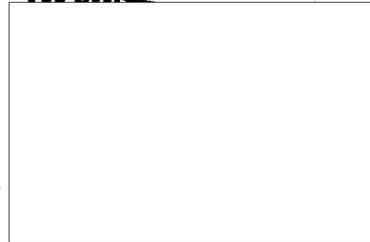


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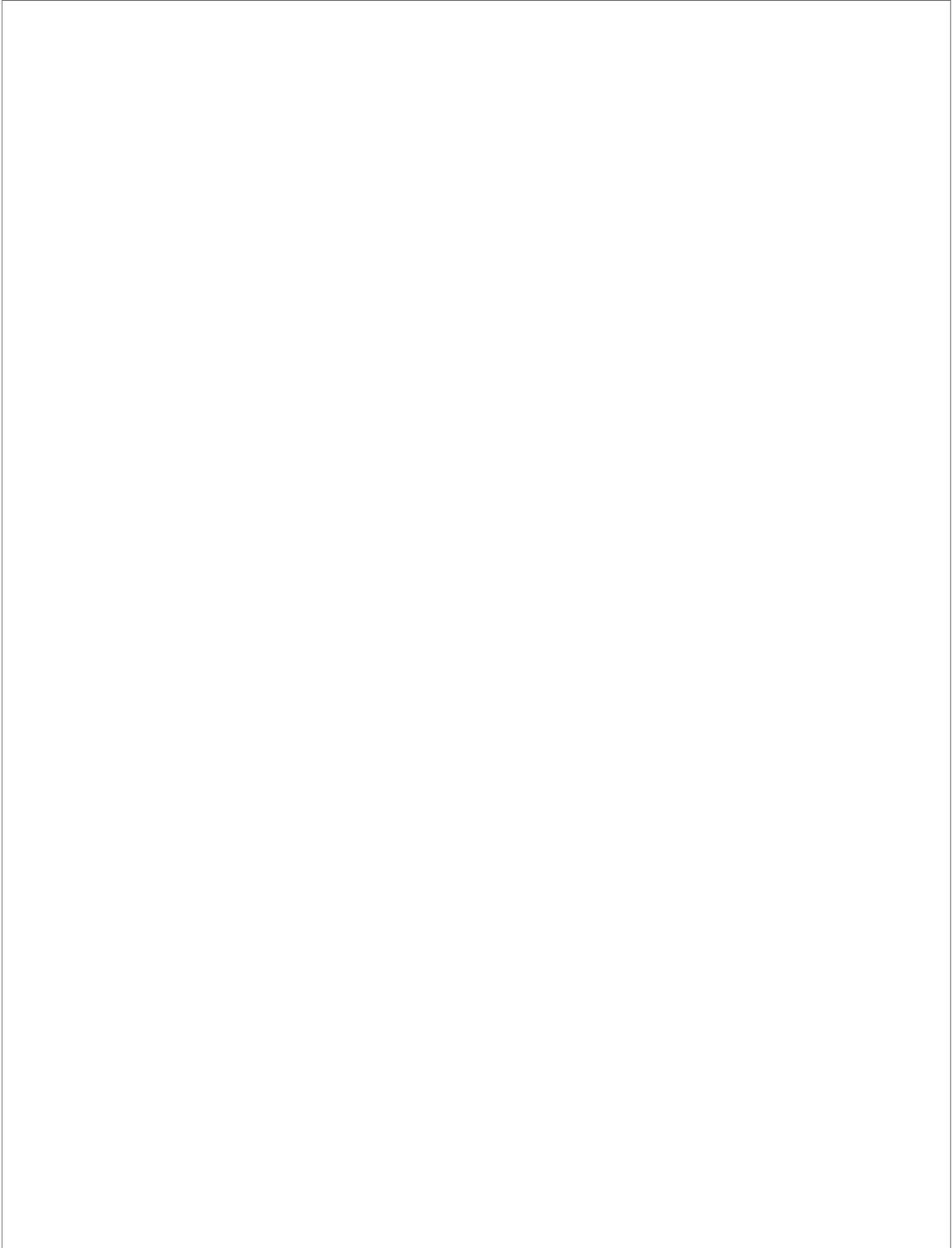
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USSR:

Vilnius Puts Ball in Moscow's Court

The Lithuanian legislature's announcement yesterday of a moratorium on the republic's independence declaration will probably be enough to open talks with Moscow; how far President Gorbachev will go in those negotiations remains unclear.

