



**Director of
Central
Intelligence**

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National Intelligence Daily

*Friday
5 March 1982*

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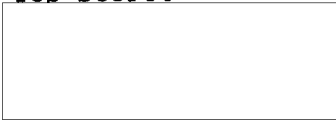
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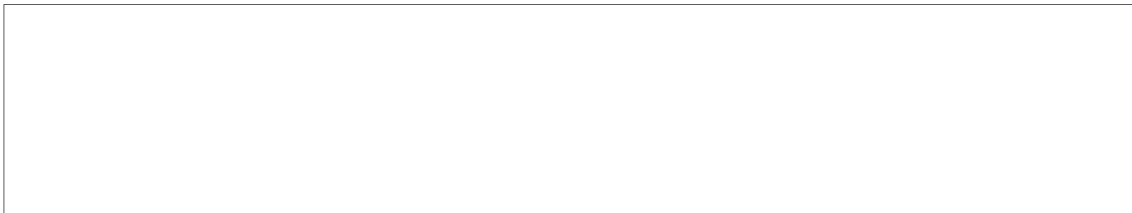
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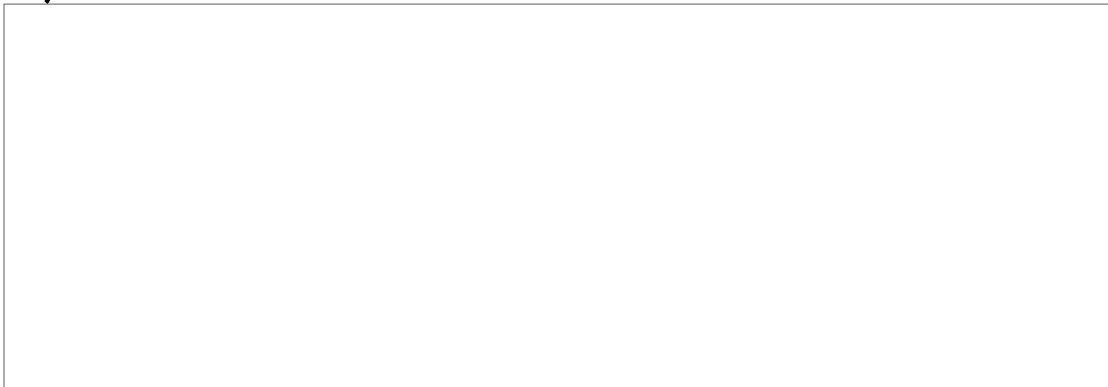
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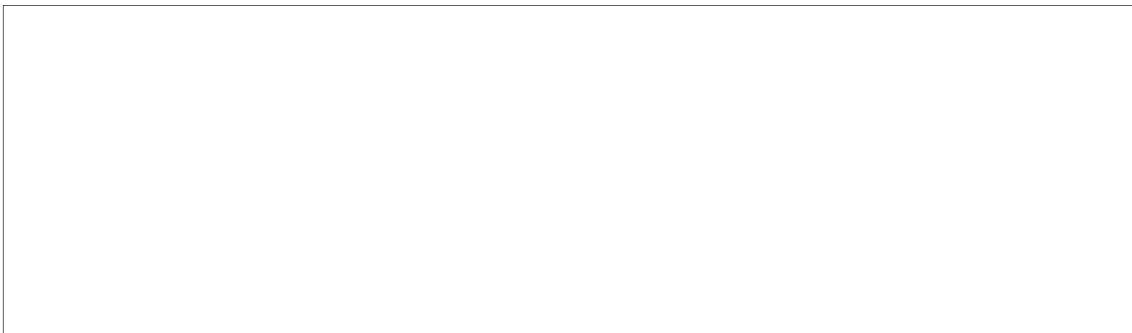
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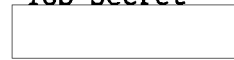
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HUNGARY: Financial Position Getting Worse

Increased borrowing difficulties threaten Budapest's ability to meet its payments. 

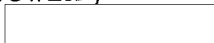
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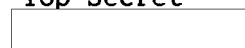
Hungarian officials repeatedly have tried to disassociate Hungary from Poland's economic woes. They continue to hope that the US Government will reassure US banks that lending to Hungary is sound. 

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Comment: The current unavailability of large medium-term syndicated Eurocurrency loans, on which Hungary has relied, makes Budapest highly vulnerable to cutbacks in regular bank lending. Bankers have lost confidence in doing business in all of Eastern Europe as a result of the Polish and Romanian crises and the uncertainty over the future of East-West relations, and they are unlikely to resume lending funds to Budapest soon except on a short-term basis. Hungary's borrowing difficulties make IMF membership even more urgent. 

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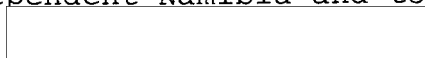


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SOUTHERN AFRICA: Frontline Summit on Namibia

Tanzanian President Nyerere has called a meeting this weekend in Maputo of the leaders of the Frontline States and the South-West Africa People's Organization to discuss problems with the Western Contact Group's proposals for electing delegates to the constitutional assembly for an independent Namibia and to review events in southern Africa.



