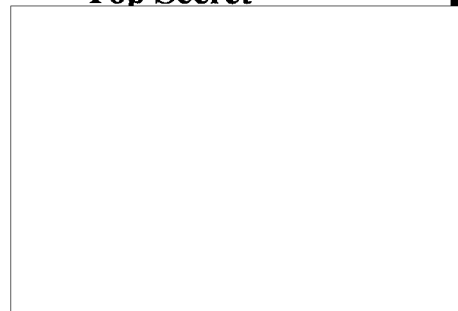
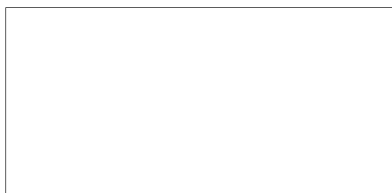




Director of
Central
Intelligence

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National Intelligence Daily

Monday
18 January 1982

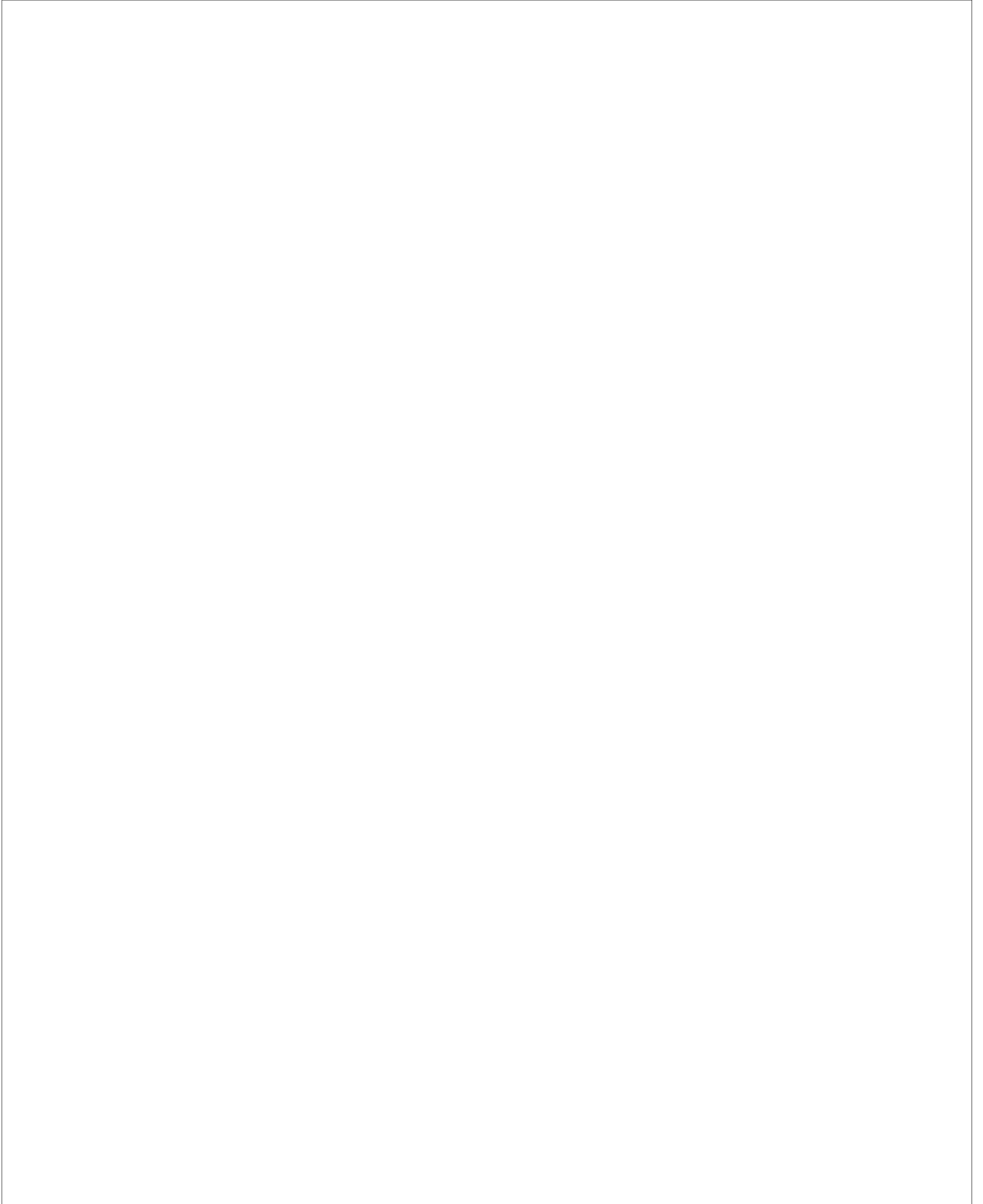
APPROVED FOR
RELEASE DATE:
21-Jun-2010

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CO NID 82-014JX

18 January 1982


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① POLAND: Proposed Price Increases Postponed

The government has postponed implementation of sharp price increases because it fears public reaction. Archbishop Glemp again has criticized martial law practices, and the regime has denied the statement by its Ambassador to the UK that martial law may end in two or three weeks. The intense West German debate over Poland continues.

The authorities announced over the weekend that they will "amend" their proposed 200- to 400-percent price rises on consumer items. The statement said the changes would be presented to the public "as soon as possible." [redacted] learned last Thursday that the period for public discussion already had been extended to the end of the month. [redacted]

Comment: The regime appears to be as indecisive about its future economic policies as about its political course. It clearly does not feel secure enough to implement the steep increases officially proposed on 31 December. [redacted]

The government certainly recognizes that continued detention of Solidarity activists could heighten the vehemence of the public's reaction to the increases. The regime is also aware that in pre-Solidarity days the population reacted spontaneously and violently to price increases that were far more moderate than those now under discussion. [redacted]

Glemp Speaks Out Again

Archbishop Glemp yesterday restated his public criticism of martial law. He accused the authorities of continuing arrests, not releasing the detainees, and maintaining its campaign of extracting loyalty oaths. Glemp said that these actions increase the hostility of the people. [redacted]

--continued

Comment: Glemp's criticism is probably intended to influence the political and economic program that Jaruzelski is slated to unveil to parliament next Monday. Polish bishops will meet this week, and they, too, may make a strong statement warning the government leaders that they cannot expect cooperation from the Church if they continue their harsh practices. Such pressure could stiffen the resolve of regime conservatives, who see the Church as their enemy. [redacted]

