

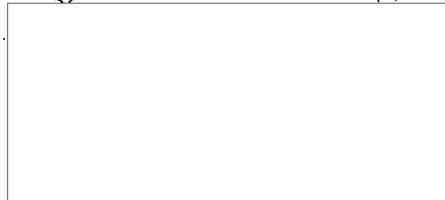
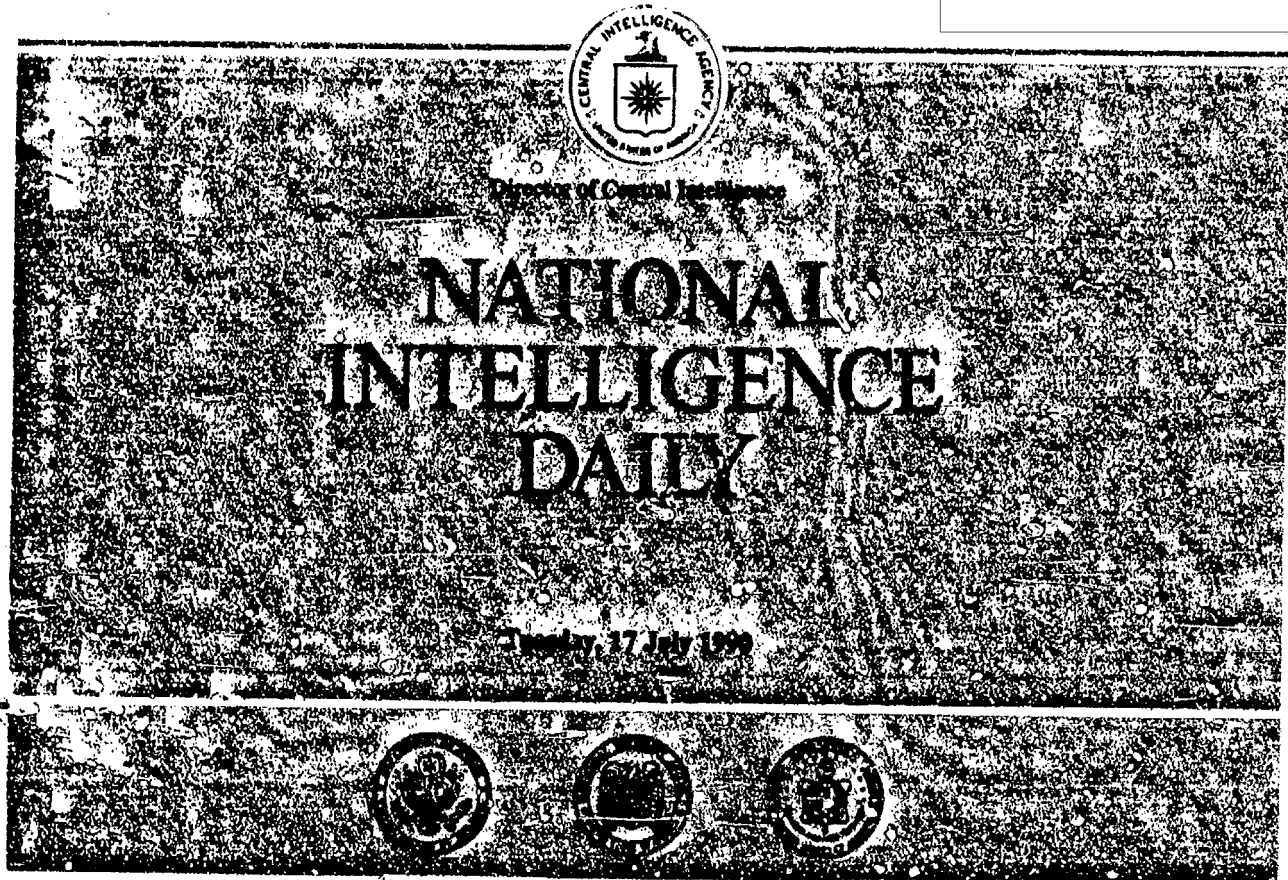
