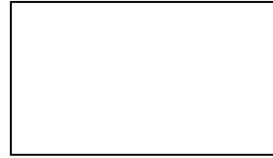
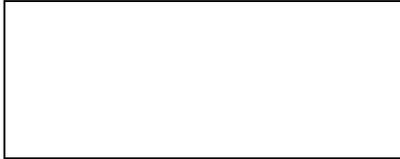


Director of
Central
Intelligence

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National Intelligence Daily

Saturday
6 February 1982

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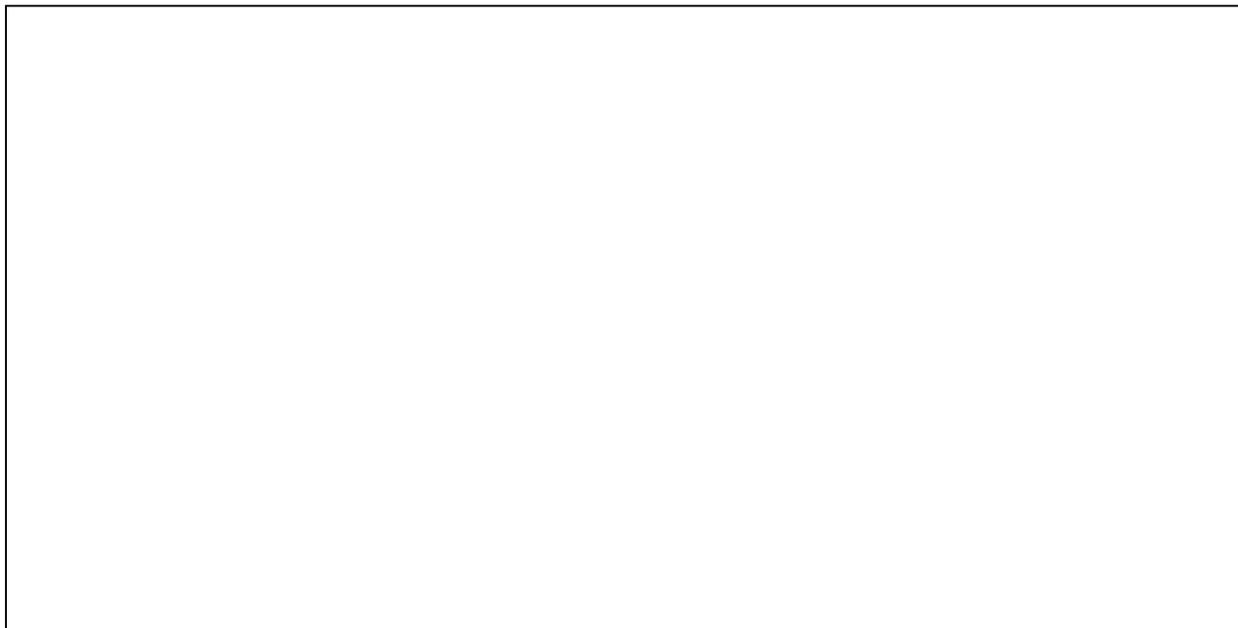


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POLAND: Western Sanctions

West European countries have begun to announce measures directed against Poland and the Soviet Union to protest martial law restrictions. Moscow, meanwhile, is concerned about revitalizing the Polish party. Warsaw has indicated that it is attempting to purchase additional grain supplies. [Redacted]

France now has agreed to support an EC proposal calling on the OECD to increase interest rates on Soviet export credits. Nine EC Foreign Ministers are expected to formally approve the proposal when they meet this Thursday, but Greek opposition still may block a Community consensus on the issue. [Redacted]

The British Government yesterday announced a series of measures to show displeasure with the martial law regime and its Soviet backers. London will grant no new credits to Poland, restrict travel of Polish and Soviet diplomats, and cut back Anglo-Soviet cooperation in such ventures as health, agricultural and atomic research, and fishing rights. London continues to oppose restrictions on existing contracts. [Redacted]

