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Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

January 1984

CENTRAL AMERICAN MONTHLY REPORT #6

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Overview

*Electoral politics are assuming increased prominence in Central America, a development likely to fuel turmoil in the period just ahead. The projected balloting nevertheless is likely to constitute a watershed in the national life of El Salvador and Panama and to have important consequences in Guatemala and Nicaragua as well.*

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*In El Salvador, bitter partisanship will almost inevitably account for new political violence during the campaign. The election process will in all likelihood be accompanied by increased insurgent activity as well. We expect the voting to proceed—though with difficulties in guerrilla-infested areas—and to produce a government with enhanced legitimacy at home and abroad.*

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*The other elections are more problematical. In Panama, the process as envisaged would ostensibly retire the military from their 15-year rule. Even if, as we expect, the armed forces retain a strong political role, a civilian government will provide an opportunity for Panama's transition to a reasonably representative system. The new presidential bid by thrice-ousted ex-President Arnulfo Arias, however, may cause the military*

*This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 3 February 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA,*

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to renege on the elections or to *manipulate* them into insignificance as an exercise in political competition.

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Guatemala's movement toward constituent assembly elections offers some prospect that the country can return to civilian rule. Nevertheless, the military remains an unstable institution unlikely to provide consistent support for political reform. And the most prominent civilian political groups, which habitually engage in politics by assassination, inspire little confidence that they could provide competent national leadership.

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Nicaragua's announced elections similarly must be met with skepticism, since the Sandinistas are unlikely to permit the kind of contest that would alter their lock on power. The process, however, may temporarily open the system sufficiently to provide some feel for where support and disenchantment with the revolution lie.

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## EL SALVADOR

### Political

The six political parties in the Assembly have nominated their presidential candidates, and the campaign is under way. Democratic Action was the last to hold its nominating convention, waiting until 9 January in anticipation of forming a coalition with the larger Christian Democratic Party, which also was slow to name its vice presidential candidate. The tiny Salvadoran Popular Party and the Authentic Institutional Party still have not selected vice presidential candidates. Both of these parties have little chance of winning the election, and will likely throw their weight behind the Nationalist Republican Alliance in the event of a runoff with the liberal Christian Democrats.

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### LIST OF CANDIDATES

<u>Party</u>	<u>President</u>	<u>Vice President</u>
Christian Democratic Party	Jose Napoleon Duarte	Pablo Mauricio Alvergue
Nationalist Republican Alliance	Roberto D'Aubuisson	Hugo Barrera
National Conciliation Party	Jose Francisco Guerrero	Pio Arnulfo Ayala
Democratic Action Party	Rene Fortin Magana	Luis Nelson Segovia
Salvadoran Peoples Party	Francisco Quinonez Avila	_____
Authentic Institutional Party	Roberto Escobar Garcia	_____

Preliminary polls indicate that voter interest in the elections is high, and balloting may again be heavy. The polls also indicate that Duarte and D'Aubuisson, who represent

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the two extremes of the registered political spectrum, are the front runners. Both are controversial and divisive figures, and if either gains a first round majority, considerable political turmoil may result. If a second round runoff of the top two vote-getters is necessary, the support of the National Conciliation Party likely will prove crucial, and it may add stability to the resulting government. The Party is being courted by D'Aubuisson but it is still uncertain which way it will go.

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In other political developments, a split in the Popular Liberation Forces (FPL), one of the largest of the five insurgent groups, appears to be widening and eventually may affect guerrilla unity. Two dissident factions support the protracted war strategy of former Popular Liberation Forces leader Cayetano Carpio and reject the current leadership's position, which calls for negotiations on insurgent terms. The largest faction, the Revolutionary Workers Movement, has severed all ties with the FPL and represents at least half of the organization's membership. The other dissident faction is the group's combat and logistic unit in the San Salvador area, which claims credit for the recent assassination of a rightwing political deputy and generally supports a militant strategy.

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Military

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The insurgents also are preparing military actions elsewhere. [Redacted] large numbers of guerrillas from all five factions are scheduled to arrive soon in the Guazapa stronghold near San Salvador to try to secure the area prior to the elections. [Redacted] activities in the west also will be intensified.

