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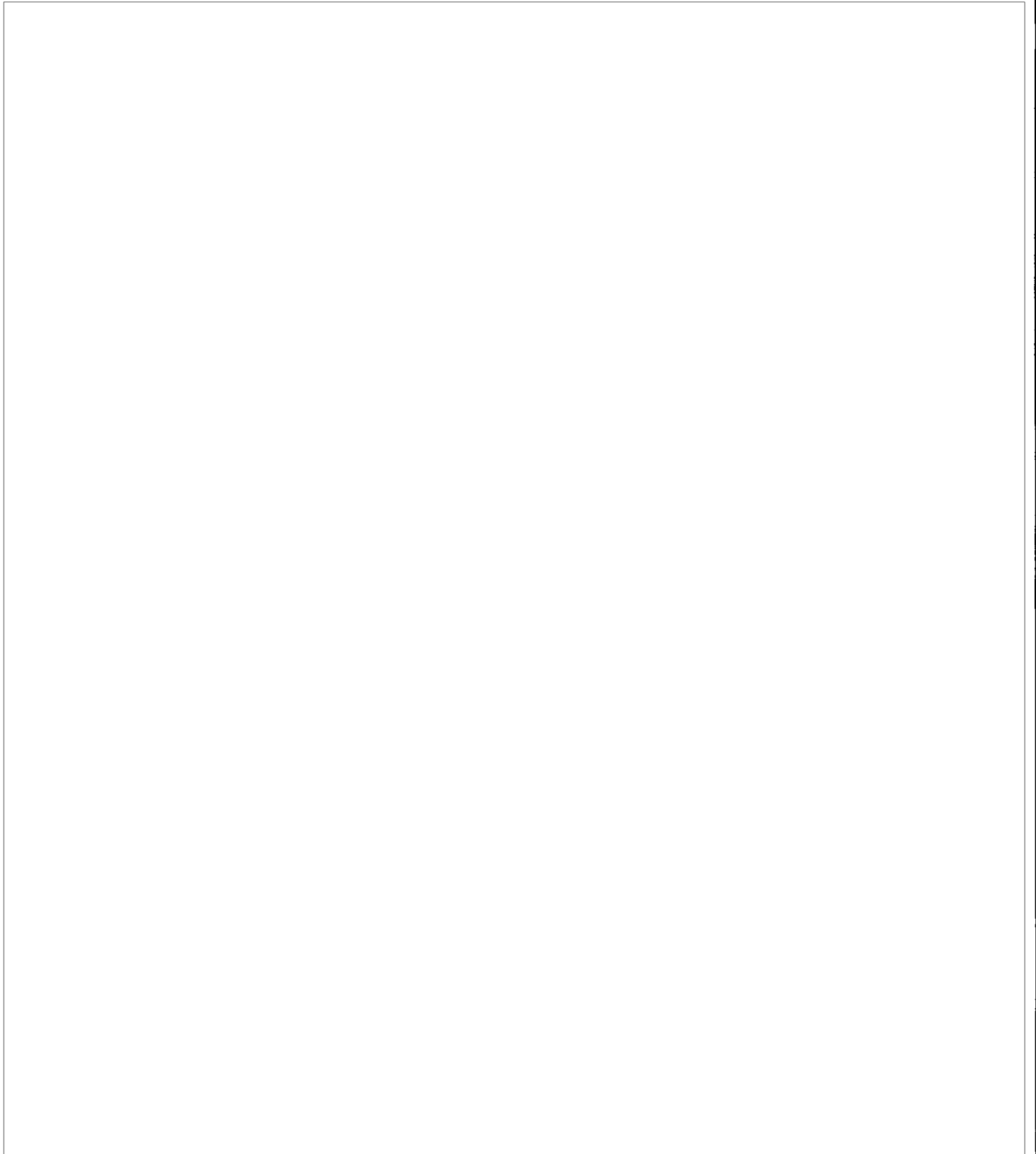
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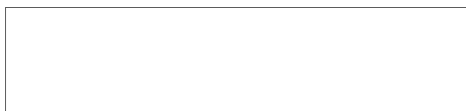
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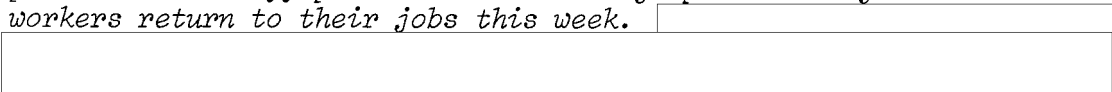