Bonn is expected to announce its own measures this weekend after the Foreign Office completes a final review. [Redacted]

[Redacted]

Moscow Admonishes Polish Party

Pravda yesterday noted that although martial law has restored order and created conditions for "a normal working life" it leaves unresolved certain basic problems

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whose solution will depend upon "decisiveness and consistency" within the Polish party. The article cites comments by Polish workers that the party in the past was unable to cope with the political challenge posed by Solidarity, and it calls on the party to consolidate on the basis of "Marxism-Leninism" and reestablish ties with the working class. [redacted]

Comment: *Pravda* recently has made several allusions to the continuing problems within the Polish party. The repetition of this theme appears designed to remind Polish leaders of the importance Moscow attaches to revitalizing the party. Although the reference to "Marxism-Leninism" probably is intended as a sign of support for hardliners, the allusion to the challenge posed by Solidarity appears to represent an acknowledgment that the party also must recognize the need for popular support. [redacted]

Grain Purchases

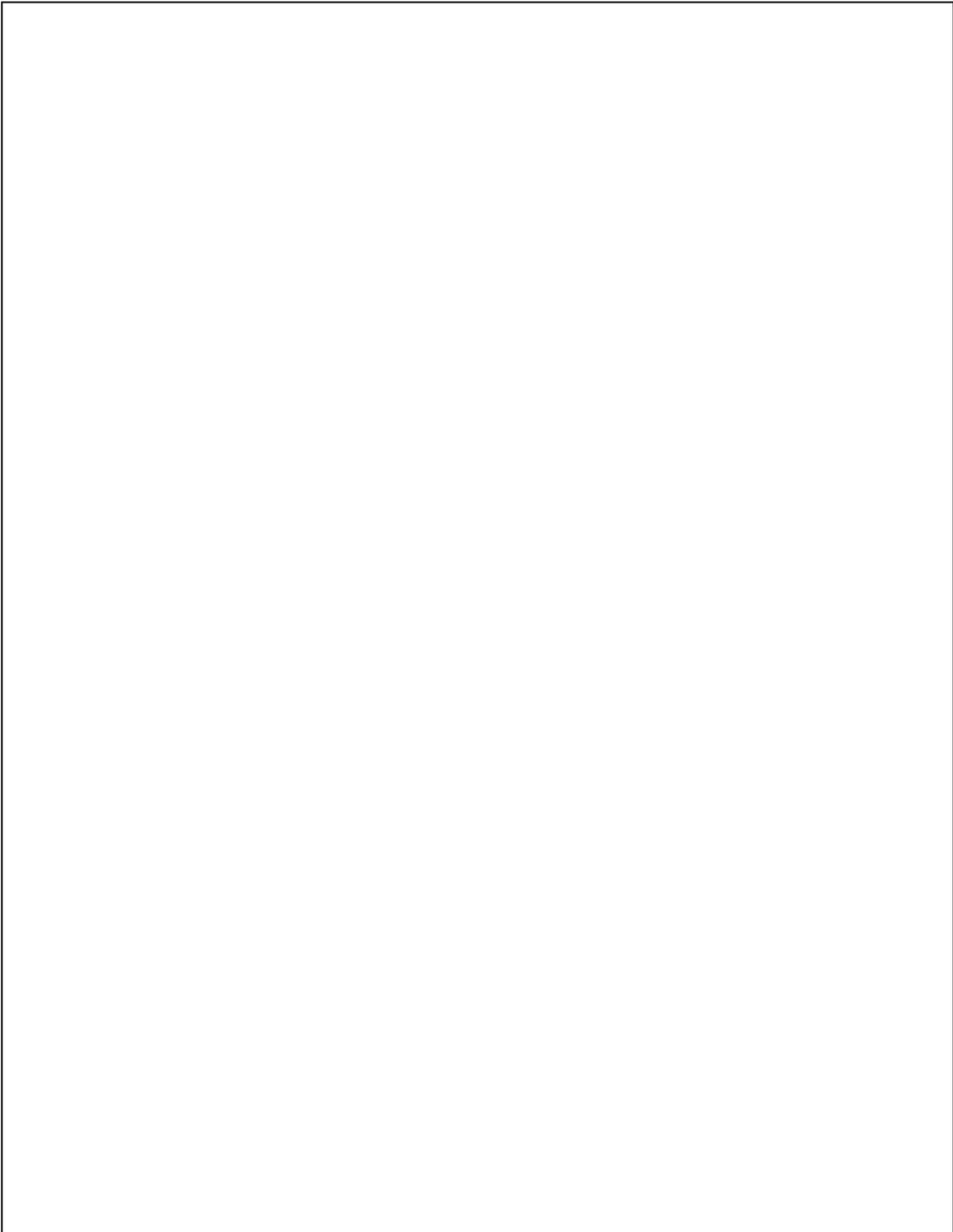
A government spokesman revealed this week that Poland is attempting to purchase 3.5 million tons of grain and concentrated fodder from the West to fulfill its need this year for 6.5 million tons of imported grain. Before martial law the Poles had contracted for 3 million tons of grain and soymeal from Canada, France, and possibly West Germany and Brazil. [redacted]

