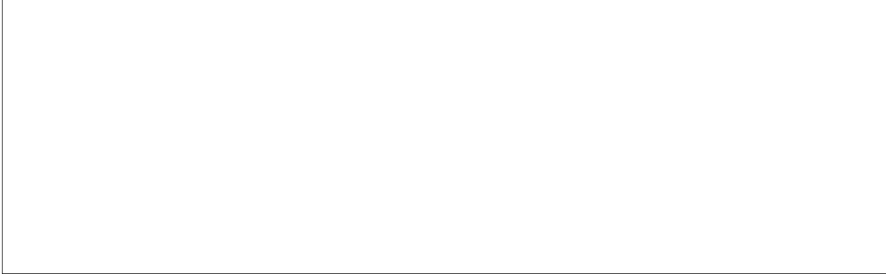




**Director of  
Central  
Intelligence**

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# **National Intelligence Daily**

***Thursday  
4 March 1982***

**Top Secret**

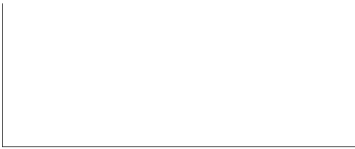
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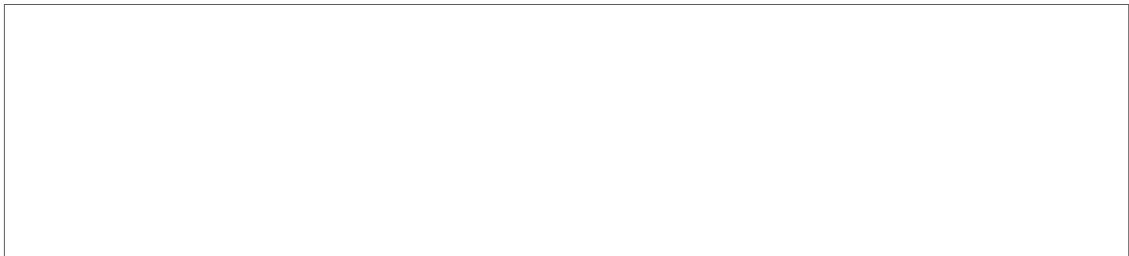
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CENTRAL AMERICA: Sandinista Repression

*Systematic efforts by the Sandinistas to eliminate most of the Miskito Indian presence along Nicaragua's northeastern border have caused a large-scale exodus to Honduras in recent weeks.*

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3 Since December, the number of refugees at the Mocoron camp in Honduras has grown from about 200 to 6,000. Many Indians are still crossing into Honduras at points that the Nicaraguan Army does not control. The large influx is seriously straining the ability of international relief organizations to provide adequate food, housing, and medical attention.

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Meanwhile, Sandinista efforts to move entire communities away from the border have led to the forced resettlement of about 8,500 Indians to camps in the Nicaraguan interior.

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4 at least 16 Indian villages--each consisting of from 15 to 110 buildings--have been either completely or partially destroyed since December along a 160-kilometer section of the border. Recent reports from refugees and US officials in Honduras suggest that the destruction is even more widespread.

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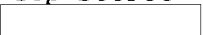
1 Comment: By removing the Indian population and destroying its villages, the Sandinistas intend to create a heavily patrolled buffer zone that will facilitate counterinsurgency operations along the border. These harsh measures also are aimed at denying anti-Sandinista bands located in Honduras support from disaffected Indian communities. Nevertheless, by swelling the ranks of the antiregime forces in Honduras and aggravating Indian hostility toward the Sandinistas, the Nicaraguan Government is ensuring that it will face an enduring problem in the East Coast region.

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GREECE-CYPRUS: Results of Papandreou's Trip

*Prime Minister Papandreou on his visit to Cyprus last weekend reassured Greek Cypriots of Athens' support without agitating Ankara, and he apparently is trying to get the West Europeans to play a role in settling the dispute.* [redacted]

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Papandreou reiterated that the Cyprus problem has top priority for Athens. He stressed his willingness to embark on an international "crusade," possibly including a broad-gauged international conference, if the UN-sponsored intercommunal talks degenerate. Papandreou made clear his pessimism about the chances of progress in the talks, but he cautioned that the Greek side has not yet given up on them. [redacted]

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In addition, Papandreou suggested that West German Social Democratic Party Chairman Brandt would be an ideal "catalyst" for achieving a settlement, and he chastised Greece's EC partners for not taking more active interest in the problem. He also singled out the UK for ignoring its treaty obligations as a guarantor of the island's integrity. [redacted]