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For its part, the Army has begun the next phase of the National Campaign in Usulután Department. Two elite "immediate reaction" battalions are sweeping the western part of the department, and they hope to follow up an expulsion of the guerrillas with civic action projects, [Redacted] As in neighboring San Vicente, however, success of the program will depend on the government's formation of civil defense units to provide local security.

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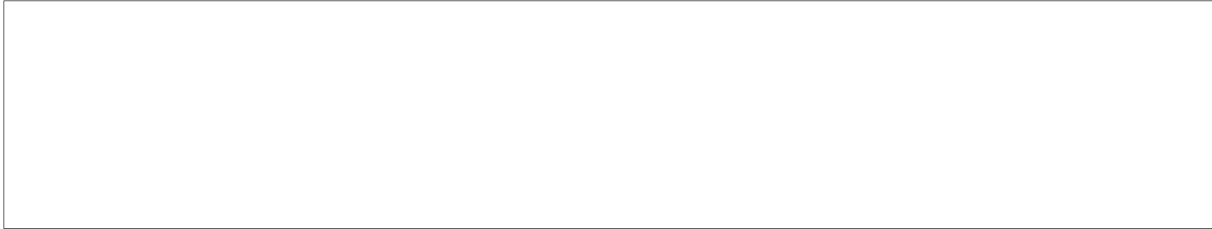
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Economic

El Salvador's four-year economic decline appears to have halted in 1983. The US Embassy reports that real GDP last year remained roughly constant. The leveling-out reflected three main factors, two of which were beyond Salvadoran control—rising output of such basic crops as corn and beans for domestic consumption, higher prices for export crops, and substantial US economic aid that helped manufacturers to import key raw materials and other producer goods. 


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Fundamental improvement in the economy, however, is unlikely in 1984, according to the Embassy. Although crop projections for 1984 suggest a gain in production of food staples, the harvest of cotton and coffee—key export crops and targets of insurgent action—will probably fall again. Markets for manufactured goods will continue to be limited by the depressed state of neighboring economies, to which El Salvador has traditionally exported most of its manufactures. Because about one-third of local bank loans to the private sector are in default, the outlook for the banking sector remains dim. 


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**NICARAGUA**

Political

The Sandinistas announced that national elections will be held in 1985 for a president, vice-president, and 90-member assembly. All incumbents would serve six-year terms, and the assembly will draw up a constitution in its first two years. The Council of State is working on a draft electoral law and a media law, which probably will be ready for the 50th anniversary celebration of Sandino's death on 21 February. An election date will be announced at that time, and the Sandinistas are planning to invite several heads of state to the celebration. 

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The opposition has taken advantage of recent relaxation of censorship to press its demands that the Sandinistas must eliminate a variety of state and party controls and conduct a dialogue with the armed opposition if the elections are to be considered free. Nevertheless, the opposition was caught off guard by the Sandinista electoral announcement, and has not developed a unified response. Church-state relations deteriorated again as the month ended when the regime insisted that a Managua Catholic high school reinstate 17 pro-Sandinista teachers who had been fired last month. 

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The Sandinistas continued their efforts to take the sting out of the December exodus of Miskito Indians to Honduras by publicizing statements of Bishop Schlaefer and two Nicaraguan deacons that supported the government's account. Nicaragua probably believes that Honduras will refuse its request to broadcast its amnesty decree in Miskito refugee camps, thus embarrassing the Hondurans and providing an excuse for the Indians' lack of response to the amnesty offer. Moreover, the Sandinistas have attempted to deflect attention from a reported military incursion into Honduras to forcibly repatriate refugees by airing charges that Honduran troops massacred some 200 Miskitos attempting to return to Nicaragua. [Redacted]

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National Directorate member Arce stated that the Cuban presence in Nicaragua might be reduced in the future. In a Managua speech commemorating the 25th anniversary of the Cuban revolution, Interior Minister Borge echoed this suggestion by saying that only 800 of the 2,000 vacationing Cuban teachers would return to Nicaragua in February. [Redacted]

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[Redacted]

Anti-Sandinista insurgents have apparently begun to make progress toward unification, which will increase their prospects of gaining more domestic and foreign support. The Democratic Revolutionary Alliance recently publicly proposed unification of all groups and development of a political program to defeat the regime. Alfonso Robelo told US Embassy officials that talks with the Nicaraguan Democratic Force have been productive, and he expects agreement to be made public soon. [Redacted]