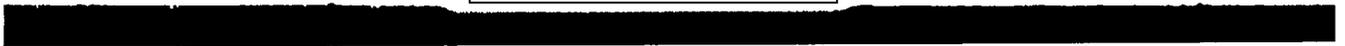
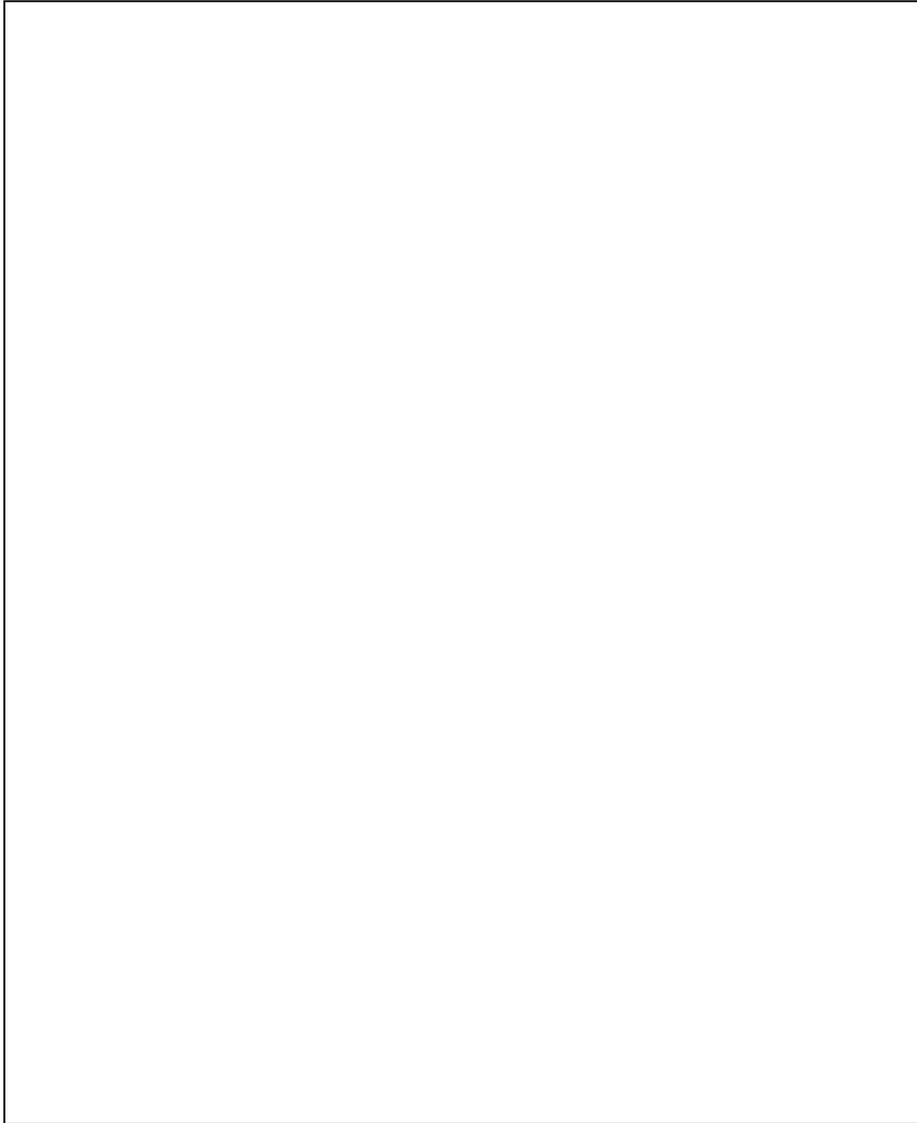
Comment: Poland now may have difficulty meeting its grain requirements because of restrictions imposed by the US and the EC, traditionally its main suppliers. [redacted]