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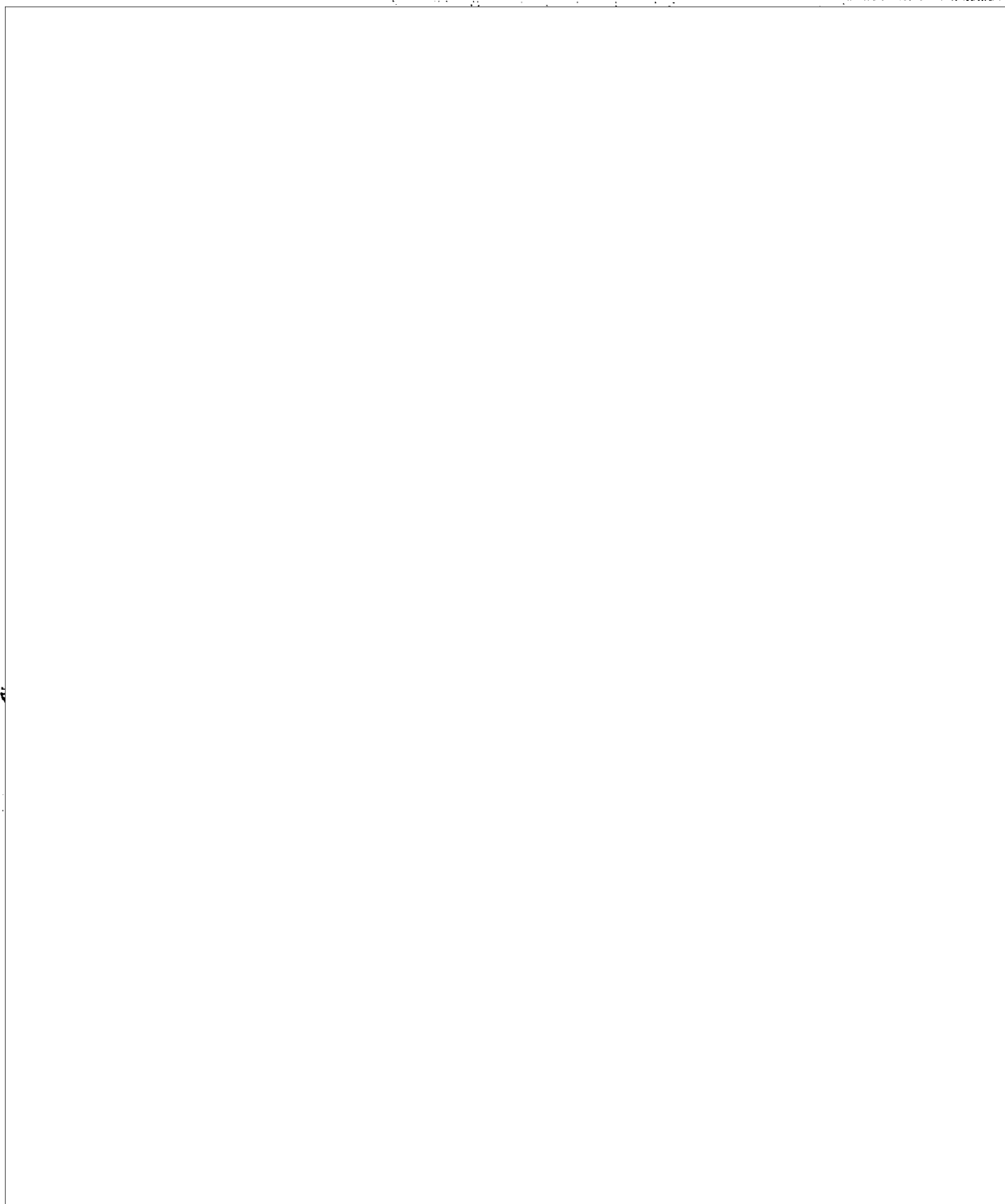


