

Directorate of Intelligence  
Office of African and Latin American Analysis

9 July 1982

NOTE FOR: Director of Central Intelligence

This package of materials is for your NSPG meeting next week. It includes: 1) talking points updating the situations in each Central American country, 2) the Key Judgments from the recent SNIE on Central America, to refresh your memory, and 3) the country annexes from the SNIE, also worth rereading.



Director

Attachments:  
As stated

Talking Points Updating Situations  
in each Central American Country

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9 July 82

DCI Talking Points: Update on Central America

I. In El Salvador, both sides have demonstrated improved military capabilities in the past month, but the net balance is unchanged.

- During the intense fighting in Morazan, the Army suffered heavy casualties and tactical deficiencies.



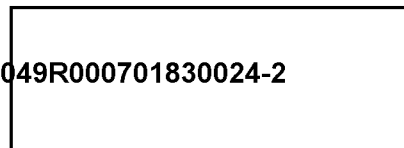
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- However, the quick reaction forces were able to gain control of the situation as the campaign progressed, aided by greatly improved air support.
- The guerrillas scored an important political victory by holding Perquin for almost three weeks, but they expended much ammunition and energy in the effort.
- The insurgents eventually will reinfiltate Morazan, but will not be capable of a repeat performance soon.
- Instead we believe they will resume the war of attrition by targeting the economic infrastructure and smaller military outposts.
- On the whole, the government's military capabilities appear to be improving faster than those of the insurgents.

The political picture is more fragile, as divisiveness and competition among the parties make governing a halting process beset by periodic small crises.

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- In net terms, the reform effort appears to be progressing, thanks largely to occasional arm-twisting by the military.
- Further distribution of lands under Phase III of the agrarian reform is still uncertain, but more land titles are being awarded, and peasant renters evicted illegally by landowners are being returned by the military to their plots.
- The government is arresting and charging civilian and military human rights abusers [REDACTED]  
[REDACTED]
- The rightists under D'Aubuisson continue to impede reform, and President Magana appears unwilling to challenge them directly.
- Continuing poor economic prospects will only increase the pressure on the government and the armed forces.

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II. In Guatemala, Rios Montt's tenuous hold on power continues to depend on broad military support and the absence of any obvious alternative.

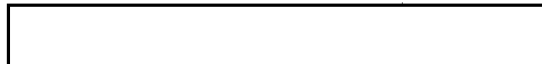
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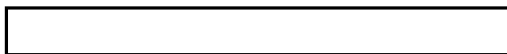
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- Recent statements by the President have antagonized private sector and political party leaders



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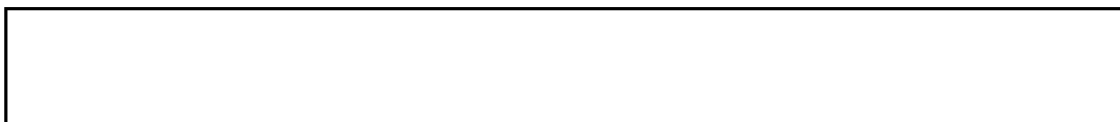
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- Rios Montt's reformist tendencies appear genuine, in part because he recognizes that the government must have popular support to defeat the guerrillas.
  - Nevertheless, his staunch anti-communism appears likely to result in human rights abuses, though not on the scale of preceding administrations.

The guerrillas are worried about the potential success of Rios' "hearts and minds" counterinsurgency strategy.

- They have made civilian defense forces a special target and have been killing peasants in their Western Highlands stronghold areas as a warning to those who would collaborate with the government.



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- Neither tactic appears likely to achieve much success, and the attempt to intimidate Indians probably will be counterproductive over the long term.

III. In Nicaragua, the trend toward totalitarian rule continues, as do aggressive policies aimed at intimidating neighboring states.

- The recent extension of the state of emergency has enabled the Sandinistas to subject opposition forces to increasing

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restrictions and harassment.

- Another Social Christian Party member was jailed late last month, while others were prevented from traveling abroad.
- The military buildup and mobilization continue.
  - Forces in the Honduran border area have been doubled to 12,000 to counter raids by anti-Sandinista guerrillas.

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To some extent, the Sandinistas are using growing threats from abroad as justification for further radicalization and to mobilize the population behind them, but they are also genuinely concerned.

- Anti-Sandinistas have been inflicting an increasing number of casualties along the northern frontier.
- Eden Pastora represents a potentially dangerous rallying point for anti-Sandinista forces, and one with considerable (and apparently growing) international appeal.
- Moreover, the Sandinistas believe the US is committed to their destruction.

The Sandinistas have made major strides in developing their power base, but continued economic disarray is causing popular resentment.

- Economic assistance from Mexico, radical Arab states, Western Europe, and Soviet bloc countries may continue to keep the economy afloat, but recovery still appears unlikely in the near term.

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IV. Honduras is now being targeted directly by regional and domestic communist forces.

- Honduras' recent military cooperation with Salvadoran counterinsurgency operations in the border area has prompted retaliatory strikes by Salvadoran guerrillas and Honduran terrorists.
- These include the destruction of Tegucigalpa's electric power facilities and the Honduran airline office in Costa Rica over July 4th weekend, carried out by a new action arm of the Salvadoran FMLN.
- Honduras also is under growing pressure from Nicaragua to cease permitting anti-Sandinista forces to operate from Honduran soil.
- Nicaragua's continued military buildup is intended in part to intimidate Honduras and perhaps eventually to enable direct strikes against anti-Sandinista camps.



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- At the same time Nicaragua is attempting to put diplomatic pressure on Honduras.
  - The naval commanders of the two countries recently met to ease bilateral tensions, and Nicaragua will continue to seek such exchanges.
- Also, Cuba is stepping up training and support for Honduran leftists in hopes of fomenting wider domestic violence.

In the face of these growing threats, Honduras believes it must have substantial US military and economic aid at very favorable terms.

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- Without such support, Honduras is likely in the coming months to try to appease the foreign and domestic left by pursuing more neutral regional policies.

The civilian government of President Suazo and the armed forces under Commander-in-Chief Alvarez continue to cooperate closely, not only in national security policy, but also on domestic political and economic issues.

- The political scene is calm, as virtually all forces except the far left seek to make the transition to civilian rule a success.
- The economic picture is much less favorable, with little likelihood of any improvement from last year's dismal .3 percent economic growth.
- Facing a worsening current account deficit of nearly \$400 million this year, Honduras is in serious need of balance of payments support.

V. In Costa Rica, President Monge's visit to the US last month was considered very successful, while Nicaragua publicly criticized it.

- The government's continuing nervousness over Nicaraguan military and covert action was reflected in its expulsion of Eden Pastora.
- Despite Pastora's personal popularity and the increasing anti-Sandinista sentiment among Costa Ricans, the expulsion was widely applauded for fear that Pastora's activities would provoke Nicaraguan retaliation.
- Although Costa Rica is upgrading its woefully inadequate security forces, it will continue to look to the OAS, the



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US, and regional supporters for protection from Nicaragua.

- Domestic and regional leftists have made no efforts recently to increase pressure on the government, but planning apparently continues.
- Direct action is probable if—as is likely—Monge continues his anti-Cuban foreign policy.

The administration's chief concern, of course, is the economy.

- Monge's acknowledgement that austerity is essential has been backed up with tougher policies in recent weeks, which should improve prospects for an IMF agreement, but not necessarily soon.
- Nevertheless, pressure from the more free-spending wing of Monge's party, as well as from communist and democratic labor unions, may cause some backtracking.
- Even with a full commitment to austerity, economic recovery is years away.