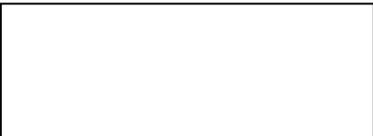
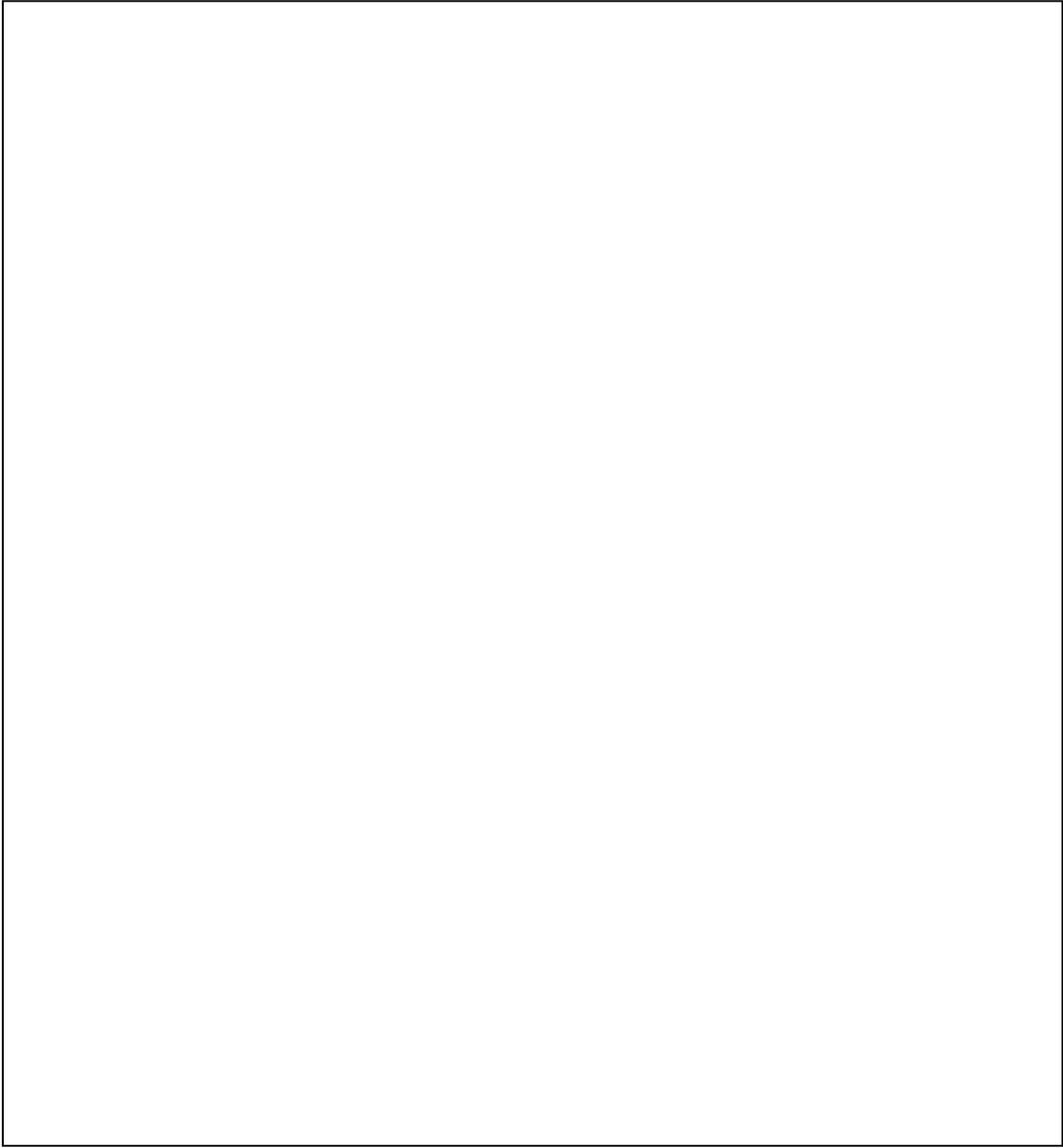
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