



Director of
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National Intelligence Daily

Wednesday
6 January 1982

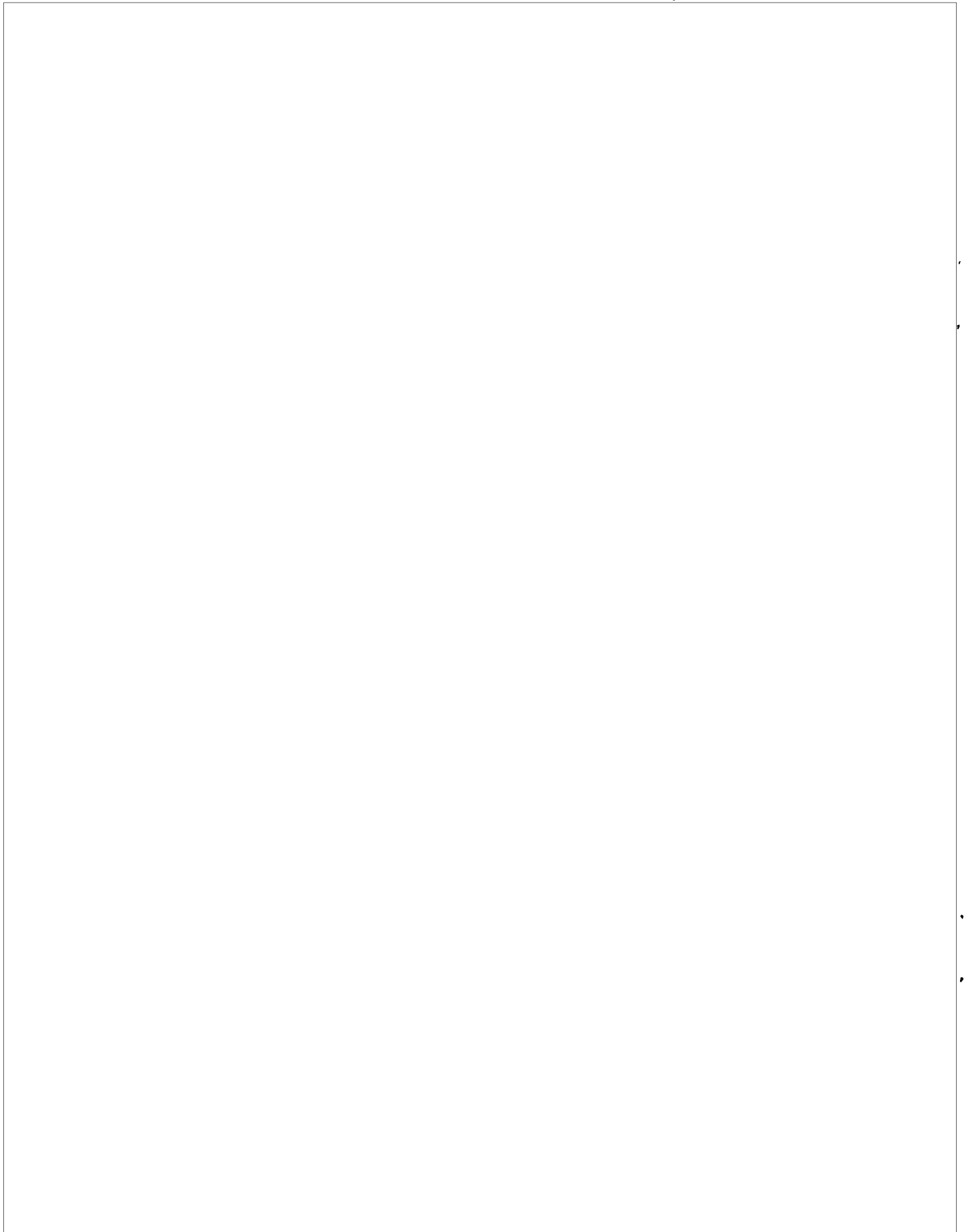
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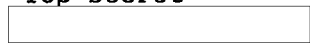
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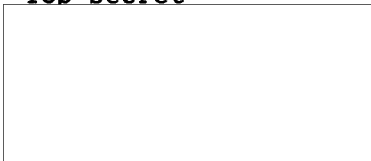
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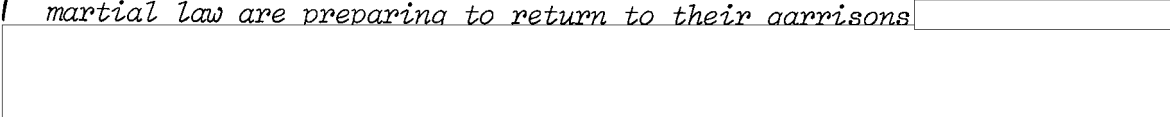
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① POLAND: Debt Problems Unresolved

