



**Director of  
Central  
Intelligence**

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# **Soviet Policies and Activities in Latin America and the Caribbean**

**Special National Intelligence Estimate**

**Secret**

*SNIE 11/80/90-82  
25 June 1982*

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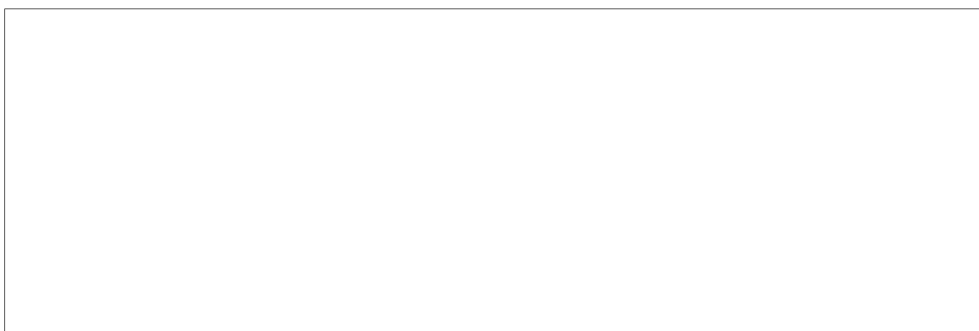


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SOVIET POLICIES AND ACTIVITIES  
IN LATIN AMERICA AND  
THE CARIBBEAN

Information available as of 15 June 1982 was  
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**THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.**

**THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.**

*The following intelligence organizations participated in the preparation of the Estimate:*

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## KEY JUDGMENTS

Soviet activity and interest in Latin America have increased significantly in the past few years, and in the aftermath of the battle for the Falklands the Soviets and their Cuban allies will be probing for new opportunities. Since 1979, Moscow has moved more aggressively to exploit opportunities presented by pressures for revolutionary change in Central America and the Caribbean and by the willingness of Latin American states to deal with the USSR and its allies. The Soviet Union has helped to consolidate revolutionary regimes in Nicaragua and Grenada, has provided considerable aid—mainly through proxies and other third parties—to revolutionaries elsewhere in Latin America, and has intensified its efforts to develop favorable political and economic ties with such countries as Argentina, Brazil, and Mexico. Despite this intensified interest, geographic remoteness has tended to relegate Latin America—except for Cuba—to the periphery of Soviet security concerns.

Cuba plays a central role in Soviet relations with Latin America not only as a dependent client serving Moscow's interests but also as an independent actor influencing Soviet policies and tactics. Fidel Castro's vigorous support of Nicaraguan revolutionaries, for example, was originally a Cuban initiative and had a marked impact on Soviet attitudes and policy toward the region. Soviet leaders came to share Castro's assessment that the prospects for the success of revolutionary forces in Central America were brighter than they had earlier calculated. The Soviets have been working closely with the Cubans to consolidate the Sandinista regime in Nicaragua, which both view as central to promoting leftist gains in the region.

The Soviets have by and large successfully implemented a policy of encouraging unrest in various Central American states, gaining a foothold in Nicaragua, and improving their relations with the governments of the more important South American countries. From the Soviet perspective, such a policy has potential for distracting American attention from other regions; is relatively cheap in economic terms; has not required major commitments to local allies; and has not raised confrontation with the United States to an unmanageable level. The Soviets are thus likely to persist with this strategy.

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Soviet support and guidance for Latin American revolutionary movements now focus on:

- Encouragement of broad revolutionary coalitions, uniting pro-Soviet Communist parties with their traditional leftwing rivals.
- Creation of loyal military components.
- Use of hemispheric and extrahemispheric intermediaries.
- Training of revolutionaries.

In El Salvador the Soviets have facilitated the flow of arms and military equipment to the Salvadoran insurgents from Cuba and other third parties. Although Moscow does not appear sanguine about the insurgents' short-term military prospects, it probably still believes that they can seize power through a prolonged armed struggle.

In Guatemala and Honduras, the USSR and its allies have been pressuring the local Communists to join broad revolutionary fronts and participate in armed struggle. The Soviets and Cubans have provided financial assistance and training.

Moscow undoubtedly sees potential opportunities for the left in Colombia, the Dominican Republic, and Chile.

In Argentina, Brazil, Mexico, and Peru, Moscow's policy has aimed largely at cultivating positive state-to-state relations. This approach has emphasized trade expansion and—in some cases—readiness to sell military hardware. Although these efforts have not usually been translated into increased Soviet influence, they have given some Latin American countries additional opportunities to assert their independence of the United States. By building on bilateral ties, the USSR also seeks to achieve specific economic objectives and hopes to gain broader political support for its policy initiatives in the hemisphere and elsewhere in the world.

Since 1980, Soviet economic interest and activity in Latin America have intensified. The USSR has become Argentina's largest grain buyer, incurring large trade deficits. Despite the Falklands crisis, this year's purchases are still expected to be 11-12 million tons, or about one-fourth of the USSR's total grain imports.

In pursuit of major arms clients over the last decade, the USSR has secured only Peru—where it is now the primary supplier of air and ground equipment. Moscow's military relationship with Lima, however, has given the Soviets little leverage over Peruvian policies.

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Despite Soviet success in Peru, most of the Latin American military establishments have preferred Western-made arms and have been suspicious of the Soviets. Moscow surely hopes, however, that its support for Argentina in the Falklands dispute and interruptions in the supply of arms from some Western sources will make at least the Argentine military more receptive to Soviet offers.

Even in countries where the USSR's policy is keyed to developing bilateral state-to-state ties, as in Mexico, Moscow continues to conduct a variety of covert activities and other "active measures" to improve its position and play upon domestic vulnerabilities over the longer term. These activities include:

- Funding local Communist parties and front organizations.
- Disseminating disinformation and forgeries aimed at the United States.
- Drumming up support for hemispheric revolutionaries.
- Infiltrating military and security services as well as other important sectors of Latin American bureaucracies.
- Manipulating the media and mass organizations.
- Developing and using agents of influence, mainly through the Cubans.

The Soviets are also educating numerous Latin American and Caribbean students in the USSR, cultivating organized labor, and profiting from the growth of pro-Marxist sentiments among religious activists.

Despite increased Soviet optimism about trends in Latin America, Moscow recognizes that there are major constraints on its ability to influence developments there. Foremost is US political, economic, and military strength; but pervasive Latin American antipathy to Soviet Communism and a Soviet desire not to alarm regional governments through too blatant backing of leftist insurgencies also inhibit Moscow's actions. Moscow has therefore moved in ways designed to avoid directly provoking the United States. In contrast to the USSR's overt and direct bilateral dealings with the larger states, its support for revolutionary movements has been low-key and indirect, often employing intermediaries and surrogates.

