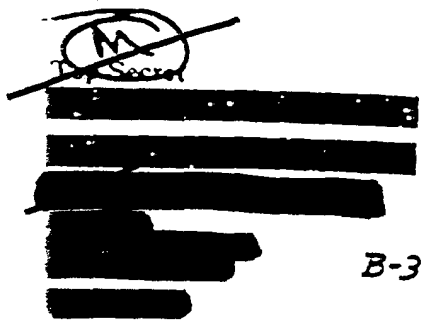
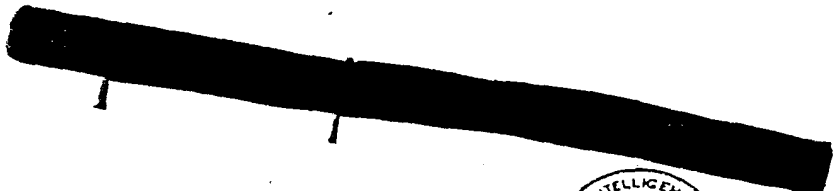


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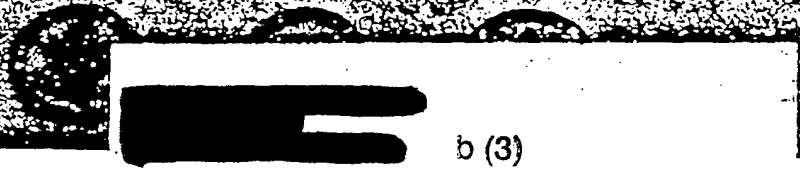
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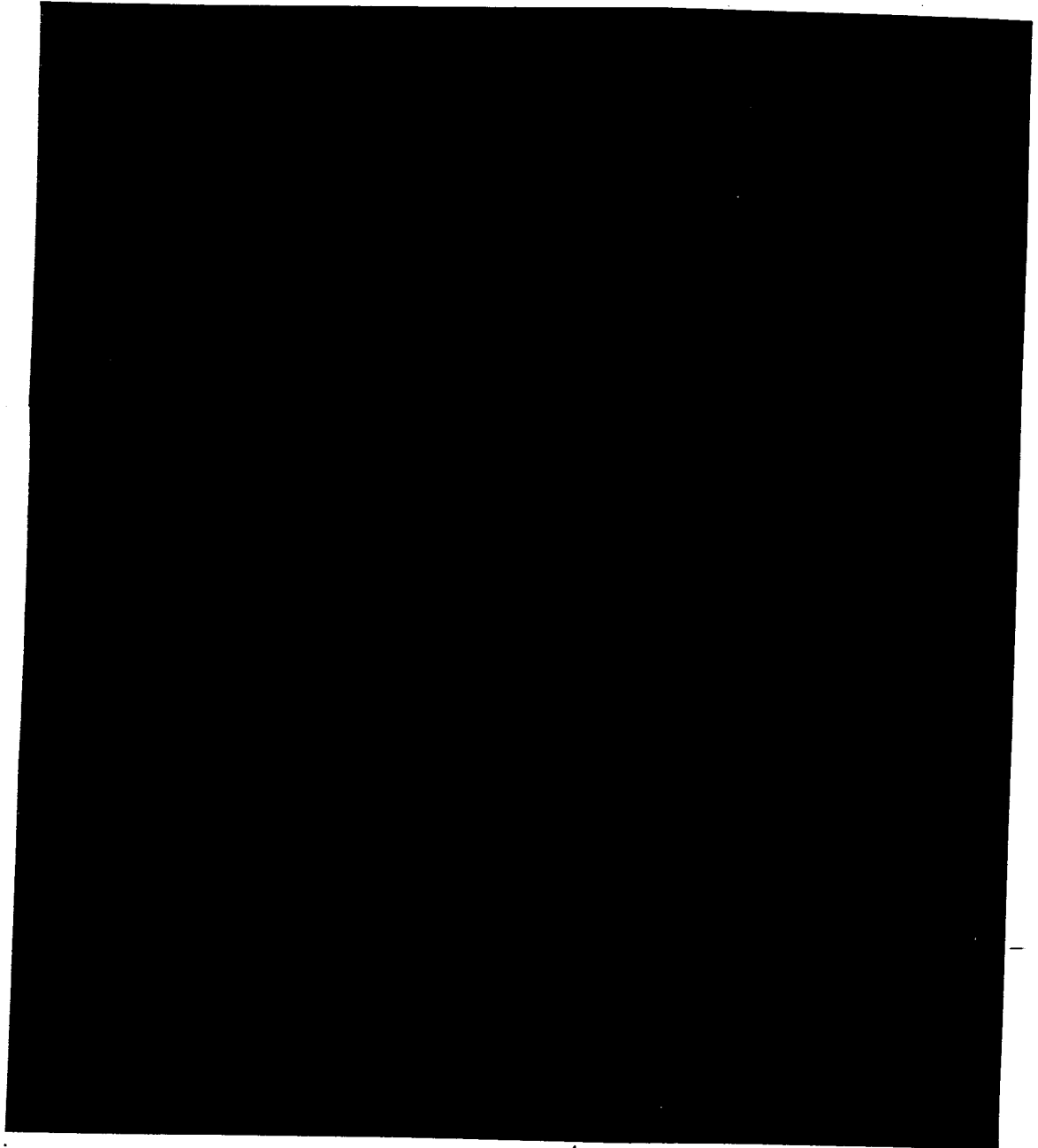
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IRAQ-KUWAIT:

Situation Report

*Sporadic clashes between Iraqi troops and Kurdish rebel forces in northern Iraq continue as government and Kurdish representatives in Baghdad negotiate over Kurdish autonomy.*

[REDACTED]

B1, B-3

Skirmishes in Northern Iraq

[REDACTED]

B1, B-3

Comment: Intermittent clashes almost certainly will continue as the rebels try to press Baghdad for concessions in the talks and the regime continues to consolidate its control.

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Iraqi Military Concerns About Iran

[REDACTED]

B1, B-3

[REDACTED]

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Kurdish-Iraqi Talks Edge Toward Agreement

Baghdad claims it is nearing an agreement on autonomy with Kurdish opposition representatives in Baghdad, but Kurdish leaders remain cautious. The government-controlled press said on Saturday that a "common accord" will be announced in a few days. Ma'sud Barzani, leader of the Kurdish Democratic Party and head of the current Kurdish negotiating team, said on Saturday the talks had hit some snags, but he made a more upbeat public statement yesterday.

B-3

[REDACTED]

Comment: Opposition leaders probably feel pressed to reach an agreement soon because of concern that Baghdad's agreement this weekend to allow an expanded UN relief effort in Kurdistan and the increasing flow of refugees back into the area are reducing their bargaining leverage. Baghdad's opposition to Kurdish control of Iraq's oil-rich Karkuk region and Iraqi unwillingness to agree to international guarantees almost certainly remain key stumblingblocks.

