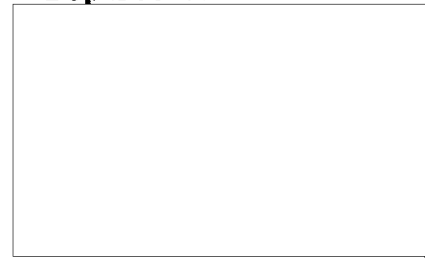




**Director of
Central
Intelligence**

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National Intelligence Daily

*Wednesday
10 June 1981*

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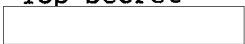
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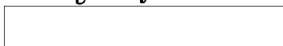
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POLAND: Kania's Speech

Party leader Kania yesterday attempted to assuage Soviet concerns by promising more resolute action against counterrevolutionaries, but his statements confirming that the party congress will take place on schedule in July and supporting reform indicate there will be no major departures in policy.

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In his opening address to the Central Committee plenum, which concludes today, Kania said that Soviet "anxiety and worry," as expressed in the recent letter to the Central Committee, were fully justified. He pledged that activities opposing socialism or the Soviet Union would no longer be tolerated. In citing several of the more ominous portions of that letter, Kania may hope to convince party members of the depth of Soviet concern.

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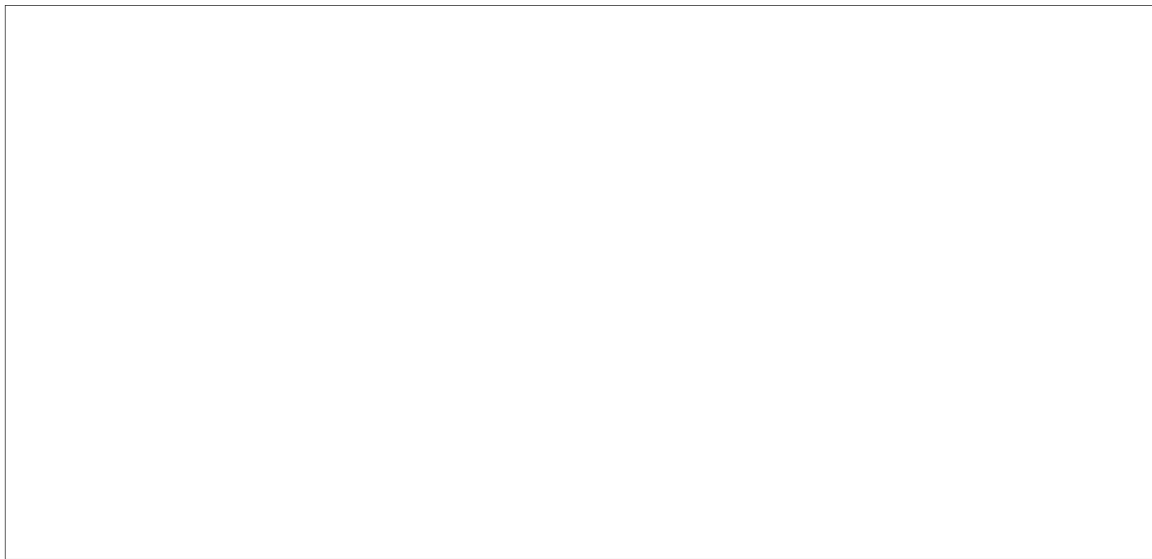
The Soviets will view Kania's tough statement with skepticism. Moscow complained in the letter of past broken promises and suggested that it would be satisfied with nothing less than rapid action.

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For the most part, Kania followed his previous practice of balanced criticism, supporting Solidarity's trade union activities while opposing its more political behavior. He welcomed the postponement of the warning strike set for tomorrow and praised current preparations for the congress. Kania criticized "conservative trends" in the party, but, in a tilt toward Moscow, said that forces pushing the party in the direction of social democratism are the "main danger."

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POLAND: Financing Problems

Poland's financial difficulties remain acute, despite debt relief provided by Western government creditors in April. [Redacted]

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Complex negotiations with Western banks on rescheduling debt repayments continue to drag. At meetings last week when Warsaw appealed for new credits, it encountered strong sentiment that Poland should seek help elsewhere, mainly from Moscow. [Redacted]

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[Redacted] Moscow has made it clear that no further aid can be expected from the USSR or the other members of CEMA. [Redacted]

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[Large Redacted Block]

If the banks agree to reschedule virtually all of the principal owed to them or continue to honor the informal moratorium on principal repayments, Poland will still need an estimated \$2.5 billion to meet its obligations this year. Despite the hard line being taken by lenders, this gap probably can be bridged. [Redacted]

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Western creditors may provide new loans to avert the damaging impact of a default or the disruptions that would result if Warsaw had to balance its accounts with the West. Despite its present tough line, Moscow may eventually agree to extend further assistance. [Redacted]

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[Redacted]

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LEBANON: Conciliation Committee Fails To Make Progress

The Arab conciliation committee meeting held this weekend in Lebanon failed to make significant progress in reducing tensions but has scheduled additional sessions.