Moscow's long-term objectives of eroding and supplanting US influence in Latin America are unlikely to be affected, however, by its recognition of these obstacles to its ambitions. Over the next few years, Soviet efforts to gain influence are likely to increase. Washington's



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response to this challenge will be complicated by the fact that its own deep concern about Soviet troublemaking in the area is not shared by many regional governments. Sympathy with revolutionary causes will persist in countries such as Mexico and Panama. Even countries less sympathetic to leftist causes, such as Brazil and Venezuela, would be opposed to US military intervention to check revolutionary gains in Central America and the Caribbean.

The persistent strain of anti-US sentiment in the region, which has been accentuated by the Falklands crisis, offers the Soviets some new opportunities to expand their influence. However, Soviet initiatives are of less intrinsic significance than US policies and actions. US efforts to build hemispheric solidarity with the current Salvadoran Government and to gain Latin American support for countering Soviet-supported leftist insurgency elsewhere in Central America have been damaged. The Soviets are certain to attempt to exploit what they perceive as a US setback.

The large and growing quantity of military hardware in the hands of Soviet clients has major implications for the region. In addition to defending both Cuba and Nicaragua against attack, such military power—especially in Nicaragua—facilitates support to the Salvadoran insurgents and provides shelter for the guerrilla infrastructure. Within the term of this Estimate, other objectives behind arms supply from the USSR and various intermediaries probably include:

- Intimidating Nicaragua's neighbors, thus disposing them toward acquiescence in the Soviet-Cuban foothold in Central America.
- Supporting insurgents in Guatemala.
- Laying the groundwork for support of possible future insurgencies in Honduras, Costa Rica, and elsewhere in the hemisphere.

The recent US warning of the consequences of delivering Soviet-supplied MIG aircraft to Nicaragua may have prompted the deferral of such deliveries. Nevertheless, preparations for their arrival are continuing.

Over the longer term, there is also a possibility that the Soviets may seek access to naval and air facilities in Nicaragua and Grenada. Such access would have a significant impact on US security interests, especially with regard to the Panama Canal and other lines of communication.

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## DISCUSSION

## Soviet Objectives

1. Soviet activity and interest in Latin America<sup>1</sup> have increased significantly in the past few years. Moscow has moved to exploit new opportunities presented by pressures for revolutionary change in Central America and the Caribbean and by the willingness of Latin American states to deal with the USSR and its allies. Since 1979 the Soviet Union has helped to consolidate the revolutionary regime in Nicaragua, has provided considerable aid—mainly through proxies and other third parties—to revolutionaries elsewhere in Latin America, and has intensified its efforts to develop favorable political and economic ties with such countries as Argentina, Brazil, and Mexico.

2. Despite this intensified interest, Latin America's geographical remoteness from the USSR has tended to relegate it to the periphery of Soviet security concerns, except when Soviet involvement with Cuba or Cuban activities have threatened to provoke a serious crisis in Soviet-US relations.<sup>2</sup> Over the years Latin America has been less important in the USSR's rivalry with the United States than other Third World areas such as Asia and the Middle East, where Soviet stakes are greater and Soviet power less constrained.

3. Soviet interest in Latin America is to a substantial degree motivated by the USSR's global competition with the United States and its ideological and pragmatic commitment to support revolutionary causes worldwide. Moscow's basic aim in the region is to undermine US influence, which it seeks to achieve

<sup>1</sup> For purposes of this Estimate, Latin America is defined as all mainland countries/territories/dependencies from Mexico south to Argentina. Central America refers to Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama. The Caribbean includes those island states/territories/dependencies with a coast on the Caribbean Sea.

The Estimate considers Soviet prospects in Latin America and the Caribbean over approximately the next two years.

<sup>2</sup> This Estimate examines the Moscow-Havana connection as it bears upon the formulation and implementation of Soviet policy toward Latin America and the Caribbean. Analysis of the overall bilateral Soviet-Cuban relationship does not fall within the scope of the paper.

both by strengthening Soviet diplomatic, economic, and military ties with governments of the region and by promoting radical change. This approach is in line with Moscow's forward strategy in the Third World, which has the long-term aim of changing the international correlation of forces in favor of the USSR.

4. The Soviet leadership understands that growing instability in Central America creates serious policy dilemmas for Washington. In Moscow's view, if the United States does not respond effectively in Central America during the next few years, revolutionary momentum will accelerate there and elsewhere in Latin America. If Washington intervenes directly, however, Moscow perceives that it will be able to stimulate international criticism of US action. In either case, Moscow anticipates that revolutionary ferment in America's own backyard will divert US attention and resources from more distant problems, sow divisions between the United States and its allies, and undercut Washington's credibility in the Third World.

5. Moscow's current support for revolutionary causes should not obscure its other important priorities and interests in the area, which it promotes simultaneously and sometimes in contradiction to its backing for revolution. The level of Soviet economic, military, and political activity with the larger countries indicates that they are major targets in Soviet strategy toward Latin America. A substantial share of the USSR's agricultural imports comes from Argentina and Brazil, and Moscow has a major arms supply relationship with Peru. Such state-to-state relations give the Soviet Union an opportunity to expand its presence and influence in specific countries. The Soviets, of course, also seek to encourage those states—such as Mexico—to adopt policies independent of the United States.

6. Moscow regards the Falklands situation as a significant opportunity to intensify Latin American alienation from the United States and expand its own influence in the region. It is trying to stiffen Latin American resentment of US support for Britain and to stimulate distrust of the US commitment to regional

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interests. It almost certainly sees the crisis as opening the possibility of Argentina's turning to the USSR to reequip its armed forces. Moreover, it probably also views the crisis as weakening the US ability to mobilize Latin American nations against Soviet, Cuban, and other leftist advances in the area.

### Strategic Background

7. The Soviets have had ties with some Latin American Communist parties since the 1920s, but until the 1960s they expended little effort to expand their influence in the hemisphere. Soviet involvement was limited largely to providing some financial assistance to the local Communist parties, which in return—by and large—were expected mainly to support Moscow's position at Communist international gatherings, while seeking to broaden their influence over events in their own countries. Moscow's expectations in the area remained modest until the advent of Fidel Castro.

8. Castro's alignment of Cuba with the USSR by 1961 marked the turning point in Soviet involvement in Latin America. Castro's move handed Moscow an opportunity to establish an ideological, political, and military foothold in the hemisphere, and a potential to gain in the strategic competition with the United States. The outcome of the Cuban missile crisis and the containment of Castroism to Cuba in the early 1960s nevertheless punctured Moscow's hopes of quickly altering the strategic balance and forcing the pace of change in the region.