By a 69-to-35 vote, the legislature adopted the plan put forward by President Landsbergis that calls for a 100-day, extendable moratorium to begin when talks with Moscow open. Moscow did not immediately react officially. According to TASS, Lithuanian Prime Minister Prunskiene on Thursday said Gorbachev had told her and Landsbergis that Moscow would open talks "immediately following" the declaration of a temporary moratorium and would lift its blockade "that same evening."

The plan specifies that the moratorium becomes invalid if talks break off or if the legislature cannot function, an apparent safeguard against the imposition of direct rule by Moscow. Lithuanian leaders have stressed that the moratorium does not invalidate the republic's independence declaration of 11 March.

Comment: The declaration appears to meet Moscow's requirements to open talks. Gorbachev may, however, balk at the moratorium's contingency on talks or raise cosmetic objections. Any such action would strengthen the arguments of Lithuanians who believe the center cannot be trusted and might, if accompanied by threats, lead the legislature to rescind the moratorium offer. The two sides probably will try to start at least preliminary talks as soon as possible—Lithuania to hasten the lifting of the blockade and Moscow to get things under way before the Western economic summit opens in Houston on 9 July. Gorbachev also will hope to use the Lithuanian concession at the Soviet party congress against traditionalist elements who have been arguing that his policies are leading to a breakup of the union.

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USSR:

Accord With East Germany on Troop Support

East Berlin, with Bonn's coaching, has settled some key short-term financial issues related to the Soviet military presence in East Germany; Bonn continues to hold out prospects for economic benefits to encourage Soviet acquiescence to a unified Germany in NATO, but Moscow is playing for more than economic benefits.

East Berlin has agreed to pay Moscow \$740 million for the rest of this year as a subsidy for Soviet troops stationed in East Germany, according to press reports; the West Germans originally indicated they would pay significantly less. East Germany will let Soviet troops stationed there exchange ostmarks they now hold for deutsche marks at a 2-to-1 rate, a compromise between the 1-to-1 rate the Soviets wanted and the 3-to-1 rate for foreigners.

Comment: Chancellor Kohl probably believes the agreement will cushion Soviet hardline criticism of President Gorbachev's acceptance of German unification and strengthen his own hand when he visits Moscow on 15-16 July. The deal reportedly covers only this year, and Bonn probably could renege if the Soviets are inflexible on NATO membership or on a timetable for removing their forces.

The West Germans almost certainly are closely guiding East Berlin on security issues to ensure that the East Germans do not compromise Kohl's aims. Bonn probably is especially on guard against any East German tendency to equate the presence of Soviet and NATO troops in Germany.

Moscow welcomes the stopgap financial agreement because, without it, the Soviets would have had to begin paying some of the costs of garrisoning in scarce hard currency when the German economic and monetary union is implemented tomorrow. But Moscow wants more than economic sweeteners. It probably interprets Bonn's acceptance of financial arrangements before Germany's alliance status is resolved as justification of its hard line on security issues. The Soviets may believe the deal confirms Bonn is so eager to avoid confrontation that it will continue to take the lead in pressing for an accommodation of Soviet concerns at the NATO summit in London next week. Moscow probably is quite comfortable with East Berlin as a negotiating partner and undoubtedly views its own proposal that unified Germany adhere to the legal obligations of both German states as a safeguard.

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Honecker Facing Charges for Border Violence

East Germany's acting state prosecutor, Guenter Seidel, yesterday announced he has brought murder charges against ousted Communist leader Erich Honecker for authorizing the use of deadly force against would-be escapees seeking to cross the intra-German border. At the Berlin Wall—built when Honecker was chief of internal security—at least 77 people were killed and another 113 wounded trying to escape to the West between 1961 and 1989, according to a West Berlin human rights group.

The emotionalism of an election year may mean authorities will be forced to put Honecker on trial or expel him from the country. They probably will make further arrests of Communist-era leaders, border guards, and secret police officials.