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Key Judgments from SNIE on  
Central America

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## KEY JUDGMENTS

The threat posed by Communist-supported insurgency remains serious but the momentum of the extreme leftist groups in Central America has slowed, at least temporarily. A number of developments during recent months have for the moment strengthened moderate and democratic groups in the region:

- Fair elections have conferred power on new governments in Honduras, Costa Rica, and El Salvador, while Guatemala has moderate leadership; all four governments now have stronger support than their predecessors.
- Guerrilla forces in El Salvador and Guatemala failed to stop or disrupt the elections through violence and terrorism. In El Salvador such forces were repudiated by the people.

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- Factional rivalries have contributed to reducing somewhat the effectiveness of the guerrillas in Guatemala and El Salvador, despite Cuba's efforts to mediate these internal disputes.
- The previous assumption among many outside observers—Socialist International members and others—that victory for the extreme left in Central America was inevitable is no longer so firmly held.
- The growth of the exile anti-Sandinista movement and the increase in defections from Nicaragua point to problems for that country's Marxist-Leninist regime.

Despite these positive events of late, *the* dominant aspect of Central America's future will remain the weaknesses of moderate societies there, and the continuing efforts of Cuba, Nicaragua, and their allies to promote Marxist revolutions in the area.

Accordingly, the principal threats to US interests will be posed by these situations:

- Nicaragua will continue to build the most powerful armed force in the region and will have help from some 2,000 Cuban security

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advisers. This military force will continue to be used to maintain internal control, to intimidate neighbors such as Costa Rica and Honduras, and to build toward a dominant military position in the area.

- Soviet arms shipments to Cuba, already running at a higher level than at any time since the 1962 missile crisis, will probably remain substantial. These will continue to include new and sophisticated weapons which will free older Cuban weapons for transshipment to Nicaragua.
- Cuba and Nicaragua will continue to support the guerrillas in Guatemala and El Salvador while working to build up the extreme left in Honduras and Costa Rica. At the same time Cuba and Nicaragua will continue their covert efforts to divide and intimidate the governments of Honduras, Costa Rica, and El Salvador.
- For tactical reasons, Cuba and the extreme left may step up attempts to explore "political solutions" in order to reduce the level of counterinsurgency efforts by El Salvador, while they use the next months to regroup, rearm, and mold additional unity among the guerrillas.
- The danger of assassinations of US officials and moderate Central American leaders is likely to increase as the extremist leftist groups seek dramatic ways to seize the initiative.
- Honduras will increasingly become a key target of Cuban and Nicaraguan subversion. Castro and the Sandinistas will almost certainly use a variety of methods—subversion, intimidation, "peace" initiatives, propaganda, etc.—to try to force the Suazo government to reduce its strong pro-US stance in the region.

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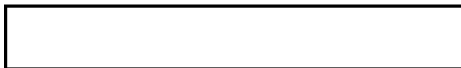


Yet, in the event their efforts should fail, Cuba and Nicaragua might then adopt more militant policies against Honduras:

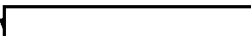
- They might well attempt to establish an ostensibly home-grown Honduran guerrilla group in a remote area. In such a case, Nicaraguans and other foreign extremists would probably participate.
- And in the event anti-Sandinista exile groups continue to mount operations into Nicaragua, units of Managua's ground and air forces may launch reprisals against exile bases in Honduras.

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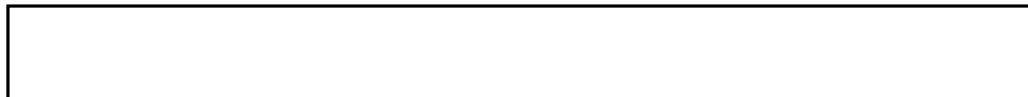
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- A number of outside entities—including the USSR, Libya, Palestinian terrorist groups,<sup>1</sup> and various leftist organizations—will continue to lend a broad array of support to Marxist revolutionary movements in Central America. Such support will continue to include training and arming of some guerrillas.
- Cuba, Nicaragua, and their allies will also continue to augment their subversive efforts with initiatives for “negotiations and peace.” These will be designed to attract non-Communist support for the extreme left, reduce foreign support for the target governments, divide the target governments, and complicate relations between the United States and its allies. We consider it highly unlikely that Cuba and Nicaragua will negotiate in good faith during the period of this Estimate.
- Meanwhile, the political situation in El Salvador will remain fragile, its new leaders continuing to have trouble achieving consensus in the country on national priorities, the reforms, and the apportionment of power, with the armed forces leadership seeking to keep repressive forces in check.
- The new government in Guatemala will remain vulnerable to overthrow, through a combination of possible plotting on the part of disgruntled military officers and missteps on the part of Guatemala’s  new leader, General Rios Montt. International recognition through tangible support of the positive changes in Guatemala would strengthen moderate forces.
- Severely depressed economies in El Salvador, Guatemala, Honduras, and Costa Rica will constitute certain of the most critical challenges to moderate, constructive advance. The slump in world prices for these countries’ agricultural exports is expected to persist, thereby maintaining pressure on already scarce foreign exchange reserves. Violence and guerrilla activity will continue to harm production, erode investor confidence, limit the accumulation of capital, feed inflation, and contribute to already high levels of unemployment. Furthermore, needed austerity measures will be highly unpopular and likely to contribute to additional unrest. These economies will continue to be dependent in important measure on strong external support.

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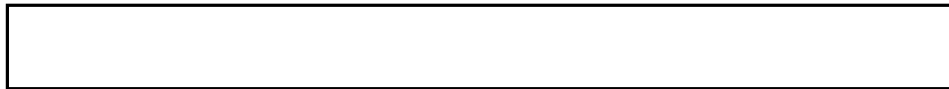
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For the longer run, beyond the period of this Estimate, the future holds many severe threats to US interests in Central America. The many weaknesses there will grow in the absence of continuing strong international support, and there is no guarantee that even such support will enable moderate forces there to carry the day. Events have demonstrated, however, that there is no inexorable downward path ahead.

- The Marxist revolutionaries and their various backers are beset with numerous weaknesses and constraints.
- There is considerable political vitality in the area—demonstrated especially by the courageous election turnout in El Salvador.



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- Important support for moderate forces and the target governments has come from Venezuela, Colombia, and other friendly governments, as well as from the Christian Democrats of Europe and Latin America along with the international free trade union movements.

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Country Annexes from SNIE  
on Central America

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## ANNEX

## COUNTRY OUTLOOKS

## El Salvador

1. The prospects appear relatively favorable that El Salvador's provisional government will be able to build upon the strong mandate of the 28 March constituent assembly elections and move the country toward a national election in late 1983 or early 1984. Although the government will continually reflect the fragility of El Salvador's rigid political system, on balance we judge that its more moderate and pragmatic elements are likely to gain greater influence during the period of this Estimate. The position of these elements will, as necessary, be reinforced by the military, which emerged as the major force for moderation during the month of political infighting that followed the election. During that time the armed forces repeatedly showed that, unlike the major contesting parties, they had not forgotten who the real enemy is and that they remain aware that national survival depends on maintaining foreign economic and military assistance.

2. Nevertheless, the government faces many challenges in the next few months, including an insurgency that retains strong capabilities and a war-ravaged economy that has virtually no short-term prospect for improvement. Attempts to address these problems will be complicated by unrealistic domestic and international expectations that the recent election will quickly result in a reduction of violence and economic improvement. Perhaps the most serious complication, however, is the institutional weakness of the government itself, which is largely an extension of El Salvador's longstanding political polarization and which, at this point, remains largely undiminished.