A Polish official has denied media reports that Poland has met its interest payments to Western banks. The government, meanwhile, is trying to create the impression that it is holding talks with Solidarity and has dissolved a student organization close to the union. Some Polish military units that were called on to implement martial law are preparing to return to their garrisons.



The vice president of the Polish Commercial Bank yesterday denied reports that Moscow recently helped the Poles meet interest payments due Western banks and indicated that he did not expect Soviet funds in the near future.

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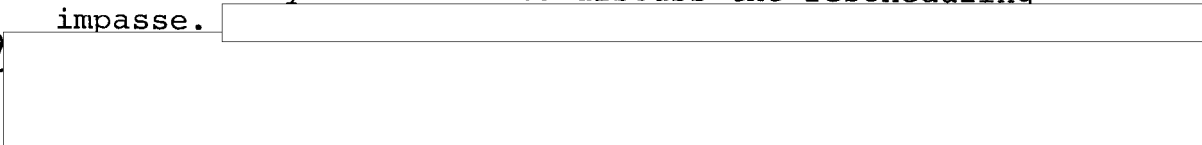


The debt rescheduling agreement between Poland and Western banks called for all interest due through 14 December to be paid. On that date Poland indicated it was still unable to provide \$350 million of the amount due. Warsaw apparently paid about \$100 million in the final week of December, and additional payments have been reported by banks in the past few days.

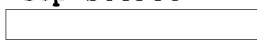
The patience of the Western banks determines how long Warsaw has to meet the remainder of its obligations. Poland has avoided default despite failing to meet several deadlines and conditions set by the banks, but the risk increases that a single creditor will declare default.

Major Western banks are scheduled to meet tomorrow and on Friday in London to discuss the rescheduling impasse.

