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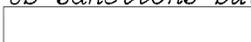
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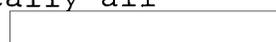
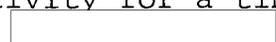


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POLAND: Worker Reaction Subdued

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Overall industrial activity apparently was sluggish yesterday, although several enterprises in Warsaw appeared busier than at any time since the imposition of martial law. Poland has yet to repay a major share of the interest owed Western banks despite reports that it has the funds to do so. Moscow, meanwhile, has welcomed the EC Foreign Ministers' position on US sanctions but has rejected their criticism of the Polish regime. 

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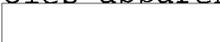
Official media reports on the workday implicitly acknowledged that many enterprises were not functioning at normal levels, claiming that production in Katowice was "on the whole" normal and that "practically all" shipyards in the Gdansk area resumed work. 
 activity seemed especially slow at the large steel mill in Warsaw. The government probably is willing to endure lower levels of activity for a time if it can continue to avoid new strikes. 

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The regime still is attempting to convey the impression that it is seeking to ease martial law restrictions as quickly as possible. It announced yesterday that telephone and telex communications will be restored today in 10 rural provinces. The action leaves most of the country without communications, however, including all major industrial centers. 

Polish Debt

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There still is no confirmation of press reports that Poland has the \$350 million to cover the interest that was due Western banks on 14 December. Although several banks appear to have received some payments beginning in the last week of December, as of yesterday the Poles apparently had not paid the bulk of the amount due. 

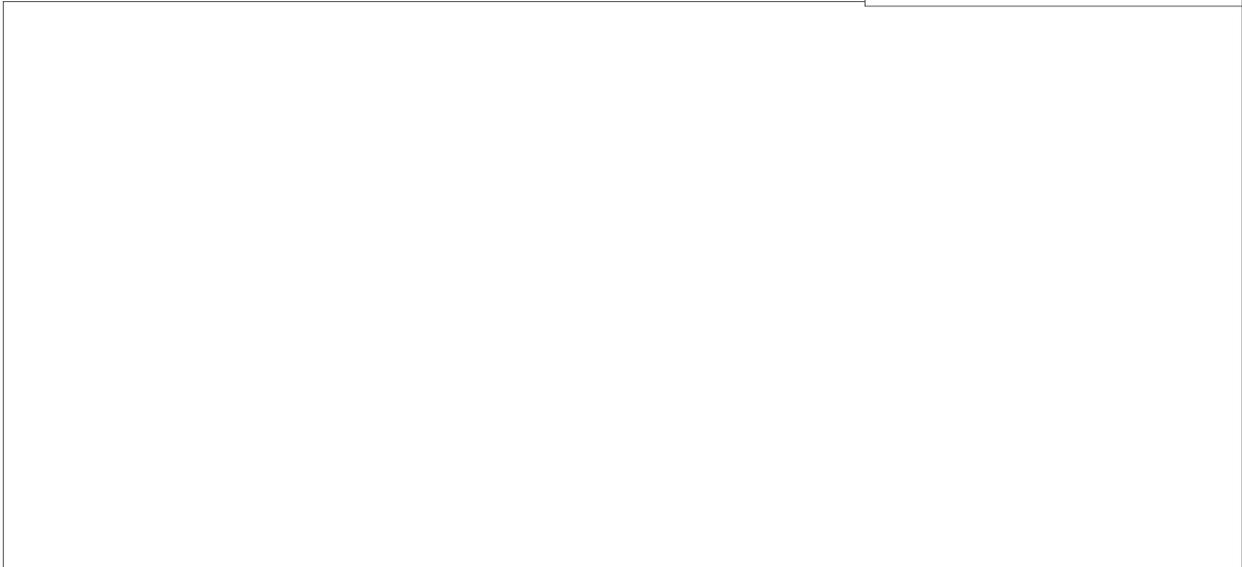
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If in fact Poland does have the funds, the USSR is the likely source. The Soviets themselves are experiencing a serious hard currency squeeze, but the political and economic advantages of preventing a Polish default might justify the \$350 million expenditure. A Soviet move to save Poland from default might encourage West Europeans to maintain a business-as-usual approach toward

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Poland and the USSR. Moreover, it may prevent further damage to the ability of the USSR and the other CEMA countries to obtain credit from the West.



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Archbishop Glemp, meanwhile, will meet today with directors of Warsaw's universities in what appears to be an effort to help maintain calm on the university campuses. Some faculty members have expressed concern to US officials that younger university students will organize underground resistance that risks clashes with the police. The government evidently still plans to delay for an indefinite period the return of younger students to the universities.

