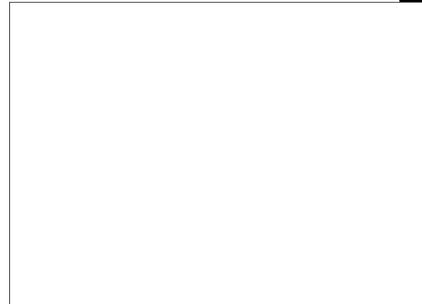




Director of
Central
Intelligence

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National Intelligence Daily

Friday
8 January 1982

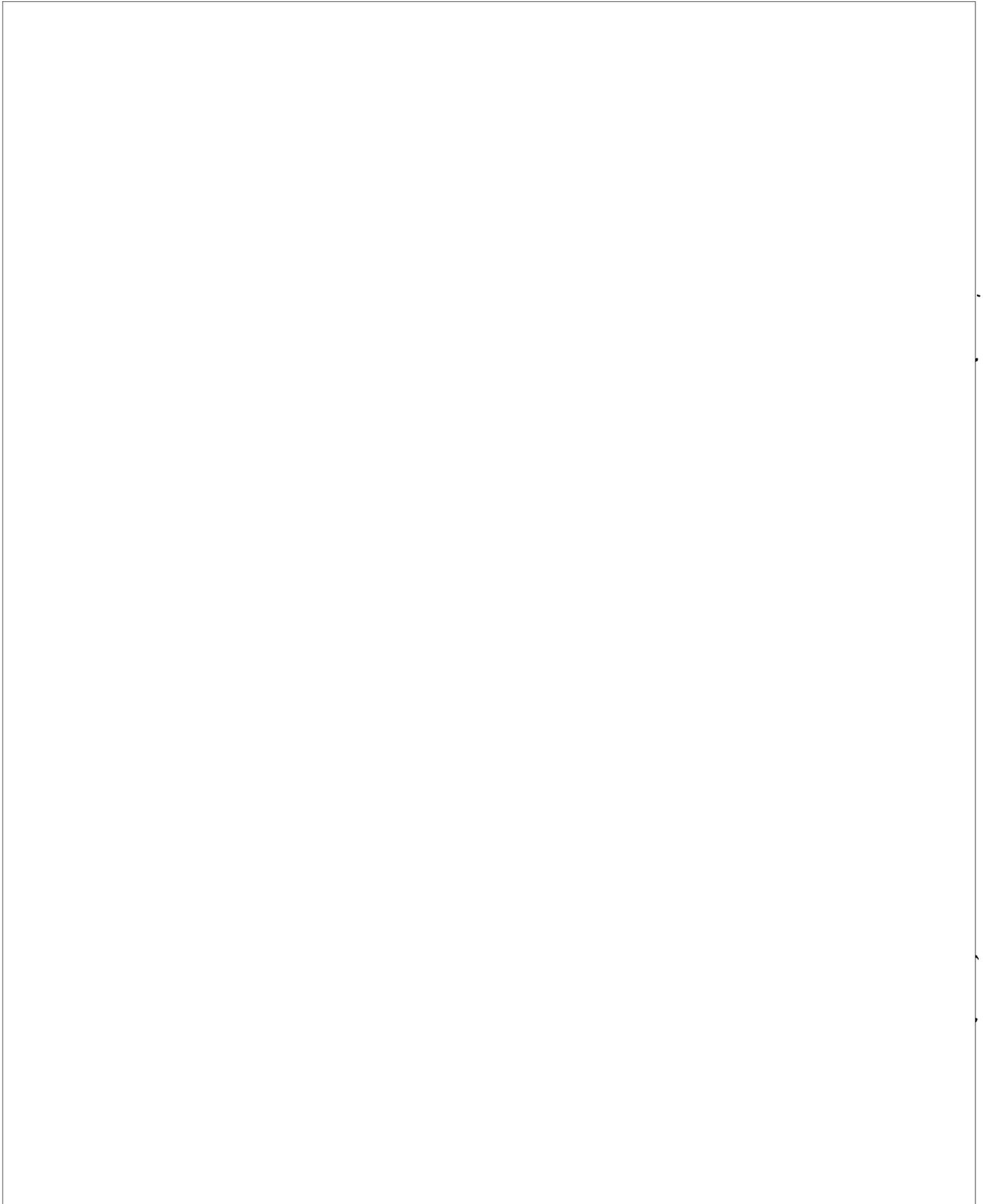
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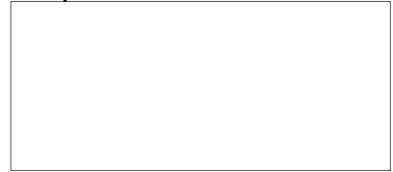
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① POLAND: Criticism and Advice

