual Soviet citizens will be able to subscribe to foreign publications, and the Deputy Foreign Minister announced that citizens will have the right to watch Western television programs that are aired by satellite. Direct telephone dialing between the USSR and the US was reestablished last month, and the Cable News Network became available to Westerners living in the USSR as well as to some Soviet citizens last summer. [redacted]

Comment: Soviet leaders have slackened controls in the realization that they cannot insulate the public from foreign sources of information at an acceptable political and economic cost. Moscow would find any effort to reimpose controls increasingly costly. Therefore, because it has abstained from trying to control newer information technologies, there is more widespread use of office duplicators, personal computers, fax machines, and video recorders—which are being used to circulate *samizdat*—as well as satellite dishes to receive Western television. The newly announced measures are also an effort to gain credit abroad. [redacted]

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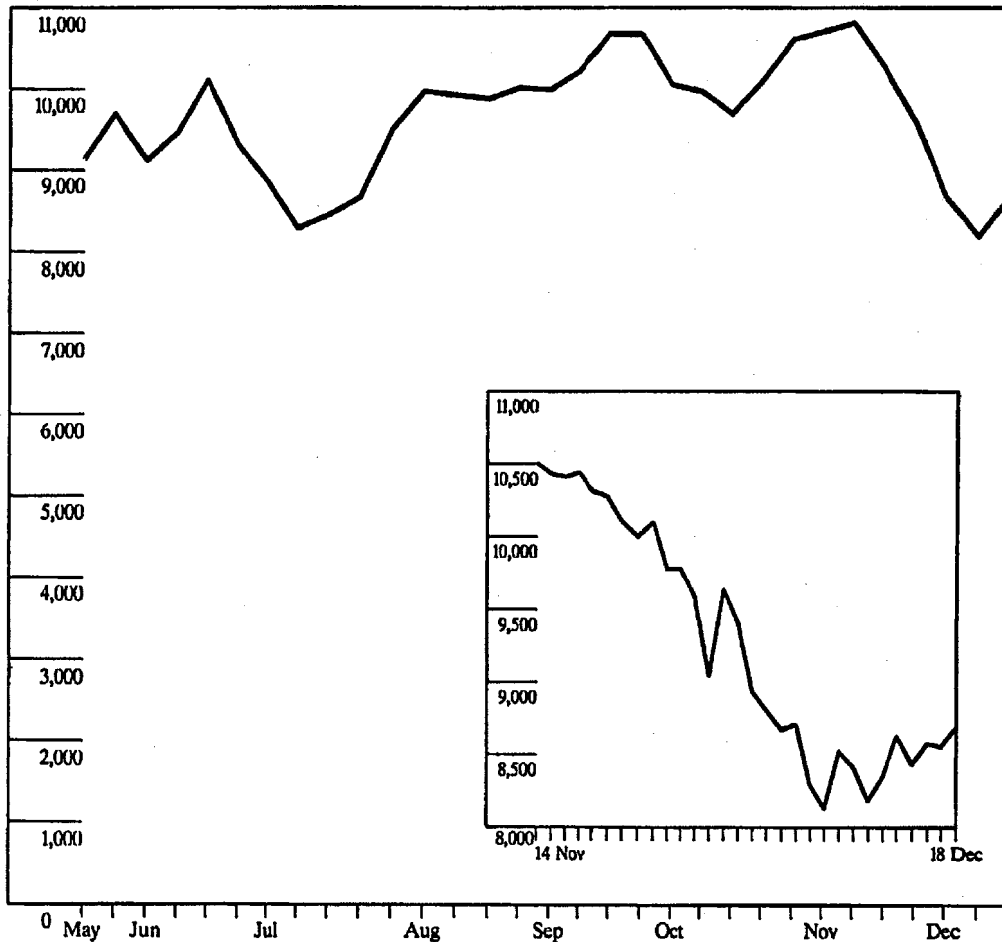
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Taiwan: Stock Market Performance

Taipei Weighted Index



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19 December 1989

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[redacted]**TAIWAN: Move To Cool Stock Market Probably Inadequate**

The economic committee of Taiwan's legislature approved a fourfold increase in the tax on stock transactions yesterday, hoping to cool the overheated market, which experienced record swings last month. The 0.6-percent tax is less than half the rate proposed by the Finance Ministry; authorities scaled it back when the market plummeted several days before the legislative election earlier this month. Shares on the overvalued stock market reportedly have the highest price-to-earnings ratio in the world, and the value of daily trading is exceeded only by the New York and the Tokyo exchanges. Illegal investment companies in Taiwan, which account for much of the market's trading volume, are increasing its volatility by selling stocks on margin, say press reports. [redacted]

