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DIRECTORATE OF INTELLIGENCE

SEPTEMBER 1984

CENTRAL AMERICAN MONTHLY REPORT #13

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Perspective

Efforts to secure a regional peace accord accelerated in September, and we believe the Central Americans will come under increasing pressures to sign an agreement that poses problems for US interests. The Contadora mediators proposed a new draft treaty at a meeting of the nine foreign ministers on 7 September which, according to US Embassy reports, was presented as a final version requiring acceptance or rejection. In a sudden reversal, Managua announced it would sign the document but maintained that the US must also sign and cease alleged belligerence against Nicaragua. Some Core Four governments indicated that they could sign the agreement without major changes, but we believe US misgivings may have toughened their positions. By the end of the month they jointly agreed that the Contadora draft should be subject to further negotiations after the 15 October response deadline.

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The Sandinistas timed their acceptance for maximum propaganda benefit before the opening of the EC-Central American foreign ministers meeting in San Jose, Costa Rica and the UN General Assembly. Nevertheless, the draft agreement satisfies

This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 1 October 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA

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many objectives long sought by Managua. We judge that the verification provisions may be adequate to monitor the provision of aid to anti-Sandinista insurgents but probably are insufficient to foreclose the more clandestine Nicaraguan resupply of the Salvadoran guerrillas. The regime also stands to gain from the agreement's specific ban on foreign military bases, advisers, and maneuvers, while it probably can avoid arms reductions that still must be negotiated. Moreover, the draft does not contain enforceable guidelines on democratization and will not compel the Sandinistas to alter their election plans or negotiate with anti-regime insurgents. 

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In a related development, Costa Rica and Nicaragua resumed discussions in Paris this month on a French-sponsored demilitarized zone along their border, and US Embassy reports indicate that they may be close to an agreement that provides for the presence of foreign peace-keeping forces. We have no strong indication to date, however, of West European willingness to contribute troops, and finding other candidates would delay implementation. We believe San Jose, which apparently has taken the initiative in the talks, sees a bilateral accord as a means of reinforcing its neutrality and gaining protection from Nicaraguan incursions. Nevertheless, the Costa Ricans are not keeping the other Central Americans fully informed, and an agreement could further damage Core Four unity and put additional pressure on Honduras to sign a similar pact. Moreover, depending on the size of the peace-keeping force, the proposed agreement could severely hamper anti-Sandinista insurgent operations in southern Nicaragua. 

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**EL SALVADOR**

Political

US Embassy reporting from all related missions characterized President Duarte's trip to Venezuela, Colombia, and Panama this month as a major success. Duarte obtained over \$30 million in economic and other assistance from Caracas and Bogota, and the trip generally enhanced his government's international image. We believe Duarte's foreign trips have won him wide domestic approval, thereby helping him mute criticism from the opposition. 

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[redacted]

On a more negative note, tensions between El Salvador and Honduras over their longstanding border dispute increased. Tegucigalpa reiterated its decision to prohibit Salvadoran access to the Regional Military Training Center shortly before a Salvadoran battalion was scheduled to begin its training cycle on 28 September. US diplomatic sources indicate President Duarte has accepted an invitation to meet in Honduras with President Suazo possibly before mid-October, but we believe any quick resolution of the outstanding issues is unlikely. The constitutions of both countries prohibit any cessions of territory, and both governments are further constrained by domestic political consideration as each faces elections next year. In addition to the loss of US tactical instruction, the dispute is weakening bilateral efforts to eradicate guerrilla base camps in neutralized land pockets along the border and to interdict seaborne insurgent resupply from Nicaragua. [redacted]

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### Military

[redacted] the guerrillas are shifting tactics for their planned offensive and likely will concentrate on small-scale attacks against vulnerable economic and military targets. Much of the shifting reflects aggressive Army operations, but [redacted] insurgent disunity and poor coordination remain serious problems, especially at the lower echelons. [redacted]

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[redacted] Nevertheless, US Embassy sources report the guerrillas may begin terrorist actions in San Salvador within the next week or so. [redacted]

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[redacted] US diplomatic and military personnel have been targeted and already are under surveillance by the rebels. [redacted]

