



Director of  
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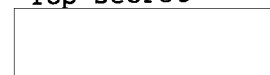
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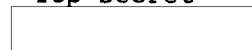
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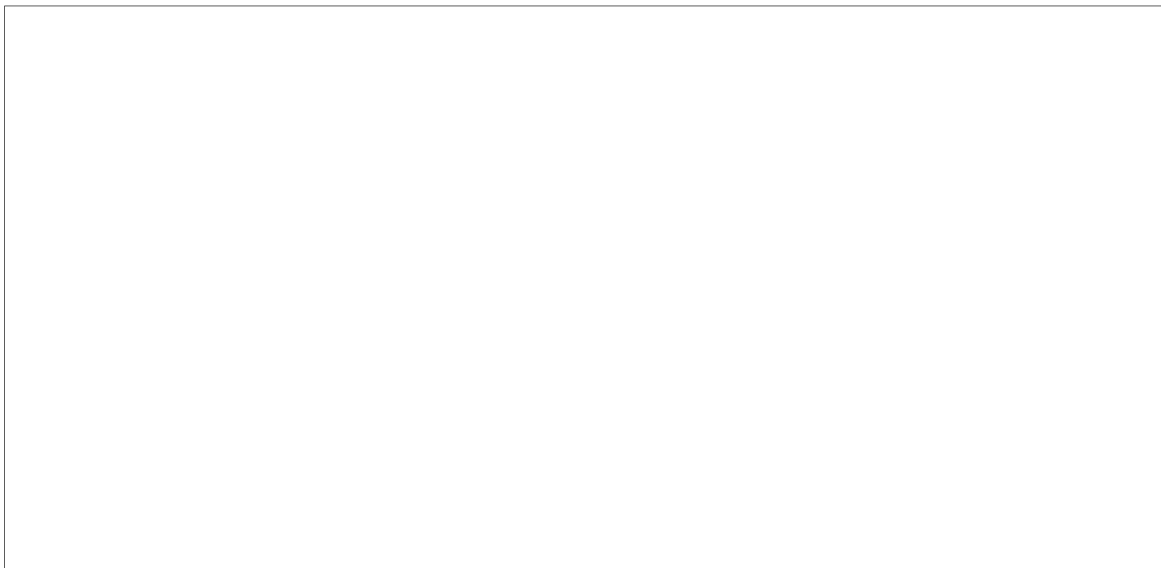


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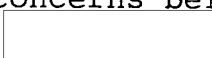
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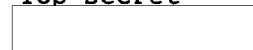
Danish Prime Minister Jorgensen yesterday publicly criticized US and NATO intentions to confront the Soviets at the CSCE meeting in Madrid on the Polish question and attacked US policy on El Salvador. Jorgensen noted Danish opposition to the imposition of martial law in Poland, but implied that Washington had not sufficiently considered Allied concerns before responding to the Polish situation. 

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Comment: These criticisms conflict with official Danish statements at recent NATO consultations. They apparently reflect Jorgensen's growing lack of confidence in US leadership on the Polish issue. Denmark is the first Ally to break from NATO's consensus favoring strong condemnation at the CSCE session of Soviet interference in Polish affairs. 

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ISRAEL: Concerns Over Lebanon

*Some Israelis apparently are warning Prime Minister Begin that public opinion will not support a military move into Lebanon unless there is a significant terrorist provocation.* [redacted]

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A number of cabinet ministers are said to be concerned that Begin and Defense Minister Sharon--through a media campaign citing terrorist attacks on Jews in Europe and infiltration of PLO terrorist groups through Jordan--are laying the groundwork for an attack based on minor cease-fire violations. The ministers believe that such an attack would aggravate Israel's already strained relations with the US and would be difficult to justify to the public, particularly if it led to substantial Israeli casualties. [redacted]

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Some press commentary also is critical of Sharon's tough statements, citing pleas for government restraint from residents of northern Israel as signs of popular concern. [redacted]

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Comment: The domestic debate on this issue probably weighs heavily in Begin's calculations about when and under what circumstances to strike at the Palestinians. He almost certainly is anxious to have the cabinet and public opinion solidly behind him should he order an attack in the absence of a major provocation by the Palestinians. [redacted]

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Nonetheless, Begin and Sharon appear convinced that a military move into Lebanon will ultimately be necessary. They also may be arguing that President Assad's domestic troubles would inhibit any significant Syrian resistance to a limited Israeli move into southern Lebanon. [redacted]