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The foreign ministers attending the meeting attempted to get Phalange militia chief Bashir Jumayyil to sign a statement renouncing his group's ties with Israel--a key Syrian demand. Bashir balked, however, apparently because of the tough language in the statement and the committee's refusal to consider his demands for Syrian withdrawal from positions around Zahlah.

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Bashir told the US Ambassador that he and President Sarkis are working on a statement on the Phalange's future dealings with Israel. They plan to present it to the next committee meeting--now scheduled for 23 June in Saudi Arabia--if some Phalange demands are met. The committee also agreed to meet in Beirut on 4 July and announced that all parties have agreed to a new cease-fire that is generally holding in Beirut and Zahlah.

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Diplomatic Initiatives

President Assad is trying to take advantage of the missile crisis and the Israeli raid on Iraq's nuclear research center to ease Syria's isolation in the Arab world.

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Although Syria has not been officially invited to attend the emergency Arab Foreign Ministers' conference in Baghdad that starts tomorrow, Foreign Minister Khaddam evidently plans to attend. Khaddam will be the first senior Syrian official to visit Iraq in two years, and he plans to sound out the Iraqis on at least papering over their dispute.

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The Arab League meeting probably will result in a rhetorical show of Arab unity that masks continuing deep differences. The Iraqis will want Syria to scrap its alliance with Iran and end all military support for Tehran. Iraqi propoganda has already sought to link Syria and Iran to the Israeli airstrike to embarrass Damascus and undermine its standing in the Arab world.

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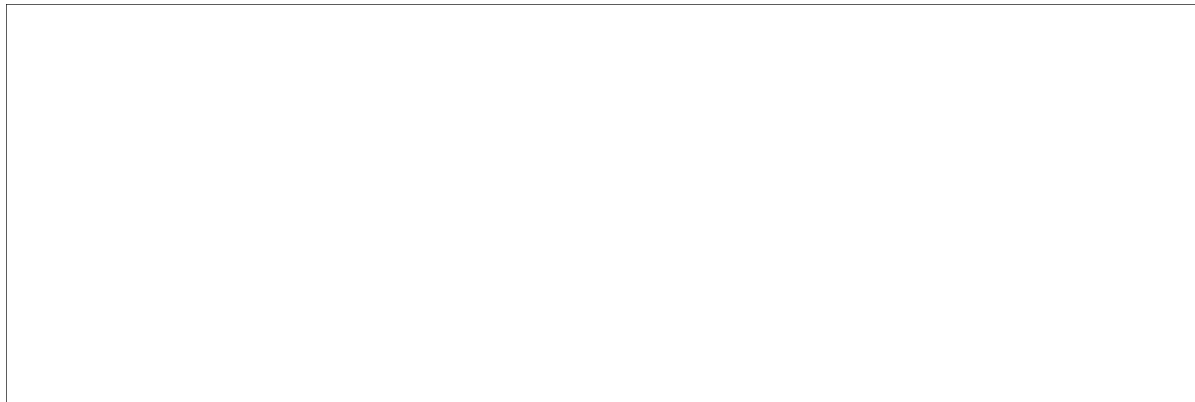
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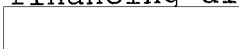


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USSR - WESTERN EUROPE: Pipeline Negotiations Stalled



[redacted] the negotiations with West German and French bankers for a credit package for the proposed natural gas pipeline from Siberia to Western Europe could remain stalled "indefinitely" because of high interest rates. This is the first such Soviet acknowledgment that construction of the pipeline could be delayed. Moscow has stated repeatedly, however, that the pipeline is the major East-West project in the current Five-Year Plan, and the Soviets apparently will work with the Western countries involved to resolve the current financing difficulties and allow the project to move ahead.



