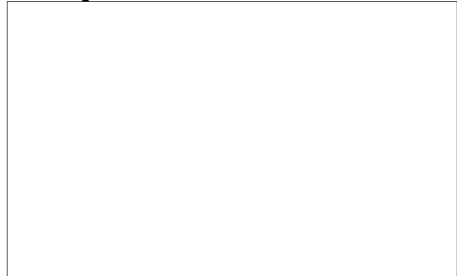




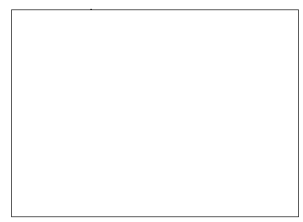
**Director of
Central
Intelligence**

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National Intelligence Daily

**Monday
23 November 1987**



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Contents

Persian Gulf: Situation Report	1
Honduras-Nicaragua: Thinking About an Accommodation	3
Ethiopia: Rebels Impede Famine Relief	4
Peru: Insurgents Thwarting Drug Interdiction	5

Notes

USSR: Selling Gold To Purchase Grain	6
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25X6

Saudi Arabia: Expanding Capacity for Red Sea Exporting	7
Sudan: Increase in Iranian Activity	7
West Germany-East Germany: Discussing Large Loan	8
Poland: Warsaw Appoints Ombudsman	8
In Brief	9

Special Analyses

Suriname: Election Outlook	10
South Korea: Jitters in Ruling Party	11
USSR: Setting Limits on Workplace Democracy?	13



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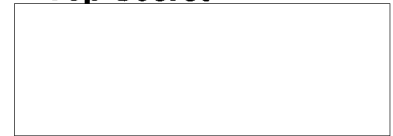
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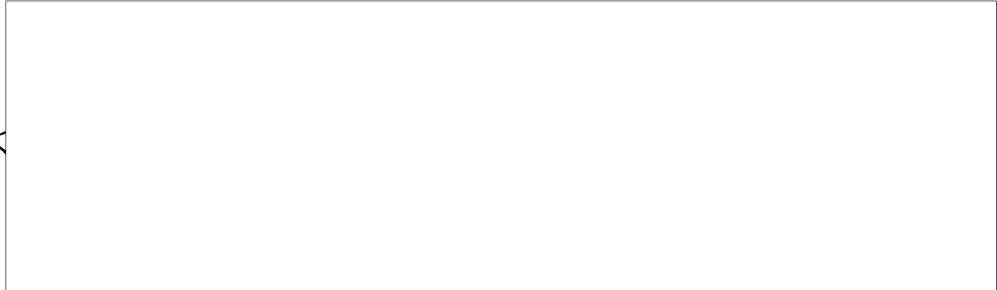
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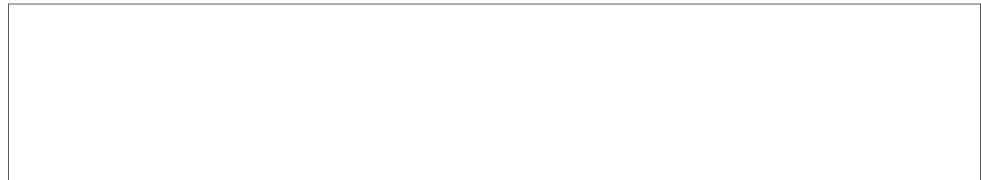
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PERSIAN GULF: Situation Report