Archbishop Glemp sharply criticized martial law authorities on Wednesday, and Solidarity leaders have denied that union officials are holding talks with the government. Several Hungarian officials are reportedly in Warsaw to offer advice, but this may not be of help. [redacted]

[redacted] Meetings between high-ranking Soviet and Polish civilian officials are taking place for the first time since the imposition of martial law. [redacted]

In his sharpest public critique of regime policies since the imposition of martial law, Archbishop Glemp on Wednesday called for the release of detainees. He also criticized the demand by factory managers that workers either resign from Solidarity or be fired, stating this is unethical and violates Polish law. Glemp did stress, however, that Poles should not meet violence with violence. [redacted]

The Archbishop's sermon probably reflects his growing concern and frustration at the failure of the government to either undertake a serious dialogue with the Church or rescind the harshest martial law procedures. [redacted]

The Solidarity leaders who are still free have circulated a statement in underground channels denying they have authorized any of their members to talk with the government; officials in Warsaw maintain that such talks are under way. The statement said the regime was trying to confuse the issue in order to get out of the deadlock it had created for itself. [redacted]

High-level Hungarian officials, including Deputy Prime Minister Aczel, are reportedly in Warsaw suggesting ways to rebuild the Communist Party--and possibly the economy. The visit closely follows the trip to

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Hungary last week by KGB Chief Andropov. Andropov may have discussed with the Hungarian leadership the possibility of using its experience in establishing party rule--based on public support--after the suppression of the revolt in 1956 as a model to fill the political vacuum in Poland once martial law is ended. [redacted]

The situation in Hungary in 1956, however, does not parallel that in Poland today. Poland is much larger in size and population than Hungary and has a more diverse social structure. Hungarian leader Kadar did not have to contend with a powerful Church, a strong trade union movement, or a large foreign debt. Even so, it took Kadar more than a decade before he felt enough political security to introduce economic reforms, and Poland's military rulers probably will not be as flexible in implementing reforms as Kadar. [redacted]

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[REDACTED]

Soviet Commentary

1-10
Izvestiya on Wednesday leveled a personal attack on President Reagan, accusing him of taking "direct control of the business of directing all subversive work against socialist countries." The article, which focuses on Radio Free Europe's activities, charges that the radio station's broadcasts are aimed at increasing tension and promoting US interests. It accuses the station of prompting Poles to violate martial law. [REDACTED]

Moscow has also broadened its attacks on West European governments critical of the USSR's role in the Polish crisis. According to Western news services, *Izvestiya* today accused Italian Prime Minister Spadolini of trying to play up to Washington and to those in Italy who want to make political capital out of anti-Communism and anti-Sovietism. *Pravda* registered additional criticism of the French for "antisocialist hysteria." [REDACTED]

[REDACTED]

② FRANCE-NICARAGUA: Arms Agreement

The Mitterrand government believes its decision to sell military equipment to Nicaragua ultimately will lessen the Sandinistas' dependence on the USSR and Cuba, but Managua's policies probably will not be significantly moderated by increased ties with Paris.

[redacted]

According to press reports, the agreement announced yesterday includes two patrol boats, two utility helicopters, trucks, and training for Nicaraguan sailors and airmen. The contract also is said to include a strict clause prohibiting transfer of the French equipment to a third party. Financing arrangements and projected delivery dates are unknown. [redacted]

1/3 Paris' decision probably reflects, in part, growing concern in Socialist circles about a perceived increase in US pressures on the Sandinista regime. Many Socialists believe Washington is pushing the Sandinistas closer to Moscow and Havana. President Mitterrand has long held that in Central America, as in other areas of the Third World, closer relations between France and "progressive" governments can halt, and eventually reverse, growing Soviet and Cuban influence. [redacted]