The West German Debate

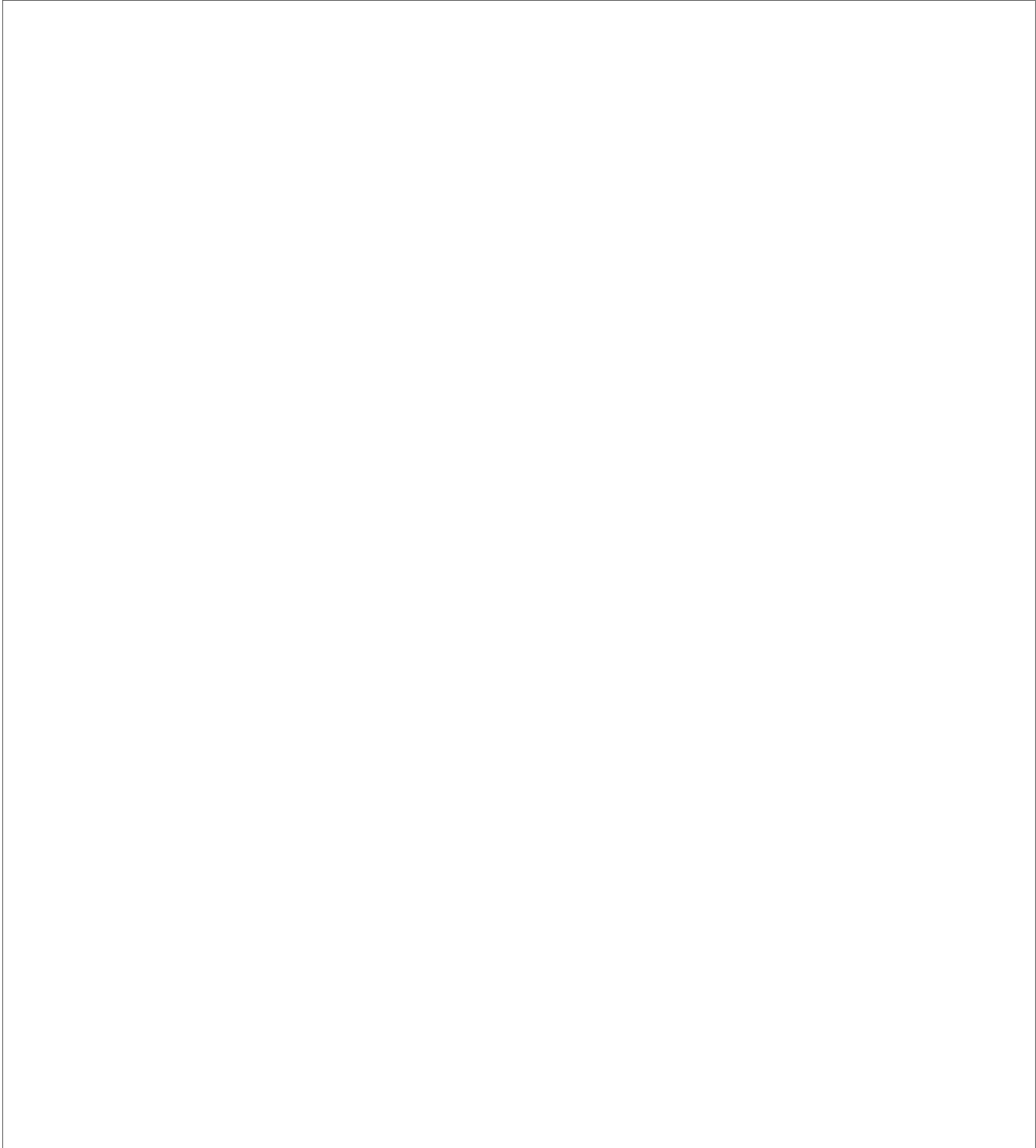
Public reaction to the bitter debate in the West German Bundestag on Thursday carried over into the weekend. Chancellor Schmidt on Saturday told a Bavarian audience composed of Socialist Democratic Party members that despite foreign criticism he would hold to his policy of restraint and cooperation with the East. Schmidt stated that martial law was "probably the slightly lesser evil for Poland," given the threat of Soviet intervention. [redacted]

The opposition, meanwhile, on Saturday continued to use repression in Poland as an argument against Schmidt's detente policies. A spokesman referred to the Chancellor's pursuit of detente as "a debilitating drug, sapping the will to self-defense." [redacted]

[redacted]



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(3) USSR: Call for US-Soviet Summit

The deputy director of the prestigious Institute of World Economy and International Relations, Oleg Bykov, on Thursday advocated a meeting between Presidents Reagan and Brezhnev as the most effective way of establishing a more useful political dialogue.

[redacted] Bykov asserted that the problems besetting US-Soviet relations must be kept "in proportion," and urged that the two countries emphasize arms control and restraint to avert confrontations. He claimed that agreements on limiting chemical and radiological weapons and nuclear tests and concurrence in a conference on "military detente" in Europe are nearly completed and could provide the first steps toward a summit meeting. [redacted]

Bykov said that Soviet policymakers do not view events in only US-Soviet terms as depicted by Soviet propagandists and that they understand that problems such as Poland do not arise mainly because of US actions. He indicated Soviet officials regard the US President as a full-fledged conservative but not as an ideologue like some of those around him. [redacted]

Comment: Although Bykov's views represent an unofficial reflection of attitudes held by senior Soviet scholars and policy planners, they may indicate positions that will be raised next week by Foreign Minister Gromyko in his talks with Secretary of State Haig. The renewed interest in summitry voiced by Bykov already has been discussed on Moscow television and is likely to be given increased attention in Soviet media. [redacted]

The call for arms control and summitry renews themes advocated by Brezhnev 11 months ago in his party congress speech and appears aimed at exploring possible improvements in bilateral relations following the resumption of negotiations on INF limitations and the imposition of martial law in Poland. By alleging that some arms control agreements could be achieved rapidly, Bykov implies the US condition that adequate preparations precede a summit could be accommodated. In bypassing the issue of linkage, he apparently is testing whether the emphasis on arms control in the President's speech in November can be actively pursued despite intervening developments. [redacted]