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Economic

Managua has succeeded in securing markets for its sugar that would more than offset the reduced US quota on sugar purchases from Nicaragua. [Redacted]

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[Redacted] Algeria—which heretofore apparently has not been a major customer—has agreed to buy 80,000 tons of Nicaraguan sugar. [Redacted]

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[Redacted] Algeria earlier had expressed its willingness to buy at the US price—which at about \$450 per ton is roughly triple world market rates. [Redacted]

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In addition, [Redacted]

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[Redacted] Managua expects Algeria to become Nicaragua's new main petroleum supplier. The Sandinistas may fear that Mexico will demand far more stringent terms when its current pledge to supply nearly all of Nicaragua's oil needs expires in July. Algeria would be highly unlikely to match the Mexicans in footing most of the \$140-million annual bill for Nicaragua's oil consumption, although the Algerians may well offer the Sandinistas attractive terms. Should the Sandinistas be required to pay world prices in cash for their oil imports, the financial and economic strain would be enormous. [Redacted]

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An expected Soviet delivery of crude oil to Puerto Sandino in late January has failed to materialize. A Soviet tanker off-loaded \$7 million worth of crude there in early January, but additional deliveries may have been delayed by the insurgents' mining of the port in mid-month. [Redacted]

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**GUATEMALA**

**Political**

Chief of State Mejia has issued a new electoral law preparing the way for a Constituent Assembly election in July, and most political parties are turning to organizational tasks in anticipation of the voting. Guatemala's strongest party, the ultra-rightist National Liberation Movement, has agreed to an electoral alliance with a smaller rightwing group, and it is discussing a broad rightist coalition with two other parties, [redacted] Several leftist and centrist parties also are considering an alliance [redacted] The government says almost 700,000 voters have been registered, mostly in Guatemala City, and that it is moving now to register voters in rural areas. [redacted]

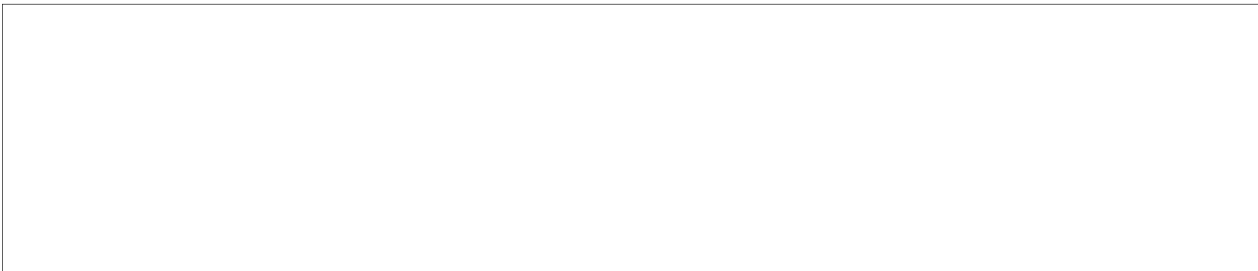
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If current trends persist, the traditional political parties—with well-established constituencies and financial backing—are likely to dominate the balloting and control the assembly. Mejia's decision to allow 23 of 88 assembly deputies to be elected as national at-large candidates will work in their favor. Moreover, the provision of the law that permits local "civic committees"—as well as political parties—to nominate candidates may indirectly help the right wing by damaging the chances of new leftist and centrist groups. The Western Highlands' Indians, long ignored by Guatemala's political system and with little party loyalty, may support a host of "civic group" candidates well-known locally instead of aligning themselves with the newly formed parties courting them. Lastly, the registration process thus far has concentrated on areas that have been the electoral preserve of the rightwing parties in the past. [redacted]

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Mejia did not accede to the parties' demand that the assembly have legislative functions, including the power to name a provisional president, and his opponents may claim that his opposition demonstrates his intent to remain in power. Some party leaders also assert that the military's control over the civilian defense forces is paralyzing political organizing in the countryside. They are concerned that the Army will manipulate the votes of the estimated 500,000 patrol members, [redacted] [redacted] We have no evidence of the military's intent to tamper with the political process, but perceptions of the legitimacy of the elections—at home and abroad—could be undermined if such accusations continue. The government may ask several countries, as well as the Organization of American States, to send election observers to help ensure the integrity of the balloting. [redacted]

