



**Director of
Central
Intelligence**

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National Intelligence Daily (Cable)

28 April 1982

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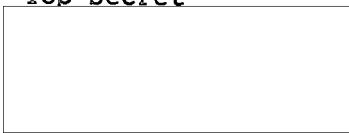
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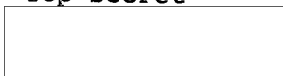
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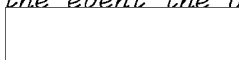
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UK-ARGENTINA: Diminishing Diplomatic Options

//The Thatcher government continues to take a tough line while the mood in Argentina is increasingly one of anxiety. Both sides may be contemplating bold new military moves in the event the US mediation effort fails to bridge differences.//



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//Statements Monday and yesterday by Fleet Commander Woodward and Prime Minister Thatcher emphasized British readiness for further action. Although Thatcher reiterated her willingness to negotiate, she emphasized that time is running out and publicly rejected Labor and media urging to rule out further military action while negotiations are pending. She also asserted her confidence that Washington would side with the UK if negotiations do not resolve the crisis.//



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//In Buenos Aires, the cabinet met twice in emergency session yesterday, and the press quotes an Argentine Embassy official in Washington as saying that the latest US compromise proposals are "unacceptable." Argentine press commentary yesterday ranged from approval to suspicion of the US mediation effort, and Secretary of State Haig's remarks at the OAS received generally chilly treatment.//



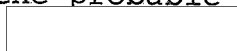
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Comment: //Thatcher will continue to emphasize the government's readiness for both fighting and negotiations. This probably will keep the parliamentary consensus intact, but it will be strained if there are substantial casualties.//



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//The flurry of activity in Buenos Aires indicates growing junta concern about British military intentions and a realization that negotiations are at a critical stage. If President Galtieri has in fact rejected the latest proposals, he may deflect domestic challenges in the short term, but his fate will then largely depend on the outcome of the probable military confrontation with the British.//

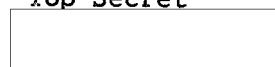


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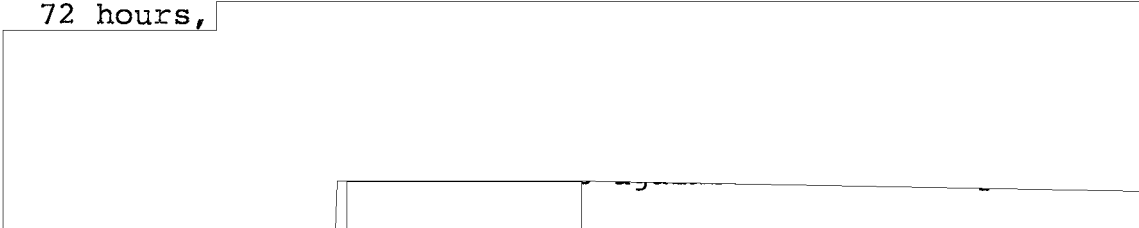
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British Military Activity

//A small force of British Royal Marines could be placed ashore in the Falklands within the next 48 to 72 hours,



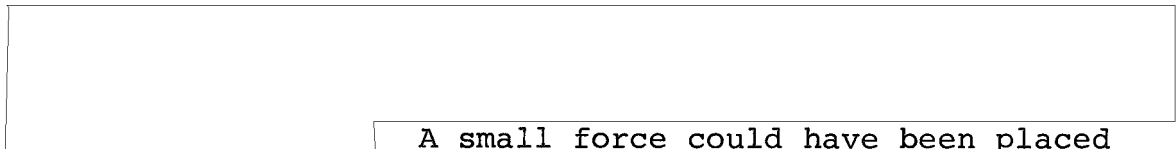
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//The British Defense Ministry announced yesterday that the assault ship Intrepid had left Plymouth to join the task force and that two additional cargo ships had been requisitioned.//



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A small force could have been placed ashore by submarine in the past few days or may be in the near future. It would be valuable in scouting out Argentine defenses, particularly those near the airfield at Port Stanley.//



