



**Directorate of
Intelligence**

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European Review



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14 March 1986

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European Review

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For Moscow's East European allies, the best news from the 27th Party Congress of the CPSU was the lack of major new policy initiatives by the Gorbachev team that could sow confusion or force near-term responses at home. Although Soviet speakers cited the need for "radical reform" of the Soviet economy, they offered neither general recommendations nor concrete prescriptions that the East Europeans had not heard before. Nor did the congress specify anything but vague constraints on how its Bloc allies should conduct relations with the West.		25X1
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The Syrian Prime Minister's visit to Turkey in early March was the latest in a yearlong series of high-level contacts between the two countries. Both sides have used these exchanges to confine potentially explosive bilateral issues to diplomatic channels. This approach appears likely to contain but not resolve their differences, which center around border security concerns as well as water rights and are aggravated by Soviet military support for Syria along with latent Syrian irredentism. Ankara has not had an ambassador from Syria in three years, however, creating uncertainties about the prospects for routinized diplomatic dialogue.		25X1

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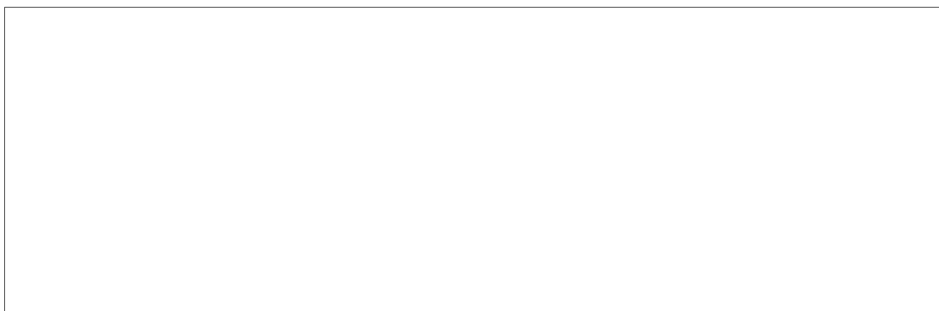
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New missions assigned to the West German Navy in the Norwegian Sea may mean a future diversion of its forces from the Baltic. Acquisition of new frigates and larger submarines for the expanded operations may come, however, at the expense of more strike aircraft and fast patrol boats needed to meet the Soviet threat to Denmark and Germany's Baltic Coast.

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Sweden: Fate of Indigenous Missile Industry in Doubt 21



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A debate over whether to develop Sweden's first indigenous tactical air-to-air missile system will be influenced heavily by varying perceptions of US policy on exporting weapons to Sweden. The government and industry are intent on reducing Sweden's reliance on the United States for critical missile components, but they face stiff opposition from the military, which prefers to buy US systems because of their proven technology and relatively lower cost.

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Poland: Polls—What's Behind the Numbers? 25



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The Jaruzelski regime apparently relies heavily on public opinion polls to gauge popular attitudes. The government publishes some of the more revealing data and publicly challenges underground polls in order to lend credibility to its domestic and foreign policies—tactics unique in Eastern Europe. The polls show, among other things, that few Poles have much confidence in government management of the economy.

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Public Opinion Polls

Uncertainty in the British Electorate [Redacted]

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[Redacted]

Economic News in Brief

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views. [Redacted]

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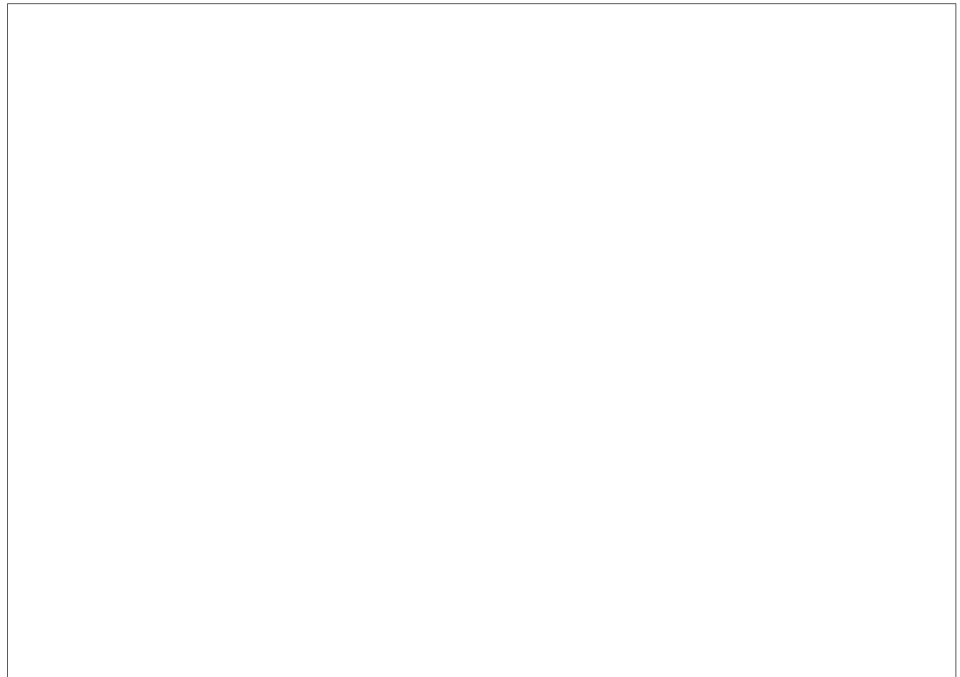
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Briefs

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Western Europe




Sweden

Economic Policy After Palme 

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Ingvar Carlsson, Olof Palme's successor as Sweden's Prime Minister, is likely to continue the government's tough stance on wage increases and budget policy in the near term. The architect of these policies, Finance Minister Kjell-Olof Feldt, had Palme's backing and remains the government's key economic policy maker. During the past several years, Feldt has made a vigorous effort to reduce the central government budget deficit, which has been blamed for Sweden's low growth rate, chronic inflation, and persistent current account deficit. Feldt believes that the key to better long-run economic performance is reducing taxes, holding the line on already high labor costs, and arresting the growth of local government spending. 

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Sweden's economy is likely to turn in a lackluster performance this year, with any growth coming from lower oil prices and expanding export markets. Some Social Democrats may use the excuse of a sluggish economy to push for a return to expansionary policies, and—with Carlsson's authority not yet established—the advocates of reflation are in a stronger position to urge their views on Feldt. 