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THAILAND: Military Operation Against Drug Traffickers

*//The Thai Government is continuing sweep operations in the northern part of the country against drug traffickers belonging to the Shan United Army.//* [redacted]

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*//Shan forces have splintered into small groups and have fled to border areas or into Burma to regroup. Burmese Army units are a short distance from the border but have not cooperated with the Thai despite Rangoon's longstanding enmity toward the Shan forces.//* [redacted]

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*//The three US tourists released last weekend by the Shans were asked to give President Reagan letters describing their group as an ethnic minority oppressed by the Burmese.//* [redacted]

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*Comment: //Thailand will find it difficult to maintain pressure on the Shans over the longer term. Burma's failure to take aggressive action against fleeing Shan troops could lessen the impact of the offensive, and Thailand would have to commit a large number of troops to prevent Shan forces now in Burma from returning.//* [redacted]

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*//Although the Shan United Army blames the US for Thailand's antinarcotics operations and could still seek reprisals, it has not yet singled out Americans. Despite protestations to the contrary, the Shan United Army is primarily a drug-trafficking organization rather than a "liberation army."//* [redacted]

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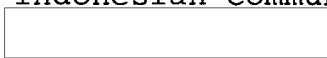
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INDONESIA-USSR: Expulsion of Soviets

The Indonesian Government has expelled a Soviet military attache for spying, arrested an Aeroflot official who also may be involved in espionage, and shut down a minor Soviet consular post on South Borneo. Anti-Soviet sentiment has been building since last December, when Radio Moscow aired a congratulatory message from the banned Indonesian Communist Party to President Brezhnev. 

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Comment: Jakarta's retaliatory moves reflect its fears that the Soviets may meddle in national elections in May and its heightened anxiety about Soviet influence in Southeast Asia. The USSR probably will not make any official conciliatory moves soon, however, and consequently the Indonesians are likely to intensify their anti-Soviet campaign. 

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MAURITANIA: Alleged Coup Plot

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 the US Embassy in Nouakchott report that former President Ould Saleck, the commander of the capital military region, and other prominent individuals were arrested last Saturday for allegedly plotting to overthrow President Haidalla. Haidalla briefly delayed his departure for the OAU meeting in Nairobi to deal with the situation. 

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Comment: Haidalla's decision to attend the OAU meeting reflects confidence that his position is secure, but increasing criticism of his regime suggests that another attempt to remove him may be made soon. The upheavals in leadership that have become almost chronic in Mauritania could further complicate the attempts to resolve the dispute over Western Sahara, possibly by providing new support for the Polisario. 

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SPECIAL ANALYSES

SYRIA: Domestic Unrest Growing

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*//The current heavy fighting in Hamah--the most serious since 1980--and coup plotting in the armed forces last December underscore the breadth of opposition to President Assad's minority Alawite regime. Despite these two challenges to his rule, Assad still seems to retain the loyalty of the Alawite military elite, the core of his power base. The failure to deal with the underlying causes of discontent and Assad's increasing reliance on repression, however, will intensify the alienation of the majority Sunni community and give rise to more violence.//*

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*//The government appears to have regained the upper hand in Hamah and to have prevented the fighting from spreading. The violence apparently grew out of a campaign of repression by soldiers of the elite Defense Companies, commanded by the President's brother Rifaat. Religious leaders reportedly exhorted the residents of Hamah to resist government repression, and for two days they evidently were in control of the city.//*

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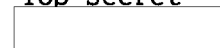
*//Assad's immediate objective will be to restore order in Hamah and keep the violence there from spreading to Aleppo and other chronic trouble spots in the north. He will use whatever force is necessary to quell the remaining opposition in Hamah and maintain control in Damascus. Elite units, largely manned by Alawites, probably will continue to bear the brunt of fighting to minimize the risk of serious splits in the regular armed forces along confessional lines.//*

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[redacted]

//The President does not appear to be in imminent danger of losing control of events. His predominantly Alawite guard forces are large enough to handle several civil disturbances simultaneously, and his security apparatus appears able to keep on top of threats to the regime from within the armed forces.//

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[redacted]

[redacted]

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//During his more than 11 years in power, Assad has developed an intricate system of checks and balances to maintain his hold on power. There are several overlapping and competing intelligence and security services to neutralize antiregime activity.//

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[redacted]

//Rifaat commands more than 20,000 heavily armed soldiers. They are stationed primarily in and around Damascus and are trained to seize vital points in the city and protect key leaders.//