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//The Intrepid probably will be joining her sister ship, the Fearless, now at Ascension Island. These ships would be useful in an amphibious operation against the Falklands because they can land sizable numbers of men and amounts of heavy equipment. The addition of the two civilian ships brings the total now requisitioned or leased to about 40.//



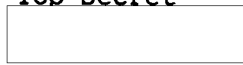
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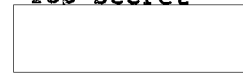
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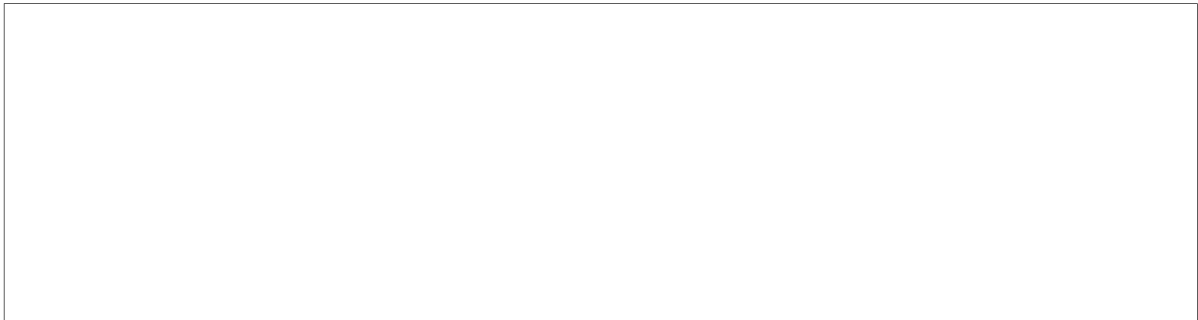


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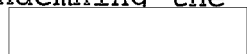


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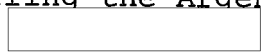


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Support for Argentina

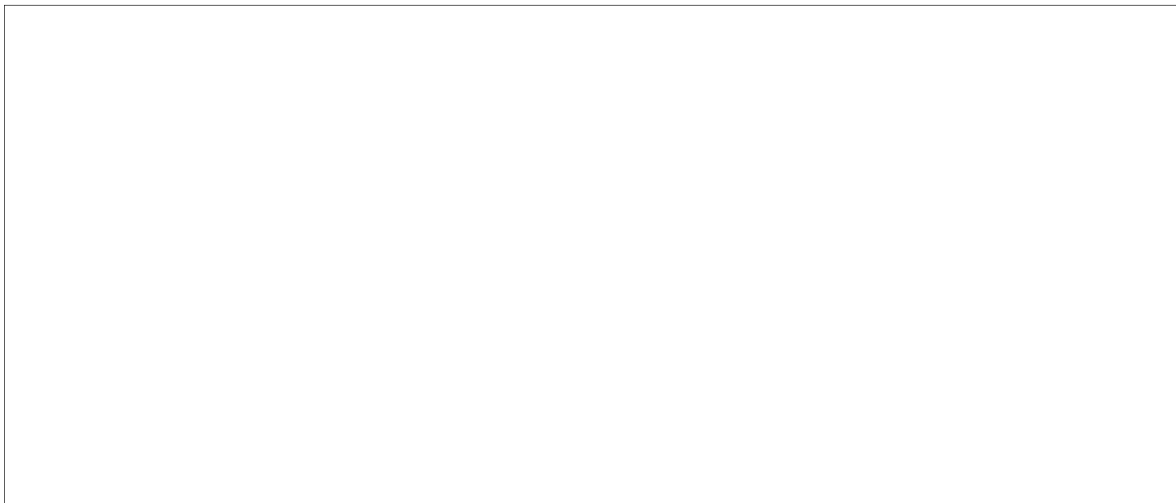
//After a period of equivocation, Cuba's Foreign Ministry yesterday issued a declaration calling for a halt to "all military, economic, and any other type of hostility" against Argentina and condemning the retaking of South Georgia as "aggression."// 

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Comment: //Cuba has chosen to follow a course that should do the least damage to its image in Latin America. Havana sees the dispute as an opportunity to weaken the OAS and promote friction between Washington and London, but the Cubans are wary of being tied too closely to an administration in Buenos Aires that is ideologically unacceptable. The Castro regime probably is also concerned about associating with a government that may not survive if the British succeed in expelling the Argentines from the Falklands through force.// 

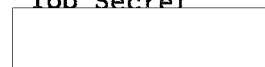
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EL SALVADOR: Military Patience Wearing Thin

//The military is losing patience with constituent assembly leader D'Aubuisson's defiance of its prescription of an independent provisional president.