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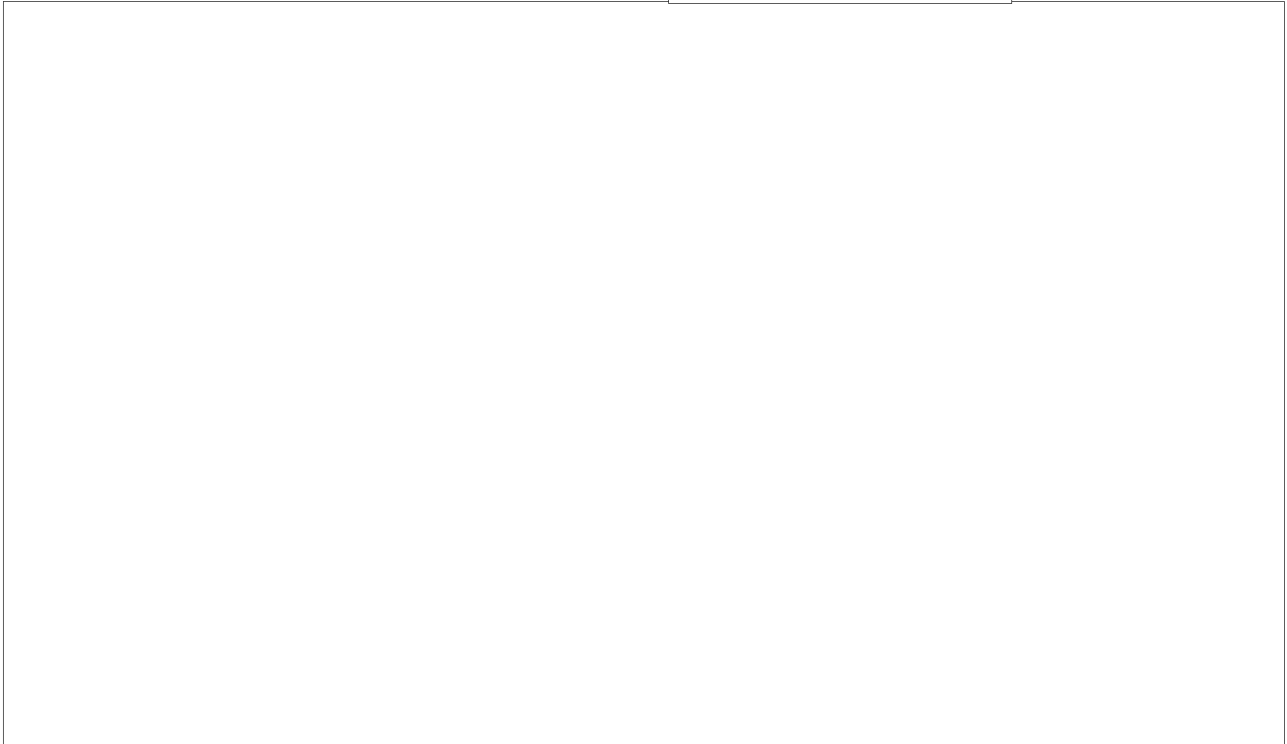
Warsaw's most immediate financial problem is to wrap up the private debt rescheduling agreement for 1981, but even if that is concluded Poland still will be technically in default. Negotiations for debt relief from Western governments and banks for 1982 have not yet begun. 

Government-Union Discussions

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Polish radio yesterday reported that the government was holding talks with Solidarity "activists." It is unlikely that any of the union's prominent leaders before martial law were involved. The regime, however, has had some success in finding lower level union officials who are willing to recant. 

The government probably hopes to confuse the population with such reports and may be thinking of creating a new but passive Solidarity. Warsaw also has formally abolished the Independent Student Organization, Solidarity's equivalent on campus. 




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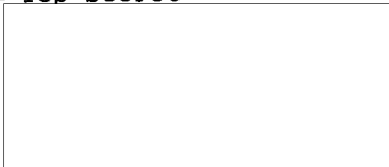


Soviet Commentary


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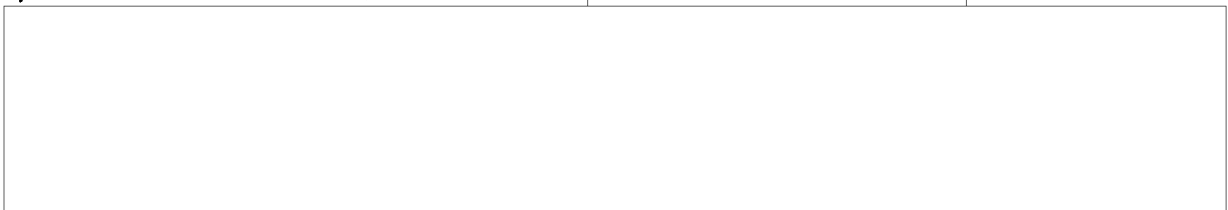
According to Moscow Radio, Polish Foreign Minister Czyrek will visit Moscow in the first half of this month. Since Czyrek probably cannot provide the Soviets additional insights concerning the present situation, the purpose for the trip may be only to continue a long tradition of formal bilateral exchanges held at this time of year. 


In an article commemorating the 40th anniversary of the birth of the Polish Communist Party, *Pravda* yesterday again reminded Premier Jaruzelski that the party's supremacy must at some time be restored. *Pravda* highlighted an earlier statement by Jaruzelski regarding the special role of the party under martial law and pointedly employed his party title. 



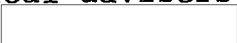
2 LIBYA-GHANA: Overture Planned

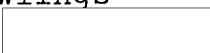
1 *Libya apparently is attempting to make its first contact with Ghana's new military government.* 




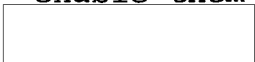
3 Although Qadhafi is pleased with the overthrow of President Limann's moderate, pro-Western government, no hard evidence is available of direct Libyan involvement in Rawlings's latest coup. 