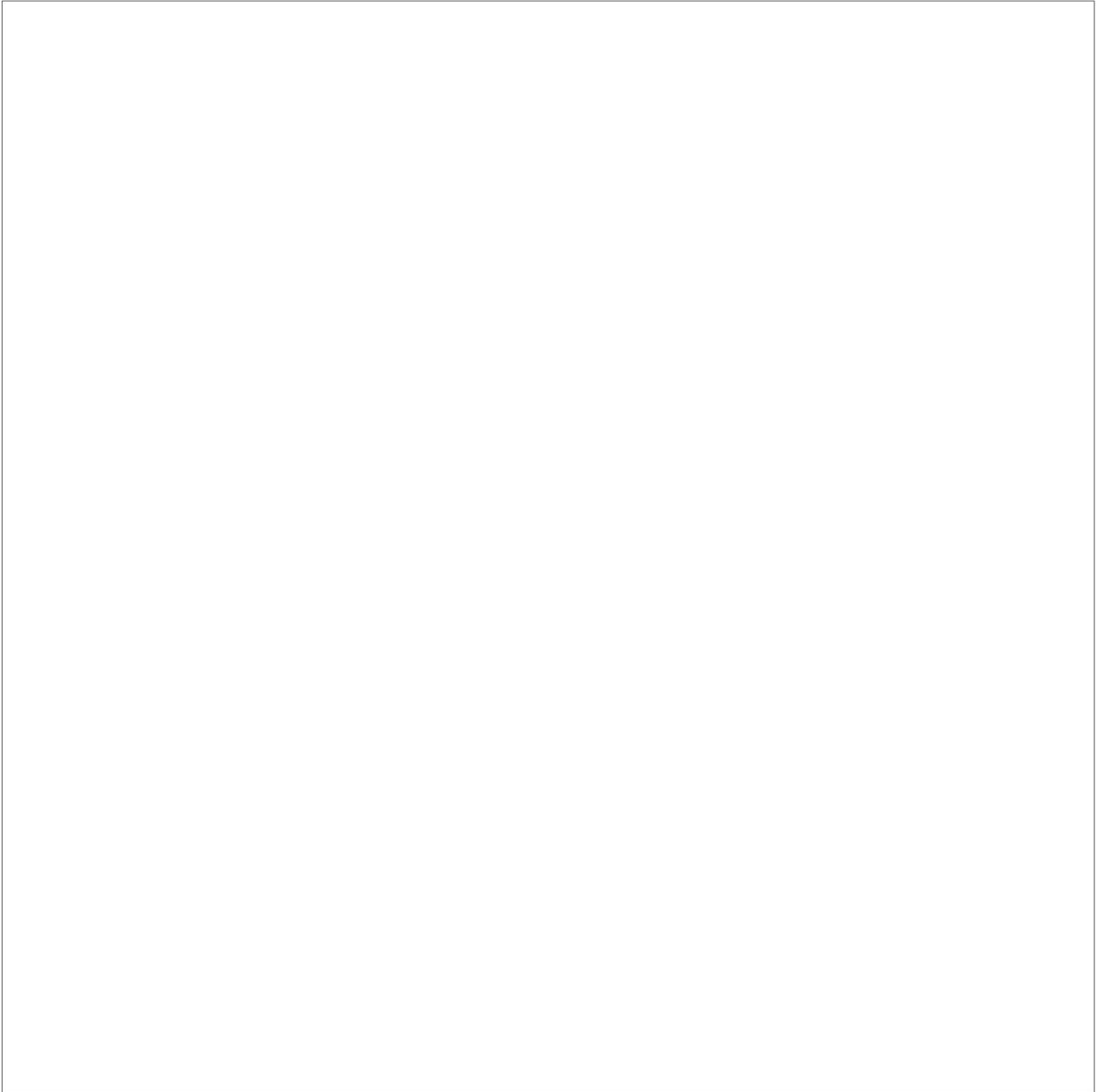
Although Mitterrand almost certainly expects a sharp US denunciation of the arms deal, he probably has concluded that broad areas of agreement between Paris and Washington--for example, on East-West, Middle East, and some African issues--will prevent any serious and long-term deterioration of relations. [redacted]

The Sandinistas recently have been concerned about waning West European support for their regime. They will hail the French agreement as proof of continued international solidarity with the Nicaraguan revolution. [redacted]