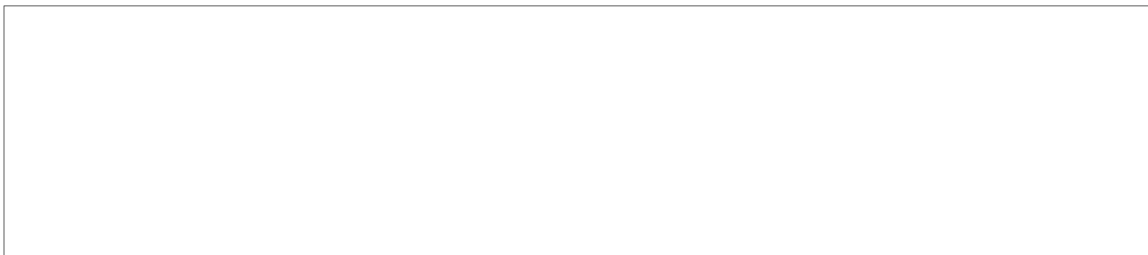
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//Defense Minister Garcia has informed US officials that D'Aubuisson is attempting to buy or intimidate assembly deputies, in order to block the election of Alvaro Magana, and that similar tactics are being used to divide the armed forces. Garcia believes, however, that the rightist National Conciliation Party--which holds the balance of power--will assure Magana's election. Commander in Chief Gutierrez expressed concern that the assembly will make the provisional presidency a figurehead position.//



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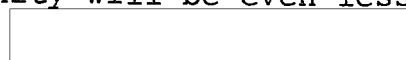
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Comment: //Garcia apparently believes that the oligarchs--reportedly returning from abroad in large numbers--will use D'Aubuisson to reverse reforms, thus endangering Western military and political support. He also distrusts the National Conciliation Party, which voted for D'Aubuisson as assembly president despite strong military lobbying.//



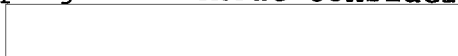
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//The swift election of Magana would reduce military concern. Attempts to restrict his power, however, could seriously try the armed forces' patience. D'Aubuisson's alleged tampering with military unity will be even less tolerated by the high command.//



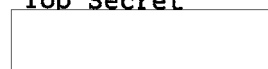
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//The government will have major problems administering an effective amnesty program without considerable foreign financial support.//



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WEST GERMANY: Impact of Social Democratic Congress

//The government coalition is unlikely to be strengthened by the Social Democratic Party's acquiescence to Chancellor Schmidt's positions on security and nuclear energy issues.// [redacted]

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Comment: //Party leaders will try to portray the votes at the party congress last week and some cabinet changes this week as a new beginning for the coalition. Congress delegates responded unenthusiastically to the Chancellor's formulations, however, and the divisions in the party as well as new public recriminations probably will reappear soon.// [redacted]

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//Relations with the more conservative Free Democrats were strained at least temporarily by the resolution of the congress favoring an expanded jobs program financed by a supplementary tax on higher incomes, reduced tax breaks for business, and heavy taxation on windfall profits. Schmidt probably has no intention of carrying out the resolution, and relations with his own party also will suffer as this becomes apparent.// [redacted]

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//The coalition will become somewhat more stable again, because the worst predictions about the congress were not fulfilled. The Free Democrats were not given any justification to desert the coalition and form a new government with the Christian Democrats.// [redacted]

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//Nevertheless, the Schmidt coalition remains largely immobilized. Important disagreements remain within and between the two coalition parties in effect blocking action.// [redacted]

