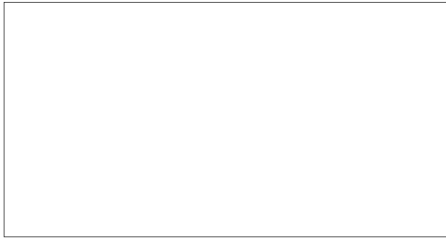




**Director of
Central
Intelligence**

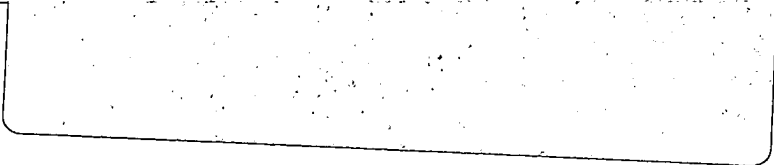
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National Intelligence Daily

*Tuesday
13 September 1983*

DIA review
completed.

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CPAS NID 83-215JX

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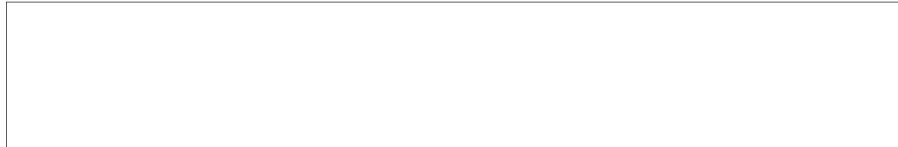


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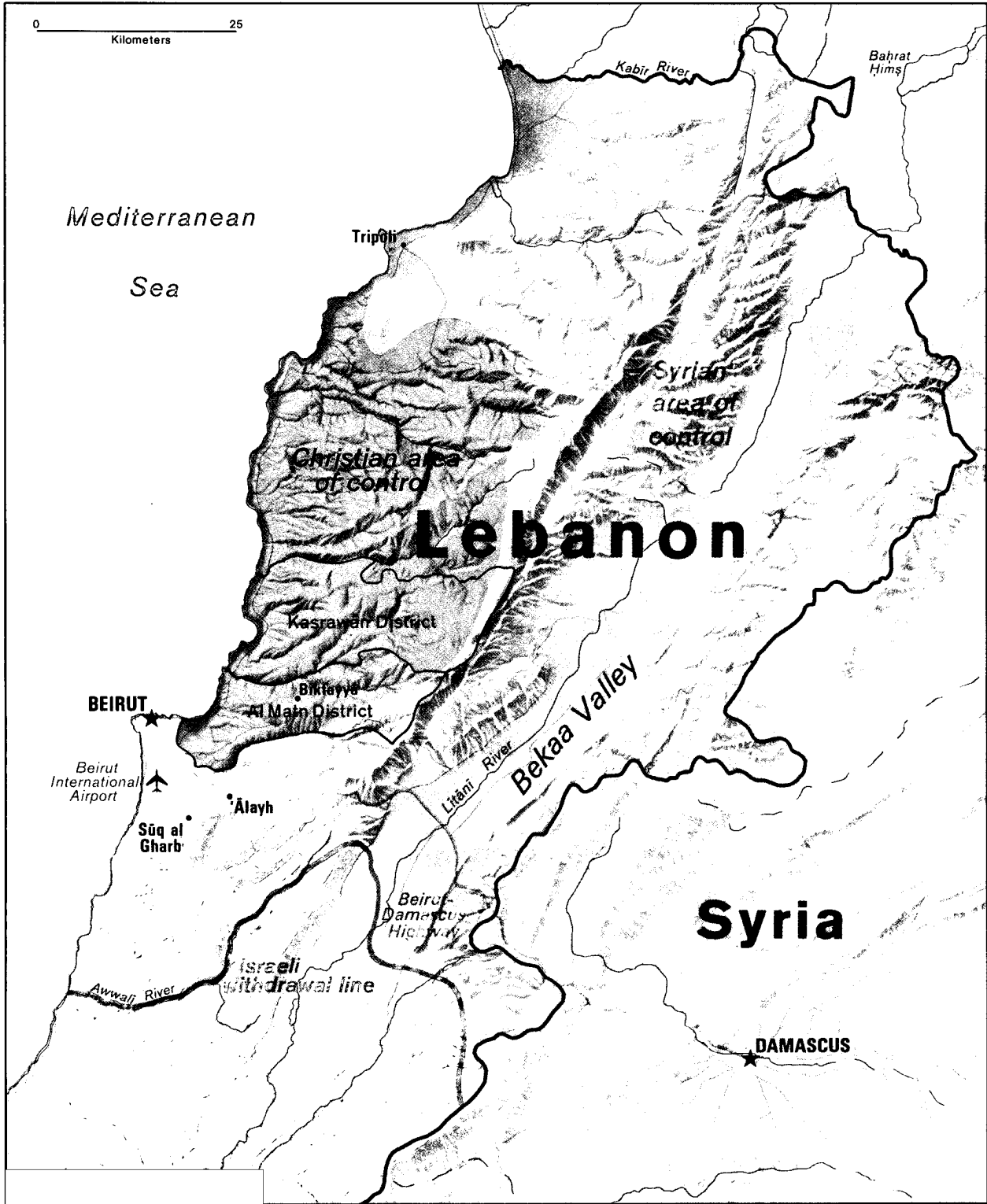