EC Meeting

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Differences among the EC Foreign Ministers kept them from going beyond announcing disapproval of Polish developments and of Soviet and East European efforts to undermine reform in Poland. In the communique released after their meeting in Brussels, the ministers called on Warsaw to end martial law and resume discussions with the Church and Solidarity and proposed that the CSCE Conference in Madrid reconvene as soon as possible to discuss the Polish situation at the ministerial level.

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1/6
The ministers noted but did not voice support for US sanctions against Poland and the Soviet Union. Belgian officials claim French Foreign Minister Cheysson was the chief obstacle to adoption of a position more supportive of the US, while West German Foreign Minister Genscher was willing to accept a stronger communique. Genscher may have felt that others would veto a stronger statement, and saw this as an opportunity to improve West Germany's image in Washington. [redacted]

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Before the meeting in Brussels, Jaruzelski tried to gain an understanding for martial law during a two-hour session with EC Ambassadors to Warsaw. According to a Western official, Jaruzelski also tried to drive a wedge between the US and its allies and implied that Warsaw is considering the expulsion of Solidarity militants to the West. [redacted]

Soviet Response

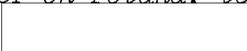
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Initial Soviet reaction to the ministers' meeting was mixed. A radiobroadcast in Moscow noted that the ministers did not go beyond "general promises" not to undermine US sanctions against the USSR and Poland and called for continued humanitarian aid to the Poles. The commentary criticized the EC communique, however, for its interference in Polish internal affairs. [redacted]

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1/7
Izvestiya yesterday carried the strongest Soviet attack yet on France's posture toward Poland, accusing French leaders of attempting to "dictate" to Poland "as if it were a French province." TASS today also cited a Polish television program alleging "close cooperation" between the leaders of the Independent Students Union and "counterrevolutionaries" at the Polish emigre publication, *Kultura*, which is based in Paris. [redacted]



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FRANCE-US: Defense Minister's Visit

Defense Minister Hernu's discussions this week in Washington with US officials will center on Poland, technology transfer, and bilateral arms cooperation. 

Hernu almost certainly will reaffirm his government's position condemning martial law in Poland and its reluctance nonetheless to invoke sanctions against Poland or the USSR. Concerning technology transfer, he probably is prepared to compare lists of restricted countries and critical equipment items, and will seek clearance for French military use of US computers. He is not likely to agree to curtail French technological contributions to the Siberian gas pipeline project. 

Arms cooperation discussions probably will include the US suspension of the purchase of Roland surface-to-air missiles, the delay in purchase of the jointly produced CFM-56 aircraft engine, and the US Navy's selection of a British trainer aircraft rather than the French-German Alpha Jet. Hernu will maintain these decisions jeopardize French consideration of US equipment purchases. 

US

Hernu will reflect France's emphasis on its own strategic nuclear forces programs. The bulk of the defense budget this year will again go to strategic nuclear force modernization, with funding for more nuclear-powered ballistic missile submarines and their missiles. Paris also will work to complete the deployment of the S-3 silo-based IRBM as well as the development of a mobile intermediate-range surface-to-surface missile and a medium-range air-to-surface cruise missile. 

The French Government has not yet reaffirmed its predecessor's commitment to replace the Pluton short-range surface-to-surface nuclear missile or to construct two nuclear-powered aircraft carriers, but it probably will do so in the near future. Although testing and development of an enhanced radiation warhead continues, no decision has been made as to its final deployment. 

The emphasis on strategic programs indicates that Paris continues to view the USSR and its allies as France's primary external threat. France views the Soviets' deployments of the SS-20 IRBM and the Backfire bomber as responsible for a dangerous imbalance of forces in Central Europe, and supports NATO's INF modernization but refuses to include French systems in INF talks. 



③ ZIMBABWE: Racial Tensions

Harsher government policies and worsening economic prospects have aggravated racial tensions.

The bombing last month of the ruling party's headquarters in Salisbury was the latest in a series of incidents, including the recent arrest of a white member of parliament for antigovernment activities, that have strengthened black opposition to Prime Minister Mugabe's conciliatory policies toward whites. Although the investigation of the bombing is continuing, most blacks blame dissident whites and South Africa.

The economic situation will pose an even greater challenge to Mugabe's moderate policies. Although Zimbabwe enjoyed high levels of economic growth during the last two years, the postindependence boom has begun to fade. The economy now suffers from double-digit inflation and continued high levels of white emigration--particularly among skilled professionals--and a recent survey of Zimbabwean businessmen revealed that they are increasingly pessimistic about the future.