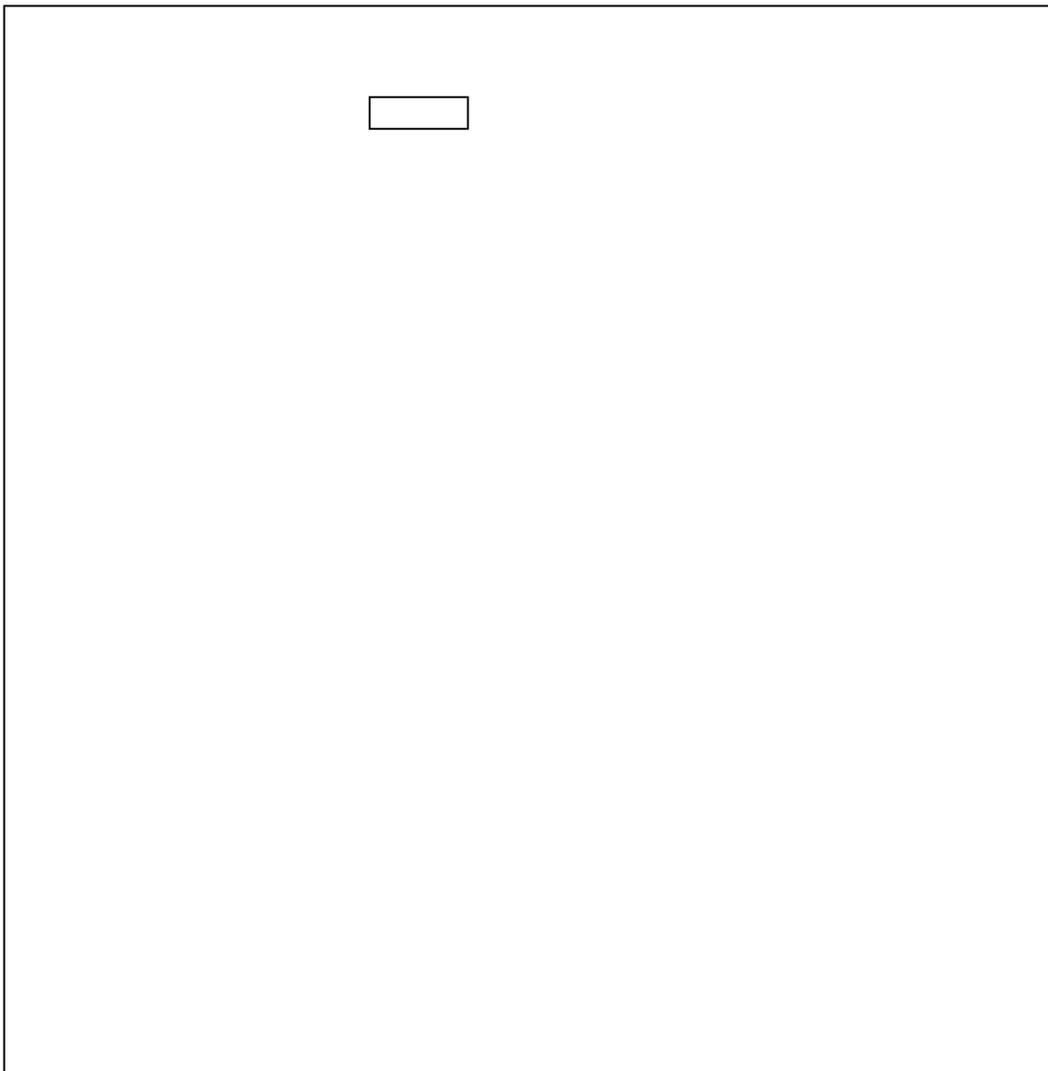
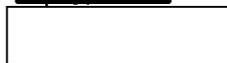