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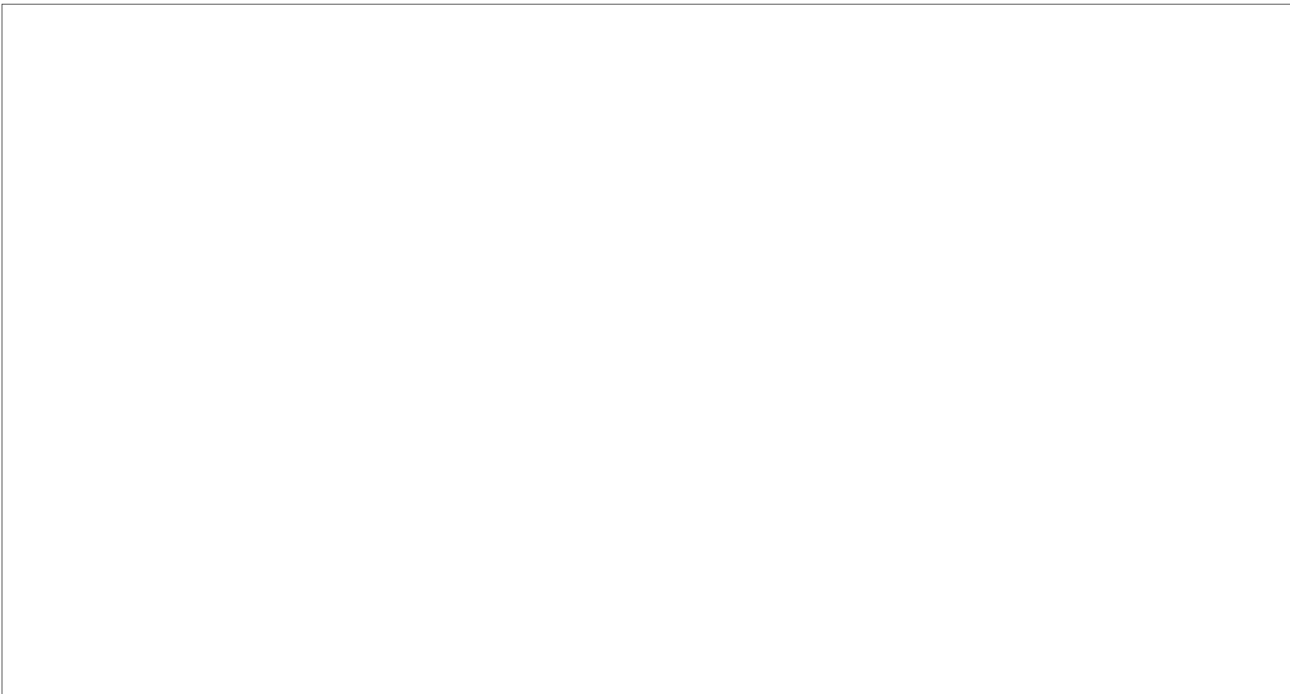
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Comment: The Frontline States are under considerable pressure to accept the Contact Group's proposals, and Nyerere probably anticipates an acrimonious session. He may attempt to persuade SWAPO to accept the proposals by pointing to the prospects for regional instability if the negotiations fail and possibly by guaranteeing Frontline support on the more difficult issues still to be negotiated. The Tanzanians apparently believe that the Frontline States will agree to the Contact Group's proposals if SWAPO can be brought on board. Although Zambia, Botswana, and Mozambique are likely to support Nyerere, SWAPO probably will continue to reject the Contact Group's proposals.

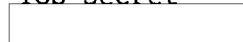


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Guatemalan Officials



President Romeo Lucas



Army Chief of Staff Benedicto Lucas

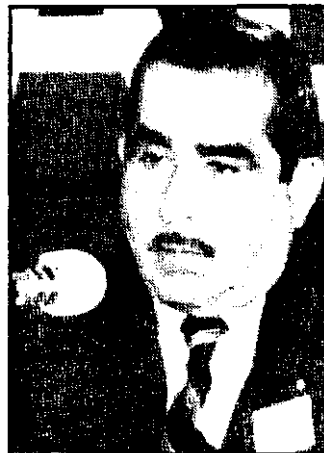
Major Guatemalan Presidential Candidates



Anibal Guevara



Alejandro Maldonado



Mario Sandoval

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SPECIAL ANALYSIS

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GUATEMALA: Election Prospects

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Ruling coalition candidate General Anibal Guevara appears likely to be installed as President in July, whether or not he wins a plurality in the elections on Sunday. Although the current administration has pledged clean elections, the growing strength of Guevara's two major opponents increases the possibility of vote rigging and postelection violence. Such circumstances could prompt the Army to intervene, either to ensure a plurality for Guevara or to take direct command. Such a move could undermine the already slim prospects for lessening Guatemala's international isolation and for reducing domestic political animosities.