9. In the 1960s in Latin America and the Caribbean the USSR did not—with the exception of Cuba—frontally challenge US dominance. The Soviets did vigorously undertake "active measures" intended to undercut US influence.<sup>3</sup> But Moscow provided no

<sup>3</sup> The Soviets use the term "active measures" to refer to a broad range of overt and covert operations intended to provoke policy effects. These measures, which represent an unconventional adjunct to traditional diplomacy, are designed to influence the decisions of foreign governments, disrupt relations between other nations, undermine confidence in foreign leaders and institutions, and discredit opponents. They include such actions as manipulation of the media, disinformation and forgery, use of foreign Communist parties and fronts, sub rosa economic activities, and various political influence operations. Operational Intelligence Memorandum CIA-319/01000-82, *Trends and Developments in Soviet Active Measures* (April 1982), assesses Soviet "active measures" more broadly and in greater detail.

military or any significant economic assistance to any non-Communist Central American or Caribbean country. It emphasized in its policy the more pragmatic concerns of building diplomatic, commercial, and even military relations with the existing governments, as in Peru. Moscow apparently hoped that stronger bilateral ties would place it in a better position to profit from growing nationalism and its accompanying anti-Americanism. Correspondingly, the Soviets also discouraged the small orthodox Communist parties from engaging in violence and were reluctant to support leftist groups advocating revolution. Although the Soviets did try from time to time to cultivate some local leftist leaders—such as Jamaica's Michael Manley, who was quite eager to curry favor with them—their efforts were limited and they were content to let the Cubans take the lead. In fact, they encouraged Manley to maintain correct relations with the United States in order to qualify for economic assistance which they were unwilling to extend.

10. In the case of Chile's Salvador Allende, Moscow's reluctance wholly to embrace his regime reflected a wide range of considerations beyond its concern with the US reaction: his political opportunism, conflict with members of his own Socialist party as well as the Communist Party, inability to co-opt groups of the extreme left, and lack of a loyal military force to defend his regime. In their reflections on the Chilean experience, Soviet leaders have noted the possibility of a "peaceful road to socialism," while warning revolutionaries of the need for a broad left-wing coalition and their own military formation.

11. This measured approach by the Soviets yielded both political and economic benefits. The number of regional states with which Moscow established relations expanded (see map), and the USSR's 1970s imports were 10 times those of the previous decade, largely because of grain purchases from Argentina.

### Role of Cuba

12. Cuba plays a central role in Soviet relations with Latin America both as a dependent client serving Moscow's interests and as an independent actor influencing Soviet policies and tactics. Cuba's dependence on the USSR for economic and military assistance has been a tender point for Castro, who vehemently denies any linkage between Soviet largess and Cuban actions in support of the USSR's foreign policy objectives.

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### Soviet Diplomatic Relations in Latin America and the Caribbean



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And, in fact, he has enjoyed greater freedom in his policies in Latin America than he has elsewhere in the Third World. Nevertheless, Castro pays close heed to Soviet interests and to the limits of Moscow's tolerance on tactical matters.

13. Soviet and Cuban approaches to the region have not always been harmonious. Initially Moscow was convinced that a "march toward socialism" in Latin America would be slow and disapproved of Castro's indiscriminate aid to hemispheric revolutionaries as "adventurist." By 1968, however, Soviet political pressure and economic incentives, combined with Cuban foreign policy reverses, began to bring the two countries' goals and interests back into convergence and culminated in their joint intervention in Angola and Ethiopia in the mid-1970s. By 1979 the two had expanded their collaboration to include support of violent revolutionary parties and groups, particularly in Central America.

14. Castro's vigorous support of Nicaraguan revolutionaries beginning in 1978 was essentially a Cuban initiative, and it has had a marked impact on Soviet attitudes and policy toward the region. Moscow was impressed by Havana's success in exploiting the revolutionary situation in Nicaragua. Not only did the Cubans supplant US influence there, but, in a country in which Moscow had previously had no official representation, it soon enjoyed diplomatic, military, economic, and even formal party links with the Sandinista National Liberation Front (FSLN). Soviet leaders apparently came to share Castro's revised assessment that the prospects for the success of revolutionary forces in Central America were brighter than they had earlier calculated, and felt that the United States was irresolute in countering leftist gains.

15. The Soviets have been working closely with the Cubans to consolidate the Sandinista regime; both share the view that Nicaragua is central to promoting leftist gains elsewhere in Central America. The Cubans have also served as intermediaries with insurgent groups elsewhere in Central America and with the radical Bishop regime in Grenada. Moscow prefers that Havana take the lead in advancing regional revolutionary causes—in deference to Castro's understanding of local political dynamics and longstanding involvement with revolution in Latin America; because Cuba is a hemispheric, Spanish-speaking power; and to shield the USSR against any backlash from the

United States and from the larger Latin American countries where it has a bilateral stake.

16. Despite the efficacy of Havana's role so far, Moscow is no doubt alert to the potential for damage to its broader interests arising from its Cuban connection. Potential for friction between Moscow and Havana exists in their conflicting preferences for different factions within some Latin American revolutionary movements. Partly to monitor Cuba's activities and check those they judge too provocative to the United States, the Soviets will continue their efforts to expand their own influence and leverage—particularly in Nicaragua.

### Soviet Policies and Tactics

17. Moscow employs diverse means to exploit differing local conditions and to serve multiple Soviet interests. It is helping to consolidate the revolutionary regime in Nicaragua and is supporting the regime in Grenada. In some Latin American countries—particularly El Salvador, Guatemala, and Honduras—it is advocating and supporting violent revolution. In others, it is employing a mix of diplomacy and "active measures." This pattern is likely to persist for at least the two-year period of the Estimate.

### Consolidation of Revolutionary Regimes

18. Moscow places a high value on consolidating and ensuring the survival of revolutionary regimes in the hemisphere. The new radical regime in Nicaragua and, to a lesser extent, that in Grenada are politically and symbolically significant for the USSR, especially after its experience with Allende's Chile. The Soviets hope that the leftist, pro-Soviet, anti-American governments in Managua and Saint Georges will contribute to the emergence of other similarly oriented regimes in Central America and the Caribbean and serve as a conduit for revolution elsewhere in the hemisphere.

19. *Nicaragua.* Moscow, whose involvement in Central America was low before the Sandinista victory, is assiduously cultivating the new revolutionary regime in Nicaragua. It has subordinated its ties to the minuscule local Communist party and established formal party links with the Sandinistas. A Soviet diplomatic mission was established in January 1980, and the total number of Soviets now in Nicaragua,

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including military advisers and technicians, is probably between 150 and 175.

20. The trend toward closer relations has accelerated over the last year or so. Recent high-level Nicaraguan visitors to Moscow have included Defense Minister Humberto Ortega, Sandinista Political Commission Chairman Arce, and Foreign Minister D'Escoto. Junta leader Daniel Ortega's visit to Moscow and meeting with President Brezhnev in May 1982 have put Soviet ties with Nicaragua on the same level as those with many important Soviet clients elsewhere in the Third World.