3. The unity of purpose that distinguished the election and the disharmony among the contesting parties that followed underscore El Salvador's strong desire for a democratic process on the one hand and the fragility of its political system on the other. Against a backdrop of international skepticism and a concerted guerrilla effort to disrupt the balloting, some 1.5 million voters—perhaps 85 percent of the eligible constituency—delivered a severe political and psycho-

logical setback to the far left in what even the most critical observers acknowledge was a generally fair contest. Nevertheless, the failure of the Christian Democratic Party (PDC) and of the two leading rightist parties to win a majority in the constituent assembly precipitated a month of intense political infighting that exacerbated already pronounced ideological divisions. Seeing the country's increased political legitimacy thus threatened and concerned over possible erosion of military unity, the armed forces high command imposed its prescription for a national unity government.

4. The net result is a fractious 60-member assembly with 24 seats held by the PDC, 19 by Roberto D'Aubuisson's ultraconservative National Republican Alliance (ARENA), 14 by the more moderate rightist National Conciliation Party (PCN), and the remaining three by two other tiny conservative groupings. As essentially decreed by the military, however, the executive is led by Alvaro Magana, an independent with close ties to the armed forces, and three vice presidents, one from each of the major parties. The power-sharing arrangement extends to the 15-member cabinet, with each of the major parties controlling four portfolios and independents appointed by the military holding three.

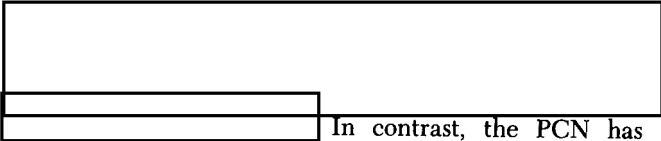
5. Despite the assembly's ideological divisions, its actions already reveal the emergence of a pragmatic sense among some of the parties as they seek to protect and enhance their positions. This has been most evident in the forging of temporary arrangements of opportunity, best illustrated by the PCN-ARENA election of D'Aubuisson as assembly president and later, by the PDC-PCN ratification of Magana as provisional executive. Significantly, ARENA's opposition to Magana—17 votes against—even in the face of intense armed forces pressure is said to have incensed the high command, which was already smarting at reports of D'Aubuisson's tampering with military unity.

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In contrast, the PCN has shown its political acumen by reinforcing its position as power broker through the votes on D'Aubuisson and Magana. By correctly reading the signals from the military on Magana, it has also firmed up its traditional links with the armed forces. Similarly, it is likely that Christian Democratic support for Magana has increased the party's credibility with the military. At the same time, the PDC is hoping that the armed forces' prescription is a further indication that the mainstream of the officer corps remains pledged to protecting the reforms of the last two years.

7. Although the military would prefer to concentrate on the insurgency, its recent formation of a six-man oversight committee to help the executive over major policy hurdles and to mediate serious partisan fighting suggests that it perceives a continuing need to exercise its power in the political arena. Its involvement may prove propitious, however, in helping a political center take shape with the PDC, elements of the PCN, and possibly the small Democratic Action party, which holds two assembly seats. Such an evolution would give the Christian Democrats the option of moving closer to the center-right position of the military and the PCN on some issues, while also enabling it to distinguish itself as the clear alternative for the national election on others. The PCN, meanwhile, would stand to gain the most recognition by virtue of its prominent swing role, a position it will increasingly use in preparation for the election.

8. ARENA's prospects, on the other hand, appear more limited. The party has recently suffered a number of serious defections from both its hardline and more moderate ranks. Hardliners reportedly were disenchanted by D'Aubuisson's bowing to the military prescription, symbolized when he abstained on the Magana vote; in addition, a few oligarchs—disappointed at D'Aubuisson's failure to win the provisional executive himself—allegedly have withdrawn their funding. Such erosion underscores both the fragility of ARENA's support and the naivete of some of its backers. Further defections over the next six months are likely, particularly among more moderate ARENA members—some of whom had previously bolted the PCN—who are concerned about D'Aubuisson's politi-

cal inexperience and fear that party zealots will again test the military's patience.

9. Despite the apparent erosion of support, ARENA's ability to garner 29 percent of the popular vote suggests that it has the potential to remain a major player in El Salvador's evolving political process. This, however, will require cultivating an image commensurate with its aspirations, a formidable task in light of its narrow ideology. Furthermore, its leaders have inadvertently allowed ARENA to be maneuvered into positions of lesser visibility in the government. This handicap is particularly apparent in the cabinet, where the PDC's control of the critical Foreign and Labor Ministries, the PCN's hold on Public Works and the Ministry of the Presidency, and the grasp of military-backed independents on the important Planning and Interior posts are likely to overshadow ARENA's generally obscure portfolios. Ironically, ARENA's major cabinet post—the Ministry of Agriculture—is one that could prove politically costly to the party and to the country as well.

10. The increasing importance of Agriculture and related ministries stems in part from El Salvador's continuing economic decline, underscored by a 1982 GDP growth rate of minus 10 percent. Industrial investment and production are down again this year as a result of the insurgency, a credit squeeze on the private sector, and lack of foreign exchange to purchase raw materials and equipment from abroad. Further agricultural deterioration reflects the effects of persistent rural violence, problems in implementing the land reform program, and low world prices for coffee and cotton. Meanwhile, private consumption is plunging because of reduced incomes and declines in supplies of domestic and imported goods. Because of increasingly acute foreign exchange problems caused by expanding current account deficits, foreign net disinvestment, and capital flight, the economy continues to be heavily dependent on official aid from abroad.

11. To spur production in the severely depleted cash crop industries and to restore the confidence of landed investors, the government recently postponed further distribution of rented land to peasants. Although the new law explicitly protects all current and pending claims to the land by peasant renters, it has precipitated strong opposition from the PDC and

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farmworkers organizations, inspired increased evictions by conservative landowners, and given the extreme left a valuable propaganda issue. The fact that the controversy has all the earmarks of developing into a major international setback for the government could once again inspire the military to force its prerogatives on the political parties, particularly as any perceived threat to agrarian reform threatens the continuation of US and other Western assistance.

12. Whatever its ultimate resolution and ramifications, the action by the assembly underscores the weaknesses of the unsophisticated body politic. Symptoms of these weaknesses will repeatedly be manifested in an inability to separate partisan and personal goals from common national priorities, and a failure to put behind the ideological and personalist conflicts that in the past have thwarted the democratic process and nurtured violent vendettas among political figures and groups. Such negative symptoms have, in fact, further revealed themselves in recent reports of increased activity by rightist death squads. These actions may proceed from a number of different and contradictory motives, including frustration over the failure of ultraconservative forces to control the new government, a belief that those elements do, indeed, dominate, or a misguided sense that the Western democracies cannot now back away from their commitment to support the provisional government.

13. The upswing in political violence is unlikely to abate soon, precisely because the controversy among disparate political elements over agrarian reform and other issues will continue and because the military increasingly will be distracted by its new battlefield initiatives.

Nevertheless, there are already signs that the extremists are becoming isolated by government, military, and domestic rejection of rightist violence. These signs have been especially reflected in the armed forces' recent arrest of a number of rightist vigilantes and members of the government's security forces, and by the assembly's assertion of its commitment to restoring a semblance of law and order through its unanimous appointment of an independent and fully staffed supreme court. Moreover, even the ultrarightist ARENA has publicly condemned recent violent acts by

extremists aligned with the party, and has unanimously endorsed declarations by the other parties and the press for greater military control over undisciplined security forces.

14. On the military front, the balance appears to be shifting in the government's favor. The government gained a strong psychological boost from the elections, and the recent return of a third quick-reaction battalion and nearly 500 junior officer candidates from the United States provides the Army with the additional manpower and leadership necessary to undertake more aggressive military operations against the insurgents. Furthermore, the expansion of the helicopter inventory to 20 UH-1Hs and the acquisition of some 180 military trucks have improved mobility greatly.