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**USSR-
WEST GERMANY:**

Green Light for Germany in NATO

Agreements on key security issues announced yesterday by Mikhail Gorbachev and Helmut Kohl open the way for the two-plus-four ministerial today in Paris to move quickly toward a settlement on German unification.

Citing the NATO summit declaration and the demands of *Realpolitik*, Gorbachev conceded that a united Germany could choose its alliance membership and that Four Power rights would end upon unification. Kohl pledged to accept a military force ceiling of 370,000 in CFE. Both leaders agreed to adopt a comprehensive treaty on bilateral relations.

They also announced that Germany and the USSR would conclude a treaty on the withdrawal of Soviet troops over three to four years. During this time, Allied troops would remain in Berlin, and only non-NATO German troops could be stationed in eastern Germany. Gorbachev expressed the hope that no foreign troops or nuclear weapons would be deployed there after the Soviets leave but made no specific reference to NATO-assigned German forces.

Comment: Gorbachev's decision to agree to leave Germany in NATO apparently reflects confidence after the party congress that the addition of a binding commitment on German troop levels gives him a security package he can sell at home. His agreement on the timing of Soviet troop withdrawals and on the end of Four Power rights indicates that he regards good relations with Germany as more important than any new concessions he might gain by holding out.

Kohl probably suggested that deployment of tactical air-to-surface missiles is highly unlikely, but he apparently avoided pledging the withdrawal of Allied forces or nuclear weapons from West Germany. Gorbachev probably still hopes this issue will be addressed in future bilateral agreements or in NATO's strategy review. Kohl will be jubilant that the deal removes the last major obstacle to German unity and vindicates his concessions to the Soviets. The Germans almost certainly believe the envisaged comprehensive treaty confirms their stature as the key interlocutor for both superpowers in the new Europe.

Moscow's shift will encourage Bonn to press for a rapid conclusion of two plus four. Kohl will stress that Germany should regain full sovereignty at the time of unification, although a new border treaty with Poland will not be ratified by then.

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Fallout From the Ridley Affair

Trade and Industry Secretary Ridley's resignation appears unlikely to end the controversy surrounding his remarks and has further damaged Anglo-German relations as well as weakened Thatcher's leadership. A British newspaper on Sunday published a leaked document detailing a roundtable discussion on Germany hosted by Prime Minister Thatcher last spring. The memo's depiction of German characteristics as "aggressive, bullying" and having a "capacity for excess" has particularly caught the media's eye, renewing charges that Thatcher shares Ridley's extreme views. But the memo as a whole is well balanced in its analysis of the risks and challenges posed by German unification. Most participants reportedly thought, for example, that "today's Germans were very different from their predecessors" and that they have no more "ambitions for physical conquest."

Thatcher, nevertheless, faces a tough challenge in dissociating herself from Ridley's views and mending her tattered public image. For more than a year, the media have been harping on the UK's growing isolation and blaming Thatcher for the loss in British clout. British entry into the European exchange-rate mechanism, especially, is viewed as a touchstone of Thatcher's willingness to be a good European, and she has been taken to task for her hostility to German unification earlier this year.

The media also perceived a strong Washington-Bonn axis at work during the recent London and Houston summits, citing this as further evidence of Thatcher's loss of influence and a weakened US-UK "special relationship." Thatcher's caution about unification reflects, nevertheless, a strong undercurrent in British public opinion. Polls show twice as many Britons as French or Italians, for example, would have preferred a divided Germany, although a majority of Britons approve of unification.

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UK:

Hurd Cautions on European Integration

Foreign Secretary Hurd warned in an interview Sunday that French and West German pressure for rapid Economic and Monetary Union (EMU) should be eased; his threat of a "two speed" Europe probably was made to slow EC integration and counter any presumption that the UK can be railroaded into monetary union because of former Trade and Industry Secretary Ridley's recent gaffe.

Comment: Hurd, one of the Cabinet's staunchest "Europeanists," has for now reversed his opposition to a two-speed track on European integration, hoping to slow integration. A slower pace would make it easier for him to argue for continued strong British participation in the EC. Hurd and Chancellor of the Exchequer Major have been disappointed by the Community's cool reaction to London's alternative proposal to the Delors' plan for EMU and probably hope to jolt the EC, particularly the French, into a more serious consideration.

A better reception for London's alternative EMU would strengthen Hurd's case for British entry into the exchange-rate mechanism this fall, a move he believes would bolster British influence in Europe. Major—who has hinted at entry this fall—worries nevertheless that too early an entry might derail economic recovery, jeopardizing Tory chances at the next general election. Inflation in the UK is nearly double the EC average and must come down before British entry is feasible. Thatcher will probably go along with Major's decision on timing.

Paris probably will take a softer line on the UK's EMU proposal in coming months to encourage more movement in London toward support for integration. The French, however, are still committed to the Delors' plan and probably hope to win British approval for the idea of a European central bank and common currency before agreeing to slow the process.

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SOUTH KOREA: Moves Closer to Crisis

The opposition Party for Peace and Democracy's threat to resign from the National Assembly raises the specter of political crisis.