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Army operations throughout September have hurt the guerrillas and kept them on the move [redacted]

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[redacted] Chief of Staff Blandon reportedly intends to capitalize on this by mounting vigorous sweeps in central and eastern El Salvador. By month's end, the Army began major operations in Chalatenango, Cabanas and Usulután Departments. In addition, the Air Force received 10 UH-1H helicopters from the US and expects another 13 by the end of the year. The US Embassy reports President Duarte has given preliminary approval for establishing a helicopter operations facility near San Miguel City. The facility and the additional helicopters will

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substantially boost air operations and quick reaction capabilities. [redacted]

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## NICARAGUA

### Political

The stalemate over the opposition's participation in the 4 November elections continues, although neither side apparently has foreclosed an eventual compromise. In an apparent reponse to Colombian mediation efforts, the Sandinistas conceded a new deadline--1 October--for party registration. Nevertheless, the opposition failed to respond when continued harassment by Sandinista-backed mobs convinced democratic leaders that the regime was insincere in its assurances. [redacted]

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Renewed negotiations--this time directly between regime and opposition representatives--were held at the Socialist International conference in Brazil in early October. The regime apparently agreed to the opposition's demand that the election campaign be extended an extra 90 days. The talks faltered, however, when the opposition rejected Sandinista preconditions that it immediately register and obtain a cease-fire from the anti-regime insurgents. The three parties in the coalition have requested an indefinite extension of the registration, however, suggesting more negotiations are likely. [redacted]

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The Sandinistas' tactics in conducting the election process have increased international disillusionment with their rule.

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[redacted]

Danish officials have told the US Embassy that Copenhagen will not send observers to the elections because Managua failed to lift the state of emergency and guarantee full participation by all parties as promised last spring. [redacted]

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Sandinista policies also are increasing domestic discontent, although this is unlikely to challenge the regime. Nevertheless, the military draft prompted demonstrations in several northwestern cities in late August, and US Embassy sources recently reported that mothers had physically prevented the impressment of their draft-age sons. In addition, anti-draft

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[redacted]

protesters were joined by market women criticizing price increases and consumer shortages. [redacted]

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Meanwhile, Church-state relations showed no improvement during the month. The four pro-regime priests defied the Vatican's 31 August deadline to resign their government posts, following secret instructions from the Sandinista leadership,

[redacted] A Vatican official who participated in recent negotiations with a visiting Nicaraguan delegation described them as a "dialogue among the deaf." Managua also refused to allow the return of the 10 foreign-born priests expelled in July or their replacement by others designated by the church, although the Sandinistas offered to allow some missionaries who had entered Nicaragua on tourist visas to remain. Meanwhile, the US Embassy reports that some Nicaraguan churchmen fear that a new bishop--who invited Junta coordinator Daniel Ortega to his 17 September consecration--might undermine the unity of the Nicaraguan Bishops Conference as it prepares its long-awaited pastoral letter on the elections. We believe the letter will be critical of the regime. [redacted]

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### Military

Despite Sandinista superiority in manpower and continued use of heavy artillery, the Nicaraguan Democratic Force rebels succeeded in maintaining a high level of activity in September.

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[redacted]

Elsewhere in the Atlantic Coast Region, the Misura Indian group staged a series of ambushes and attacks west of Puerto Cabezas which they claim resulted in over 100 Sandinista casualties. The attacks came after a month-long cessation of activity, during which Misura received supplies of food and clothing from the FDN. [redacted] Misura strength currently stands at 1,095, of which some 800 lightly armed combatants are actually in northeast Zelaya Department.

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[Redacted]

[Redacted]

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Arms Buildup

The fifth anniversary of Armed Forces Day on 2 September provided the Sandinistas an opportunity to show off the entire array of Soviet Bloc weaponry in their inventory. Two new items of equipment, [Redacted]

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[Redacted] The Fire Can, used primarily with the 57mm S-60 anti-aircraft gun, could provide the Sandinistas with their first radar-controlled anti-aircraft weapon system. Nevertheless, no S-60s have yet been detected in Nicaragua. [Redacted]

