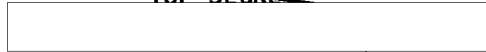


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6 APR 1982

INTELLIGENCE COMMUNITY RESPONSES TO

NATIONAL INTELLIGENCE TOPICS OF

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July - December 1981



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LATIN AMERICA

29. What is the outlook for instability and insurgency in Central America and especially in Honduras, Guatemala, and Costa Rica? How vulnerable are Mexico and Haiti to instability or insurgency? How extensive is the Soviet or Cuban role in Central American insurgencies and to what extent can those insurgencies threaten existing regimes without direct Soviet or Cuban assistance?

Central America's continuing slide toward instability probably will accelerate over the next year or so. The flow of weapons and trained guerrillas into the region from Nicaragua, Cuba, and other Communist countries is accelerating the exploitation of economic and social conditions already receptive to revolutionary growth.

- In Honduras, the new civilian government will face mounting political and social challenges because of IMF-mandated spending cuts that are reducing funds for the military and for social programs. The Honduran economy has also been hurt by the spillover of insurgency and terrorism and the attendant loss of capital. We do not expect the onset of an active insurgency soon, but the chance that border clashes with Nicaragua could escalate is a constant danger. There is clear evidence of Cuban/Soviet counsel and aid to the radical left and we need to improve coverage of extremist groups.
- In Guatemala the insurgency is likely to intensify, but we do not believe that the guerrillas will gain sufficient strength over the next year or so to launch warfare on the same scale as in El Salvador.
- In Costa Rica, the ineptness of the outgoing administration, serious economic problems, and a small-scale but unprecedented surge of terrorism has made the country more vulnerable than at any time in decades. Sandinista activities in northern Costa Rica also are a potential threat to the regime. In addition, arms trafficking, leftist training, and activities of the radical People's Revolution Movement have increased. A new leftist political organization is being set up with Cuban assistance and directed by former security minister Echeverria. We also suspect Cuban/leftist penetration of the Office of National Security. Nevertheless, Costa Rica's strong democratic institutions should allow it to weather these challenges.

During the decade of the 1980s Mexico's stability is unlikely to be threatened by either domestic or foreign insurgents. Existing socioeconomic inequities, however, are being worsened by the petroleum boom and over the next few years could cause the central government serious problems. For example, while per capita income has grown by more than 5 percent annually since 1976, average real wages are lower today than in 1976, and unemployment and underemployment remain high. On the other hand, profits, rents, and interest are up sharply, and the incomes of the middle and upper classes are soaring. Moreover, increased inflation is undermining savings while a slipping peso and growing foreign debt are undercutting confidence in the government.

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Haiti's chronic economic weakness and corruption are a serious threat to stability. We lack information, however, on the extent of domestic dissatisfaction with the Duvalier administration and the likelihood of overt moves against it.

Haiti's disparate, weak, and disorganized exile groups are incapable of executing action that would threaten the regime. Some have close links to Cuba and have received assistance from Havana and Moscow, but reports on the status and intentions of most groups is fragmentary.

Since the fall of Somoza in 1978, the Castro regime has perceived that the climate in Central America is receptive to revolutionary upheaval. As a result, Havana has increased virtually all types of assistance to the revolutionaries in the region, including arms, funding, training, and counsel. Support funneled through Havana and Managua is critical to the insurgents in El Salvador and at present is sufficient to maintain current levels of activity. Should this assistance stop, the insurgents would over time cease to be regime threatening. The many fundamental problems contributing to instability would remain, however, and leftist extremists would continue to harass the government.

The 20-year-old insurgency in Guatemala, the most persistent in the hemisphere, would continue without outside assistance. The funding, training, guidance, and arms provided by Havana—and to a much lesser extent, Moscow—have helped the guerrillas implement their current strategy of harrassment and economic sabotage. But economic and social conditions in Guatemala have deteriorated sufficiently to continue to feed revolutionary ferment. Although the four main groups—Guatemalan Communist Party, the Guerrilla Army of the Poor, the Rebel Armed Forces, and the Organization of the People in Arms—formed a coalition in late 1980 under the banner of the National Revolutionary Union, the coalition at present does not appear to be viable. However, even though they have been very active, GOG security forces have scored some telling hits and slowed some of the activity. Reporting is available on Cuban involvement in the activities of the radical left, and involvement of the Salvadoran left in planning operations within Guatemala. We lack information on Guatemalan insurgent groups, particularly their intentions and capabilities. Field stations have been instructed to give priority attention to filling these gaps.

The USSR, while allowing Cuba to take the lead, has gradually expanded its involvement in the insurgencies. Moscow provides funding, propaganda support, training, and facilitates the flow of arms and supplies to local extremist groups. The Soviets can be expected to heighten their involvement in the region whenever they believe they can advance their interests without provoking damaging reactions from the United States.

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