Opposition leader Kim Dae Jung, angry that the ruling party forced 26 bills through the National Assembly without debate, has rejected a Democratic Liberal Party offer to meet and discuss a solution. Instead, he says he will submit the party's resignation to the Assembly speaker next week, according to the press. Kim also is calling for a joint rally with another opposition party on Saturday to protest the ruling party's undemocratic behavior.

Ruling-party leaders have publicly apologized for failing to compromise with the opposition, saying they pushed the legislation through to make progress in the Assembly. Some DLP leaders believe the deep enmity between ruling-party Chairman Kim Young Sam and Kim Dae Jung fueled the confrontation but believe the latter is bluffing to win political concessions from the DLP.

Comment: Kim Dae Jung appears to be holding the resignations in abeyance to assess public reaction. A large turnout at Saturday's rally and polls indicating widespread popular indignation with the ruling camp are likely to encourage him to follow through on his party's threatened walkout and to push hard for new elections. If the rally fizzles and the press continues to denounce both sides, Kim—who has frequently reversed himself on major issues—will almost certainly look for a way out. He could:

- Hold the resignations and continue issuing threats until the Assembly reconvenes in September.
- Accept the DLP's offer to discuss setting rules for local government elections—a key opposition priority.
- Submit the resignations, calculating that the speaker will refuse to accept them, a response favored by some in the ruling party,

Given its poor standing in the polls, the ruling party almost certainly wants to avoid early legislative elections. Although some ruling-party strategists believe Kim is bluffing, they may continue making overtures to him in an effort to undercut his campaign to win popular support.

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USSR: Ukraine's Sovereignty Declaration Boldest Yet

The sweeping declaration of sovereignty the Ukrainian legislature passed yesterday goes well beyond those passed by the Russian and other non-Baltic republics. The declaration claims for the Ukraine the right to mint its own money, form its own armed forces, and conduct its own foreign affairs. It also proclaimed the supremacy of the Ukraine's laws over Moscow's and control over its land and resources. The declaration, passed by 355 to 4 votes, said the republic intends to become a neutral, nuclear-free state, which will not produce, spread, or use nuclear weapons.

Most deputies argued against leaving the union.