15. Nevertheless, weaknesses remain. Basic infantry training is generally poor, command and control are weak, and intelligence capabilities still need much improvement. Although overland and naval interdiction capabilities have improved somewhat, defenses are still porous, and the government has almost no capability for air interdiction. Finally, despite recent expansion, the 28,500-man military and security force still lacks the 10-to-1 force advantage over the some 4,000 to 5,000 guerrillas generally considered necessary to defeat an insurgency.

16. The guerrillas, for their part, still have not recovered from the demoralizing effects of the successful elections. Insurgent unity has been shaken by recriminations over the failed preelection offensive, and desertions have increased. Furthermore, the guerrillas are hurting from the disruption of their supply network. Stocks of ammunition, medical supplies, and even food remain depleted.

17. Nevertheless, the insurgents retain strong capabilities, and many appear to be resigned to a protracted military struggle. The guerrillas are especially entrenched in northern and eastern El Salvador, where they have large networks of well-defended base camps. (See next page for map of insurgent organization.) These support increasingly better armed and trained guerrilla forces. It will take a major sustained government offensive effort to dislodge them.

18. Furthermore, the Cuban and Nicaraguan arms pipeline remains open, assisting the insurgents in rebuilding their supply inventories and permitting stockpiling for future offensive operations.

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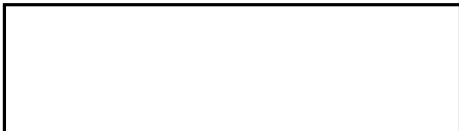
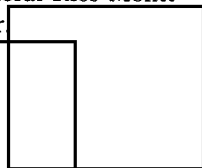


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**Guatemala**

20. The March coup that placed the reformist Rios Montt government in power has given Guatemala new opportunities to end its international isolation, acquire needed foreign assistance, and reverse guerrilla momentum in gaining Indian recruits. Despite public support and military backing for anticorruption and human rights measures, however, General Rios Montt still has only a tenuous hold on power



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19. Overall, while the military appears to be gaining the upper hand, a decisive victory over the insurgents probably is still well down the road. Much will depend on the new government's ability to avoid divisive quarrels and address the country's worsening economic problems.

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officers are pushing for further steps to curb the influence of junior officer advisers, whose interference in military command assignments has unsettled military discipline.

While ongoing political maneuvering could hamper the military's counterinsurgency efforts, it has made strides in formulating a multifaceted approach to the problem. The guerrillas are well entrenched in some parts of the Western Highlands and are receiving increasing Cuban assistance, but their persistent disunity, their inability to carry out scheduled operations, and new government programs to gain the allegiance of the civilian population suggest that the insurgents will not succeed in achieving major advances in the months ahead.

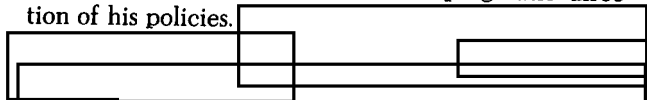
23. Rios Montt's disinterest in economic and business matters is particularly distressing to the private sector, which witnessed a previously strong economy grow by only 1 percent last year. The economy is expected to stagnate again this year as international market conditions and the insurgency have caused the demise of tourism and a drying up of commercial credit, reduced private investment, and increased capital flight. Rios Montt's claims that Guatemala does not need bilateral foreign economic assistance have added to the unease among business leaders, although government officials are approaching friendly nations and international lending institutions for assistance to help cover balance-of-payments deficits.

21. Rios Montt appears to be the driving force behind the new government, deriving his political power from personal popularity and support for his policies from most junior officers and key military unit commanders. By taking steps to curtail government corruption and human rights abuses he is addressing the concerns of many of the junior officers responsible for the coup. The junta has arrested dozens of former officials involved in corruption, canceled several public projects that were sources of graft, and established a high-level oversight committee for new projects. National police units implicated in rightwing murders have been disbanded, policemen accused of abusing human rights since the coup are being arrested or relieved of their duties, and civilians not authorized to carry weapons are being disarmed. The actions have contributed to a decline in civilian deaths, particularly politically motivated murders in Guatemala City.

24. Rios Montt does not appear to be in imminent danger of being ousted, given his continuing support from key military commanders and most junior officers. Among these groups there appears to be an awareness that another change in government—particularly to a more rightist orientation—would jeopardize growing international recognition of Guatemala's reforms, damage the military institution, and detract from their primary task of defeating the insurgents. Political opponents of the former government appear divided in their response to Rios Montt's programs and many are willing to allow the reforms time to take root. Finally, Rios Montt benefits from the fact that there are no obvious candidates—from either the senior or the junior officer ranks—who have the personal following to lead the country.

22. While the public welcomes the reduction in violence and military officers support reforms that may bring increased foreign assistance, the stability of the junta is still threatened by several factors, particularly those stemming from the enigmatic personality of the junta leader. Rios Montt's ambiguous, rambling public speeches often undercut the pragmatic direction of his policies.

25. Rios Montt, a staunch anti-Communist, is dedicated to moving forward with a progressive counterinsurgency program, but is emphasizing new aspects designed to elicit civilian support in this effort. He has offered the guerrillas a monthlong amnesty during which they can surrender their arms without fear of retribution. Following the amnesty period the Army would implement a national defense plan involving a major near-term effort to undercut the insurgents. In preparation, the Army has recently been increased to approximately 17,400 men, with plans for the immediate mobilization of an additional 5,000 veterans, reservists, and civilians for six months. These troops will be deployed in heavily contested areas in the Western



Rios Montt's critics also have more concrete complaints. His increasing preference for making decisions on his own is antagonizing senior commanders, particularly the other two junta members. And senior

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Highlands and near the capital. The government has announced that it will institute a state of emergency in these areas.


26. The junta is giving special emphasis to organizing loyal peasants into civilian defense forces (CDF). Approximately 6,000 partially armed peasants turned out for a progovernment rally in the Western Highlands, and plans in that region call for including an eventual 17,000 participants. While the Army has been reluctant to provide these unproven forces with adequate weaponry—fearing that guns would fall into guerrilla hands—the civilians have already engaged the guerrillas on several occasions with some success. With their knowledge of local terrain, they also serve an intelligence function and are making it difficult for guerrillas to cache arms and move freely.

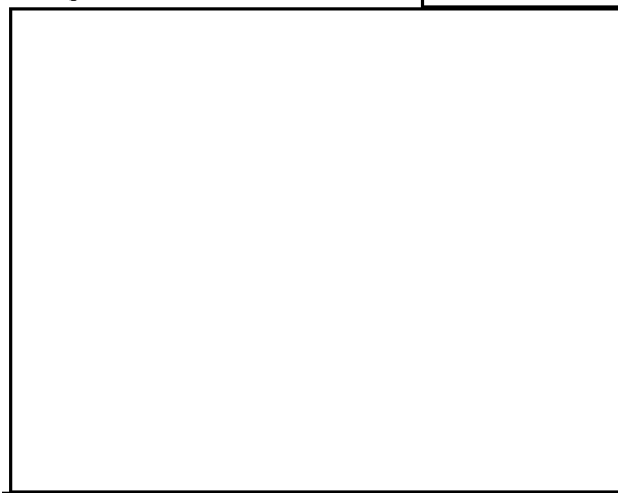
27. The Army still faces mobility, intelligence, logistic, and equipment problems. It has serious difficulty moving men and materiel throughout a country five times the size of El Salvador. There are insufficient aircraft for the expanding task of the counterinsurgency. Inadequate communications prevent coordination of air and ground forces, and residual peasant distrust of government troops hinders the gathering of intelligence. New programs will require several months and greater resources than currently available before substantial gains can be expected in the counterinsurgency effort.


