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3 January 1984

SIG TALKING POINTS**CENTRAL AMERICA UPDATE**

Political and military trends in Central America continue to be mixed, with the situations in El Salvador and Nicaragua particularly fluid. In El Salvador, the government and the military are taking steps to quell rightist death squad activity.

- The Assembly has also promulgated the new Constitution, resurrected the long-dormant Phase II of agrarian reform, and extended Phase III for an additional six months.
- The presidential election has been set for late March, and political maneuvering among the major parties is now in full swing.
- Extremist Assembly leader D'Aubuisson has resigned his position to run for President; the new Assembly leader is from a more moderate political party.

In Nicaragua, the Sandinistas continue to relax repression and to make gestures toward the internal ^Position.

- Opposition elements have taken advantage of reduced press censorship to criticize the regime.

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-- The government has announced limited amnesties for Miskito Indians and insurgents who defect from other groups.

Throughout the rest of the region, Honduras, Guatemala, El Salvador, and Costa Rica are preparing for the next Contadora negotiating session which begins in Panama on 7 January.

-- They are concerned that recent peace initiatives by the Contadora group will force them into a defensive posture at the negotiations.

The major immediate challenges in the region meanwhile continue to be military.

In El Salvador, the military stalemate continues, but the Army has been more aggressive since Defense Minister Vides revamped the command structure in late November.

-- The General Staff has been strengthened by the appointment of better personnel, and more competent commanders have been assigned to major field commands.

-- The Army has launched a major offensive in the east to regain territory long-held by the guerrillas and to reduce the insurgent threat prior to the elections scheduled for late March.

Nevertheless, the guerrillas remain a serious threat, as underscored by their year-end attacks against a brigade headquarters and a key highway bridge. They also have

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demonstrated they can defeat the new small hunter battalions in the Salvadoran Army

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-- As a result of the continued arms flow from Nicaragua over the past year and increased insurgent success at capturing weapons, the guerrillas now have been able to arm some 9,000 to 11,000 combatants.

-- The government, with some 37,500 men, thus has less than a 4 to 1 force advantage, not enough to defeat the insurgents in the near term.

At best, the Army must strive to take the action to the guerrillas prior to the elections rather than remain in static defensive positions.

-- The insurgents fear the elections, and they are likely to step up urban attacks and sabotage both to demonstrate their strength and to discredit the balloting.

-- US facilities, particularly in San Salvador, may also be inviting terrorist targets.

Cuba is likely to provide adequate supplies for an election offensive, but Nicaragua has been signaling some reduction in its support to the Salvadoran insurgents.

the guerrillas are concerned about such a reduction and are making efforts to conserve ammunition.

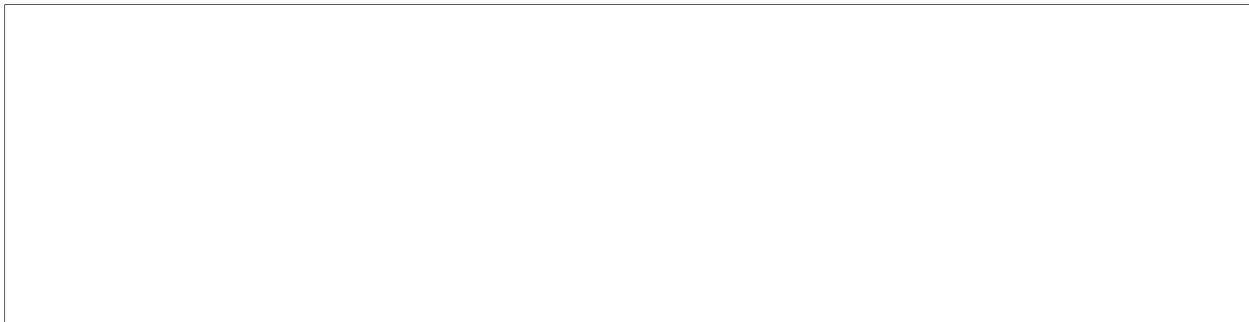
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Nicaragua's possibly changing role apparently is a tactical step by the Sandinistas to remove a pretext for US-supported intervention and to ease external pressures.

- The fragile Nicaraguan economy has been hurt by the anti-Sandinista insurgents, and the military costs of the fighting continue to increase.
- The Sandinistas claim they suffered over 600 civilian and military deaths and sustained \$100 million in economic damage in 1983 alone.
- The Sandinistas probably doubt they can defeat the insurgents as long as insurgent forces  25X1 have a secure base in Honduras.

Thus, Managua probably will use the Contadora talks in an effort to end the insurgency by diplomatic means.

- The Sandinistas have prepared draft treaties that would result in an immediate end to support for the insurgents.
- They may point to their own expulsion of the Salvadoran insurgents as a sign of their good faith.

Meanwhile, anti-Sandinista forces continue to be active on three fronts.

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- Fighting is particularly heavy in the north, where the insurgents are attempting to seize and hold territory.
- They may achieve some temporary success but probably cannot hold major towns against Sandinista counterattacks.

In Guatemala, the military retains the tactical advantage and has returned to a high level of aggressive patrolling after a lull in operations following the coup last summer.

- The Mejia government plans to expand troop strength by some 3,000 men, which will help the Army offset mobility problems caused by a shortage of helicopters.
- The Army has purchased equipment which will increase its firepower and improve communications as well as strengthening the civilian defense forces which now reportedly have 500,000 members.

Meanwhile, the insurgents are stepping up urban terrorism to demonstrate their continuing viability, and they have planned a rural offensive for January.

- They have already attacked the Honduran and Salvadoran embassies, and [redacted] have targetted the US Embassy.
- They may score some isolated successes with ambush operations in the countryside, but they are unlikely to make major advances against the military.

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As in El Salvador, the insurgents' ultimate objective probably is to disrupt and discredit the scheduled July 1984 Constituent Assembly elections.

- The Cubans are still supplying weapons and training to the Guatemalan guerrillas and are urging the orthodox Communist Party, which has remained outside the insurgent alliance, to join the struggle.

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