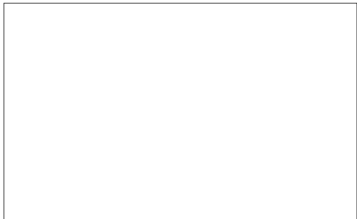
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Canada

Playing the EUREKA Card

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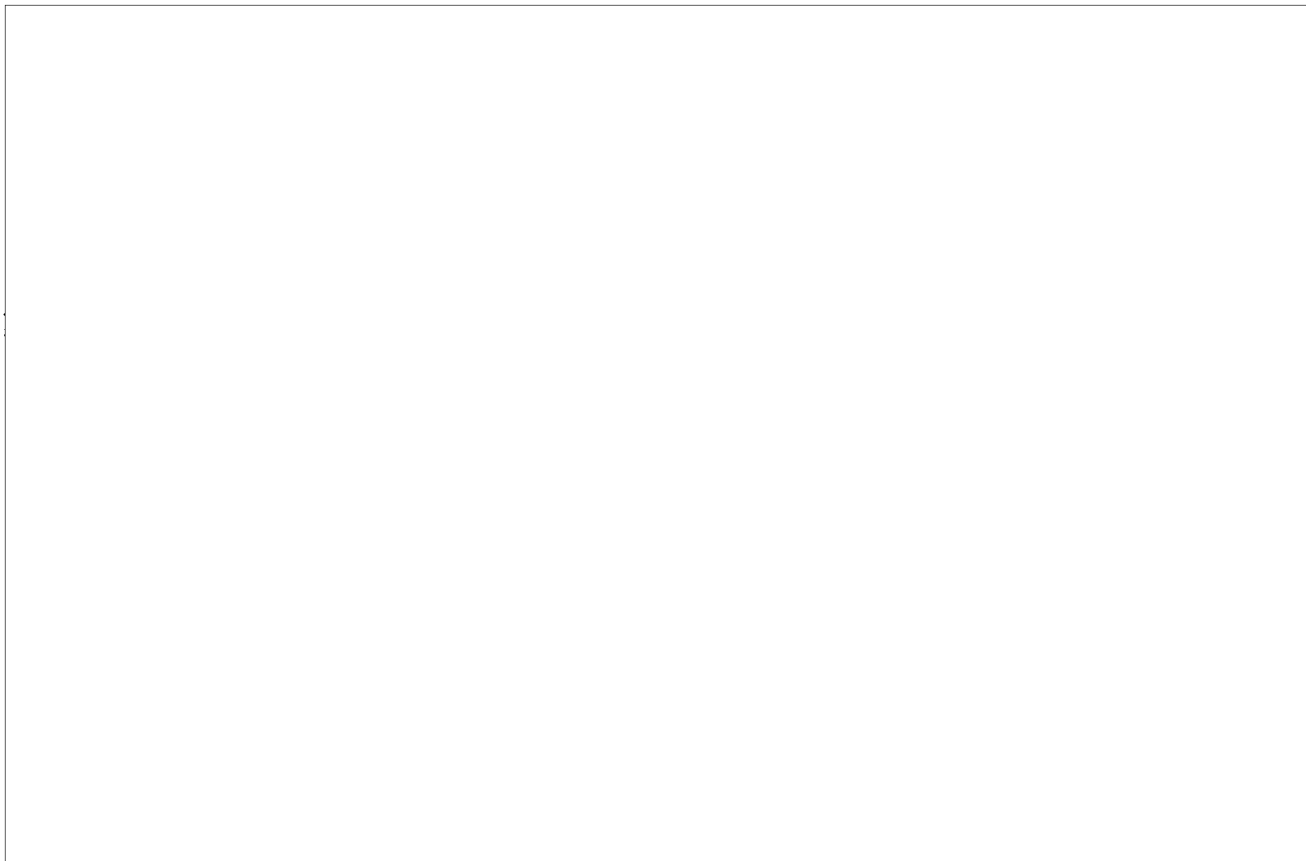
Prime Minister Mulroney is attempting to demonstrate his commitment to high-technology development while diverting public attention from Canada's role in SDI. On a state visit to Paris last month, Mulroney pledged \$25 million in government assistance to Canadian firms participating in the French-initiated EUREKA program for technological cooperation. The ostensible reason for a Canadian role in EUREKA is to ensure long-term access to West European technology and markets and use this access to develop Canada's own high-technology capabilities. Moreover, Canadian firms may be more confident of their ability to win contracts in the EUREKA program than in SDI.

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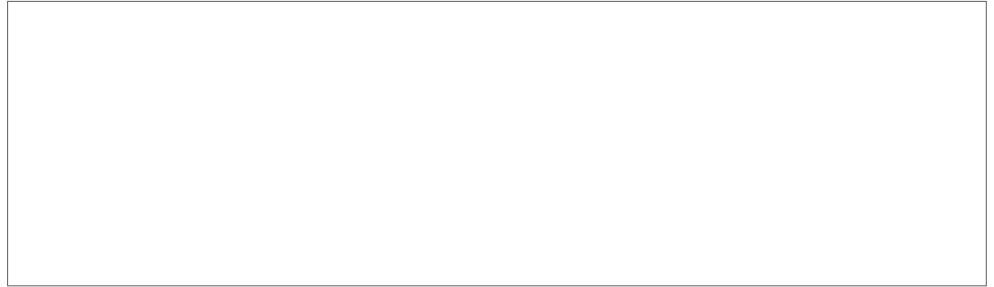
Mulroney's open support for EUREKA contrasts with his arm's-length policy toward Washington's SDI program. Last September, the Prime Minister stated that the Canadian Government would not formally participate in SDI, but soon after authorized the Defense Ministry to provide help for firms negotiating for SDI-related contracts. By emphasizing financial assistance to Canadian companies looking for a role in EUREKA, Mulroney probably hopes to show across-the-board backing for high-technology development —thus diffusing criticism of Ottawa's role as "friendly helper" for private-sector participation in the more controversial SDI program.

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Greece

Plans To Cut Record Losses of State-Owned Companies

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National Economy Minister Simitis has called for strenuous efforts to revitalize Greece's state-owned transport, industrial, and utility companies, which sustained record losses of some \$970 million last year. The government's goal is to cut their deficits by 75 percent in 1986. Some of the measures include setting up a special management group in Simitis's ministry to monitor the ailing companies, strictly applying a tight incomes policy for 1986-87, devising five-year plans for each of the more than 50 affected firms, and improving productivity. In addition, the public sector—which is the largest employer in Greece—is to reduce hiring to a minimum.

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We believe Athens is unlikely to meet its optimistic targets without an actual reduction in the bloated work forces which is unlikely with unemployment approaching 9 percent. In fact, government officials recently stated their intention to hire new employees to fill vacancies created through retirement and normal turnover, according to press reports.

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The government also would need to implement a more market-oriented pricing policy for most of the firms. Although the state raised prices in December for a number of goods and services—including oil products, electricity, postal services, transportation, and pharmaceuticals—Prime Minister Papandreou probably will find it difficult to force through the further price increases needed to make the firms profitable. Inflation currently is running in the 25-percent range, and the real incomes of workers are expected to fall significantly over the next two years.





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Articles

**Eastern Europe-USSR: Results
of the Soviet Party Congress**

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From the perspective of Moscow's East European allies, the best news from the 27th Soviet Party Congress was the absence of any dramatic policy initiatives by the Gorbachev team that could sow confusion or force near-term responses at home. This dispelled earlier speculation among some East Europeans that the congress would rival in importance the controversial and destabilizing 20th Congress of 1956. Although Gorbachev and Ryzhkov spoke of "radical reform" of the Soviet economy, neither they nor other speakers offered general recommendations or concrete prescriptions that the East Europeans had not heard before. More disquieting may have been the repeated emphasis on the need to remove party bureaucrats who are opposed to change, which, by extension, could be applied by Moscow to allied leaders should they fail to respond to Gorbachev's policies. [redacted] 

On foreign policy issues, the East European allies may have been somewhat surprised and pleased at the relatively low-key treatment Gorbachev accorded the Bloc in his speech. They were probably also reassured by the standard treatment Gorbachev gave to CEMA integration and "unity and cohesion" in the Bloc. They may have been relieved, with the exception of the East Germans, that Moscow did not spell out specific directions on how to conduct their relations with the West beyond the vague guidelines of the party program endorsed by the congress. [redacted] 

