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**Summary:**

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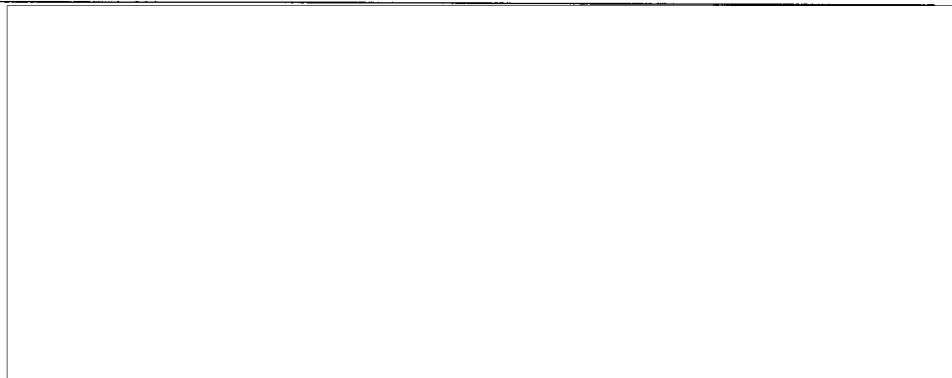
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**France: Present and Future Scandals—Raising the Ante**

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This summer's scandal of embezzlement and misuse of public funds tarnished the Socialist Party's record of governing and heightened tensions between Socialist President Mitterrand and conservative Prime Minister Chirac. While both leaders appear committed to continued cohabitation and are reluctant to join in mudslinging between their parties, other Socialists and Gaullists continue to search for misdeeds by each other in advance of the presidential election expected to be held by 1988.

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**France: Naval Support for Intervention Operations**

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Efforts to maintain French out-of-area capabilities include increased attention by military planners to the Navy's ability to support intervention operations. Although small by US standards, amphibious and naval air forces are well trained and effective in terms of the relatively narrow scope of typical operations. Looming budget shortfalls may result in some delays in modernizing the forces, but the broad-based political consensus supporting an intervention capability probably will ensure the survival of major programs.

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**Greece-United States: Defense Industrial Cooperation Talks—  
Round Two**

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The recent second round of US-Greek discussions on a Defense Industrial Cooperation Agreement concluded successfully with a new draft framework agreement. Because the Greek Government expects domestic political gains from an agreement, this draft probably will be the final version and should be ready for ratification before next month's municipal elections.

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**Hungary: Worker Discontent**

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Workers are becoming the most outspoken critics of the Hungarian regime, disillusioned by stagnating living standards and a perceived decline in the quality of life. Budapest's efforts to cope with the situation are filled with contradictions and thus far appear to have done little to diminish the workers' indignation.

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**Romania: Ceausescu's Middle Eastern Peace Offensive**

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President Ceausescu once again is trying to mediate the Arab-Israeli dispute. As the only East European leader on good terms with virtually all major actors in the region, Ceausescu has played a constructive role in peace efforts in the past, but his limited real influence and fixation on the need for direct talks between Arafat and Israel lessen the likelihood that his efforts will bear fruit.

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**East Germany-USSR: New Rail Ferry Link**

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East Germany and the Soviet Union on 2 October will inaugurate rail ferry service between Mukran in East Germany and Kleipeda in Lithuania—a major project that will provide both countries with significant economic and some modest military benefits.

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Profile

**Yugoslavia: The Hirsute, Outspoken Tupurkovski**

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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.*



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**Briefs**

**United Kingdom-Oman**

**Major Military Exercise**

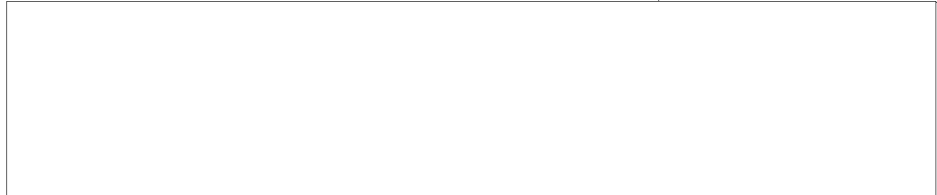
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In late November, the UK Defense Ministry plans to conduct its largest rapid intervention exercise in the Middle East since Britain withdrew from Suez in 1956. The exercise, known as Swift Sword, will take place in Oman in cooperation with the Sultan of Oman's armed forces.



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The maneuvers will include a major airborne assault and an amphibious landing involving some 3,500 troops on the Musandam Peninsula.



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The exercise will provide a unique operational test environment for the airborne brigade, Britain's primary rapid deployment force. It probably is designed, in part, to demonstrate to government policymakers that Britain's armed forces can respond swiftly and effectively to threats against British interests outside of NATO. It also will underscore Britain's close ties to the Sultan of Oman and British resolve to support pro-Western Middle Eastern states in the event of foreign military aggression.

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**United Kingdom**

**Thatcher's Children**

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Despite the massive media attention devoted to the highly partisan debate over Prime Minister Thatcher's domestic policies, a recent London *Times* survey indicates that the reaction of "Thatcher's children"—those who have come to voting age since the Tories won power in 1979—primarily is one of apathy and cynicism. From a total of 6.2 million people between 18 and 25, for example, the survey found that nearly two-thirds did not intend to vote in the general election due by June 1988. Of the 2.1 million who plan to vote 49 percent supported Labor, 25 percent the Tories, and 22 percent the Social Democratic/Liberal Alliance. This overall apathy will be particularly troubling to Labor Party leaders who had expected that the economic dislocations and high unemployment of the Thatcher era would have radicalized Britain's youth, thereby providing the party with a new pool of voters amenable to socialist economic policies.

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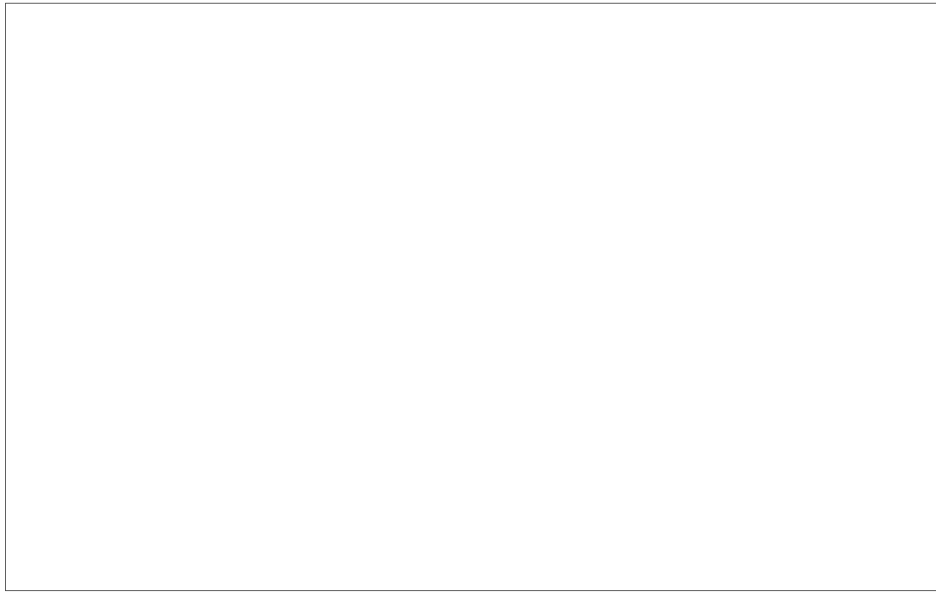
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Not surprisingly, the *Times* survey found that Britain's youth believe unemployment to be the number-one problem facing the country. The respondents, however, did not place blame for joblessness on the Thatcher government; indeed, 80 percent considered unemployment to be akin to a "natural disaster" for which no one was responsible. Moreover, more than 40 percent did not believe that any government could do much to brighten their prospects for future employment. Both findings suggest that unemployment may not be the determinative issue in the next election.

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Perhaps the most striking aspect of the survey is the extent to which Thatcher's policies and personality are altering the thinking of Britain's young. Proponents of Thatcherism, for example, will take solace in the declining number of young people who believe government action can ameliorate economic problems. Thatcherites will also be cheered by the respondents' belief that the educational system is too permissive and therefore ineffectual. Labor and the Alliance, on the other hand, will take some encouragement—and perhaps political benefit—from the overwhelming opinion that Thatcher is out of touch with the young and that she is condescending. Nonetheless, consensus-driven opposition politicians probably will be disturbed by the survey's conclusion that the young prefer strong leadership to weak—narrowly favoring Thatcher's style over that of Labor leader Kinnock and believing overwhelmingly that Thatcher would perform better in a crisis. While the survey shows that no British party is yet harnessing the support of the new generation of voters, it does indicate that Thatcher may have fundamentally altered British perceptions of economic affairs and governmental responsibility. In doing so, the Prime Minister almost certainly has created—if not the groundwork for a third Tory election victory—an environment in which a successor government would encounter widespread resistance to dismantling "Thatcherism."