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[Redacted] construction is winding down on the runway at Punta Huete airfield, but that work continues on the crossovers between the runway and taxiway as well as on 16 revetments. The L-39 crates and associated equipment remained at Burgas, Bulgaria, at month's end. [Redacted]

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Economic

Appeals for more Western financial aid failed as both Brazil and Colombia refused Nicaraguan requests for additional lines of credit. [Redacted]

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[Redacted]

Domestically, the regime continued to pressure small import/export dealers by proposing that at least 50 percent of their merchandise be sold to the government at unfavorable exchange rates. If implemented, we believe the proposal would lead many businessmen to take their firms out of Nicaragua. [Redacted]

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[Redacted]

**GUATEMALA**Political

Local press reports alleged that Chief of State Mejia might postpone national elections tentatively scheduled for next year, or at least delay the new government's installation until early 1986. Nevertheless, we believe the military would have little to gain by a postponement at this time. Some party leaders probably are concerned that they will lose support if the elections are delayed and may be spreading the rumors to pressure Assembly members to push ahead with their work. [redacted]

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Meanwhile, Mejia's efforts to improve his government's international standing paid off in September with Guatemala's selection as a vice president of the 39th UN General Assembly session and the reestablishment of diplomatic relations with Spain. Guatemala had been anxious to renew its ties with Madrid--which were broken in 1980 after Guatemalan security forces raided the Spanish Embassy to evict protesters who had seized the building--prior to the Central American-EC meeting at the end of September. Even church-state relations apparently have warmed as a result of the improving political climate. The US Embassy reports that the Papal Nuncio recently praised the democratization process and stressed the Vatican's satisfaction with recent events in Guatemala. [redacted]

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Nevertheless, the improved political climate was clouded by a resurgence of political violence, including the murders of two party officials in mid-September. In addition, [redacted] two Christian Democratic Party leaders recently received death threats as part of a plan by National Police officers to assassinate the party's presidential candidate. [redacted]

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Military

Guerrilla ambushes of government forces undercut earlier government claims of insurgent containment after several months of relative calm. [redacted] 17 soldiers and an Army engineer were killed in Quiche Department during five separate encounters with the guerrillas at the end of August. [redacted]

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Economic

The government made another gesture towards accommodation with the IMF by reimposing one tax and eliminating some loopholes in the value-added tax. The measures should raise roughly one-fifth of the \$200 million required to meet IMF deficit targets. Guatemala and the Fund plan to resume discussions within the next two months. [redacted]

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**HONDURAS**Political

Increased political maneuvering among military factions and leftist labor agitation were of particular significance in September. Two Army colonels who were instrumental in ousting former Armed Forces Commander Alvarez reportedly planned to engineer the replacement of the military's intelligence chief, the only holdover from Alvarez's command. The move probably reflects both anxiety that the former Commander may return to challenge the present military leadership and the flourishing environment for friction among contending military factions since Alvarez's ouster earlier this year. [redacted]

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has been critical of Honduras' close military ties to the United States and has expressed the belief that El Salvador, not Nicaragua, is the real threat to Honduran national interests. If true, Aplicano's views are likely to represent a further irritant in the already-delicate US-Honduran relationship. [redacted]

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Marxist labor leaders appeared increasingly belligerent in calling for solidarity strikes late in the month in support of a partial walkout by electrical workers. We believe leftist leaders tried to undermine the civilian government by appealing to Armed Forces Commander Lopez to act as mediator in the dispute. Their attempt was thwarted when President Suazo and Lopez agreed that the military should be involved only in the case of sabotage or violence. [redacted]

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**COSTA RICA**Political

After two months, the Communist-inspired banana workers' strike against United Brands collapsed when the Communist Party

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failed to line up sufficient financial and other support for the strikers. Although the stoppage failed to trigger multiple sympathy strikes and lead to armed insurrection as the radical left had hoped, it was the longest strike in Costa Rican history and caused several million dollars in lost revenues and taxes. Press reports state that as a result of company losses, some workers will lose their jobs. US Embassy officials indicate that President Monge, concerned about leftist labor agitation, plans to counter the Communist influence by funding rival labor and political activity. [REDACTED]