Of immediate concern to the East Europeans will be personnel changes in the Soviet party Central Committee apparatus. Their interest will focus primarily on who succeeds Konstantin Rusakov as head of the Bloc Relations Department. [redacted] 

The East Europeans Speak

All the Soviet Bloc allies echoed common themes in their formal speeches to the congress. Each heaped praise on the congress itself as a significant event, supported closer economic ties and CEMA integration—particularly the science and technology program announced in December—and dutifully voiced support for Gorbachev's arms control policies. But each approached these subjects from a slightly different angle, bringing different emphasis, style, and tone to his remarks. [redacted]

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Polish party leader *Jaruzelski* went to great lengths to curry favor with his hosts. Uncharacteristically for a Pole, he devoted unusual attention to ideological issues. He also sought Soviet approval of his party program by including portions of it in his presentation. Jaruzelski may have sought to demonstrate to Moscow that he has put rebuilding of the party at the top of his agenda, as the Soviets have demanded, and, also, to defuse criticism of the program at home. Jaruzelski's private agenda also included a special plea for the plight of the Polish economy. His recitation of problems, blamed to a great extent on the West, seems part of a continuing effort by the Poles to extract more economic aid from Moscow. The same special pleading was notable in the remarks of Polish Prime Minister Messner, who was in Moscow on an official visit just prior to the congress. Jaruzelski did not dwell greatly on the theme of integration and gave only minimal attention to arms control issues. [redacted]

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In contrast, East German party leader *Honecker* placed more emphasis on the arms control and peace issues than did his colleagues, although he did not mention West Germany. He may have hoped to show Gorbachev that he can be tough on such issues despite his developing contacts with the West Germans. He was also the most self-confident, to the point of bragging, in his discussion of East German economic successes. Honecker probably believes that his party has already found solutions to some of its nagging economic problems that were the focal point of the congress. He devoted even less attention (along with Kadar) to the theme of socialist integration than did Jaruzelski. []

The presentation by Hungarian party leader *Kadar* was most notable for its generally lower tone in praising Soviet achievements and his references to different roads to socialism. Kadar clearly wanted to get on record the legitimacy of Hungarian reform efforts as consistent with the framework of broad universal principles. Jaruzelski mentioned this theme far more deferentially and certainly not in the bold language of the once touted "Polish Road to Socialism." Only Ceausescu was more openly insistent on the theme than Kadar. Husak, Zhivkov, and Honecker did not touch the issue. Kadar gave only minimal attention to the arms control issue and very short shrift to the theme of integration. []

Czechoslovak party leader *Husak*, as might be expected, was long on praise of the Soviets, extensively supported them on the arms control issue, and plumped for economic cooperation. Even though he discussed it only briefly, Husak sought to persuade Gorbachev that the Czechoslovak party is "firm and united," closely linked to the people, and has scored "important successes" in the economy. In the face of widespread speculation in Prague that the leadership is ripe for renewal, Husak undoubtedly sought to demonstrate that his team has kept the situation well under control. []

Bulgarian party leader *Zhivkov* seemed determined to project total fealty to the Soviets even to the point of touting a "new stage" in Soviet-Bulgarian economic cooperation. Zhivkov was subjected last year to severe criticism from Gorbachev and other Soviets for

Bulgarian economic mismanagement and clearly wanted to impress his hosts that he had gotten the message. Even though Zhivkov mentioned "great difficulties" facing the Bulgarian economy (a bit of humility that Moscow may appreciate), he also claimed that the Bulgarians have developed a "comprehensive strategy" to achieve a "turning point." In fact, the Bulgarians recently have done more by way of tinkering with their bureaucracy than any other of the East European countries and have proceeded in the direction of superministries already sanctioned by the Soviets under Gorbachev. []

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Romanian party leader *Ceausescu*, in a carefully balanced speech, nevertheless highlighted his country's independent posture. He praised Romanian-Soviet friendship, but in lukewarm terms. He was the most explicit of all the East European speakers in expounding on the different roads to socialism. He pledged his support for close collaboration (but not integration) among CEMA members. On arms control, he supported Gorbachev's proposals but conditioned this by saying agreement must be reached based on proposals from "both sides." Finally, he showed little indication of having taken on board Gorbachev's emphasis on the need for economic reforms. His high praise for Romanian economic performance probably will further erode his credibility in Moscow, which is well aware of the deplorable state of the Romanian economy. []

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The Winners and the Losers

Jaruzelski apparently emerged from the congress with the most improved image, at least from Moscow's perspective. He was met at the airport by the CPSU's second in command, Yegor Ligachev. Among all Bloc members, he sat closest to the Soviet leaders on the podium and spoke a day earlier than the other East European party leaders. He was the only East European leader allowed by the Soviets to have a press conference and appeared on television going to a concert with Gorbachev. As a further sign of Soviet trust in his leadership, Moscow allowed him to visit former Polish territory in Lithuania, a tribute well received back in Warsaw. []

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On the economic front, however, everything may not have gone so well. His private talk with Gorbachev was said to have taken place in an atmosphere of "fraternity, cordiality, and mutual understanding." Missing was any reference to "unity" in contrast to reports of talks with all the other leaders except Ceausescu. We believe that Jaruzelski may have been pressing for more economic assistance and the Soviets refused. [redacted]

Despite an air of "cordiality and unity of views on all questions under discussion" during Honecker's talks with Gorbachev, the East German took a slap on the wrist for his policy toward West Germany. The two leaders, according to press coverage, criticized the West Germans for supporting the "destructive policy" of the United States on nuclear disarmament. Gorbachev may have felt called upon to remind the East Germans to be cautious in their approach to Bonn as a result of the extensive positive publicity accorded the recent visit to West Germany by the head of the East German parliament, Horst Sindermann. Sindermann's trip has stimulated increased speculation that Honecker may visit the FRG in early summer. But it is not yet clear whether Moscow has firmed up its policy toward West Germany or decided how much leeway to give its allies. As in 1984, the East Germans may have miscalculated Soviet tolerance for their intra-German policy. [redacted]

Kadar may feel he came out of the congress ahead of the game as a result of Gorbachev's references to reform. According to the US Embassy in Budapest, Gorbachev's comments on economic reform are being read there as something that could have been lifted from Hungarian pronouncements. The Hungarians, however, may be indulging in some wishful thinking. Soviet Prime Minister Ryzhkov, in his speech on Moscow's five-year plan, made it clear that Gorbachev's "radical reforms" referred chiefly to improving the work of central economic organs and gave no hint of a need to expand private or cooperative activities. Gorbachev is known to be critical of reliance on the West and extensive emphasis on market mechanisms, both of which are key to Hungary's economic experiments. [redacted]

The Soviets were clearly trying to keep Ceausescu at arm's length. His host at the airport reception, Kunayev, had the lowest status of any of the Soviet leaders sent to greet the East Europeans. Ceausescu was the last to speak, and coverage of his private chat with Gorbachev spoke of an atmosphere of "friendship, frankness, and mutual understanding"--- a clear signal of disagreement. As he did in 1981, Ceausescu left for home before the end of the congress. Problems between the two probably focused on economic as well as disarmament issues. If Ceausescu hoped for any signs of Soviet willingness to provide him desperately needed economic help, he must have been disappointed. On the other hand, his emphasis on Romanian independence probably will be useful to him both at home and in the West. [redacted]

