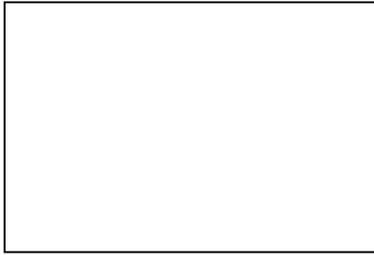


Director of  
Central  
Intelligence



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*Monday  
1 February 1982*

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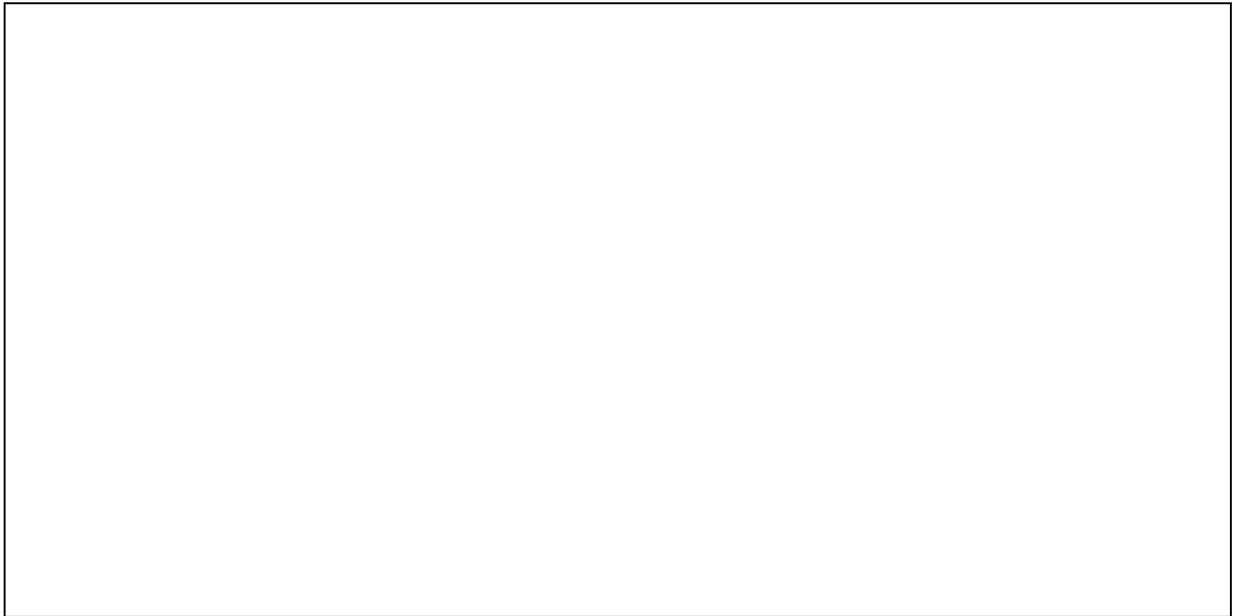


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POLAND: Students Clash With Police

*Students clashed with police in Gdansk on Saturday, while West Europeans were showing strong official but only lukewarm mass support for Solidarity Day. Despite the harsh weather, prospects for the winter grain crop are good.* [redacted]

The Polish radio reported yesterday that demonstrations outside the Lenin Shipyard and in the city center resulted in injuries to 14 people, including 8 police officers, and the arrest of over 200 demonstrators, primarily university and high school students. [redacted] who recently visited Gdansk reported rumors that protests against price increases would take place today at the shipyard. [redacted]

**Comment:** The official report blamed US propaganda for inspiring the youths, suggesting that they were attempting to join the international commemoration of "Solidarity Day," rather than protesting against the impending price hikes. The most likely place for such a demonstration would be at the monument to the workers killed in 1970, which is in front of the shipyard. [redacted]

The regime is clearly worried that such demonstrations could be the catalyst for widespread protests, so it has moved quickly to clamp down in Gdansk. Summary criminal proceedings have already begun against the alleged organizers, the curfew has been extended, telephone lines disconnected, and private movement sharply curtailed. [redacted]

This is apparently the first major violent incident since the clash last December between security forces and miners in Silesia which left at least seven miners dead. It is further evidence that the Baltic coast and Silesia remain trouble spots for the authorities, and they will be very cautious about lifting martial law restrictions there. [redacted]

Meanwhile, Western press sources claim that Solidarity leader Walesa is now officially interned, ending his previous indeterminate status. If true, this is a mark of the regime's exasperation at its lack of progress in dealing with the union leader. [redacted]

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Reactions to Solidarity Day

Pope John Paul II expressed gratitude for demonstrations in support of Poland, and Western leaders participating in the Solidarity Day broadcast were united in calling for an end to martial law, freedom for detainees, and talks among the government, the Church, and Solidarity.