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14 Ankara has not reacted to the visit. Turkish Cypriot leader Denktash has noted that Papandreou's remarks were "more moderate than expected." [redacted]

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Comment: Most of Papandreou's statements reflect old themes, but his interest in stimulating some sort of initiative by the Europeans is new. These comments appear to be another Greek effort to enlist the help of Western countries in the hope that they will compel Turkey to remove its troops from northern Cyprus. The Greeks have long held that only the Western allies, particularly the US and West Germany, have enough influence in Ankara to secure greater Turkish flexibility on Cyprus. [redacted]

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West European governments support the UN talks and would be reluctant to endorse an international conference because of Turkey's opposition to the idea and the possibility of Soviet involvement. Neither Brandt nor the EC countries seem prepared to play an active role in settling the dispute, but they might become more receptive if both Athens and Ankara were to give their consent. [redacted]

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ROMANIA: Ceausescu's Planned Diplomatic Activity

*President Ceausescu is embarking on a diplomatic campaign, possibly including a visit to the US later this year, to dispel any impression in the West that his domestic problems have weakened his leadership or reduced his independence in foreign policy.*

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In addition to his talks with Secretary of State Haig, Ceausescu has met in the past month with Italian Communist Party Directorate member Pajetta, Yugoslav Party Presidium President Dragosavac, and Polish Foreign Minister Czyrek.

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Ceausescu is now considering attending a special session of the UN General Assembly on disarmament this summer and might try to arrange a meeting with President Reagan. He also is planning visits to China and possibly North Korea in April, and to Greece in May.

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Comment: In Washington, Ceausescu would particularly want to press his case for financial support and to reaffirm the special relationship he believes he has established with every President since 1969. Ceausescu last visited China in 1978 and may wish to balance recent high-level contacts with the US and the USSR by renewing his relationship with fellow "independents" in Beijing. The Romanians evidently sought the meeting with Pajetta in order to demonstrate solidarity with the Italian Communists in their dispute with Moscow.

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PANAMA: Shakeup in the National Guard

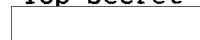
1/2 The sudden retirement of National Guard Commander Florez yesterday clears the way for Chief of Staff Lieutenant Colonel Paredes to control the Guard as he prepares for his bid for the presidency in 1984. Paredes, a conservative and essentially pro-US, is an intelligent and popular leader. Florez assumed command following the death of General Torrijos last July and recognized that his tenure would be temporary. 

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Comment: Although Paredes evidently forced Florez out, the shakeup does not appear to signal the start of a power struggle. 

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USSR: Credit Problems

The market for Soviet promissory notes at traditionally discounted rates has virtually disappeared, [redacted]

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[redacted] European bankers still are confident the USSR will repay existing loans, but that there is little interest in favor of new Euromarket lending and that Western bankers would demand a 2- to 3-percent premium to trade in Soviet notes. Moscow in recent years has used promissory notes to obtain \$400-600 million annually in medium-term import credits. [redacted]

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Comment: This development--another indication of the erosion of Moscow's credit rating within the European financial community--will force the Soviets to seek other types of commercial credit and also increase their cost of borrowing. [redacted]

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EAST GERMANY - USSR: Construction of Gas Pipeline

East Germany has announced that it will build two of the Soviet segments of the new pipeline that will carry natural gas from Siberia to Western Europe. [redacted] [redacted] it will send to the USSR as many as 8,000 skilled workers. The Soviets reportedly secured East German agreement to help on the project only after threatening to cut gas deliveries. [redacted]

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Comment: A threat to reduce gas deliveries would be credible in light of Moscow's tough negotiating stance with East Germany on other bilateral economic issues during the past year. East Berlin can ill afford the loss of skilled labor and apparently is reluctant to participate because of unsatisfactory experiences on similar projects in the USSR. Although the East Germans may receive some hard goods in compensation, they evidently will not get additional supplies of gas. [redacted]

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MOROCCO-OAU: Polisario Membership Issue

The walkout by Morocco and 18 other countries from the recent OAU ministerial conference in Addis Ababa has effectively postponed the question of membership for the Polisario Front until the next OAU summit this summer. Morocco initiated the boycott after the conference chairman seated a delegation representing the Polisario. Most of the countries that walked out maintain that the Polisario's government-in-exile is not a sovereign state and that the referendum procedures adopted at earlier OAU meetings should be used. [redacted]