① POLAND: Martial Law Tactics

*The government is attempting to use the carrot-and-stick approach to head off problems and encourage productivity as most workers return to their jobs this week.*

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*Pravda, meanwhile, has published another commentary that appears to argue for a measured Soviet response to US economic sanctions.*

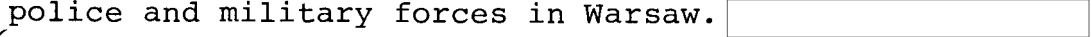
Warsaw on Friday announced extra benefits for workers in hazardous or demanding jobs. The measures--which include early retirement and disability pay--will apply to 2 million industrial workers in sectors that have been Solidarity strongholds. In addition, workers now will be paid for time lost when factories are idled by raw material shortages, long a source of labor unhappiness.

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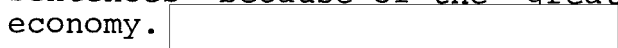
At the same time, the government may be deploying more security forces to intimidate returning workers. The US Embassy yesterday noted an increased presence of police and military forces in Warsaw.

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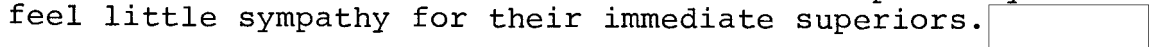
Polish radio, reminding would-be strikers of the penalties they risk, announced the stiffest sentences yet handed out to Solidarity activists. Five organizers of the strike at the Katowice steelworks received prison terms of up to seven years--almost double that of other sentences--because of the "great damage" to the national economy.

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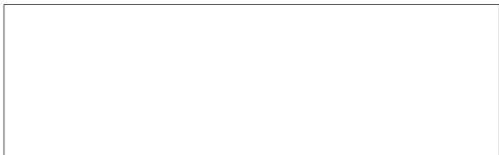


the authorities may seek to weed out militants in the Baltic coast shipyards by issuing new access cards. The government also is putting pressure on low-level supervisors in factories to maintain production levels by threatening to fire them if work quotas are not met. This tactic may yield mixed results because some workers probably feel little sympathy for their immediate superiors.


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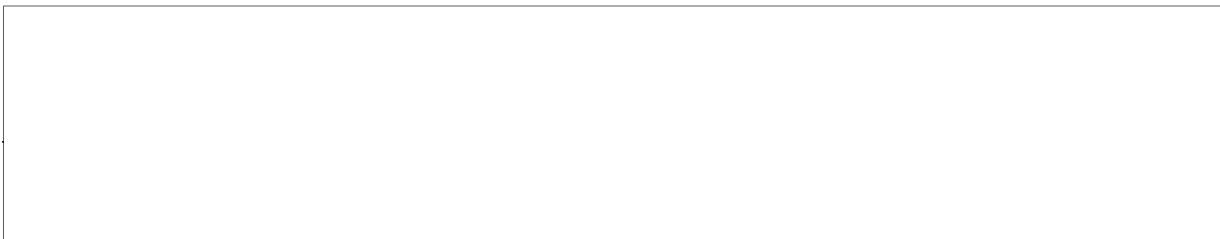



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The purge in the party and government seems to be gathering momentum. Members of party committees at all levels are being expelled, with 535 in one province alone being dropped. Special "verification" committees made up of party and Army representatives continue to interrogate officials outside the party apparatus. The liberal former editor of the Krakow party newspaper recently failed such a test, and at least five provincial governors have been dismissed. 

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Contrary to frequent press reports of harsh conditions for detainees, some at least have received good treatment. A respected intellectual in Krakow has told a US official that the conditions under which he was confined ranged from "adequate" to "excellent." In a rest home belonging to the Ministry of Interior, prisoners were even permitted to listen to Voice of America broadcasts on radios provided by guards. 

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Conditions for detainees probably vary, however, and intellectuals may be treated differently than union activists. A recent Solidarity bulletin claims that 12,000 persons have been detained, significantly more than the 5,500 admitted to by the regime. 