21. Even at a time in which the Soviets are being tightfisted with economic assistance, Moscow and its allies are meeting some of Nicaragua's economic needs. Moscow's economic assistance program is governed by a 1980 "framework" agreement—a form usually reserved for major aid recipients such as Afghanistan and Cuba—that calls for assistance to all major economic sectors. To date, Moscow, its East European allies, and Cuba claim to have committed about \$480 million in nonconvertible currency credits to finance agricultural, roadbuilding, and communications equipment and other machinery. The claims may involve some double counting and could therefore be inflated; nevertheless, some of the equipment financed by these credits has already been delivered. In addition, Libya has provided a \$100 million cash loan, and may have promised considerably more than that (although the Libyans are notorious for not honoring such commitments).

22. Moscow has also tried to blunt US economic pressure on Managua. The countries of the Soviet Bloc's Council for Mutual Economic Assistance (CEMA) gave Nicaragua 80,000 metric tons of grain to offset the cancellation of the 1981 US grain deliveries. Nevertheless, the Soviets appear reluctant to commit the substantial hard currency assistance most needed by Managua and have privately advised the regime to be cautious in disrupting economic ties with Nicaragua's most important Western economic partners.

23. In the area of military relations, Moscow continues to work largely through Cuba and other third parties to help build up the Sandinista military establishment, but its own direct role is increasing as it gauges the Latin American and US reaction. As evi-

denced by the visits of Defense Minister Ortega to Moscow in the last year or so, military consultations are becoming more frequent and direct. Moscow no doubt hopes that its military assistance will forestall efforts to topple the regime and strengthen pro-Soviet elements in the Sandinista establishment.

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Cuba. Havana has responded with a small shipment of arms, and promises of full military and economic support. Although the Soviets will probably let Cuba take the lead, they have already signaled their interest in exploiting the new situation by announcing that they will open a resident embassy in the near future.

32. *Guyana*. Soviet efforts to cultivate the leftist-leaning government of Forbes Burnham and his People's National Congress (PNC) in Guyana have been constrained by Moscow's longstanding relationship with the pro-Soviet People's Progressive Party (PPP) led by Cheddi Jagan. Although in the last year or two Moscow has moved somewhat away from the PPP, relations between Moscow and Burnham continue to be characterized by mistrust. Although the Soviets seem reluctant to extend economic aid to the financially hard-pressed government, they have sought to take advantage of the regime's economic problems by continuing to encourage a PPP-PNC coalition.

#### Support for Insurgencies and Revolution

33. Much of Moscow's support for insurgent and revolutionary movements in the hemisphere is covert, opportunistic, and flexible. Accordingly, the Soviets are expanding their links with leftists—particularly in El Salvador, Guatemala, and Honduras—where growing revolutionary activity promises opportunities to install anti-US and potentially pro-Soviet regimes. Elsewhere, they have encouraged the several small orthodox Communist parties in the Caribbean to prepare for violent revolution and have called on the Chilean left to initiate armed struggle against the Pinochet regime.

34. Soviet support and guidance for Latin American revolutionary movements now focus upon:

- Encouragement of broad revolutionary coalitions, uniting pro-Soviet Communist parties with their traditional leftwing rivals.
- Creation of military components loyal to the revolutionary coalitions.
- Use of hemispheric and extrahemispheric intermediaries.
- Training of revolutionary cadres.

35. In El Salvador, Moscow has continued to support Communist participation in the Unified Revolu-

tionary Directorate, the umbrella organization conducting the insurgency, and has endorsed armed struggle as the left's best alternative. Moscow has facilitated the flow of arms and military equipment to the Salvadoran insurgents from Cuba and other third parties and has contributed logistic support to the operation. While generally supporting the entire revolutionary front, Moscow has strengthened the position of the Communist Party of El Salvador (PCES) within it by funneling some of its assistance to the insurgents through the PCES. This has endowed the Salvadoran Communists with a degree of influence much greater than their numerical strength would warrant. In bolstering the position of the PCES, Moscow hopes to ensure that the party—and through it the USSR—will be well positioned to exert influence on events in El Salvador, especially if the leftist insurgency should succeed.

36. Despite this involvement, Moscow has tried to soft-pedal its role in El Salvador, partly to avoid provoking strong US countermeasures there that could spill over into Nicaragua and lead to further deterioration in relations with Washington. Moscow seemed to have been impressed by the Reagan administration's reaction to the situation in El Salvador and appears concerned that the outcome of the election in March 1982 may have significantly lessened the immediate prospects of the revolutionary left. However, the Soviets have taken comfort in the West European reluctance to endorse the elections. The Soviets also hope that actions by the political right in El Salvador will further complicate the US administration's efforts to mobilize Congressional support for additional military and economic support for that country, and, over the long term, assist the left. Although the Soviets appear less sanguine about the insurgents' short-term military prospects, they probably still believe that the insurgents can seize power through a prolonged armed struggle.

37. In Guatemala and Honduras, Moscow and its allies have also been pressuring the local Communists to join broad revolutionary fronts and participate in armed struggle. Cuba, probably supported by Moscow, has promised arms to Communists and other radical leftists if they unify. The Soviets have provided financial assistance and training and have encouraged various third parties to do the same. In the last few



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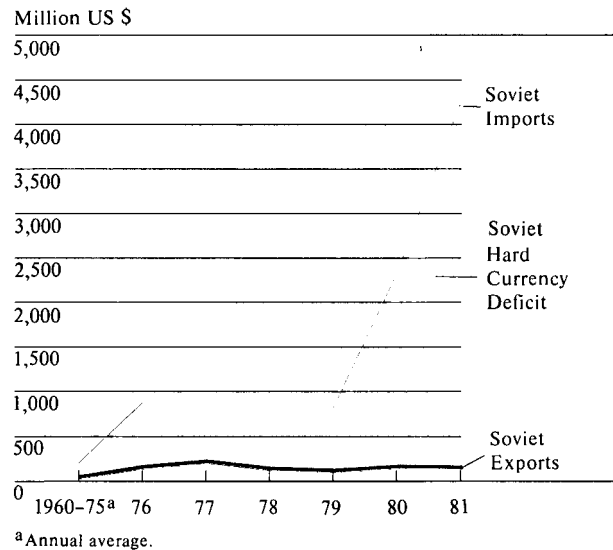
### Bilateral State-to-State Relations

43. In Argentina, Brazil, Mexico, and Peru, Moscow's policy has aimed largely at cultivating positive state-to-state relations. This approach has emphasized trade expansion and—in some cases—readiness to sell military hardware. Although these Soviet efforts have not usually been translated into increased Soviet influence, they have given some Latin American countries additional opportunities to assert their independence of the United States. By building on bilateral ties, the USSR also seeks to achieve specific economic objectives and hopes to gain broader political support for its policy initiatives in the hemisphere and elsewhere in the world.