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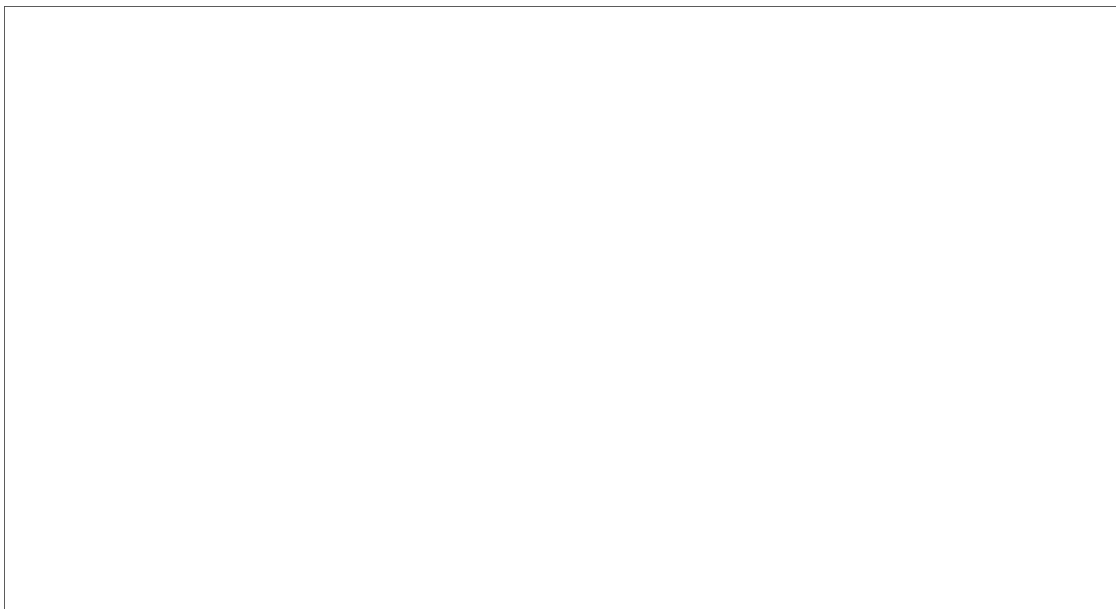
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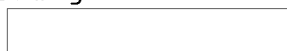
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SPAIN: Economic Agreement

A national economic accord reached late last week among representatives of the Spanish Government, employers, and major labor unions will strengthen the government's standing with the public. By pushing through this pact, which aims at stimulating employment and establishes modest wage increases for next year, Prime Minister Calvo Sotelo has demonstrated his determination to tackle long-neglected economic problems, displaying aggressive leadership in the economic sphere that contrasts with that of the previous government. The willingness of all sides--including the Communist-dominated Workers' Commissions--to make concessions probably reflects concern about restiveness in the military. Although the pact responds to a key concern of the military by demonstrating that left and right can still cooperate, it is likely to do little to reduce military misgivings over political stability and internal security.