Polish and Soviet media condemned the "Let Poland Be Poland" broadcast as "interference in Poland's internal affairs" and derided it as having a "Hollywood" veneer. A senior Soviet expert on Western affairs contended in an interview that the broadcast was intended to arouse "distrust of the (Polish) government" and "disturbance of tranquillity in that country."

Comment: Several of the Western leaders explicitly blamed the USSR for the crisis in Poland, and Canadian Prime Minister Trudeau considerably toughened his criticism of the martial law regime. The relatively small West European turnout for demonstrations, however, will probably be interpreted by Allied leaders as a lack of sentiment for additional economic sanctions at this time.

While criticizing alleged US efforts at "telesabotage," the Soviets will seek to exploit criticism by some West Europeans that the presence of a number of show business personalities devalued the Solidarity Day broadcast. The Polish Government probably also hopes that the effects of Solidarity Day can be reduced if Foreign Minister Czyrek--now in France at the invitation of the French Communist Party to attend its national congress--is able to meet Foreign Minister Cheysson. Warsaw would use such a meeting to show that diplomatic relations are proceeding as usual despite Solidarity Day and Western attacks on the regime.

Grain Prospects Good

nearly 5 million hectares of winter grains were sown last fall, an increase of more than 12 percent over 1980. Crop development prior to dormancy was excellent, and the

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protective snowcover has so far prevented any significant winterkill. Although recent flooding in northern Poland destroyed some winter grainfields, most of the crop was left untouched. [redacted]

Comment: [redacted]

the current outlook for Poland's 1982 winter grain crop--about 60 percent of total grain production--is generally good. A rapid melt of the accumulation of heavy snow, however, could lead to additional flood damage. In any event, private farmers--who produce over 75 percent of the grain crop--still must be willing to sell grain to the state if the regime is to meet basic food needs. [redacted]

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ROMANIA: Debt Rescheduling

*Romania has reluctantly agreed to reschedule its debts to Western banks, but reaching an agreement will be difficult because of widely divergent views on each side.* [redacted]

Discussions on rescheduling a part of Romania's \$10 billion hard currency debt resume in London on Thursday. Bucharest's financial needs this year are estimated to be \$4.6 billion, and it seeks \$2.1 billion in debt relief. The Romanians seem confident that the remainder of their needs can be covered by supplier credits, World Bank and IMF loans, and other sources. [redacted]

Comment: The negotiations promise to be difficult, with the bankers initially offering much less than Bucharest is requesting. Romania, moreover, probably has overestimated the amount it can borrow elsewhere and thus has underestimated its needs. [redacted]

The bankers may not be as patient with Romania as they have been with Poland. They lack confidence in the Ceausescu regime's ability to overcome economic problems and to manage hard currency accounts. They also have been soured by the protracted negotiations with Poland and have lower expectations that Western governments or the USSR will provide aid to Bucharest. [redacted]

Romania faces difficult times even if an accord is reached. Its export potential is weak, and most nonessential imports have already been cut. Industrial production growth slowed to 2.6 percent last year--the lowest rate since the immediate postwar era--and would slow further if additional cuts are required to save hard currency. [redacted]

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INTERNATIONAL: Committee on Disarmament Meets

*The 40-nation Committee on Disarmament convenes tomorrow in Geneva with only slight prospects for significant progress in arms control and a strong likelihood that the US will be accused of obstructionism.*

The Committee is to provide recommendations for the Second Special Session on Disarmament of the UN General Assembly scheduled for June.

Comment: The USSR and its allies will try to divorce events in Poland from arms control issues. They will propose the usual array of unverifiable arms control measures. Moscow has already begun a propaganda barrage against Western accusations concerning Soviet use of chemical and biological weapons.

The nonaligned states will continue to criticize the West, particularly the US and the UK, for what they view as obstructionism. Mexico will take the lead in urging that the report to the UN meeting in June establish a framework for comprehensive disarmament following a specific timetable and beginning with nuclear weapons.

US allies may support establishment of a working group to discuss a comprehensive nuclear test ban treaty, an expanded mandate for another working group to begin drafting a comprehensive chemical weapons ban treaty, and a West German alternative to the nonaligned position on a Comprehensive Program of Disarmament. They are likely, however, to agree with US opposition to setting up a working group to discuss arms control in outer space.

The allies want to make it clear that the West is not primarily responsible for blocking progress toward arms control. They are concerned that a refusal by Washington to support their positive proposals will result in additional criticism by the nonaligned nations, increase the pressure from arms control activists in their own nations to make more concessions, and give the USSR a propaganda advantage.

Although they will stand publicly with the US on most issues, many of them may break the Western consensus on nuclear test ban negotiations and other issues. The USSR and the nonaligned group are aware of the differences among the US and its allies over both goals and tactics and will try to exploit them.