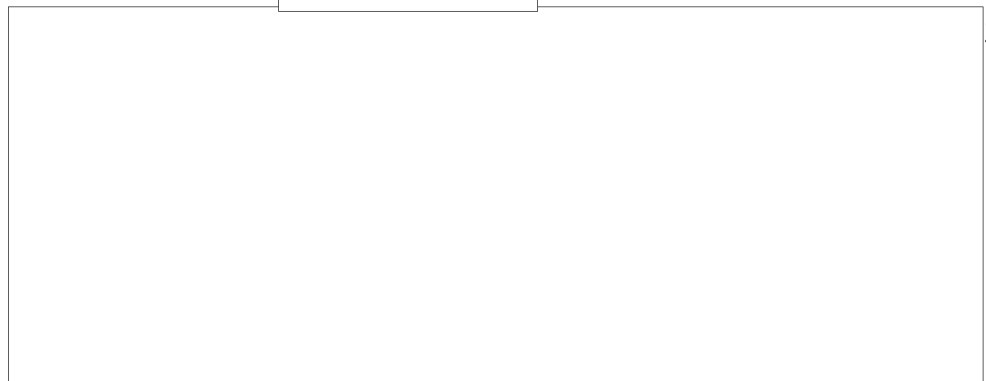
Iranian Ship Attacks



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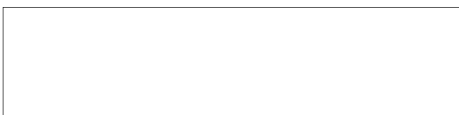
Comment: Despite clashes with US forces in September and early last month, Iran apparently continued to lay mines in the Gulf at least through the middle of last month and possibly later. Tehran probably has not given up the use of mines but is being more careful to avoid detection. Iranian preparations to build up coastal defenses reflect Tehran's continuing concern over a possible escalation of hostilities with the US.

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Increasing Danger to US-Associated Shipping

In a notable change to previous patterns of Iranian ship attacks, Iran appears to be focusing increasingly on US-associated shipping. Three of the seven tankers attacked by Iran this month and four of the 10 struck since mid-October have been US-owned ships. Before the Iranian Silkworm attacks on two US-associated tankers off Kuwait last month, only five US-owned tankers had been attacked by Iran or had struck Iranian mines this year. Iranian media have emphasized the US association of these ships, once they have been attacked, as evidence of US weakness in the Gulf.



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Comment: Iran is likely to continue to target US-associated shipping not under escort. Iranian intelligence probably is capable of locating such ships, and Iranian naval forces probably would have little difficulty in identifying them for attack purposes. Tehran appears to believe such attacks do not risk US retaliation while helping it to spread claims that US naval units are ineffective and should be removed from the region.



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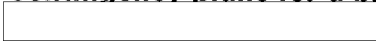


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**HONDURAS-
NICARAGUA:**

Thinking About an Accommodation

Honduras, doubting the firmness of US commitments to Tegucigalpa and the anti-Sandinista rebels, has prepared contingency plans for a bilateral agreement with Nicaragua.

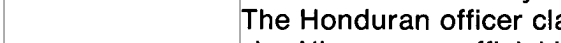


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Armed Forces Chief Regalado ordered a senior officer to prepare contingency plans examining Honduran policy options toward Nicaragua and the anti-Sandinista insurgents. The officer reportedly is recommending an accommodation with Managua because Honduras would have difficulty defending itself against a militarily stronger Nicaragua and has no reliable guarantee of US military support.

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The Honduran officer claims he has established contact with a senior Nicaraguan official in an effort to open the door for talks

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Nicaraguan President Ortega has described the recent Honduran proposal—at the OAS—for dismantling insurgent camps and allowing multilateral inspection teams as a positive development and has told reporters he will call President Azcona to discuss it.



the Hondurans view their OAS proposal as a delaying tactic and as a cornerstone for a future accommodation with Nicaragua should events make that necessary.

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Regalado, under pressure from some powerful Honduran officers to close all insurgent facilities, is skeptical that Azcona can maintain his refusal to allow on-site inspection of Honduran territory.

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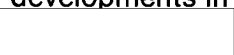


Moreover, Regalado reportedly wants to ensure that the civilian government, rather than the military, is blamed for any harm to Honduran security interests caused by the Nicaraguan insurgents.

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Comment: The Honduran military and the Foreign Ministry are taking the lead on policy decisions toward Nicaragua and appear to be ignoring Azcona's desires. The Hondurans nonetheless are unlikely to move quickly to seek an agreement with Nicaragua and will carefully monitor developments in Washington before deciding their next moves.



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The Sandinistas have long sought a bilateral deal with the Hondurans to shut down the rebel bases. Accepting the Honduran offer would dovetail with Managua's strategy of supporting the Central American peace accord in a bid to end all external aid to the insurgents.

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Ethiopian Food Crisis



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ETHIOPIA: Rebels Impede Famine Relief

Ethiopian relief officials and international donors estimate that the current famine in Ethiopia may prove worse than that of 1984-85. 

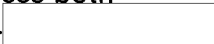
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The full extent of the food shortages will remain uncertain until the UN Food and Agricultural Organization completes a postharvest assessment next month. Foreign relief experts in the field say that 1.7 million people in Eritrea, 1.5 million in Tigray, and 3 million in other provinces are at immediate risk of starvation. Relief officials report that the Ethiopian Government appears crippled by bureaucratic confusion and has yet to mobilize its resources. 