3 As political and economic pressures mount on the shaky new regime, Rawlings may be forced to turn to Libya and other radical African states for support. Rawlings is known to have some radical advisers who are urging him to adopt such a policy. 

3 Shortly after Rawlings's coup in June 1979, he rebuffed the overtures of a Libyan delegation, but after relinquishing power four months later he maintained loose contacts with Tripoli. In September 1980, Rawlings visited Libya and seemed favorably impressed. 

3 Rawlings's flirtation with Tripoli helped prompt the Limann government to expel the Libyan People's Bureau from Accra and to conclude that Rawlings was receiving funds from Libya. The Libyans had been urging the Limann government to allow them to reestablish diplomatic representation, and they may hope their offers of aid will enable them to reopen their offices soon. 



3 EGYPT-FRANCE: Motivations Behind Aircraft Deal

Egypt's decision to purchase 20 Mirage 2000 fighter aircraft from France reflects Cairo's desires to diversify its arms supply and to encourage the US to accelerate military deliveries.

1/3 The Egyptians have been increasingly disappointed with the high costs and long leadtimes associated with purchasing arms from the US. President Mubarak told US officials on Saturday that there is growing criticism within his armed forces of the US military assistance program.

3 Mubarak also said that some officers now claim that US aid is as unsatisfactory as Soviet assistance was in the early 1970s. In addition, many Egyptian opposition groups have charged that Egypt's close ties to the US are undermining the country's nonaligned status.

1/2 A lack of funds apparently prevented the purchase of more Mirage 2000s. The French Government offered \$1 billion in financing at 9-percent interest to clinch the deal, which probably includes other equipment and technical support.

1/2 The two governments also agreed to set up a bilateral military committee to discuss future Egyptian arms purchases as well as coproduction. Mubarak may hope to set the stage for additional purchases during his visit to France early next month.

1 France has had difficulty in attracting buyers for the Mirage 2000, and it attaches great importance to this first foreign sale. The Dassault Company has yet to begin series production or finish developing and testing some of the aircraft's components. As a result, Egypt is not likely to take delivery until 1983 and then only if aircraft are diverted from French Air Force orders.

1 Without such diversions, delivery probably would not begin until the mid-1980s. In any event, the acquisition of yet another advanced aircraft will tax further Egypt's already overburdened support capability.

ITALY-POLAND: Communist Party Criticism

2 The Italian Communist Party's condemnation last week of events in Poland was its harshest indictment of the Soviet system to date, but it will be some time before the implications for relations between the party and the Soviets and for domestic affairs become clear. [redacted]

2 Italian Communist leaders tried to reconcile conflicting demands, underscoring their own democratic pretensions with the public while trying to avoid creating irreparable divisions in the party. Most of them are still reluctant to raise the possibility of a break with the Soviets for fear of losing the 25 percent of the rank and file that remain committed to Moscow. They have begun an extensive campaign to explain their position on Poland to the party membership. [redacted]

2 The Soviet Ambassador to Rome has publicly stated Moscow's disapproval of the Italian party's statement. The Czechoslovak press for the first time is criticizing party chief Berlinguer personally for opportunism and "reactionary Atlanticist" views. [redacted]

2 The left-leaning national dailies interpret the party statement either as another major step away from the Soviets or as an open break. The moderate and right-leaning press, however, is either criticizing the Communist Party for being slow to develop its position or is emphasizing the statement's ambiguities. [redacted]

2 The party stand on Poland is likely to complicate the maneuvering among the five parties that support the government of Prime Minister Spadolini. Socialist leader Craxi is exploiting the Communists' dilemma to gain new support for his party by denouncing the statement as weak and contradictory. [redacted]

2/1 Christian Democratic Party secretary Piccoli is suggesting that the time has come for another look at "the Communist question," probably hoping to strengthen his support among the left wing of his own party and dampen Craxi's interest in early elections. Even raising "the Communist question," however, will further strain the coalition, which is struggling to cope with the kidnaping of General Dozier and with the troubled economy. [redacted]

WESTERN EUROPE: Growing Unemployment Problem

The grim unemployment outlook will make a West European decision to impose economic sanctions on Poland or the USSR all the more difficult.

