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6.2(d)

### Special Analysis

#### EAST GERMANY: Prospects After Honecker

*Any new leadership in East Berlin probably will continue to shun genuine reforms because they would tend to undercut the rationale for East Germany's existence as a separate German state. The recent massive exodus and the non-Communist government in Poland, however, make it increasingly difficult for East Germany to avoid change.*

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The regime's failure to prevent more than 23,000 East Germans from fleeing to the West through Hungary or to get more than nominal support from Moscow and Prague in blaming the situation on Bonn and Budapest is likely to hasten the formal replacement of ailing party-state chief Erich Honecker.

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The unauthorized exodus has been particularly damaging because legal emigration also has been unprecedentedly high this year and because of plans to celebrate the "success" of Honecker's orthodox line at the 40th anniversary of the East German state early next month. The arrival of Soviet Politburo member Ligachev in East Berlin during the exodus, ostensibly for agricultural discussions, is evidence of Moscow's concern about the problems of policy drift, Honecker's health, and regime stability highlighted by the exodus.

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Politburo member and party secretary for security, youth, and sports Egon Krenz is probably the best positioned to succeed Honecker. Although his hardline views may work against him with younger and more reform-minded party leaders, his national power base and caution regarding change probably make him attractive to the powerful orthodox elements and the entrenched party bureaucracy. East Berlin party boss Guenter Schabowski, who cultivates a more populist style, is also a major contender. A deadlock between them would improve the prospects of district party secretaries Siegfried Lorenz, Hans-Joachim Boehme, and Hans Modrow, among whom Modrow appears the most committed to reform.

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#### Modest Policy Changes

Discontent in East Germany has increased under the influence of the sweeping liberalization moves in Poland, Hungary, and the USSR. The reforms in those countries harshly illuminate East Germany's

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economic and political stagnation. Any successor leadership, even under the orthodox Krenz, probably will adopt at least cosmetic changes to patch up the regime's crumbling authority. It might, for example, use some of East Germany's roughly \$8 billion in hard currency reserves on consumer imports to restore sagging labor morale, reactivate the dialogue with the Protestant church, and tolerate more media openness. [redacted]

Although less likely, a new leadership might also show greater flexibility in relations with Bonn and the US to shore up its battered international standing. It could trade on any liberalizing measures to placate Bonn and ease growing frictions in the intra-German relationship. A variety of minor steps, such as concluding a cultural agreement, paying World War II-era Jewish property claims, or partially settling US property claims, are possible to improve relations with the US. [redacted]

Honecker's successors are unlikely to make fundamental shifts toward political pluralism or a market-oriented economy. They will realize that major changes would undermine the rationale for a divided Germany, already weakened by the reduced sense of East-West conflict. Even cautious moves risk encouraging public pressures for more radical change. [redacted]

#### **Long-Term Outlook Gloomy**

In the longer run, a new leadership probably will choose renewed repression as the only alternative to growing instability, unless a truly reform-minded leader emerges. Because the economy remains relatively healthy by Soviet Bloc standards, a beleaguered East German regime might muddle along for some time, but eventually public disaffection and economic deterioration rooted in technological obsolescence, labor shortages, inadequate energy supplies, and diminishing international competitiveness will catch up with it. [redacted]

The pace of change will also remain hostage to developments elsewhere. Sharp setbacks for economic or political liberalization in Poland, Hungary, or the USSR, for instance, would strengthen East German hardliners opposed to change and discourage reformers. Conversely, the continued progress of reform elsewhere in the Bloc would leave a hardline East German regime subject to increasing external and domestic pressures for change. [redacted]

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