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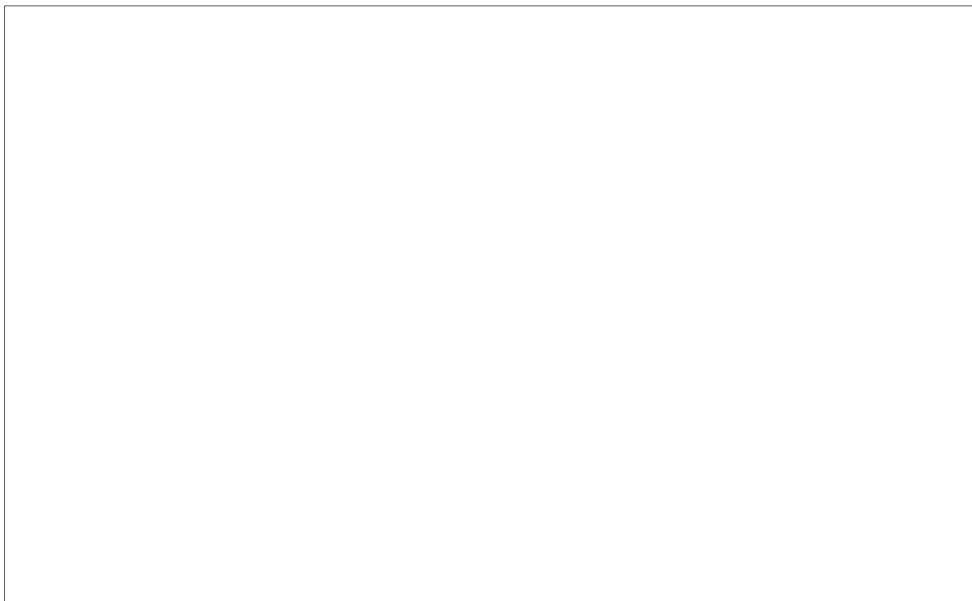


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**West Germany**

**Strengthening Naval Air Forces**

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West German Navy plans to bolster its capabilities in the Baltic include modernization and reorganization of its tactical air units. West German naval air units are the only NATO tactical air forces earmarked solely for maritime strike operations in the Baltic, and modernization will enable them to counter more effectively Warsaw Pact naval forces. The Navy's tactical fighter wings are reequipping with Tornado attack aircraft that are more survivable and can more accurately deliver a wider array of weapons.

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one wing is fully operational and the second will begin receiving Tornados this fall. The aircraft's capabilities will be improved in the late 1980s by the introduction of the longer range Kormoran II antiship missile and the US-built Harm antiradiation missile.

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that the Naval Staff is also considering forming an air superiority fighter squadron in each wing to provide the protection for its surface ships and air units that it believes NATO air forces cannot. A wing's two attack squadrons reportedly would be cut from 22 to 15 Tornados each, with the Navy perhaps offering the Air Force the excess Tornados in exchange for fighter aircraft. The attache believes the multinational Eurofighter under development for the German, Italian, Spanish, and British air forces is the logical candidate for a naval fighter—if the Navy is willing to wait until the mid-1990s.

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The addition of an air superiority fighter force and other naval modernization programs will depend on the Navy's ability to wrest a larger share of defense resources. The other services will strongly object, however, and the Navy has had only limited success in implementing previous modernization plans. In addition to

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budget constraints, the Air Force will strongly resist attempts partially to usurp its traditional monopoly on the air superiority role. A naval fighter force may also be dependent on the ability of the Eurofighter program to remain on time and within cost projections.

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**Netherlands**

**Peace Movement Searching for New Issues**

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The antinuclear movement in the Netherlands, like those in other West European countries, has gone into decline after failing to keep the Dutch parliament from approving INF deployment. Peace movement leaders admit they have been unable to come up with new issues with the same rallying potential as INF. The SDI concept lacks the immediacy of cruise missile deployment, and most Dutchmen do not feel compelled to take to the streets to protest US policy toward Nicaragua.

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Even if the peace movement has not achieved its anticruise missile objective, the long INF debate has made the Dutch public more aware and skeptical of defense issues, and it has helped set the parameters for Dutch cooperation with Washington on security policy matters. In the future, Dutch governments will be much warier of stationing US weapons in the Netherlands; they almost certainly will oppose deployment of US chemical weapons on Dutch soil, probably even in wartime.

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The peace movement's recent decision to concentrate more on Eastern Europe and Soviet policy in Afghanistan, moreover, is not likely to reduce criticism of the United States. Rather, an apparently more balanced perspective will strengthen what the US Embassy in The Hague says are growing perceptions that there is little difference in US and Soviet international conduct. A broader East-West focus may yet help the peace groups' anti-INF goal by drawing public attention to arms control and increasing pressure on The Hague to urge Washington to make concessions in Geneva. Dutch deployment of cruise missiles is not scheduled before 1988, and peace groups are hoping for an agreement on INF that would reduce the number of cruise missiles allotted to the Netherlands or make their deployment unnecessary altogether.

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**Canada**

**Mulroney's "French Cabinet" To Woo Quebec**

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Prime Minister Mulroney is trying to shore up Tory support among Francophone voters, but his effort will be constrained by suspicions in the western provinces and budget limitations. To reverse an alarming drop in public support for the Tories in Quebec, Mulroney has decided to establish a committee composed of the 11 French-speaking Cabinet ministers, each of whom will speak in Quebec for the non-Francophone federal ministers. Mulroney hopes this arrangement, combined with a recent Cabinet shuffle that gave four of the five major economic portfolios to Quebecers, will help him retain the votes he needs in the next federal election, expected in 1988. Energy Minister Marcel Masse, whom Mulroney recently

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appointed as the province's political overseer, said the new committee is tasked to overcome Ottawa's inability to communicate to Quebecers the good news arising from Tory policies and to change Quebec's perception of the federal government.

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**France: Present and Future Scandals—Raising the Ante**

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This summer's scandal of embezzlement and misuse of public funds has not only tarnished the Socialist Party's record of governing but also has increased tensions in cohabitation between Socialist President Francois Mitterrand and conservative Prime Minister Jacques Chirac. Both Chirac and Mitterrand, however, appear committed to the successful continuation of cohabitation and are reluctant to join in a major mudslinging campaign between their parties. They are likely to avoid total escalation in the war of Gaullist disclosures and Socialist counterattacks.

[redacted] however, [redacted] both the Socialists and the Gaullists continue to gather evidence of wrongdoing by the other side in preparation for the presidential election, currently scheduled to be held by 1988. [redacted]

**A License to Steal?**

France's most recent scandal involves embezzlement and misuse of public funds by former Socialist Cooperation Minister Christian Nucci and his administrative assistant Yves Chaliere. The Crossroads of Development Association was created by Nucci in 1983 to sensitize public opinion to development problems in the Third World, particularly those in Africa. Overtly, the association's main project was to finance the 1984 Franco-African Summit in Burundi.

[redacted]

[redacted] Nucci, who reportedly dislikes administrative detail, named his staffer Chaliere as the association's treasurer and gave him unlimited authority over its funds. [redacted]

The deliberately fuzzy bookkeeping records [redacted]

[redacted] enabled Chaliere to embezzle government funds. Chaliere [redacted]

[redacted] probably believed he was immune from prosecution. He willingly met both current Cooperation Minister Michel Aurillac and Mitterrand in April to explain the Crossroads of

Development's activities, but skipped the country later that month when it became clear he would be charged with criminal malfeasance. French authorities have since issued an international arrest warrant for Chaliere, whom they believe may be in Brazil, for embezzlement and misuse of some 81 million francs. [redacted]

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In the most blatant misuse of public funds, Chaliere obtained a chateau through a series of purchases by companies of which he was co-owner. One of those companies even received a preferential, government-approved low-interest loan to buy the chateau by producing an authorization purportedly signed by Nucci. (Nucci's signature may have been forged.) Further investigation into the affair has turned up the questionable spending of some 20 million francs from a joint private bank account under both Nucci's and Chaliere's names and of some 51 million on the Franco-African Summit in Bujumbura in 1984. [redacted]