Government Moves Toward Normality



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A senior deputy in the parliament has hinted to a US Consulate officer that the entire body may meet soon to consider legislation, despite the continuance of martial law. The government probably hopes that the public would be more willing to accept controversial laws--especially on the contentious issues of economic reform and trade unions--passed by parliament rather than ones enacted by fiat. 

--continued



[Redacted]

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9 Deputy Premier Rakowski reportedly told [Redacted] [Redacted] last week that Warsaw has the \$350 million needed to pay all the interest on its commercial bank debt for 1981. The report, if true, means the money probably came from Moscow, because Poland has virtually no hard currency reserves and apparently has not received any new loans from Western banks.

[Redacted]

West European Reactions

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11 Austrian Chancellor Kreisky yesterday reiterated his opposition to US economic sanctions against the USSR. In an interview on French television, Kreisky reportedly said it was naive to try to prevent the construction of the planned gas pipeline from Siberia to Western Europe. The Chancellor, who earlier characterized the sanctions as precipitous and premature, is opposed to any action that threatens detente and economic cooperation with the East. [Redacted]

The EC Foreign Ministers meeting today in Brussels will consider the Community's response to US sanctions.

[Redacted]

Soviet Views

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9 A commentary in *Pravda* criticizes the present course of US foreign policy but asserts that this policy represents only one of two "strains" within the American establishment. *Pravda* attributes this "irrational" strain

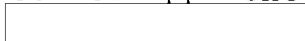
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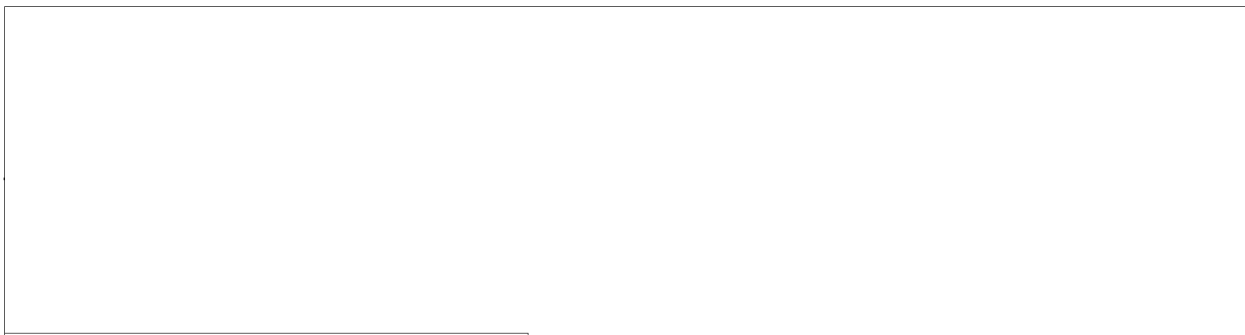





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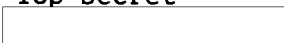


to the extreme right wing of the Republican Party and claims that once its "dangerous nature" becomes apparent a "realist" strain will reassert itself. 

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The article is the second in three days that appears to argue for a measured Soviet response to US sanctions. These commentaries may represent one side in an ongoing debate rather than a justification to Soviet critics that a decision already has been made. 



 Activity by Soviet and East European forces has been at typically low levels during the New Year holiday.   
  
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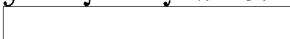


Prime Minister Muhi al-Din




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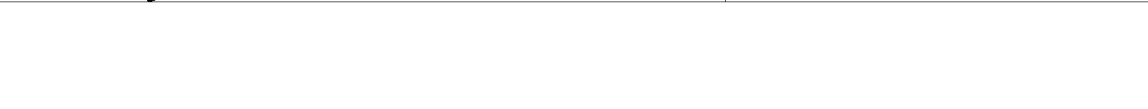
EGYPT: Moubarek Names Prime Minister


President Moubarek's decision to form a new cabinet and appoint a prime minister reflects his growing self-confidence and success in consolidating his hold on power. 

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First Deputy Prime Minister Fuad Muhi al-Din, who was given the post of prime minister that Moubarek had been holding himself, is a longtime Moubarek intimate and has had responsibility for day-to-day administration of the government for several months. 