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LEBANON: Steps by MNF Contributors

The stalemate in Lebanon continued yesterday as European contributors to the Multinational Force took stronger measures to protect their contingents in Beirut. 

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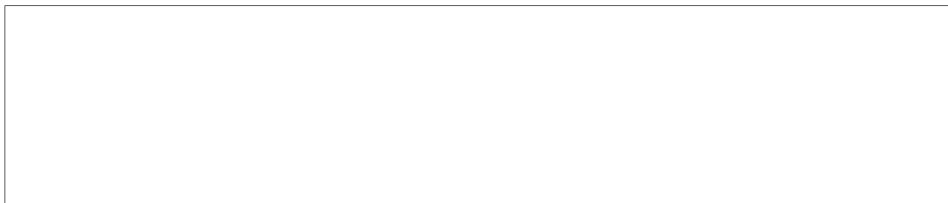
 The US defense attache in Paris reports French naval officials contemplate delaying scheduled maintenance for the aircraft carrier Foch to ensure continuous support for their ground forces. Last Friday, London ordered six Buccaneer fighter-bombers to Akrotiri, Cyprus, and press reports indicate the British have since flown reconnaissance missions over Beirut. 

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The US Marines at Beirut International Airport and Lebanese Army positions in the area of Alayh and Suq al Gharb were sporadically shelled yesterday, but no major fighting occurred. The US defense attache in Beirut assesses the Lebanese Army in the Alayh region to be capable of inflicting heavy casualties on any attacker. 

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Comment: The steps taken by the British, French, and Italian contributors to the MNF suggest they will remain in Beirut for the time being and will respond militarily to attacks. Their actions, intended as a deterrent, also have improved their ability to conduct military operations or to conduct a withdrawal if necessary. 