Comment: The higher tax is a step in the right direction but probably will have little impact on the market's instability; there are few investment alternatives in Taiwan, and the tax is not high enough to reduce significantly the returns the market offers. Cutting the Ministry's proposed rate, moreover, may signal investors that authorities are more interested in votes than clamping down on speculation. Taiwan's economic modernization is hampered because business profits are going into stocks rather than equipment, and some workers have quit their jobs to play the market. [redacted]

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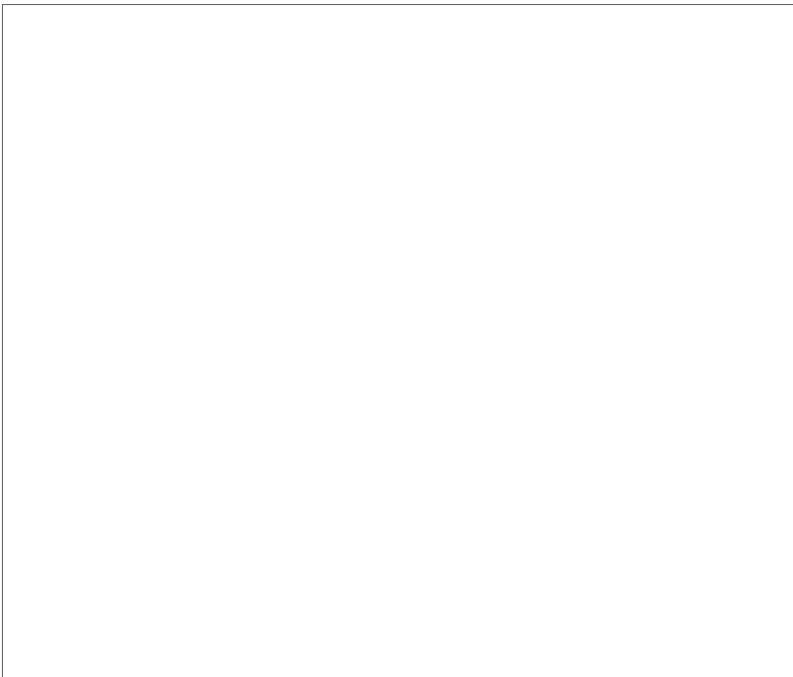
[Redacted]

UK: Unlikely To Back Down on Repatriating Vietnamese

Pressure on London from Hong Kong residents to speed the forced repatriation of Vietnamese refugees is likely to outweigh mounting international and domestic criticism of the policy. Hong Kong government officials have announced that two additional planeloads of involuntary returnees are scheduled to be sent back next month. Last week's repatriation sparked widespread demonstrations in the Vietnamese refugee camps, and violence broke out over the weekend in the largest detention center press reports. [Redacted]

Comment: London is particularly concerned that US criticism will make it harder for the UK to gain backing for mandatory repatriation at next month's meeting of the International Conference on Indochinese Refugees Steering Committee in Geneva. Even without international support, London is likely to continue its policy out of fear that the Vietnamese refugee problem will add to political tension in Hong Kong. Responding to growing popular resentment, Hong Kong's Legislative Council recently cut off funding of refugee costs until progress has been made in resolving the problem. The British also believe mandatory repatriation is the only way to stem an anticipated flood of new refugees next spring. [Redacted]