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1/3




The new Prime Minister has retained many of the members of the old cabinet, including Defense Minister Abu Ghazala and Foreign Minister Ali. Deputy Prime Minister for Economic Affairs Abdel Meguid, who was not close to Moubarek and was recently implicated in a major corruption scandal, has been replaced. He also may be used as a political scapegoat for Egypt's mounting economic problems. Several other economic and planning ministers also have been replaced. 

1/2

Most Egyptians apparently approve of Moubarek's performance in office since the assassination of President Sadat. Moubarek's National Democratic Party won two parliamentary byelections last week in districts previously held by the leftist opposition. Despite their defeats, opposition leaders have praised the regime for conducting fairer elections than Sadat had. 

1/2

Egyptians are especially pleased with Moubarek's anticorruption drive and his decision to release about 100 political prisoners arrested by Sadat during the crackdown on dissent last September. On Saturday, Moubarek also eased restrictions on journalists and university professors ordered by Sadat. 

1/2



③ GHANA: Coup Developments

4 *Coup leader Rawlings is slowly gaining control despite some sporadic fighting.* [redacted]

2 In a radiobroadcast on Saturday Rawlings appealed for public support and indicated his intention to pursue a nonaligned foreign policy. He has been unable, however, to arouse much public enthusiasm for the coup. [redacted]

4 and his fellow coup plotters apparently are trying to avoid the divisiveness, indiscipline, and harsh measures that characterized the coup he led in 1979. [redacted]

4 The composition of the Provisional National Defense Council still is unannounced although Rawlings is trying to attract prominent civilians. The whereabouts of President Limann and many of his cabinet members remain unknown. [redacted]

4 Poor economic conditions because of government mismanagement, soaring inflation, and depressed world prices for Ghana's exports helped precipitate the coup. Rawlings is unlikely, however, to be any more successful at finding solutions to these problems than was Limann. [redacted]

1 Rawlings's first appeal on Friday for voluntary price reductions has been rebuffed by Accra's politically powerful market women. He will have to move quickly to impose order on a chaotic political and economic situation or face the threat of another coup. [redacted]


4 There has been little international reaction so far to the coup. Nigeria, which cut off oil deliveries following the coup in 1979, seems to be taking a wait-and-see approach. If the Nigerians do cut off oil supplies to show disapproval for the new regime, this could force Rawlings to turn to Libya for oil and political support. [redacted]

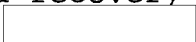
4 The coup may have irrevocably shattered what was left of Ghana's already floundering institutions, and restoring order may be difficult. Unless he can do so quickly, Rawlings may look to Cuba or other radical countries for security assistance. [redacted]

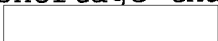


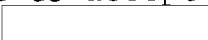
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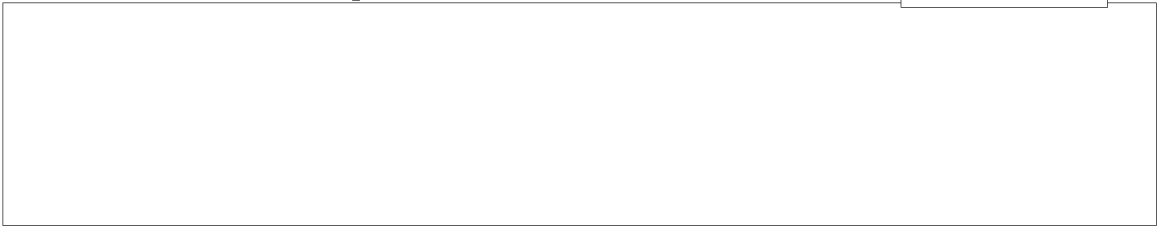
CUBA: Economic Outlook

*The Cuban economy will grow more slowly in 1982 because the price of sugar is down in international markets and Havana has little prospect of increasing export volume.* 

Cuba's top planning official in a speech last week claimed that 1981 was the best year for economic performance since the revolution. Much of the improvement, however, represented a recovery from the dismal record during 1979 and 1980. 