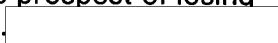
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Meanwhile, food shipments to Makelle in Tigray Province—the hardest hit area—have virtually halted since recent rebel attacks on relief convoys. Insurgents in the north have reiterated their intention to attack all airlifts and convoys not receiving prior rebel clearance. 

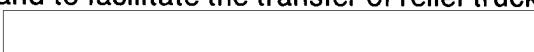
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Comment: The rebels' interdiction of food shipments in the north is a more serious impediment to relief efforts than was the case in 1984-85. Donors are unwilling to meet rebel demands for advance notification on the daily movements of relief trucks—which are slated to distribute an estimated 1 million tons of food over the next year. UN officials say that acceptance of government military escorts would make relief trucks even more likely to be attacked. Some international organizations may push to discontinue the convoys unless both government and rebel forces offer security guarantees. 

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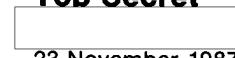
Even a threat by donors to deny rebel-held areas the supplemental food relief funneled into Tigray and Eritrea from Sudan probably would be insufficient to elicit security guarantees from the insurgents. The rebels have ignored donor appeals for free passage within Ethiopia, even though their adherents are particularly at risk of starvation; they are unlikely to be swayed by the prospect of losing the smaller flow of relief from across the border. 

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Despite earlier pledges of support for the relief effort, the government is dragging its feet, as it did in the last famine, on donor requests that it supply trucks or aircraft from its military inventory. It also has failed to grant clearances sought by humanitarian organizations to conduct relief airlifts and to facilitate the transfer of relief trucks from the south to the north. 

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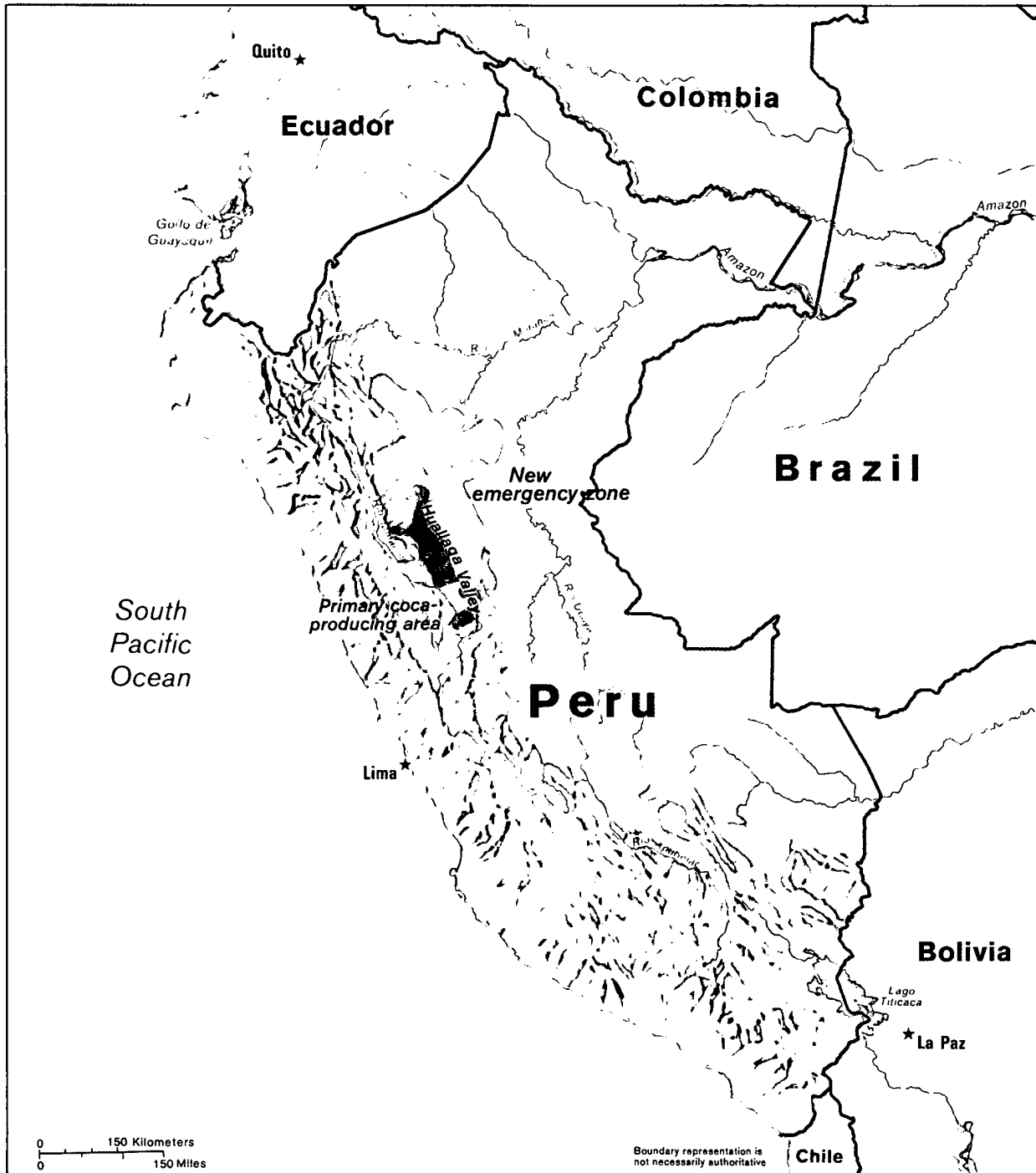
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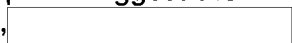
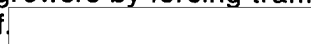
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PERU:

Insurgents Thwarting Drug Interdiction



Increasing insurgent violence is further eroding narcotics interdiction efforts in the upper Huallaga Valley, source of nearly half the world's supply of coca. 

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According to the US Embassy, local residents and police officials estimate that some 300 Sendero Luminoso guerrillas, as well as up to 100 militants of the Tupac Amaru Revolutionary Movement, have infiltrated the valley this year. Although some reports suggest the insurgents and drug traffickers are cooperating,  Sendero is extorting money from many of the drug barons and trying to gain support from peasant cocagrowers by forcing traffickers to pay higher prices for their coca leaf. 

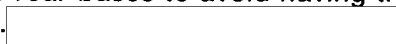
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 Sendero has also disrupted the drug interdiction efforts that began in July by blocking roads and destroying bridges, a campaign that has isolated towns and hindered police mobility. Sendero reportedly is responsible for a series of attacks on police patrols in recent weeks. 

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According to the Embassy, the well-publicized takeover of several towns in the valley by 80 to 100 Tupac Amaru insurgents earlier this month finally forced Lima to declare the region an emergency zone and put it under military control. Press reports say the military is preparing to launch a major counterinsurgency sweep involving more than 1,000 troops. The police official in charge of the antidrug program told Embassy officials he was withdrawing his forces from the major trafficking centers to rear bases to avoid having them commandeered by the military. 

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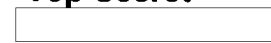
Comment: Insurgent violence has forced the government to shift efforts in the valley from narcotics interdiction to counterterrorism. Although government officials have assured the Embassy they will sustain the antidrug effort, the police withdrawal from key trafficking centers indicates that antinarcotics efforts will be shelved during the military's operations in the emergency zone. 

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The planned counterinsurgency operation probably will drive the insurgents into more remote areas and may quell the violence temporarily. The insurgent attacks against both the security forces and the traffickers indicate, however, that they are trying to establish a long-term, dominant position in the valley. Even though the guerrillas are not cooperating for the most part with the traffickers, eliminating the insurgents from the area may require a sustained counterinsurgency focus that probably will work to the advantage of the traffickers. 

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USSR: Selling Gold To Purchase Grain

The USSR plans to increase gold sales during the remainder of this year and the first quarter of next year to help finance major grain purchases

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[redacted] large grain purchases are necessary because of a poorer-than-expected crop this year. In recent weeks, Moscow has bought, or indicated an interest in purchasing, almost 5 million tons of grain, including 1.7 million of the 2.4 million tons of wheat offered by the US under the Export Enhancement Program. The Soviets also purchased 1.3 million tons of US soybean meal and 800,000 tons of US soybeans.