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19 December 1989

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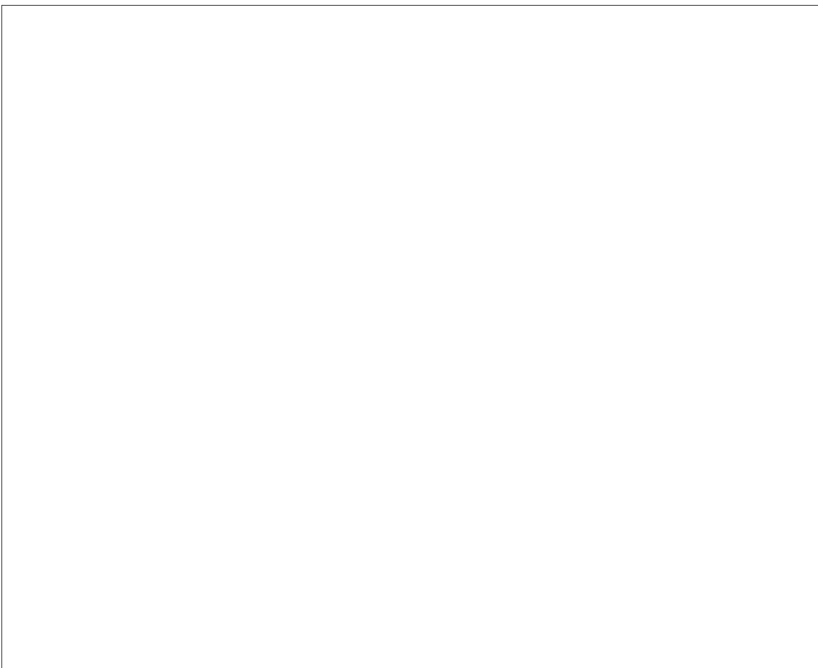