As for Zhivkov and Husak, whether their status in Moscow has changed remains unclear. Soviet leaders did not go out of their way to indicate displeasure, and Husak even was interviewed on Soviet television. [redacted]

Nonaligned Yugoslavia apparently irritated the Soviets with the pro forma speech to the congress given by its delegate, second-ranking party leader Dimce Belovski. According to US Embassy sources in Moscow, an unnamed high-ranking Soviet official reportedly complained to Belovski that his speech, which stressed Belgrade's independence, failed to give Moscow credit for adopting what he termed a more liberal and pragmatic approach to diversity in the Communist world. Gorbachev showed his lukewarm attitude toward Belgrade by belatedly receiving Belovski. [redacted]

Implications and Prospects

The East Europeans probably calculate that Gorbachev's low-key treatment of Bloc affairs at the congress was only a respite while he concentrated on domestic policies. But they are keenly aware of policy differences within the Soviet leadership over intra-Bloc relations as well as dealings between Bloc members and the West. The notoriously hardline "Vladimirov" article that appeared in *Pravda* last

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June, and, to a lesser extent, an unsigned article in the Soviet theoretical journal *Kommunist* in January this year, displayed strong Soviet arguments for tighter Bloc political and economic integration. Occasional articles in the Soviet media, such as the *Pravda* article on Hungary in January, are reminders to the East Europeans that Moscow is closely watching them. The East Europeans may also be aware that a post-congress article dealing with relations with the socialist countries is reportedly being prepared for *Pravda*. As a *Pravda* editor told a US Embassy officer in late January, this subject is a difficult one.

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With his own party congress out of the way, Gorbachev now may have more time to devote to Bloc policies. He apparently plans to attend the East German party congress in April. But the Czechoslovak and Bulgarian congresses, scheduled for March and April, respectively, may offer more fertile ground for exercising Soviet influence. Both countries have troubled economies and both have witnessed widespread speculation about personnel shakeups at the very top. Unless the Soviets weigh in heavily, however, neither Husak nor Zhivkov face a coherent opposition that could force dramatic shifts. Honecker and Jaruzelski, whose congresses will probably come in late June, seem much more secure. In the meantime, the East Europeans will continue to wait for clearer signals of what the Soviets expect from them.

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Austria-Czechoslovakia: Improving Relations

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Signals emanating from Vienna and Prague suggest that their traditionally cool relations may be warming. On the Czechoslovak side, however, this trend can go only so far.

Ties between the two states—chronically troubled by the burdens of history and ideology—reached a nadir in October 1984 when Czechoslovak guards pursued and shot a would-be emigre on Austrian soil. But Austrian outrage subsided after a few months, and Vienna embarked on a diplomatic offensive with the intent of winning an official apology, defusing the border situation, and establishing a more cooperative relationship in cultural, economic, and environmental affairs. Since then, the two sides have established a mixed commission to settle border-related disputes, trade has grown, and prospects for a joint hydroelectric power plant and an environmental agreement have brightened considerably. The most public sign of improving relations came this January when Austrian President Rudolf Kirchschaeger met his Czechoslovak counterpart Gustav Husak in Bratislava, the first such meeting since 1982.

The View From Vienna

For the Austrians, the benefits are obvious. Cooperation in the environmental and energy fields helps relieve pressure on the Sinowatz government to produce more and cheaper energy while protecting the Austrian countryside. Two previous attempts by the government to construct new energy facilities—at Hainburg and Zwentendorf—faltered in the face of environmental protests. Perhaps more important, Vienna hopes that a better relationship will relax tensions along the border and improve opportunities for increased trade and travel. This fits in with its general policy of serving as a bridge between East and West by providing a meeting place and dialogue between the two camps. This probably explains Austria's seeming readiness to settle for less in disputes with its East European neighbors. For example, Vienna received only an expression of regret rather than an apology for the October 1984 incident.

As Prague Sees It

Czechoslovakia apparently now is willing to improve its relations with Austria, partly because the latter appears ready to resolve two important bilateral issues. First, the Austrians are likely to scrap the Hainburg hydroelectric project, which is opposed by Czechoslovakia because of fear that it will disrupt the Danube's flow downstream. Instead, Vienna probably will cooperate in the construction of a hydroelectric power plant at Wolfsthal in Czechoslovakia, which Prague has long favored. The Husak regime will be gratified by Austria's willingness to finance the cost of the project in return for guaranteed electricity deliveries for several years.

At the same time, Soviet leader Gorbachev's willingness to engage in discussions with Western statesmen has probably encouraged Prague to be more forthcoming in its relations with the West. In particular, Gorbachev's relatively positive assessment of his meeting with President Reagan may have caused the Czechoslovak leaders—who are always careful to read the signals from Moscow—to moderate slightly their stance in international affairs and deal more reasonably with the Austrians.

Prospects

Despite the warming trend, however, we believe it will be a long time before relations between the two countries move from "normal" to "friendly." Even Vienna appears to recognize this. While Austrian officials have confided to US diplomats that they expect relations to undergo a steady, albeit modest, improvement, they quickly add that this will require long and steady effort. In Prague, the Husak regime—and especially its more orthodox members, such as party secretary for ideology and foreign affairs Vasil Bilak—continues to view Austria as a troublesome neighbor whose freedom and prosperity

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are a challenge to the stability of Czechoslovak society. It is unlikely, therefore, that Prague will permit relations to improve significantly unless some leadership changes alter the character of the Czechoslovak regime.



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Turkey-Syria: Maintaining An Unstable Equilibrium

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Syrian Prime Minister Kasm's visit to Ankara in early March followed discussions between foreign ministers at the United Nations last fall, a ministerial-level economic commission meeting in Damascus in October, and a visit to Syria a year ago by Under Secretary of Foreign Affairs Tezel. Syrian President Assad had proposed the Turkish under secretary's visit in response to a warning in late 1984 from Turkish President Evren, which reportedly stressed Ankara's suspicions of Syrian support for anti-Turkish—especially Armenian and Kurdish—terrorists. Evren's inspection of the Turkish-Syrian border area in January 1985 apparently marked a low point in bilateral relations, which had been worsening steadily since 1982. Since the border tour, both sides have made efforts to keep their differences confined to diplomatic channels but with no expectations of an early resolution of any outstanding issues. Syria has not had an ambassador in Ankara since 1983, and the rumor that a new envoy would arrive with the Prime Minister's entourage turned out to be false.

- Quarrels over water rights—always a serious issue in the Middle East—further complicate relations between the two countries. A huge Turkish dam project, as currently designed, will permanently lower water levels in Syria, and the Turks are aware of Syrian resentment.

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The Military Threat

The Turks are convinced that Syria is strengthening its forces on its border with Turkey. The Turkish Foreign Minister charged publicly in November that Syria had deployed one or two battalions along the border. The Turks' unpublicized suspicion is that the buildup has been considerably greater and that the Soviets are directly involved. The Turks have claimed to US representatives on several occasions that the Soviets have pre-positioned equipment for an entire division in Syria and begun to reinforce Russian units near the Turkish border with missile and artillery batteries.