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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**USSR-CHINA: Soviet Defense Minister's Visit**

Defense Minister Yazov's just-ended visit to China included talks with party General Secretary Jiang Zemin, Premier Li Peng, and President Yang Shangkun, as well as a meeting with his counterpart, Qin Jiwei.

[REDACTED]

B-3

Comment: Yazov's visit gave senior Chinese leaders a chance to learn the Soviet military's views on world events and developments in the USSR before Jiang goes there this week. The discussions probably will lead to increased contacts between regional military commands and perhaps between some units near the Sino-Soviet border, to invitations for observers to attend military exercises, and to exchanges between service academies. Yazov and the Chinese probably also put the finishing touches on plans for a sale to China of Su-27 fighter aircraft and discussed ways to speed negotiations on troop cuts along the Sino-Soviet border and related confidence-building measures.

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**LEBANON: Hizballah Hardliners Gaining Ground**

[REDACTED]

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Comment: [REDACTED] hardliners are reasserting control of Hizballah. Tufayli had been vulnerable to attack by hardliners because of earlier discussions with the government and almost certainly believed publicly attacking it would help him in the Leadership Council election. Any institutional gains by hardliners are unlikely to affect the fate of Western hostages; the Council has little influence over Hizballah members who hold them. [REDACTED]

B1, B-3

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**ROMANIA: Old Guard Counterattacks**

Elements of the ruling National Salvation Front are rallying around President Iliescu in what appears to be an old-guard counterattack against Prime Minister Roman's reform program. [REDACTED]

B-1, B-3

[REDACTED] An ultranationalist newspaper owned by an Iliescu supporter has intensified its attacks on Roman for alleged involvement in corruption and has indirectly criticized his Jewish heritage by attacking Jewish representation in the government and media. [REDACTED]

B-3

Comment: Roman had appeared to gain strength at the expense of hardliners at a party congress in March, and there was speculation he might try to replace Iliescu as president. Iliescu may hope to use his emerging support group to capitalize on opposition to the reform program and save his position. The old guard may see him as their standard bearer in the fight against real reform. Roman's position and ability to press ahead with reform will depend on public and labor reaction to the soaring unemployment that his program is likely to bring. [REDACTED]

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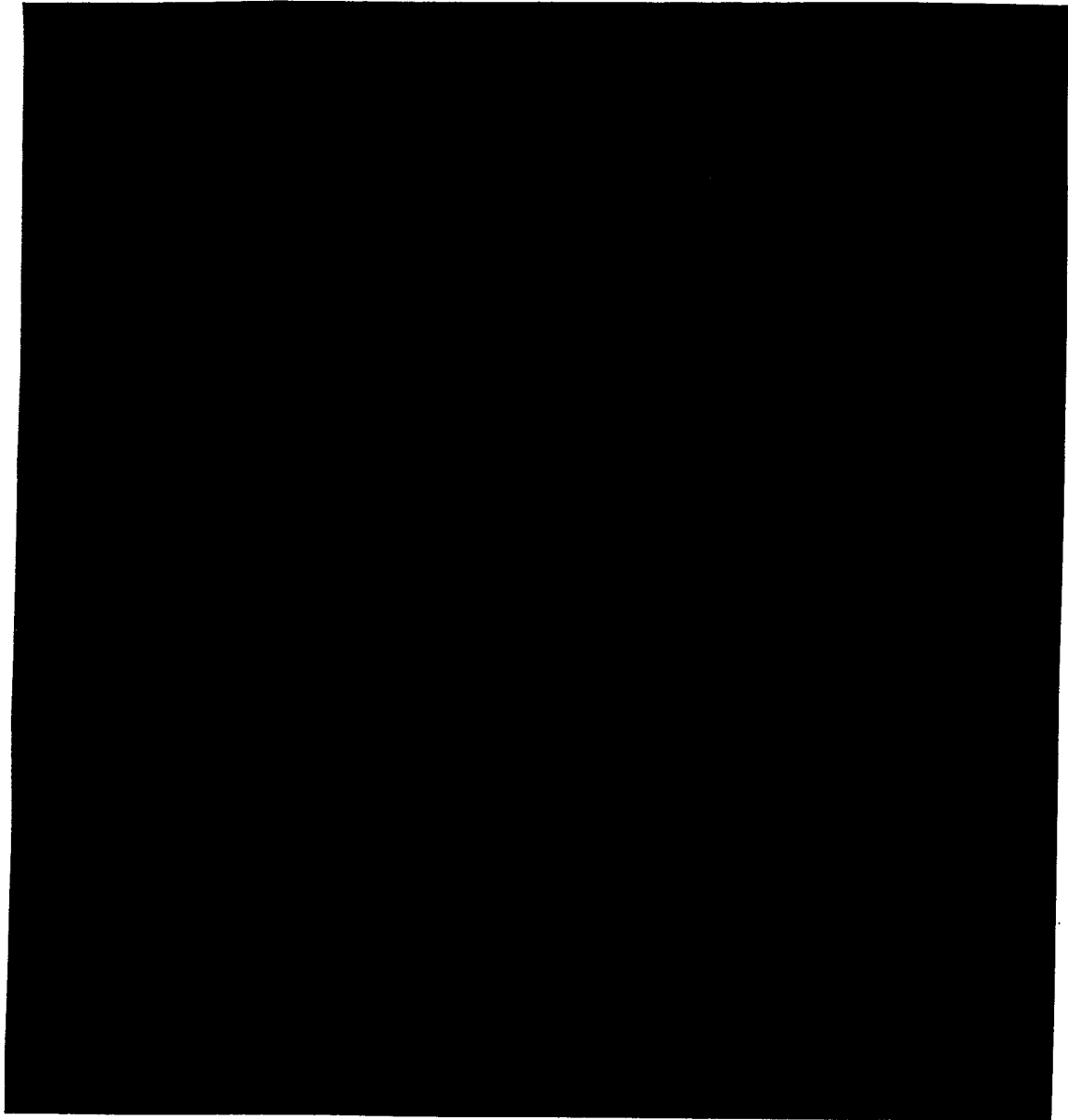