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**Spreading the Blame**

Chaliere has claimed in a letter to Aurillac that Socialist Government officials ordered him to create a false bookkeeping system to hide government expenses. Nucci is certainly vulnerable to charges of mismanagement of his ministry and its personnel, as he has claimed ignorance of almost all Crossroads' transactions. His name on a personal joint bank account with Chaliere's and the questionable spending of 20 million francs through that account have raised suspicions. His signature on documents approving loans and financial transactions is being investigated, although it is likely that his signature was forged. His election campaign posters appear to have been paid for out of Crossroads of Development funds. The prosecutor in the case may file criminal charges against Nucci—a move potentially very damaging to the Socialists' interests. [redacted]

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Nucci, who serves in the National Assembly, has asked parliament to lift his immunity so that he can facilitate a full investigation of the affair. He obviously hopes to stem the rising tide of evidence against him; but according to Embassy officials, Mitterrand's African affairs adviser, Guy Penne has advised the Socialist Party to let Nucci fend for himself. [redacted]

Embassy officials also report that Penne is in some legal jeopardy. His name is rumored to be on several checks diverting money from the Crossroads of Development into Socialist Party coffers, and he may also have known about Chalier's purchase of the chateau. Most observers agree that Penne has been unconvincing in his public remarks. Penne, who plans to run for the Senate in late September, may give up his post at the Elysee—which he could keep while serving at the same time in the Senate—if disclosures continue to implicate him in the scandal. Rumors of his replacement at the Elysee have again surfaced. [redacted]

Perhaps the information most damaging to the Socialists is the allegation that the government knew about the Crossroads' questionable finances in 1985, yet did nothing about it. Customs officials discovered a bogus receipt for work at the 1984 Franco-African Summit (the money supposedly used for bribes) and reported it to the State Secretary for the Budget, who probably informed both Mitterrand and Prime Minister Fabius. The seriousness of criminal activity, the apparent complicity of the Socialists, and their inaction have raised doubts about the Socialists' proclaimed commitment to morality in government and their competence. [redacted]

[redacted]

**Gathering Dirty Laundry**

Most Socialists believe, with good reason, that the conservatives are carefully orchestrating the disclosure campaign to bolster their sagging public opinion ratings and tarnish the Socialist Party. In response, the Socialists have begun their own campaign. [redacted]

an attack on Budget Minister Alain Juppe's election finances in early August in the satirical weekly *Le Canard Enchaîné* was the Socialists' warning shot: if leaks on the Crossroads of Development case continued to surface, more attacks on Rally for the Republic (RPR) officials would appear. [redacted]

[redacted]

[redacted] Pasqua, however, seems unconcerned about allegations against himself and other RPR members and appears unwilling to give up the battle. [redacted]

Increased mudslinging reflects in part the tension developing between Mitterrand and Chirac in their cohabitation (powersharing). Embassy officials note that leaks regarding the Crossroads of Development scandal began to appear regularly after Mitterrand announced on 14 July that he would not sign the government's ordinance on privatization. [redacted]

[redacted]

[redacted] Some senior RPR party officials, including Pasqua, believe that divisions in the governing coalition will only widen with time and that the mid- and long-term economic trends are not good. [redacted]

Both Mitterrand and Chirac probably want to keep the mudslinging from getting out of hand, judging that they both have a lot to lose from an all-out conflict that reveals skeletons in both their parties' closets. Thus, they are likely to convince their supporters to back off. [redacted]

[redacted]

[redacted] cohabitation is popular with the French public, and it would be damaging to either man if he were seen as causing its failure.

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**Ending on a Positive Note?**

Some commentators in the press hope that this messy affair will lead to greater demand for legislation regulating political party and election campaign financing. Politicians admit that all the parties indulge in some financial fraud, receive money from other countries, use government funds, and ask friends and/or businesses to pay for their campaign posters. At least a dozen bills aimed at controlling party finances have been introduced into and forgotten by parliament since 1971. A prominent conservative deputy has recently introduced another bill in the National Assembly for electoral campaign financing. Revelations from the Crossroads scandal, as well as increased campaign costs—which will be exacerbated by the introduction of political publicity on television—will probably give greater impetus to calls for new legislation. Despite increased public interest in reform, however, it will be a tall order to get the political parties to agree on the mechanics of a law.

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**France: Naval Support for Intervention Operations** [redacted]

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Efforts to maintain French out-of-area capabilities include increased attention by military planners to the Navy's ability to support intervention operations. Although small by US standards, amphibious and naval air forces are well trained and effective in terms of the relatively narrow scope of typical French intervention operations. Planned force modernization—including new amphibious assault ships—will maintain current capabilities despite reduced force levels. Looming budget shortfalls may result in some delays, but the broad-based political consensus supporting an intervention capability probably will ensure the survival of major programs.

**Amphibious Operations**

Analysis of joint exercises since the formation of the Army's Force d'Action Rapide (FAR) in 1984 indicates strong emphasis on the development of command and control for naval support of intervention operations. Reviewing a June 1986 exercise, the [redacted]

[redacted] Exercises have drawn considerable attention from senior officers—in contrast to the early 1980s when US observers described amphibious operations as the neglected stepchild of the intervention forces. [redacted]

French amphibious forces do not have a major forcible entry capability, and this is reflected in exercises. Joint maneuvers typically involve raiding operations or reinforcement of a friendly government by combined airborne and amphibious landings in a relatively benign environment. Air Force units and a carrier battle group provide air support, while amphibious forces land light armored and airmobile units as well as logistic support in conjunction with the arrival of airborne units. [redacted]

The units involved typically are at most the equivalent of two battalion-size regiments. [redacted]

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**The Navy and Intervention Operations**

*The French Navy's primary missions are maintaining a strategic deterrent force and protecting Paris's overseas interests and territories. The latter power projection function is handled by a mix of forces in terms of the capabilities of individual units. A relatively large number of small, lightly armed ships—such as the Type A69 light frigates—provide an inexpensive presence and limited naval intervention capability in areas such as the Indian Ocean. The Navy's amphibious forces and aircraft carriers serve as a central reserve to back up the smaller ships and handle restricted combat operations.* [redacted]

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*Amphibious ships provide Army intervention units with strategic mobility and logistic support. The French Air Force has no strategic transport aircraft and its tactical airlift resources are limited. Naval amphibious ships are the sole means by which light armored or mechanized forces may be transported overseas and landed in a concentrated, combat-ready state for intervention operations.* [redacted]

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*[redacted] naval amphibious capabilities have become increasingly identified with the development of the Army's overseas intervention forces.* [redacted]

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*The carrier battle group—a carrier with supporting escort and logistic ships—is the Navy's primary force for conventional power projection outside Europe. It may launch independent strikes or support friendly forces ashore. Carrier-based air support is particularly important since French warships lack significant firepower for shore bombardment. French surface combatants carry at most a pair of 100-mm guns.* [redacted]

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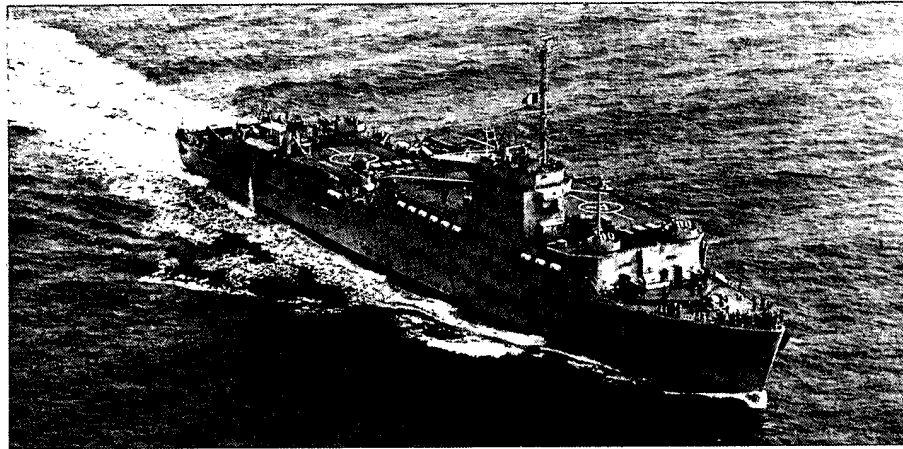
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LSD *Ouragan* [redacted]



NATO's Sixteen Nations ©

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**Naval Amphibious Forces**

Amphibious planning and doctrine are the responsibility of a small Navy amphibious center at L'Orient, [redacted]

[redacted] may be playing a larger role in planning. Amphibious ships are assigned to the Atlantic and Mediterranean squadrons and to overseas logistic support duties. The Navy's major amphibious ships are two 8,500-ton *Ouragan*-class Dock Landing Ships (LSD) assigned to the Atlantic squadron. These ships can carry two loaded 670-ton Tank Landing Craft (LCT) and 350 troops. They have limited helicopter support facilities. [redacted]

Current plans envisage retirement of the *Ouragan* class in the early 1990s. [redacted]