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Sources of Tension

Tensions between Turkey and Syria, rooted in historical antagonisms, continue to be fed by more current frictions:

- The Turks regard Syrian irredentism as a potential threat to Turkey's territorial integrity. Syria does not acknowledge Turkish sovereignty over the Province of Hatay, which the French colonial rulers of Syria ceded to Turkey, and Syrian maps continue to show it as part of Syria.
- These concerns are deepened by Syria's willingness to serve as a haven for Turkish terrorists.
- Syria's military relationship with the Soviet Union arouses Turkish fears. The Turks believe that Moscow is arming Syria far beyond its needs, worry that these arms could be turned against Turkey, and suspect that the Soviets are supporting a buildup on the border.

These concerns appear exaggerated. We have seen no evidence of any Soviet presence along the border, and—in view of Syria's reluctance to permit the Soviets a free hand on their territory—we doubt that this is likely to happen. The Syrians have little military capacity to spare for deployments on the Turkish border because of their continuing confrontation with Israel and their involvement with Lebanon.

the Syrians normally monitor the border with one regiment of about 1,500 border guards equipped with jeeps and small arms.

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In theory, the Syrian Army's eight regular divisions constitute a formidable threat to Turkey. In practice, they are committed to Lebanon and defense of the Golan Heights and Damascus against Israel. The Syrians would be hard pressed to send even two or three brigades to the Turkish border. Nevertheless, the Syrians have responded to Turkish interest in

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border security with concerns of their own: in February 1985, the Syrian Minister of Information referred to the need—unmet so far—to restation Syrian troops in Lebanon along the sparsely defended frontier with Turkey. []

The Terrorism Problem

The Turks are convinced that Syria is supporting anti-Turkish terrorists—primarily Kurds and Armenians, but also Turkish Communists—with training, equipment, and help in infiltrating into Turkey. They believe that Syrian camps used for training Palestinians—with Soviet support—are also used to train anti-Turkish operatives. []

On the terrorism issue, we see some justification for Turkish suspicions. The Syrians openly harbor anti-Turkish refugees and tend to turn a blind eye to terrorist activities directed against Turkey. Syrians strongly support Kurdish rebels in Iraq and would find it difficult to prevent Iraqi Kurds from helping their Turkish cousins even if they were inclined to do so. []

The Water Usage Issue

Talks between Syria and Turkey over the use of water from the Euphrates River, first begun in 1962, have not involved any serious discussion of the matters in dispute. Annual talks—which also included Iraq—ceased in 1972, and, since then, ad hoc discussions among the riparian partners to coordinate present projects or future plans have failed. As a result, if all currently planned projects are completed, their combined water requirements would exceed the capacity of the river during certain times of the year. []

Syria's concern about the effect of Turkey's water schemes on its own Euphrates development plans arises primarily from the Turkish plan to channel irrigation water back to the river below the Euphrates Dam. This would drastically diminish downstream water flows to northwest Syria and Lake Assad. Turkey focuses returning irrigation runoff to the Euphrates via the Khabur River in eastern Syria—a move that will effectively circumvent major Syrian water projects upstream of the Khabur-Euphrates confluence. []

Hydroelectric Dams on the Euphrates River

The Keban, the first of Turkey's Euphrates River dams and the farthest upstream, was completed in 1974 and has a reservoir capacity of 30 billion cubic meters (bcm) of water. The Karakaya Dam, about 170 kilometers downstream is scheduled to be completed in 1987. It will have a reservoir capacity of 9.5 bcm and a production capacity of 7.3 billion kilowatt-hours (kWh) annually. []

The Ataturk Dam, located 180 km downstream of the Karakaya Dam near the city of Adiyaman, will be one of the largest dams in the world when completed in 1993. It will have an estimated production capacity of 8.9 billion kWh per year and a reservoir capacity of 48 bcm. Two smaller dams downstream at Birecik and Karakamis are still in the planning stage. []

The Syrians also began their Euphrates water program in the 1960s in order to expand their hydroelectric capability and fulfill a Ba'th Party commitment to land reform. The Euphrates Dam, completed in 1975 with Soviet aid, has an estimated production capacity of 2.6 billion kWh per year and a reservoir capacity of 11.6 bcm. A smaller dam about 50 kilometers downstream at Raqqah is scheduled to be completed this year, while a third dam to be constructed at the head of Lake Assad is still in the planning stages. []

There are indications that Syria may consider indirectly threatening Turkish security through dissident Armenian and Kurdish groups unless Turkey shows some willingness to decrease its usage of Euphrates River water. So far, however, Turkey has not shown much interest in responding to Syrian water usage concerns and has attributed currently low water levels in Syria to drought conditions rather than to the operation of the Keban Dam. During Kasm's visit, Turkey reportedly agreed to increase 1986 water flows in return for Syria blocking terrorist border crossings, but the practical impact of this informal understanding probably will be minimal. []

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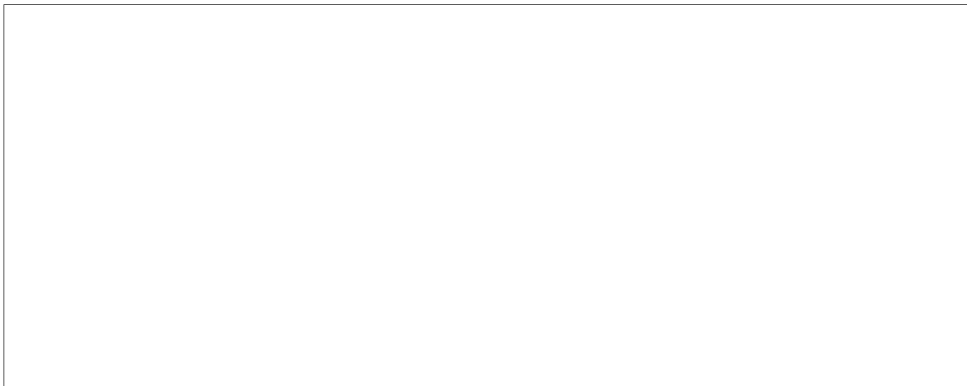
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Outlook

In spite of their differences, both Ankara and Damascus have a clear preference for handling their differences in diplomatic channels. Both sides apparently want to avoid a confrontation, and both have greater concerns elsewhere. Still, the differences dividing them are great and unlikely to be overcome any time soon. Under these circumstances, a serious escalation of tensions is always possible—a situation hardly alleviated by the continued absence of a Syrian ambassador in Ankara. Syria reportedly has appointed—and Turkey has accepted—a new Ambassador to Turkey, but no date has been announced for his arrival.

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West Germany: Implications of New Naval Missions

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New missions assigned to the West German Navy in the Norwegian Sea may mean a future diversion of its forces from the Baltic. In 1984 the Ministry of Defense revised the Bundesmarine's mission statement, expanding its operational area to include the southern Norwegian Sea in addition to its previous mission areas in the North Sea and the Baltic. In the Norwegian Sea the Bundesmarine envisions participation in antisubmarine barrier operations and offensive patrols forward of the barriers. Acquisition of new frigates and larger submarines for expanded "blue water" naval operations, however, may come at the expense of different naval assets (more strike aircraft and fast patrol boats) needed to meet the Soviet threat to Denmark and Germany's Baltic coast.

