



Directorate of Intelligence

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**Latin America  
Review** 

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31 January 1986

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31 January 1986

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President Paz Estenssoro's first Cabinet shakeup, designed to strengthen his economic advisory team and give the Foreign Ministry a more active role, is likely to bolster confidence in his government.

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*Articles have been coordinated as appropriate with other offices within CIA.  
Comments and queries regarding this publication may be directed to the Chief,  
Production Staff, Office of African and Latin American Analysis,*

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Articles

**Costa Rica: Coping  
With Nicaragua**

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Over the past year, San Jose has vacillated between confrontation and accommodation with Managua. Repeated Nicaraguan cross-border incursions have fanned anti-Sandinista sentiment in Costa Rica and prompted sharp protests from President Monge, according to press and US Embassy reporting. At the same time, however, San Jose sees its foreign policy options to be narrowing, feeling pressured by the United States to take a tough stance toward Nicaragua but doubting the military prospects of the anti-Sandinista rebels. Consequently, San Jose has periodically sought an agreement with Managua. Monge's successor, due to take office in May, probably will display the same ambivalence as he tries to safeguard national security interests while looking for a way to defuse tensions with his powerful neighbor.

**Border Problems**

The operations of Nicaraguan troops against the rebels in the border area have led to frequent incidents, Managua, for example, has sent patrols and spies into Costa Rica and kidnaped insurgent sympathizers there. In the most dramatic incident, Nicaraguan soldiers last May killed two Costa Rican civil guardsmen, touching off a diplomatic crisis and fanning anti-Sandinista sentiment. Press reports indicate that some 90 percent of Costa Rican respondents in recent polls believe Nicaragua represents a threat to national security.

Costa Rica's small, ill-equipped, and poorly trained security forces have left President Monge hard pressed to establish control over the border region. In response to repeated Sandinista incursions culminating in the deaths of the two civil guardsmen, he demanded an apology from Managua and referred

the matter to the OAS. In addition, he appealed to international public opinion and sought reassurances that Venezuela and Panama would honor prior promises to defend Costa Rica in the event of an invasion. US Embassy reporting indicates the President also restricted insurgent activities and expanded US training of the Civil Guard, and the US defense attache reports that the national intelligence service opened two new offices in the north. Nonetheless, the Minister of Public Security in July said San Jose would be unable to police its vast border adequately even by tripling its forces, according to US Embassy reporting.

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**Narrowing Policy Options**

US Embassy reporting indicates the Monge administration was dismayed by the failure of the OAS to acknowledge Sandinista responsibility for the border incursion and killings last May. Moreover, Latin American press charges that San Jose was being unreasonable in demanding a Nicaraguan apology prior to any bilateral discussions on border issues added to a Costa Rican feeling of isolation, according to the US Embassy.

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The Costa Ricans, in our opinion, feel trapped between the Sandinista threat and perceived US pressure to stand up to Managua. Costa Rican officials believe the Sandinista regime is too well entrenched to be ousted by the rebels alone and that a US invasion is unlikely. Moreover, San Jose fears most of the insurgents will retreat to Costa Rica when

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they are defeated, [redacted]. The US Embassy reports that the Monge administration's tolerance for the anti-Sandinistas has been further eroded by allegations of their involvement in arms smuggling and various abuses. [redacted]

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As a consequence, Monge—his tough rhetoric notwithstanding—has tried to reach an accommodation with the Nicaraguans. [redacted]

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[redacted] San Jose and Managua worked intermittently last fall on a mutually acceptable formula to ease border tensions, although Nicaragua's refusal to admit responsibility for the incident last May apparently frustrated the effort. Monge's bid for an accommodation, in our view, reflects public sentiment against becoming embroiled directly in the Central American conflict. Despite strong anti-Sandinista feelings, opinion polls indicate most Costa Ricans favor neutrality. Both major presidential candidates in the elections in February moderated their earlier diatribes against Managua and sought to outdo each other as devotees of peace, according to press reports. [redacted]

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**Outlook**

In our opinion, San Jose will continue to vacillate between standing up to the Sandinistas and quietly seeking a face-saving way to reduce tensions. Both Monge and his successor are likely to respond to border incidents with strong words and both probably will request additional US training and outfitting for the security forces. At the same time, both will be quick to seize on any opportunity that allows easier relations with Managua without appearing to give in to the Sandinistas. [redacted]

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[redacted]

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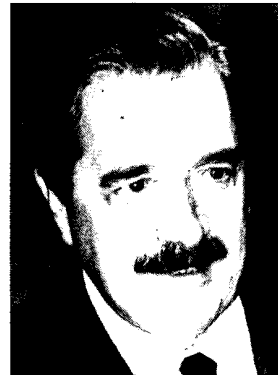
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**Argentina: Prospects for the Radical Party** [redacted]

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President Alfonsin's centrist Radical Civic Union (UCR), traditionally the weaker of Argentina's two main political parties, has become the major force in Argentine politics since the country returned to democracy two years ago. The party's success in congressional elections last November and Alfonsin's enduring popularity have made the UCR a counterweight to the long-dominant Peronist Party and could bring Argentina closer to a strong, two-party democratic system. The UCR's continued success, however, will depend on Alfonsin's efforts to address pressing political and economic challenges and on the party's ability to overcome internal strife.

[redacted]



President Alfonsin [redacted]

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Pictorial Parade ©

**Origins of the UCR**

The UCR was formed in the 1890s as an alternative to the parties of Argentina's ruling conservative elite. The party grew rapidly in the first quarter of this century by drawing on a burgeoning immigrant middle class that identified with the UCR's progressive and democratic ideology. With the rise of Peronism, however, the UCR lost some of its middle-class support and atrophied in many interior provinces. Moreover, the Peronists were able to create a new and powerful base by mobilizing the previously passive working class, a development that, coupled with the Peronists' appeal to other social sectors, seemed to relegate the Radicals permanently to a second-class status. For 30 years following Juan Peron's accession to power, the UCR never won more than 25 percent of the vote, and gained power only for two brief interludes when the military had proscribed the Peronists from participating in elections.