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4 CHINA: Prospects for Bureaucratic Reform

Powerful political and institutional barriers will hinder the government reorganization recently announced by Premier Zhao Ziyang and ultimately will prevent Beijing from fully attaining its goal of a responsive, professional bureaucracy. [redacted]

The reform is calculated to increase economic efficiency, eliminate bureaucratic impediments to other economic and political reforms, and secure the succession for allies of Deng Xiaoping. [redacted]

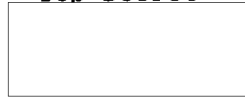
[redacted] the government plans to reduce 108 ministerial-level organizations by at least two-thirds, retire large numbers of aged or ailing senior officials, and replace many politically well-connected but generally incompetent officials with technocrats. [redacted]

[redacted] although the leadership agreed on the need for the reforms, implementation will be resisted by the many senior party officials whose careers are threatened. [redacted]

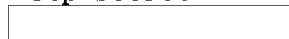
Comment: Although the reformers probably will simplify the government organizational charts and force the retirement or demotion of large numbers of administrators, political horsetrading will dilute the impact of the measures. The magnitude of the task and the resistance it will arouse virtually guarantee that Beijing will not meet its self-imposed one-year timetable. [redacted]

The shakeup in the capital, moreover, will complicate the process in the provinces, where many displaced officials may be sent. More important, organizational reforms will not eliminate the principal problems in the bureaucracy--including cronyism, staff expansion, and inertia. [redacted]

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6 SYRIA-USSR: Foreign Ministers' Meeting

The restrained tone of the joint communique from the meeting last week between the Soviet and Syrian Foreign Ministers suggests that Syria did not get all the Soviet political and military support--on the Golan Heights issue, in particular--that it was seeking. Syrian Foreign Minister Khaddam claimed in an interview on Friday that "measures to counter" Israel's annexation of the Golan were discussed. The communique, however, only condemned the Israeli move and noted in general terms the "need to halt the dangerous development of the situation" in the Middle East. It did not call for countermeasures or even cite the UN sanctions that Damascus has been seeking. The two sides called for a continued strengthening of cooperation in all areas, "including the military field," but the Syrian delegation did not include military officials. [redacted]

Comment: Judging from the public record of the meeting, Damascus will not be satisfied with the results. There is nothing to suggest that Khaddam made any progress in obtaining the "strategic cooperation" agreement he had earlier stated that Syria was interested in. Although Soviet Armed Forces Chief of Staff Ogarkov's participation in the meeting seemed designed to signify continuing Soviet military support for Syria, the routine language in the communique on defense cooperation implied no new commitments from Moscow. The unusual emphasis on the "utmost importance" of political consultations on the Middle East situation might be an indication of Damascus's displeasure with Moscow's slowness in agreeing to the meeting, but it could also reflect Soviet concern that Syria not take precipitate actions without prior consultations. [redacted]

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9 ISRAEL: Inflation Slows

The Israeli Government announced on Friday that the inflation rate was reduced to 102 percent for 1981 from 133 percent in 1980. [redacted]

Comment: Large subsidy expenditures to hold the line on prices, particularly prior to the election last June, are the major reason for the improvement. Inflation probably will increase this year because the government has not dealt with the underlying causes--increasing wages, high consumer demand, and the growing budget deficit. [redacted]

10 HUNGARY: Economic Policy Debate

Debate among government officials and intellectuals over economic policy has intensified recently in the face of a weakening balance-of-payments position. Some critics [redacted] are arguing [redacted] for faster growth and accelerated economic reform in order to encourage export industries and weed out unprofitable enterprises. Ferenc Havasi, the Politburo member responsible for economic policy, contends, on the other hand, that Hungary should continue its policy of slow growth and gradual reform and accept the trade deficit this year as the cost of maintaining living standards. [redacted]

Comment: Cutbacks in deliveries of oil from the USSR and fear of further reductions in raw materials shipments may have helped intensify the debate. Havasi has won such arguments before and is in a good position to do so again. He can argue that accepting the critics' program would lead, in the short term at least, to increased inflation, more unemployment, and larger trade deficits. Pressure from the critics, nonetheless, could prompt Budapest to speed up parts of its reform program. [redacted]

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