South Africa's termination of a preferential trade agreement with Zimbabwe this March will hurt manufacturing industries. Western companies, unsure of the government's intentions, have not increased to any great extent their investments in Zimbabwe.

Economic sluggishness will significantly hinder the government's ability to improve black living standards, and some of Mugabe's political opponents have already sought to capitalize on black grievances. The government has attempted to silence these critics by imposing new restrictions on political activity. Mugabe, however, also may eventually have to accelerate land redistribution and other socioeconomic reforms to meet black expectations--a step that would further alienate whites.

④ GHANA: Rawlings in Control

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Coup leader Rawlings is continuing to consolidate his control over the political situation. Resistance by forces loyal to former President Limann has collapsed, and he has been arrested. Demonstrations supporting the coup by trade unionists and civilian radical fringe groups with prior ties to Rawlings took place over the weekend in Accra, but the general populace remains passive. Although Libya has recognized the new regime, there is still no evidence of Libyan involvement in the coup.

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Rawlings's handling of the military and its officers could determine the success of the new government. Many officers blame Rawlings for the serious split that occurred between officers and enlisted men after his coup in 1979, and they have not forgotten the abusive treatment they suffered or the executions of senior officers under the first Rawlings government. Rawlings's decision to free and restore to rank former military personnel jailed by the preceding regime--many of them misfits and criminals--is not popular.