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~~Top Secret~~**GERMANY:** **Unification Advances on Berlin**

The momentum of German unification is increasingly impinging on Four-Power rights and may soon formally raise the issue of whether to transfer the capital to Berlin. [redacted]

The two Germanys today will sign an agreement—it takes effect tomorrow—to eliminate border controls between them and in Berlin. [redacted] the Soviets this week agreed to discuss an Allied plan to open the air corridors to Berlin to non-Allied aircraft for the first time and to let the two Germanys participate in Berlin's air-safety system. [redacted]

West Berlin's leaders have publicly criticized Soviet Foreign Minister Shevardnadze's call last week to withdraw all Allied troops from Berlin within six months of an all-German election. Bonn reportedly believes East Germany will press for a commitment in the second unification treaty to have Berlin replace Bonn as the capital of a united Germany. [redacted]

Comment: Eliminating border controls in Berlin will fuel German moves to unify the city's government and to end Four-Power occupation as rapidly as possible. Bonn almost certainly hopes Moscow's agreement to include the two Germanys in the Berlin air regime is a sign the Soviets will give up all their Four-Power rights by yearend. Moscow hopes its proposal to lift Four-Power rights in Berlin alone will induce the Germans to accept other aspects of its proposals, including confirmation of Four-Power rights in Germany as a whole for a transition period. [redacted]

Chancellor Kohl favors having Berlin as the capital but probably will resist making an early commitment. He will not move most government functions until Soviet troops leave East Germany but may raise the issue when an all-German legislature convenes, most likely next January. Berlin's leaders may insist that Allied troops remain in Berlin as long as Soviet troops are on East German territory, risking the impression that Allied and Soviet troops are in Germany on the same basis. [redacted]

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Pretoria Facing Other Labor Problems

In addition to the planned strike on Monday, several other issues cloud labor relations in South Africa:

- Black unions are angry that the recent legislative session failed to enact new labor legislation proposed by leading black labor federations and a white employers' group to replace a law black workers reject as antiunion. But by agreeing to form a committee of business, labor, and government to discuss changes in the law, de Klerk appears to have forestalled a threatened nationwide strike over the issue.
- Gold prices approaching four-year lows have put well over 100,000 jobs at risk in high-cost mines. More than 1,000 mineworkers, mostly black, have been laid off this month.
- The National Union of Mineworkers since last month has been engaged in a wage dispute with gold and coal mine employers that may lead to a damaging miners' strike this year.

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~~TOP SECRET~~**SOUTH AFRICA: Planned Strike Threatens New Violence**

A call by the ANC and its allies for a nationwide strike Monday to undermine Zulu Chief Buthelezi threatens to spark a significant increase in violence between black supporters of the ANC and Buthelezi's Inkatha group.

The strike ostensibly is aimed at pressing Pretoria to lift the state of emergency in Natal Province and to disband KwaZulu homeland police controlled by Buthelezi. Announced several weeks ago by the powerful Congress of South African Trade Unions (COSATU), the boycott will kick off a weeklong campaign of anti-Buthelezi marches and rallies. The ANC leadership only endorsed the strike on Thursday.

Comment: Supporters of the ANC coalition and Buthelezi's Inkatha group over the past three years have fought each other bitterly for the backing of blacks in Natal. The government will try to protect commuters from boycotters, contain black-on-black violence, and minimize the damage to talks with the black opposition. Nonetheless, President de Klerk will strongly denounce the ANC coalition's role in organizing the showdown if violence occurs, particularly because Buthelezi remains popular among whites.

ANC support for the campaign, which will occur while Nelson Mandela is still overseas, seems tentative. Most ANC leaders probably doubt the protest will lead to a disbanding of the KwaZulu police, and they surely believe it is likely to work against ANC goals of quelling unrest in Natal and ending the state of emergency there. The protest might backfire, winning Buthelezi greater domestic and foreign support.

Some black activists allied with the ANC apparently are trying to defuse the situation by portraying the strike as antigovernment. Buthelezi's rhetoric, however, has been inflammatory, painting the campaign as an attack against all of South Africa's 8 million Zulus, not just Inkatha's 1.6 million members.

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Strike Activity, June 1990



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ZAIRE:

Troubled Prospects at Thirty

President Mobutu marks the 30th anniversary of Zaire's independence from Belgium today beset by domestic woes and growing international isolation, but he seems determined to maintain control through manipulation, defiance, and cosmetic reforms.