28. External assistance to the Guatemalan insurgent movement, particularly from Cuba, is on the increase, and guerrilla activity is correspondingly expanding. The return of trained combatants, increased arms flows, and the continuing deterioration of the economy could again increase the level of guerrilla activity significantly by the end of the year. But there are already some signs that the military is gaining new acceptance among the peasantry, and the government will be in a position to further weaken the insurgents' rural support base if it presses forward with reforms. Therefore, the course of the insurgency over the next several months will depend as much on the government's initiatives as on guerrilla tactics and level of external assistance. In this regard we judge that the insurgents will not make major advances in the near term.

29. Recruitment and training continue to be the primary focus of the insurgents. The increase in their

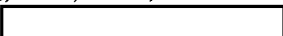
numbers over the past year reflects their success in provoking repression by the prior government. Army abuse of civilians, which the junta is trying to stem, has been an important factor—along with poor economic conditions—in the growth of popular support for the guerrilla movement.

30. We estimate that there are some 3,000 to 4,000 insurgent combatants in Guatemala. 



 Nevertheless, guerrilla units numbering as high as 200 to 300 have staged attacks over the last six months. This and the breadth of insurgent activity reinforce a general picture of substantial growth in guerrilla ranks, and reflect the insurgents' ability to call upon organized local forces to expand their numbers for specific missions.

31. The guerrillas have concentrated on economic sabotage and political terrorism, while avoiding major confrontations with full-strength Army units. Since the coup, however, the insurgents have placed new emphasis on attacking the civilian defense forces in order to discourage Indian cooperation with the military. This demonstrates guerrilla recognition that the Army is more effectively competing for the support of the peasantry. At the same time, consistent abuse of civilians by the guerrillas could undermine their recruitment efforts. The insurgents, backed by Havana, also have initiated a broad propaganda campaign to discredit the new government, another indication of guerrilla concern about the potential of the junta's reforms.

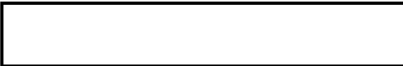
32. Cuba remains the principal ally of the guerrilla movement, providing training, arms, funds, and international propaganda support. 

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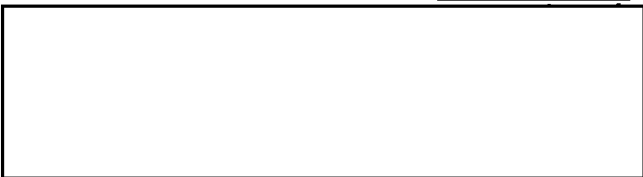
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Further increases of aid will probably follow the same pattern of "supply-following unity" that preceded major Cuban involvements in Nicaragua and El Salvador. Nicaragua, echoing Cuba, has also been pushing the insurgents toward unity.



sonnel. Much of Suazo's focus has been on Honduras's serious economic problems, which include an unfunded budget deficit of \$100 million and the likelihood of a third consecutive year of nearly zero economic growth. His first step in implementing an austerity program has been to reduce the government's overstaffed bureaucracy, but—conscious of the need for reform—he is struggling to preserve the agrarian reform and some other social programs.

35. Suazo has also won high marks for gaining the confidence of the military, especially Commander in Chief Alvarez. The two men share strong anti-Communist sentiments,

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### Honduras

33. While the Suazo government is providing Honduras with its most competent leadership in years, its pro-US stance and firm response to radical leftist forces in the region have made the country a growing target for Cuban- and Nicaraguan-backed subversion. Havana and Managua are pushing the extreme left in Honduras to accelerate preparations for revolutionary violence and are stepping up attempts to cajole or intimidate the Hondurans into adopting a more neutral stance. The Honduran radical left is splintered, is relatively small, and—at least for the present—faces an inhospitable operating environment given popular satisfaction with the recent return to civilian rule. Nevertheless, the trend toward increased domestic terrorism and especially heightened concern about the military threat from Nicaragua have caused a growing sense of vulnerability among Honduran leaders. These fears are being exacerbated by what the Hondurans view as inadequate assistance from Washington, and, in the absence of substantial US backing, Honduras probably will begin in the months ahead to pursue more cautious policies in the region in order to appease its foreign adversaries.



Despite some lingering potential for troublemaking by these and other dissidents, the military appears unified behind Alvarez, who is widely regarded as the country's most able military commander in some time.

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34. The Suazo administration's solid performance during its four months in office is enabling it to build on the general public support that greeted the country's first civilian government in a decade. The President's no-nonsense emphasis on public probity, competence in government, and fiscal responsibility has struck a responsive public chord after years of official corruption and ineptitude. By staffing government ministries with a mixture of talented young people and seasoned technical specialists—selected predominantly from the mainstream of the Liberal Party—he has significantly upgraded the caliber of government per-

36. Persuaded that it was only a matter of time before Cuba and Nicaragua would step up efforts to subvert Honduras, Suazo and Alvarez have crafted policies designed to thwart that challenge. The Hondurans have been partially successful in curbing overland arms shipments from Nicaragua to the Salvadoran insurgents. Moreover, Alvarez has taken the lead in developing closer ties to senior military leaders in El Salvador and has demonstrated a growing willingness to provide blocking forces to try to encircle Salvadoran insurgents. On the diplomatic front, Honduras has cooperated in the formation of the Central American Democratic Community and in other US-endorsed initiatives designed to unify Central American governments. Reflecting a growing fear of the Nicaraguan military buildup, Honduras recently signed an agreement that allows US military aircraft access to Honduran airports.

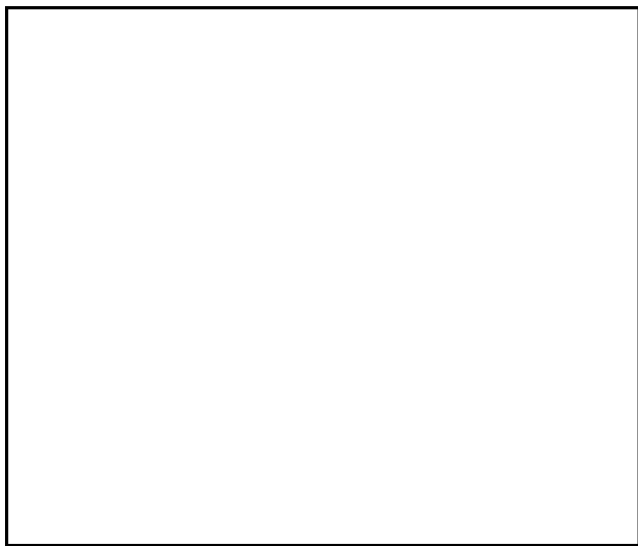
37. These actions—and especially Tegucigalpa's decision to permit greater activity in Honduras by anti-Sandinista insurgent groups—have in turn prompted Havana and Managua to reassess their strategy toward Honduras. From Cuba and Nicaragua's perspective, present circumstances have invalidated their "peace-

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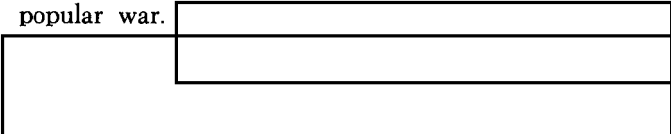
ful corridor" approach, which posited that in the short term the main priority was to funnel arms through Honduras into El Salvador and Guatemala and that efforts to destabilize the government in Tegucigalpa—by provoking a backlash—would jeopardize more pressing goals. Consequently, Cuba and Nicaragua have set in motion plans to accelerate preparations for insurgency in Honduras.