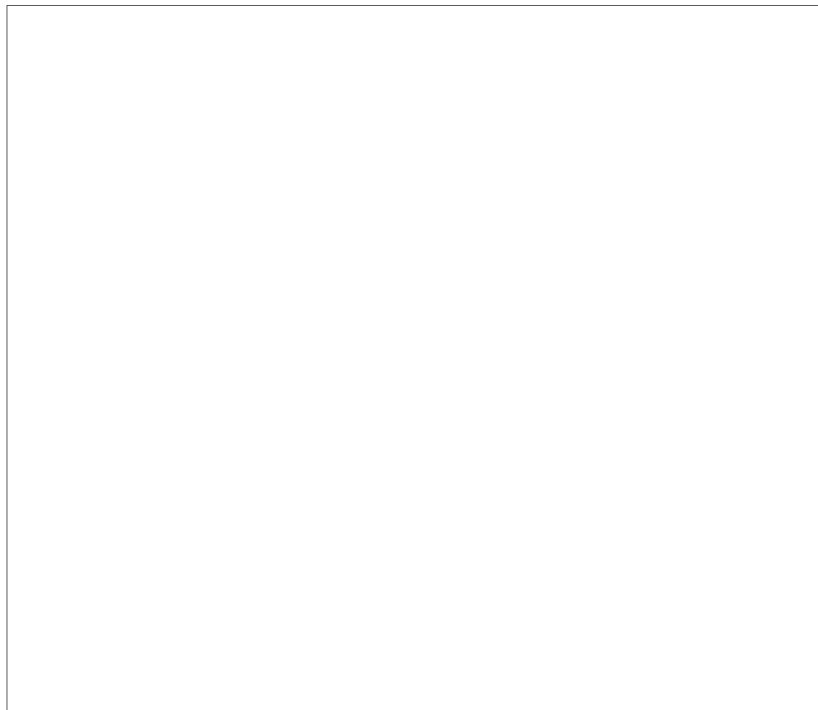
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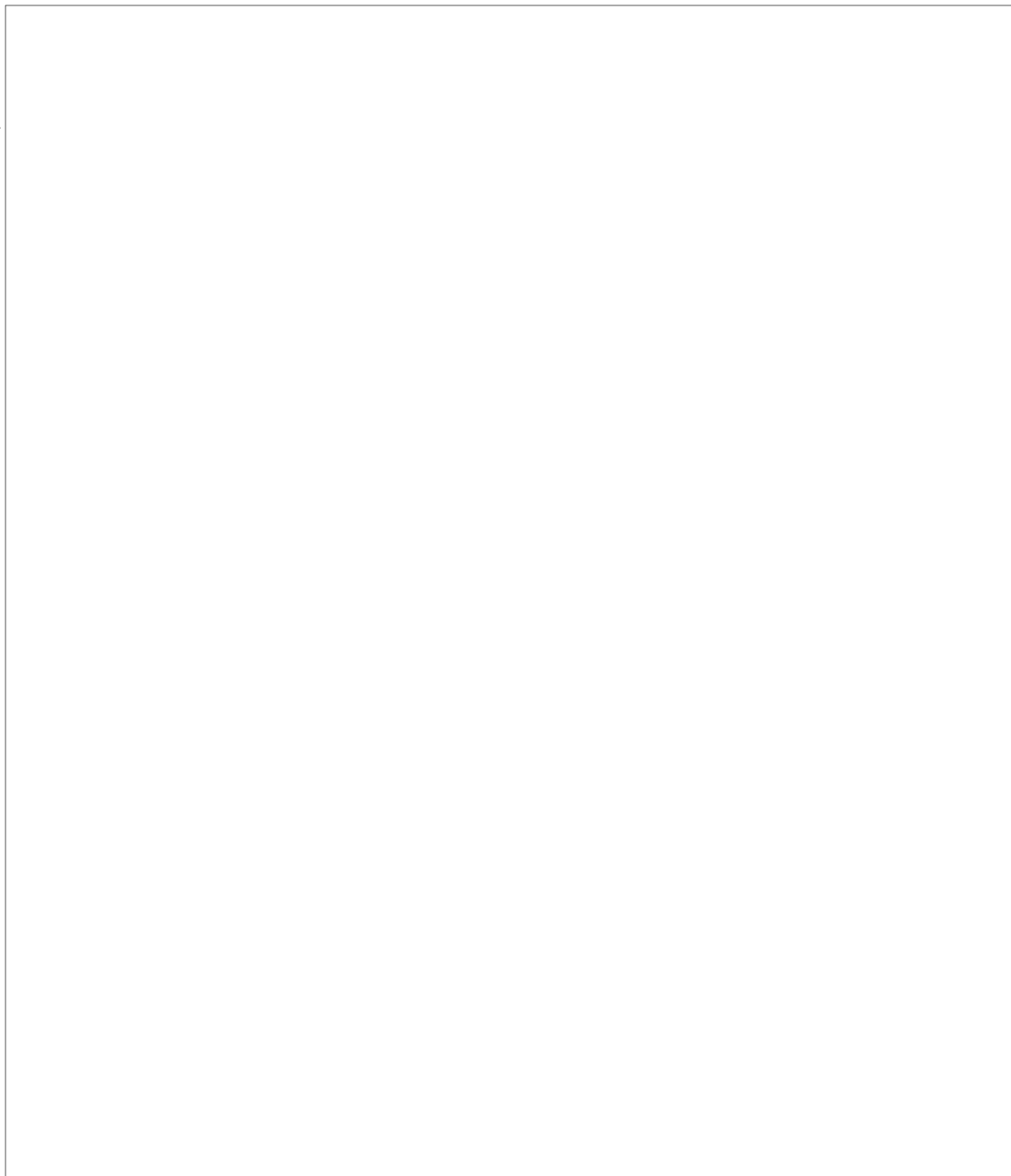