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### Economic

Costa Rica and the IMF, disagreeing only on budget guidelines, are close to an agreement on a standby credit. According to the US Embassy, the program is likely to provide a \$61 million credit over a 15 month period beginning in November 1984. In addition to \$13 million from the first tranche of the IMF standby, Costa Rica also will receive \$75 million in trade credits from commercial banks once the IMF agreement is finalized. San Jose had sought additional relief from commercial bank creditors by asking for a 60-day extension of the June "standstill" agreement, according to press reports. Under this agreement, debt principal payments due between 15 June and 15 September were frozen to provide additional time for concluding an IMF agreement. The banks probably will grant the extension because Costa Rica's foreign exchange crunch makes a resumption of payments before November unlikely. [REDACTED]

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The Central Bank announced in September a 1.7 percent devaluation of the colon. This was the third devaluation this year, following a 0.8 percent adjustment in May and 0.6 percent in June. According to the US Embassy, the government has agreed to a 5 percent devaluation in October as one of the conditions necessary to activate the IMF standby. [REDACTED]

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## **PANAMA**

### Political

The US Embassy has confirmed that efforts to obtain an agreement extending operation of the US Army School of the Americas failed and that the School was closed as scheduled. Moreover, both President-elect Barletta and Defense Chief Noriega have confided to US officials that an agreement under the new administration, which assumes office on 11 October, is unlikely. [REDACTED]

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[Redacted]

Differences persist, meanwhile, between Barletta and Noriega over cabinet appointments. [Redacted]

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[Redacted] both the military and the government party, which is seeking the lion's share of the posts, are resisting Barletta's efforts to deprive them of key ministries. In our view, Barletta will probably compromise on cabinet assignments because he needs support from Noriega and the party to implement IMF required austerity measures. Nevertheless, we believe Barletta [Redacted]

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[Redacted] still will encounter resistance in any attempt to institute fiscal and anti-corruption reforms. [Redacted]

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[Redacted]

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[Redacted]




**KEY NICARAGUAN TRAVELS/VISITS**

28 Aug-late Sep Interior Minister Borge travels to Libya, Ethiopia, and Bulgaria to take part in their anniversary celebrations, and visits Poland at the invitation of his Polish counterpart. 


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1 September Sandinista Directorate member and Minister of Agriculture Jaime Wheelock visits Yugoslavia. 


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12 September Sandinista Directorate member Bayardo Arce visits Cuba. 

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13 September Opposition candidate Arturo Cruz returns to Nicaragua after tour of Costa Rica, Colombia, Venezuela, Ecuador and El Salvador. 

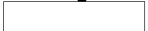
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17 September Sandinista Directorate Member and Minister of Planning Henry Ruiz meets Soviet Deputy Prime Minister in Moscow to discuss trade relations following inaugural meeting of CEMA-Nicaragua Mixed Commission. 

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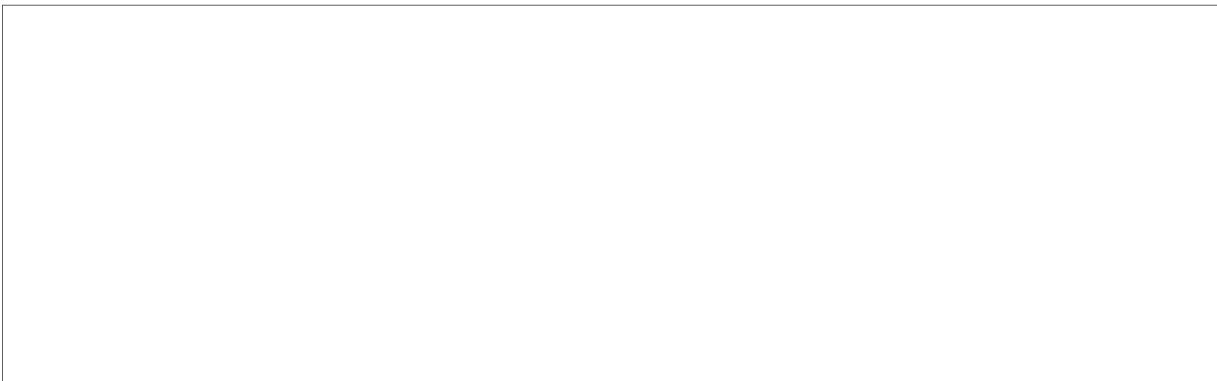
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18 September Polish Foreign Minister Olszowski visits Managua. 