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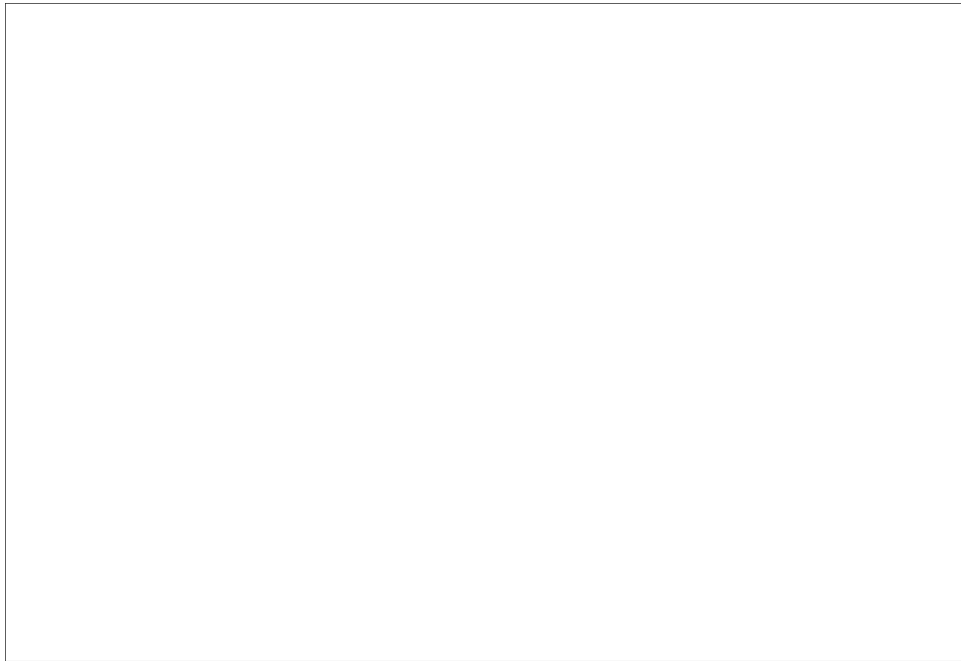
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POLAND: Renewed Repression

The regime is following its amnesty program with new efforts to intimidate workers and to isolate troublemakers.

[Redacted]

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A
former Solidarity spokesman claims that during his interrogation the secret police bragged about the extent and nature of the crackdown.

[Redacted]

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Comment: Although the firing of some workers may provoke local protests, the police action probably will encourage greater conformity. The crackdown will, however, only deepen popular resentment and reduce the incentive to cooperate with the authorities to help overcome economic difficulties.

[Redacted]

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BELGIUM: Defense Minister's Comments on INF


Defense Minister Vreven last week told the press that there "should no longer be any secret" that Florennes, which is in French-speaking Wallonia, is the most suitable site for INF deployment in Belgium. He called for military-to-military talks on disarmament between NATO and the Warsaw Pact but said that, unless the Soviets agree to dismantle SS-20s, Belgium should deploy cruise missiles. Vreven added that missile emplacements in Belgium could be dismantled if an agreement is reached later. 

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Comment: Vreven's statement once again puts the choice of Florennes on record, but the government still has not made a formal announcement. Brussels apparently prefers to avoid internal conflict by characterizing the site as tentative until deployment takes place. The Defense Minister's comments about military-to-military talks probably are meant to reaffirm that Belgium wants negotiations to continue throughout the deployment process. 

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EAST GERMANY-WEST GERMANY: Increased Contacts

A recent increase in private meetings between East German leaders and important West German politicians seems to be part of an East German effort to protect bilateral relations, especially economic ties, as INF deployments are made by NATO later this year. Since May, party leader Honecker has met with former Chancellor Schmidt, Christian Social Union chief Strauss, and several important Social Democratic leaders, and he is to talk with West Berlin Mayor von Wieszaecker later this month. Other East German Politburo members have met with politicians from the governing and opposition parties in Bonn. An East German foreign policy specialist recently said that such contacts will provide alternate lines of communication in the event that official contacts become difficult to sustain. 

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Comment: The East Germans have lobbied strongly against INF deployments but appear resigned to them. While East Berlin will take part in any Warsaw Pact plan to counter Western deployment, it has strong economic incentives to insulate ties with West Germany from any downturn in broader East-West relations. 

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INTERNATIONAL: Turning Point for Antarctic Treaty

Nations adhering to the Antarctic Treaty will try at their 12th regular consultative meeting in Canberra, which opened today, to overcome their reputation as a secretive club. They are encountering new demands from the Third World for a role in Antarctic activities. Malaysia is asking to have Antarctica's status put on the agenda of the UN General Assembly when it meets later this month. Current efforts by the consultative parties to write a treaty governing exploitation of Antarctic mineral resources have prompted new Third World interest in the continent. 

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Comment: The consultative parties probably will allow somewhat wider participation in their meetings and access to their reports. The Malaysian initiative is likely to result in some debate at the General Assembly. The recognition yesterday of India and Brazil as the 15th and 16th consultative parties, however, will slow the initiative's momentum, and the resulting discussion is likely to be protracted.