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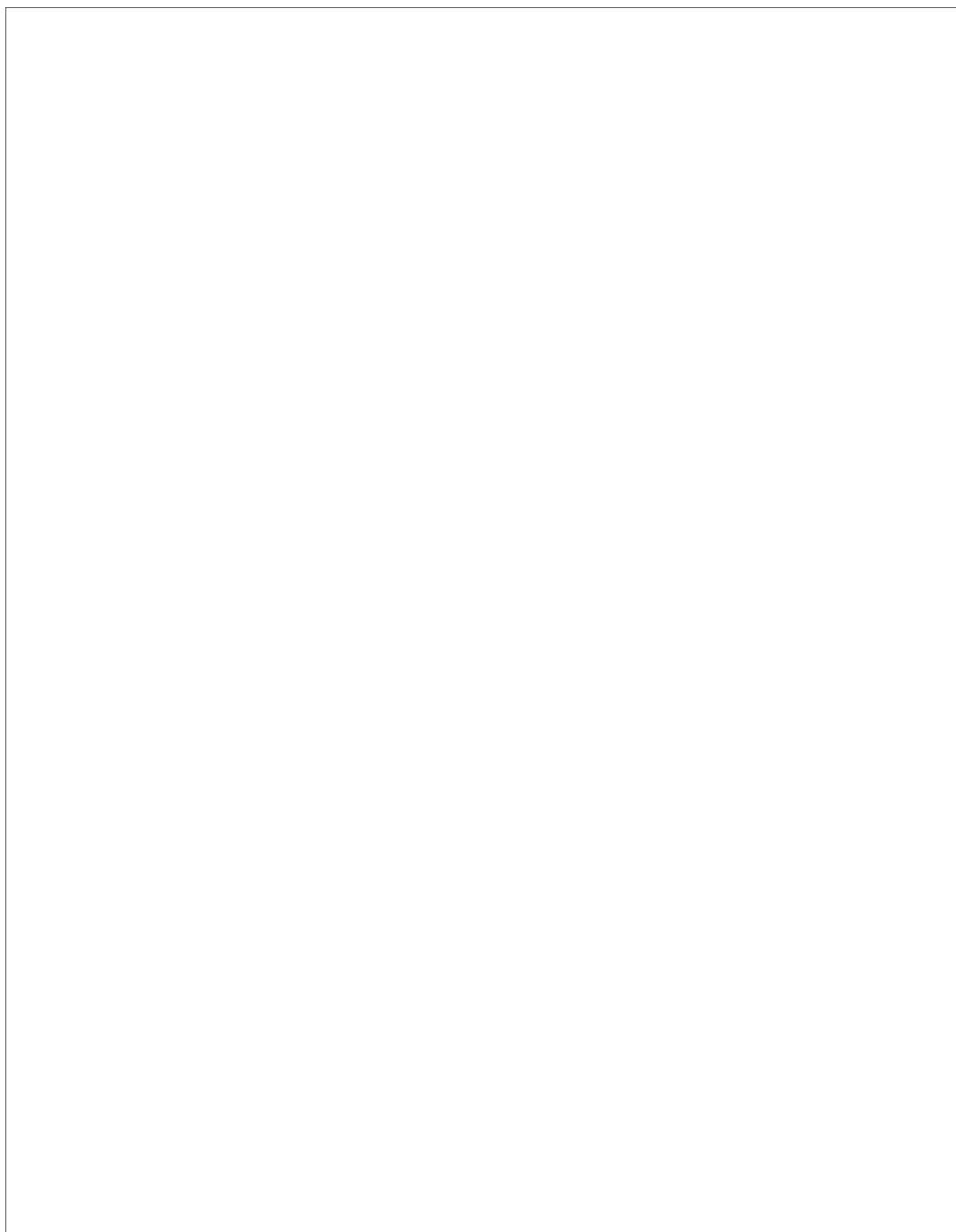