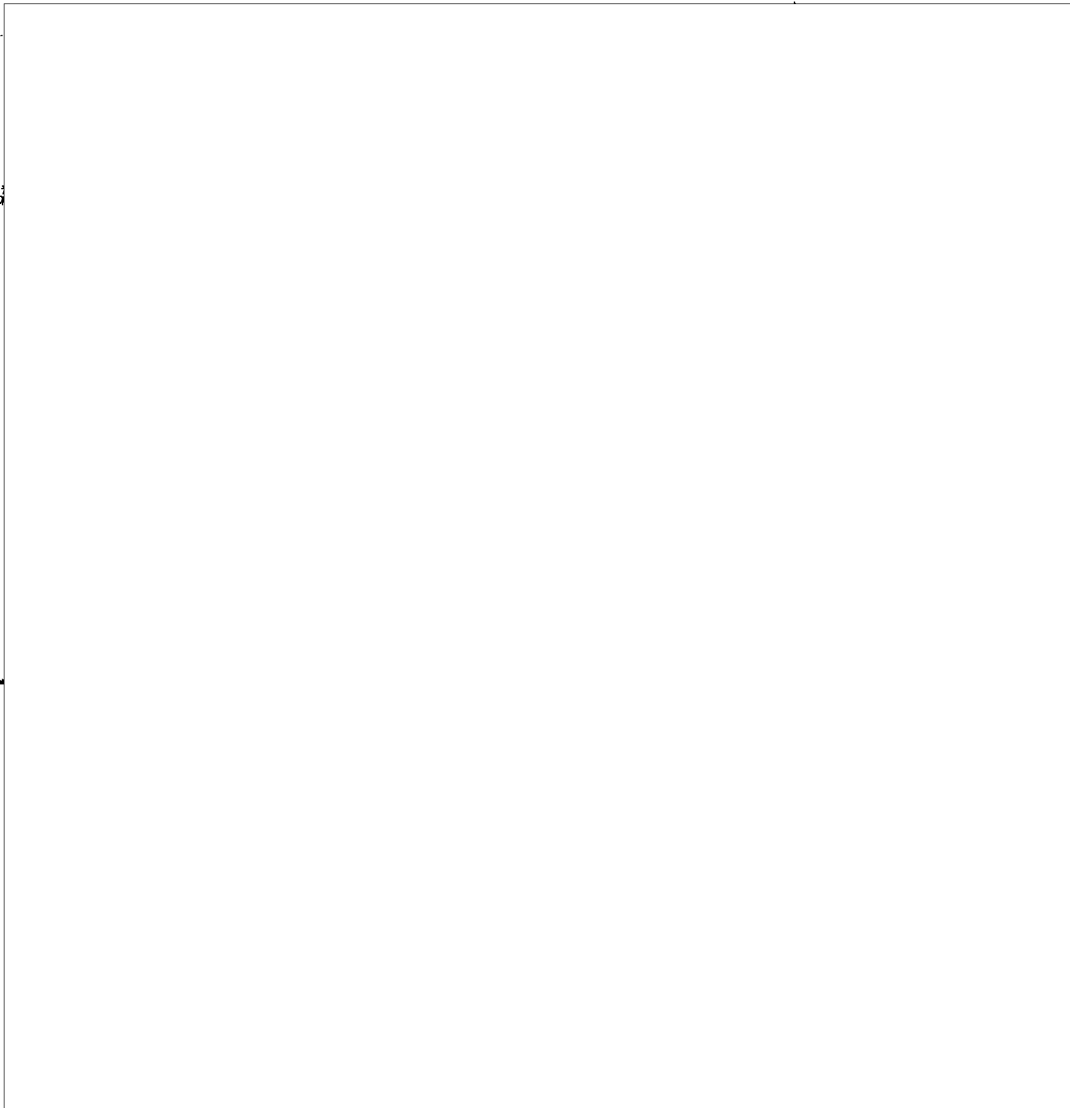
Comment: If implemented, the declaration would make the Ukraine virtually independent. For now, the more radical provisions appear to have largely symbolic value, positioning the republic for eventual negotiations on Gorbachev's new union treaty. But issues such as the supremacy of Ukrainian law and control over resources are likely to be contentious sooner. The almost unanimous vote shows that party hardliners and radicals found common ground on this issue, which may indicate that proindependence deputies are successfully manipulating the party majority in the legislature, left leaderless last week when Vladimir Ivashko resigned to become Gorbachev's deputy.

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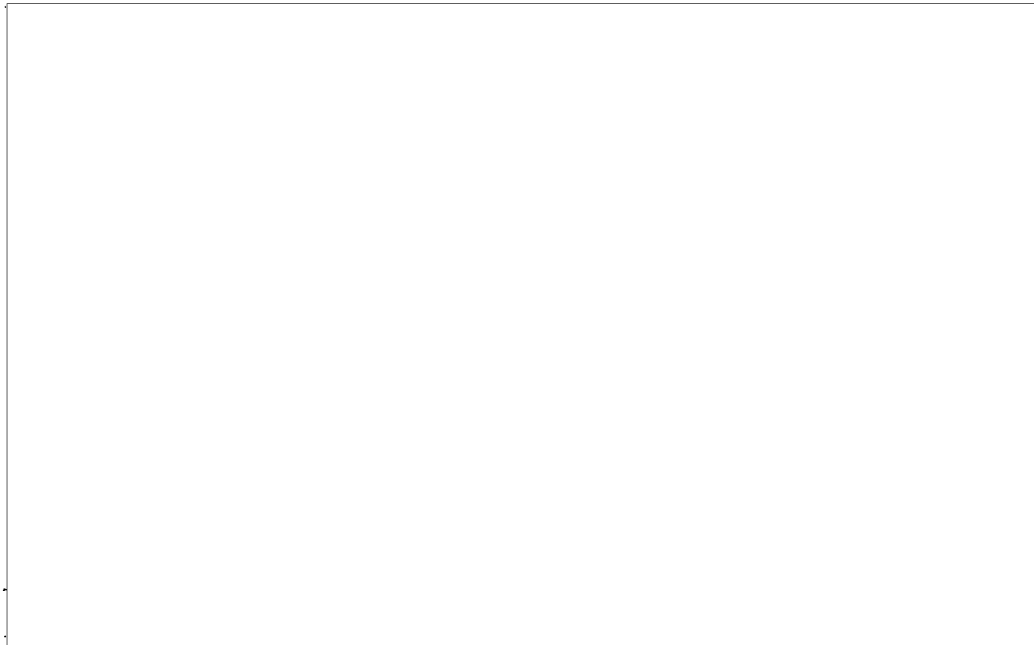


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In Brief

USSR

- About 30 persons injured this weekend in renewed fighting between ethnic Uzbeks, Kirghiz in Soviet Kirghiziya . . . Moscow's reliance on republic officials for solution might prolong violence, increase demands for autonomy.