The remainder of the amphibious force is composed of six Tank Landing Ships (LST), a small headquarters ship, and 11 LCTs. The two obsolescent *Trioux*-class LSTs—one of which is based in the South Pacific—are nearing retirement. Four small *Champlain*-class LSTs—built to carry a landing company of 140 men and 12 vehicles—are based at French overseas territories. A 20-year-old converted repair ship, the 2,400-ton *Rance*, is available as a headquarters and medical support ship for intervention operations. The

[redacted]

[redacted], but any of its three large air-capable ships can serve in this role. The Navy's assault helicopter force is small—two squadrons with 12 aging Super Frelon medium helicopters—but Army helicopter units have operated from French carriers. The Atlantic Squadron's helicopter carrier *Jeanne d'Arc* is used as a training ship but can be rapidly converted for antisubmarine warfare or amphibious operations. As an assault ship, the *Jeanne d'Arc* can carry a 700-man infantry regiment and up to eight medium helicopters. The ship has participated in recent amphibious exercises, but training commitments—including periodic out-of-area cruises—restrict its availability. [redacted]

The Navy's two 33,000-ton *Clemenceau*-class aircraft carriers may also be used in the assault role, but at the expense of fixed-wing air operations. In a 1985 intervention exercise, the carrier *Foch* embarked a helicopter regiment (40 light and 23 medium helicopters) from the FAR's 4th Airmobile Division. The *Foch* was the centerpiece of an amphibious group

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that included an LSD and two LSTs. Aircraft from the carrier Clemenceau provided air support for the landing. Budget restrictions and maintenance requirements, however, seldom allow both carriers to be operational at the same time. [redacted]

French naval amphibious forces are well trained and adequate for limited multiregiment operations, but the small number of amphibious ships means rapid deployment capabilities will often be marginal. For example, in August 1986 the LSD Orage began a six-month out-of-area cruise providing logistic support to French overseas bases. [redacted]

**Landing Forces**

The French Navy maintains a small naval infantry component including a 500-man naval commando unit—Groupment de Fusiliers Marins Commandos—based at L'Orient. The group includes a headquarters and five company-size units—three 84-man assault commandos, a support commando unit, and a combat swimmer unit. According to US observers, the naval commandos are highly trained and well equipped for unconventional warfare and raiding operations. In a major amphibious landing, naval commandos would make the initial assault to secure the beach for following Army units. [redacted]

[redacted] hope for greater naval commando participation in joint intervention exercises with the Army. [redacted]

Army formations with units trained for amphibious operations include the 8,000-man 9th Overseas Infantry Division based in northwestern France. The division has three battalion-size infantry regiments, an artillery regiment, and an armored reconnaissance regiment with 36 ERC-90 armored cars. The 6th Light Armored Division, based in southern France, also includes amphibious operations among its tasks. The division has two light mechanized infantry regiments with VAB wheeled armored personnel carriers and two armored reconnaissance regiments. Each light armored regiment has 36 AMX-10RC armored cars with 105-mm guns and 12 VAB ATGM carriers with HOT antitank missiles. Helicopters for

any major operation would probably be drawn from the FAR's 4th Airmobile Division, which includes one infantry and three combat helicopter regiments. Each helicopter regiment has two observation, three antitank, and two transport squadrons—a total of about 70 helicopters. [redacted]

**Sea-Based Air Support**

Carrier operations in support of French forces in Beirut during 1983-84 undoubtedly reinforced Paris's belief in the importance of sea-based tactical air support for intervention forces. Senior FAR commanders have stressed publicly the value of the Navy's carriers and support plans for carrier force modernization. The Navy strives to maintain one of its two Clemenceau-class carriers operational at all times.<sup>1</sup> The 40-plane air wing on the operational carrier typically includes 12 to 20 Super Etendard fighter-bombers, six to eight F-8E (FN) fighters, and three Etendard IV-P fighter reconnaissance aircraft. The remainder of the air group consists of ASW aircraft and helicopters. [redacted]

French carrier forces consistently display a high degree of proficiency in exercises with US forces, but their ability to sustain high-intensity combat operations, particularly outside the Mediterranean, is restricted. Major limitations include the small number of carriers, support ships, and reserve aircraft; the small number of aircraft the ships can accommodate; inadequate air defense resources; and weak logistic support. [redacted]

Naval air support for intervention operations probably will involve interdiction and close air support missions by Super Etendards. The small number of aircraft and modest electronic warfare capabilities, however, will restrict the scale of operations. [redacted]

<sup>1</sup> Although both carriers may on occasion be operational at the same time, they routinely alternate in service. [redacted]

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Naval Commandos train aboard an LSD. [redacted]

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NATO's Sixteen Nations. ©

in delivering live ordnance. The carrier's aging F-8E fighters probably would be unable to provide air defense for forces ashore against significant numbers of modern high-performance aircraft. A major gap is the lack of an airborne early warning (AEW) aircraft such as the US E-2C Hawkeye. [redacted]

**Modernization**

Construction is under way on the first of a new class of Amphibious Transport Docks (LPD). The 1984-88 Military Program Law envisaged three Foudre-class LPDs in service by the mid-1990s. The order for the

second ship was expected in 1986 but apparently has been delayed. Despite budget constraints and a continuing defense review, the LPD program probably will survive. [redacted]

government's strong commitment to an intervention capability is likely to preserve the program. Delays are possible, however, and the Ouragan-class LSDs may have to be retained longer than planned [redacted]

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The first 11,000-ton Foudre is scheduled to enter service in 1990. The ship is designed to accommodate a mechanized or light armored regiment and will have expanded command and vehicle handling facilities. It can carry two loaded LCTs, and its helicopter support facilities include a hangar for four medium transport helicopters. The Foudre will have a higher sustained speed than the Ouragan. The Navy is also building two smaller LPDs as logistic support ships for French facilities in the Pacific to relieve the Navy of having to assign an assault ship periodically to this task.

[redacted]

Construction has also begun on the first of two 36,000-ton Richelieu-class nuclear-powered aircraft carriers to replace the Clemenceau class in the mid-to-late 1990s. The ship will accommodate the same size air group while allowing for the greater size of the next generation of naval aircraft. Related aircraft programs include a new fighter based on the Air Force's Rafale B aircraft (despite the Navy's preference for the US F/A-18) and possible acquisition of a carrier-based AEW aircraft.

[redacted]

**Outlook**

Planned modernization of amphibious forces will maintain rather than expand current capabilities. The Foudre-class LPDs will be more capable than the ships they are replacing, but the strength of the amphibious force will fall from the current level of nine ships to seven in 1990 and as few as five in 1995. The Trieux-class LSTs are being retired without replacement, leaving the Ouragan class and the Foudre as the only naval amphibious ships available to the FAR in 1990. Completion of the Foudre class probably will enable the Navy to keep two LPDs available most of the time. The Navy may also opt to expand its ability to use merchant ships.

[redacted]

Carrier force modernization will also maintain rather than expand the Navy's capabilities for intervention operations. A modern two-ship carrier force—assuring that at least one is available on short notice—gives France a significant out-of-area power projection capability. The modest size of the

amphibious force, however, will preclude major operations on the scale of British action in the Falklands, and French planners apparently are not seeking to prepare for undertakings on such a scale.

[redacted]

that the scale and duration of possible intervention operations is and will remain limited, in keeping with the restricted scope of French objectives—maintaining a capability to support friendly governments or groups against modest opposition.

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**Greece-United States: Defense Industrial Cooperation Talks— Round Two** [redacted]

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The recent second round of US-Greek discussions on a Defense Industrial Cooperation Agreement concluded successfully with a new draft framework agreement. This draft will probably be the final version and should be ready for ratification before next month's municipal elections. The revised draft, like its predecessor, contains an annex with several programs sought by Greece that, for various technical and political reasons, will not be fully implemented. Because the Greek Government expects domestic political gains from an agreement, however, the final number of programs and extent of technology transfer agreed to probably will not prevent ratification.

[redacted]

antiship missile and the acquisition of technical know-how to modernize 4.2-inch mortar ammunition—have been dropped completely. Greece still wants to be involved in cooperative efforts in the remaining programs. In particular, Athens remains extremely interested in building modern frigates for the Hellenic Navy in Greek shipyards, coproducing a remotely piloted vehicle for both internal use and export, and receiving assistance in the improvement of Greece's electronics industry with an aim to coproduce integrated self-protection systems for aircraft and laser guidance systems for both US and Hellenic Air Force weapons. [redacted]

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**The Framework Agreement**

The first draft last January of a new framework agreement for Defense Industrial Cooperation (DICA) contained several demands that made the creation of "captive markets" in the United States, as well as a requirement to procure specific products and services from Greek industry an indispensable precondition for agreement. Athens also demanded a US commitment that "specific annual economic returns" be guaranteed for the duration of the agreement. Included in that draft was an annex of 10 potential cooperative projects for which Greece sought US know-how, plant, or equipment. [redacted]

Other programs of vital interest in the annex include:

- Acquisition and modernization of additional A-7 aircraft to replace those lost from the inventory.
- Repair of US 6th Fleet ships.
- Intermediate-level maintenance of Harpoon antiship and Sparrow air-to-air missiles.
- Production of the Beechcraft T-34 primary trainer.