Jobless ranks in Western Europe have increased over the past 18 months to more than 10 million workers, and rising public sector deficits will constrain governments in introducing job-creating measures. Economic sanctions probably would lead to a drop in production and more unemployment, particularly in the hard-hit steel and machinery industries.

Unemployment in Western Europe will rise at least through 1982. The OECD recently forecast that average unemployment among its European members will increase from 9.1 percent in the second half of this year to 9.9 percent in the first half of 1983. The period of rapid labor force growth will continue through the mid-1980s, and unemployment could continue rising through 1985.

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A major shift to expansionary monetary and fiscal policies to encourage new business and employment would increase still-high inflation rates while adding to balance-of-payments problems. The French experiment with expansion will be watched closely by others anxious to see the trade-offs. Other possible steps include subsidizing employers who take on additional workers, lowering minimum wages in real terms, and encouraging job-sharing.

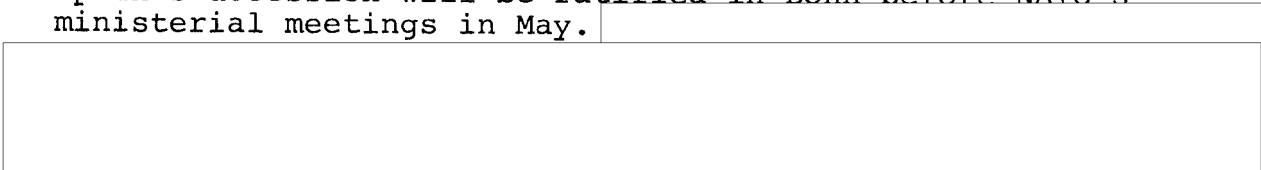
Some measures to increase employment may require the cooperation of business and labor. Unions in West Germany have hinted at reducing wage demands in exchange for government action to create jobs, while in Spain unions and the employers' association have agreed to swap a reduction in real wages for an increase in employment. The policies actually adopted will vary greatly, depending on the political leanings of the parties in power as well as on the economic constraints under which they are operating.

Over the long term, however, Western Europe may face a labor shortage. By the end of the decade, labor growth will almost cease in Italy, Switzerland, and Denmark; in West Germany, a long-term decline will begin. Many of the steps that might reduce unemployment now--a lower retirement age, longer vacations, a shorter workweek--could backfire a decade from now by aggravating labor shortages.

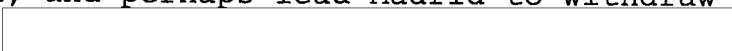


NATO: Canada Approves Spanish Accession

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Canada has become the first member of NATO to ratify Spain's accession to the Alliance, but delays in West Germany spell trouble for the Spanish application. Unlike most other NATO countries, Canada's ratification only required cabinet approval and not parliamentary action. West German Foreign Office officials, however, say that, while favorable action on Spanish entry is assured, their complicated constitutional process and built-in bureaucratic hurdles mean there is little possibility that Spain's accession will be ratified in Bonn before NATO's ministerial meetings in May.



Delays in West Germany would open the door for Greece and the Netherlands, which previously had raised procedural objections to Spanish entry, to draw out their own ratification procedures. Prolonged public debate in Athens, The Hague, or other Allied capitals over Madrid's application would embarrass the Spanish Government, heighten opposition to NATO membership in Spain, and perhaps lead Madrid to withdraw its application.