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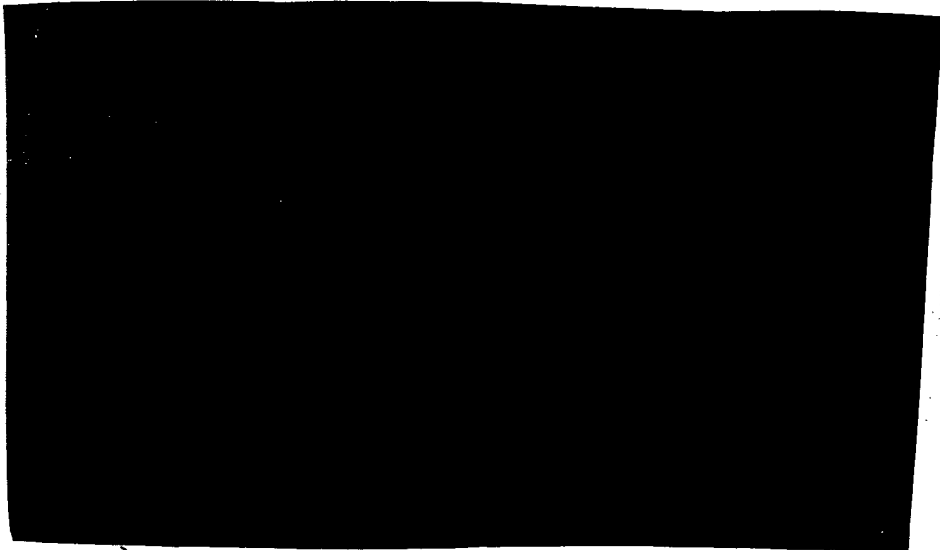
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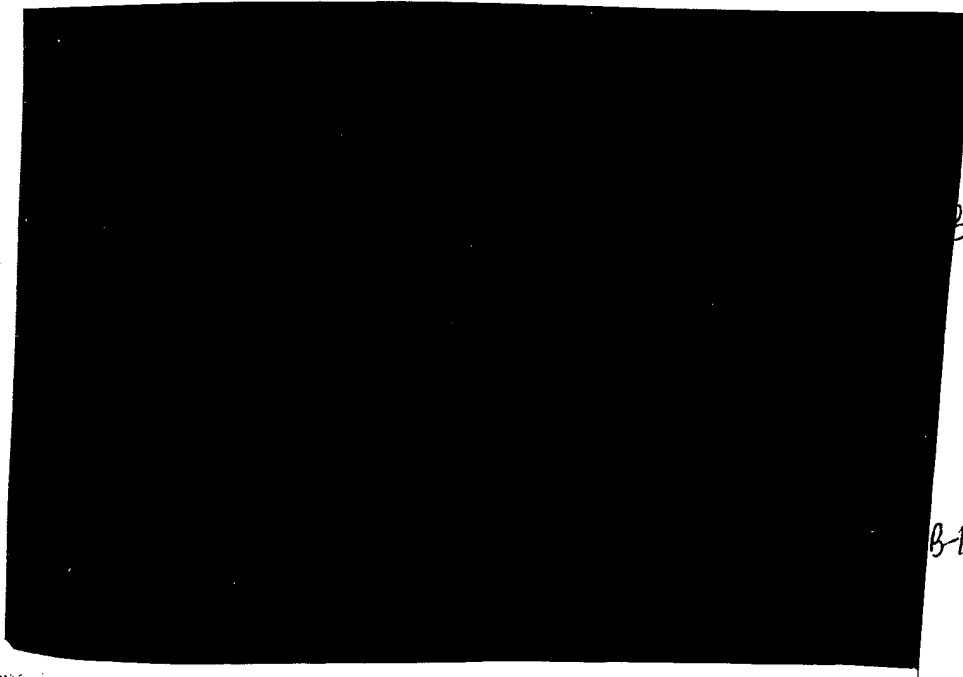
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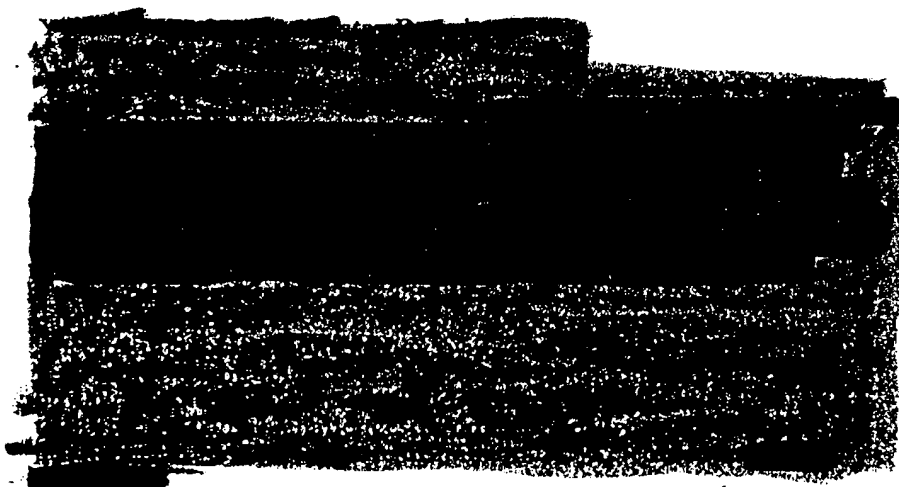


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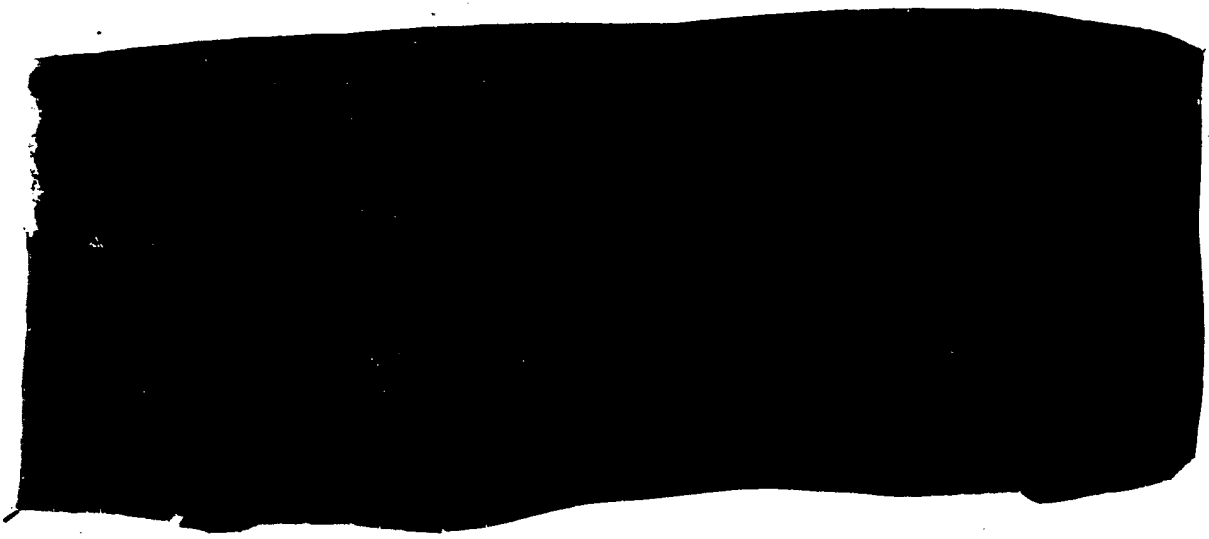
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In Brief