[redacted]

1973-76 and to their ties to the discredited military regime, but it also reflected Alfonsin's deliberate attempts to court working-class and left-of-center voters traditionally linked to Peronism. In addition, the UCR's aggressively antimilitary platform and Alfonsin's personal charisma, [redacted]

[redacted]

helped win votes for the party. [redacted]

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**The UCR Under Alfonsin**

In the elections in December 1983—the first after seven years of military rule—UCR presidential candidate Alfonsin upset his Peronist opponent by winning an overwhelming 52 percent of the total vote. According to the US Embassy, the massive pro-UCR turnout was partly a response to the poor performance of the Peronists in the last civilian government of

Capitalizing on the momentum gained in the election, Alfonsin and other UCR leaders continued to strengthen the party by expanding its geographical base into the interior provinces and enhancing its standing among its new voters. For example, Alfonsin began a food stamp program catering to the poor, which was often administered as much by the UCR party apparatus as by the governmental bureaucracy. The US Embassy reports that the President's subsequent moves to reduce inflation under an austerity plan reinforced his image as a strong leader. The trials of former military junta members for human rights abuses also served to increase both Alfonsin's popularity and that of his party. [redacted]

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**Table 1**  
**Election Results: 1973-85**

	Radical Party		Peronists		Other	
	Percent of Votes	Seats in Congress	Percent of Votes	Seats in Congress	Percent of Votes	Seats in Congress
1973 <sup>a</sup>	21	51	50	145	29	47
1983 <sup>b</sup>	48	129	40	111	12	14
1985	43	130	35	101	22	21

<sup>a</sup> Statistics represent results of March election. A second election was called in September to allow Juan Peron, who returned to Argentina from exile, to run for president. The Peronists won 67 percent of the total vote in the September election.

<sup>b</sup> Total number of seats in Congress were expanded in 1983.

[REDACTED]

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The UCR's efforts paid off in off year congressional elections last November, when the party won 43 percent of the vote, as opposed to the Peronists' 35 percent. Although the Radicals' share of the vote declined from their 1983 total, the party increased its support in several key interior provinces formerly dominated by the Peronists and gained one seat—compared to the Peronist loss of 10—in the Chamber of Deputies.<sup>1</sup> As a result of its second electoral drubbing in two years, the Peronist Party splintered into additional quarreling factions and is only now beginning the arduous task of reconciliation and reorganization, according to Embassy and press reports. [REDACTED]

#### Party Factionalism

The UCR has suffered from factionalism almost since its inception. In the 1950s and 1960s, personal and ideological disputes split the party in two, seriously

<sup>1</sup> The results were partly because of the less highly polarized atmosphere of the 1985 election, which allowed numerous small parties on the left and the right to cut into both the Peronist and Radical electorate. Also, the UCR's drop from 1983 to 1985 was not as precipitous as these figures suggest, since the party's total in the 1983 congressional contest—held concurrently with the presidential vote—was only 48 percent. [REDACTED]

reducing the UCR's ability to compete with Argentina's traditional powerbrokers, the Peronists and the military. The UCR has also been plagued by differences between the party machine in Buenos Aires and UCR leaders in the more remote provinces, who often act independently of party leadership, according to the US Embassy. The most serious focus of dissent, however, is within the country's industrial and agricultural heartland of Cordoba and Santa Fe provinces. [REDACTED]

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The President's Renovation and Change faction—strong in Buenos Aires Province and the Federal Capital—is presently the most important group in the UCR. Alfonsin founded this faction as an alternative to the conservatism of the UCR under its former leader, the late Ricardo Balbin. Although the faction's roots were left-of-center, the US Embassy and the press report that it has become more moderate over time. Alfonsin, despite having been elected on a populist platform, has begun to follow more pragmatic policies, embodied primarily in his

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**Table 2**  
**Radical Party Factions**

Faction	Leaders/Supporters	Comment
Renovation and Change	Raul Alfonsin Juan Manuel Casella Ricardo Barrios Arrechea	Leading faction in UCR; power centers on Alfonsin.
Cordoba Line	Victor Martinez Eduardo Angeloz	Associated with Renovation and Change; centered in Cordoba Province; may gain status if Angeloz becomes UCR candidate for president in 1989.
National "Coordinating" Board	Luis Caceres Federico Storani Enrique Nosiglia	Part of Renovation and Change, but more leftist; some elements within distancing themselves from Alfonsin; members represent younger generation of Radicals.
National Integration Movement (MIN)	Juan Carlos Pugliese Antonio Troccoli	Minor, conservative faction; tied to old UCR party under Balbin.
Linea Nacional (LN)	Fernando de la Rúa Cesar Garcia Puente	Most conservative faction in UCR, loosely aligned with MIN.
Yrigoyen Affirmation Movement (MAY)	Luis Leon	Minor conservative faction, strongest in Chaco Province.

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economic austerity program. More doctrinaire members of the faction—who favor the UCR's traditionally statist economics—are still influential and have lent only tepid support to Alfonsin's new moderation. This has prompted the President to refer to his supporters as the Historical Renovation and Change faction, distinguishing them from his critics within the faction. We believe that the leftists in Renovation and Change have little chance of gaining control while Alfonsin's popularity remains high, but will continue to hinder efforts to build factional and party unity. [redacted]

Rivaling Renovation and Change is the National Coordinating Committee faction, known as the Coordinadora. Although formally part of Renovation and Change, the US Embassy reports some Coordinadora members are becoming increasingly critical of Alfonsin and his faction and are trying to distance themselves from the President. The Coordinadora represents the younger, up-and-coming politicians in the UCR and is generally more leftist than Renovation and Change. However, Embassy and

press reports indicate that the most pointed criticism of Alfonsin stems from a subfaction within the Coordinadora led by congressmen Luis Caceres and Federico Storani. Other, more moderate Coordinadora members, such as party leader Enrique Nosiglia and congressman Marcelo Stubrin, continue to support Alfonsin strongly, and have effectively mobilized the UCR's rank and file behind the austerity plan. Coordinadora and Renovation and Change leaders are trying to iron out their differences, but we believe that the talks may founder because of the Coordinadora hardliners' opposition to Alfonsin's moderate policies. This could spur some leftist Coordinadora members to formally sever their ties to the President's faction over the next year. [redacted]

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A smaller group of growing importance is the center-right Cordoba faction, which dominates local politics in populous Cordoba Province and is loosely aligned with Renovation and Change. This faction gained

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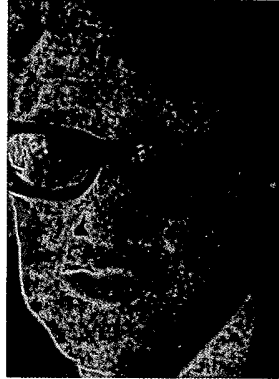
**Luis "Changui" Caceres**



*Luis "Changui" Caceres ... about 44 ... congressional deputy from Santa Fe Province and the Coordinadora member most critical of President Alfonsin ... recognizes Alfonsin's leadership but urges the President to make greater use of the party apparatus, reports the US Embassy. [redacted] candid. [redacted]*