These projects would apparently be undertaken by the Hellenic Aerospace Industries (HAI), the Hellenic Shipyards, the Greek Powder and Cartridge Company (PYRKAL), and the Hellenic Arms Industry (EBO). During the recent discussions, it was agreed to send a US survey team to Greece to investigate the ability of the various Greek industries to gainfully participate in these programs. An additional charter of the survey team is to find new areas of cooperation not envisioned by Greece.

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The new draft DICA is significantly scaled down from the original, and all the Greek demands in the first draft have been eliminated. [redacted]

[redacted] elimination of the original demands reflected a recognition by Athens not only of the importance of obtaining an agreement but also of the need to put to rest as many bilateral US-Greek issues as possible. This is particularly important in view of the government's desire to show the Greek electorate some progress on an agreement prior to next month's municipal elections. [redacted]

[redacted]

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All of these programs would require transferring varying degrees of US technology and, in some cases, US provision of both plant and equipment. Athens would particularly like advanced technology in the areas of fiber optics, reinforced plastics, precision metal casting, and hot forging. In some cases, these applications involve sensitive technologies which, under current policy, cannot be transferred. The other cases will be contingent upon the survey team's

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**Desired Programs Versus Capabilities**

Of the cooperative programs presented in the annex to the first draft, only two—the acquisition of facilities to provide depot-level maintenance on the Harpoon

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**Greek Defense Industries**

*Few specifics are known about the capabilities of Greece's largely state-owned defense industries. Attache reporting suggests that some industries have achieved a fair degree of technical expertise and demonstrate good quality control. The Hellenic Aerospace Industry (HAI) facilities, for example, reportedly rank as the major aircraft engine maintenance depot in the eastern Mediterranean. This position probably will be strengthened by the multimillion dollar joint venture recently agreed to with General Electric as a result of the selection of the GE F110-100 engine for Greece's new F-16s.*

[redacted]

[redacted]

*The Greek shipbuilding industry, currently economically depressed and suffering from a lack of marine and design engineers, maintains some of the largest drydock capabilities in the world. Recently, \$55 million in credits have been ensured by the government for the construction of yet another floating drydock and several vessels of various sizes.*

*Athens is also hoping to close a deal for four new frigates, three of which are to be built in Greek shipyards. Press reports indicate that Hellenic shipyards already have received a \$600 million contract for their construction, but Athens has yet to decide which of four competing foreign shipbuilders will actually supply the frigates.*

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*As in other areas, Greece would like to expand and become self-sufficient in the fields of ammunition, small arms, and armor production. According to industrial press reports, one of the two major Greek companies in this field is in the process of constructing the largest ammunition facility in Western Europe as well as its own firing range to test its products. This same company recently developed a twin, 30-mm antiaircraft system using a cold forging process for the barrel, an 81-mm, and, reportedly, 120-mm mortar, and a Greek-designed, shoulder-fired, antitank missile. Both companies are producing standard and special ammunition in a broad range of calibers for NATO and for export.*

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*Athens has also demonstrated a strong desire to produce an indigenous tank or armored personnel carrier. Efforts to do so, however, have been extremely expensive and not very successful. Athens has recently sought information [redacted] and suggested coproduction of an APC in Greece. Recent attache reporting, however, indicates a decision may have been reached to assemble an APC in Greece from a Dutch vehicle body and a US-manufactured drive train. On the more positive side, Greek industrial capability to upgrade US M-48 tanks to A5 standards and to maintain them has consistently received high praise from US defense attaches over the years.*

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determination of Greek industrial capability to absorb those technologies. [redacted]

**Outstanding Issues**

Two issues remain to be resolved before the DICA can be ratified. First, the survey team must complete its assessment of Greek industrial capabilities. This report, together with the results of a technology security study, will ultimately decide which programs and levels of technology and assistance will be provided. Regardless of the conclusions, Athens will probably insist that the DICA include an annex outlining specific programs and technologies by name in order to shore up their defense industries. [redacted]

The second issue concerns the duration of the DICA. Athens wants an agreement lasting five years from date of ratification in order to show "positive" results to its parliament. The desired five-year period would overlap with the current Defense and Economic Agreement (DECA) to which the DICA is tied, but Athens wants the new DICA to be folded into and made concurrent with a new DECA in 1988. Regardless of how this is resolved, both sides have already decided that the agreement will contain a five-month notification (termination) clause which, in reality, makes duration of the DICA a nonissue. [redacted]

**Implications for Greece**

The DICA is extremely important to Athens because of Greece's weak economy and the need to bolster its defense industries; both are sources of strain on ambitious military-industrial modernization programs. Exacerbating the problem is the government's desire to develop an industrial capacity to produce products for which there may be no export market and which they do not themselves have the capacity to absorb. Despite the gains already made in some industries and several unfulfilled contracts, Greece has had little success in marketing indigenously produced defense products. Furthermore, many industries, such as HAI will be unable to undertake some of the coproduction commitments agreed to without capital expansion to build new facilities or upgrade existing ones, and train new personnel. [redacted]

**Implications for the United States**

Despite implementing the US-Greek General Security of Military Information Agreement (GSOMIA) in January, Washington remains concerned over Greece's ability to protect sensitive technologies. This ability, which is the subject of a study soon to be released, will become increasingly important as coproduction arrangements get under way. [redacted]

Although there has been some loss of classified information and some high-tech diversions to the Soviet Bloc through Greece, US Embassy reports indicate that these diversions have occurred only on a small scale and do not point to Greece as a major problem. Greece could become an even riper target as it develops an indigenous high-technology industrial capability. Athens, however, appears to be taking the threat more seriously, and government officials have assured the United States that they are willing to take the steps necessary to protect classified information and technology. [redacted]

The entry of Greece into coproduction arrangements with US firms is also likely to have some positive effect on solidifying Greek ties to the United States and the West in general. The success of these industrial arrangements may provide the Greek Government with something tangible to show the Greek electorate for allowing US bases in Greece to remain. This will become particularly significant when negotiations begin on renewing the Defense and Economic Cooperation Agreement (DECA), which expires in 1988. [redacted]

**Outlook**

Despite the political rhetoric from Athens and its desire for defense-industrial self-sufficiency, the Hellenic Armed Forces prefer US systems and the

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Foreign Military Sales (FMS) program.<sup>1</sup> Some of the programs Athens desires involve both commercial and FMS aspects. A DICA, therefore, will be ratified as planned and many programs desired by Athens will be agreed upon. Athens, however, still has much to do to initiate action with various US industries to acquire some of the programs it needs and negotiate the terms and offsets it desires. [redacted]

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<sup>1</sup> For fiscal year 1987 alone, Athens has requested just under \$1.5 billion in FMS credits, three times the current FMS budget limit for Greece. Preference for FMS is understandable since Greece's commercial purchases, according to US Defense Department sources, are paid for out of the armed forces' modernization budget.

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**Hungary: Worker Discontent** 

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Workers are becoming one of the most outspoken critics of the Hungarian regime. Their discontent stems from a perceived decline in the quality of their lives brought about by stagnating living standards and a fall in the prestige of their occupations. The party, sensitized to the danger of worker unrest by Poland's Solidarity crisis earlier in the decade, has tried to make the trade unions more credible representatives of worker interests and has implemented management reforms intended to give workers a voice in enterprise decisionmaking. Budapest's strategy, however, is filled with contradictions and appears thus far to have done little to diminish the workers' indignation.

**Worker Grievances**

According to official government studies, workers are having to work more, and under worsening conditions, just to maintain the living standards they achieved in the 1970s. Seventy percent of workers work four extra hours a day (a 50-percent increase over their normal 8-hour day) in afterhours associations, but earn on average only 25 percent more in wages. These extra earnings, moreover, have been eroded by inflation. Whereas a worker could buy an apartment of 50 square meters with seven years' income in the early 1960s, the same apartment today costs 12 years' income and is no easier to acquire. Official studies note an increase in psychological stress and in the frequency of industrial accidents, both partly as a result of the need to put in extra hours.

The wide disparity in the benefits reaped by after-hours jobs has also produced tensions at the workplace. Because wage rates earned in such work are not carefully regulated, twofold and threefold differences in wages of identically trained workers are common even within a single plant. Left further behind are the many workers who choose not to work extra hours and those who—because of the nature of their occupations—are unable to do so.