[REDACTED]

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USSR

- Yel'tsin to visit Czechoslovakia today ... sees its democracy as model for Russia, wants direct economic, political ties ... meeting with President Havel will enhance Yel'tsin's credentials as Soviet statesman before June's presidential election. [REDACTED]
- Soviet Ukrainian opposition deputies walked out of republic Supreme Soviet yesterday ... say they will not return until jailed Ukrainian activist Stepan Khmara is released ... increases tensions before Khmara's trial tomorrow. [REDACTED]

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Europe

- Poland offering commercial banks \$100 million in overdue interest plus 20 percent of interest coming due ... could affect debt talks on 27 May ... banks resisting precedent of Paris Club's 50-percent writeoff but considering reduction options. [REDACTED]
- Italian firm selling USSR agricultural products worth \$800 million using EC subsidies, Italian Government credits ... follows privately backed \$300 million sale to Russia ... impact on food shortages limited by transportation, distribution problems. [REDACTED]

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Asia

- [REDACTED]
- Vietnamese Communist Party chief, Premier [REDACTED] in USSR seeking additional aid ... economy hurt by cuts in Soviet supplies, Western economic embargo ... Moscow unlikely to give enough aid to ease difficulties. [REDACTED]

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[REDACTED]

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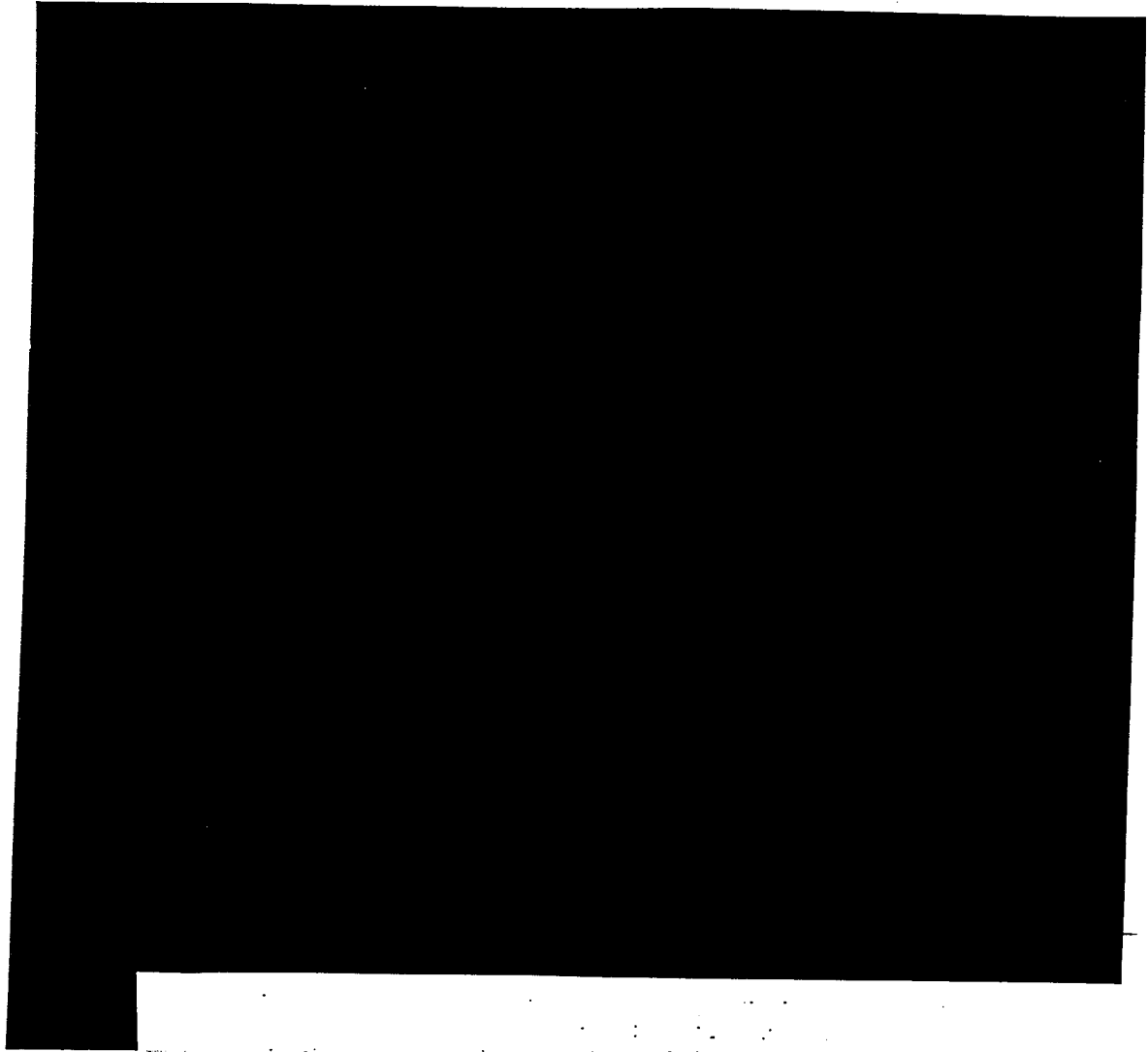
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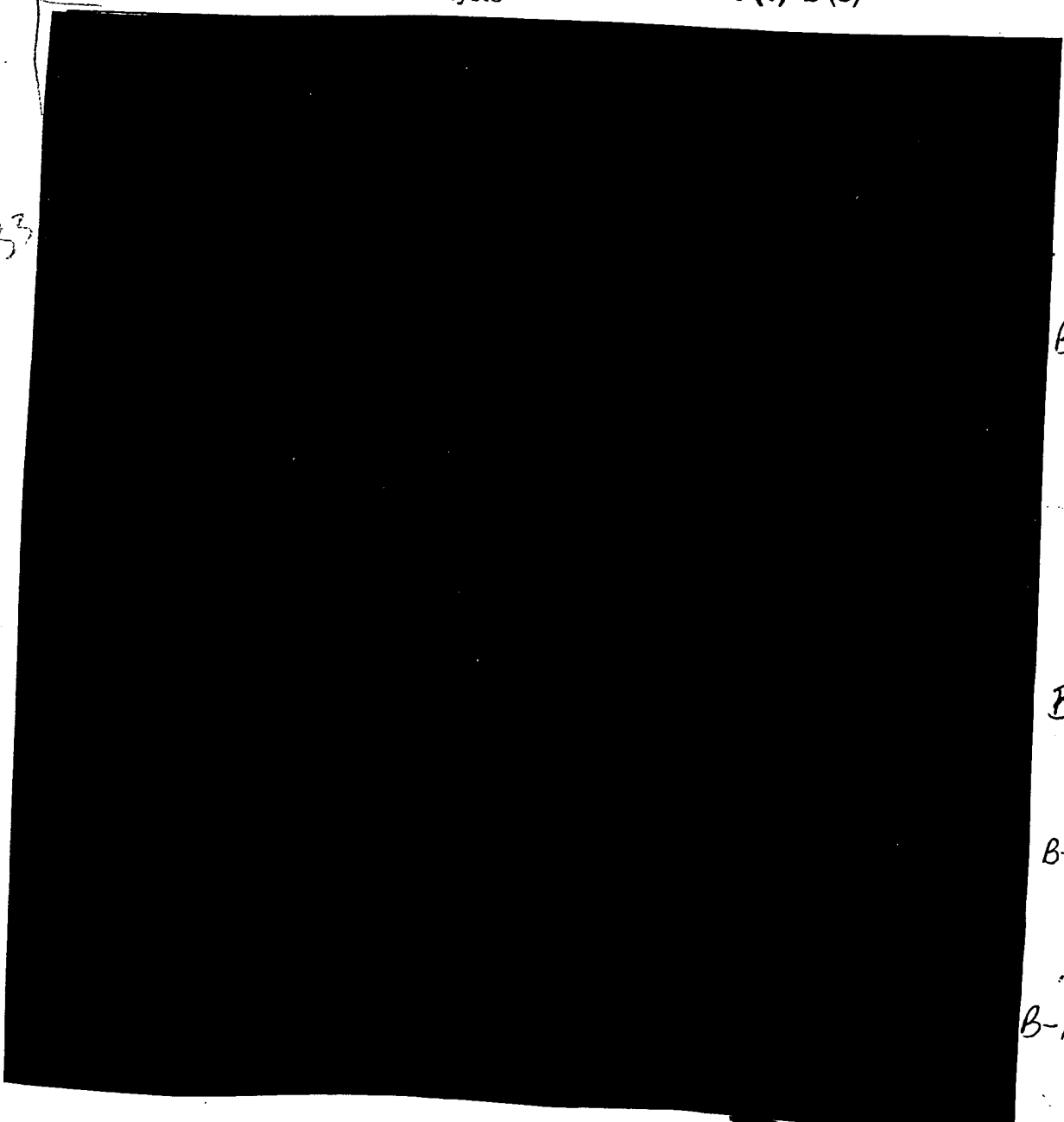
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Special Analysis