38. The Honduran Communist Party—probably the country's largest extreme leftist group, with some 1,000 members and sympathizers—is taking the lead in intensifying efforts to lay the groundwork for insurgency. Following a trip to the USSR and Cuba in early 1982, Secretary General Padilla Rush purged the party of its remaining "softliners" and won an endorsement for a "prolonged popular war" strategy. The initial phase of his plan calls for increased terrorist activities and an acceleration of paramilitary training abroad. Subsequently, Fidel Castro reportedly has emphasized the need for haste. This, together with a report that Honduran radicals are being sent to Cuba for a "crash" paramilitary course, underscores Havana's desire to shorten the timetable.



40. Although the Honduran Communist Party remains Havana's most responsive instrument, the Cubans are also working with other Honduran radical leftist groups and are trying to promote unity among them. Early this year, after months of preparation, the Communists joined with four other groups to form the National Directorate for Unity. The five groups agreed that because of their small membership—

which totals an estimated 2,000 members and sympathizers—their priority over the near term would be to mobilize popular support. Like the Communists, however, the other four parties reportedly have endorsed the strategy of accelerated preparation for prolonged popular war.



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41. While terrorist activity is almost certain to escalate in coming months, the extreme left will face serious obstacles as it attempts to gear up for insurgency. The lingering distrust and animosity among the leftist movements was underscored by the failure of three of the groups to send representatives to the meeting of the National Directorate for Unity that had been scheduled for late April. The lack of experience of the Honduran terrorists has been reflected in recent bungled bombings and in the failure of the perpetrators of the April hijacking to achieve most of their aims. The infusion of foreign-trained cadres will give the radical left an important boost. But public reaction to the hijacking and other indicators suggest that they will face an unreceptive operating environment as well as better trained and more proficient security forces.

42. Nicaragua—whose strategy presumably is closely coordinated with Havana's—is also using a variety of tactics to try to get Honduras to curb its support for anti-Sandinista insurgents and otherwise reverse its pro-US policies. After anti-Sandinista forces blew up two bridges in mid-March, Nicaragua recalled its ambassador and threatened to break diplomatic relations. The Sandinistas significantly increased troop strength and Cuban advisory presence in the border region and coupled these actions with stepped up diplomatic pressure. Counting on its significant military edge to give it leverage, Nicaragua has pushed for bilateral talks with Honduras to be held at the level of commander in chief and has emphasized the need to dismantle "counterrevolutionary" camps in Honduras and establish joint border patrols.

43. Concerned that it was being placed on the defensive diplomatically, Honduras countered with its own peace proposals, which stress the need for international involvement in monitoring any settlement with Nicaragua. On 23 March, Foreign Minister Paz Barnica announced a Honduran plan whose key ele-

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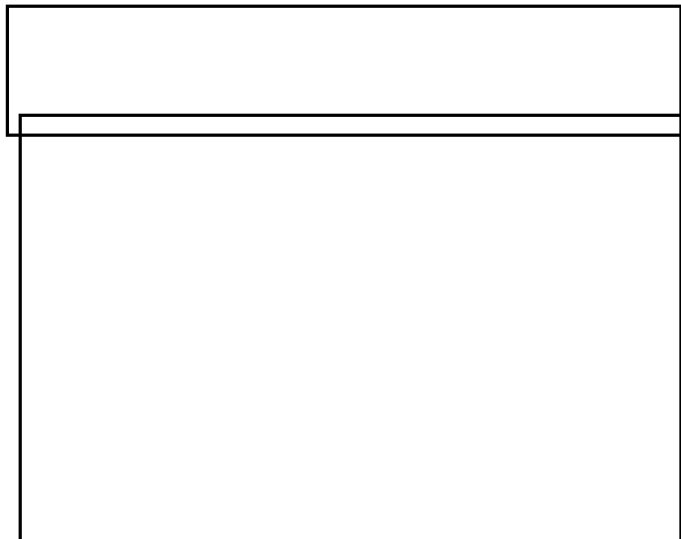
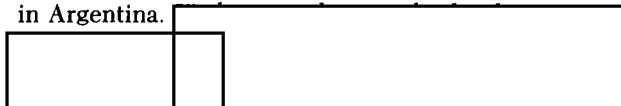
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ments include international supervision and vigilance at the border and other sites in both countries, reduction in foreign military advisers, agreed-upon limits regarding the acquisition of modern weaponry, and a halt to regional arms trafficking. Honduras launched a diplomatic campaign to obtain support for its plan and has gained endorsement from a broad range of Latin American governments, including Mexico.

44. Having failed to intimidate the Hondurans, Nicaragua has recently shifted tactics and is now adopting a more accommodating demeanor. Less than a week after Nicaragua's Defense Minister Humberto Ortega reiterated his government's insistence on face-to-face talks with Alvarez in Managua, the chief of staff of the Sandinista Army arrived in Honduras for talks with his Honduran counterpart. Sandinista representatives went out of their way to appear cordial and, while offering no important concessions, succeeded in persuading the Hondurans to agree to attend followup discussions that would prepare the way for a meeting between Commanders in Chief. As an additional gesture, the Sandinistas released 38 Honduran fishermen whose arrest in March helped to sour relations.

45. The new flexibility demonstrated by the Sandinistas underscores the fact that increasingly effective border raids are taking a toll—one Nicaraguan official reportedly claimed that the Sandinistas have suffered some 300 casualties in recent months. The Nicaraguans presumably are also motivated by a desire to strike a deal with Honduras that would prevent former Sandinista leader Eden Pastora from using that country as his base of operations. Although the Hondurans have demonstrated no willingness so far to alter their negotiating position, some evidence indicates that frustration with the United States is causing key Honduran leaders to talk about reassessing their policy toward Nicaragua.

46. Honduran disgruntlement with the United States has its origins in what is widely perceived in Tegucigalpa to be a lack of US responsiveness to the pressing needs of a country that increased its own vulnerability to support US interests. Against this background, General Alvarez in particular has been incensed by the US role in the Falklands crisis—a response that is colored in part by his lengthy training in Argentina.



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48. Honduras has asked the United States to provide either F-4 or F-5E fighters free of charge and has requested US aid in financing the purchase of new Canadian-built transport aircraft. The Hondurans also need artillery and antitank missiles to offset Nicaragua's growing armor and artillery inventories. The Suazo government's prospects seem bleak for finding other governments—particularly in Latin America—that would provide substantial help in these areas. Nevertheless, there appears to be more than posturing behind Tegucigalpa's disillusionment with the United States, and in the absence of concrete reassurances the Hondurans probably will soon begin to back away from their pro-US stance on regional issues.

### Costa Rica

49. The Monge government will return Costa Rica to policies more consistently in line with US interests in Central America and less given to the fiscal and political eccentricities that characterized the Carazo administration. Nevertheless, Costa Rica faces unprecedented economic problems that will defy quick solutions, the strong likelihood that leftist extremists will attempt to exploit the economic situation, and the probability that the woefully inadequate security forces will be unable to stem the country's use as an important link in the guerrillas' regional arms supply network. Additional challenges involve an increasingly volatile situation along the northwestern border with Nicaragua, as well as the possibility of Cuban and Nicaraguan clandestine operations calculated to destabilize the Monge government. Although its strong

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democratic institutions should enable Costa Rica to withstand these challenges, the tranquillity that has previously distinguished the country from much of the rest of Central America will be seriously threatened in the future.



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50. Costa Rica's virtual bankruptcy constitutes the broadest and longest term threat to social peace. Economic activity will drop some 6 percent in 1982, and imports will decline because of poor export performance, scarcity of foreign exchange, and limited access to credit. Unemployment will soon reach 14 percent—extremely high by Costa Rican standards—and consumers are facing triple-digit inflation. Despite Monge's willingness to test public resolve and that of his own party through strict austerity, complete economic recovery probably is years away.