44. **Economic.** The US-sponsored partial grain embargo following the invasion of Afghanistan, combined with Soviet agricultural problems, has intensified Soviet economic interest and activity in Latin America. It has led to a significant growth in grain purchases from Argentina as well as Brazil. Since 1980 the USSR has become Argentina's largest grain buyer, accounting for about 80 percent of that country's 1981 grain exports. Despite the Falklands crisis, this year's sales are still expected to be 11-12 million metric tons, or about one-fourth of the USSR's total grain imports—although the ultimate volume will depend upon the results of the Soviet grain harvest. The USSR and Argentina also have concluded a five-year agreement which calls for annual Soviet purchase of 60,000 to 100,000 metric tons of Argentine beef; 1981 purchases totaled 87,000 metric tons.

45. Such economic dealings with the USSR so far have paid handsome dividends for Latin American countries. Moscow has imported on a cash basis and has run massive trade deficits. (See chart.) According to the latest Soviet figures, Moscow's trade deficit with Argentina reached \$3.3 billion in 1981. Brazilian exports to the USSR have also boomed—increasing from 1980 by more than 100 percent to \$744 million in 1981—while imports totaled only some \$23 million. Such highly favorable trade arrangements are of great benefit to Argentina, and of more modest benefit to Brazil, in helping to offset their balance-of-payments deficits with other regions. Before the outbreak of the Falklands conflict, the Soviets—in response to their own hard currency stringencies—sought short-term credits from Argentina to cover grain purchases, but they did not appear to use the conflict to press this

### Soviet Trade With Latin America and the Caribbean (Excluding Cuba)



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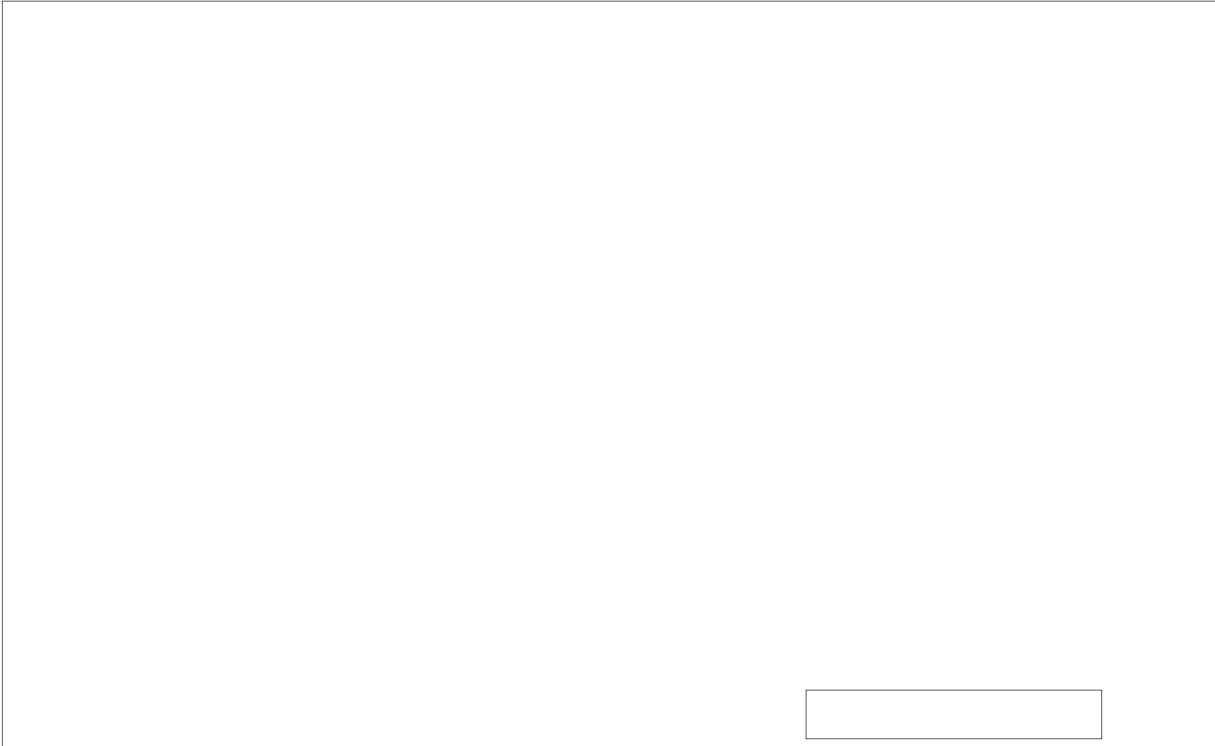
demand. Argentina, badly in need of hard currency from grain sales to finance its military activities, has been unwilling and unable to offer any short-term credits and, in fact, has requested advance hard currency payments from the USSR for impending grain deliveries. In the absence of an agreement on the issue, the USSR has obtained West European financing for its purchases.

46. Despite these deficits, the Soviets have derived certain benefits of their own from this trade. In addition to meeting urgent economic needs, the USSR was able to undercut the 1980 US grain embargo and blunt its potential for future use. The Soviets are pressing to develop the bigger Latin American countries—particularly Argentina and Brazil—into important markets for Soviet finished goods, especially equipment for hydropower projects. There are now almost 1,000 Soviet and East European civilian technicians in the region. (See table 2.)

47. The nuclear field is another important area in the growing relationship between the USSR and Argentina. In an attempt to diversify its sources of supply, Buenos Aires has turned to Moscow for zircaloy production equipment. Earlier this year, the two

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provide advanced technology on attractive financial

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48. The Soviets are also making an economic push in Brazil. Moscow's decision last year to sell oil there when it was reducing deliveries to its allies and other Third World countries reflected a desire to court the Brazilian Government as well as a pressing need for hard currency. Soviet oil exports to Brazil through 1982 will be 20,000 to 24,000 barrels per day, or about 3 percent of Brazil's oil requirements. Long-term trade agreements initiated by the two countries last year envision a trade turnover of \$5 billion over the next five years. According to the terms of the agreements, Brazil will supply agricultural products under long-term contracts while the Soviets will continue sales of crude and also provide turbines for Brazilian hydroelectric projects.

49. Moscow has also expanded technical exchanges with Brazil. Attracted by Moscow's willingness to

50. The Soviets are also increasing their economic and commercial activity in Mexico, albeit not rapidly. For the last seven years, Mexico has had observer status with CEMA. Despite a gradual expansion during this period, Mexican trade with the USSR still accounts for less than 1 percent of Mexico's foreign commerce. Discussions with the USSR on a quadrilateral oil swap underscore Mexico's openness to dealings with the Soviet Union, but Mexico's insistence on commercially viable arrangements may continue to restrict trade expansion. Moscow wants Mexico to ship oil to Cuba. In turn, the USSR would supply Mexican customers

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in Europe. In addition to gaining substantial transportation savings, Moscow may think that the United States would be less likely to interrupt Mexican than Soviet shipments of oil if Washington resorted to an oil blockade of Cuba. The Soviets may also seek to obtain advanced US technology in Mexico, but Mexican efforts to avoid violating US export controls could limit Soviet opportunities.