**Trade Unions Blamed**

As the pressure on the workers has increased, so has their public grumbling. Some reportedly have carried out brief work stoppages in recent years, but for the most part they have limited their protests to verbal complaints. The National Trade Union Congress, held earlier this year, provided a forum for unprecedented worker criticism of the economic difficulties facing Hungary. Speakers at the congress complained about the need to take second jobs, the housing shortage, inflation, the poor economic position of pensioners, and the unwarranted income differentials.

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Much of the workers' anger has been directed at the trade unions themselves, and even union officials admit that workers do not view the unions as credible spokesmen for their interests. Workers openly displayed their contempt for the performance of the trade unions during last year's competitive parliamentary election, when 10 of 17 union candidates running for election were defeated. Worker spokesmen at the trade union congress made it clear that they want more influence over union policy and want union officials to consult with them more frequently. Speakers also questioned the relevance and role of the trade unions in view of recent changes in worker-management relations resulting from the creation of enterprise councils, in which management representatives and elected workers' deputies are empowered to make decisions on management, employment, and financial issues. Not all of the 803 delegates to the congress were mollified by the opportunity to voice their grievances, however, as 42 either voted against the final resolution or abstained, a hitherto unheard-of result.

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**Worker Participation in Management?**

*Budapest introduced management reforms in 1985 that were designed in part to enhance workers' sense of integration and responsibility by giving them a greater voice in enterprise decisionmaking. In general, the reforms give the workers the right to participate in the selection of managers and members of the enterprise councils in all but the most important state enterprises. The council members, some of whom are workers' deputies, are to have the authority to determine the managers responsibilities and the right to control enterprise assets.* [redacted]

*These election procedures, like the union elections, are complicated and allow the authorities the possibility to screen the nominees. Several enterprise directors have admitted to US Embassy officers that the reform has been meaningless for the most part. Some directors apparently use their authority to appoint the members of the council that in theory are to elect and supervise him. As with the union officials, old habits die hard, and many factory managers seem unwilling to adopt new managerial styles.* [redacted]

*Despite this, the reform worked to the advantage of workers earlier this year. Enterprise councils granted wage increases to the managers, and the managers responded by giving raises to the workers. This widespread practice led to greater-than-planned wage increases in the first quarter of this year and forced the regime to step in and limit the ability of councils and managers to grant wage increases.* [redacted]

**Winning the Allegiance of the Workers**

The critical tone of the congress presumably disconcerted the leadership, although it was a conscious decision by the party to make trade union proceedings more open—and, thus, more relevant to the membership—that provided the opportunity for workers to speak so bluntly about the problems they face and the grievances they have regarding union performance. The decision to revamp union policy grew out of the leadership's determination after the outbreak of the Solidarity movement in Poland in the

early 1980s to prevent an alternative workers' movement from taking root in Hungary. A Central Committee resolution in 1983 urged the unions to more effectively represent the interests of workers, develop democratic methods for union activities, and better inform workers of economic policies and problems. Karoly Nemeth, the party secretary on whose report the Central Committee resolution was based, cautioned party officials not to violate trade union autonomy through patronizing and unjustified interference in their affairs. Instead, he encouraged the party to exercise guidance of the unions through the political and educational work of Communist union members. [redacted]

Although much has been made in speeches and in the press of the unions' new role since the 1983 Central Committee resolution, little has been done to make the workers feel greater allegiance to the unions. The only clear responses to the party's new guidelines occurred late last year and early this year when the unions organized competitive elections for shop stewards and enterprise-level representatives and opened their congress to more candid debate. [redacted]

[redacted] the new electoral method was part of the renewed emphasis on greater participation by the rank and file and [redacted] could add to the unions' legitimacy. Comments to US Embassy officers by other union officials, however, make it clear that the election process has yet to be standardized or institutionalized and that a great deal of confusion surrounded the voting. The officials conceded that the elections produced few surprises and generated little enthusiasm that might be translated into worker support for the unions. [redacted]

The unions are apparently having some difficulty in adapting to their new role. Officials who have made their careers by transmitting party policies to the workers are now expected to determine their needs and aspirations and represent them to the party, without, of course, compromising the policies. Many union officials probably fail to understand their new tasks or disagree with them and—in either case—are not doing much to implement them. [redacted]

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**The Dilemmas Ahead**

The pressure from workers is not likely to decrease in the near future. Indeed, regime plans to improve the economy's poor performance threaten their interests on a number of fronts. The failure of the trade unions or the new enterprise councils to defend worker interests on the following issues will lower their credibility and further alienate workers from the party:

- The regime seems inclined to limit the use of afterhours work associations, which have given workers the opportunity to earn the extra money they need to stay afloat, in favor of a piecework wage system that is designed to increase productivity during normal work hours. The loss of sources of extra income will heighten worker support for price freezes or wage increases not linked to productivity.
- Budapest does not appear ready, however, to allow wages to rise. The regime is committed to tying wage increases to productivity in order to keep inflation at tolerable levels. It is also, at a time when it is grappling with a heavy foreign debt burden, attempting to control domestic demand. Allowing wages to increase might stimulate domestic consumption beyond the economy's ability to satisfy it.
- The new bankruptcy law, which went into effect 1 September, has the potential to create a pool of 100,000 to 150,000 unemployed workers if it is used—as advertised—to close all unprofitable enterprises [redacted]. These workers will be granted a retraining benefit for 15 months—at full pay for nine months but the subsequent three months at 75 percent full pay and the last three at only 60 percent. Although it may well be possible for the regime to find new employment for these workers, it seems unlikely that this can be done within nine months or that all will be satisfied with their new occupations. According to press reports, more than 700 coal miners resigned this summer apparently in protest of government plans to close some pits and introduce longer working hours in others in an effort to cut costs without hurting production. [redacted]

The probable reluctance of the regime to back down on these issues, which are keys to the success of its recovery program, will undermine its efforts to alleviate worker discontent and further expose the inherent contradictions in its policies affecting workers. On the one hand, it wants to convince workers they have a stake in the system by giving them greater influence over enterprise decisionmaking and making their unions more responsive to their concerns. Yet it is unwilling to countenance worker interference with regime policy on important issues. This was demonstrated by the regime's limitation of the prerogative of the worker-elected managers and the worker-management councils to raise wages and makes it extremely unlikely that the unions or the councils will oppose the regime line on afterhours work associations, wages, or the closing of loss making enterprises. The regime's dilemma is that if it sticks with its economic policies it cannot hope to win over the workers, whereas if it changes its policies to do that it risks ruining its chances of overcoming the stagnation that has afflicted the economy throughout the 1980s. [redacted]

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Despite the frustrations of its labor force, Hungary at present does not seem to be on the verge of a Solidarity-style outbreak. For the near term at least, the workers probably will continue to express their resentment in private and nonpolitical ways. But several more years of economic stagnation could indeed turn workers to more overt political activity and confirm the worst fears of Hungary's leaders.

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## Romania: Ceausescu's Middle Eastern Peace Offensive

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Recent signs of intensified diplomatic activity in the Middle East have encouraged Romanian President Ceausescu once again to try to mediate the Arab-Israeli dispute. As the only East European leader on good terms with virtually all major actors in the region, Ceausescu has been able to play a constructive role in peace efforts in the past, but his limited real influence in the region and fixation on the necessity of encouraging direct talks between PLO leader Arafat and Israel lessen the possibility that his efforts will bear fruit.

### Visitors and Emissaries

Following talks with Arafat in Bucharest last month, Ceausescu dispatched high-ranking special envoys to Cairo, Damascus, and Amman. One of the envoys had had talks with Israel's leadership earlier in the summer, and a ranking Israeli foreign ministry official was in Bucharest at the end of August. Senior Romanian officials informed the US Embassy that in his talks with Ceausescu Arafat said privately he would be willing to attend an international peace conference that would include representatives of Israel, the Arab states, the United States, the USSR, and "other nations which could make a contribution" based solely on UN Security Council Resolutions 242 and 338 (which imply full recognition of Israel). He also reportedly said he would be willing to have West Bank Palestinian leaders participate in his delegation. Although Arafat may have outlined this position in private to encourage Ceausescu's support, to do so publicly undoubtedly would cause a rift within PLO ranks and seriously jeopardize Arafat's leadership. Arafat has made similar private assurances to other leaders in the past but usually retracts his promises to avoid serious internal dissension.