*[redacted] relishes political battles ... wishes to transform the UCR into Argentina's third great populist movement ... may be positioning himself to run for the Santa Fe governorship in 1987, according to Argentine press reports. [redacted]*

**Eduardo Angeloz**



*Eduardo Angeloz ... 54 ... Governor of Cordoba Province and leader of the UCR's Cordoba faction ... nationally recognized as an important force in the party and the UCR's most influential governor ... dynamic and charismatic politician widely regarded as a potential UCR contender for president after Alfonsin completes his term ... enjoys good relationship with Alfonsin ... seen as an independent thinker within the Radical movement ... firm believer in closer ties to the United States ... former national senator ... has held numerous provincial party posts. [redacted]*

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prominence by providing Alfonsin's running mate in 1983, Vice President Victor Martinez. The faction may become even more prominent in the future; the press frequently mentions Eduardo Angeloz, the popular Governor of Cordoba Province, as one of the UCR's most likely candidates in the 1989 presidential election. [redacted]

The remaining factions in the party play minor roles, although their leaders are nationally prominent politicians. According to press reports, the three rightist factions—offshoots of the old, conservative UCR of Ricardo Balbin—are attempting to build a united front as a counterweight to Renovation and Change and the Coordinadora. The US Embassy reports these factions have little chance of success in the near term, but could become prominent again if Alfonsin loses control of the party. [redacted]

**For or Against Alfonsin**

Although dissent between and within UCR factions is serious, we believe that, from the US perspective, the most important schism in the party is that between Alfonsin and his critics. Most militants in Renovation and Change and the Coordinadora, aligned with the minor conservative factions, generally back the President, while the leftist and doctrinaire statist minorities in both Renovation and Change and the Coordinadora have frequently questioned Alfonsin's policies. [redacted]

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The pro-Alfonsin group within the UCR favors continued inflation-control measures and seek close cooperation with the IMF and creditor banks in managing Argentina's \$50 billion debt. The group also generally supports ending the human rights issue with the sentencing of the junta members and a handful of other offenders, while issuing some sort of amnesty for junior and midlevel officers. Party leftists, however, clamor for more expansionary economic policies and a moratorium or repudiation of foreign debt payments, while urging trials of all military officers accused of human rights violations. Alfonsin's supporters are currently in firm control of the party and enjoy broad popular support for their policies. While the President's opponents are not vigorously challenging the government, they are quietly promoting leftist alternatives should Alfonsin's moderate approach fail. [redacted]

expanded by 10 to allow participation by leaders from interior provinces in which UCR has recently gained substantial support. [redacted]

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The UCR, in our view, will remain a basically nonideological, centrist party under the firm control of Alfonsin. Although the Coordinadora may continue to be a significant force, the power of its more leftist leaders appears to be diminishing. For example, the press reports repeated, successful efforts by Renovation and Change militants to exclude most leftist Coordinadora leaders from government jobs. Moreover, the US Embassy reports that in the recent congressional elections, many of the Coordinadora's leftist members—as well as some of the non-Alfonsin supporters within Renovation and Change—did poorly, indicating the public's preference for more moderate and pragmatic politicians. [redacted]

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**Outlook**

We believe that Alfonsin has a good chance of successfully resolving the sensitive issues of human rights abuses and government relations with the military, thereby fortifying Argentina's young democracy. Alfonsin will also probably keep the economy on an even keel over the next year, avoiding the hyperinflationary chaos prevalent before the imposition of the austerity plan last June. Under such conditions, the Radical party will remain an important counterforce to Peronism, strengthening the prospects for the development of a strong, two-party constitutional system in Argentina. [redacted]

This outlook, however, could shift abruptly in the face of a severe economic crisis or, less likely, an unsatisfactory resolution of the human rights controversy. A return to hyperinflation or a drawn-out series of tension-generating military trials could lower the popularity of the President and his party and give the Peronists and the military ammunition to use against the government. More important, a weakened Alfonsin might permit party dissidents—many of whom are touting economic nostrums that the President himself once supported—to exert greater power, moving the UCR significantly to the left. Such a move would mean that both major political parties in Argentina would be leftist or populist, enhancing the chances of major confrontations with foreign creditors and the return of ultraconservative armed forces to an active role in politics. [redacted]

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We believe that the UCR will continue to expand its support modestly over the coming year. The party has targeted the interior provinces, the labor movement and youth for growth—all areas where the Peronists' control is slipping. Moreover, [redacted] Alfonsin hopes to broaden his base by working with individual leaders of the opposition. In a speech to the UCR annual Governing Board meeting in November, the President called for a "democratic pact," emphasizing the importance of continued party unity and the need to cooperate with moderate opposition leaders. Alfonsin will also cultivate ties to UCR politicians at the provincial level and in factions other than Renovation and Change. For example, the number of seats on the Governing Board has been

[redacted]

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### Argentina-USSR: Relations Under Alfonsin

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Argentine-Soviet Bloc relations revolve around the exchange of Argentine agricultural exports for hard currency. Buenos Aires' suspicions concerning Moscow's political motives have tempered other connections, while the Argentine military's staunch anti-Communism has thwarted Soviet arms sales. A visit to Moscow by Foreign Minister Caputo this month and a planned trip there by President Alfonsin this October are intended to underline the trade relationship. We do not expect the visits to lead to any significant change in the low-key political and military ties between the two countries.

#### Lopsided Trading Relationship

The USSR is the single largest buyer of Argentine exports. During 1984 Moscow purchased \$1.27 billion of agricultural goods from Buenos Aires—15 percent of Argentina's total exports,

In contrast, Soviet exports to Argentina (mostly industrial items) totaled only \$36 million. This severe trade imbalance in Argentina's favor is the principal irritant in bilateral relations. Moscow has been pressing Buenos Aires for redress for several years, and we believe this dissatisfaction may have contributed to the 22-percent reduction in Soviet purchases of Argentine grain during 1984.

Buenos Aires has made modest gestures to reduce the imbalance over the past year. It awarded \$80 million in contracts for the purchase of Soviet highway construction equipment and accepted Moscow's bid to electrify a railroad branch line. In addition, a Soviet trade official announced in September the sale of 670 jeeps and trucks to Argentine state energy corporations, and the press reports that Argentina will purchase Soviet crude oil this year for resale to Scandinavian countries. According to other press reports, Buenos Aires will purchase \$500 million in machinery from the USSR during the next five years. Such efforts have smoothed the way for a new long-term agreement on grain that renews the Soviets'

**Table 1** *Percent*  
**Argentina: Trade With the USSR, 1984**

Exports <sup>a</sup>	
Grain	64
Vegetable oil	14
Meat	4
Oilseeds	3
Wool	3
Miscellaneous	12
Imports <sup>b</sup>	
Machinery and transport equipment	36
Packaging	28
Power generating equipment	22
Chemicals	4
Miscellaneous	10

<sup>a</sup> Total: \$1.27 billion.