The legislature this month adopted constitutional amendments limiting the number of parties to three and confirming the President's control of the government and security forces:

Politically motivated off-budget spending has already pushed the deficit over \$80 million,

Government offers of bonus payments have failed to quell a rash of strikes over wages, including some by railworkers and miners in the politically volatile, economically vital Shaba Region. The railworkers reportedly want to close the state-owned copper and cobalt mines, which account for two-thirds of Zaire's annual export earnings, about \$1.2 billion.

Bilateral donors are freezing or cutting back aid; the collapse of the IMF-sponsored economic adjustment program has made Kinshasa ineligible for Paris Club debt relief. The World Bank slashed its loan commitments this year from \$500 million to \$50-60 million.

Comment: Mobutu probably hopes to get by with only cosmetic reforms. Likely cuts in aid from Belgium, his main benefactor, may lead him to suspend all foreign debt payments; Kinshasa has fallen \$100 million behind in debt service this year. Mobutu may try to turn to Paris, but France almost certainly has no interest in a large-scale commitment to Zaire. Estrangement from his West European backers probably will lead him to press for increased US aid. If he deems that support inadequate, he may expel some US diplomats or reduce US access to Zairian facilities.

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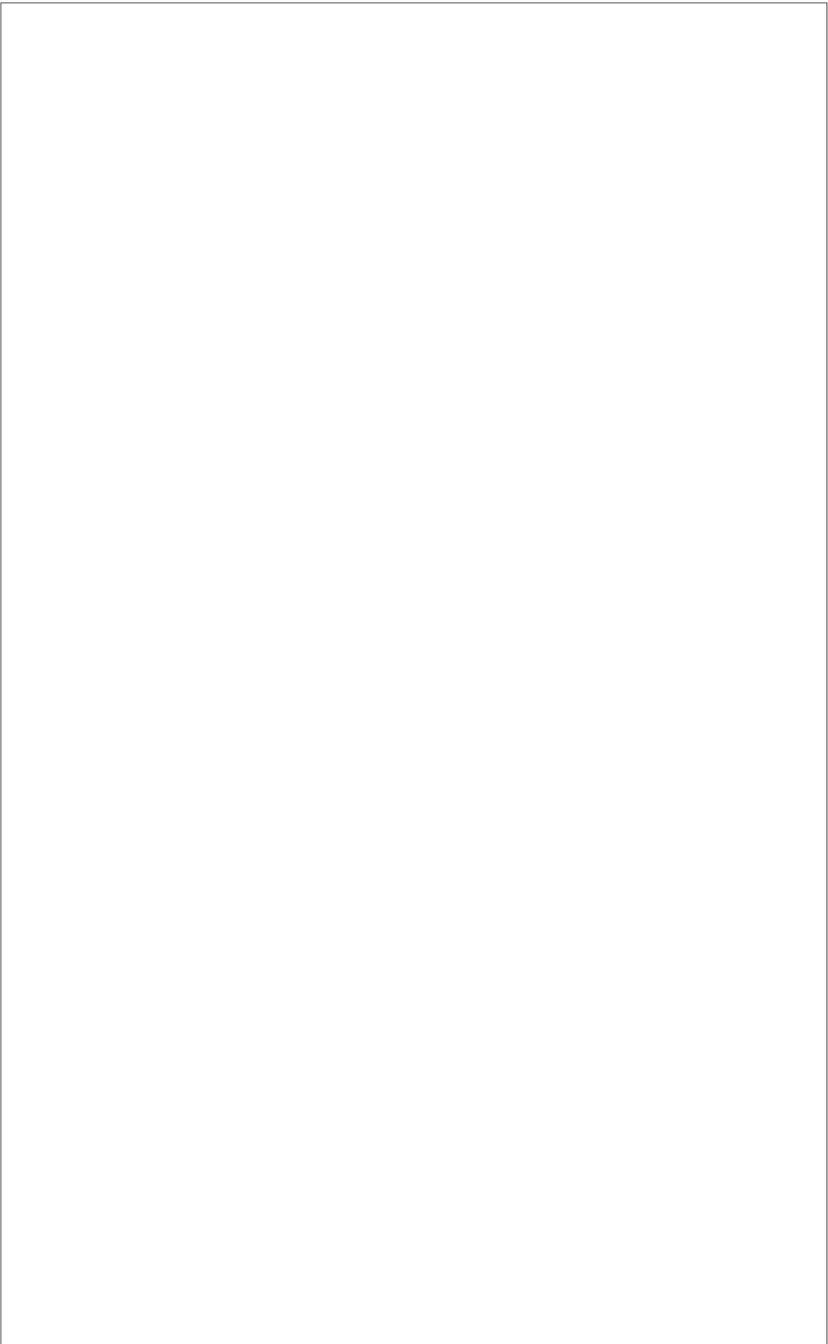