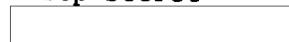
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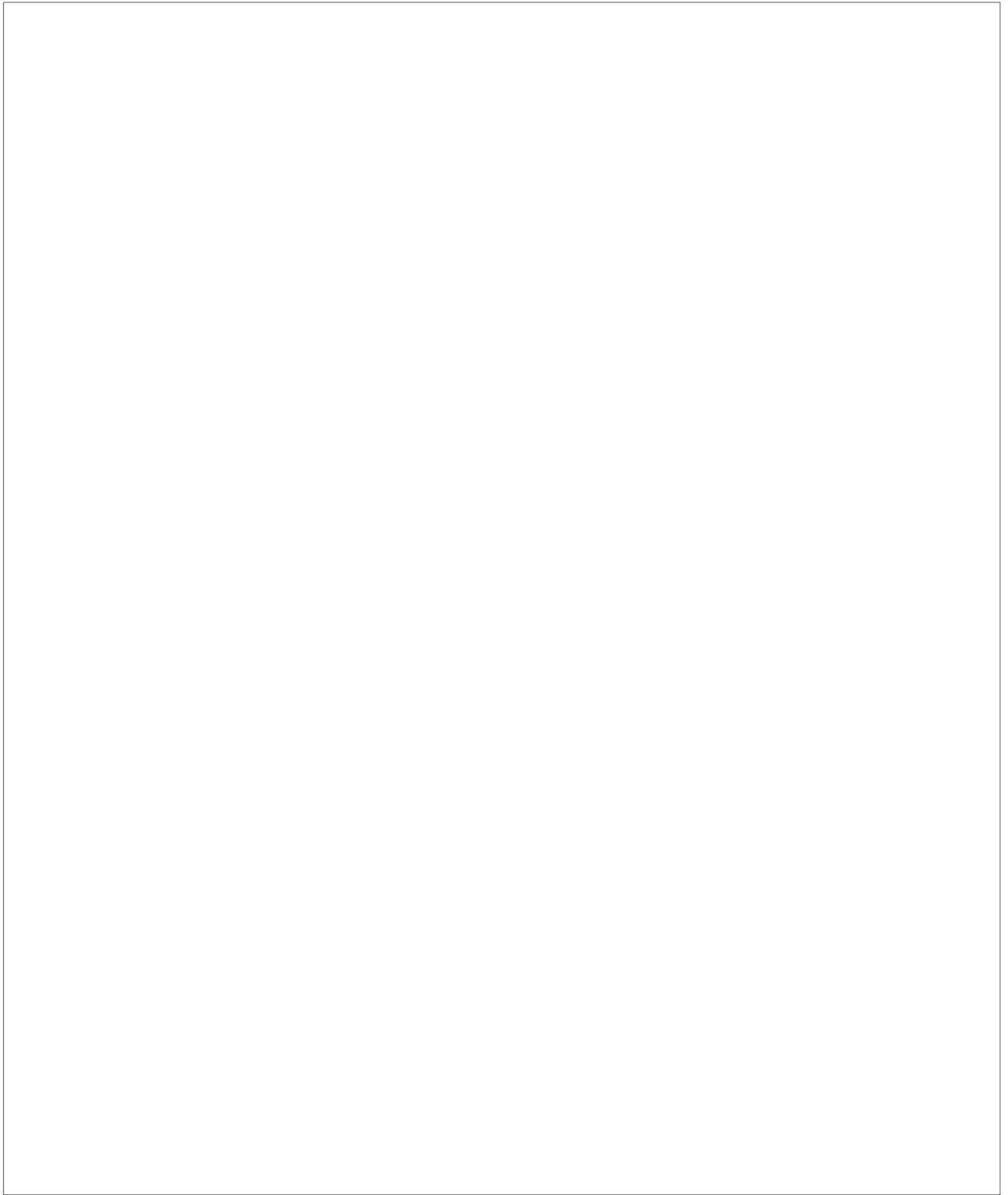