15 The official also noted that conditions would be worse in 1982, predicting economic growth at a modest 2.5 percent. He stated that increasing import prices and interest rates, coupled with depressed sugar prices and the recent intensification of US economic actions against Cuba, have led to a hard currency shortage that is unlikely to improve in the near future. 

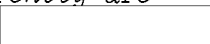
Havana probably will not be able to maintain current import levels of either consumer or industrial goods without increasing its foreign debt substantially. In the past, the Castro regime has been reluctant to accept this, and it has preferred to reduce imports. 

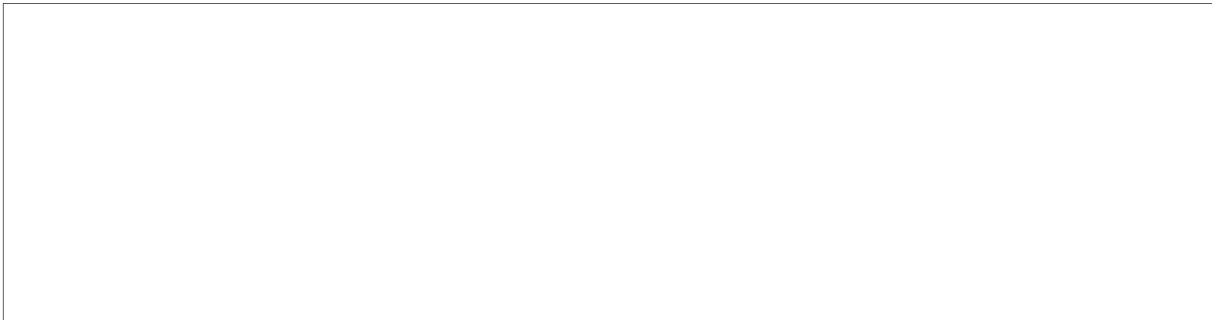







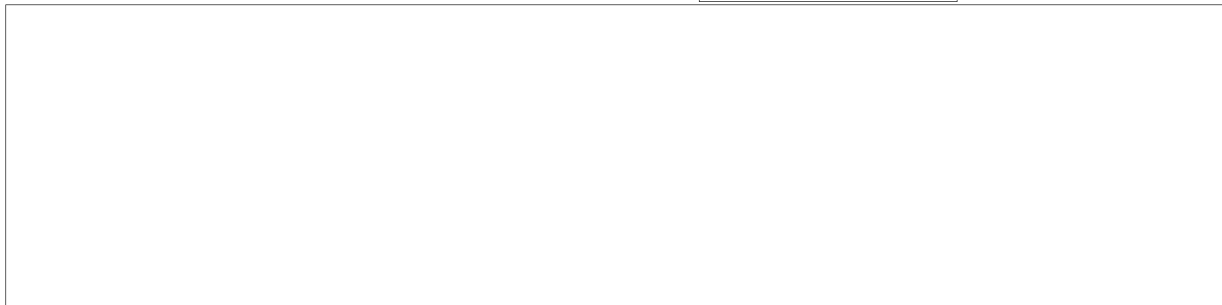
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USSR-NAMIBIA: Reaction to Western Initiative

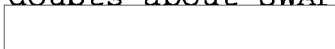
1 Moscow recently has taken several steps that apparently are aimed at undermining the Western initiative on Namibia. 

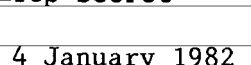


3 Moscow's unease also was reflected in a recent remark   
 that US policy on the Namibian issue has become more effective. 



1 The USSR's immediate concern about the Western initiative is that it will strengthen the moderates in the leadership at the expense of pro-Soviet SWAPO elements. Over the longer run, moreover, a Western-brokered settlement would strengthen the standing of the US and other Western states with the African states. In addition, the Soviets are concerned that a Namibia settlement could be linked to a reduction of the Soviet and Cuban presence in Angola. 

1 Despite efforts to undercut the Western initiative, Soviet leverage seems limited. While Soviet ties with SWAPO are close, the group has consistently acted in unison with black African states, and Moscow has had doubts about SWAPO Chief Nujoma's long-term commitment. 