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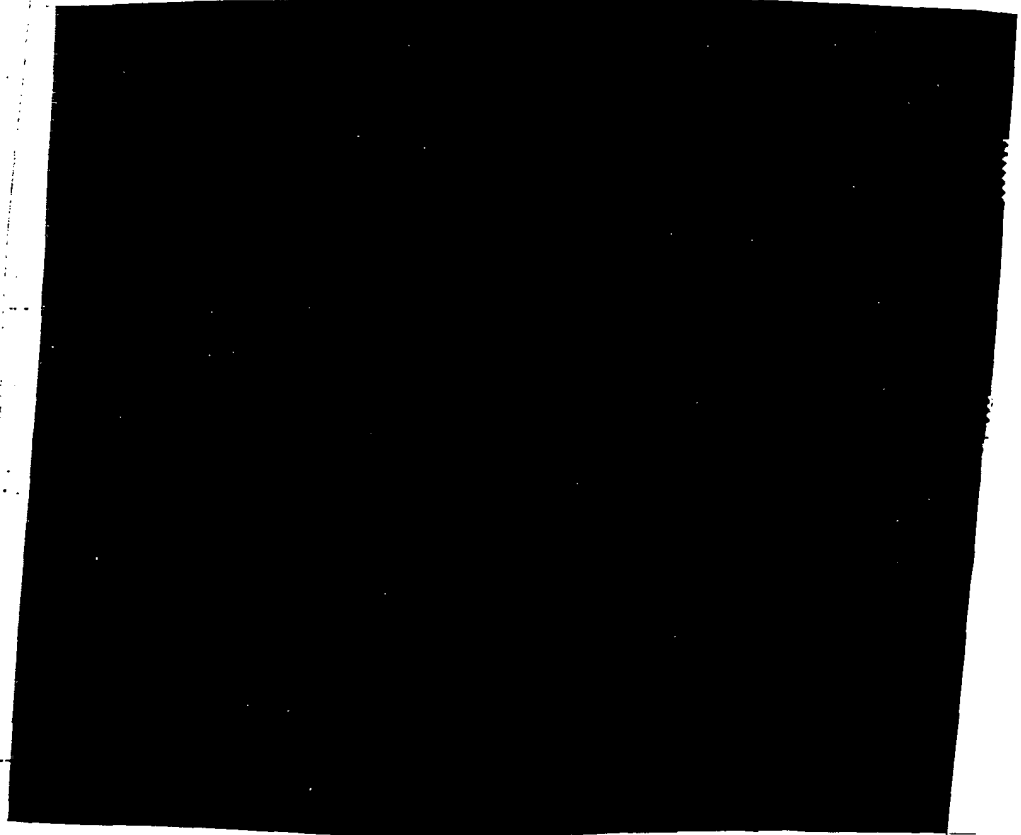
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### Soviet Views of the EC

Earlier Soviet expectations that a strong relationship with the EC would strengthen Gorbachev's regime appear to have declined in recent months. Soviet-EC trade has increased more slowly than expected and will continue to be restrained by the USSR's economic problems, even though Moscow is still trying to convince the EC that its economic reform is on track and would welcome EC support for Soviet participation in the G-7. Moscow's expectations probably also have been dampened by its concerns that the Community and some member states are beginning to hedge against the possibility the USSR may break up. In turn, Soviet willingness to respond to EC concerns in order to maintain dialogue probably also has declined. The Soviets may believe compromise is unnecessary, since the EC has reinstated aid suspended after the crackdown in the Baltic republics without concessions from Moscow on the use of force in domestic crises. The choice of Lev Voronin—regarded as an "old thinker"—as the USSR's new Ambassador to the Community suggests traditionalists want to watch the relationship closely.