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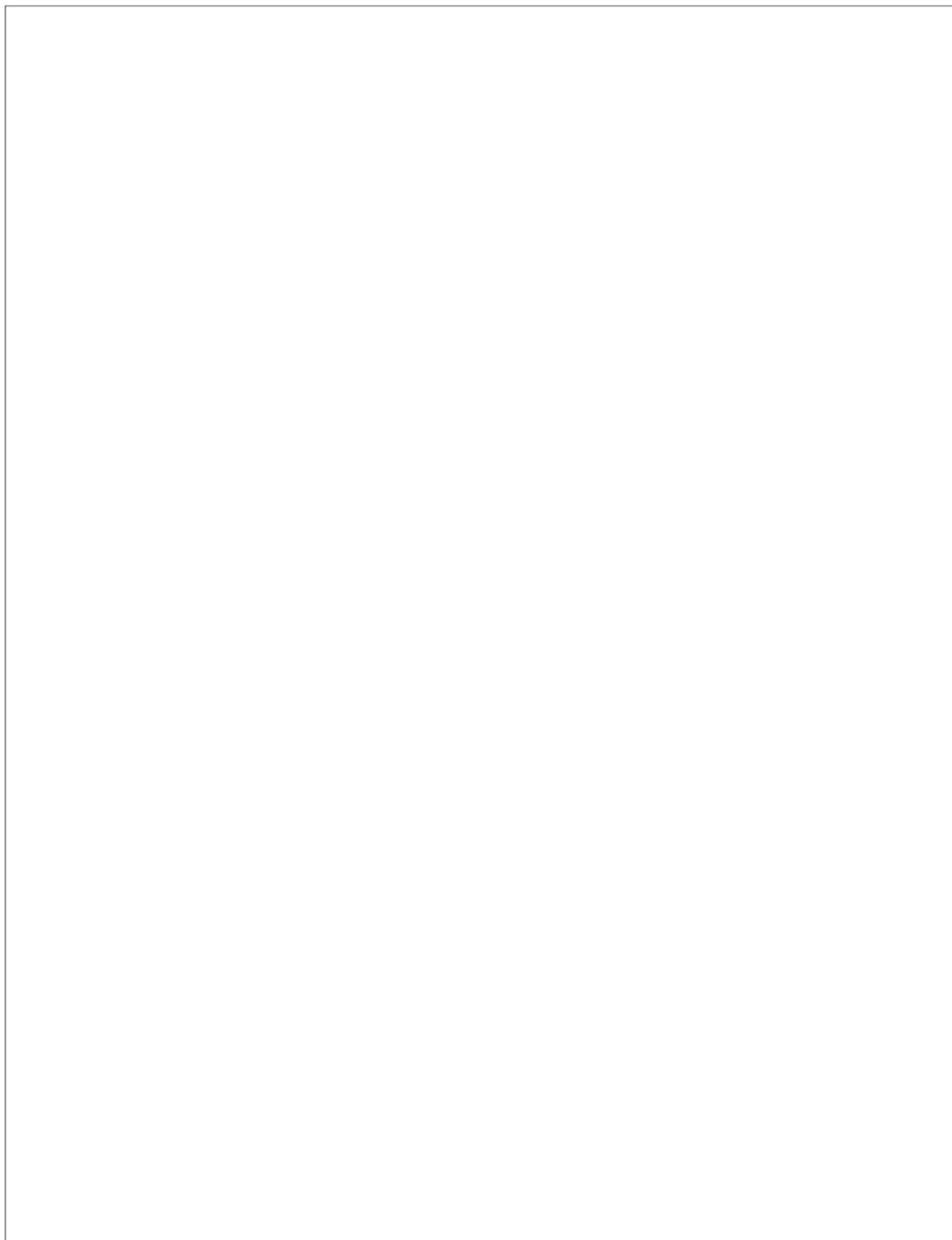
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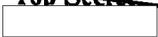
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~~Top Secret~~**ROMANIA: Prime Minister Cutting Independent Swath**