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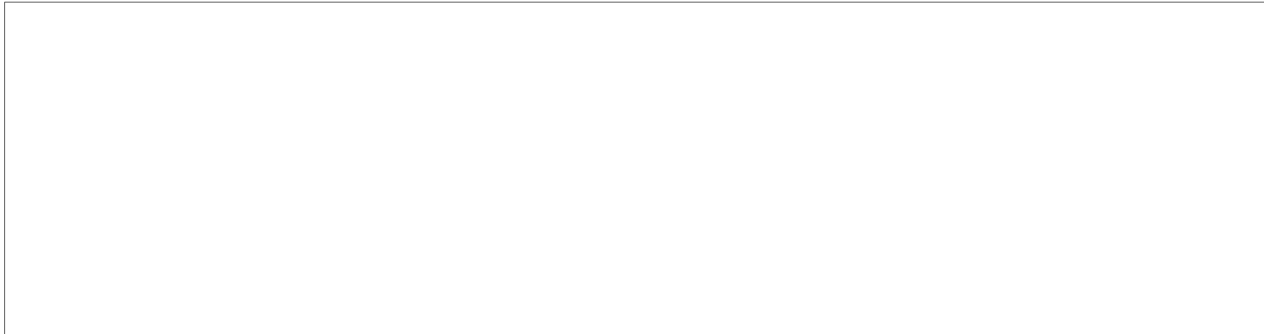


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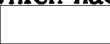


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Economic

Guatemala has reopened its borders with El Salvador and Honduras following favorable settlement of trade problems with the two countries. The US Embassy reports that El Salvador has agreed to apply a more favorable exchange rate to some Guatemalan exports and to repay its \$38 million debt to Guatemala over the next five years. The Salvadorans, according to the Embassy, acceded to key Guatemalan demands in order to keep the border closing—which had escalated prices of fresh produce in El Salvador—from becoming a political issue in the March elections. Guatemala's border-closing dispute with Honduras, which had severely hurt some Honduran manufacturers, also has been resolved. 

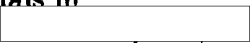
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**HONDURAS**

Political

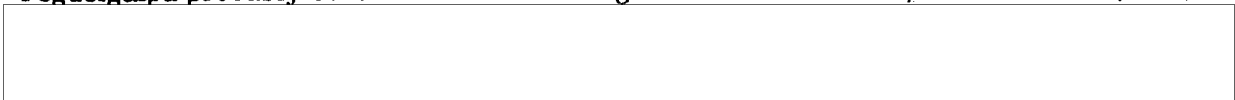
Honduras' long-standing border dispute with El Salvador is again causing tensions. Language in El Salvador's new constitution, which implicitly denies Honduran territorial claims in the Gulf of Fonseca, recently prompted outbursts of nationalist rhetoric from Honduran officials. The Hondurans reject the constitution's reaffirmation of a 1917 Central American Court decision delimiting sovereignty in the Gulf, which Honduras has never accepted. In mid-January, Foreign Minister Paz Barnica issued two strongly worded diplomatic notes on the matter and told reporters that an electoral census should be taken on Meanguera Island in the Gulf—long occupied by Salvadorans. He also reiterated earlier remarks which were critical of the continued training of Salvadoran troops at the Regional Military Training Center in northern Honduras. 

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Given the historical animosities between the two countries, officials in Tegucigalpa probably consider this to be a big concession on their part. 

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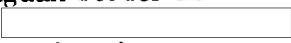




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Nevertheless, we believe Honduran leaders are deeply concerned about the military situation in El Salvador and see their best interests served by continuing current cooperation. A meeting between the Foreign Ministers and Defense Ministers of both countries is scheduled for 10 February to discuss bilateral relations. The territorial issue probably will remain deadlocked, however, until it is referred to the International Court of Justice next year as stipulated in the bilateral peace treaty of 1980. 