Despite Gorbachev's recent efforts to reach an accommodation with the majority of Soviet republics, domestic developments in the USSR probably will remain an irritant in Soviet-EC relations. The Community will try to avoid controversy, but discord with the EC or individual states is possible as long as Gorbachev's program does not explicitly permit republics to secede. Nonetheless, to the extent that Gorbachev can hold down domestic violence, he can help insulate Soviet-EC relations from further strain.

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Special Analysis

EC:

Committed to Gorbachev, For Now

*The EC's relations with Moscow have bounced back from the chill caused by the Soviet crackdown in the Baltic republics last January. Despite concerns that Gorbachev has strayed from the path of reform, EC members see no viable alternative to him and probably will support moves for him to attend the G-7 summit in London in July.*

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Most EC member states believe Gorbachev is the only leader capable of preventing political and economic chaos in the USSR and a complete takeover by the hardliners. They fear such developments might send a flood of refugees into Western Europe and aggravate ethnic conflicts in East European countries.

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[REDACTED]

b(1) b(3)

The Europeans have backed up their policy decision by proceeding with a \$1.5 billion EC aid package.

[REDACTED]

B-1, B-3

EC leaders probably will also support having the G-7 invite Gorbachev to the London summit. The Soviets are eager for such an opportunity to plead their case for massive Western economic assistance. A favorable West European response to such a plea is not likely unless the Soviet leadership adopts more market-oriented reforms. At the same time, EC members probably will urge other G-7 members to take more responsibility for helping the USSR, arguing that the Community is already providing substantial aid to Eastern Europe.