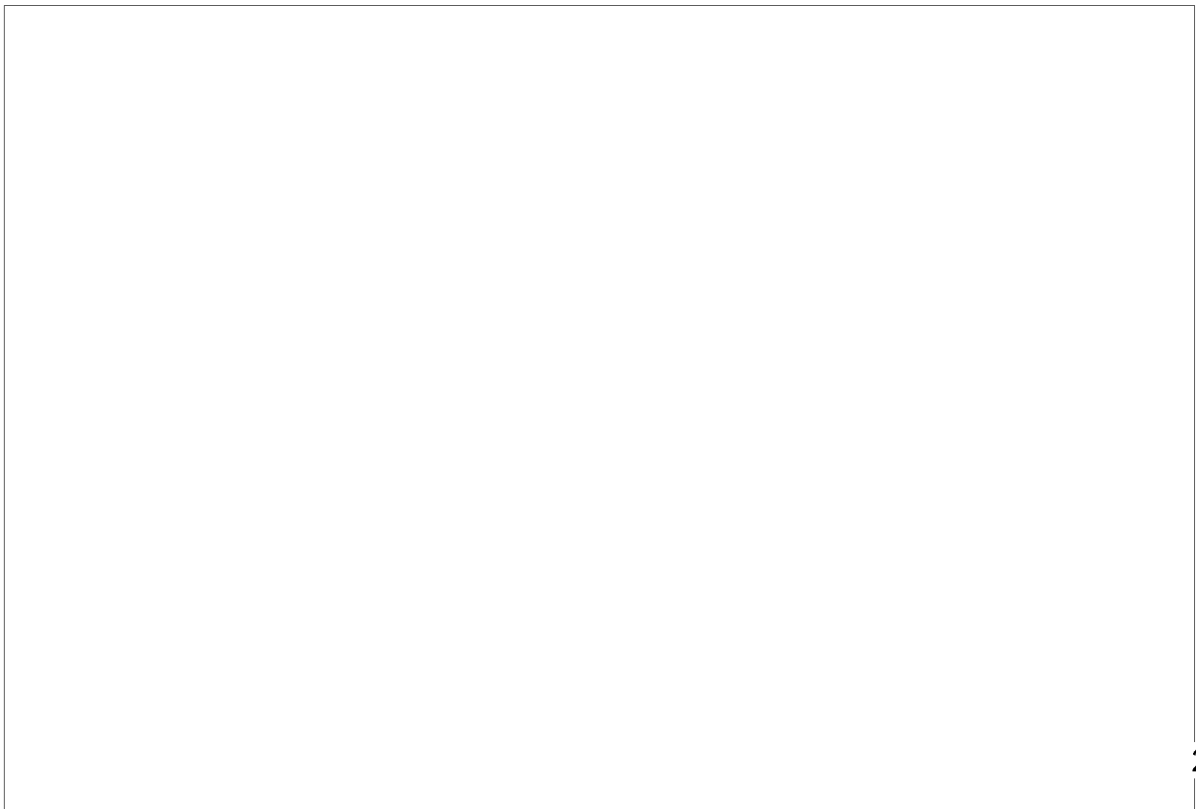
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Comment: Although Moscow is still claiming a grain crop of more than 210 million tons this year, the increased buying activity confirms earlier assessments that the quality of the harvest is poor. Recent purchases have concentrated largely on high-quality wheat and high-protein animal feed, and additional purchases are expected before the end of the year, including the remaining 700,000 tons of subsidized US wheat. Soviet gold sales this year are likely to reach 250 tons, in part because of heavy agricultural purchases. Although this would be one-fourth less than the volume sold last year, gold earnings—because of higher prices—might approach last year's level of \$4 billion.

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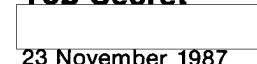
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SAUDI ARABIA: Expanding Capacity for Red Sea Exporting

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Saudi Arabia is expanding the capacities of the East-West Petroline and its Red Sea export terminal at Yanbu al Bahr. A new Aramco project—costing \$368 million and scheduled to be completed by March 1991—will enable the Saudis to transport some 4.8 million barrels per day through the pipeline and export about 4.2 million b/d of oil from the Yanbu al Bahr terminal, [Redacted]

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Comment: The project enhances Riyadh's export capability by 1.5 million b/d through its Red Sea outlet, reducing dependence on the more vulnerable Persian Gulf ports by that amount. By providing Saudi Arabia with an alternative to its Persian Gulf facilities, the project should permit a sustained export level slightly greater than this year's average of 4 million b/d while maintaining refinery supplies in the central and western provinces. To be able to export the full range of Saudi crudes, Aramco will, however, be obliged to construct new pipeline routes from the northern oilfields to Abqaiq, the closest point on the current Petroline. Completion of the project and of Iraq's nearby export facilities—scheduled to become operational in fall 1989—will raise the export capacity of Yanbu al Bahr to 5.8 million b/d of crude. [Redacted]

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[Redacted]

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SUDAN: Increase in Iranian Activity

Iran is spending considerable effort to expand its influence in Khartoum. [Redacted]