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//The two parties will have to decide soon how to finance an employment package, because the upper house probably will veto the increase in the value-added tax already proposed by the government. They are to begin discussions in June on the budget for 1983 dealing with an unexpectedly large projected deficit.// [redacted]

[redacted]

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[redacted]

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[Redacted]

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HUNGARY - WEST GERMANY: Kadar in Bonn

Hungarian party leader Kadar is in Bonn for the first time since 1977 for talks with Chancellor Schmidt and other West German leaders on Hungary's current problems and on East-West relations. [Redacted]

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Comment: Kadar, who is deeply concerned over Budapest's credit situation, is likely to stress that progress on reforms will require enough Western credits to allow Budapest to cover its debt service without further tightening its austerity measures. [Redacted]

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[Redacted] Schmidt regards Kadar as a trusted interlocutor between East and West and probably will attach great importance to Kadar's appraisal of the current situation in Poland following his meeting last week with Premier Jaruzelski. [Redacted]

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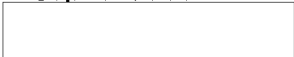
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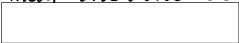
SPECIAL ANALYSIS

UK-ARGENTINA: Planning for Combat Operations

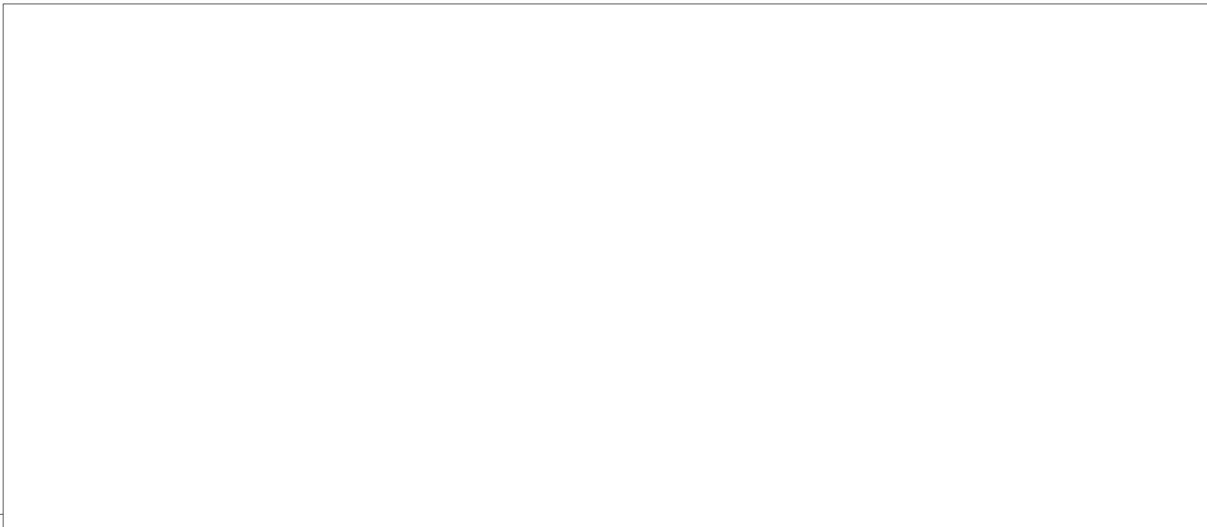


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//The possibility of a high risk, preemptive Argentine strike against British forces has increased significantly over the past few days. At the same time, the UK's anticipation of these trends may incline it toward unleashing a major naval action of its own.//



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Argentina needs a victory not only for military redress, but because the details of the South Georgia defeat were kept from the public and are now beginning to leak.//



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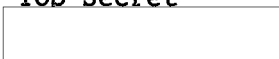
//With internal criticism growing, President Galtieri may also feel in greater need of a military initiative. In addition, Navy Commander Anaya probably has been particularly stung by events on South Georgia because of the loss of a submarine and the surrender of special naval forces. Anaya is the most aggressive of the Argentine leaders and has a sense of military honor that demands retribution, even at great cost.//