This has prompted the new government to announce the creation of a special antiterrorism squad—a clear signal that Monge expects subversive activity to increase and a tacit admission that the security forces are inadequately prepared for such an eventuality.

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51. The economic situation carries with it opportunities for Costa Rica's small Communist coalition. Although tactically and ideologically divided, the coalition was stung by its poor showing in the February election and may be ready to abandon its generally nonviolent policies. The likelihood that the austerity measures will spark some strikes could play into the coalition's hands, particularly as its largest component, the Costa Rican Communist Party (6,000 to 7,000 members) effectively controls more than 50,000 laborers. Communist-inspired violent strikes by banana workers before the election could be a harbinger, and coalition representatives have been quick to challenge Monge's initial austerity package.

54. This fear is well founded. Lacking a standing army, Costa Rica relies on the 7,000-man Civil Guard as its first line of defense. The Guard, however, is poorly trained and generally armed only with pistols and carbines. Few of its crew-served weapons are in working condition, almost all ordnance is unserviceable, and cannibalization of weapons parts is widespread. The Guard's ability to provide national defense has been further weakened by Cuban penetration and by the economic situation. The impact that the economic crisis is having on defense was recently highlighted by reports that only 65 of the Guard's 360 patrol cars purchased three years ago are now operational.

55. Costa Rica's security inadequacies have been underscored by increased leftist subversion in Guanacaste Province, which abuts Nicaragua.

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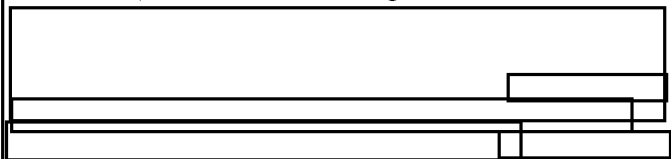
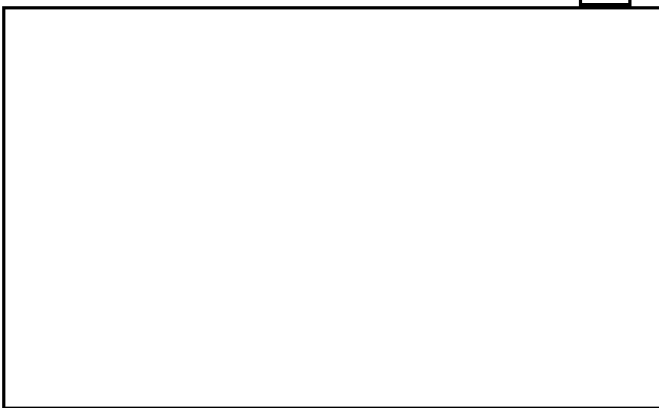
52. The regional character of Central America's insurgencies is also increasingly apparent in Costa Rica. Over the past year, the country has been the scene of numerous terrorist incidents, at least some of which apparently were undertaken in support of the Salvadoran and possibly Guatemalan guerrillas.



The Sandinistas are also said to be recruiting land squatters in the area for eventual deployment to El Salvador, and encouraging the takeover of ranches both near the border and along the inter-American highway. Strong pro-Sandinista sentiment in Guanacaste, meanwhile, allows Nicaragua to maintain plausible denial and to use squatters to monitor Costa Rican security force movements.

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56. Guanacaste also shelters many of the approximately 10,000 Salvadoran refugees in Costa Rica.



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57. The arrival in Costa Rica in April of Nicaraguan war hero Eden Pastora and his assertion that he will unseat the Sandinista hierarchy have heightened tensions between San Jose and Managua. Monge's decision to expel Pastora reflects Costa Rica's desire not to repeat its involvement in the kind of counter-revolutionary activity that led to the overthrow of Anastasio Somoza and its fear that Nicaragua would use the Pastora threat to justify an invasion of Costa Rica. At the same time, Monge realizes that attacks staged from Costa Rica could ultimately jeopardize the centerpiece of his regional defense policy: the plan to request an OAS peace force to protect Costa Rica's borders in any war in Central America—a pointed reference to potential Sandinista aggression.

58. Nicaragua and Cuba are concerned by Monge's reliance on the Rio Treaty, which comes amid other signals of Monge's strong opposition to Communist subversion in Central America. These have included Monge's refusal to rule out US military assistance for Costa Rica, his willingness to counter Communist propaganda in regional forums, and his decision not to renew relations with Havana. Nevertheless, Castro's operatives have the necessary infrastructure in Costa Rica to support clandestine operations designed to destabilize the Monge government.



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### Nicaragua

60. Since coming to power in July 1979, the Sandinistas have followed a gradualist strategy for the establishment of a Marxist-Leninist state in Nicaragua, closely patterned after the Cuban model. While concentrating on the buildup of the military, the militia, the security services, and the Sandinista mass organizations, the regime has gradually restricted the activities of the private business sector, the independent media, and the opposition political parties. In recent months, however, the Sandinistas' siege mentality—developed during the long struggle against Somoza—has been reinforced by their perception of renewed US effort to check leftist forces in Central America. Consequently, the regime has accelerated efforts to consolidate its control.

61. The Sandinistas regard recent diplomatic pressures against Nicaragua, their deteriorating economy, increasing activity by foreign-based opponents, the failure of the left to gain power in El Salvador, and US military aid to Honduras as evidence of Washington's conspiracy to destroy their revolution. Although the regime would prefer to avoid a premature crackdown on moderate groups that would jeopardize access to Western financial sources, the recent increase in internal and external pressures has propelled it toward greater repression of opposition elements and mass mobilization of the population.

62. Since the declaration of a state of emergency in March suspending most civil liberties, the regime has halted virtually all opposition political activity. The imposition of prior censorship and the banning of nonofficial radio newscasts have given the Sandinistas almost total control over the media, effectively denying the moderates the means to take their case to the public. Editors of the prestigious independent newspaper *La Prensa* have been so intimidated by numerous government-ordered shutdowns that they frequently anticipate—and refrain from publishing—those press items likely to anger the regime. Several opposition party and labor union activists have been arrested on unspecified security grounds, and some moderate leaders have been denied permission to leave the country.

63. Businessmen, meanwhile, have been hit with recent economic decrees that allow the regime to control commerce and production and impose "war

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taxes." Although business leaders fear the decrees threaten the existence of the private sector, they also are aware of the risks that a confrontational approach toward the regime would entail. Rather than resisting the government's measures, many businessmen probably will opt for quietly leaving the country.

64. Relations between the Sandinistas and local Catholic Church leaders also have deteriorated in the past few months as the bishops have continued to resist the regime's authoritarian methods. In February the bishops issued their strongest public attack yet on the regime's human rights record in a letter denouncing Sandinista actions against the Miskito Indians. The Sandinistas in turn have increased their pressure by temporarily closing a Church-owned radio station, taking steps to control the curriculum in the country's large Catholic school system, and imposing Cuban textbooks on some of the schools. The regime also continued its efforts to sow dissension by backing the Church's radical wing and to discredit Archbishop Obando y Bravo by linking him to Washington and exiled opposition elements. The Church, however, recently demonstrated its deep support in Nicaraguan society by successfully resisting Sandinista attempts to prevent public attendance at traditional Holy Week religious ceremonies.

