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23 September 1983

MEMORANDUM FOR: Director of Central Intelligence
FROM : Deputy Director for Intelligence
SUBJECT : NSC Meeting on Central America

27 SEP 1983

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1. The meeting was simply an update for the President on the status of the diplomatic and military effort since July. [redacted]

2. My briefing (attached) spoke to the points I was asked specifically to discuss, as well as a comment on the longer term economic problem with Jamaica as an example. Secretary Shultz took exception to the notion that \$2-3 billion a year in aid would be required over the next several years but I had the opportunity to set him straight that I simply was saying that without that level of aid -- which almost certainly would not be forthcoming -- the economies of the Central American countries would almost certainly worsen in the next year or two. That point understood, both he and the Acting Chairman, JCS repeatedly expressed agreement with points I had made. [redacted]

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3. Shultz reviewed in excruciating detail diplomatic and political initiatives underway and had Dick Stone talk a bit about his efforts on the Hill. The Secretary underscored the importance of pursuing both the diplomatic and military tracks (Dewey and I also thought that he was sending a few arrows at Judge Clark by lauding the work of the SIG and IG under Tony Motley and the way he presented the Stone mission). [redacted]

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4. Admiral Watkins briefed the status of US Naval forces in the region and progress made in training the Salvadoran army. [redacted]

5. My briefing lasted about five minutes and Shultz and Watkins basically took the rest of the hour. The President asked no questions and at the end simply expressed his satisfaction with the direction of events. The overall thrust of the meeting was realistic -- moderate optimism over developments in both El Salvador and Nicaragua (as well as in the Congress) but realism that there will still be ups and downs for the Salvadoran army as well as difficult longer range problems such as the economic situation. [redacted]

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Robert M. Gates

Attachment:
As Stated

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I. Nicaragua: Cuba-Soviet Connection

[redacted] Soviet, Cuban and Libyan military support for the Sandinistas is continuing.

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[redacted]

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-- Nicaragua has been granted observer status in CEMA, indicating that Soviet Bloc economic ties will continue to expand.

[redacted]

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-- The Cubans are making a special effort to hide their presence, however, probably as a result of Castro's public offer to withdraw his "200" military advisers in Nicaragua.

[redacted]

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II. El Salvador: Guerrilla Perspective

Turning to El Salvador, [redacted] most insurgent leaders view the military situation on pessimistic terms, believing that their forces have generally been contained.

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-- They also believe they lack enough popular support for a military victory, and were bothered by increased desertions during the amnesty period.

-- As the Salvadoran army becomes more effective and as the Nicaraguans are forced to pay more attention to the threat in their own country and diminish their support to the Salvadoran insurgents, we see the Salvadoran insurgents hurting for ammunition, for food, for money, and experiencing a higher desertion rate.

[redacted]

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- More aggressive army sweeps have, for more than three months, kept the guerrillas on the run. They have had their bases cut off and have been forced to move their camps frequently to avoid government ground sweeps. The Salvadoran guerrillas have become acutely aware that their fate hangs on Cuban/Nicaraguan policy shifts.

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- [redacted] the different insurgent factions are strongly divided over whether negotiations can yield positive results.

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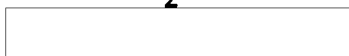


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- Their recent surprise attack on San Miguel, the largest city in eastern El Salvador, indicates they remain a potent force, and Army casualties are again on the rise.

III. Prospects

- Situation on ground in both El Salvador and Nicaragua developing favorably. Pressure on insurgents and Sandinistas building.
- Danger of psychologically telling blow with little military significance.



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- Longer range prospects for stability less optimistic -- threatened by serious economic problems. If insurgent activity continues at level of last several months, Central American countries will need between \$2 and \$3 billion a year in foreign aid just to prevent further decline in living standards and drop in real GNP.
- Even decisive victories over insurgents and faster global economic recovery than expected would not generate quick economic improvement; foreign aid needs would remain high.
- Case in point: Jamaica -- a showcase of US Caribbean Basin policy -- Success in defeating leftist Manley, but now Seaga in serious difficulty because of economy, (30% unemployed). May be defeated by Manley in '85 election - leading in 24 of 36 parliamentary constituencies. Seaga's fate tied to economy.
- In sum, security situation developing positively. Exploiting this success to strengthen stability over longer term threatened by economic problems.

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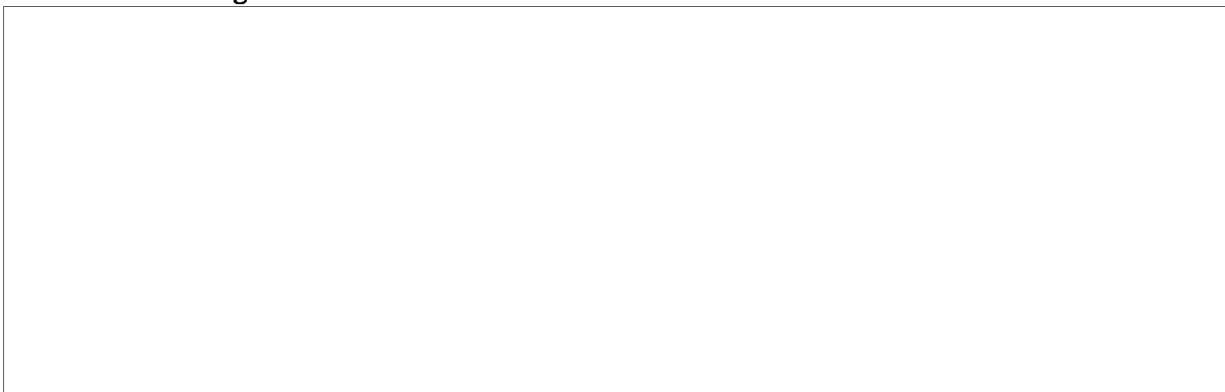
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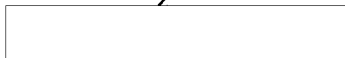


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