<sup>b</sup> Total: \$36 million.

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annual commitment to buy 4 million metric tons of corn and sorghum and 500,000 metric tons of soybeans through 1990.

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Nevertheless, we believe that Alfonsin, concerned over the political implications of the expanded Soviet role in the Argentine economy, has been reluctant to award Moscow large transportation and infrastructure development contracts that it has been seeking. Moreover, the Argentines have been unimpressed with the quality of Soviet goods and the technical level of their engineering proposals. The US Embassy reports, for example, that both political factors and technical flaws caused Buenos Aires to reject Soviet participation in a major project to expand and modernize the port of Bahia Blanca—

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despite advantageous financing terms and the option of payment in grain—in favor of a World Bank proposal. We judge that these problems will also hamper Moscow's efforts to participate in the construction of a gas pipeline to Sao Paulo that Brazil and Argentina are considering. [redacted]

Financial ties between the two countries are not very extensive. Neither the Soviet Government nor Soviet banks in the West have participated in funding Argentina's \$50 billion foreign debt, and Buenos Aires's demands that Moscow pay for its imports on delivery in hard currency. There is a longstanding trade credit program to promote Argentine purchases of Soviet equipment, but it has only been used once since 1980, to finance the purchase of Soviet hydroelectric turbines. [redacted]

Argentina allows Soviet fishing vessels to use the port of Buenos Aires as a base for crew changes, repairs, and general maintenance. As provided in a 1984 agreement between the two countries, a state-owned Argentine firm performs technical maintenance on these ships in conjunction with a Soviet firm that employs its own 70-man service crew in port. According to [redacted] Soviet standard operating procedure, Moscow uses fish-processing factory ships permanently stationed in the port for electronic eavesdropping. [redacted]

**Minimal Political Ties**

Political relations between Moscow and Buenos Aires are correct but not particularly close. Moscow has largely limited its activities to supporting any moves by Alfonsin that might eventually steer Argentine foreign policy in an anti-American direction, such as the President's involvement in the New Delhi/Group of Six disarmament initiative. For its part, Argentina tries not to antagonize Moscow while pursuing a basically pro-Western foreign policy. Buenos Aires has responded to most Soviet political overtures—such as the visit by a Supreme Soviet delegation last June—in a cordial but evasive fashion. The US Embassy reports that the government wants to keep political ties at the lowest level required to safeguard the lucrative commercial relationship. [redacted]

Moscow has generally kept its distance from leftist subversives such as the Montoneros or the People's Revolutionary Army (ERP), even when these groups

were at their strongest during the mid-1970s. The Soviets, in our view, probably believe that any advantage they might gain by helping Argentina's miniscule leftwing terrorist groups to reorganize would pale compared to the damage such activity could inflict on official relations. The Kremlin's chosen vehicle of influence inside Argentina remains the slavishly pro-Moscow Communist Party (PCA)—an isolated and ineffectual group lacking significant influence in either political or labor circles. [redacted]

[redacted] Moscow funds the party's consistently lackluster election campaigns, channels money to the PCA newspaper, and sponsors visits by Argentine Communists to events such as last summer's Moscow Youth Festival. [redacted]

**Wooing the Argentine Military**

Over the years, Moscow has made numerous unsuccessful attempts to expand its military equipment sales in South America, where Peru has been the only Soviet customer. We believe that the Soviets view Argentina as a penetrable market because of the difficulties Buenos Aires has had in securing Western materiel since the Falklands conflict. Moscow, in our view, is also anxious to sell military equipment—including fighter and transport aircraft—to increase its export earnings. [redacted]

One of the more recent overtures occurred last November when, [redacted]

[redacted] The USSR offered attractive credit terms and guaranteed to underbid the price of any comparable fighter on the international market. [redacted]

[redacted] and that Buenos Aires permit a large Soviet support mission in Argentina. Buenos Aires was unresponsive, and Soviet officials have since adopted a more low-key approach, including promotional demonstrations of at least two types of transport aircraft in Argentina. [redacted]

Most Argentine officers are intensely anti-Communist and have expressed their strong preference for US and European equipment and

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**Table 2**  
**Argentina: Trade With Eastern Europe**

Million US \$

	Exports			Imports		
	1982	1983	1984	1982	1983	1984
Bulgaria	3.6	31.2	35.0	5.4	6.9	7.5
Czechoslovakia	30.1	31.0	78.5	14.9	8.5	5.0
East Germany	19.0	6.6	19.4	3.8	2.7	5.1
Hungary	11.1	6.6	5.3	7.1	2.6	6.5
Poland	21.8	17.5	98.6	12.4	19.3	23.8
Romania	0.4	4.3	14.3	10.0	7.6	24.0
USSR	1,586.4	1,635.9	1,269.9	33.3	31.5	36.4
Yugoslavia	2.0	0.7	16.7	1.8	1.8	1.0

[redacted]

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training [redacted] There is some evidence, however, that elements within the Air Force and Army are at least beginning to show mild interest in Soviet technology.

could not obtain elsewhere on better terms, and the Bloc's push for credit or barter purchases further inhibits commercial relations. Nevertheless, a few modest trade initiatives have prospered over the past year. In October, Bulgaria secured the right to distribute Argentine meat in the Middle East and to establish a tannery in Chaco Province; in return Sofia plans to purchase \$150 million in corn, wheat, and soy pellets. Czechoslovakia agreed to purchase at least 150,000 to 200,000 metric tons of soy pellets, according to press reports, without requiring Argentine purchases of Czechoslovak goods in return. The Polish Steamship Company recently commissioned eight modern bulk carrier ships to be built in Argentina. Meanwhile, the Argentine-East German trade commission failed to meet during the past year because of the lack of trade opportunities.