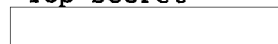
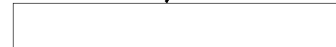
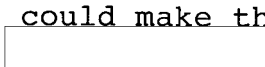


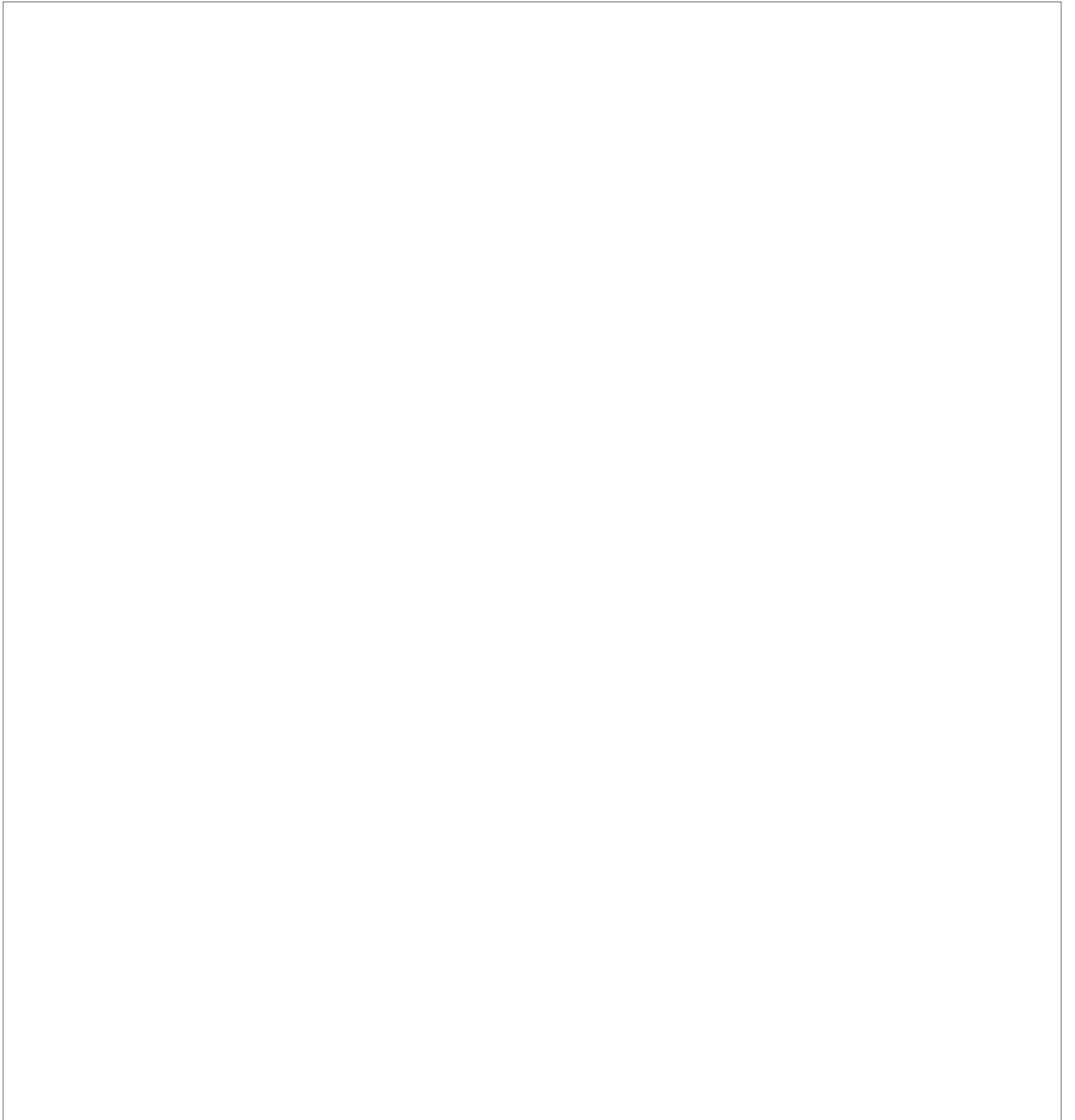




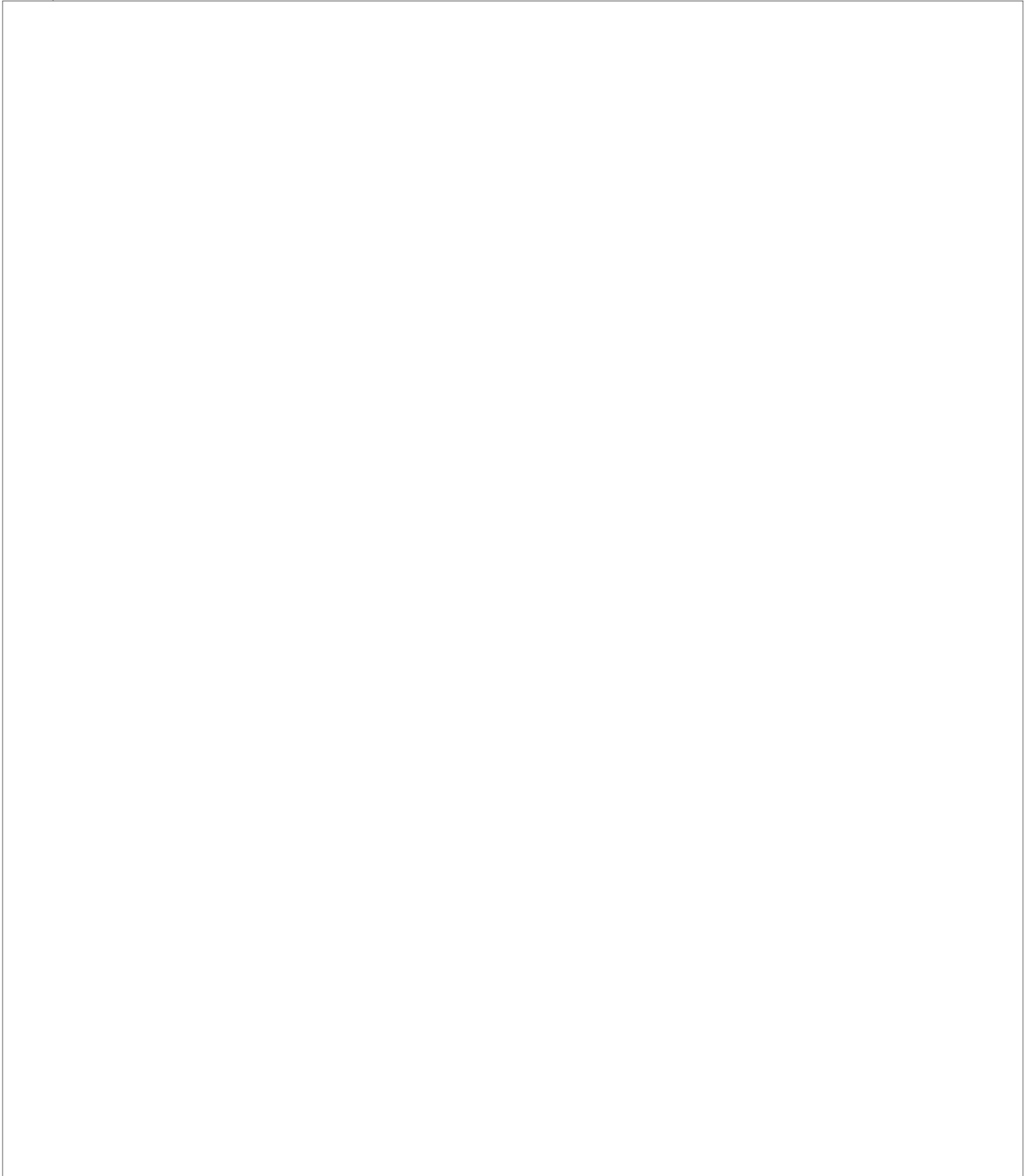
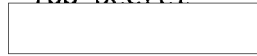
19 ISRAEL: Government Presence in East Jerusalem

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2 Israel is continuing its efforts to strengthen its claim to sovereignty over a unified Jerusalem by moving government offices to areas of the city occupied in 1967. One ministry moved its headquarters to East Jerusalem this week, and according to press sources, others will follow later this year. International pressure apparently persuaded Prime Minister Begin in the summer of 1980 to set aside plans to transfer his office from West Jerusalem. Begin maintains a suite in a recently completed office complex in East Jerusalem, however, and could make the move with little notice.





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