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ITALY-USSR: Views on Siberian Pipeline

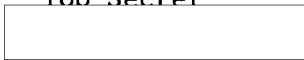
*Speculation that Italy may withdraw from the Siberian natural gas pipeline project appears premature.* [redacted]

Rome's decision to reexamine its plans to purchase additional Soviet gas follows several weeks of domestic political maneuvering. The Socialist Party has been urging that parliament debate the pipeline issue, alleging that the project is uneconomical for Italy. [redacted]


The Socialists are using the issue to embarrass the Communist Party and at the same time enhance their "Atlantic" credentials. The imposition of martial law in Poland has prompted the small Liberal and Social Democratic Parties to support the call for review, making it all but impossible for the Christian Democrats to resist. [redacted]

1-5 Italian leaders agree that the country will need additional energy supplies during the last half of the decade and that there are few alternatives to Soviet gas. The Italians have been counting on the Siberian pipeline to supply 8 to 10 billion cubic meters per year of the anticipated shortage of 15 billion cubic meters per year in natural gas by 1990. [redacted]

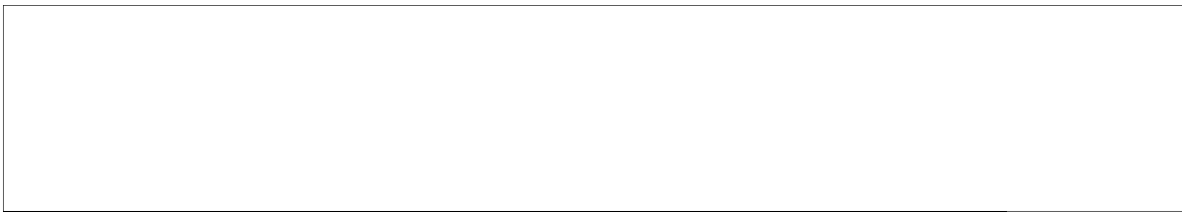
The Minister of State Participations says that the contract to supply 19 compressor stations using government-subsidized credit remains valid. Rome almost certainly will proceed with the deal, although it may refuse to subsidize as generously additional contracts for pipeline equipment and may buy a smaller amount of gas than originally planned. [redacted]