Evolution of a New Mission

As West Germany rearmed after World War II, its new Navy's missions were established as participation in defense of the German coast, control of the Baltic approaches, and protection of NATO's North Sea lines of communication for reinforcement and resupply. Beginning in the late 1970s, the Bundesmarine began to develop proposals for expanded missions in the eastern Atlantic and the Norwegian Sea to counter a coming manpower and budget crunch. The Bundesmarine saw a growing Soviet naval threat to NATO's Northern Flank as rationale for obtaining additional resources. But several allies opposed expanded missions for the Bundesmarine. Norway, for example, voiced concern about increasing forces in the Norwegian Sea in peacetime (but had agreed as early as 1964 to let the Bundesmarine pre-position material in Norway). The United Kingdom, probably anxious to preserve its special relationship with the United States, cited complications in command and control among other objections to closer cooperation between the US Navy and the Bundesmarine. The Royal Navy may also

¹ This article is based largely on defense attache reporting and discussions with US Navy analysts.

have seen an expanded German naval presence as weakening its arguments to maintain its current force structure in a time of increasing pressure on British defense budgets. Denmark was concerned that a new Bundesmarine mission might divert German attention and resources from the Baltic, where the Danes saw budget constraints reducing their own forces. Such resistance, particularly from the British, led West Germany in 1981 to drop its proposals for the eastern Atlantic, but it has continued to push for an expanded role in the Norwegian Sea.

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Status of the Broader Mission Proposal

Agreement by several NATO commands is required before Bundesmarine elements can be incorporated into the force structure of the Supreme Allied Commander Atlantic (SACLANT). Pending such agreement, West Germany considers that its naval units can be used in the Norwegian Sea within the framework of the existing NATO command structure. The Bundesmarine would, however, like a flag officer billet in the policy division at Supreme Headquarters Allied Powers Europe (SHAPE) to offset a perceived lack of maritime influence on the SHAPE policymaking process.

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The new West German maritime strategy will not begin to affect NATO's naval capabilities until new Bundesmarine combatants come into service in the 1990s. The Bundesmarine's existing destroyers and frigates already operate in the North Sea and most are now based on the Federal Republic's North Sea coast. Although West German naval fuel, mines, and torpedoes are already pre-positioned in Norway, the Bundesmarine only gradually will expand its ability to operate in the Norwegian Sea. It is doing so in three phases:

- Phase one involves completing the new Type-122 Bremen-class frigate program. Six of these ships, each carrying two Sea Lynx ASW helicopters, are

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now operating in the North Sea. Two more frigates of this class and five more Sea Lynxes, funded in 1985 and coming into service in 1988 and 1989, could be deployed in the Norwegian Sea. The Bundesmarine has programed for the 1990s another new class of frigates specialized to provide more complete air defense at sea.

- The Bundesmarine's Tornado aircraft are another important naval resource currently committed to the Baltic. The development of Tornado missions outside the Baltic potentially double-tasks these Bundesmarine assets. They might not then always be available to meet a threat in the Baltic.

- Phase two may involve development of missions beyond the Baltic for the two wings of the German naval air arm that are currently replacing their US F-104s with the naval strike version of the European Tornado. These air wings are scheduled to complete their acquisition of 111 Tornados in 1989.
- Phase three probably will involve deployment of the first six of the new class of large Type 211 diesel attack submarines beginning in 1991. They have been designed for deepwater ASW, will have a minelaying capability, and may carry torpedo tube-launched antiship missiles.

[Redacted]

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Once Admiral Wellershof replaces General Altenburg as Inspector General of the Bundeswehr in October 1986, the Bundesmarine's share of the defense budget may grow. The Bundesmarine, however, will still face hard choices on allocation of future funds between missions on the Norwegian Sea and the Baltic.

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Implications for NATO

Control of the Baltic is critical to the defense of NATO's Northern Flank—particularly the Danish islands and Jutland. The primary issue raised by the Bundesmarine's adoption of an expanded mission in the Norwegian Sea is the future adequacy of forces allocated to the Baltic:

NATO's Baltic defenses are all the more important now that the Soviets are developing new rail-ferry capacity in the Baltic that will give them a partial alternative to moving ground forces across Poland. The Bundesmarine has programed the upgrading of its 22 search-and-rescue helicopters (Sea King MK41s) with the Sea Skua antiship missile between 1987 and 1989.

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- West Germany's obsolescent Type 205 coastal submarines are now committed to the Baltic with minelaying, ASW, and coastal-defense antiship missions

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The Bundesmarine's fast patrol boats, another key element for defense of the western Baltic, have been upgraded with improved antishipping capability, but still lack a good air defense.

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The uncertain future size and force structure of the Royal Navy is another key factor in evaluating the Bundesmarine's expanded mission. Even though NATO's Baltic defenses remain a concern, West German procurement of Bremen-class frigates and Type 211 submarines for operations in the Norwegian Sea could benefit NATO if British funding for conventional naval forces declines in the 1990s. The Royal Navy will be particularly vulnerable to budget cuts in the late 1980s and early 1990s because of its

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planned large-scale construction of warships,
including a new class of diesel attack subs, more
frigates, and a new class of minehunters [redacted]

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Sweden: Fate of Indigenous Missile Industry in Doubt [redacted]

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A debate over whether to develop Sweden's first indigenous tactical air-to-air missile system will be influenced heavily by varying perceptions of US policy on exporting weapons to Sweden. The government and industry are intent on reducing Sweden's reliance on the United States for critical missile components, but they face stiff opposition from the military, which prefers to buy US systems because of their proven technology and relatively lower cost. Should the Swedes opt for a domestic program, they still will need foreign components in the near term and probably would have to reallocate defense funds, cut back other weapons programs, or increase the defense budget. If they choose foreign procurement, the future of indigenous land and naval missile programs could be in jeopardy because fewer available jobs could induce missile engineers and technicians to seek opportunities abroad. [redacted]

Sweden's Missile Industry

Missile research and development in Sweden is controlled by the government. Saab-Scania and Bofors, the prime contractors for all current missile R&D projects, receive guidance from the Defense Materiel Administration in the Ministry of Defense. In 1978, the government set up the Saab-Bofors Missile Corporation to pool resources for R&D, production, and marketing of air-to-air missiles. But, since then, the corporation has existed largely on paper because of a government decision to emphasize foreign purchases over domestic production in order to avoid the long development time and high cost of designing and building air-to-air missile systems. The government canceled the RB-72 air-to-air missile then under development, although Saab continued working on the missile's infrared seeker, and, today, there are no Swedish-designed air-to-air missile systems in production. The Swedish missile industry can and does produce, however, several other state-of-the-art missile systems, including the RBS-15 antiship missile, the RBS-70 surface-to-air missile, and the AT-4 and BILL antitank missiles. [redacted]

The Air-to-Air Missile Requirement

The Air Force's current inventory of air-to-air missiles consists of foreign systems built under license by the missile division of Saab. These include variants of the US infrared-guided AIM-4D and the radar-guided AIM-26B, of which the Swedes have about 1,000 of each. In 1984, the Swedes contracted for 800 US AIM-9L Sidewinder missiles—for which Saab will produce a proximity fuze—to replace older models as the primary armament for the Air Force's Viggen fighter aircraft, with delivery scheduled between 1987 and 1988. The Swedes also told US officials in March 1985 that they were considering buying 800 additional AIM-9Ls for delivery in 1990. They also are buying the British Sky Flash missile, which will be modified with Saab-produced guidance components. [redacted]

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As these deals were being negotiated, the Swedish Government tentatively decided in early 1985 to reverse its policy favoring procurement of foreign air-to-air missile systems. As a start, parliament earmarked 100 million kroner (about US \$13 million) for missile R&D, and the Defense Materiel Administration commissioned the firms of Saab, Ericsson Radio Systems, Bofors, Philips Electronics, and the National Industries Corporation to conduct feasibility studies on radar guidance and infrared homing. These companies contributed an additional 100 million kroner. [redacted]

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Debate Over New Air-to-Air Missile: Domestic or Foreign?