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[redacted] may have taken advantage of his visit to Lima for President Garcia's inauguration to inspect the Peruvian Army's Soviet-made materiel. [redacted]

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#### Relations With Eastern Europe

East European countries compete vigorously with one another and the USSR to export to Argentina. Because of the relatively small value of their imports from Argentina, however, these countries lack Moscow's leverage in trade negotiations with Buenos Aires. The Soviets, for example, obtained a railroad electrification project at the expense of Yugoslavia—the original leading candidate for the deal—and won contracts for highway construction equipment sought by East Germany. [redacted]

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East Bloc trade with Argentina follows the Soviet pattern, although the imbalance in Buenos Aires' favor is not so pronounced. Warsaw Pact countries manufacture little that Argentina vitally needs or

#### Outlook

Buenos Aires's continued need for hard currency to finance its foreign debt will, in our view, spur Argentina to nurture its cash-for-grain trading relationship with Moscow. We believe that Argentina will modestly increase its purchases from the USSR over the next few years to address Soviet concerns

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over the trade imbalance. Moscow, however, will readily decrease purchases whenever it has a good harvest or when it is dissatisfied with Argentine grain quality, shipping ability, or price, and alternative supplies are available. For example, [redacted]

[redacted] the Soviets recently discontinued talks with Buenos Aires on further wheat purchases from Argentina's current, water-damaged crop. [redacted]

The Argentine military remains, in our view, strongly suspicious of Soviet political motives, and any arms sales over the near term are likely to be restricted to dual-use or low-technology items that would not require Soviet training or maintenance. In the longer run, however, if Argentine military equipment and capabilities continue to deteriorate at the current rate and financial strictures endure, Buenos Aires is likely to consider Soviet offers more favorably. In addition, Argentina may, at any point, use the threat of purchasing Soviet combat weapons to pressure the United States to act on stalled arms transfer issues. [redacted]

In our view, Moscow's prospects for greater political influence in Argentina are bleak. We believe Alfonsin will continue to maintain correct political ties to the Soviets to further Buenos Aires's economic interests, but more substantial cooperation is unlikely. Moscow, however, would almost certainly seek to exploit a dramatic loss of support for Alfonsin or other signs of political instability. [redacted]

[redacted] Moscow probably realizes, however, that such a turn of events would likely lead to a military or civilian government even less sympathetic to expanding ties to the USSR. [redacted]

[redacted]

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**Soviet Inroads in Argentine Provinces**

*The Soviet Union is making its greatest economic headway in Argentina at the provincial level. The austerity measures undertaken by Alfonsin have reduced revenue transfers from federal to provincial coffers, thereby aggravating the provinces' chronic budget deficits. Some provincial governments—unencumbered by the foreign policy constraints faced at the national level—have sought to alleviate financial strictures by courting Soviet trade and investment. To the best of our knowledge, the federal government has not attempted to limit this activity. Examples of recent provincial dealings with the USSR include:*

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Mendoza—*The provincial government purchased antihail rockets and trolleys from the Soviet Union, and sold 15,500 tons of wine to Moscow.*

Formosa—*Local authorities will receive a \$30 million credit from the USSR to implement the Laguna Yema irrigation project. Terms include 10-year financing with a two-year grace period and an interest rate of 6 percent, according to press reports.*

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Buenos Aires—*The provincial governor traveled to Moscow in December, where he discussed the delivery of turbines for the Bahia Blanca thermoelectric plant. He is considering a Soviet offer to equip the plant's substations, and expressed interest in purchasing goods for petrochemical plants to be constructed in Bahia Blanca and Ensenada, according to the press.*

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Entre Rios—*The governor met with the president of the Argentine-Soviet Chamber of Commerce last December to discuss the possibility of establishing an agreement to exchange goods between his province and the Soviet Union.*

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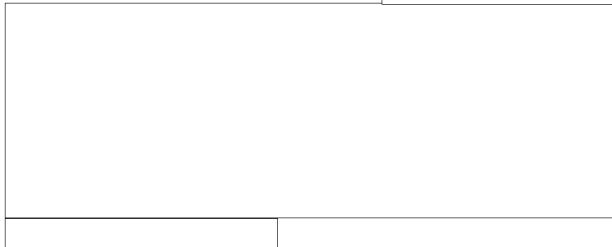
**Guyana:  
Hoyte Strengthens  
His Position** [redacted]

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President Hoyte—despite domestic criticism of fraudulent electoral procedures—emerged from national elections on 9 December in a strengthened position. Domestic opposition—while still vocal—appears to be losing momentum. Remaining firmly in control of the ruling party, the President has recently appointed a Cabinet that the US Embassy in Georgetown says appears more moderate and potentially more amenable to US interests. [redacted]

The elections, which produced a landslide win for Hoyte's People's National Congress (PNC), have drawn strong criticism from opposition elements within the country. Prior to the balloting, Hoyte restricted overseas and proxy voting and abolished postal voting, avenues which opposition parties contended had facilitated fraud in the past. Nevertheless, on election day People's Progressive Party (PPP) leader Cheddi Jagan—after charging that the ruling party had barred authorized opposition agents from polling stations, disenfranchised voters, and promoted multiple voting—withdraw from the electoral process. [redacted]

The election was conducted peacefully and the Embassy says that fraudulent practices were far less in evidence than in past elections. [redacted]



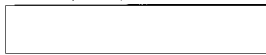
**Opposition Alliance Fraying**

A five-party alliance of opposition leaders formed on 9 January already is weakening. The Patriotic Coalition for Democracy comprises the pro-Soviet Marxist PPP, the People's Democratic Movement, and the pro-West Democratic Labor Movement, and the National Democratic Front. In our view, the lack

**Results of 9 December  
1985 Election**

	Votes	Percentage	Seats
<b>Total</b>	<b>291,175</b>		<b>53</b>
People's National Congress (PNC)	228,718	78.5	42
People's Progressive Party (PPP)	45,926	15.8	8
United Force (UF)	9,810	3.4	2
Working People's Alliance (WPA)	4,176	1.3	1
Democratic Labor Movement (DLM)	2,157		
People's Democratic Movement (PDM)	232		
National Democratic Front (NDF)	156		

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of ideological common ground makes it unlikely that the alliance will be able to hold together long enough to mount effective opposition to Hoyte's government.

