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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NFAC-5240-81
20 August 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : National Intelligence Officer for Warning

FROM : Assistant NIO for Latin America

SUBJECT : Monthly Warning Assessment: Latin America

1. El Salvador

The leftist guerrillas have become bolder and their tactics increasingly sophisticated in their campaign of disruption and destruction. The insurgents are hitting more widely and with greater frequency, inflicting increased casualties on the security forces. They briefly held a remote town, which reportedly was to have been declared a "liberated" zone, and have disrupted much of the country's electrical power supply. Their aim is to tie down security forces and portray a government unable to cope. They seem to be gaining confidence and some momentum--though the level of military activity does not begin to approach last January's offensive.

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Government forces appear to be increasingly demoralized and discouraged--especially younger officers. Moreover, the guerrillas reportedly plan to keep up the pressure for 3-4 months. Under the circumstances, it is difficult for security forces to train the additional forces they need and fully absorb materiel being made available to them. Moreover, their rising frustration increases the possibility of retaliatory actions--perhaps not well thought out--that could prove counterproductive. Finally, the military's discomfiture is likely to feed its long-standing distrust of cogoverning civilian politicians, leading to renewed strains in the regime.

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2. Panama

The death of strongman Torrijos--for 13 years the principal cohesive element in Panama's turbulent politics--greatly complicates the local scene. Without Torrijos, it will be difficult to contain public

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dissatisfaction with the government, which became apparent some time ago. Torrijos' official party will probably face a growing challenge from opposition groups of the right and left. Former Torrijos subordinates will scramble for increased influence, and there could be strains between the government and the National Guard Torrijos had commanded. Some who had opposed the Torrijos-negotiated Canal treaties with Washington as a "sellout" to the US will be emboldened to reopen the issue and increasingly work to exploit nationalism and anti-US sentiment.

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3. Nicaragua

Despite renewed pressures by the Administration (Assistant Secretary Enders' recent blunt talks in Managua), the Sandinistas are unlikely to alter the behavior Washington finds increasingly provocative. Their commitment to the insurgency in El Salvador remains as strong as ever, and they are determined to build the area's most formidable military establishment. (S)

Indeed, if the Sandinistas conclude that a "showdown" with the US is now inevitable, they may proceed still more rapidly with what they regard as measures to "protect" themselves against the US and nearby conservative regimes. Moreover, if the Salvadoran insurgents need additional short-term assistance to continue their current stepped-up activity, the Sandinistas will probably oblige.

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4. Brazil

The unexpected departure of a top presidential aide, General Golbery (Ret.), may signal significant policy shifts. Golbery, considered the architect of the regime's political liberalization plan, lost out in disputes with other advisers over the handling of this and other major issues. Politicians and other key civilian groups now fear Brasilia's commitment to eventual restoration of civilian government has weakened. Many are also troubled by the government's preoccupation with its ongoing economic austerity drive, to bring down inflation and improve external accounts.

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In coming weeks, many will be inclined to interpret every word and deed by the regime as "proof" that their worst fears are about to be realized. If there were, in fact, a major slowdown of the liberalization process--now relatively far along--it would lead to serious tensions with once docile civilian groups, by now accustomed to considerable openness and anticipating unfettered congressional and gubernatorial elections.

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