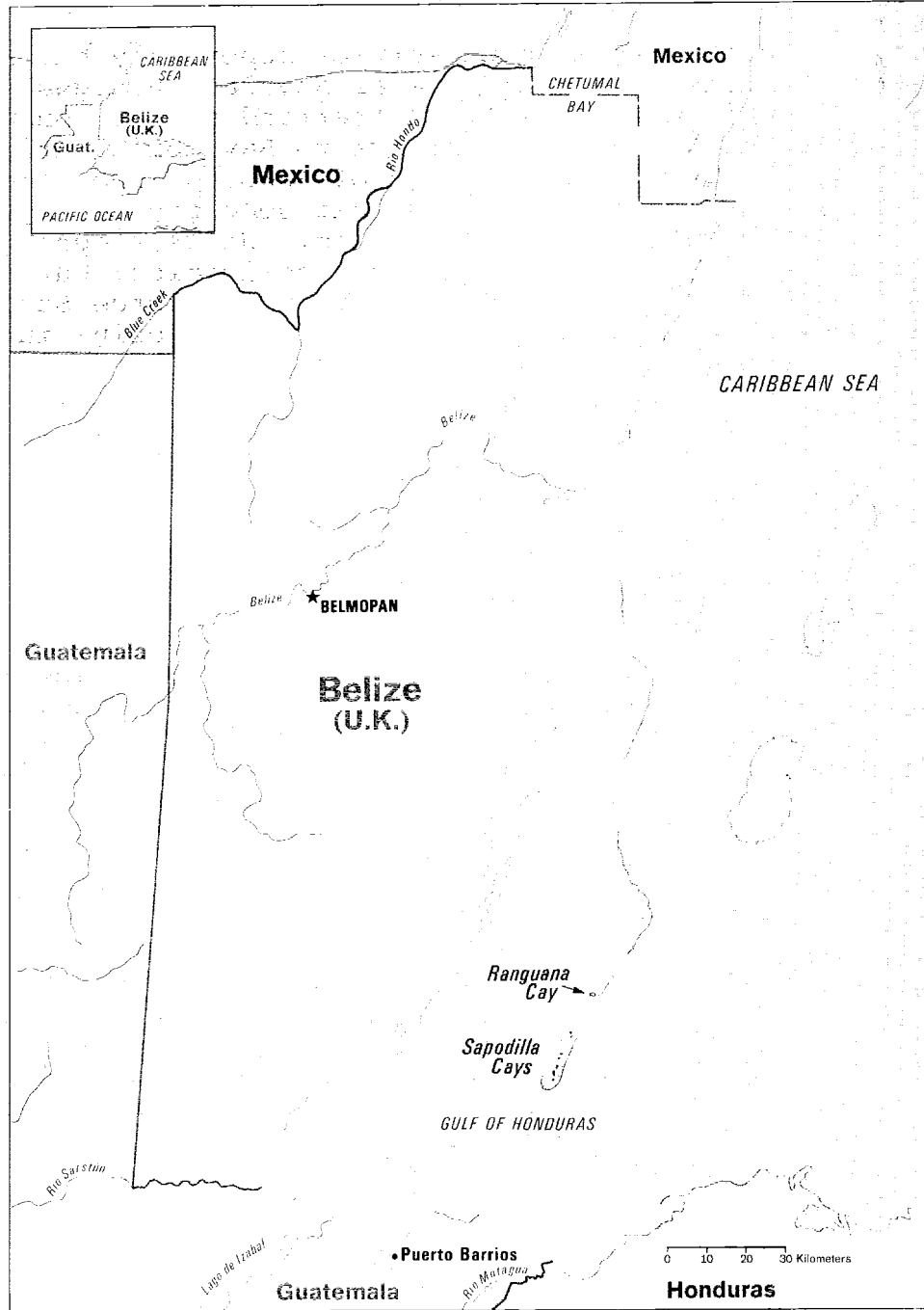
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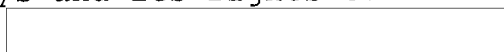
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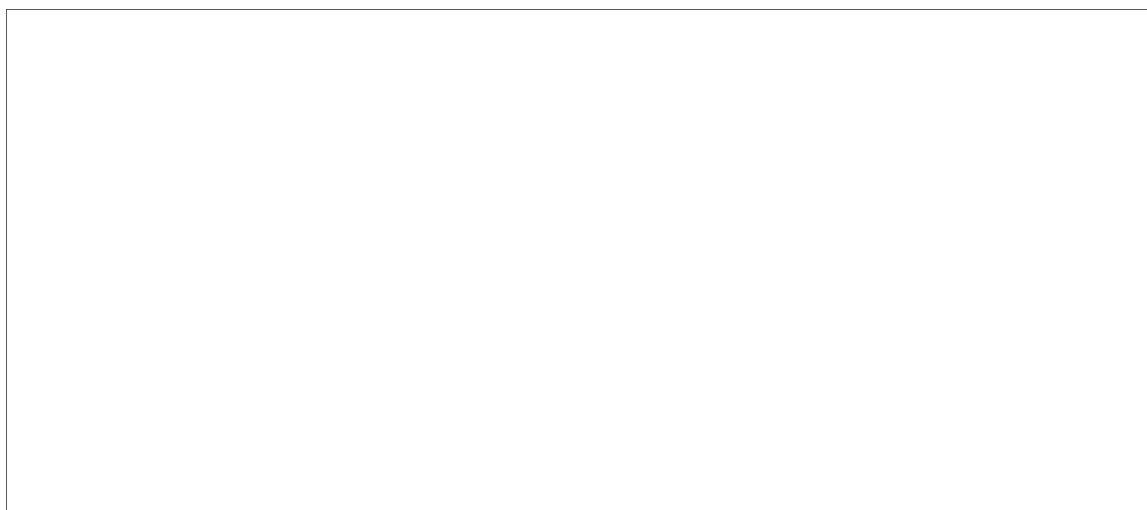
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GUATEMALA-BELIZE: Status of Negotiations

Guatemalan Foreign Minister Castillo reportedly is considering postponing the treaty talks with Belize next week in London, probably until late this month. Guatemalan officials are becoming increasingly restive in the face of domestic criticism of their territorial concessions and what they see as Belizean obstinacy. The two major unresolved issues are Guatemala's use of several Belizean cays and its rights to maritime passage to the Caribbean.



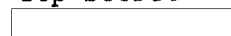
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SPECIAL ANALYSIS

TURKEY: Foreign Policy Under the Generals

[Redacted]

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The military rulers in Ankara have made Turkey a more accommodating NATO ally, but recent developments in the Middle East and Turkey's dependence on Arab and Iranian oil contribute to Ankara's caution on regional security issues. European criticism of the military government for failing to restore democracy and the disputes with Greece over Cyprus and control of the Aegean ensure that Turkish foreign policy will continue to be pulled in different directions. Frustrations arising from conflicting demands could cause Ankara to become less accommodating to the West.

