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The Director of Central Intelligence

Washington, D.C. 20505

NIC 02247-87

26 May 1987

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
 Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Robert D. Vickers, Jr.
 National Intelligence Officer for Latin America

SUBJECT: Latin America Warning and Forecast Meeting
 May 1987

1. The following items were discussed at the Latin America Warning and Forecast Meeting on 20 May 1987.

2. Suriname

The transition in Suriname remains on track, but elections next November are unlikely to diminish Bouterse's influence in any new government. The constitution--which provides for new national elections--will almost certainly be approved in September. In the coming months Bouterse will position himself to undercut efforts by the three major traditional parties to elect an independent president, but whether Bouterse will run or back a stalking horse candidate remains uncertain. If Bouterse cannot legally elect a reliable president, the likelihood of a coup will increase. Meanwhile, Bouterse continues to look for diplomatic support to bolster his regime, and plans a trip to the US to make his case here. [redacted]

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The insurgency remains stalemated, although the insurgents gained an important infusion of cash and weapons recently. Lloyds of London paid the rebels a \$200,000 reward for the return of a hijacked aircraft and [redacted] the insurgents have obtained some heavy weapons [redacted]

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Warning Issue: The transition process can still be derailed if the insurgency expands and Bouterse decides to use the increased fighting to justify delaying elections. A more successful insurgency could also prompt disgruntled military officers to move against Bouterse, especially if they perceive him as an ineffective leader who is losing control of the situation. [redacted]

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3. Nicaragua

The Sandinistas' operation in the northern portion of the Bocay Valley was successful in terms of demonstrating their troop mobility and seizing their objective, but it probably will have little impact on insurgent operations over the long term. The Sandinistas suffered heavy casualties [redacted] Meanwhile, there are indications that the fighting is straining regime resources. Managua has had to call up reserve units to sustain a higher level of operations, and the desertion rate in some hotly contested areas is over 30 percent. [redacted]

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[redacted] President Ortega has stated, however, that despite the potential acquisition of F-5s by Honduras, Nicaragua has no immediate plans to get MIGs. [redacted]

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Nicaragua's economic outlook also appears grim. Regime investment levels are likely to decline this year, and there is virtually no likelihood of foreign investment beyond Soviet and Bloc aid. Capital stock is eroding and skilled managers continue to flee Nicaragua. The Soviets apparently have convinced the Sandinistas to loosen some economic restrictions to encourage production and undercut the black market, but a major reversal of past policies is unlikely. [redacted]

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Warning Issue: The Sandinistas may mount additional operations in the Bocay Valley to keep the insurgents off balance--airborne incursions into Honduras cannot be ruled out. Such attacks will be difficult to predict, given the decline of special intelligence. Deteriorating economic conditions will likely prompt further antiregime demonstrations. [redacted]

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4. Brazil

President Sarney continues to be under heavy political pressure from both inside and outside his own political party

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The Constituent Assembly is moving quickly on key issues such as the length of the presidential term and is taking advantage of Sarney's weakened position to strengthen its hand against the Executive Branch during the constitutional drafting process. For example, the assembly increased congressional oversight of the national budget and the management of the external debt. Anti-Sarney sentiments within the military are not deep, but the President enjoys little real support among the services. The commanders--loath to assume control of the government during an economic crisis--are unlikely to intervene directly, but remain willing to move against him by pressuring congress should the economic situation deteriorate sharply.

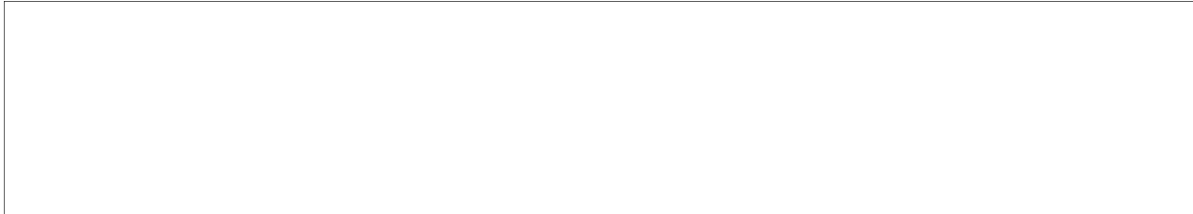
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Warning Issue: The most likely outcome is a foreshortened term for Sarney--either four or five years instead of the mandated six-year tenure. Pressure to remove him from office before elections will increase if he appears physically or mentally incapable of running the government. A series of deadlines relating to the debt and trade issues this summer will put further strains on Sarney.

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Participating in the NIO/Latin America Warning Meeting of 20 May 1987 were representatives of the following agencies:

DIA: DIO/DIA
DIA/DE3
DIA/DB3C1
DIA/OA-5
JSI-4B

National Security Agency

Department of State/INR

Department of the Army

US Marines

CIA Participants:

ALA
OGI
OIA
LDA
OIR
DO/LA [redacted]
DO/CATF
DO/EPS
NIO/W
NPIC
FBIS

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