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Attendance at the coalition's second protest rally was only about half that of the initial one and the Embassy speculates that the election issue—the glue holding the alliance parties together—already is losing its effectiveness. Moreover, the PPP—the largest opposition group in Guyana and key element in the alliance—continues to lose ground and most observers believe that unless it is able to strengthen its leadership and attract younger voters, its effectiveness will continue to diminish. Party leader Jagan's call for a general strike following the PPP's defeat at the polls drew little public reaction. Members of the Guyana Agricultural and General Workers Union—also

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headed by Jagan—struck the country’s sugar estates briefly but with little effect because most of the sugar crop had been harvested. Further urgings by Jagan for mass actions aimed at overthrowing the government have been ignored. [redacted]

Other independent and opposition union leaders reportedly are abandoning efforts to organize opposition in the labor sector. [redacted] morale among the six independent and opposition trade unions is extremely low. This is in part a reflection of being outnumbered three to one by the pro-PNC unions in the Trade Union Congress—the umbrella organization to which all Guyanese unions belong. [redacted]

Church-state relations—after a brief easing of tensions when Hoyte first took office last August—began to deteriorate again after church officials openly criticized the PNC’s handling of the election. The government responded by expelling an outspoken British Jesuit priest and ordering security forces to search the homes of leading churchmen for arms and ammunition. Efforts by regional church officials to investigate the situation enabled Hoyte to dismiss the matter as outside intervention in Guyana’s domestic affairs. As a result, relations appear to be returning to a state of quiet animosity such as characterized the church’s relations with the predecessor Burnham regime. [redacted]

**Some Signs of Moderation**

Government policies in some areas, however, reflect signs of greater balance. The Embassy sees some warming of relations with the United States and reports that the local press has taken a more evenhanded approach to reporting on the United States and the Soviet Union. In recent speeches, Hoyte has urged improved relations with Washington. He also recently fired a news editor from the government-run radio station for allowing the broadcast of an anti-US editorial by an opposition group. Hoyte’s newly appointed Cabinet members seem to have been chosen for their technical competence rather than their political convictions, although most ministers have strong PNC roots. The pro-Cuba and pro-Soviet elements, led by Richard Van West-Charles and Elvin McDavid—both of whom have been demoted and reportedly are scheduled to depart Guyana soon—appear to have lost their influence. Ruling party moderates have the upper hand in decisionmaking, and we expect that under Hoyte’s leadership the government will pursue more pragmatic domestic economic policies and a more balanced foreign policy. [redacted]

[redacted]

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**Colombia's Rogue Group:  
The Ricardo Franco Front** [redacted]

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The Ricardo Franco Front (RFF)—an offshoot of the Revolutionary Armed Forces of Colombia (FARC)—emerged as one of the most violent guerrilla groups in Colombia during the past year. The RFF engaged in numerous urban terrorist operations—including bombings, assassination attempts, and kidnappings—after it began activities in May 1984. The RFF has also been one of the most violently anti-US guerrilla groups in Colombia, claiming responsibility for three separate coordinated bombings against US diplomatic and business facilities. [redacted]

The group probably has peaked, however, as it appears to be the target of attacks by other guerrillas. Last December more than 130 men, women, and children—many wearing RFF uniforms—were discovered in several mass grave sites in the Department of Cauca. RFF leader Javier Delgado took responsibility for the massacre, claiming it was an attempt to purge presumed Army infiltrators—a claim quickly denied by the military. The impact of the purge on the RFF has apparently been devastating. Although Delgado reportedly still claims leadership, dissident RFF leaders in Medellin recently released a communique announcing that the group had split and that a new national directorate had been formed. Moreover, the M-19 guerrilla group has publicly denounced Delgado and called for the group's expulsion from the fledgling National Guerrilla Committee. [redacted]

**Origin and Organization**

The RFF was created by dissident FARC members who broke away after the group signed a cease-fire agreement with the government in March 1984.

[redacted] Delgado, a former FARC commander, founded the RFF with a large sum of money—reportedly at least \$500,000—stolen from FARC coffers. Tension between the two groups has since led to violence. The FARC reportedly killed at least 16 RFF members in two separate attacks on RFF camps last summer. The RFF responded by declaring war against the FARC

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**Who Perpetrated the Massacre**

*Whether the recent massacre was the result of an internal purge or a FARC-RFF feud may never be fully determined.* [redacted]

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[redacted]

[redacted] M-19

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*leaders apparently participated in the planning to eliminate M-19 dissidents who had joined the RFF. If true, this scenario could be an ominous sign that the FARC and the M-19 are trying to clean their own houses before embarking on a united guerrilla campaign against the government.*

[redacted]

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and attempting to assassinate three leaders of its political parent group, the Communist Party of Colombia. [redacted]

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RFF membership was estimated at 450 before the purge, but the desertions and recruiting problems likely to be caused by the massacre probably will continue to reduce its numbers. Its members are probably not strongly ideological: [redacted]

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[redacted] the RFF pays its members approximately \$115 a month in a country where the minimum wage is only \$77 a month. The group uses kidnaping and extortion to finance itself. [redacted]

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The RFF has been most active in Bogota, where the group has conducted eight of its 13 terrorist operations to date. RFF cells reportedly also exist in 10 departmental capitals; and there is a rural RFF

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front, called the Western Front, in the area of Santander de Quilichao and Tima in Cauca Department. This rural front conducts training courses that last approximately a month. [redacted]

The section or cell is the smallest organizational unit in the RFF. Each cell consists of four persons under the command of the cell leader. Three cells comprise one squad, and two squads form a guerrilla band. The next largest unit, the company, is composed of two guerrilla bands, totaling 48 persons. Three companies make up a front, led by a member of the national directorate, based in Cali, which manages cells, squads, and companies at the regional level. [redacted]

#### **The M-19 Connection**

The RFF evidently has had close links to the M-19, but the exact relationship between the two groups is difficult to determine. [redacted]

[redacted] the groups were originally connected through the Pizarro brothers—Hernando, the first RFF leader, and Carlos, a top M-19 leader.

[redacted] Hernando Pizarro planned most of the early RFF operations, against targets that were selected by the M-19. The fraternal link was severed when the RFF Central Committee elected new leaders a year ago and Hernando Pizarro opted to join his brother in the M-19. [redacted]

The two groups continued to work together after Hernando left and conducted coordinated attacks in five cities in late March. [redacted] this cooperation was expanded in September when the RFF joined a newly formed national guerrilla alliance led by the M-19. Moreover, in October these two groups and the Quintin Lame guerrilla group reportedly integrated their forces in several insurgent operations. [redacted]

Ties between the two groups, however, have been weakened by the RFF purge. M-19 leaders recently demanded that the RFF be expelled from the national guerrilla alliance, despite an announcement by RFF dissidents that new leaders have been selected. [redacted]

#### **Capability**

A series of bold attacks conducted in Bogota last May marked the emergence of the RFF as a serious threat. An estimated 30 to 50 guerrillas attacked four police

installations with rockets, dynamite bombs, grenades, and small arms, while diversionary bombings occurred simultaneously at other locations around the capital. Police repelled the attacks and killed four guerrillas, but were surprised by the extent of coordination, the number of guerrillas involved, and the weapons they used. [redacted]

Colombian police made two discoveries during the past eight months that also demonstrate the sophisticated capabilities of the RFF:

- In May, police confiscated M-1 and M-2 carbines, shotguns, ammunition, boobytraps, and dynamite at an RFF operations base in Dosquerbradas, Risaralada.