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[redacted]

//Assad's nephew Adnan commands a smaller antitank force of 4,000 to 5,000 men on the outskirts of the capital. These units constitute formidable obstacles to a coup attempt.//

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[redacted]

//Assad is likely to become increasingly dependent on repression and his security apparatus to retain power. Nonetheless, the resentment among the majority Sunni community of Alawite arrogance, corruption, and domination of Syria will grow.//

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[redacted]

//The regime's secular ideology and its socialist approach to the economy have alienated large sections of the middle class. The use of repression may enable Assad to survive for a considerable time, but the deep-seated causes of political alienation represent a growing threat that will ultimately lead to the President's undoing.//

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POLAND: Financial Outlook

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*Poland's financial situation since the imposition of martial law has deteriorated further and now has come down to default, continued stalemate with the banks, or delayed rescheduling. None of these outcomes will do much either to damage Warsaw's already shattered hard currency trade and financial relations or to restore its creditworthiness. Prospects remain poor for surmounting the financial hurdles that prevent imports of the raw materials, spare parts, and semimanufactured goods necessary for economic recovery. The economic outlook, therefore, is for continued stagnation and falling standards of living.*

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Warsaw has notified the banks that the interest due last year will be paid up by Monday, paving the way for signature by March of the agreement rescheduling Poland's obligations for 1981 to private creditors. Bankers generally are confident that the Poles will keep their promise, but \$200 million remained unpaid at the end of January. To be paid on time, interest payments will have to be made faster than they have been in the past six weeks.

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Even if Warsaw fails to meet the deadline, the banks still may not call default. Creditors have held off through many months of Polish moratorium, arrearages, missed deadlines, economic slump, political turmoil, and now martial law.

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The banks would prefer to keep the trickle of interest payments flowing and to avoid writing off large loans. The banks hope that Moscow will provide the money, but Polish officials claim that they expect no further Soviet help.

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The likelihood that Poland will be declared in default will increase, however, if the impasse continues on rescheduling payments due in 1981, while Poland falls further behind in its payments due this year. Any of the 501 banks with which Warsaw is behind in its interest and principal payments could declare Poland in default.

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Creditor governments could take similar action on several grounds:

--In some cases, Warsaw apparently has not paid the 10 percent of principal and interest due in 1981 that was not covered by the agreement rescheduling obligations for official creditors.

--Overdue payments already are building this year on government-guaranteed credits.

--The imposition of martial law makes the regime vulnerable to a provision that allows the Western creditors to abrogate the rescheduling agreement under exceptional circumstances.

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Legal default would prompt a scramble by private creditors for Poland's assets in the West, the value of which would offset only a fraction of Poland's hard currency debt. The impact on foreign trade would be limited, because it dropped substantially in 1981 and has fallen further since martial law was declared.

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Although the immediate additional damage would be small, being declared in default probably would make it more difficult for Poland to reestablish its creditworthiness and delay access to new loans. The stigma of default would be difficult to overcome, and suits and claims could tie up Polish financial and commercial relations for some time.

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If the impasse continues beyond next week without a declaration of default, Warsaw would still have to place an extremely high priority on paying banks on 1981 interest rather than buying imports. With reserves depleted and export revenues reduced to a trickle, there are few funds left for imports.

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If Poland manages to pay interest and other required fees it will have cleared the immediate financial hurdle. The completion then of the rescheduling agreement would

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[redacted]

be the first major economic agreement with the West since martial law. The Poles unrealistically hope that banks would then restore short-term credit lines, allowing some expansion of trade. [redacted]

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Even with a private debt relief agreement Poland would have to tackle the massive burden of some \$10 billion in payments due in 1982. This year Warsaw owes \$5 billion in principal to Western governments and banks, and another \$1.8 billion to non-Western creditors. Interest charges are estimated at \$3.3 billion. [redacted]

The Polish Government apparently has made no payments due this year, concentrating instead on meeting obligations for 1981. With no debt relief arranged, Poland is falling behind in its payments to all creditors at the rate of \$800 million per month. [redacted]

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The Poles are likely to request a moratorium on debt service for 1982 and then pay those creditors most likely to declare default or to extend new credits. Highest priority will be given to paying the \$2.5 billion in interest to private banks. The Poles and their private creditors also probably will urge governments to open negotiations for debt relief on guaranteed obligations due to be paid this year or at least ask official creditors not to declare default. [redacted]