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Military

The Honduran Air Force is Central America's largest, but it continues to have problems maintaining its effectiveness. A Honduran Air Force A-37 crashed on takeoff while reacting to the shutdown of the US helicopter at the Nicaraguan border 11 January. This reduces the Honduran A-37 inventory to 10, and the   will have difficulty replacing the lost pilot. Besides its manpower problems, the Air Force faces the need to replace its aging Super Mystere jet fighters and C-47 transports. Honduras wants to obtain US F-5 jets and C-130 transports to meet these requirements. 


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**COSTA RICA**

Political

President Monge in mid-January bowed to domestic political pressure and suspended some development projects involving US military engineers near the border with the Nicaragua. Administration officials told the US Embassy that the presence of armed US personnel would require Monge to obtain approval from the legislature, which probably fears that a US military presence would jeopardize San Jose's claim to neutrality and threaten Managua. Government leaders also wanted to avoid protracted congressional debates that might have delayed passage of the budget and other economic measures crucial to achieving a new agreement with the IMF. Monge agreed to smaller-scale projects away from the Nicaraguan border area to demonstrate a continuing interest in US aid programs, but there is little chance that any of them will begin before 1985. 

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A split between moderate and extremist wings of the Costa Rican Communist Party has widened over the past month  The moderates appear to be on the verge of recapturing top party positions from the radicals, who staged a surprise takeover in November. The conflict between the two factions will likely peak at an upcoming party congress. The schism will almost certainly erode the party's limited influence in the Costa Rican political arena, especially if the defeated faction decides to break off to form a separate new party. 

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**PANAMA**


Political

Panama's presidential race achieved added definition in January when longtime political figure Arnulfo Arias announced that he will again be an opposition candidate for the election in May. Although earlier attempts to form an opposition alliance have failed, US Embassy reporting indicates that the party's secretary general is confident that several other parties will now join the Authentic Panamenistas. 



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The official added that Arias—if elected—would not seek the removal of Defense Forces Commander Noriega so long as the military refrained from political activity. He would, however, press for the retirement of several high-ranking officers and try to end the military's involvement in various business ventures. In return, Arias would ensure that the armed forces receive the funding necessary to continue their force development. 

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The military, in our judgment, will have serious difficulty in accepting an Arias candidacy because of his longstanding animosity toward the armed forces. 



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 indicated that one of Arias' own political advisers, for example, has concluded that the military will not allow Arias to take office, nor accept a president he has endorsed. Arias' intent to retire some senior officers and curtail the lucrative business dealings of the military may push Noriega to consider preemptive measures, including possible postponement of the balloting. Moreover, Arias' decision to run now places added pressure on pro-government candidate Nicolas Barletta—who lacks Arias' charisma and voter recognition—to quickly prove his popular appeal or otherwise risk replacement by the military. 

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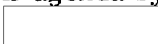
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Noriega may turn to President de la Espriella to run again, even though the incumbent recently vetoed amendments to the electoral law that would have removed some of the legal barriers to his reelection. The opposition severely criticized the proposed changes in the law.  Noriega sought the changes in case Barletta falters, but Barletta threatened to withdraw unless he received assurances of continuing military support. 

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**REGIONAL PEACE NEGOTIATIONS**

The Contadora Vice-Foreign Ministers met in Panama in late January to install members of the military, political, and economic committees. The three committees were established at a joint Contadora-Central American foreign ministers meeting in early January, which also set forth guidelines for the negotiations. The Central Americans—with Contadora participation—will now address the difficult task of drafting treaty terms. The committees are scheduled to complete their agenda by 29 February and to present their recommendations no later than 30 April. 

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The Sandinistas have attempted to maintain the offensive on Contadora issues by criticizing statements about US military bases and exercises in Honduras as a violation of the spirit of the regional negotiations. The Sandinistas scored points when ambassadors to Nicaragua from three of the Contadora countries recently praised their progress toward elections. [Redacted]

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The Central American "Core Four" are encouraged that the guidelines embrace the concept of military balance, because this provides a starting point for pursuing Nicaraguan disarmament. In a recent conversation [Redacted] Nicaraguan Foreign Minister D'Escoto indicated Nicaragua's negotiating tactics on this point. The Sandinistas interpret military balance to mean that Nicaragua should have sufficient forces to defend itself against an attack by a coalition of its northern neighbors or by the United States. D'Escoto said that it would be easier for Nicaragua to be flexible if CONDECA is disbanded, and that a bilateral agreement with the United States is a practical necessity. [Redacted]

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