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[Redacted] the Iranian Revolutionary Guard has offered to train a Sudanese militia, [Redacted] and Iranian economic and health specialists are volunteering their services to Khartoum. [Redacted] Iranians are courting favorable media treatment and are trying to establish a cultural center despite Khartoum's official ban on such activity. [Redacted]

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Comment: Iranian interest in Sudan has increased steadily since Prime Minister Sadiq al-Mahdi took over last year and commenced a more nonaligned policy. [Redacted]

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[Redacted] Unless the Iranians in Khartoum take some action against foreign diplomats that embarrasses the Sudanese Government, Sadiq is likely to continue to welcome Iranian assistance. [Redacted]

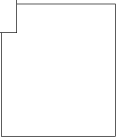
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WEST GERMANY-EAST GERMANY: Discussing Large Loan

Bonn is prepared to guarantee a private bank loan to East Germany in an effort to reinvigorate flagging bilateral trade without increasing West Germany's budget deficit.

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Chancellor Kohl is willing to guarantee the loan, provided East Berlin formally applies for the guarantee and agrees to use the funds to purchase West German goods. The size of the proposed loan is unknown, but,

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East Berlin is seeking 8-10 billion marks from all sources to modernize its textile and leather industries and to obtain computers, telecommunications, and pollution-control equipment.

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Comment: Chancellery officials undoubtedly are seeking to spur economic relations following the Finance Ministry's refusal to allocate funds for virtually all the projects discussed during East German leader Honecker's recent visit. East Germany is seeking West German bank credits to help its key export industries without drawing down its hard currency reserves. Kohl probably wants this loan tied to purchases of West German goods to avoid the criticism he took over two previous loans to East Berlin that Bonn had received nothing in return for its financial largess.

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POLAND: Warsaw Appoints Ombudsman

The Polish parliament last week confirmed the appointment of Ewa Letowska, a legal expert for the Academy of Sciences, as the newly created Civil Rights Ombudsman. Letowska has an eminent legal background, but the government's insistence on a quick vote for its candidate caused considerable debate in parliament and resulted in 47 of its 302 members abstaining.

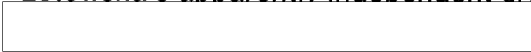
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Comment: Although Letowska apparently is not a controversial choice, the ramrodding of her appointment will raise doubts among the opposition about the regime's promise to allow a more democratic process in official appointments. The Patriotic Movement for National Rebirth, which is widely viewed as a government mouthpiece, endorsed the choice last week, but there is no evidence that independent groups such as the Catholic Church were widely consulted. As Poland nears its referendum on political and economic reforms, ~~next Sunday~~, critics will denounce the method of appointment as further proof that the regime is insincere, but the populace is likely to view the appointment more favorably because of Letowska's apparently independent credentials.

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In Brief



- Terrorist team backed by **Iran or Libya** planning attack soon on US diplomats in **Algeria**, [redacted] group said to be directed by former President Ben Bella . . . Embassy taking precautions. [redacted]



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Africa

- UN Security Council to vote tomorrow on resolution condemning **South African** incursion into **Angola** . . . Luanda seeking tough resolution following its failed offensive . . . **UK** likely to succeed in winning moderate language, avoiding mandatory sanctions. [redacted]



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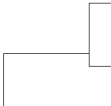
- **Nigeria** expanding crude oil production about 10 percent above OPEC quota, according to US Embassy . . . soft oil markets likely to force Lagos to discount prices . . . another indication of possible dissension at OPEC meeting next month. [redacted]



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Americas

- **Cuba** resumed emigration accord with US to ease domestic discontent . . . officials have admitted some 20 percent of population want to emigrate . . . US quota to accept up to 27,000 annually unlikely to rid Cuba of enough malcontents. [redacted]



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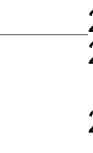
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Europe

- [redacted] **West Germany** to improve capabilities of current antitank helicopters instead of purchasing US system . . . decision follows signing of memorandum of understanding with **France** to coproduce PAH-2, available in late 1990s. [redacted]



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USSR

- **USSR** reveals plan for defense industry to help retool food-processing sector by 1995 . . . defense, machine-building ministries to increase equipment deliveries by "fourfold to ninefold" . . . first details on industry's role in civil modernization. [redacted]

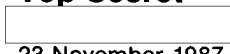


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Special Analysis

SURINAME: Election Outlook

Although frictions with Suriname's military regime are growing, the democratic opposition coalition stands a good chance of winning the two-thirds majority needed in the national assembly election on ~~Wednesday~~ to select a president next year.