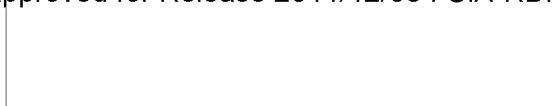
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- 23 Sep-5 Oct Council of State President and Sandinista Directorate member Carlos Nunez to attend the IPU Conference in Geneva and the Labor Party's annual conference in London.  25X1
- 26-28 September Opposition candidate Cruz visits Costa Rica during EC-Central America-Contadora foreign ministers conference.  25X1
- 30 Sep-5 Oct Daniel Ortega's trip to New York, to address the UN General Assembly, and Los Angeles.  25X1

**CHRONOLOGY OF ARMS FLOW INTO EL SALVADOR**



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- 08 September  observed training exercises involving four rubber boats each approximately twelve feet long equipped with two outboard motors on the Gulf of Fonseca. They were transported to and from the coast by truck from a nearby Nicaraguan training facility which is being constructed amid tight security.  25X1  
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- 08 September Unarmed Salvadoran insurgents reportedly are being smuggled at night by power boat across the Gulf of Fonseca from Nicaragua to El Salvador, where they use public transportation to predetermined locations to obtain their equipment.  25X1
- 22 September  25X1  
as of June 1984 arms were trucked routinely to Honduras for forward shipment to El Salvador. Nicaraguans, who were paid \$3,000-\$5,000, drove the trucks which had Costa Rican tags and had been modified to conceal small arms and ammunition.  25X1



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**COMING EVENTS IN CENTRAL AMERICA DURING OCTOBER**

- 1                    Reversion to Panama of lands, installations, and housing at Fort Gulick and France Field and cessation of US authority to operate US Army School of the Americas
  
- 1-2                 Socialist International meeting in Rio de Janeiro, Brazil. Expected attendance of Arturo Cruz and Bayardo Arce.
  
- 11                  Inauguration of President-Elect Barletta
  
- 15                  Responses to Contadora document due from Central American countries.
  
- 15                  Celebration of Salvadoran revolutionary coup of 1979.
  
- 20                  Expiration of State of Emergency in Nicaragua.