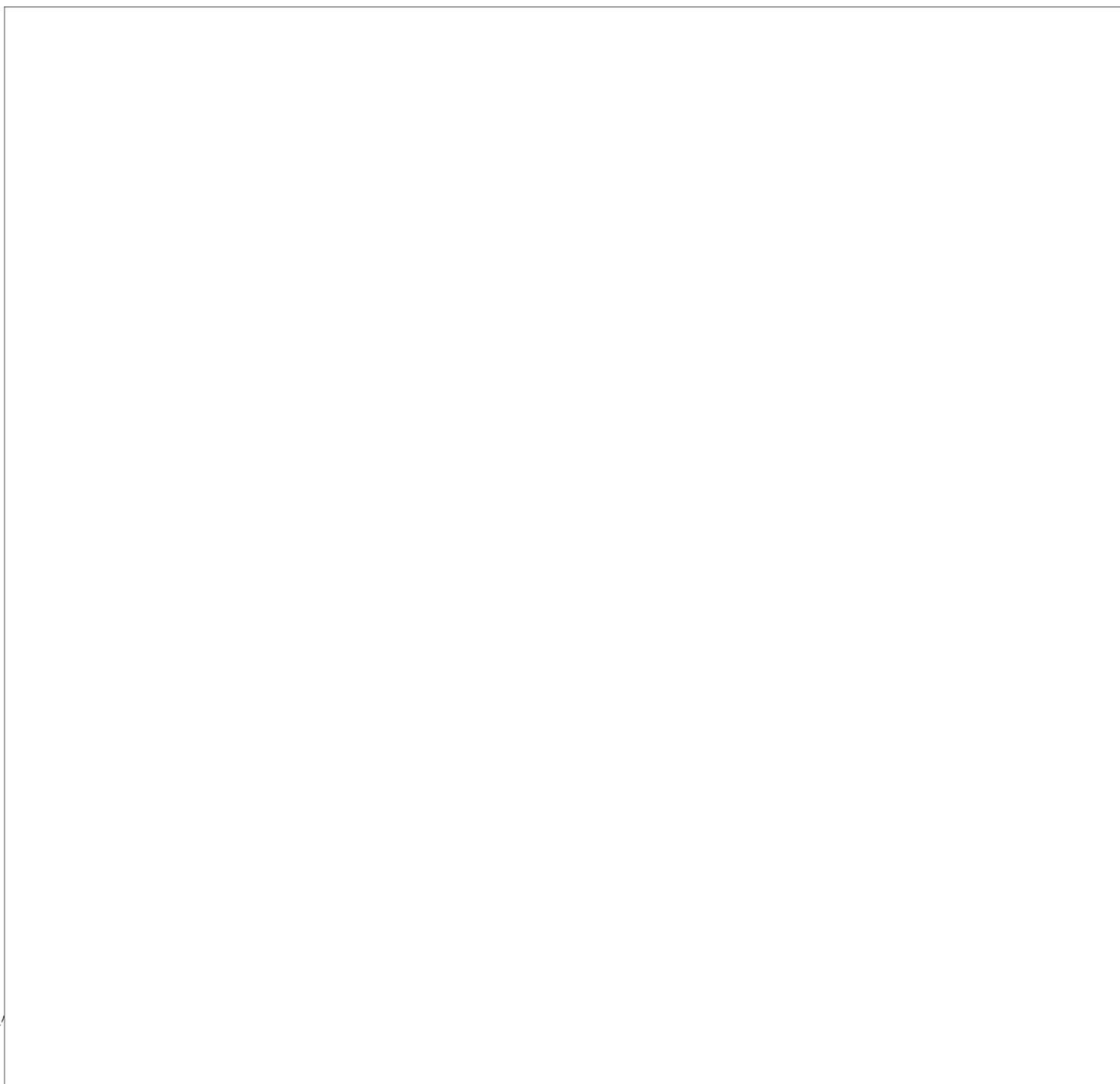
⑤ SUDAN: Student Protests

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Students in the Khartoum area have staged violent protests against the 63-percent increase in the price of sugar announced on 31 December. Security forces used tear gas to disperse 500 rock-throwing demonstrators in a suburb of the capital on Sunday. Students reportedly burned several gas stations yesterday and may have caused a major fire in a poor section of Khartoum. The government has announced that schools will be closed "until further notice." Additional demonstrations, however, are likely as the government attempts to deal with the economic crisis by enforcing other austerity measures and as supplies of fuel and essential commodities dwindle.



① GREECE: New Military Leadership

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The new leaders of the armed forces whose appointments were announced yesterday are well-disposed toward the US and NATO. As part of the annual promotion and retirement cycle, Prime Minister Papandreu took the unprecedented step of appointing a Navy admiral as chief of staff. Rotating the top post among the services is required by law, but previous governments have chosen officers from the Army because it is the largest service. The move reflects Papandreu's distrust of the Army and the greater support he enjoys within the Navy and Air Force. Army officers will be disturbed by the choice of a Navy man, but Papandreu probably hopes to assuage them with his choice of a highly respected, anti-Soviet officer as commander of the Army.



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SOUTH AFRICA - ANGOLA: Cross-Border Operations

1/2 Since last September South African forces have maintained a continuous presence in southern Angola in order to preserve gains achieved by previous incursions. Pretoria is determined to prevent guerrilla forces of the South-West Africa People's Organization from reestablishing forward positions in southern Angola. It also is attempting to deny Angolan forces access to bases in the border area from which the Angolans had supported SWAPO.

SPECIAL ANALYSIS

9 EL SALVADOR: Moving Toward Elections

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1/2 The junta is working hard to give greater legitimacy to the national elections planned for 28 March. Resistance from rightist opposition parties to some of these moves reflects the continuing inability of the different parts of the political spectrum to cooperate.

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1/2 Encouraged by the recent OAS vote overwhelmingly endorsing its plan, the junta is attempting to give the elections greater credibility abroad. San Salvador has invited almost all countries with which it has diplomatic relations to witness the process. A notable exception is Mexico because it recently has been unfriendly to the junta.

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1/3 Increasing disillusionment over Sandinista repression in Nicaragua, combined with the recent successful elections in Honduras, could encourage additional foreign sympathy for an electoral solution in El Salvador. The insurgents fear that a successful election will hurt their cause

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1/3 Domestically, the junta wants to broaden support for the plan and to reduce local criticism of its implementation. The junta has, for example, restored legal status to a leftist--but noninsurgent--political party banned for the past decade.

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1/2 More significantly, the junta has enacted a new electoral law to permit open registration. It hopes that this will encourage a large popular vote and help protect participants from extremist retribution. The law also reorganized the three-man Central Elections Council along nonpartisan lines.

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Rightist Intransigence

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The new law is meeting strong resistance from the five rightist opposition parties, which had planned to use voter registration lists to control individual precincts. Moreover, they believe that a large turnout will help the cogoverning Christian Democrats. The rightists also are angry that the junta has refused to create a Central Elections Council made up of one member from each political party. [redacted]

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The rightist parties, some of which apparently have significant voter appeal, have criticized the junta and in a recent letter to the OAS scolded the government and the Christian Democrats for "impeding" the electoral process. Although rightist criticism of the law probably will continue, these parties are unlikely to carry through on their threat to boycott the balloting. [redacted]

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The junta, meanwhile, has indicated that it has no intention of yielding ground and has begun its own campaign against rightist intransigence. [redacted]

Leftist Threat

The most serious threat to holding elections continues to come from the insurgents. [redacted]

[redacted]

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Acknowledging the insurgent threats, the junta has extended the state of siege into February. Although San Salvador has emphasized that the restrictions do not apply to the registered political parties, a continuing state of siege hinders efforts to portray domestic security conditions as conducive to free and fair elections.

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