In these meetings, Bucharest appears to have been pushing Ceausescu's longstanding set of Middle Eastern peace proposals, which are similar to the standard Soviet position with minor differences. Romania proposes a peace conference attended by Israel and all Arab parties, including the PLO, which

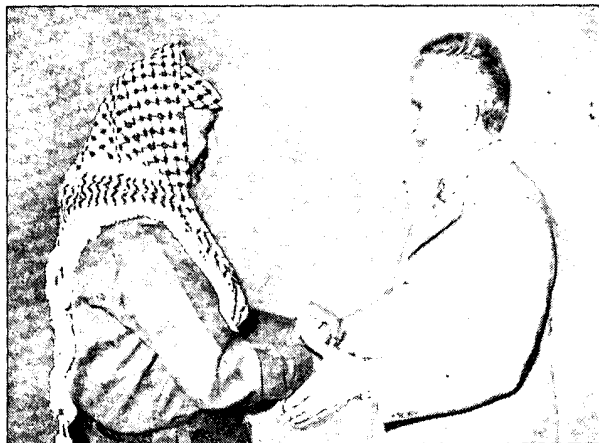
it recognizes as the sole legitimate representative of the Palestinians, as well as the US and USSR (but not necessarily chaired by the superpowers—a difference from the Soviet plan), along with other states that could play a constructive role (conceivably, but not necessarily, including Romania). It envisions a final settlement based upon recognition of the sovereignty of all states in the region, including Israel, and the creation of a Palestinian state.

### Long Record of Effort

In the past, Ceausescu has tried to use his unique position as the only Warsaw Pact state maintaining full diplomatic relations with Israel while preserving excellent ties with all Arab states and the PLO to encourage the parties in the region to engage in direct talks with one another. Both former Egyptian President Sadat and former Israeli Prime Minister Begin gave Ceausescu credit for encouraging their first 1977 summit during visits by each to Bucharest earlier that year, although there is little evidence that Ceausescu did more than gently push each leader to deal directly with the other.

Since then, Ceausescu has tried to keep himself well informed of developments in the area, and most of the major players there, for their own reasons, have wanted to keep good relations with him. For the Israelis, diplomatic recognition by Romania remains their only official tie to Eastern Europe—although negotiations are underway with Poland for the mutual opening of interest sections and there are active cultural relations with Hungary—and demonstrates that it is possible to maintain good relations with both Israel and even the most radical of Arab states. Good relations with Bucharest are also considered essential for ensuring the continued emigration of Romanian Jews to Israel, which currently runs at a rate of approximately 1,000 to 1,500 per year.

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Arafat and Ceausescu: Meeting of the mind. [redacted] Romanian Source

through the establishment of bogus companies for use in dealing with the Israelis.

**The Current Push**

We believe the current flurry of Romanian diplomatic activity in the region was sparked by indications of some movement in the "peace process," including recent anticipation of a conclusion to the Taba territorial dispute between Israel and Egypt, the resulting summit between Israeli Prime Minister Peres and Egyptian President Mubarak, the summit between Peres and King Hassan in Morocco, and efforts to coax Jordanian King Hussein into the negotiations. Ceausescu also feels he has closer ties to Peres and his Labor Party than to Israeli Foreign Minister Shamir, who is scheduled to replace Peres as head of government next month. In the past, Ceausescu has demonstrated a pattern of asking for briefings from his regional contacts when there were signs that the pace of diplomatic activity was picking up and then trying to interject himself into the negotiations.

At the same time, Ceausescu is one of Arafat's best political friends, taking him far more seriously than almost anyone else. Romania also has actively pursued trade and close political ties to Arab states ranging across the political spectrum from Libya and Syria to Egypt and Jordan.

For Ceausescu's part, his diplomatic activities in the region significantly enhance his claim to international statesmanship. Although he has avoided taking stands so divergent from those of Moscow as to needlessly antagonize his Soviet allies, there is every evidence that his policy is arrived at independently and he does not go out of his way to push Soviet interests in the area. Aside from his general opposition to political and economic boycotts—with the public exception of those directed at South Africa—Ceausescu apparently regards his relationship with Israel as a cornerstone of his good relations with Washington and with the American Jewish community. Israeli diplomats have told us that Romania has tried repeatedly to interest them in joint export or third-country marketing deals in Asia and Africa, although we do not know to what extent Bucharest has succeeded in these efforts. On the other hand, Romania regards the Arab states as valuable potential markets for its exports, including armaments, and as important sources of petroleum for its oversized and unprofitable petrochemical industry. Romania has avoided the blacklisting of its exports in the Arab world because of its trade with Israel

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[redacted] The Romanian leader's post-1977 peace efforts, however, have consistently stumbled over his fixation that the next step in the peace process should involve direct talks between Israel and the PLO and his overestimation both of Arafat's influence as PLO leader and willingness to publicly repeat the conciliatory assurances he may have given Ceausescu [redacted].

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Since we do not believe that Ceausescu has the influence to persuade Arafat to make such public statements and do not expect the Israelis to alter their longstanding refusal to deal with the PLO unless Arafat does so, we expect that all sides will, as usual, give the Romanian leader a polite hearing but that his effort will not succeed beyond this. Should the parties reach some sort of compromise through other, more direct channels, however, they can also be expected once again to praise Ceausescu's constructive efforts.

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## East Germany-USSR: New Rail Ferry Link

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East Germany and the Soviet Union on 2 October will inaugurate rail ferry service between Mukran, East Germany, and Kleipeda, Lithuania—a major project that will provide both countries with significant economic benefits. The service, in addition, may provide limited support to Soviet military forces in East Germany.

### The Project

The agreement on the 273-nautical-mile "Bridge Across the Sea" project signed in Moscow in June 1982 gave East Germany most of the construction responsibility. The East Germans are building an entirely new port at Mukran, just south of the Sassnitz on Ruegen Island, which will be dedicated to the rail ferries. The East Germans are building both facilities to change railcars between the wide Soviet and the narrower European gauges and a yard where cargoes will be transferred between cars. The East Germans also must improve the road and rail networks and infrastructure around the comparatively isolated Mukran site. The Soviets, by contrast, have had a less extensive job in modifying their existing port of Kleipeda. Despite the inauguration of service, neither facility is yet complete.

The East Germans are constructing all six ferries, three of which will belong to the Soviets. Modeled after vessels now in operation between Ilyitschovsk in the Crimea and the Bulgarian port of Varna, the 190-meter-long, 11,700 deadweight-ton ships will carry up to 103 Soviet-gauge railcars on five tracks on each of two decks at up to 17 knots. They also can carry wheeled or tracked vehicles and will accommodate several passengers. The Mathias Thesen Shipyard in Wismar has delivered the first ship, the "Mukran," to the East German state shipping line and the Soviets are scheduled to take delivery of two ships next year. Two vessels are slated for completion in 1988, and the last in 1989.



The "Mukran" in Kleipeda harbor during sea trials in July.  *Neues Deutschland*

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The project has experienced some problems—such as intermittent parts shortages—but it has received priority in resource allocation, so service will begin slightly ahead of the original target of 7 October, East Germany's national day. We expect some supply problems to continue but anticipate that the ferry service will be fully operational by the end of the decade. We do not know the total cost of the project, but the East Germans in 1985 estimated the cost of the Mukran terminal alone at the equivalent of about \$700 million.

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### The Economic Effects

The link will provide both sides to economic benefits and significantly boost bilateral seaborne commerce:

- It will cut transport costs by about 80 percent,  and reduce transit fee payments to Poland.
- Ferries are expected to be able to make round trips in 48 hours, cutting delivery times by at least half when compared with shipments through the congested Polish rail network.