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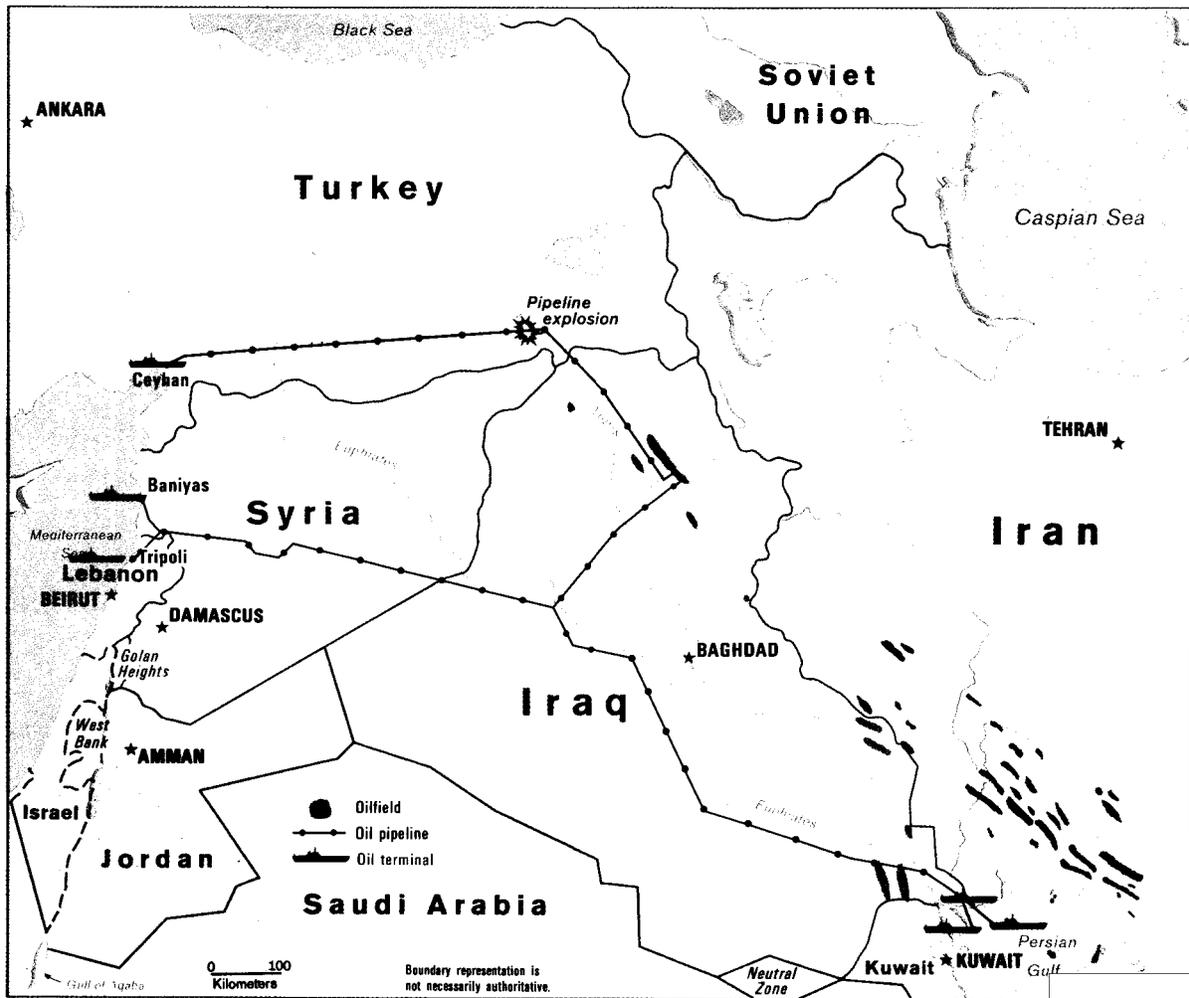