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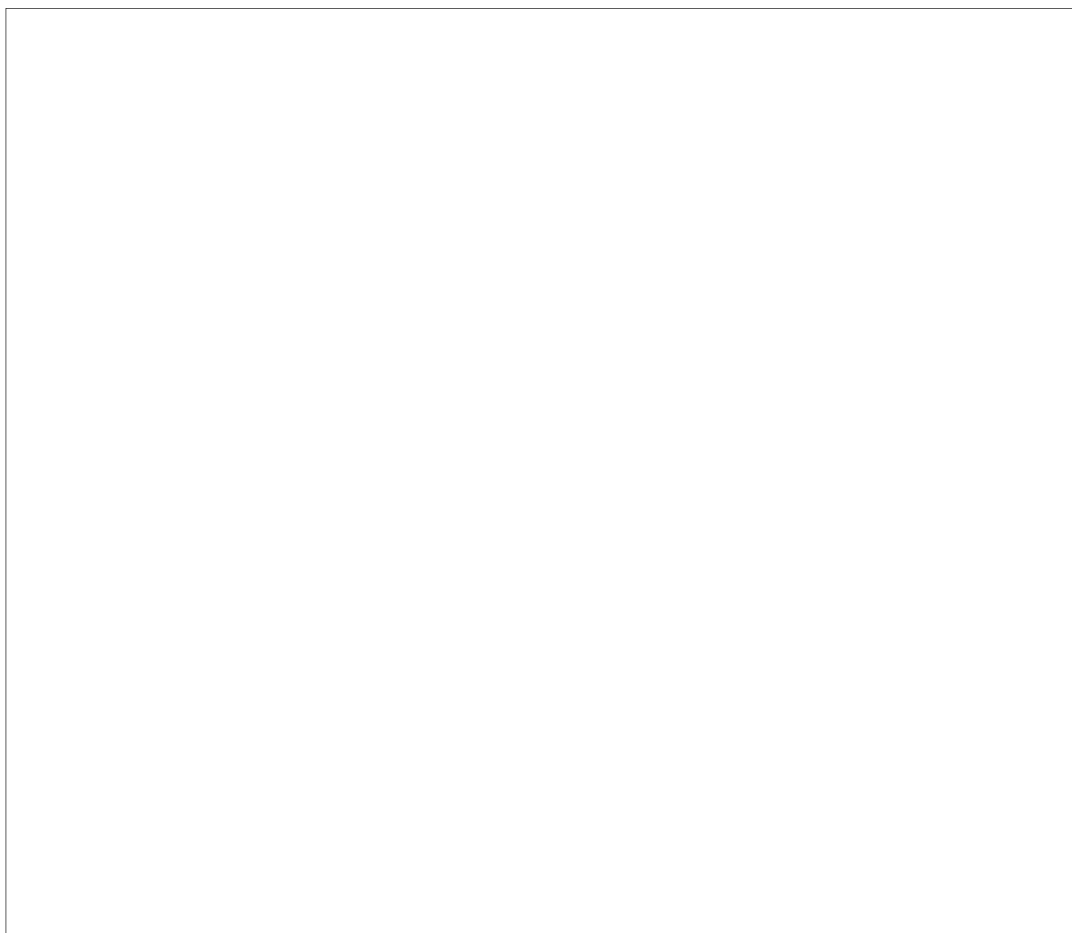
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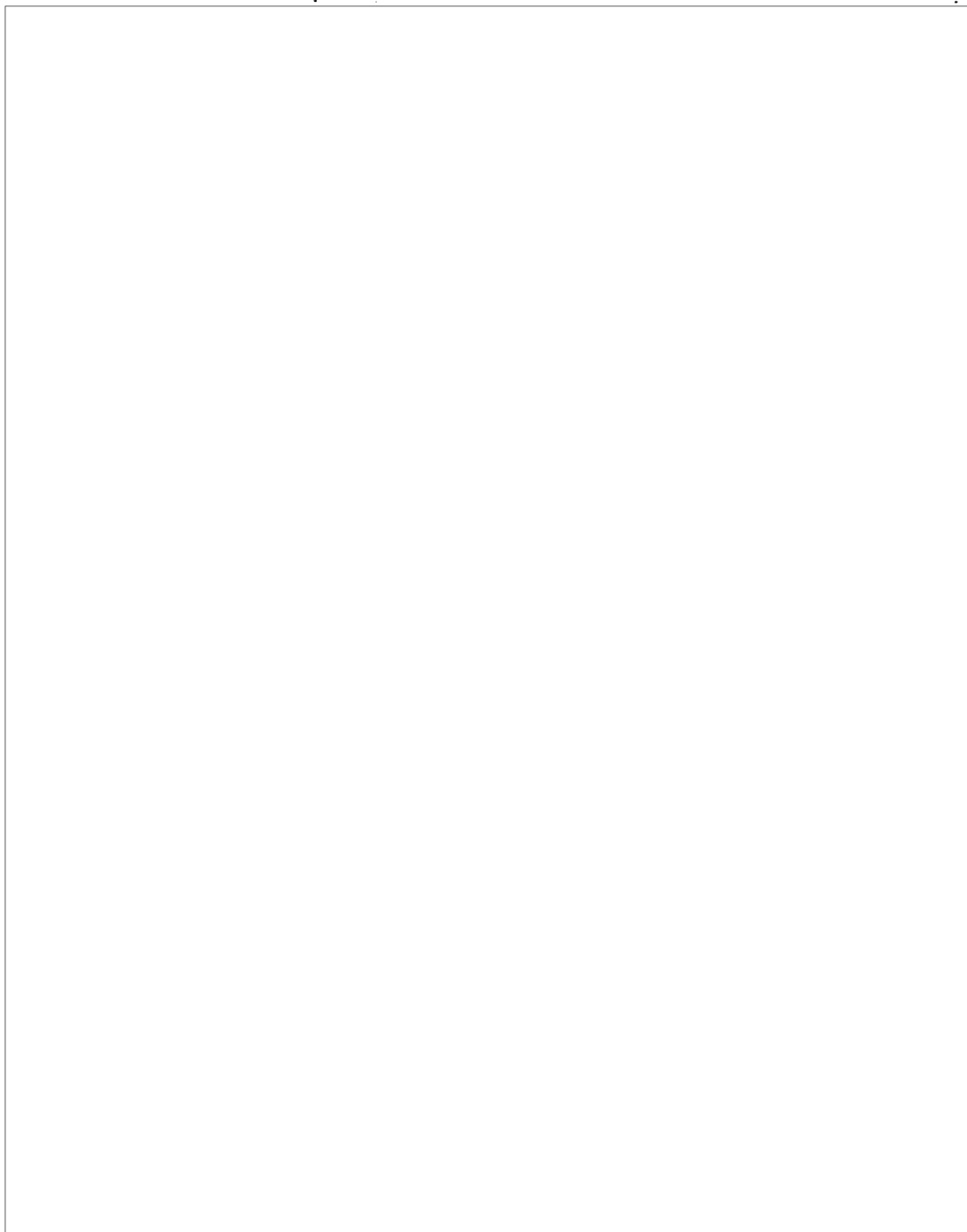