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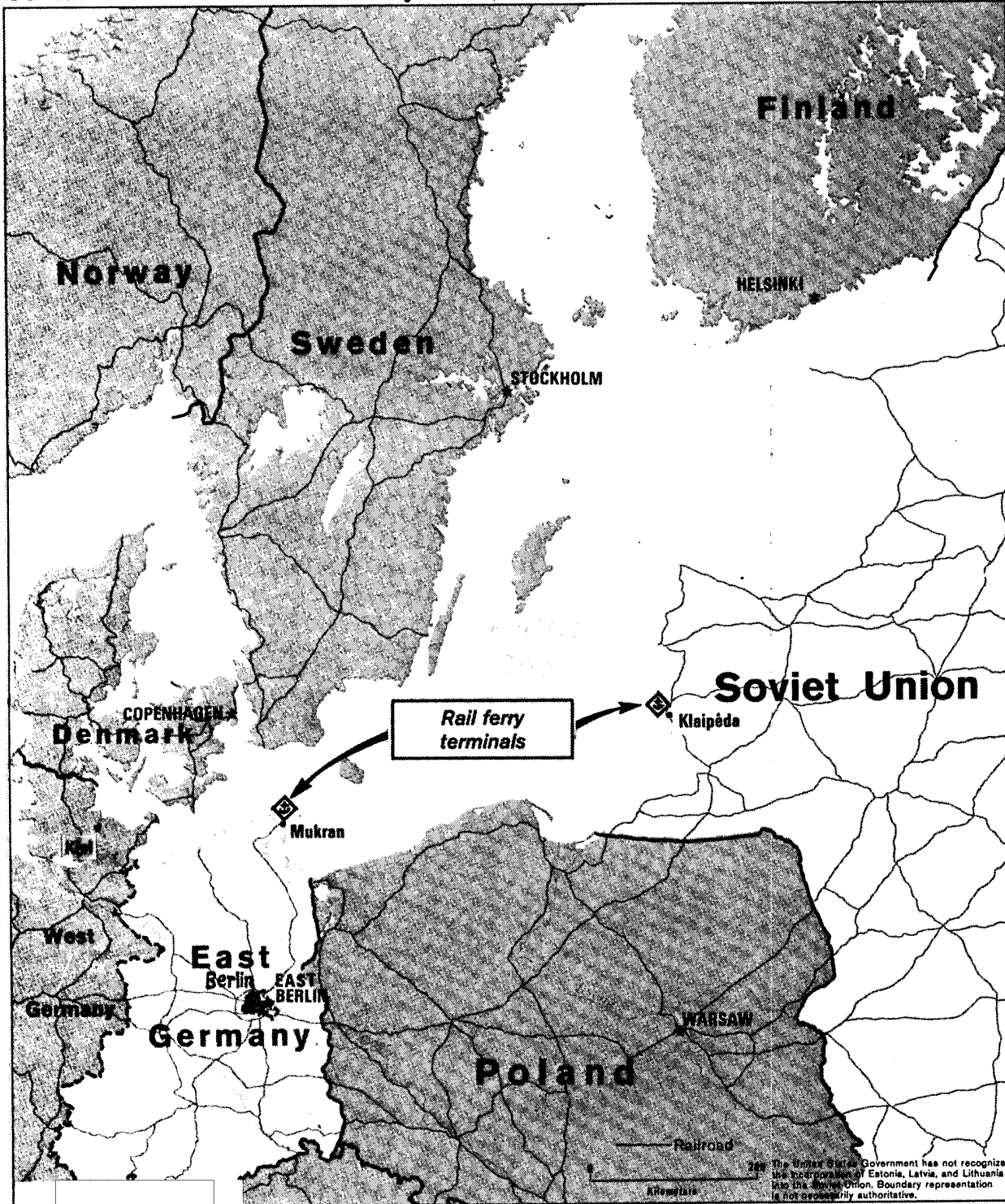
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### Soviet-East German Rail Ferry Link



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- Sea freight is less vulnerable than land transportation to disruptions from possible political instability in Poland—a particularly great concern in 1981-82 when the project was initiated.

When all the ships are operating, the East Germans expect the service to carry 5.3 million metric tons of cargo annually, including 3 million tons of East German imports. By comparison, total bilateral seaborne trade was scheduled to be 8.5 million metric tons in 1985. [redacted]

**Military Implications**

The project has limited security implications, explaining East Germany's original designation of the venture as a "national defense" effort. High-level East German officials, including Politburo members, are apparently monitoring closely the construction at Mukran, and senior Soviet military officers have inspected the work. [redacted]

The link will moderately increase the Soviets' ability to deliver military materiel to the GDR in peacetime and could be a secondary means of moving supplies and possibly units from the western USSR in the event of war. Speed and security from land attack are particular attractions. Use of the ferries during wartime would be a slight but still useful addition to Soviet transportation capability; we calculate that even using all six ships, the Soviets could provide only a small fraction of their huge wartime logistic needs. Moreover, the vessels, the port of Mukran, the rail network, marshaling yards, transloading facilities, and the rail bridge between Ruegen Island and the East German mainland would be vulnerable to possible NATO air and naval interdiction. [redacted]

**Outlook**

Even though ferry service will begin ahead of original schedule, there is no assurance that it will operate smoothly. When all six ships are sailing, a ferry will arrive and depart from each port every eight hours, straining the rail transloading yard at Mukran, in particular. The East Germans must solve their special transloading problem or be forced to use already scarce labor to manually transfer cargoes from car to car. If they cannot keep the trains on land moving, the advantages of the ferries themselves will be diminished. Because of the high costs and prestige at

stake in this project, we anticipate heavy pressure from the senior political leadership to ensure that the kinks are worked out before the whole fleet is plying the Baltic. If the system does work smoothly, the new ferry link should considerably facilitate trade.

Successful operation could also increase pressure on West Germany to agree to the Soviets' proposal of a similar project connecting Kleipeda with Kiel. Some West German interests in economically depressed northern West Germany favor a link, but Bonn has balked at allowing Soviet sailors near sensitive facilities at Kiel. [redacted]

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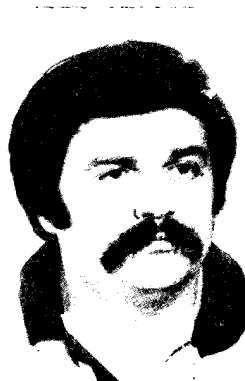
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### Yugoslavia: The Hirsute, Outspoken Tupurkovski [redacted]

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#### Profile

The youngest member of a party leadership in Eastern Europe, Belgrade's 35-year-old Vasil Tupurkovski, was in Washington this month for a conference on Yugoslavia at the Smithsonian's Wilson Center and a talk on foreign policy at the George Washington University. The occasion gave local observers a rare closeup look at a member of Yugoslavia's new generation of leaders. [redacted]



*Vasil Tupurkovski . . . 35 years old . . . youngest member of recently elected Party Presidium . . . reportedly that body's main person responsible for international relations . . . ambitious former youth leader from Macedonia . . . did contract translations for US mission . . . described by US diplomats as sharp, gregarious . . . expert on international law and member of new strategic studies center. [redacted]*

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Tupurkovski came to the United States with unusual credentials. Before being elected to the 23-man Party Presidium at a national party congress last June, he had earned a master's degree in comparative law at the University of Michigan and still speaks fluent colloquial English. The Macedonian Tupurkovski wears long thick black hair, a long mustache and sideburns, and dresses in open-necked shirts that he leaves hanging out over his ample belly—attire that is strikingly casual even among the sometimes tieless Yugoslav elite. [redacted]

dramatic shifts any time soon in Yugoslavia's feisty, independent-minded foreign policy. The following are some of the highlights:

At the Wilson Center conference, which was attended by Yugoslav Embassy personnel and academics, Tupurkovski [redacted] delivered a stilted, jargon-filled talk on Yugoslavia's nonaligned foreign policy and stayed silent for the rest of the three-day meeting. [redacted]

**Terrorism.** Yugoslavia is "very active in the struggle against terrorism" and has an "important" dialogue with the United States on the issue. But the subject has led to "tremendous differences" and "misunderstandings" with Washington because of Belgrade's support for the PLO and other "legitimate struggles of national liberation." Such support is "probably very unacceptable to you" but is "of principled importance to us."

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At GWU, however, in the presence of a mostly student crowd with no Embassy officials present, Tupurkovski loosened up. He spoke mostly extemporaneously on topical international issues and came across as relaxed, intelligent, self-confident, and assertive—still a product of the system but very much his own man. [redacted]

**Soviet Union.** Relations with Moscow are "never something that go smoothly even when there are no problems out in the open." A recent example of Soviet "pressure" came during the Yugoslav Party Congress when the Soviet delegation complained about Yugoslav media coverage of the Chernobyl disaster. Another "point of friction" has been Moscow's stress on "authentic models of socialism" within the world Communist movement, although Belgrade's insistence on independence has helped end the Soviet policy of

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To the extent that Tupurkovski's comments reflect the views of the new generation of leaders, they suggest that neither Washington nor Moscow should expect

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“diktat.” Economically, Yugoslavia is trying to lessen its dependence on the Soviets, but it has “not been very successful so far,” and “we are very conscious of this.”

*United States.* Belgrade has a “very fortunate” but also “delicate” relationship with Washington. The “neoconservative approach” to international problems of the Reagan administration is “a problem for Yugoslavia,” as is the “intervention by international financial circles” such as the IMF in Yugoslavia’s internal affairs.

*Nonalignment.* As a cofounder of the Nonaligned Movement, Belgrade is “very attached” to its nonaligned foreign policy, behind which is a broad consensus of the country’s many rival ethnic groups. However, “we did not support what Qadhafi said” at the Harare Nonaligned summit, when he deprecated the movement as allegedly pro-Western. Moreover, the choice of a future Nonaligned chairman, for which Nicaragua is actively bidding, must be done democratically, not by “imposing” any choice.

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