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As long as nearly all Western government credits remain blocked by sanctions, Warsaw will not be able to repeat the tactic it employed last year, using commodity credits extended by Western governments to cover debt service. Even if Warsaw is able to join the IMF late this year, private bankers are unlikely to change their attitudes or to provide much immediate financial help. The Poles' recent announcement that they plan to accumulate a trade surplus of \$500 million for the first half of this year indicates that Warsaw is choosing to sacrifice imports to pay at least some debt service. [redacted]

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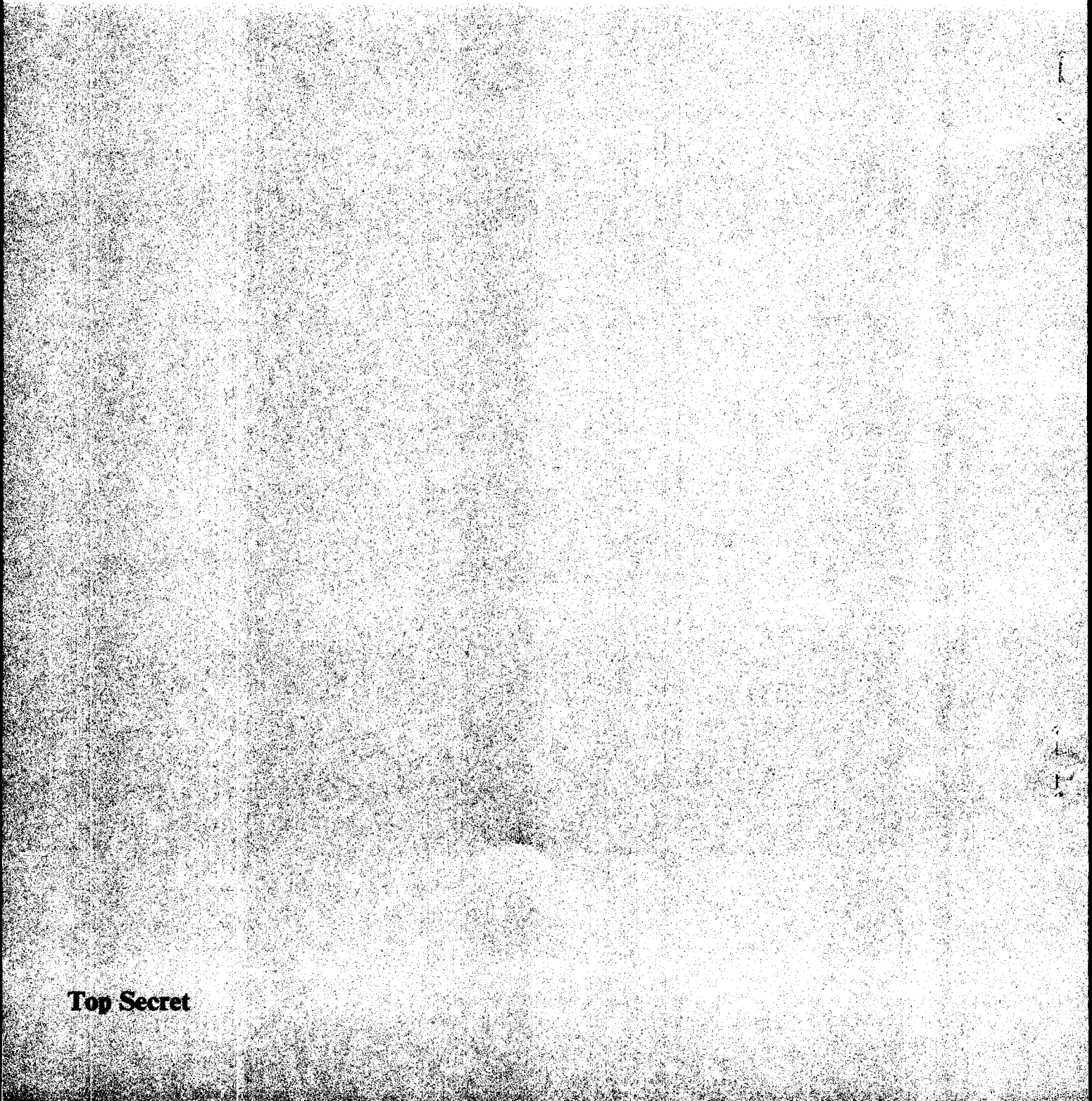
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