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55. *Political.* On the political front, the Soviets have consistently sought to discredit US policy. They are prepared at every turn to capitalize on the Latin perception of decades of US political and economic pressure. Moscow has applauded demonstrations of independence from the United States, such as the refusal of Argentina, Brazil, and Peru to join in the US-sponsored trade sanctions against the USSR following the Afghanistan invasion. The Soviets have sought to exploit Mexico's opposition to US initiatives in El Salvador and to play on the differences between Mexico and the United States over how best to restore stability in Central America. Moscow is especially pleased to see differences between the United States

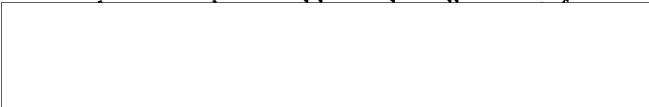
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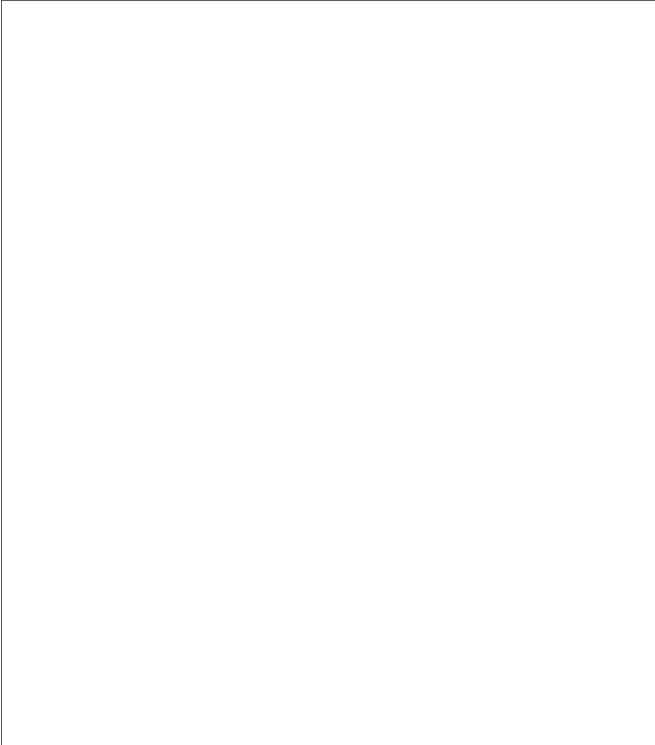
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and Latin American countries regarding policy toward the USSR, and probably views such disagreements as signs of a further weakening of US influence and increase in its own.

56. The Soviets have tried to use the Falkland Islands dispute between Argentina and Great Britain to further ingratiate themselves with the government in Buenos Aires and elsewhere in the region. After initial hesitation, Moscow publicly supported Argenti-



Argentina's claim to sovereignty over the Falklands, although it has depicted Argentine policy in positive terms as a continuation of the process of decolonization.



58. Even in countries where the USSR's policy is keyed to developing bilateral state-to-state ties, Moscow continues to conduct a variety of covert activities and other "active measures" to improve its position and play upon domestic vulnerabilities over the longer term. These activities include:

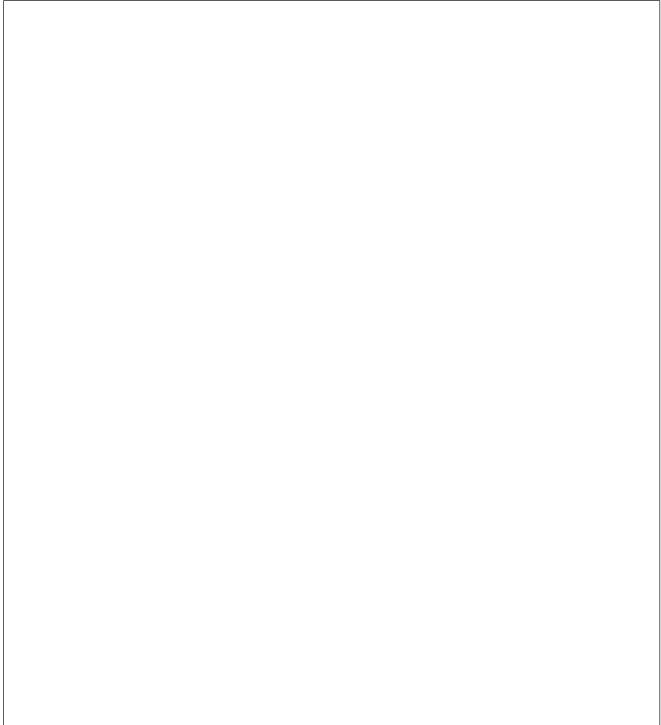
- Funding local Communist parties and front organizations.

- Disseminating disinformation and forgeries aimed at the United States.
- Drumming up support for hemispheric revolutionaries.
- Infiltrating military and security services as well as other important sectors of governmental bureaucracies.
- Manipulating the media and mass organizations.
- Cultivating pro-Soviet sentiments among academics and students.
- Developing and using agents of influence, mainly through the Cubans.

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59. To Moscow, the local orthodox Communist parties are essentially instruments of Soviet policy (for sizes of parties, see table 3). The USSR provides funds to most Latin American Communist parties and is encouraging them to become more active, particularly

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60. The Soviets have also stepped up their propaganda activities in the area over the last several years. These efforts aim both to discredit US policy in the hemisphere and to strengthen leftist elements. Moscow, for example, has directed its representatives in Latin America to spread false accusations about the

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Table 3

## Pro-Soviet Communist Parties in Latin America and the Caribbean

Country	Estimated Population, Mid-1981	Communist Party	
		Estimated Membership	Status
Argentina.....	28,130,000	45,000	Proscribed
Bolivia.....	5,490,000	500	Proscribed
Brazil.....	124,800,000	6,000	Proscribed
Chile.....	11,162,000	20,000	Proscribed
Colombia.....	25,217,000	12,000	Legal
Costa Rica.....	2,332,000	3,200 (PVP)	Legal
Dominican Republic.....	5,855,000	6,000	Legal
Ecuador.....	8,275,000	1,000	Legal
El Salvador.....	4,610,000	800	Proscribed
Guadeloupe.....	304,000	3,000	Legal
Guatemala.....	7,310,000	750 (PCT)	Proscribed
Guyana.....	857,000	Unknown (PPP)	Legal
Haiti.....	5,923,000	350 (PUCH)	Proscribed
Honduras.....	3,940,000	1,500	Proscribed
Jamaica.....	2,268,000	Unknown (WPJ)	Legal
Martinique.....	302,000	1,000	Legal
Mexico.....	69,100,000	112,000 <sup>a</sup>	Legal
Nicaragua.....	2,559,000	250 (PSN)	Legal
Panama.....	1,928,000	550 (PPP)	Legal
Paraguay.....	3,268,000	3,500	Proscribed
Peru.....	18,119,000	3,000	Legal
Uruguay.....	2,944,000	7,000	Proscribed
Venezuela.....	17,913,000	4,500	Legal

<sup>a</sup> This figure is the total membership claimed for a Communist-dominated coalition called the Unified Party of Mexico (PSUM), which is somewhat more independent in orientation than the other parties listed in the table.

