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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC-7709-80
25 November 1980

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

THROUGH : Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

FROM : National Intelligence Officer for Latin America

SUBJECT : Monthly Warning Assessment: Latin America

1. Action Requested: none; for your information only.
2. Jamaica

The JLP's strong electoral victory will present Prime Minister Seaga with some problems as well as benefits. Clear public repudiation of Manley's PNP has probably undercut any plans Jamaican radicals had for sustaining the pre-electoral violence. And the JLP's control of over 80 percent of the seats in the House of Representatives means little energy need be wasted in parliamentary maneuver against the opposition in devising a long-term recovery program for the bankrupt economy. However, the extent of JLP domination of the political scene also increases the impatience of its supporters for the "deliverance" promised by Seaga. Yet there is little that Seaga can do in the "bread and butter" area without prompt and largescale foreign assistance. Inertia in the launching of foreign aid programs will cause strains in the JLP between technocrats and labor leaders and lengthens the odds against effective political and economic reconstruction

3. Nicaragua

The short-term political course remains highly clouded. In response to mounting economic pressures, erosion of popular support, and real and imagined organized dissidence and plotting, the Sandinista Directorate is likely to turn increasingly dictatorial. At least some members apparently have concluded that the game plan of toleration of a

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measured degree of political freedom is not working, and that opposition groups will have to be cowed or eliminated lest they gain support from an increasingly dissatisfied population, including disaffected mid-and lower-level Sandinistas. While many among the disgruntled will keep a low profile, and some will flee, the number engaged in plotting and organized resistance will increase. In other words, a more dictatorial government may become more vulnerable. The Sandinista leaders very likely will retain control of the situation. But their sense of beleaguerment will cause them to seek more assistance from the Cubans and the USSR, in the security and political action as well as in the technical and economic areas.

4. El Salvador

The process of slow improvements in the security and political performance of the government and declining political and (to a less clear extent) military potency on the part of the leftist extremists continues. Nonetheless, the vulnerabilities of the centrist junta remain large. A lowered sense of danger from the extreme left and dismal short-term economic prospects (as well as the results of the US election) are increasing pressures by the political right for more conservative governmental leadership. Middle grade officers, weary of growing casualties and an inability to dramatically reduce the military power of the guerrillas, are also pressuring for a "stronger" government. Centrist political groups in and out of the government are concerned about the unremitting (and perhaps increasing) terrorism of the extreme right.

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The odds still favor the junta hanging on to power for some time (though a shift in its political standards to the right of center seems increasingly likely). The prospects for the junta to gain the degree of domestic and foreign support needed for consolidating its power and fostering a much greater measure of political peace and improved economic performance still seem dim.

5. Brazil

Despite some recent belt-tightening measures to shore up its increasingly beleaguered credit rating, negative momentum seems likely to suck the government into a politically-costly financial crisis. Brazil apparently needs \$1.5 billion in fresh foreign funds per month to meet its debt commitments, and to pay for oil and other essential imports. Foreign lenders, more and more concerned about short and


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medium term prospects, are willing to extend only about one-third of that amount. They are convinced that Brazil must sharply cut its growth rate and reschedule its massive (\$60 billion) external debt, and strongly prefer that it be done in conjunction with an IMF stabilization program. Brazilian leaders increasingly recognize the need for a serious austerity program, but fear the domestic political costs and international embarrassment of having lost control of the situation--which is what IMF participation will be seen to mean.

If it seeks IMF help, the government will try to shift the blame to external forces beyond its control (e.g., unreasonable international bankers, disruption of oil imports as a consequence of the Iran-Iraq war). With or without the IMF, the costs of the delay in shifting from growth-as-usual to austerity will probably shake the government's self-confidence as well as its popularity.



Jack Davis

Paragraphs 2 through 5
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