Opposition unity nonetheless is fragile, and the military's determination to protect its interests almost certainly ensures that Head of Government Bouterse will call the shots no matter who wins.

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Despite the increasingly belligerent campaign rhetoric of Bouterse's party, coalition leaders are exercising restraint to avoid giving the military a pretext for canceling the election. ~~According to the US Embassy,~~ Regardless of the coalition's shortcomings, the public's hatred of the regime probably will enable the democratic opposition to win a two-thirds majority in the assembly, assuming the balloting is relatively honest.

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~~Bouterse's party has reportedly tried to influence the outcome by raising the salaries of some civil servants and by buying votes. Bouterse probably realizes, however, that winning fraudulently would be counterproductive and probably would block the resumption of Dutch aid.~~

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Behind a facade of unity, the coalition is showing signs of dissension and disorganization that could weaken its challenge to Bouterse. It has yet to formulate a party platform or to name its choice for president or vice president, which needs to be done by late January.

~~coalition members disagree over the extent to which they should cooperate with the military after the election.~~

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Military concerns about its perquisites and possible civilian prosecution for abuses could yet disrupt the election. The election is likely to occur, however, because Bouterse is confident he can continue exerting political power no matter who wins. ~~Embassy reporting suggests his belief has been strengthened by promises of continued cooperation from opposition leaders and constitutional safeguards for the military.~~

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Special Analysis

SOUTH KOREA:

Jitters in Ruling Party

With less than a month to go before South Koreans elect a new president, the opposition is focusing on ruling-party candidate Roh Tae Woo's ties to Chun and the coup that began the President's rise to power. Roh has made little headway in his efforts to deflect attention from his identification with the military-dominated government. While no decisive trend in voter opinion has yet emerged, [redacted] the ruling camp is exploring ways to preempt an opposition victory.

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Leading opposition candidates Kim Young Sam and Kim Dae Jung have increased attacks against Roh for his role in Chun's takeover, particularly his decision to withdraw troops from forward areas to support Chun's move against Army headquarters in December 1979. Both Kims have recruited former military officers to speak out against the Army's role in politics. The success of Kim Young Sam in persuading former General Chung Sung Hwa to join his camp has been especially damaging to Roh. Chung, the Army Chief of Staff overthrown by Chun, has publicly challenged the ruling camp's justification for removing him. [redacted]

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Chung and other purged officers no doubt are lining up with the Kims partly in hopes of revenge and restitution, but their move also may ease concerns among politically moderate voters about the Kims' ability to reach rapprochement with the military [redacted]

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Roh Tries To Look Ahead

The ruling camp—knocked off balance by the Kim Young Sam-Chung Sung Hwa alliance—has had to defend the 1979 takeover. Roh's efforts to explain his actions have been only partly successful. The US Embassy says some of Roh's advisers are urging him to put even more distance between himself and Chun, perhaps with a grand reform gesture close to election day. Roh's personal ties to Chun—who reportedly still controls the party's purse strings—and pressure from hardline Chun loyalists have kept Roh from going very far. Instead, he has tried to direct the public's attention to the future, publicly committing himself to an agenda of political and social welfare reforms that match or outstrip those of the opposition. [redacted]

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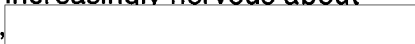
The approach has not yet paid off. The ruling party's costly political rallies have been marred by protests and low turnouts. Ruling-camp strategists are reportedly worried about the rising popularity of Kim Young Sam among white-collar workers and the inroads made by fourth-place candidate Kim Jong Pil among conservative voters. Feedback from local party organizations, the police, and rank-and-file bureaucrats also suggests little grassroots enthusiasm for pushing Roh's campaign. Indeed, in an effort to motivate his subordinates to do more, Chun's security chief reportedly has told them that they might as well "throw themselves in front of a truck" if the opposition wins.



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Preparing for the Worst

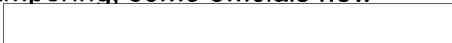
Planners in the ruling camp are becoming increasingly nervous about Roh's chances in a noncontrolled election,



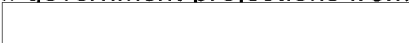
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As a result, they are considering black propaganda and dirty tricks, reportedly to include ballot tampering; some officials now appear prepared to go even further.

claims ruling-camp planners have thought about fabricating evidence of ruling-party fraud to give Chun an opportunity to declare the election null and void if government projections from early returns indicate Roh is losing.