65. The Sandinistas have used the crisis atmosphere during the state of emergency to stir up popular antagonism toward the United States and strengthen their network of neighborhood defense committees and the militia as instruments of social control and regimentation. Neighborhood committees—patterned after the Cuban model—have been instructed to increase their vigilance over the population and report "counterrevolutionary" activities to the security forces. Militia recruitment drives were accelerated during the first two months of the emergency, and harsh measures have been used to coerce or punish those who resist recruitment. In early April, 105 peasants fled to Honduras after being threatened with imprisonment and confiscation of their property for refusing to join the militia.

66. Through a combination of pressure and patriotic appeals, the Sandinistas have succeeded in increasing discipline in the labor force—a major accomplishment after strikes, absenteeism, and work stoppages became almost endemic last year. Appeals to revolutionary fervor and nationalism apparently have

strengthened the dedication and discipline of the Sandinista rank and file in the government, armed forces, and mass organizations.

67. Increased repression and revolutionary mobilization during the state of emergency have led several opposition leaders to conclude that a mixed economy and even the remaining vestiges of pluralism will not survive under the Sandinistas. Moreover, Eden Pastora's denunciation of the Sandinista leadership has provoked fears among moderate leaders that—given their vulnerability to Sandinista anger—a serious challenge from Pastora would lead to an even stronger repression of independent groups. Former junta member Alfonso Robelo and several other key moderates have given up trying to stop the Sandinistas' move toward totalitarianism from inside Nicaragua, and with some of their followers they have gone into exile to carry out their opposition to the regime. Other moderates are making preparations to flee the country or go into hiding. Many of those who will not or cannot leave have been intimidated by arbitrary arrests and bullying by Sandinista thugs. They probably will try to disassociate themselves from Pastora, Robelo, and other exiles.

68. Although Pastora represents no immediate threat to the regime, his denunciation of the Sandinista leadership has had an unsettling political and psychological effect in Nicaragua. Wall paintings reportedly have begun to appear in Managua and other areas suggesting popular support for Pastora, and his call for the overthrow of the regime has provoked several low-ranking defections from the Sandinista Army. Nevertheless, Pastora's recent expulsion from Costa Rica and the willingness of former colleagues in the Army to repudiate his action suggest he faces an uphill struggle.

69. The recent defection of Central Bank President Alfredo Cesar has damaged confidence in the Sandinistas within international financial circles, thus adding to the economic costs of increased political controls. Cesar has been personally credited by many foreign bankers with keeping Nicaragua financially solvent. The mobilization of reservists during the state of emergency and the maintenance of military forces on an alert status have been costly in terms of processing and distributing fuel, foodstuffs, and other resources. The diversion of resources to the military will mean more cuts in government spending for social services and productive investment, thereby lowering

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the standard of living. The recent economic decrees and stepped-up confiscations under the agrarian reform program have further undermined business confidence and are likely to accelerate the flight of capital, entrepreneurs, and qualified technical and managerial personnel.

70. By emphasizing the foreign threat, the Sandinistas have tried to offset growing uneasiness about their intentions among Western financial supporters. Western aid, however, probably will fall short of the level needed to support increases in real imports and real GNP this year, particularly since Managua is not likely to alter its accelerated drive toward a Marxist-Leninist state. The regime may give ground temporarily on individual issues, but the forces behind radicalization are likely to grow. Safeguarding the revolution remains the Sandinistas' top priority, and portraying the United States as the cause of Nicaragua's problems permits them to rally domestic support, suppress the opposition, and explain away their economic failures. Moreover, the more serious the armed challenge becomes—from Pastora or others—the more swiftly and brutally the Sandinistas will try to suppress opposition elements nationwide.

71. The Sandinistas' resolve to step up internal repression has been strengthened by mounting government casualties in clashes with antiregime bands. Managua's growing concern about unrest in the Atlantic Coast region and about the activities of foreign-supported guerrilla groups based in Honduras and Costa Rica has led it during the past several months to remove by force the Miskito Indian population along the northern border, to retaliate against Tegucigalpa by [redacted] support of violent Honduran leftists, and to increase diplomatic pressures against San Jose. The regime also is counting on the intimidating effect that its continuing military buildup has on governments in the region. So far, the Sandinistas have refrained from carrying out retaliatory strikes against insurgent camps in Honduras for fear that such action would provoke a major US military move against Nicaragua. As their military strength grows, however, and if the border provocations continue, the Sandinistas will tend to become more belligerent, and the danger of a major conflict is likely to grow.

72. The military buildup continues to upset the regional military balance. The Sandinistas are building an army and militia force that is intended to defend

against any regional military threat. Even now the Sandinistas could probably beat back an attack by any one potential adversary in the region. Managua already outstrips each of its neighbors in military manpower, armor, and artillery capabilities. Over the next year Nicaragua will widen its margin, although its principal manpower effort will be the professionalization of its regular forces. Regular army strength has stabilized at about 15,000 to 20,000, but the expansion of reserve and militia units continues. The regular reserve force now numbers some 20,000, and the new drive to recruit more members for the irregular militia has pushed the total reserve figure to more than 50,000. Thus the armed strength available to the Sandinistas, not including the national police, is some 70,000 personnel. By comparison, the Honduran Army numbers 13,400 men plus an undertrained reserve force of 5,000.

73. In April, Managua received [redacted] multiple rocket launchers and four heavy ferries for its T-55 tanks. The rocket launchers give Nicaragua a mass firepower capability unmatched in the region, and the tank ferries provide an offensive water-crossing capability for the armor force.

[redacted] The Nicaraguans also are forming a new airborne commando unit at Montelimar, and several AN-26 transport aircraft are on order from the Soviet Union for the force.

75. The Cubans continue to play a key role in Nicaragua's military buildup. There are approximately 6,000 Cubans in Nicaragua of whom some 2,000 are military/security advisers. In addition to providing technical and training assistance, they have participated in a number of key construction projects such as building a strategic road to connect Puerto Cabezas with the rest of the country and improving various airfields to support jet fighter aircraft. Moreover, Cuban special troops are helping in counterinsurgency operations and in providing personal security for Sandinista leaders.

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76. We judge that during the period of this Estimate the Sandinistas will accelerate efforts to build the institutional bases for a totalitarian Marxist state by strengthening the mass organizations and their capacity for popular mobilization in support of regime policies. They also will continue to emasculate the already weakened democratic forces, but will try to avoid a total crackdown that would jeopardize Western aid. Nevertheless, a serious armed challenge to the regime would provoke a swift suppression of opposition elements and possibly lead to the declaration of a "socialist state" intended to elicit Soviet support and protection. The deteriorating economy will remain the Sandinistas' major vulnerability, but economic woes will encourage radicalization and the search for scapegoats. Although Moscow seems intent on limiting its share of the Nicaraguan financial burden, the USSR already shows signs of agreeing to a gradual increase of economic assistance in order to maintain the stability of the Sandinista regime.

77. Despite a history of factionalism going back to the mid-1970s, the Sandinista leadership has displayed remarkable unity during its almost three years in

power, reflecting to a large extent the commonality of Marxist-Leninist views within its nine-man National Directorate. Although tensions over tactical disagreements and personality conflicts among Sandinista leaders have not been completely resolved—making a leadership shakeup almost inevitable in the long run—cohesion is now being reinforced by their growing concern about Nicaragua's economic problems and by their perception that increasing foreign challenges could threaten their control. We believe that over the next several months the Sandinista leaders' shared interests in maintaining unity in the face of foreign threats—real and imagined—will continue to outweigh individual desires for primacy and foster a convergence of views about the need to step up the establishment of a one-party state. Moreover, the Directorate is dominated by hardliners who control the armed forces, the security services, the mass organizations, and the government bureaucracy. Even if unforeseen circumstances were to result in a power struggle, this would prompt further radicalization and an immediate move against opponents to forestall any attempt to exploit the Directorate's internal divisions.