Prime Minister Roman this week outlined the new government's plans for speeding the transition to a market economy. He warned of collapse if drastic measures are not taken to curb wage demands and raise productivity while acknowledging the reforms will be disruptive and might lead to layoffs. Bucharest has already begun to streamline economic ministries, reimpose customs duties, crack down on black marketeers, and talk about resuming food exports. Meanwhile, the Culture Minister publicly suggested this week that President Iliescu needs good advisers to prevent him from overreacting as he did when he called the miners to Bucharest for vigilante activity two weeks ago.

Comment: Roman's calls for market reform differ sharply from Iliescu's go-slow approach and may be part of an effort to distance himself from the President. Roman's plans for reform, as well as his naming of a relatively untainted cabinet, probably are also intended to repair the damage the miners' rampage did to Romania's image in the West. Roman will have trouble implementing radical market reforms, especially if they require inefficient state enterprises to lay off workers, the ruling National Salvation Front's key constituency.

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New Honduran Economic Program Well Under Way

Tegucigalpa's significant progress on its economic reform program has led to new agreements with the IMF, the World Bank, and several bilateral lenders. Achievements so far include:

- An unofficial but sharp devaluation of the currency has established more realistic prices for imports and exports but also has contributed to inflation.
- Significantly greater increase in revenues than in spending in the budget for this year.
- Increased interest rate ceilings to encourage savings.
- Simplified and reduced import tariffs, including the closure of loopholes for influential business and military interests.

Still to come are lifting of controls on agricultural prices, higher utility prices, and privatization of 10 public enterprises this year.

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~~Top Secret~~**HONDURAS: Strike Threatens Reforms**

A gradually increasing strike the nation's largest trade federation began on Thursday threatens the economic program of President Callejas. The 60,000-member federation controls most public-sector unions, including petroleum and port workers. It claims to be supporting strikes by banana and state health workers over wage and privatization issues. Callejas is trying to mediate in the banana workers' strike and is consulting with federation leaders. [redacted]

Comment: The federation could cripple the economy, particularly if petroleum workers join the strike and cause shortages of gasoline and other petroleum products. Callejas, who last month met several of the federation's demands in return for its support of his economic program, probably will offer additional concessions on recent austerity measures. The federation's calls for wage increases, however, are likely to face strong opposition from officials who fear similar demands from public workers will jeopardize budget reductions that are critical to accords with international lenders. If he fails to reach an agreement with the federation and believes his reform agenda is in jeopardy, Callejas may declare the strike illegal and try to suppress it by force. [redacted]

ALBANIA: Balkan Diplomatic Offensive

President Ramiz Alia yesterday said he will go to Bulgaria soon; it will be his first official trip outside Albania since he became President five years ago. Premier Adil Carcani has just returned from a successful visit to Turkey. [redacted]

Comment: Tirane is seeking closer ties to Bulgaria and Turkey at a time when tensions over cross-border ethnic issues are growing in the Balkan region. Alia probably views Sofia as a useful ally in case relations with Yugoslavia deteriorate further over Belgrade's treatment of ethnic Albanians. Similarly, Ankara would be a natural counterweight to what Tirane sees as Greece flexing its muscles over its minority in southern Albania. Alia's visit to Sofia also may help Albania formalize an agreement to establish diplomatic relations with the Soviets. In the past, Bulgaria has served as an intermediary for communications with the USSR. [redacted]

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In Brief

Europe

- Romanian legislature approved new government Thursday . . . streamlined Cabinet structure to help rebuild economy . . . most ministers in midforties, hold technical, professional degrees . . . only two have direct ties to Ceausescu regime.
- Polish police yesterday broke up three-day farmers' protest in Warsaw . . . protesters held Agriculture Minister hostage, demanded guaranteed minimum crop prices . . . Lech Walesa to mediate; his intentions, role unclear.

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Congress Flashpoints

While it makes some ideological concessions to the traditionalists, the revised draft CPSU platform is much more reformist than the document adopted at the Central Committee plenum in February. The revised bylaws that set out the party's organizational structures and procedures, however, take a more traditionalist stand.