[Redacted]

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Guevara, a former Minister of Defense who is less rigidly rightwing than President Lucas, appears to retain the advantage despite having lost ground over the past two months. He has enjoyed the use of government resources during the campaign. One of his aggressive opponents, however, may yet win.

[Redacted]

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Alejandro Maldonado, the candidate of a coalition including the left-of-center Christian Democrats, has chipped away Guevara's lead and is running ahead in some public opinion surveys. Rightwing leader Mario Sandoval also has put on a last-minute surge at Guevara's expense.

[Redacted]

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Sandoval has the best political organization and will be able to get large numbers of his supporters to the polls. His greatest strength lies in the southeastern part of the country, the region least affected by leftist insurgents trying to disrupt the election.

[Redacted]

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No candidate is likely to receive an outright majority, and the government-controlled legislature will choose the President later this month from the top two votegetters. Guevara could be chosen even if he finishes second in the general balloting, but such a departure from tradition would further poison the tense political atmosphere.

[Redacted]

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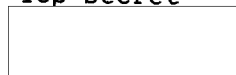
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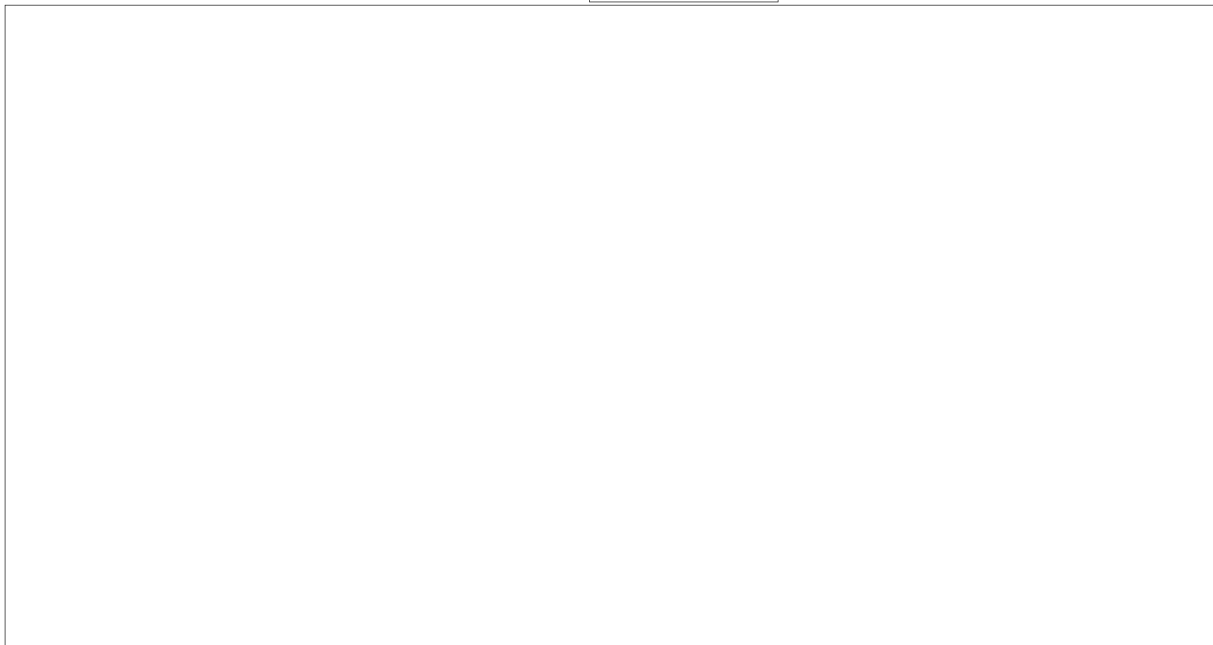
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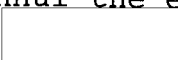
Military Attitudes

Public promises of clean elections from both the government and the Army are designed to counter Guatemala's dismal human rights image and to attract international support. As Guevara has faltered, however, the high command probably has considered guaranteeing him a plurality through fraud. 

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If Sandoval loses, he probably will charge the government with fraud and use his numerous paramilitary forces to stage mass protests. Although his aim probably would be to negotiate additional congressional seats for his party rather than to provoke a showdown, the situation could get out of hand. If Sandoval's forces provoke serious disturbances, the Army might declare a state of siege--and possibly annul the election--in the interests of preserving order. 

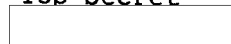
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Outlook

No matter what the outcome, the election is unlikely to ease Guatemala's international ostracism or promote domestic backing for the new administration. At home and abroad, a victory by Guevara will be widely assumed to have been achieved through fraud. Although Sandoval is

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a civilian, his rightist policies would be seen in many other countries as a continuation of the worst excesses of the preceding military regimes. 

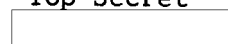
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The assumption of power by a freely elected Maldonado-- an unlikely outcome--would gain some international support for Guatemala, but the suspicions of the military and Sandoval's supporters would hamper the new government's ability to address the problems facing the country. 

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