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14 May 1981

POLICY TALKING POINTS FOR NSC PAPER ON  
"US POLICY IN CENTRAL AMERICA AND THE CARIBBEAN"

## ISSUES FOR DECISION (page 4 of Executive Summary)

1. The SIG seeks general NSC blessing for the paper's integrated approach. Recommend that DCI respond favorably.

Political and economic changes in the target countries could prove as important to protecting US interests as does stopping Cuban-Soviet aid to insurgents. US is not ready militarily for near-term direct confrontation with Cuba, and concentration on this aspects would increase the diplomatic and US political costs to the Reagan administration.

2. SIG seeks NSC guidance on whether the US should adopt an "enhanced" (Package A) or "all-out" (Package B) approach. Recommend that DCI respond selectively.

Sponsors know that choice is not that clear cut. Recommend overall high priority, to reduce challenges to our interests through substantial US resource commitments. In particular, recommend "all-out" for improving political, economic, and social conditions in target countries. This is likely to be the key to generating US domestic and international support. Recommend "enhanced" for confronting Cuba, overthrowing Sandinistas, and security assistance. Too great an emphasis on these would isolate the US, and thus add heavy indirect costs to the considerable direct risks involved.

3. Sponsors want to get started on consultations with Congress, US allies, and key regional countries. Recommend DCI approval. But would note that to be effective, consultations must emphasize the positive (political, economic, and social change) and not the negative (going to the source).

4. Sponsors want authorization for subsequent IG work on developing specific courses of action. Recommend DCI approval, but also that he ensure CIA participation across-the-board.

## COMMENTS ON STRATEGIC ELEMENTS

1. Measures . . . to Control Present Armed Insurgency (page 3 of text)

As developed here and in follow-on paper, calls for DOD security assistance and military training programs to double from \$30 million in FY 81 to \$60 million in FY 82. Congressional opposition could be softened if economic and political aspects of overall strategy are emphasized.

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2. Effective US Support for Improving . . . Political, Economic, and Social Conditions . . . (page 3)

a. Will not be either easy or cheap. State's initial estimate (pages 12-13) of \$410 million in additional US official assistance in FY 1982, to "turn the economic situation around", is probably much too low. Will probably need additional \$100 + million per year for post-insurgency reconstruction in El Salvador alone.

b. "Reagan Plan for Caribbean Basin Cooperation" holds considerable promise, especially as it signals lasting, serious US commitment. Similar to "Lome Agreement" that EEC adopted for former colonies. Will run into US labor and industry opposition.

c. Changing Central America's political culture is a major undertaking. For example, Guatemala regularly holds elections, and just as regularly rigs them.

d. Curbing military excesses also a problem in Guatemala as in El Salvador. Those in control see moderate reformers as subversives.

3. Nicaragua (page 6). Little chance Sandinistas will change their stripes. If the US pushes too hard, they will eliminate the domestic moderates. Obvious or suspected US hand in overthrowing regime will be very costly with Congress, Mexico, and Western Europe. Much to recommend "damage limitation" approach. Carrot and stick to reduce Nicaraguan aid to insurgents, and to limit security ties to Cuba. If other countries do well under new US program, Nicaragua may eventually come around. Even if US decides that it cannot live with Sandinistas, it would be better to get positive elements of program in high gear first. However, attention needed now to deciding US role with anti-Sandinista exiles and governments.

4. Cuba (page 7). Much to recommend a "damage limitation" approach here as well. Keep raising the costs and risks to Havana of excessive aid to insurgents, but delay or avoid military confrontation while working on positive aspects of the regional program. But here too, must advance planning and readiness in case Castro provokes clash or sends troops to Nicaragua.

5. Soviet Union (page 8). Soviet reaction likely to depend on whether Moscow perceives US is trying to curb Havana's activities in Latin America, or is trying to overthrow Castro regime. If first, Moscow may use its leverage to effect greater Cuban prudence (but not total cutoff of aid to revolutionaries). If second, Moscow will see it as major crisis in US-USSR relations.

6. These Policy Talking Points have been discussed with C/LA/DDO and C/LA/OPA.

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