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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC-0359-79
22 January 1979

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Director, National Foreign Assessment Center
National Intelligence Officer for Warning *RL*

FROM : Acting National Intelligence Officer for Latin America

SUBJECT : Latin America -- Warning of Impending Developments

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1. Action Requested: None; for your information only.

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2. Background: The tension has eased in most countries of Latin America where crises appeared to be developing. Hostilities between Argentina and Chile were thwarted scant hours before Argentina planned to occupy islands south of the Beagle Channel, when the Vatican agreed to mediate the dispute. While military hardliners are bitterly disappointed in Videla's handling of the affair and there is talk of a coup d'etat, the plotters will not move as long as the Vatican is involved in resolving the problem, a process that is likely to last for months. In the interim, President Videla is likely to remove his military critics from troop command positions or shunt them into retirement. Persistent rumors of a coup d'etat in Bolivia and a major reshuffling of the cabinet attest to the fragility of the Padilla Government. In Nicaragua, President Somoza has withstood pressures to resign and has apparently quelled the FSLN. President Torrijos of Panama might be tempted to continue support to the FSLN's efforts to topple Somoza as long as he has the support of President Carlos Andres Perez of Venezuela. Perez, however, will be out of office in March 1979, and his successor is unlikely to become involved in such an adventure. Meanwhile, Somoza is seeking allies in the Governments of Honduras, El Salvador, and Guatemala to combat "Communist menace". Somoza appears to have emerged from this ordeal stronger than ever and seems unimpressed by the US intent to withdraw the US military and economic missions.

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3. New Developments: Problems affecting the United States which bear watching are emerging in Jamaica, Colombia, Central America, and Mexico.

a. Jamaica. Prime Minister Michael Manley's position has eroded and could get worse. It is increasingly evident that Jamaica will once again fail to achieve the economic targets set by the IMF in time for the next review in March. The increased political activism by the opposition Jamaican Labor Party coupled with the deteriorating economic situation could provoke an election before the end of Manley's tenure in 1981. Meanwhile, Edward Seaga, an economist who is Manley's most serious opponent, is gaining strength.

b. Colombia. The theft of 5,000 weapons from an army garrison by the 19th of April Movement (M-19) poses the threat of a renewed rash of terrorism, some of which may well be directed against US officials or businessmen. Since the quantity of weapons stolen exceeds the number of terrorists in M-19, the excess weapons may be peddled to narcotics traffickers in Colombia or to other terrorist groups in Latin America. The Colombian Government can be expected to crack down vigorously on the M-19. Despite its good record of respecting human rights, it may now feel that the threat to government stability is so grave as to warrant the risk of violating human rights to control the terrorists.

c. Central America. The present delicate state of the mediation effort led by the United States is at the point that the Broad Front (FAO) opposition is beginning to flake apart, while Somoza appears to be at least as strongly entrenched as ever. Somoza's ability to double the strength of the National Guard seems to have demoralized the FSLN, which is limiting its harassment of the Somoza Government to localized attacks. A full-scale FSLN assault on the government now appears unlikely. Meanwhile, other Central American governments are uneasily watching the threats to Somoza. The Government of El Salvador, already beset by terrorist problems, believes it will be next if Somoza falls.

d. Mexico. As a direct result of events in Iran, Mexico is acquiring new clients for its oil -- notably, France, Japan and Israel. While the US will receive a lower percentage of Mexican oil than previously anticipated, the actual quantity will be about the same because of increased production. Diversification of Mexico's oil exports is likely to make Mexico more independent in its forthcoming negotiations with the US.

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