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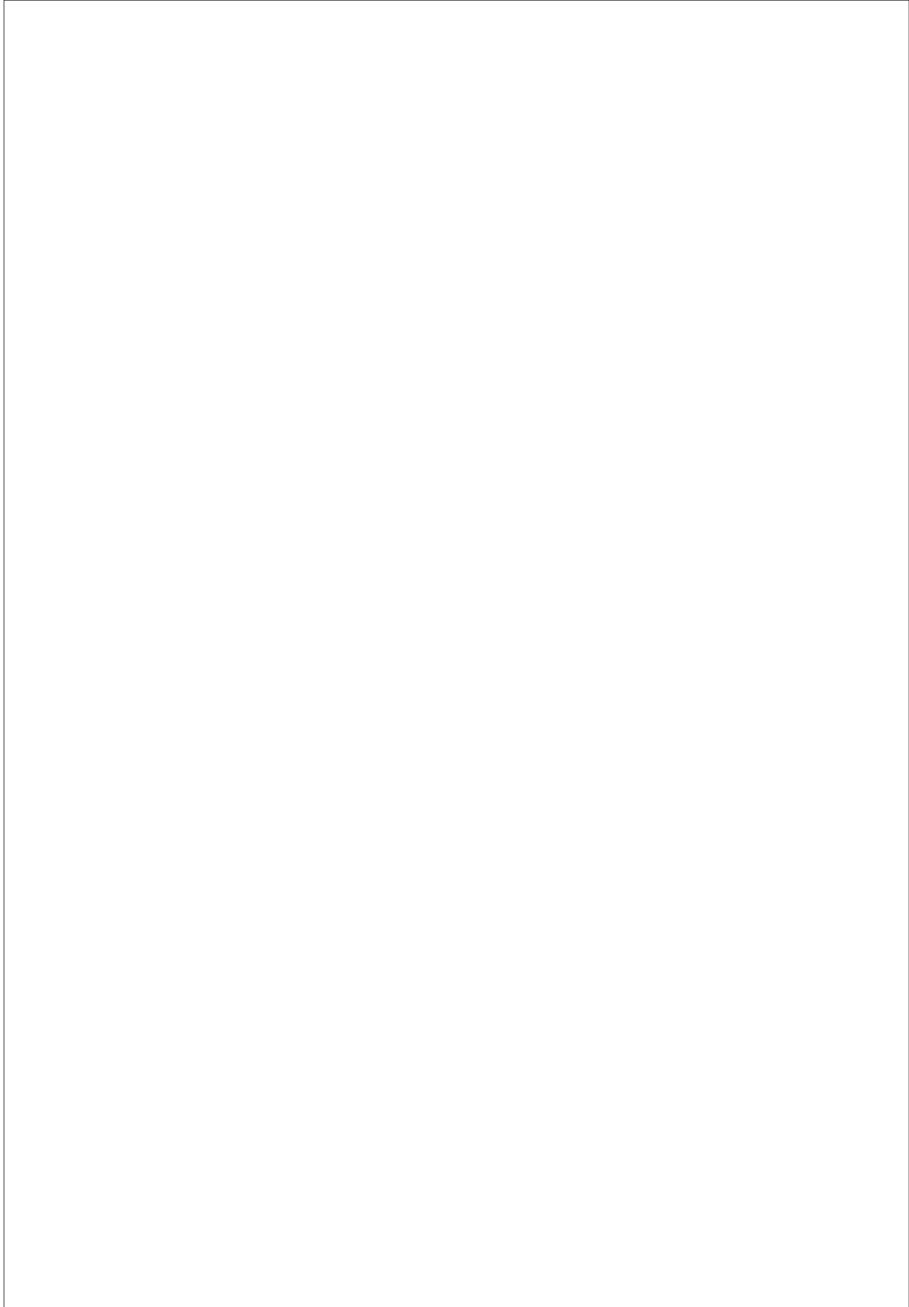
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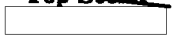
19 December 1989

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19 December 1989