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1-5

Comment: Support for Morocco may dissipate between now and the next summit scheduled for August in Libya. Some of those who walked out did so primarily because of procedural objections to the seating of the Polisario, and they may abandon Morocco if it is inflexible in dealing with OAU mediation efforts. Rabat may at some point temporarily withdraw from the OAU, which almost certainly would end OAU mediation. [redacted]

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SOUTH AFRICA: Ruling Party Rebels Ousted

The parliamentary caucus of the ruling National Party yesterday expelled Andries Treurnicht and 15 other rightwing members who oppose Prime Minister Botha's plan for Colored and Indian participation in the national government. Six members of parliament who voted against Botha in the caucus meeting last week recanted and remain in the party. Treurnicht and another Botha opponent on Tuesday resigned from the cabinet. [redacted]

1-3

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Comment: Although Botha's personal triumph has prevented the rightwing revolt from spreading, it has resulted in the largest split in a ruling party in over 40 years. The ease of Botha's victory probably understates the extent of rightwing sentiment throughout the National Party. [redacted]

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SPECIAL ANALYSIS

MEXICO - CENTRAL AMERICA: Lopez Portillo's Peace Plans



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3 *President Lopez Portillo's recent speech in Nicaragua, which proposed guidelines for easing regional tensions, signals his desire to carve out a larger role for Mexico in shaping events in Central America. Although he wants to use his last nine months in office to enhance his reputation as a conciliator, his policy will continue to lean more toward leftist revolutionary positions than toward the US.*

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3 The Mexican President's stance reflects his concern that the US is adopting increasingly hardline policies toward Cuba, Nicaragua, and the insurgents in El Salvador. The growing divergence between his policy and majority sentiment in Latin America in approaching Nicaragua and El Salvador has not shaken his confidence in his analysis of and prescription for the region. It probably has, however, reinforced his interest in strengthening Mexico's image and projecting its influence.

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Conciliation Efforts

3 Promoting a compromise between the US and Nicaragua-- and thereby also easing strains between the US and Cuba-- is at the heart of Lopez Portillo's initiatives toward Central America. He is mindful of the US proposals made to the Sandinistas last August and believes that common ground can be found if both sides make concessions. He is proud of Mexico's role in facilitating the meeting last November between Secretary of State Haig and Cuban Vice President Rodriguez and wants to see such contact renewed.

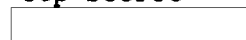
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1 Lopez Portillo shifted tactics when he urged that Nicaragua halt its arms buildup, even though he made such a move contingent on US action aimed at reassuring the Sandinistas. By making release from prison of the three Nicaraguan business leaders a precondition for his visit to Managua last month, Lopez Portillo also has demonstrated a new willingness to use the leverage that his government has developed through its generous economic assistance and steady political support.

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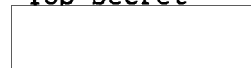
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Nevertheless, the Mexican leader remains committed to backing the Sandinistas. His recent private statements to some US citizens indicate that he continues to tolerate Sandinista behavior and to blame US hostility for the radicalization of Nicaragua. Now that Lopez Portillo has emphasized that support for the Sandinistas is a cornerstone of Mexican policy, any efforts by him to exert strong pressure on Nicaraguan leaders would jeopardize his carefully cultivated position as friend of the Nicaraguan revolution and provoke a backlash from the Mexican left.

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Position on El Salvador

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Lopez Portillo has not provided the comprehensive blueprint for El Salvador that Mexican officials had promised, although he has restated his continuing support for a negotiated settlement there. This omission probably reflects the President's hope that his views might be given a more careful hearing after the election in El Salvador on 28 March.

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Past efforts to broker negotiations between the insurgents and the Salvadoran Government have persuaded Mexico that some cogoverning Christian Democrats favor a dialogue. Lopez Portillo may believe that President Duarte's party will be in a better position to press the military on this issue if it wins a solid victory.

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The effort by Mexico to undercut the legitimacy of the Salvadoran election late last year by sponsoring UN resolutions critical of the Duarte government backfired when the majority of Latin American governments rallied behind the junta's electoral plan. As a result, Mexico did not oppose the decision by OAS member states last month to send a team to observe the elections.

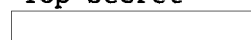
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Mexico has a tradition of acting alone in hemispheric affairs, however, and its relative isolation on El Salvador has not diminished Lopez Portillo's commitment to a political solution. He may, in fact, see the apparent growing strength of rightist parties in El Salvador as a development that could cause the US to reconsider a negotiated settlement.

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