- **Vanguard role.** The bylaws maintain the position of safeguarding the party's preeminence in the political system, but reference to its vanguard role was dropped in the revised platform. Reformers will push for removal of the term from the bylaws as well and will support wording similar to that of the platform, which upholds the party's right to rule in competition and cooperation with other parties. Traditionalists will probably push for reference to the vanguard role in both documents.
- **Democratic centralism.** The platform resolutely rejects the traditional view of democratic centralism—the demand that all party members and bodies obey decisions made at the top—and defends internal party democracy instead. The bylaws, however, clearly uphold democratic centralism as the core of party discipline—a principle traditionalist Ligachev vows will remain.
- **Factions.** Both the platform and the bylaws strengthen the minority's right to redress and allow groups to form around alternative policy proposals so long as they do not establish their own organizational structure and discipline. The ban on factions remains.
- **Nomenklatura.** The platform renounces the *nomenklatura* appointment system through which the party filled all key positions in the country from a list of loyal candidates.

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~~Top Secret~~**Special Analysis****USSR:****Scorecard for the CPSU Congress**

Pitched battles at the 28th Party Congress opening Monday are likely over the CPSU platform and bylaws that make critical concessions to democratic reformers, over the substantial leadership changes that will accompany the creation of new party structures, and over General Secretary Gorbachev's stewardship of the party.

Despite Gorbachev's last-minute consideration of postponing the congress to regroup his supporters against traditionalists, the Central Committee plenum yesterday gave the official go-ahead. Although TASS described the plenum as benevolent, it signaled the coming showdown by calling on the Politburo to oversee revisions of Gorbachev's opening speech. Moreover, in contrast to the unanimity that normally characterizes Central Committee votes, an unspecified number of members voted against the draft speech.

Traditionalists, who appear to be the largest group among the 4,700 delegates, are likely to challenge some of the platform's reformist planks, defend the need for a strong party role in policymaking, and flag the dangers of a market economy. Gorbachev is likely to command the support of a sizable group of moderates who will emphasize the need for flexibility that would free them from doctrinal taboos in solving the USSR's problems. Representatives of the Democratic Platform are certain to press for the immediate transfer of power to state institutions and a rapid transition to a market economy.

Although the DP will be only a small minority, the strong showing of Boris Yel'tsin's ally Lobov in the recent race for the Russian party leadership suggests other delegates will support them. Some Gorbachev allies have suggested that the fear of a traditionalist victory is compelling moderates and democratic reformers to rally around Gorbachev.

Proposed Reorganization of Leadership

Gorbachev may be willing to make general programmatic concessions to the hardliners that will not tie his hands if he can fill key posts with loyal allies. Proposed changes in the party's leadership structure, however, ensure a struggle. Although Gorbachev apparently intends to take the new post of party chairman—one of the two posts replacing the General Secretary—the new position of first secretary, who would manage party operations, is likely to be hotly contested.

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According to a Gorbachev ally, there is support for Interior Minister Bakatin, whom moderates reportedly favored for the Russian republic's top party and state posts. [redacted]

The struggle for influence in other party organs also is likely to be intense. The Politburo is slated to be replaced by a larger Presidium made up of all republic party chiefs and others elected by the Central Committee. The Secretariat, run by the first secretary, may become more important as its members will be heads of Central Committee commissions who apparently will have decisionmaking authority in their spheres. [redacted]

Substantial personnel changes in these bodies and the Central Committee are certain; some sources expect an almost total turnover. There appears to be an effort to separate party and state jobs. [redacted] Gorbachev's closest allies Aleksandr Yakovlev and Eduard Shevardnadze may leave their party posts for this reason. Unless their departures were accompanied by those of key traditionalists, their absence would weaken Gorbachev's party position. [redacted]

Politburo members Vorotnikov and Slyun'kov are not delegates to the congress and thus cannot be elected to top party posts, and Politburo member Zaykov recently said he will not run for reelection. If Yegor Ligachev remains in the party hierarchy, he almost certainly will continue to challenge Gorbachev's plans for the party. [redacted]

Charting the Outcome

Gorbachev's ability to steer the increasingly divided party on a centrist course will depend in large part on the extent to which the majority of delegates fear the consequences of retreating to unpopular traditionalist positions and feel bound by party discipline to follow his lead. If Gorbachev can exploit these sentiments, he stands a good chance of achieving a positive program for change. If the traditionalists are able to roll back significant reforms in the platform, take the first secretary position, and lock up a solid majority in the new leadership bodies, they will have scored a decisive victory; many democratic reformers, who claim as much as 40 percent of the party, almost certainly would bolt to form their own party in response. [redacted]