According to the Swedish press and the US Embassy, the current debate among politicians, industrialists, and the military focuses on planning for a new air-to-air missile for the JAS-39 Gripen fighter—expected to be operational in 1992—and will culminate in a May 1987 "Defense Decision" on the defense budgets and procurement plans for 1987-92. The choices include producing a domestic missile, buying an imported model, or modifying a system already in the

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inventory. The Defense Minister, many members of parliament, and missile industrialists want to continue state funding of R&D for domestic missiles in general and especially for air-to-air missiles. Squaring off against this group are the Supreme Commander of the Armed Forces and members of the defense material and air staffs, who prefer to buy cheaper foreign air-to-air missiles. [redacted]

Arguments for Designing Missiles in Sweden. One of the basic elements of Swedish defense policy has been its commitment to an indigenous weapons production capability in order to lessen the danger arising if access to foreign equipment were cut off. Advocates of domestic programs acknowledge that the escalating costs of advanced technology and austere defense budgets have increased Sweden's reliance on the United States for certain high-technology equipment, which the Swedes cannot afford to develop. But, according to the US defense attache, proponents of domestic programs believe these disadvantages are offset by other factors: [redacted]

- Some government officials have estimated that the missile program would preserve jobs by contributing at least US \$385 million to the economy through the turn of the century.
- Proponents of building a domestic missile capability also argue that the United States will never sell Sweden its top-of-the-line air-to-air missiles because of US suspicions that US technology would be transferred to the East Bloc via Sweden.¹
- Some Swedes also are concerned about US restrictions on subsequent reexport of missiles that have US components or were originally purchased from the United States, which would limit Sweden's ability later to recover some of its costs by selling older missiles to secondhand buyers. They prefer choosing their arms customers without a de facto US veto. [redacted]

¹ The AIM-9L, for example, is an older missile not as versatile as the more current version in the US inventory, the AIM-9M, which has an improved guidance system and resistance to infrared countermeasures. [redacted]

Arguments for Purchasing Foreign Missiles. The Supreme Commander of the Armed Forces and the defense materiel and Air Force staffs object to the government's intention to fund additional R&D on air-to-air missiles. They argue that:

- US missiles offer proven technology at a reasonable cost.
- Swedish defense planners can ill afford to spend vast outlays on development of an indigenous system, especially when vital components still would have to be imported from the United States for an extended period.
- Experience demonstrates that older air-to-air missiles can be imported and their target seekers or propellant adapted to meet Swedish requirements. [redacted]

The issue for proponents of a foreign purchase is *not* whether Swedish industries are capable of development and producing advanced missiles, but whether the Swedish defense budget can afford it. Off-the-shelf buys from foreign—largely US—firms generally prove to be cheaper because of large production runs and lower unit costs and are available sooner than domestically developed missile systems. Furthermore, the export market for Swedish-designed missiles probably would be narrowed by Sweden's restrictive arms sales policy,² which would limit the size of the production run and keep high the cost of each missile. [redacted]

Prospects

We believe the chances are better than even that the Swedes will decide to continue funding their air-to-air missile R&D program, especially if the United States cancels its Advanced Medium-Range Air-to-Air

² Swedish neutrality policy includes a requirement to sell weapons only to states not currently at war or not likely to go to war in the near future. This usually has meant that arms exports have gone mostly to Sweden's Nordic neighbors (Norway, Denmark, and Finland) and to nonaligned countries such as India and Singapore. Consequently, the Swedish export market is relatively small, forcing the Swedes to bear almost all of the R&D costs rather than spread the costs among foreign customers. [redacted]

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Possible Foreign Missiles for the New Swedish Fighter Aircraft

In planning for the JAS-39 Gripen, the Swedes did not include R&D funds for an indigenous air-to-air missile as part of the aircraft's budget package. Rather,

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are watching closely how the House Armed Services Committee votes when AMRAAM funding is addressed.

Less Likely Foreign Missile Choices

asked the Air Force last summer to consider updating its British Sky Flash missiles (based on the US AIM-7 Sparrow) as an alternative to buying the AMRAAM. JAS program managers, however, reportedly had insufficient funds to study improvements to the Sky Flash, expected problems in adapting it for the JAS, and, quite simply, preferred US missiles.

Nevertheless, other evidence indicates the Swedes may be hedging their bets should the AMRAAM and ASRAAM programs be canceled.

that the Air Force, in fact, was investing money in an improvement program for the Sky Flash, not as a final choice but as a "gap filler" through the mid-1990s until a domestic or foreign system is procured.

[Redacted]

Missile (AMRAAM) program. They probably also would be capable of developing a missile competitive with the US AIM-9 series if given sufficient funding. They could, for example, build on the RB-72 program.

[Redacted] that a consensus in parliament—led by the Center Party—seemed agreed to go ahead on missile R&D in the hope of ending reliance on foreign suppliers. This political support was echoed by Swedish industrialists, who optimistically assessed their in-house capabilities to make reliable and accurate air-to-air missiles.

Indeed, the government's decision in 1982 to build the new JAS fighter aircraft, despite consensus that cheaper off-the-shelf foreign aircraft were available, could serve as a precedent. In the JAS case, the Swedes decided that the higher costs of an indigenous fighter program were justified since it would preserve their domestic aerospace industry and prevent layoffs of workers, technicians, and engineers. Similarly, the Swedes may decide to fund a domestic air-to-air missile program despite its high costs—estimated to be up to \$450 million—in order to maintain their domestic missile industry as well as vital jobs in the electronics industries.

Should they opt for a domestic program, the Swedes still will need foreign technology and components in the near term and probably will have to fund it by reallocating nonprocurement defense funds, scaling back or canceling other weapon programs, or increasing the defense budget. If, on the other hand, they decide in favor of foreign procurement, the future of indigenous land and naval missile programs would be in doubt as well, since Sweden then would have fewer job opportunities for its highly trained missile engineers and technicians, who might therefore leave Sweden for foreign firms.

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**Poland:
Polls—What's Behind the
Numbers?**

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If you can present confusion with figures, then the government Center for Public Opinion Research will be happy to employ you:

- Polish press spokesman Jerzy Urban in response to a reporter's question on public reaction to Solidarity's Lech Walesa being awarded the Nobel prize.

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The Jaruzelski regime apparently relies heavily on public opinion polls to gauge popular attitudes. A special organization—headed by an army colonel—conducts opinion polls on a variety of issues. The government publishes some of the more revealing data and publicly challenges underground polls in order to lend credibility to its domestic and foreign policies—tactics unique in Eastern Europe. The polls show, among other things, that few Poles have much confidence in government management of the economy. Although the polls do not seem to have great impact on regime policy, Jaruzelski is likely to continue supporting the polling efforts, partly just to show that he is attentive not only to public attitudes but also to monitor reaction to continuing economic policies.