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Special Analysis

YUGOSLAVIA: Financial Rescue for This Year

Yugoslavia on Friday concluded a much delayed agreement with Western bankers that completes a broader financial rescue package worth \$6.6 billion. The rescue program will not restore the essentially bankrupt country to solvency, and further help will be required next year. To make any headway in resolving its financial problems Belgrade needs the cooperation of powerful regional officials, but they are reluctant to support any policies that they would view as strengthening federal power at their expense. [redacted]

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The debt crisis in Yugoslavia is the result of broad economic problems that began under the late President Tito. During the 1970s expansionary credit policy and reliance on imports stimulated economic growth and increased living standards. These policies, however, also caused growing inflationary pressures, deterioration in the balance of payments, and the buildup of a large foreign debt. [redacted]

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For the past four years Yugoslavia has tried to cope with these problems by restricting domestic demand. In addition to the tight money policy mandated by the IMF and devaluations of the dinar, Belgrade has used administrative controls to try to stabilize the economy. [redacted]

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The Difficulties of Stabilization

This program has not accomplished what Belgrade had hoped. The deficit remains in the hard currency account, although it has been reduced significantly. Inflation has not been brought under control. [redacted]

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The austerity measures have contributed to the declining performance of the Yugoslav economy over the past several years. Import reductions, about 10 percent this year after a 15-percent drop between 1980 and 1982, are having a severe impact. Energy shortages are requiring the authorities to impose blackouts in many parts of the country, and gasoline rationing is to be extended to the end of the year. [redacted]

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Industrial output in the first half of the year is still at the level of last year, but it will decline substantially by this fall because of raw material and energy shortages. Unemployment is rising, and real incomes have been falling for five years. [redacted]

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[REDACTED]

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Shortages of necessities continue to aggravate consumers. To make matters worse, efforts to expand exports will divert some products in short supply to foreign markets. [REDACTED]

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More Help Needed

The package provides enough financing for the country to pay its bill this year, but Yugoslavia will still require about \$1.5 billion in debt relief from governments and banks next year. Commercial bankers and some governments will be reluctant to support another such rescue effort, however, because they believe that a formal rescheduling is the only way to ensure that all creditors share the burden. [REDACTED]

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Belgrade's creditors will insist the government enforce its austerity measures, despite urging by officials of the regional republics and by the workers that the government relax them. As long as such a program is in place, Western lenders, despite the misgivings of many, probably will be willing to refinance most of the maturing debt, because the alternative default is not in their interest. [REDACTED]

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Political Repercussions

Belgrade last year had refused to reschedule its foreign debt formally, because it believed that rescheduling would be an admission that the leadership could not deal effectively with Yugoslavia's economic problems, and such an admission might lead to political instability. The government sees the rescue package, arranged by the US and the IMF, as a safe alternative method of debt relief. [REDACTED]

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Nevertheless, the continuing deterioration of the economy and future requirements of debt relief will make government policies appear ineffective. Yugoslav leaders in recent months have expressed concern that unhappiness with the economic situation will aggravate ethnic nationalism in the republics. [REDACTED]

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Slovene and Croatian officials oppose new laws that will strengthen the central bank at the expense of regional prerogatives. They will resist their implementation. [REDACTED]

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In addition, some Yugoslav leaders argue that the country is moving too close to the West. They are likely to exploit the failure of the effort this year to make Yugoslavia solvent again in order to discredit those who arranged it. [REDACTED]

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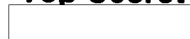
The Financial Rescue Package for Yugoslavia, 1983

The package includes:

- \$1.3 billion, mostly in export credit guarantees, from 15 Western governments.
- \$600 million from the International Monetary Fund.
- About \$400 million from the World Bank in project and structural adjustment loans.
- A \$500 million short-term loan from the Bank of International Settlements to tide Yugoslavia over until the end of the year.
- An agreement by Western bankers to provide \$1.8 billion in short-term credits through January 1985 to refinance \$1.4 billion in maturing medium- and long-term debt and to provide \$600 million in new longer term loans. 

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