The winner of this battle is not likely to restore the party's credibility or reverse its declining fortunes. Even if Gorbachev prevails, the course he is promoting is unlikely to stem erosion of the party's power in the long term. [redacted]

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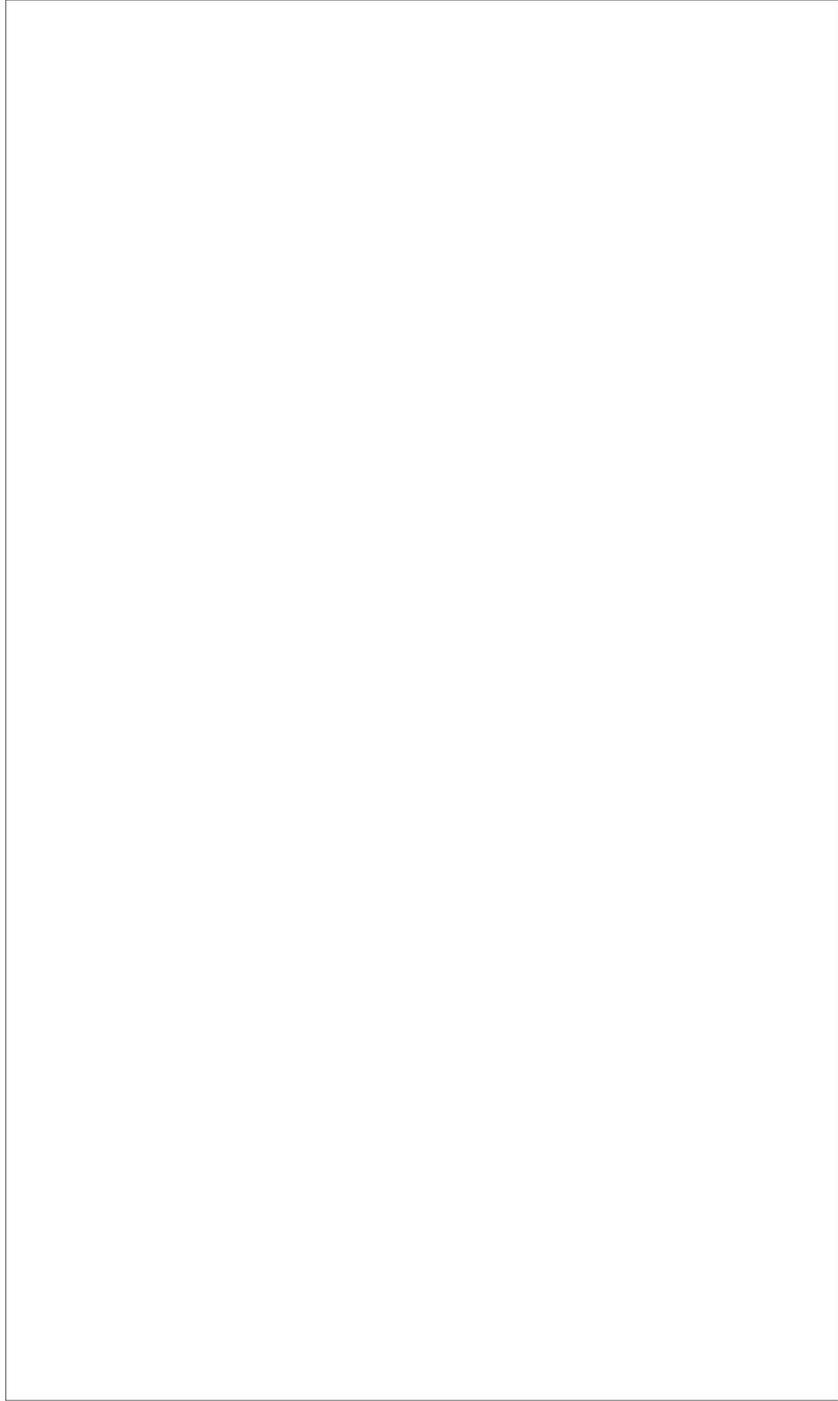
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