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The Regime's Motives

General Jaruzelski places great emphasis on monitoring public opinion because he believes the country's periodic crises have been caused partly by the party's failure to pay close attention to popular complaints when weighing policy options. He is reluctant, however, to rely solely on party assessments of public attitudes—a traditional function of a ruling Communist party hierarchy—because he believes such reporting is skewed to emphasize what local party leaders think the central authorities want to hear. To supplement party reporting, Jaruzelski relies on sometimes elaborately staged social consultations and intensive public opinion polling work.

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Center for Public Opinion Research

Soon after the imposition of martial law, Jaruzelski created the Center for Public Opinion Research, a special national public opinion polling organization.

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He appointed as its director Stanislaw Kwiatkowski, an active duty colonel and political scientist, who reportedly is close to him. The center was charged with conducting surveys on significant political and economic issues in advance of major government policy decisions. Previously, most public opinion data had been collected by the Center for Public Opinion Studies in Warsaw, the Press Research Center in Krakow, academic institutions, and local Communist party bodies. The polls were primarily sociological surveys and were often used to support social welfare programs. There was no centralized government apparatus or coordinating mechanism.

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The only polling body that conducts nationwide surveys, the center has conducted polls prior to price increases, local and national elections, and the amnesty of political prisoners in 1983 and 1984. Most of the center's work involves direct polling, although it occasionally analyzes the stream of letters sent to the central authorities and conducts special telephone call-ins. The polls are based on nationwide random samplings ranging from 150 to 2,300 individuals with an average sampling of 1,500. The center has a coordinator in each province tasked with distributing questionnaires and collecting the data, which are then processed by the government's central computer facility. The center has tried to adapt Western polling methods, but the lack of telephones in rural areas has limited the use of telephone surveys. The survey results are disseminated to about 1,000 party and government officials, although selected excerpts may be released by the Polish media.

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Some Polling Results

Reporting on the results of foreign policy polls published in December 1983 and late last summer showed general support of Soviet policies but also was surprisingly open in revealing Polish antipathy toward the USSR. For example, the poll conducted in 1983

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after Soviet withdrawal from the Geneva INF negotiations showed that only 48 percent of the respondents supported the Soviet walkout. To soften the blow to Moscow's ego, an article on the poll claimed that only 23 percent were opposed outright to the Soviet action, whereas the rest were put in an "undecided" category. Only 4 percent felt that the United States had displayed sufficient good will about reaching an agreement. Last summer's poll revealed that less than 10 percent of those surveyed considered CEMA and the Warsaw Pact significant factors for world peace and that fewer than 50 percent supported Soviet foreign policy. Somewhat contradictorily, 89 percent reportedly felt that the United States constitutes the greatest threat to world peace. [redacted]

Officially sponsored polls on attitudes toward the United States have become steadily more negative. In 1981, 59 percent of the respondents considered the United States friendly toward Poland. After the imposition of economic sanctions in 1982, the figure reportedly dropped to 35 percent and in 1985 stood at 10 percent. Although these numbers do not jibe with the US Embassy's informal assessment of Polish attitudes, the authorities continue to cite them to US officials to show the consequences of Washington's sanctions and to argue for a change in US policy. [redacted]

Government-sponsored polls on the economic situation reveal that after three years of economic reform the general population has little trust in government economic policies and doubts the regime can prevent future crises. One survey conducted after price increases in July 1985 revealed that 50 percent of the public was critical of the government and economic reform. Although two-thirds of those polled doubted that government economic policy would help overcome the economic crisis. Furthermore, 73 percent were dissatisfied with government price policy (that is, continued price increases); 53 percent complained about the lack of consumer goods; and 41 percent were unhappy about wages. A poll released in January revealed that one-third of the respondents consider their economic situation bad. [redacted]

Several polls conducted last year tried to predict voter turnout in the national parliamentary elections in October, the first elections since the creation of

Solidarity. Survey results released in mid-August projected an 80-percent voter turnout; perhaps not surprisingly, the subsequent official tally claimed 79 percent of the voters went to the polls, compared with a 75-percent participation in the 1984 local elections. The government expressed satisfaction with the turnout and claimed it was an important victory that signaled the end of the Solidarity era. [redacted]

Underground leaders, eager to show that their widely publicized boycott had been effective, refuted the regime's figures, asserting that their counterpolls indicated a turnout of 61 to 66 percent. Solidarity activists monitored polling stations in 1,865 of 21,649 precincts at least three times on election day, counting the number of voters for five minutes each time. Computers were used to analyze the sample and develop a projection. The government claims that its test of the underground's monitoring technique indicates a margin of error of 10 to 50 percent, whereas Solidarity concedes errors of only 2 percent in urban areas and 12 percent in the country. The argument over the voter turnout has continued into 1986. Solidarity leader Lech Walesa had to appear in court for allegedly slandering officials handling the election returns by issuing a statement that challenged the government's figures. In the end, the government dropped the charges. [redacted]

How the Polls Are Used

The impact of public opinion polls on government decisionmaking is hard to gauge. Surveys of popular attitudes on economic issues are probably read most closely because of the political sensitivity and the difficulties previous regimes have encountered when increasing consumer prices. Thus, worker complaints in 1983 about poor living standards apparently helped delay planned price increases and caused Warsaw to freeze prices on some consumer goods. In 1984 the government held three months of consultations on two price variants that would have raised prices 10 to 15 percent. Public complaints prompted the regime to implement a lower price variant and reduce planned price increases on staple goods. Opposition to price increases in 1985 again led to delays in implementing some price hikes, a reduction of planned increases in coal prices, and greater compensation for low-income

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workers. The government's reading of its polls may have contributed to the various delays and the choice of alternative price proposals. Partly to further the impression that he listens to the opinions of average Poles, Jaruzelski last August solicited suggestions from the populace for issues to raise in his speech to the United Nations and subsequently mentioned some of these ideas to his UN audience. [redacted]

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Conclusions

The accuracy of Polish public opinion polls remains suspect. Chief pollster Kwiatkowski recently admitted to US Embassy officers that his center had made some mistakes in polling practices but tried to dismiss them as growing pains. We believe that a more serious, continuing problem for Polish pollsters may be a reluctance of Poles to speak honestly with any government representatives. Moreover, there probably is a tendency on the part of the pollsters to interpret results in ways that are as favorable as possible to Jaruzelski and his policies. Press reports on poll results reveal a marked tendency in this direction. If this is indicative of the confidential analysis of polls that is passed to Jaruzelski, he simply may have created another body similar to the party that tells him what he wants to hear. [redacted]

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Despite these deficiencies, public opinion polls are likely to remain a permanent part of the consultation process, certainly for as long as Jaruzelski remains party leader. He will not be willing to rely solely on party reporting of popular opinions, even if he succeeds in getting local leaders to make more honest appraisals, and will remain keenly interested in popular attitudes toward continuing economic problems. [redacted]

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Economic News in Brief

Western Europe

City of London lifted restriction on 1 March to allow 100-percent foreign ownership of stock exchange firms . . . first major step in reform of British financial markets . . . several US firms expected to increase various minority stakes to 100 percent, although some will wait until deregulation is completed in October.

[redacted]

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Bank of France has lowered key refinancing interest rate by .25 percent to 8.5 percent . . . partially offset by increased reserve requirements . . . reserve change part of bank's gradual move toward reserve based monetary control.

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Spain has negotiated \$26 million credit line with Nicaragua . . . maximum of \$18 million for short-term financing of consumer goods and \$8 million for medium- or long-term financing of capital goods . . . follows previous credit line that expired last year.

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