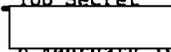




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GUATEMALA: Counterinsurgency Effort

The Guatemalan Army is expanding its aggressive counterinsurgency strategy by taking the war into guerrilla strongholds in the western highlands. [redacted]

The move was prompted by the recent discovery that total guerrilla forces--possibly some 4,500--are nearly twice the number estimated earlier. [redacted]

The Army has formed three new battalion-size units composed primarily of veterans recalled to active duty. These forces will supplement a 3,800-man task force set up late last year to operate in Quiche Department against the country's major insurgent group, the Guerrilla Army of the Poor. [redacted]

The new units will operate farther north in the Ixil Triangle. [redacted]

Comment: The sweep in the Ixil Triangle, along with the other operations in the area, underscores the government's commitment to a long and tough campaign, based in part on a new awareness that the insurgents have gained significant Indian support in the highlands. Although the three new units could add as many as 1,600 men to the 15,000-man Army, large-scale sweeps are already stretching the Army's manpower in other zones of guerrilla activity. [redacted]

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CHINA: Party Journal Attacks Leftists

A recent article in Red Flag indicates that Deng Xiaoping has begun a new bid to remove leftists from positions of authority in the government and the Chinese Communist Party. [redacted]

The lead article in the latest issue of the party's theoretical journal urges that those who are leftists or corrupt be removed from leadership positions. It offers to allow those who entered the party between 1966 and 1976 to remain in good standing if they accept reeducation, but it threatens summary expulsion for "a small number of cadres including leading cadres" who are opposed to current policies or are engaged in corruption. [redacted]

Over the past year, Beijing has accused "bourgeois liberals" in the party's right wing of undermining party leadership. The new article, however, does not threaten this group with the sanctions proposed for the left. [redacted]

Comment: The article appears to signal another attempt by Deng and his allies to rid the party and state bureaucracies of the leftists who resist his policies. Unlike the parallel campaign to streamline the government bureaucracy, however, this new antileftist effort apparently lacks general endorsement by the leadership. Previous antileftist campaigns have provoked strong resistance--including some from members of the Politburo--and were only partially successful. [redacted]

The timing of the article suggests an effort to overcome continued opposition. Deng may believe he can exploit the current consensus in support of reforming the government bureaucracy to move against the left. [redacted]

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NATO - WARSAW FACT: Allies Diverge Over Poland

Most NATO governments disagree with the US, British, and Italian position that the West should use the MBFR talks in Vienna to protest the martial law regime in Poland. Although they agreed to an opening statement when the talks resumed last week that cited the difficulties the Polish situation imposes on the negotiations, many Allies--including the Belgians, Dutch, and apparently the West Germans--have been reluctant to bring up Poland in the negotiations. They argue that the resulting polemics could damage chances for progress in the talks. [Redacted]

Comment: The Allies probably do not really expect progress but want to prevent any linkage with Poland that would further delay the long-stalled negotiations. They also will want to move faster than the US and UK in presenting some minor initiatives by the West Germans designed to keep the MBFR talks alive. [Redacted]