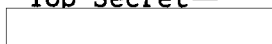
② SOUTH KOREA: Cabinet Shakeup

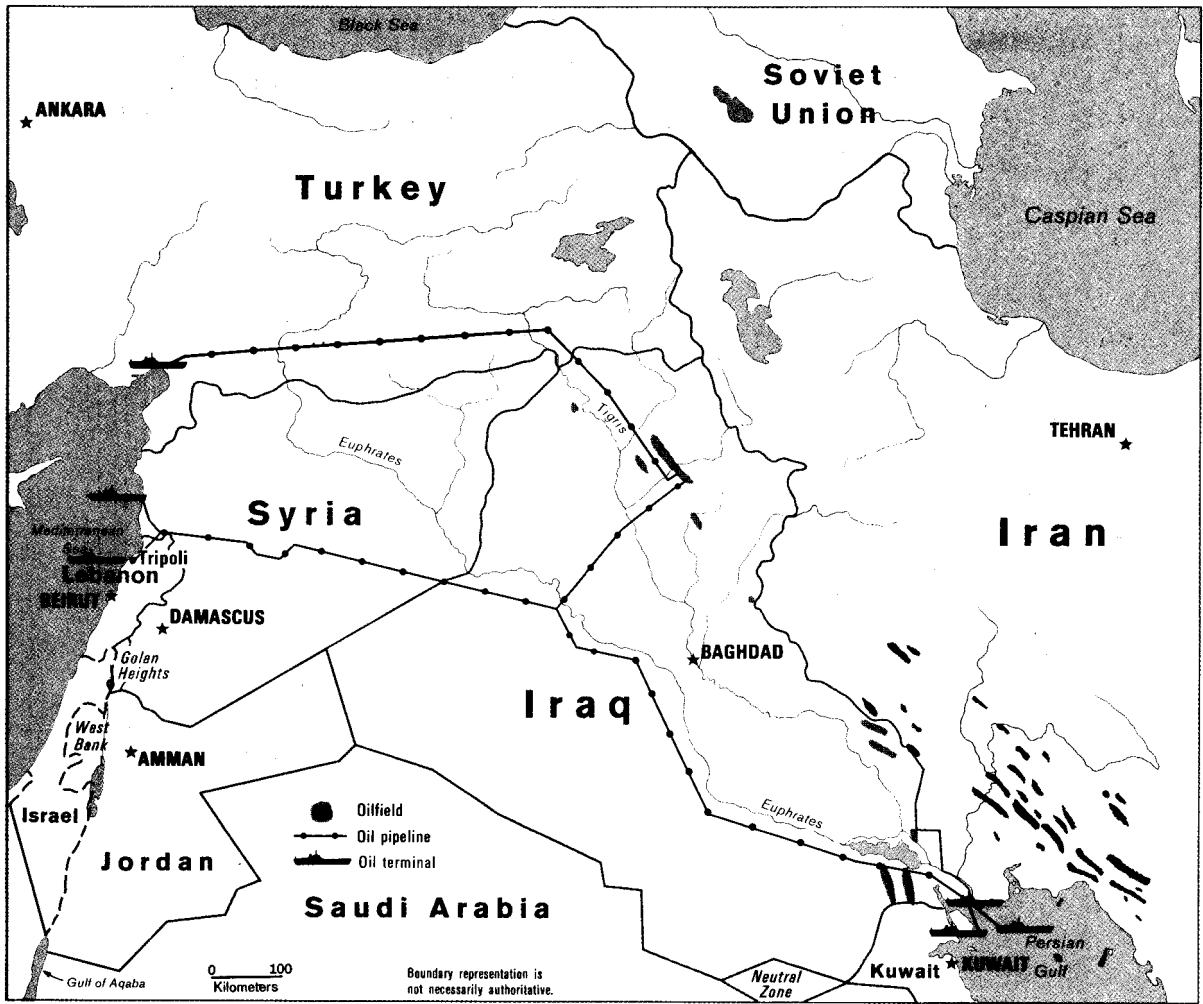
President Chun has reorganized his cabinet apparently in an effort to revitalize the economy. The shakeup, which affects five cabinet posts, includes the appointment of a new prime minister and deputy prime minister and appears keyed to ministries related to economic affairs. The move reflects Chun's continued concern over South Korea's sluggish economic performance and gives him a new team to push ahead with the fifth development plan that began last Friday. 

⑧ EAST GERMANY: Impact of Oil Shortages



 East Germany's large hard currency debt, chronic trade deficits, and reduced access to Western credit markets make it unlikely that East Berlin will be able to turn to Western sources of oil. As a result, industrial production probably will fall to levels lower than were planned for this year. 