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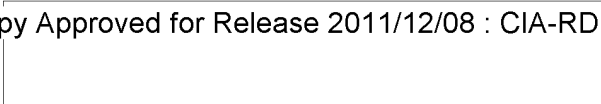
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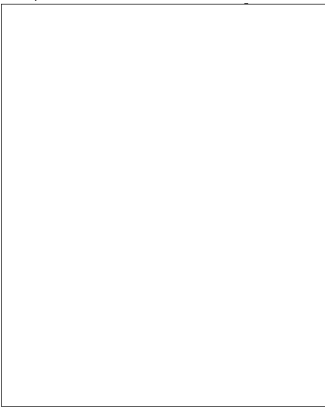
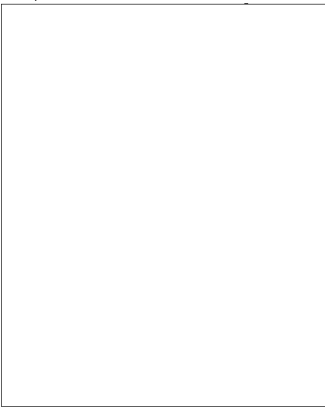
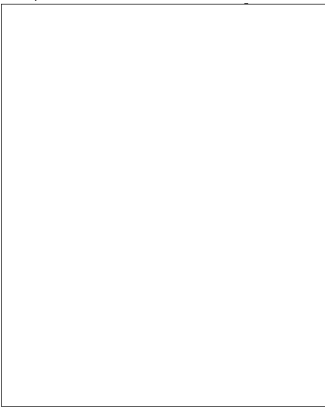
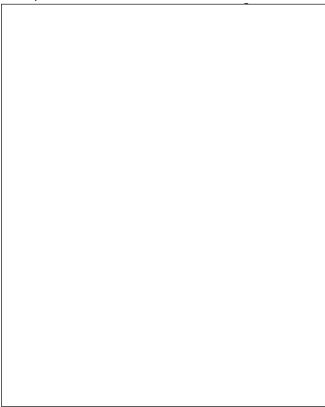
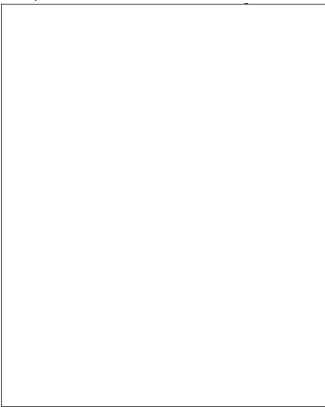
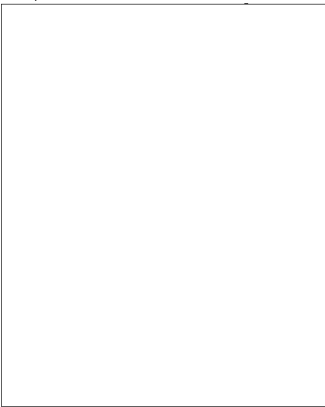
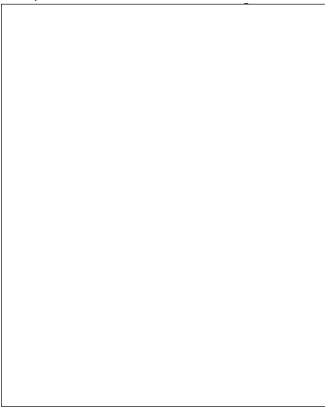
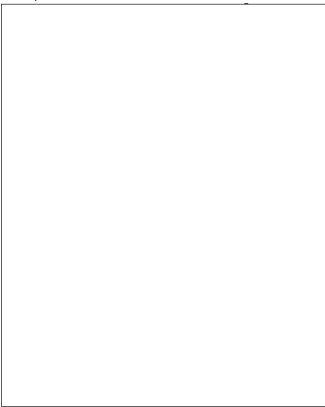