[Redacted]

25X1

The generals, who do not have to answer to a parliament, have been conciliatory on some issues, including Greek reintegration into NATO. They have made it clear, however, that they will not sacrifice what they consider to be Turkey's national interests.

[Redacted]

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Ankara's dependence on Arab and Iranian oil--Turkey gets 75 percent of its oil from Iraq and Iran--is prompting the government to reevaluate its relations with Israel. It has so far reduced its representation in Tel Aviv to the second secretary level.

[Redacted]

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The generals hope to promote a "linking role" for Turkey between the West and their oil supplying neighbors that would enhance Turkey's value to NATO and safeguard ties to the Middle East. In practice, this linkage involves cementing closer political ties with the US, seeking greater economic links with Arab and Islamic countries, and occasionally acting as a diplomatic go-between.

[Redacted]

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The linkage does not extend to military issues.

[Redacted]

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[Redacted]

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[Redacted]

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[Redacted]

the generals probably would not reject any US or NATO proposal out of hand. They would carefully weigh each case and might agree to allow the use of bases if it seemed mutually advantageous. Whatever happens in the Middle East, however, Turkey's preferred approach would be to keep as low a profile as possible.

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[Redacted]

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Troubled Relations With Europe

As Turkey's dependence on Western economic and military aid grows, the generals are trying to mend fences with European allies. Increasing European criticism of the failure to return to civilian rule quickly, however, is taxing the commanders' diplomatic skills.

[Redacted]

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The ruling National Security Council--composed of the five service chiefs--understands the need for more open communication with Europe but is determined not to jeopardize its reconstruction and stabilization effort.

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25X1 Restoring stability to Turkey takes precedence over membership in European institutions and over economic aid. The generals would face a difficult decision, however, if the Europeans tied their aid to a specific timetable for democratic government. [redacted]

25X1 In the OECD session last month, \$940 million in economic assistance for Turkey was pledged; the Turks had hoped for a significantly larger amount than last year's \$1.2 billion, or at least as much. Ankara views the reduced figure as an expression of disapproval over the lack of democracy and alleged human rights violations. [redacted]

25X1 Relations with European countries also are strained by a view that no one cares much about persistent Armenian attacks on Turkish diplomats. For example, [redacted] Turkish-French relations are at an alltime low because the French failed to apprehend the Armenians who killed two Turkish diplomats in Paris last March. [redacted]

Dealings With Greece

25X1 The generals have been more forthcoming than their predecessors with the Greeks--they allowed Greece to re-enter NATO, made significant concessions over airspace issues, and reportedly are willing to submit concrete proposals for resolving the Cyprus dispute. Turkish-Greek relations now appear to have reached another plateau, and the next steps will require sacrifices of national interest that neither side is anxious to take. [redacted]

25X1 Incidents by Turkey--violations of Greek airspace, strong reactions to Armenian demonstrations in Athens, seizure and detention of a Greek fishing vessel--are magnifying traditional contentious issues. Turkish suspicions about a US security guarantee to Greece against Turkey, and Greek insistence on a military balance in the Aegean--both within the context of the US-Greek Defense Cooperation Agreement now being negotiated--are additional irritants. [redacted]

--continued

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[Redacted]

These latest events appear to be isolated cases aggravated by posturing on both sides, and relations between the two countries are likely to resume their upward swing in due course. Nonetheless, they enhance the negative image the generals are acquiring in Europe.

[Redacted]

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Prognosis

Until a firm date is set for the return of democracy, Turkey's European allies are likely to be more critical of, and less helpful to, the military regime. Consequently, Ankara has no choice but to seek better relations on all fronts. Its involvement in regional issues--such as participation in the Islamic Conference's mediation effort for the war between Iran and Iraq--is likely to grow.

[Redacted]

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The generals probably also will pursue greater political and economic links with the West, particularly the US. They will continue to interpret their NATO commitment strictly, however, and are likely to exclude Turkish involvement in any operations in the Middle East. In the meantime, they probably will strive to foster better relations with Athens and make active attempts to seek a resolution of the Cyprus issue--if only to maintain economic aid from their allies.

[Redacted]

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If the economic aid were cut off or tied to a rigorous timetable designed to oust the generals before they complete their program, Ankara might respond by turning its back on Europe. Unless the US were able to make up the shortfall, the generals would come under strong pressure to draw Turkey closer to its Islamic neighbors.

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