- In October, a police raid in Bucaramanga uncovered four M-1 carbines, a .45-caliber Ingram submachinegun, a 9-mm Uzi, two unidentified 9-mm submachineguns, five fragmentation grenades, detonating cord, ammunition, and a pickup truck rigged as a car bomb. [redacted]

Most activity by the RFF, however, has consisted of small-scale operations with high propaganda impact. Moreover, the group still exhibits a lack of professionalism in some of its terrorist operations. For example, it has made three unsuccessful attempts to assassinate PCC leaders, and in the most recent attempt, a machinegun attack, the target received only a leg wound. In January, the group released a hostage without receiving a ransom payment after it learned it had kidnaped the wrong person. [redacted]

#### **Prospects**

In an attempt to recover from the massacre, dissident RFF leaders are trying to turn those responsible over to "revolutionary justice" and to regroup the organization. Without new recruits or support from other Colombian guerrilla groups, the RFF is unlikely to return to the previous levels of its armed campaign soon. It may, however, try to demonstrate its viability by engaging in a spectacular terrorist operation. Although no recent reporting suggests that the RFF intends to target US interests, terrorist attacks against US property and personnel cannot be ruled

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out. The RFF is much more likely to concentrate on Colombian political targets—including the PCC and the FARC's political party, the Patriotic Union—during the forthcoming elections.

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**Bolivia: Cabinet Changes** [redacted]

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President Paz Estenssoro's first Cabinet reshuffle, on 22 January, is likely to bolster confidence in his government at a time when the nation faces unpopular austerity measures. The President's key appointments and his restructuring of some ministries are designed primarily to strengthen his economic advisory team and to give the Foreign Ministry a more active role in managing Bolivia's foreign economic relations. [redacted]

to take a more direct hand in dealing with the campesinos. It could also mean that the President plans to direct antinarcotics efforts through his Interior Minister, Fernando Barthelemy, given the political importance of rural support for Paz Estenssoro's own party and the emphasis he has placed on antinarcotics policies. [redacted]

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Former Senate president Sanchez de Lozada, who has been an outspoken critic of policies he considers inflationary, is the new Planning Minister. Juan Cariaga, a prominent banker, has pledged as the new Finance Minister to end hyperinflation and sign an IMF agreement. The new Foreign Minister, Guillermo Bedregal, was one of the architects of the administration's current austerity measures in his previous assignment as Planning Minister. He reportedly now intends to expand Bolivia's commercial presence in key countries and to solicit foreign credits. To achieve this, he intends to create the new position of under secretary for economic affairs. [redacted]

Paz Estenssoro was careful to clear his Cabinet changes in advance with Hugo Banzer, leader of the major opposition party, who in turn notified the US Embassy. The opposition's tactical alliance with Paz Estenssoro's minority government apparently remains firm. [redacted]

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[redacted]

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According to the US Embassy, Paz Estenssoro intends to make other structural changes in the Cabinet to streamline it and to place more emphasis on under secretary positions. This includes folding the Ministry of Integration into the Ministry of Planning and placing the Ministry of Aeronautics under the Ministry of Transportation. [redacted]

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The only weak appointment, according to a preliminary review by the Embassy, is that of the new Agriculture and Campesino Affairs Minister, Edil Sandoval Moron, who reportedly knows nothing about agriculture or peasants and has been linked to the narcotics trade. The choice, which has not been explained, may indicate that Paz Estenssoro intends





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## Latin America Briefs

Venezuela

### Expediting Foreign Oil Ventures

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The Venezuelan state oil company (PDVSA) has accelerated its plans to acquire refining and distribution facilities abroad to protect its share of international petroleum markets, according to US Embassy reports. PDVSA is said to be concerned that Saudi Arabia's attempt to force oil exporters to accept production limits by engineering a temporary decline in prices may backfire. Venezuela fears that, instead, the result could be an extended period of cutthroat competition and sharply reduced prices. As a precautionary measure, PDVSA has expedited pending agreements on joint venture deals with two refiners—one in Sweden and one on the US Gulf Coast—and with a Washington area oil products distributor. Reportedly, these investments will give PDVSA an assured outlet for about 200,000 barrels per day (b/d) of exports—in addition to exports of 150,000 b/d to Veba Oel, PDVSA's West German partner. According to the Embassy, additional deals are under consideration, with PDVSA's ultimate objective being 600,000 b/d of assured exports to joint ventures abroad. Neither the acquisition costs nor the sources of financing for these deals have been reported, but the required foreign exchange outlays are likely to be formidable, further straining dollar reserves as oil revenues fall.

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### Development Portfolio Changes Hands

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In a move apparently intended to quiet critics of the administration's economic adjustment program, President Lusinchi replaced Hector Hurtado as Development Minister and gave the powerful post to party insider Jose Angel Ciliberto. The President reassigned Hurtado, a skilled technocrat widely viewed as the chief architect of the adjustment measures, to head the less influential Venezuelan Investment Fund. Although the program has achieved notable successes in correcting the nation's external payments accounts—a key factor in persuading Venezuela's bank steering committee to agree to a multiyear debt rescheduling—it has not yet been able to brake a seven-year recession that has seen per capita income plummet by 20 percent and unemployment grow to a worrisome 12.5 percent. Labor and the executive committee of the ruling party have subjected the Lusinchi administration to intense criticism because of these shortcomings.

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In replacing Hurtado, who had become closely identified with austerity, the President apparently acceded to the advice of ruling party chieftains, who are already looking toward the 1988 elections. They probably argued that a development minister more in sympathy with the recently adopted three-year investment program is essential to reviving the stalled economy. Hurtado had

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31 January 1986

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opposed a similar proposal early last year on the grounds that it was inconsistent with austerity. For the "orthodox" faction that now controls the ruling party, economic recovery is a political imperative, if the bid of populist former President Carlos Andres Perez for the 1988 presidential nomination is to be forestalled.