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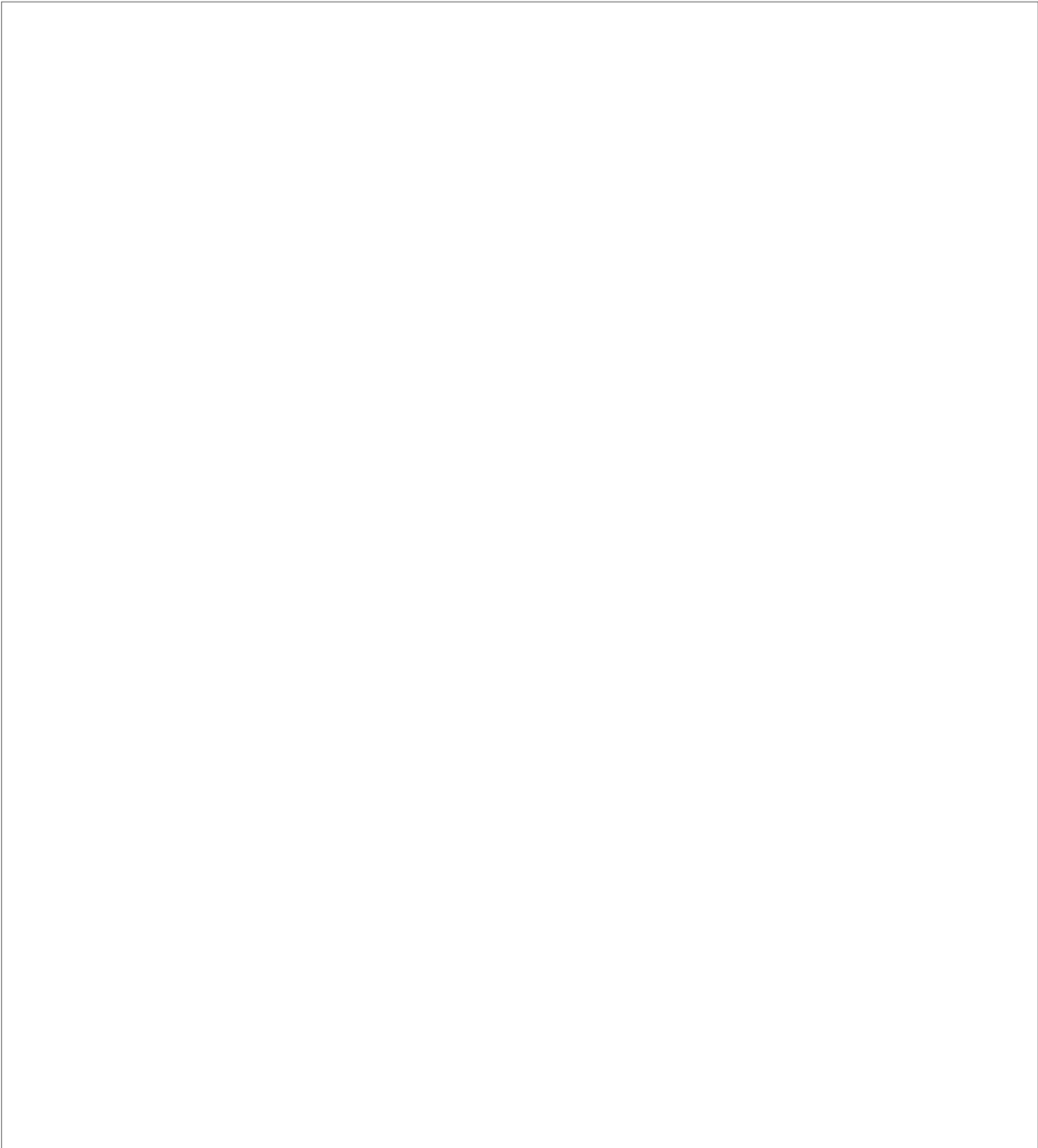
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//If Argentina believes--as it well may--that it faces an imminent end to negotiations and a near-term British assault on the Falklands, then it may view the next few days as an opportune time to gamble and use its greatest advantage--an air force which may be able to establish air superiority.//

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