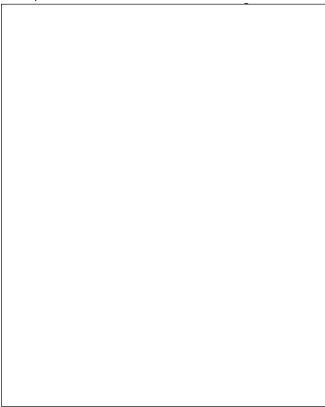
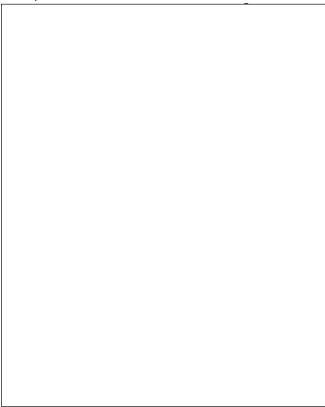
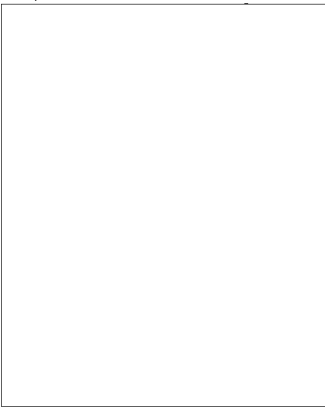
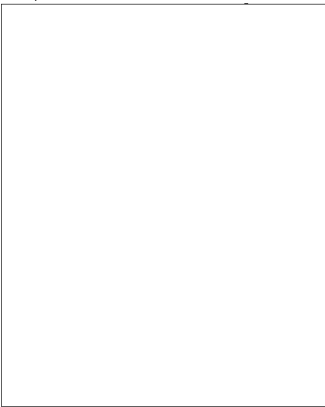
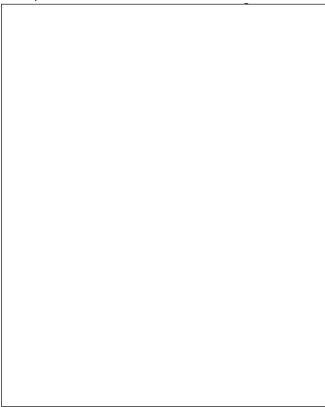
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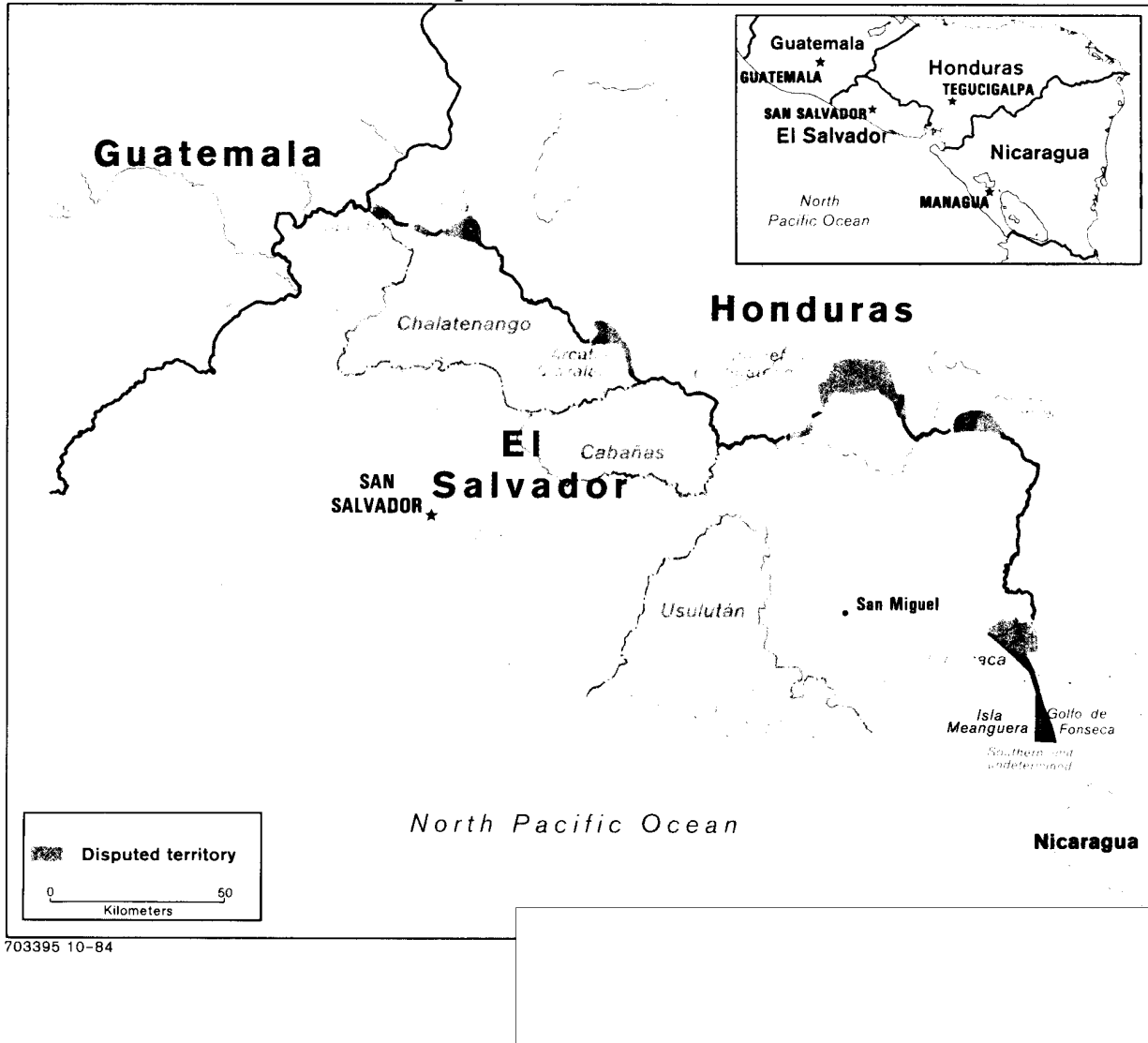




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### Honduras-El Salvador Border Dispute



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