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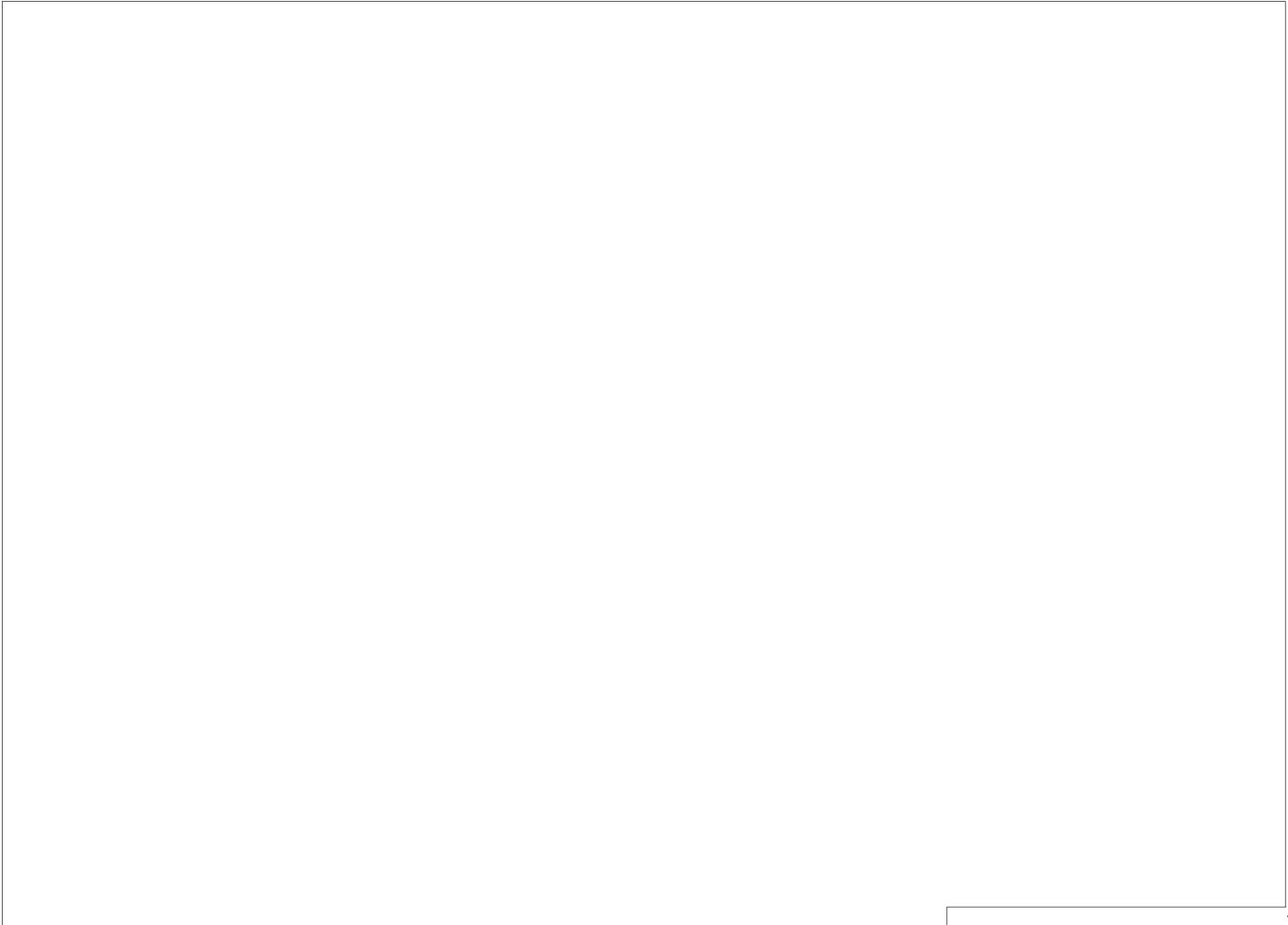
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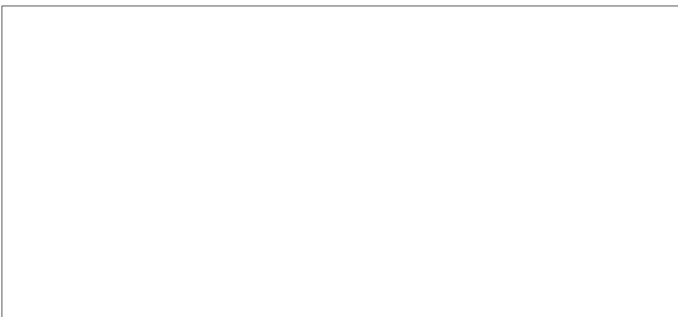
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Table 4



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ica. Growing resistance among church leaders to this de facto partnership between religion and revolution notwithstanding, Moscow and Havana probably will seek to benefit from the sympathies of many church activists for leftist revolution in the region.

**Constraints**

64. Despite its increased optimism about trends in Latin America, Moscow recognizes that there are major constraints on its ability to influence developments there. Foremost is the attitude and role of the United States. Moscow believes that US political, economic, and military strength still gives Washington potential for considerable leverage in the hemisphere.

63. The Soviets have profited from the growth of pro-Marxist sentiments among religious activists. They have been especially impressed with the direct support such activists have provided the Sandinista regime and other revolutionary causes elsewhere in Central Amer-

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65. Moscow has therefore moved in ways designed to avoid directly provoking the United States. In contrast to the USSR's overt and direct bilateral dealings with the larger states, its support for revolutionary movements has been low-key, often employing intermediaries and surrogates. This pattern of indirect support also reflects Soviet uncertainty about the long-term prospects of revolutionary movements and unwillingness to commit the USSR irretrievably to respond to possible US actions against them. Furthermore, Moscow has been careful to play down its direct commitment to the Sandinista regime and has apparently not sought a "friendship" treaty with Nicaragua as it has with some Third World clients outside the Western Hemisphere.

66. More important, the Soviets have displayed concern about the application of US political and military leverage in response to the crisis in Central America. The Reagan administration's frank warnings have emphasized that Washington is indeed sensitive to Moscow's efforts to exploit political instability in its own backyard and that such activities there might well trigger a strong US reaction. The level of arms deliveries to Cuba in 1981—the second-highest annual total on record—and the Soviet efforts to build up Nicaragua's military forces are to a degree indicative of this anxiety. At the same time these measures provide Cuban and Nicaraguan armed forces with increased offensive capabilities and with further means to intimidate neighbors and provide safehaven for leftist insurgents.