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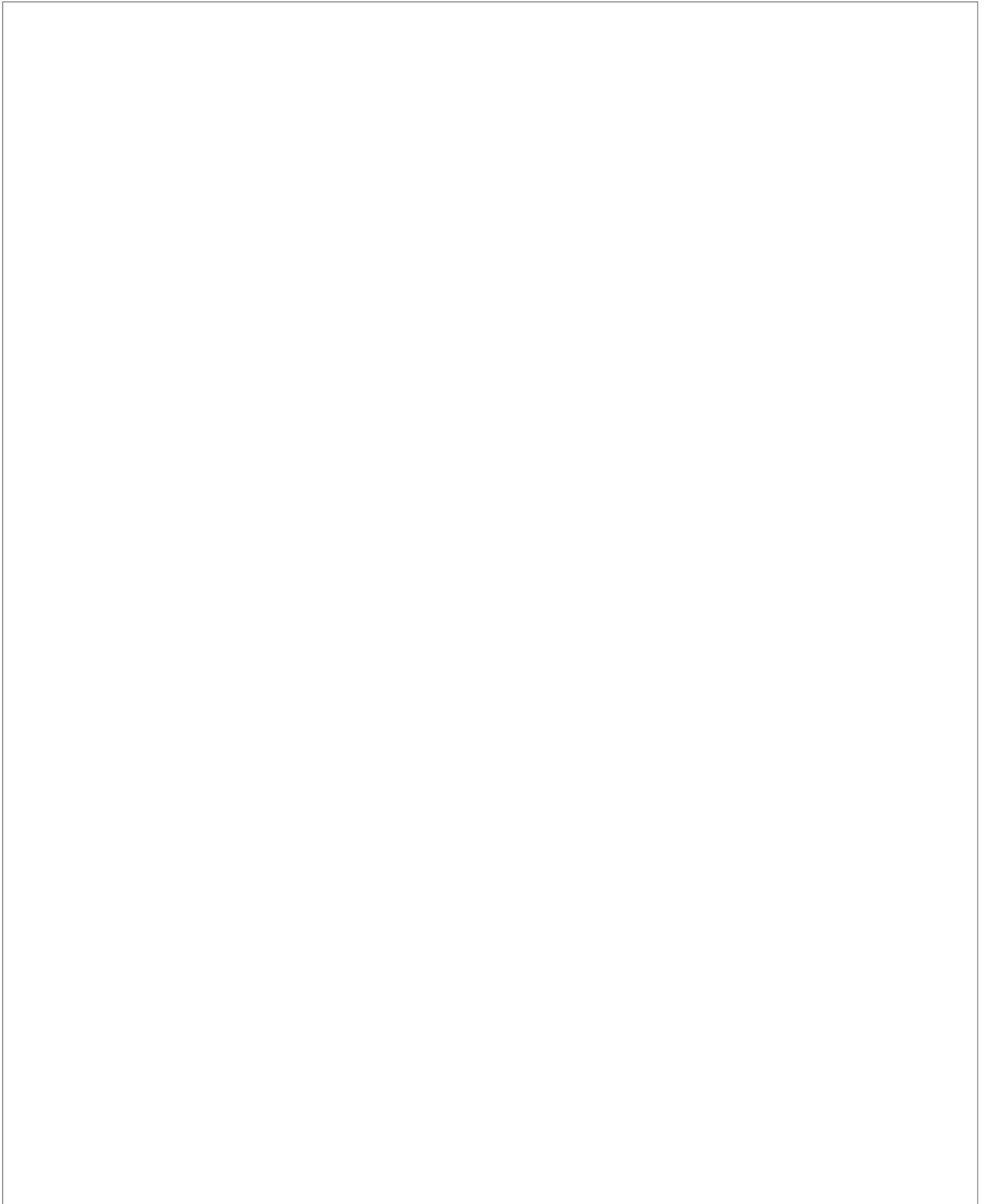
(7) IRAQ-TURKEY: Explosion on Pipeline