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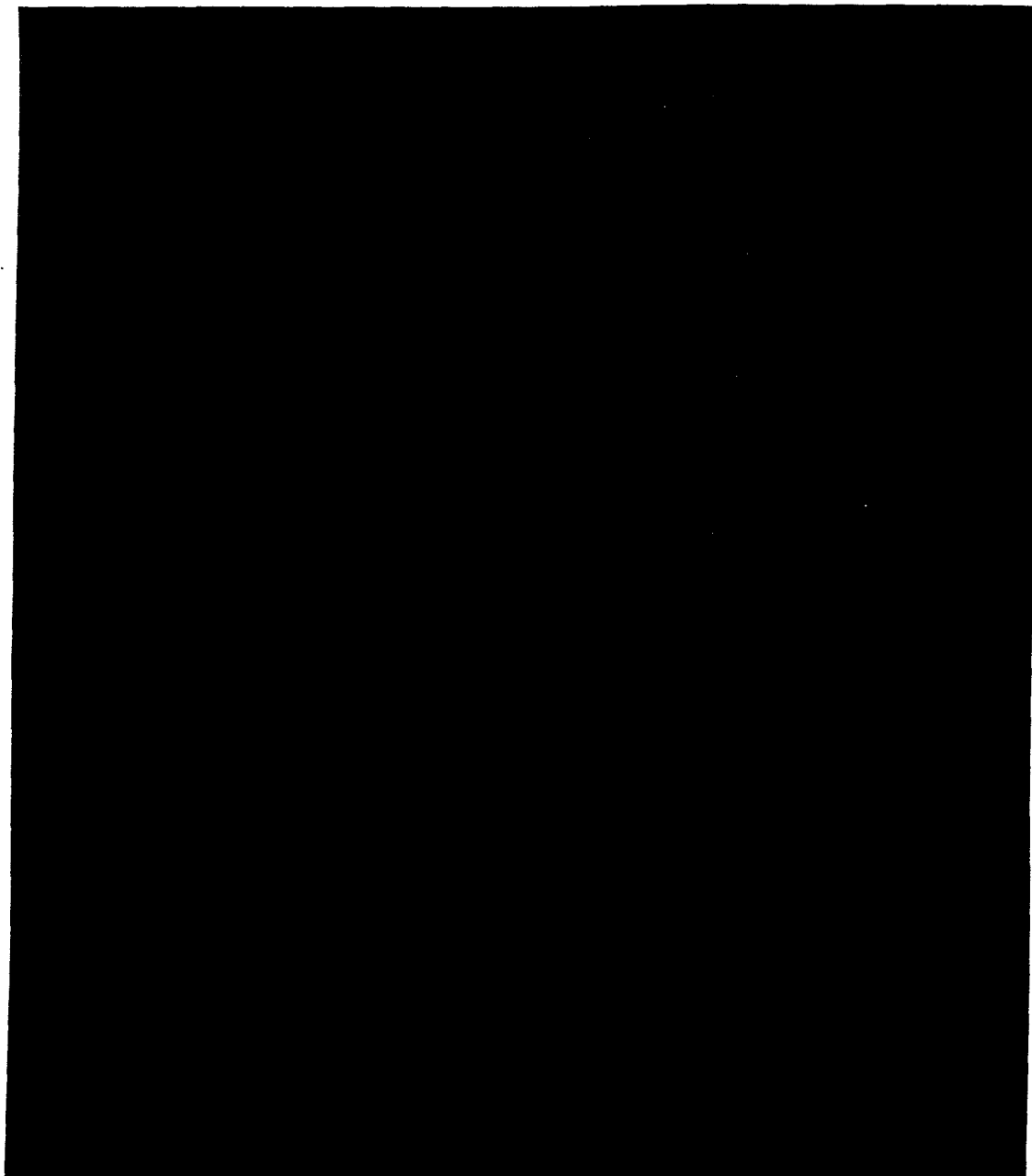
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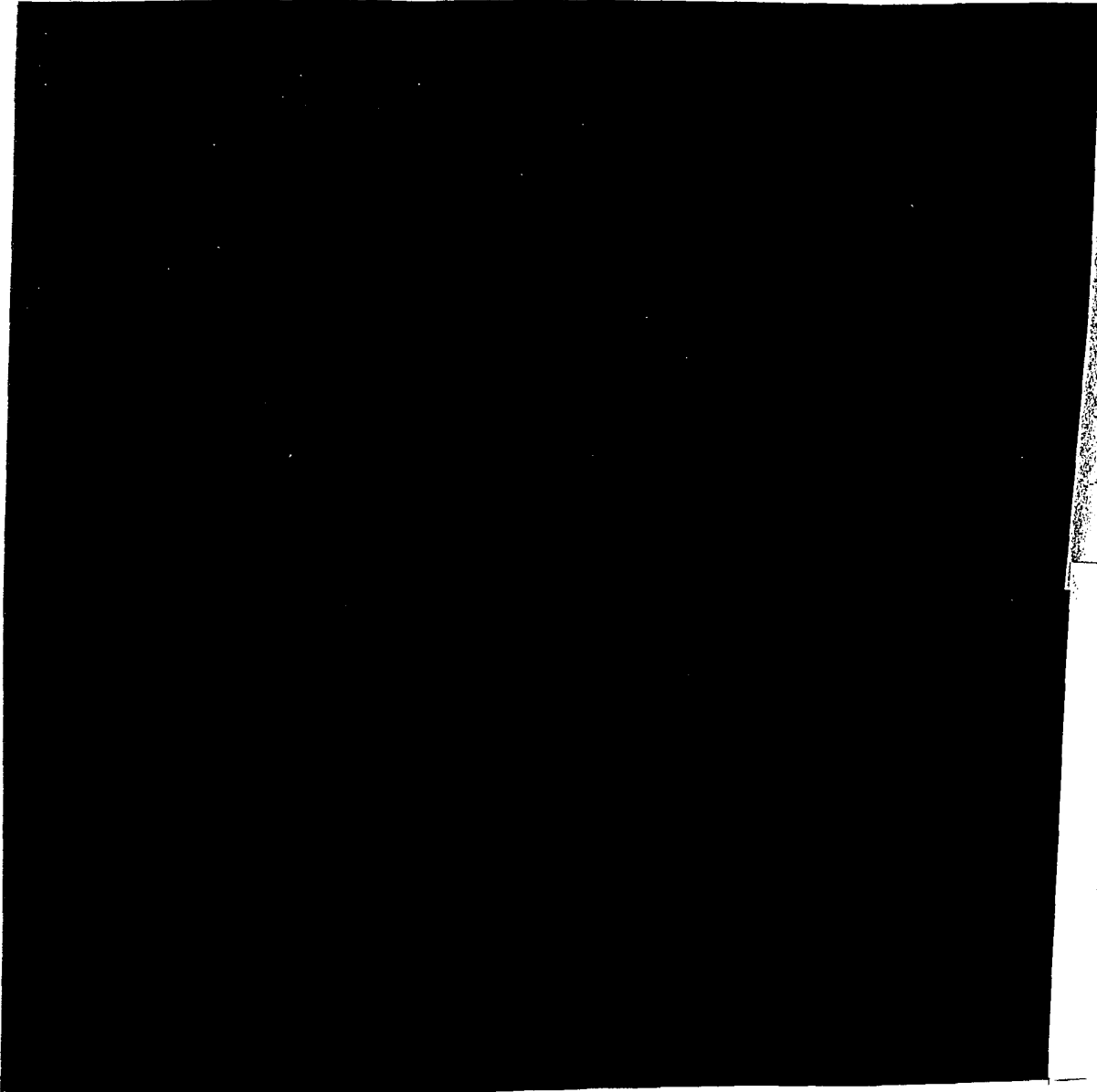
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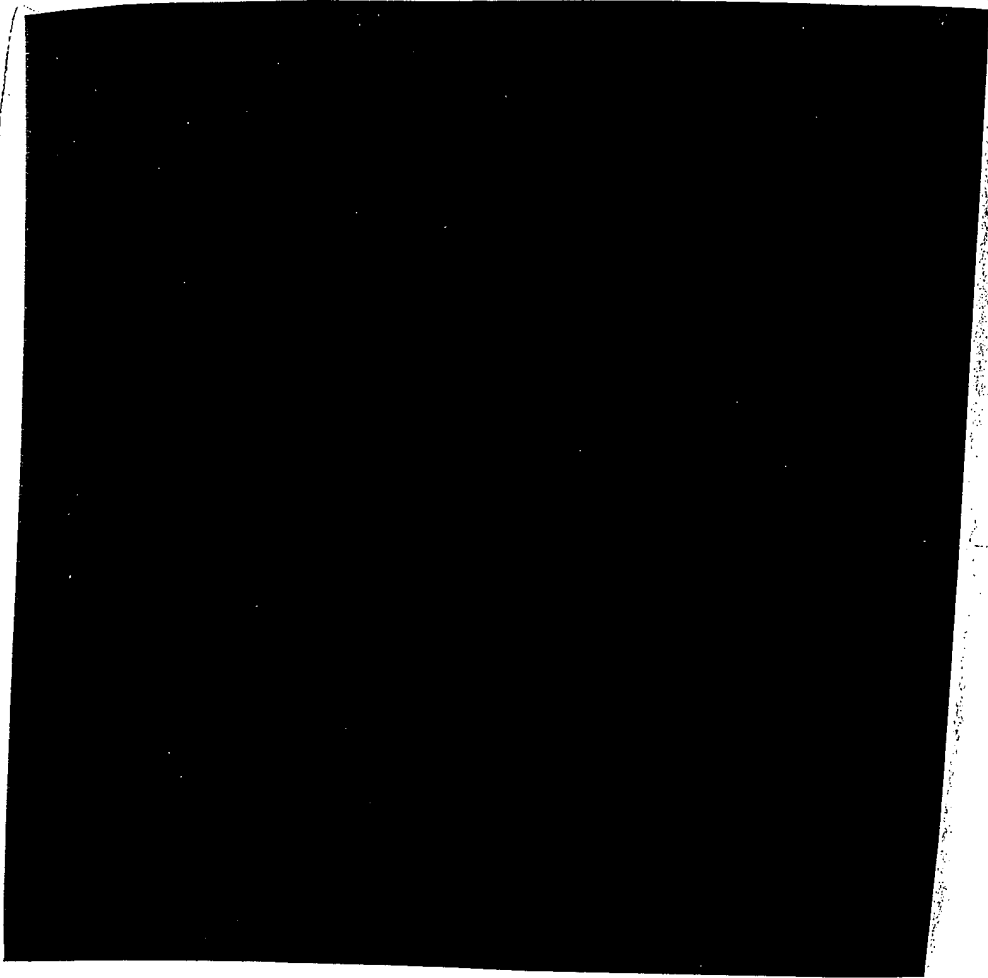
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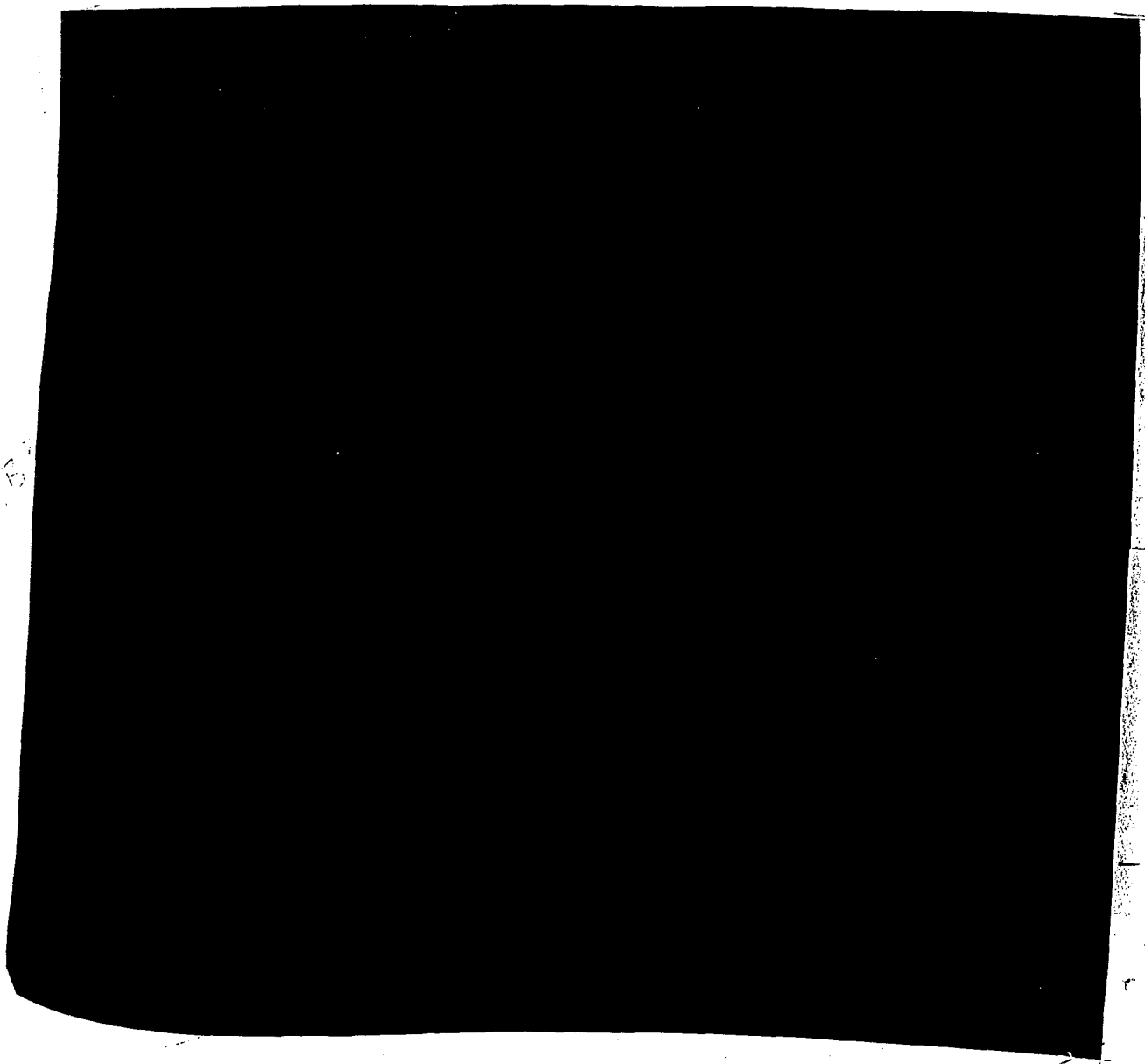
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Special Analysis