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MEXICO: Financial Pressure

Mounting foreign payments problems have caused another jump in capital flight and have renewed speculation that the peso will be devalued soon. The overheated economy is causing the current account deficit to grow rapidly from an unprecedented \$11 billion level in 1981. Moreover, Mexico's \$60 billion foreign debt is approaching that of Brazil's, the largest LDC debtor, and foreign bankers are growing wary of making new loans. [Redacted]

Comment: Mexican policymakers, fearing adverse political reaction, have been reluctant to deal with the progressive overvaluation of the peso. The peso would have to be devalued by about 35 percent to make exports more competitive internationally, but Mexico City probably would go to great lengths to avoid such a devaluation. Nevertheless, massive capital flight or greater reluctance on the part of foreign bankers to finance foreign payments could force the government's hand, particularly after the presidential election on 4 July. [Redacted]

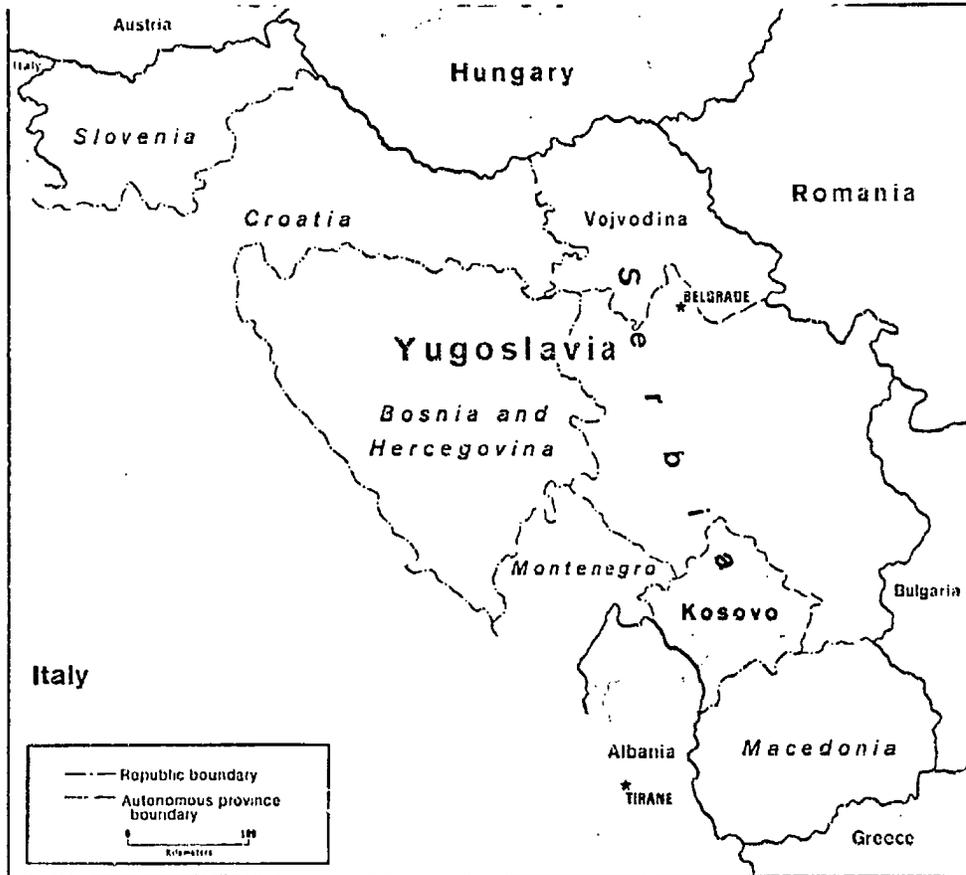
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YUGOSLAVIA: Unrest in Kosovo

[redacted] nationalist unrest in Kosovo province is worse than officially reported. The authorities admit that student demonstrations are continuing, that attacks on Serbs by Albanian nationalists are on the rise in some communities, and that unrest is spreading to the Albanian ethnic areas in Macedonia and Montenegro. The source estimates that over 10,000 people have been convicted of political crimes since the unrest began almost a year ago. The source claims that Kosovo is causing deepening divisions in the leadership. [redacted]