[redacted]

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Nicaragua

**Opposition Unity Falters** [redacted]

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Divisions between member parties of the opposition coalition over strategies for dealing with the Sandinistas came to a head recently when the coalition leadership publicly criticized the Social Christian Party for engaging in Spanish-mediated talks with the regime late last year, according to US Embassy reporting. In response, the Social Christians—who have frequently pursued an independent course—threatened to suspend participation in the coalition until its leadership apologizes publicly. Party leaders recently told US officials they view the coalition as inactive and want to see it restructured. [redacted]

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Although we believe both sides will work to avoid a permanent split, this incident is symptomatic of larger problems. For example, the US Embassy reports that elections for new coalition leaders—postponed until March to allow for a resolution of the dispute—are unlikely to produce more dynamic leadership because political rivalries will eliminate effective candidates. In our view, the lack of strong leadership has been a key obstacle to the formulation of a unified strategy and has fostered internal bickering. Sandinista controls and the narrow avenues available for political initiatives also have weakened coalition effectiveness. [redacted]

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The coalition's inactivity probably is costing it credibility and potential recruits, while leaving the Sandinistas free to focus on the Catholic Church and private sector. Moreover, Managua can use the coalition's internal problems to drive wedges deeper between the member parties. If weak leadership and infighting eventually cause the coalition to break up, the regime may be able to persuade some foreign observers that the co-opted parties in the National Assembly are the true domestic opposition and that the democratic parties are malcontents with little domestic support. [redacted]

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**Insurgent Human Rights Activities** [redacted]

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[redacted] points to increased efforts by the anti-Sandinista guerrillas to improve their human rights image, both to undercut the regime's international propaganda campaign against them and to broaden support among Nicaraguans. [redacted] the military and political wings of the main rebel coalition maintain separate human rights offices in Honduras. The military office focuses on violations within the guerrilla ranks. During the last half of 1985, 21 rebel troops were tried and 19 sentenced to terms

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up to four years for abuses [redacted] 25X1  
 [redacted]; prisons are located at guerrilla bases in Honduras. The political office 25X1  
 has developed publications and courses of instruction to sensitize commanders and  
 troops to the importance of the issue. To improve their image and cope with the  
 numbers of Nicaraguans fleeing northern war zones, the rebels reportedly opened  
 a clinic in Honduras to assist refugees and locals. The guerrillas also have offered  
 to exchange prisoners with the Sandinistas through the International Red Cross.  
 [redacted] 25X1

At the same time, the rebels are publicizing Sandinista abuses. Insurgent civilian  
 leaders opened a human rights office in Geneva several months ago, according to  
 press reports, to keep UN organizations informed of the regime's rights violations.  
 [redacted] the insurgents planned 25X1  
 to open another office in San Jose, Costa Rica. [redacted] 25X1

Abuses by rebel troops probably will decrease as a result of the new policy. To  
 overcome Managua's well-orchestrated propaganda campaign, however, the  
 insurgents will need to devote even more resources to publicizing their improved  
 performance as well as continuing Sandinista abuses. [redacted] 25X1

**Suriname-Libya**

**Cooling Relations** [redacted] 25X1

Relations between Suriname and Libya are weakening as a result of unfulfilled  
 bilateral commitments and Surinamese sensitivity to Western pressure. [redacted] 25X1  
 [redacted] US Embassy reporting indicate that Suriname is 25X1  
 dissatisfied with the course of relations since Head of Government Bouterse visited  
 Tripoli last March. The Libyans reportedly have not provided the substantial  
 economic aid Bouterse had hoped would help to relieve Suriname's desperate  
 foreign exchange shortage. [redacted] 25X1

[redacted] Tripoli may use Suriname as a base to 25X1  
 conduct terrorist actions against US facilities in the Caribbean. According to US  
 officials in Paramaribo, however, any terrorist action traceable to the Libyan  
 Embassy in Suriname would probably result in the expulsion of all Libyans there.

[redacted] 25X1  
 [redacted] 25X1

We doubt that the Surinamese attitude toward Libya will improve much, if any, in  
 the near term. The impending transfer to the United Nations of Libya's main  
 advocate in the Surinamese Government, Bouterse's civilian cabinet chief Henk  
 Herrenberg, is perhaps the clearest indication yet that Paramaribo is unlikely to  
 expand relations with Tripoli. Herrenberg's dismissal follows the unsuccessful visit  
 of a Libyan economic delegation to Suriname last November and Tripoli's  
 cancellation in December of two proposed conferences that were to be held there.

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Moreover, because Bouterse is anxious to attract Western economic aid and wary of provoking the United States since the Grenada intervention, he is likely to restrict Libyan efforts to court regional radicals from its Embassy in Paramaribo.

[redacted]

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**Costa Rica****Departure of US Firms** [redacted]

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Although the announced departure of three well-known US companies from Costa Rica is unlikely to have a major immediate impact on the economy, it reflects San Jose's increasing difficulty in attracting and retaining foreign investment. According to the US Embassy in San Jose, spokesmen for the Bank of America and Firestone said corporate policies rather than local business conditions prompted their decisions to sell out. Union Carbide, which also intends to close operations, blames poor business on the contraction of regional trade and losses caused by customers defaulting on payments. Some of the 100 remaining US-owned firms in Costa Rica—many of which arrived between 15 and 20 years ago to benefit from the now moribund Central America Common Market—are rethinking their choice of location, according to the US Embassy. With short-term prospects for the recovery of regional trade bleak, additional foreign firms are likely to withdraw over the next few years.

[redacted]

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**Mexico****Attorney General for Capital Resigns** [redacted]

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Federal District Attorney General Victoria Adato de Ibarra recently resigned her post to assume a seat on the Supreme Court amid public charges of inefficiency and complicity with police torture. Already under fire for her inability to control the police, Adato became the subject of increasingly intense criticism following the earthquake last September, when the bodies of several Colombian and Mexican prisoners bearing signs of torture were discovered in the rubble of her office building. After initial denials, Adato finally admitted to some police excesses and pledged to investigate all charges of torture. Nonetheless, media and public attention had already highlighted the issue and embarrassed the de la Madrid administration.

[redacted]

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Pressure from above, probably from the President himself, to stem public criticism over the scandal no doubt resulted in Adato's resignation and subsequent Supreme Court appointment. Our judgment is that postearthquake disarray within the government, as well as de la Madrid's expectation that the furor would eventually die down, delayed this action by more than three months, contributing to the worsening public relations fallout. In appointing Adato to the Supreme Court—a largely ceremonial post—we believe de la Madrid seeks to remove her from the limelight, thereby alleviating adverse publicity. The move also limits damage to Adato's political career by avoiding any explicit admission of guilt on her part, or, indeed, on the part of the administration.

[redacted]

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