Americas

- Cuban Foreign Ministry late last night claimed asylum seekers, apparently including hostage takers, voluntarily left Czechoslovak Embassy . . . accused Czechoslovakia of orchestrating episode . . . five Cubans reportedly remain in Charge's residence.

Africa

- Large exodus of Liberians from Monrovia during past few days, apparently heeding army, rebel warnings . . . army giving weapons to Doe's fellow tribesmen . . . suggests both sides anticipate fight for capital soon.

Asia

- Resignation of Indian Deputy Prime Minister Lal's son yesterday may end political crisis between Lal, Prime Minister Singh . . . tensions likely to rise again if Singh seeks more concessions from Lal.

- Khmer Rouge increasing propaganda effort to destabilize Cambodian regime . . . alleging Defense Minister, leading officials arrested, Defense Ministry attacked . . . may add to perceptions of weakened regime in wake of purges last month.

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Special Analysis

USSR: Jockeying With Lithuania Over Independence

Moscow and Vilnius will apparently enter preliminary talks with objectives that differ fundamentally, suggesting that the road toward formal negotiations will be contentious.

Before negotiations, the Lithuanians apparently want Moscow to acknowledge that Soviet law does not apply in the republic and that the goal of the dialogue is Lithuania's independence. Gorbachev, however, apparently hopes to move quickly to formal negotiations on greater autonomy for Lithuania within the union or its independence only through the Soviet secession law.

In preliminary talks, which may begin as early as this week, Lithuanian President Landsbergis and many republic legislators want to pin down the scope of formal negotiations. They also want to gain Moscow's agreement on a venue for the negotiations. They intend as well to ask Moscow to end remaining restrictions on the republic such as those on foreign economic contacts and travel visas for foreign visitors and to exempt Lithuanians from service in the Soviet military.

Estonian and Latvian leaders hope to join in the negotiations to present a united front to Moscow; the Lithuanians have said they will propose such an arrangement to Moscow. Estonian and Latvian suspicion of Gorbachev is high;

Gorbachev's Strategy

Gorbachev continues to insist that Lithuania comply with Soviet law if it wants independence. Lithuanian Prime Minister Prunskiene said publicly last month that Gorbachev had indicated to her his willingness to accept having Lithuanian law remain in force in the republic. Premier Ryzhkov, however, who will head Moscow's negotiating team, told the CPSU Congress that Lithuania must follow the Soviet secession law to gain independence.

Gorbachev appears intent on deferring negotiations with Estonia and Latvia. As preparations for talks with Lithuania have accelerated,

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Moscow has been silent about the possibility of bilateral negotiations with Estonia and Latvia and, according to Prunskiene, has reacted negatively to suggestions of three-plus-one talks.

Gorbachev's tough approach no doubt comes from concern about a ripple effect on other republics and the probably futile hope that with more time he can persuade the Balts to settle for substantial autonomy within the union. He may also hope that, by lifting the economic blockade and quickly selecting a negotiating team, he can increase Western and internal political pressure on the Lithuanians to negotiate on his terms. His apparent unwillingness to open talks with the Estonians and Latvians probably reflects his hope they will moderate their aims as a result of his tough line toward the Lithuanians.

Outlook

If Moscow refuses a negotiating formula that excludes the republic from the secession law, Landsbergis and the majority of Lithuanian legislators as well as such moderates as Prunskiene are likely to refuse to begin formal negotiations. Instead, they are likely to continue to try to build political and economic contacts with other republics, increase international support for their cause, and hope that problems throughout the USSR will force Gorbachev to soften his Baltic policy. Yesterday all three Baltic republics requested observer status and inclusion on the agenda at the CSCE summit.

The Soviets will try to avoid a confrontation over the issue but may block Baltic participation.

A refusal by Moscow to include Estonia and Latvia in negotiations or an offer that they participate if they adhere to Soviet law is likely to be greeted by those republics with similar defiance, although they will have to proceed more carefully because of their more complicated ethnic situations.

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