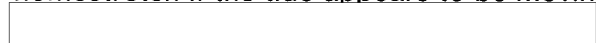


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Recent polls, while of questionable accuracy, suggest the race is far from over. But signs the ruling camp is unwilling to accept defeat raise concern about the prospect for prudent calculation in the homestretch if the tide appears to be moving strongly against Roh.



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USSR: Limits of Law on State Enterprises

The law contains ambiguities that leave unclear how great a voice workers will actually have in elections. For example, proposals for mandatory secret balloting were rejected in favor of allowing the electoral coordinating body—which can be a commission of workers or a group of party and ministry officials and workers—to choose between secret or open balloting, thus providing workers no guarantee against managerial pressures to vote for favored candidates. Moreover, the law provides few guidelines as to how elections should be conducted; the mechanics of the electoral process are not spelled out. Finally, the law's provision that winning candidates must be confirmed by the enterprise's superior organ, in effect, gives ministries veto power over the election results.



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Special Analysis

USSR:

Setting Limits on Workplace Democracy?

Elements within the Soviet leadership appear to be seeking to place greater controls on General Secretary Gorbachev's plan to give workers a voice in selecting their managers, a key aspect of his "democratization" program. The General Secretary has promoted worker elections as a means of increasing labor commitment to factory performance while making managers less beholden to parent ministries. The Law on State Enterprises ratified in June authorized such elections but contained loopholes that could allow either the ministries or the party to manipulate the process. Some elections have already occurred, but the critics have become more vocal. They are expressing fear of a loss of party control as well as concern that workers will elect "soft" managers rather than innovators inclined to implement changes that threaten job security and egalitarian wages.

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The new law authorized labor collectives to elect their leaders—from shop foremen to directors. Motives behind this move to "democratize" the workplace were threefold:

- Workers are given a direct stake in the success of their factories; according to Gorbachev, "a house can be put in order only by a person who feels that he owns his house."
- Managers are pressured from below to be competent because a manager's actions to increase factory output are directly related to worker earnings.
- Ministerial interference might be reduced as the ministries play a less direct role in the selection of managers; Gorbachev's economic adviser Aganbegyan said elections would "break the grip" of the managers' superiors.

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Implementation

Elections have already been held in hundreds of enterprises, with mixed results. According to Soviet media, some worker collectives have selected reformers, but others have elected managers who tolerate lax discipline and low productivity. At least in some cases, the ministries have subverted worker "self-management"—by tactics that include pressuring worker-nominated candidates to withdraw. In other cases, party committees in enterprises have evidently exerted a major influence on election outcomes.

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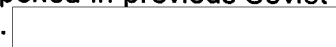
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Not surprisingly, workers seem more enthusiastic than managers about the idea of elections, at least in principle. In one Leningrad survey, 45 percent of the workers polled expected the enterprise law to produce positive results. Many workers nonetheless remain skeptical that the elections will prove to be anything but rubberstamping exercises, as has happened in previous Soviet elections and in Hungary and Bulgaria.

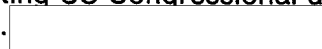
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Signs of Controversy

Several Gorbachev allies, including Politburo members Yakovlev and Zaykov, have made favorable public references to the benefits of worker elections. On the other hand, "Second Secretary" Ligachev—a critic of many of Gorbachev's reforms—has placed heavy emphasis on the importance of maintaining a strong party influence over the labor collectives. Ukrainian party boss Shcherbitskiy, another conservative leader, publicly supports the election of factory managers but has told a visiting US Congressional delegation of his doubts about such elections.

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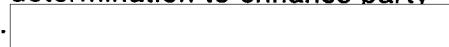
Pravda last week decried "distortions and excesses" in enterprise elections. While admitting that elections had succeeded in reducing worker apathy and improving enterprise performance in some factories, the article noted that some elections had turned into unseemly "festivals" or "auctions," while others had replaced "exacting leaders" with people "as pliant as wax." Reminding readers that self-discipline is a necessary part of "democratic" rights, *Pravda* stressed the role of the party and denounced efforts to hinder party organs' influence in the election process.

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The law also described the party organization as the "political nucleus" of the labor collective, and it is unlikely that Gorbachev desires a situation in which workers would select their managers without party guidance. The overall tone of the *Pravda* article is more conservative than Gorbachev's previous statements on the subject. Coming in the wake of Gorbachev's cautious speech marking the 70th anniversary of the Bolshevik Revolution and the removal of prominent reformer Yel'tsin from his Moscow party post, the article appears to signal the conservatives' determination to enhance party control as reforms are implemented.

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