67. Antipathy to the Soviets is another constraint on Moscow. Even those governments that have developed important bilateral ties with the USSR, such as Argentina and Brazil, remain strongly anti-Communist and distrustful of Soviet motives with respect to their

governments and reinforce their suspicions of Soviet-inspired interference in their internal politics. Such backing would also stimulate anti-Communist elements among important social groups, especially the various churches.

68. Moreover, economic considerations also impose some constraints on Soviet activism in the region. Foremost are the poor quality, technological backwardness, and narrow range of Soviet industrial goods, which are compounded by the area's historical preference for Western goods. Taken together, these factors severely limit Soviet export prospects. In cases where Moscow might hope to make political inroads through imports from Latin American or Caribbean countries, its severe shortage of hard currency is a major constraint. Finally, the USSR's record of tightfistedness with regard to economic assistance deprives it of further opportunities to assist pro-Soviet regimes or otherwise gain influence in the region.

69. Another constraint on Moscow is the unstable nature of new leftist regimes and its recognition that its influence is dependent on local political trends that it may be unable to control. The electoral ouster of Manley in Jamaica was a key case in point, and the Bishop regime in Grenada faces economic problems that could generate political discontent. The Soviets probably are still uncertain whether the new revolutionary regimes in Nicaragua and Grenada can survive. The Soviets see Nicaragua's Sandinistas under considerable pressure from the United States and formerly sympathetic European socialists. They also see Nicaragua increasingly beset by a wide variety of political opponents, armed counterrevolutionaries, and mounting economic problems.

#### Prospects and Implications for the United States

70. Moscow's long-term objectives of eroding and supplanting US influence in Latin America are unlikely to be affected by its recognition of the obstacles to its ambitions under present power realities and the political climate in the hemisphere. In fact, over the next few years, Soviet efforts to gain influence in the region are likely to increase and will probably present more serious problems for the United States. Washington's response to this growing Soviet challenge will be complicated by the fact that its own deep concern about Soviet troublemaking in the area is not shared

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by many regional governments. Sympathy with revolutionary causes will persist in countries such as Mexico and Panama. Even countries less sympathetic to leftist causes such as Brazil and Venezuela would be opposed to US military intervention to check revolutionary gains in Central America and the Caribbean.

71. The Soviets will continue to use both state-to-state and revolutionary approaches, depending on the situation. Moscow probably will continue to judge that in the long term it has a great deal to gain by continuing to develop positions of influence in the more politically significant countries such as Argentina, Brazil, Mexico, and Peru. It will couple this interest with its exploitation of ferment in countries embroiled in insurgencies or ruled by unstable regimes.

72. Uncertainty about US intentions is the dominant consideration in Soviet thinking about risks and gains in exploiting regional opportunities. Without abandoning its support for revolution, Moscow is likely at present to minimize risk by recommending tactical prudence to its regional clients Cuba and Nicaragua. Moscow's recent endorsement of calls for talks between Nicaragua and the United States, for example, probably reflects its interest in easing US pressure and buying time for the beleaguered Sandinista regime, as well as in cutting its own costs.

73. So far, the Soviets have been reluctant to provide Nicaragua with massive economic aid. Nonetheless, if the Sandinista regime falters for economic reasons, Moscow and its allies probably would be somewhat more forthcoming with economic support. Because Nicaragua's population is much smaller than Cuba's, and because Managua seems at this time to enjoy broader international economic backing than did Havana in the 1960s, in the near term at least the Soviets would almost certainly not have to assume the kind of economic burden that they have been carrying in Cuba for two decades.

74. Intensified pressure on Managua by Nicaraguan dissident armed elements may be seen by Moscow as posing a potential long-term threat to the Sandinista regime, yet as also offering an opportunity to draw Nicaragua still closer to the Soviet Bloc. Moscow will probably counsel Managua to avoid countermeasures provocative to the United States—such as armed

forays deep into Honduras—but may assume a more active role in planning Nicaragua's counterinsurgency measures, and might expand its military assistance.

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76. The large and growing levels of military hardware in the hands of Soviet clients have major implications for the region. In addition to defending both Cuba and Nicaragua against attack, such military power—especially in Nicaragua—facilitates support to the Salvadoran insurgents and provides shelter for the guerrilla infrastructure. Within the term of this Estimate, other objectives behind arms supply from the USSR and various intermediaries probably include:

- Intimidating Nicaragua's neighbors, thus disposing them toward acquiescence in the Soviet-Cuban foothold in Central America.
- Supporting insurgents in Guatemala.
- Laying the groundwork for support of possible future insurgencies in Honduras, Costa Rica, and elsewhere in the hemisphere.

77. Over the longer term, there is also a possibility that the Soviets may seek access to naval and air facilities in Nicaragua and Grenada. Such access would have a significant impact on US security interests, especially with regard to the Panama Canal and other lines of communication. The principal constraint on the Soviets in expanding their military presence in Central America and the Caribbean is their uncertainty as to the US response. Nevertheless, they are very likely to continue to probe US resolve during this decade.

78. The persistent strain of anti-US sentiment in the region, which has been accentuated by the Falklands

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crisis, offers the Soviets some new opportunities to expand their influence. However, Soviet initiatives are of less intrinsic significance than US policies and actions. The Soviets probably have no firm expectation of any dramatic new political payoffs in the near term, although they probably do hope that their support will moderate local suspicions of Moscow and enable them to project an image of the USSR as a distant but powerful supporter of Latin American and anti-colonial interests. They may also calculate that the outcome of the crisis could usher in a period of political instability and open prospects for those in Buenos Aires who might be more inclined toward closer relations with the USSR. The Soviets are already seeking to profit from any general deterioration in US influence in the hemisphere arising out of the Falklands crisis, but they realize that Washington's losses cannot be immediately chalked up as Moscow's gains.

79. US efforts to build hemispheric solidarity with the current Salvadoran Government and to gain Latin American support for countering Soviet-supported leftist insurgency elsewhere in Central America have been damaged. The Soviets are certain to attempt to exploit what they perceive as a US setback. They will

continue to conduct many of their activities in the region either covertly or through intermediaries. Although generally successful to date, this tactic is vulnerable to public exposure of Soviet support for subversion and revolutionary violence. Furthermore, some Soviet intermediaries (such as Cuba, Algeria, or the PLO) might possibly be led to moderate their policies through a combination of external pressure and internal problems.

80. The Soviets have by and large successfully implemented a policy of encouraging unrest in various Central American states, gaining a foothold in Nicaragua, and improving their relations with the governments of the more important South American countries. They probably expect their general progress to continue, especially if the United States appears to be inconsistent, or discredits itself through its reactions to events in the region. From the Soviet perspective, such a policy has potential for distracting American attention from other regions; is relatively cheap in economic terms; has not required major commitments to local allies; and has not raised confrontation with the United States to an unmanageable level. The Soviets are thus likely to persist with this strategy.

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