The pipeline that carries Iraqi crude oil to Turkey's Mediterranean terminal at Ceyhan is being repaired following damage by an explosion on Wednesday. It was handling up to 650,000 barrels per day--about 50 percent of Iraq's total oil exports. The incident follows damage last weekend to the Tripoli spur of the other major pipeline system carrying Iraqi oil to the Mediterranean. Exports through Baniyas, Syria, continue at up to 500,000 barrels per day. [redacted]

1/3 Reconstruction of the Lebanon branch of the Iraqi pipeline, reopened only last month, is expected to be finished this Saturday. Since the closure of its Persian Gulf oil terminals as a result of the war, all of Iraq's oil exports transit these pipelines. Continued interdiction, however, would seriously reduce Iraq's oil exports--which were running at about 1 million to 1.2 million barrels per day before the recent damage. [redacted]

(8) JAPAN - SOUTH KOREA: Aid Talks To Resume

1/2 A senior Japanese Foreign Ministry official is to visit Seoul next week to reopen negotiations on economic assistance. Both sides are anxious to resolve what has become a serious bilateral problem, but a quick solution is unlikely. The Koreans are still demanding a five-year, lump-sum commitment of \$6 billion. Tokyo is willing to increase assistance, including doubling aid to \$180 million in the current fiscal year, but it wants annual aid commitments to be tied to specific projects in Korea's five-year plan. [redacted]



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(10) JAMAICA-US: Visit by Seaga

Prime Minister Seaga is planning an unofficial visit to the US next week and is to meet with officials of international financial institutions. IMF support, coupled with austerity measures required by the IMF and with some capital repatriation, ended seven years of declining economic growth last year, but prospects for 1982 are uncertain at best. The current Alcoa strike, which shut down one-fifth of Jamaica's alumina production capacity, has further damaged Jamaica's already bleak export outlook. Jamaica will remain heavily dependent on IMF support to meet foreign financial obligations and increase imports, but adhering to the IMF-imposed program will be painful this year. Many inefficient businesses will be forced into bankruptcy, consumer prices will rise, and subsidies to the poor will be reduced.

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SPECIAL ANALYSIS

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POLAND: Looking Ahead

The government of Premier Jaruzelski in the weeks and months ahead will reduce the restrictions of the martial law regime, but it will continue to emphasize rebuilding the Communist Party, solidifying control, and imposing austerity measures. It will at some point produce a "reform" program, but only a shadow of what seemed possible before martial law. This combination of policies may restore economic activity, but it will not reform the political and economic system, and Poland probably is headed toward another crisis over the longer term.

If Solidarity had been able to stop all work in Poland by staging an effective general strike after the imposition of martial law, or if large-scale violence had resulted, Jaruzelski's forceful solution to Poland's economic and political problems would have failed, and his Warsaw Pact allies probably would have finished the job for him. Having undertaken such a high-risk gamble that has worked so far, Jaruzelski will not be swayed from pursuing his repressive policies until he is convinced that the need for them has disappeared.

The principal objectives of the regime in the immediate future will be to purge the party by creating a smaller, more disciplined organization; to screen officials in the government, media, and industry to assure their reliability; and to implement some austerity measures--such as a more realistic price structure--that are essential to any reconstruction of the economy.

Need To Ease Restrictions

Jaruzelski also has a need to relax martial law. Civilian communications need to be restored if commerce is to revive. The Army cannot be kept dispersed throughout the country in winter without damaging its morale and effectiveness.

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The government probably will want to release detainees to remove a point of contention with the West and the Catholic Church. These relaxations will be portrayed as signs of a return to normalcy and as conciliatory gestures to the public. []

The Premier recognized that reforms were necessary long before he concluded that martial law was essential to ease pressures from Moscow and to restore domestic order. He probably will eventually keep his promise to preserve "the positive gains" of the past 16 months with a program of "reforms," but these will be designed to avoid eroding regime control over decisionmaking. []

Jaruzelski probably will create new institutions for consulting the public and for giving workers more of a voice in running factories, in determining benefits, and in decisions on local social and economic issues. He will also make changes in the economic management system. None of these changes will result in the kind of decentralization or self-management demanded by Solidarity in negotiations with the government in November. []

Passive Resistance Likely

This program of mixing repression with limited reforms, along with Soviet economic assistance, because of its inherent contradictions and inadequacies, is certain to heighten tensions in the longer term, if not the short. It will not convince the public that the martial law authorities deserve its active cooperation or that the program will lead to vigorous economic growth. []

As a consequence, passive worker resistance will persist and, when travel and communications restrictions are relaxed, Solidarity will be able to rebuild more of its infrastructure. Worker militants and dissident intellectuals probably will revive such activities as an underground press and "flying" universities. Forced to balance most trade with the West and unable to offer credible incentives to workers and farmers, the government will find the economy still suffering from supply

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dislocations, an increasingly antiquated technology, and low worker productivity. A debt moratorium may be declared, or default may result.

The potential will remain for local strikes to flare up from time to time and for some violence. Even if popular resistance diminishes and some Solidarity officials collaborate with the regime, however, Jaruzelski's program is likely to come to be seen as a failure by the public, the party and government, and the Soviets. When this occurs, as it has following both previous Polish efforts at reform beginning in 1956 and in 1970, the domestic and foreign pressures for change will build again, and Poland will have another crisis.

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