Comment: Albanian nationalists may attempt to incite more violence during the anniversary next month of the riots in 1981. Such unrest would in turn strengthen the determination of Serbian leaders to reassert tighter authority over Kosovo and their other "autonomous province," Vojvodina. The dispute over who should hold the balance of power in the federal system is likely to carry over into the political infighting before the party congress in June. [redacted]

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SPECIAL ANALYSIS

USSR-NICARAGUA: Expanding Ties

[redacted]

Moscow to cultivating the Sandinista regime in Nicaragua and to helping it to strengthen its authority. Although the Soviets appear to be reducing their economic assistance to some other clients, the USSR and its allies are providing new aid to help meet some of Nicaragua's economic needs. Despite this growing involvement, the Soviets prefer that the Cubans remain in the forefront in supporting the Nicaraguans, in part to avoid provoking US countermeasures. [redacted]

The Soviets have two main goals in Nicaragua. They want the Sandinista regime to consolidate its authority, and they want to use Nicaragua as the centerpiece of their broader effort to foster the establishment of other leftist regimes in the area. Moscow hopes that revolutionary ferment close to the US will divert Washington from more distant problems and undercut its credibility with Third World countries, particularly in Latin America. [redacted]

The USSR moved quickly to establish formal party links with the Sandinistas, slighting the small Nicaraguan Communist Party in the process. In early 1980 a Soviet diplomatic mission was established in Managua, and a high-level Sandinista delegation visited Moscow. [redacted]

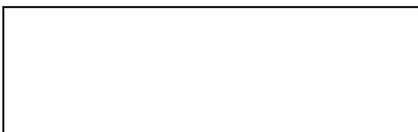
Recently, such contacts have increased. They have included National Directorate member Arce's meeting with Politburo member Chernenko in October, Defense Minister Ortega's meeting with Defense Minister Ustinov and Chernenko in November, and Premier Tikhonov's welcome to Foreign Minister D'Escoto in December. [redacted]

Economic Aid

In 1981 Moscow and its East European allies committed nearly \$170 million in credit and assistance to Nicaragua. Soviet financial aid is being provided under the same kind of agreements that are usually reserved

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for such prime clients as Afghanistan and Cuba. The agreements call for aid to all sectors of the recipient's economy. [redacted]

Moscow has allocated some \$50 million in 10-year credits for agricultural, roadbuilding, and communication equipment, and the East Europeans have provided \$90 million in credit. The USSR and other CEMA countries also have sponsored a grant of 50,000 tons of grain to offset the suspension of US deliveries. [redacted]

The Soviets, however, have not provided the hard currency assistance the regime needs. They have cautioned Nicaragua against disrupting economic ties with its principal Western trading partners. [redacted]

Military Assistance

The bulk of Soviet military aid is sent through Cuba or other third countries. Deliveries so far include T-55 tanks and artillery and anti-aircraft weapons. [redacted]

[redacted]

Although only about 45 Soviet military personnel are in Nicaragua, as compared with the some 1,700 Cuban military advisers, they occupy vital advisory positions in the Nicaraguan military and probably provide intelligence support. The Soviets would be most interested in improving Nicaragua's Air Force and in strengthening its air defense system, including possibly adding more advanced surface-to-air missiles. [redacted]

Soviet-Cuban Cooperation

Moscow and Havana share the view that Nicaragua is the key to building leftist power in Central America. [redacted]

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The Soviets probably are alert to any indications that President Castro may be about to move too quickly or recklessly. They will continue to develop their influence in Managua in part to secure their own role while monitoring Cuba's activities and restraining those that seem too provocative to the US. [REDACTED]

Working through the Cubans, the Soviets probably will continue to keep their profile low enough to avoid provoking US countermeasures. They are likely to probe the limits of US tolerance in the months ahead, however, and expand their military support if they conclude that the risks are acceptable. [REDACTED]

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