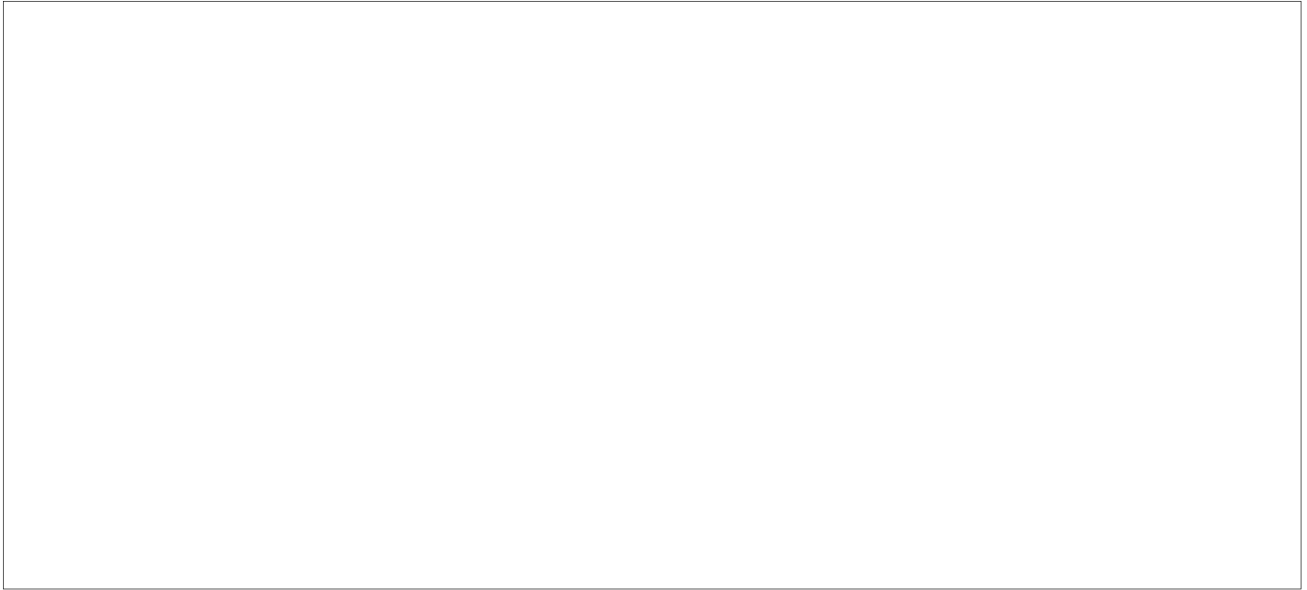
⑨ LEBANON: Pipeline Explosion

1/2 An explosion of unknown origin on Saturday has disabled a recently activated pipeline carrying crude oil from Iraq to Tripoli. The reopening of the pipeline had followed an agreement in November between Iraq and Lebanon calling for a minimum average flow of 115,000 barrels per day through this spur--with a capacity of 500,000 barrels per day--of the Iraqi-Mediterranean pipeline system. Despite the temporary closure, Iraq still will be able to export as much as 1 million barrels per day of crude oil through alternate pipeline routes. The explosion followed an attack on Friday on a tanker loading crude oil at Tripoli.

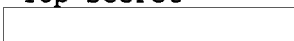
⑩ BOLIVIA: Torrelío in Trouble

1/2 President Torrelío has to carry out economic austerity measures by 15 January to satisfy IMF requirements for financial assistance, despite anticipated popular opposition to the program. Torrelío lacks a strong military or civilian power base; he was installed in September by key Army commanders seeking an interim solution to the prolonged leadership crisis. Military hardliners view Torrelío's recent decision to renew labor freedoms as a capitulation to "leftist-inspired" civilian elements. Widespread resistance to the President's planned reforms could lead to a takeover by a military strongman.

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4 January 1982

SPECIAL ANALYSIS

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WEST GERMANY - POLAND: Attitudes Toward Sanctions

[redacted]

*Bonn's cautious attitude toward the situation in Poland reflects the public consensus in West Germany. Barring an overt Soviet intervention or bloody repression by the Warsaw regime, this outlook is unlikely to change.* [redacted]

There has been little public debate over the West German Government's position toward Poland and the USSR. Both coalition parties, the trade union movement, the business and banking communities, and even the opposition parties generally support the government's approach.

[redacted]

The West German public has consistently sympathized with Solidarity. Long before martial law was declared, however, it believed that the situation was sliding toward economic and political anarchy. [redacted]

1-3 The West Germans considered Soviet intervention a strong possibility as long as Solidarity continued to make political gains. They also feared that the West in general and West Germany in particular would face increasing difficulty bailing Poland out economically. [redacted]

Reaction to a Soviet Intervention

Although the West Germans would react strongly to a Soviet military move into Poland, they will be reluctant for now to make any drastic moves. They do not want to jeopardize their economic interests--including the massive Polish debt to West German banks, only 40 percent of which is guaranteed by the government. Bonn also does not want to complicate its policy of reconciliation with East Germany. [redacted]

--continued

Under current circumstances, Bonn believes that a distinction must be made between Warsaw and Moscow on the question of economic sanctions. Although the West Germans think that sanctions will have little impact on the Soviet or Polish regimes, they have made clear to the Poles that future aid is contingent on Warsaw's adherence to the promises made by Premier Jaruzelski on 13 December. [redacted]

The West Germans are unwilling for now to consider sanctions against the USSR. They do not believe that Soviet involvement has been overly blatant. Moreover, they fear that imposition of sanctions would remove an inhibition on Soviet intervention and deprive the Allies of their main retaliatory option if an invasion should take place. [redacted]

Schmidt's Strong Views

Chancellor Schmidt recognizes that his government has been singled out for its "weak" reaction, and he is likely to express his resentment forcefully. The West Germans consider themselves firm supporters of the West's principal objectives of salvaging some element of the Polish reform movement and avoiding a Soviet invasion.



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