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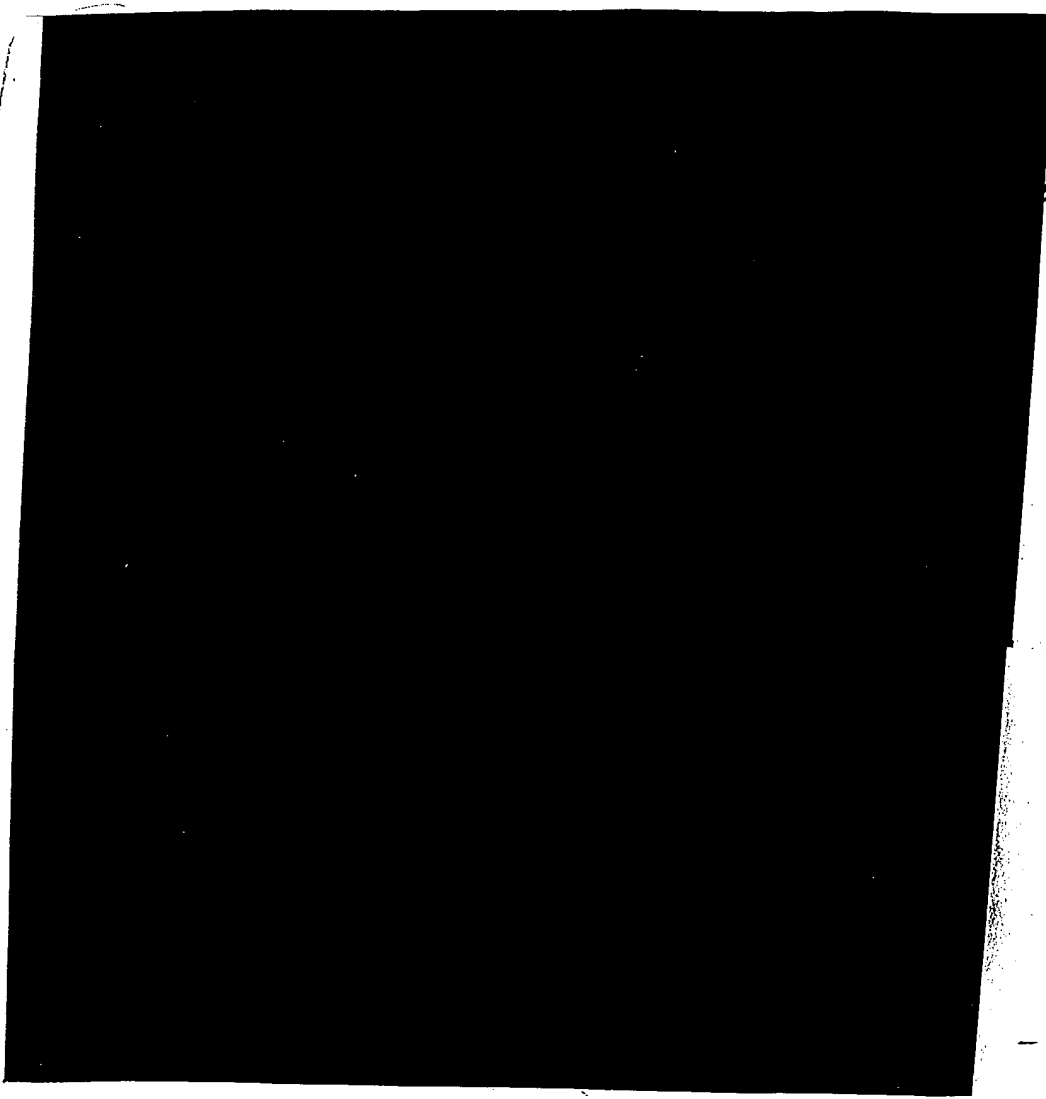
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