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LEBANON: Increased Concern Over the Shia

*Widespread fighting in southern Lebanon last week between the Shia Amal movement and several radical Lebanese and Palestinian factions reflects the increasing apprehension among many Lebanese groups over the growing power of the Shia community.*

The clashes in the Shia-dominated south pitted Amal militiamen against two Lebanese Communist organizations, Amal's main rivals for recruitment. Pro-Iraqi Lebanese and Palestinian factions, with whom Amal has been fighting since the Iran-Iraq war broke out, also were involved.

There were heavy exchanges in West Beirut in early January between Amal and a coalition of Communist and pro-Iraqi militiamen; about 100 casualties resulted. These clashes spread from the poorer Shia neighborhoods into the more prosperous Sunni area, prompting widespread criticism by moderate Sunnis and Shias alike of the growing number of militiamen in the city and their inability to police themselves.

Comment: Although the fighting in the south appears to have diminished since a Fatah-sponsored cease-fire was worked out late last week, new exchanges are almost certain to break out soon.

The increasing occurrence of clashes involving the Amal movement, Lebanon's largest Shia organization, has given rise to fears, particularly among Sunnis, of the Shia community's expanding and seemingly undisciplined political strength. Sunnis fear that their privileged position within Lebanon's Muslim community is eroding now that the Shias have become the country's most populous sect. Several radical Sunni militias in Beirut recently announced the formation of a joint militia, in part as a defense against the Shias.

Most Palestinian groups, particularly Fatah, try to stay out of disputes between Amal and other Lebanese factions because they want to avoid further antagonizing Lebanese Shias, many of whom resent the Palestinian presence in southern Lebanon. Fatah is uneasy about Amal's growing belligerence, however, and frequently provides political and military aid to rival Lebanese groups.

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[Redacted]

WARSAW PACT: Exercise Ends

[Redacted]

Comment: This year's event marked the first time that Hungarian troops participated in Druzha. Other aspects of this annual exercise were normal. [Redacted]

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SPECIAL ANALYSIS

SUDAN: Nimeiri Hangs On

[REDACTED]

*President Nimeiri, who has withstood three coup attempts during his almost 18 years in office, appears to have survived the latest threat to his rule. The chances of an early military coup in reaction to Nimeiri's recent purge of important senior officers appear to be diminishing. The longer term outlook for his government, however, remains grim. In the coming months, the imposition of austerity measures required to reverse the nation's economic slide is likely to spawn new unrest which could bring down the government.* [REDACTED]

Since November, when Nimeiri initiated far-reaching austerity measures to reach an agreement with the IMF and reassure foreign creditors, criticism of his handling of the economy has grown substantially. There has long been grumbling over the gradual decline in the standard of living [REDACTED]

Nimeiri and His Opponents

An increase in the price of sugar by the government on 31 December to honor a tentative agreement with the IMF led to a wave of student demonstrations and set the stage for a showdown between Nimeiri and his military critics. [REDACTED]

The President relieved Abdel Majid Khalil--mentioned most often as Nimeiri's successor if he were forced from office--from his posts as First Vice President and Defense Minister. Nimeiri also fired a number of other

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senior officers, including the chief of staff, the commander of the airborne forces, and the commander of the Khartoum garrison--all positions of key importance in thwarting a coup attempt. [redacted]

[redacted]

Traditional opposition groups now appear to be neutralized. The Muslim Brotherhood is co-opted and quiescent, the Ansar Muslim sect also is on the political sidelines, and the National Unionist Party is in disarray following the recent death of its leader. [redacted]

Nimeiri's room for maneuver with the military, however, has been considerably restricted. He can no longer rely on the Army as heavily as he has in the past. [redacted]

Reported plans for an immediate increase in pay for middle and lower ranks probably would not improve his standing with the military. If future commodity shortages or price increases result in widespread public disorders, sentiment for his removal--even among those in the Army who supported him--is likely to build quickly. [redacted]

#### Mounting Economic Pressure

Sudan's foreign exchange situation is still tight. Foreign reserves are sufficient for only a week of imports and access to foreign credits has dried up. [redacted]

The aid donors' meeting last week fell short of producing the \$375 million in balance-of-payments support needed to cover financial shortfalls anticipated for 1982. Donors provided only \$250 million in firm commitments and the possibility of another \$40 million. [redacted]

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The IMF is demanding that commitment for the full \$375 million has to be in hand before it will finally approve a \$220 million standby credit for Sudan. If the IMF now uses the shortfall to postpone action on its loan, the country will face import cuts that will affect essential food and fuels. In that event, Sudan would seek US intervention with the Fund and also would turn to the US and Saudi Arabia for additional financial help.

Outlook

If the IMF agreement is approved and the additional aid is found, immediate foreign exchange needs will ease, but the government will still face the task of imposing austerity measures that are part of the IMF agreement.

The scheduled hike in bread prices in April will be particularly risky. It could easily cause a repeat of the disturbances last month that almost unseated Nimeiri.

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