

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X	26 JUN 1984	
2	DDCI		X		
3	EXDIR		X		
4	D/ICS		X		
5	DDI		X		
6	DDA				
7	DDO		X		
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL	X			
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/LA		X		
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SUSPENSE		21 June Date			

Remarks

Please prepare acknowledgment
for DCI's signature.

Executive Secretary

15 June 84

Date

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Executive Registry

84-2625

United States Senate

WASHINGTON, D.C. 20510

June 4, 1984

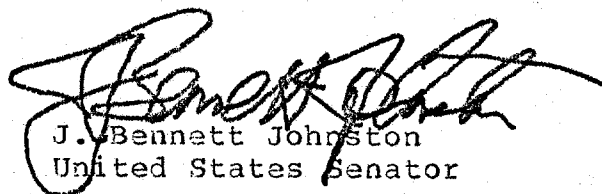
The Honorable William J. Casey
Director, Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Casey:

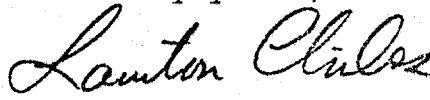
Over the Easter recess, we spent five intensive days in Central America assessing U.S. economic and military assistance programs in the region. We met with a broad group of government and opposition leaders, and came back more optimistic than we had thought.

We thought you would be interested in the report we filed on our trip with the Senate Appropriations Committee and are enclosing a copy for your perusal. We would, of course, welcome any thoughts you may have on our findings.

Sincerely yours,



J. Bennett Johnston
United States Senator



Lawton Chiles
United States Senator

Enclosure



UNITED STATES ECONOMIC AND SECURITY ASSISTANCE IN CENTRAL AMERICA

REPORT ON A FIELD SURVEY IN EL SALVADOR,
HONDURAS, PANAMA, AND NICARAGUA

Submitted by

SENATOR J. BENNETT JOHNSTON
SENATOR LAWTON CHILES

MAY 1984

INTRODUCTION

On April 3, 1984, Senator Mark O. Hatfield, Chairman of the Senate Appropriations Committee, authorized foreign travel by a Committee delegation for the purpose of conducting an on-site survey of U.S. economic and military assistance programs in Central America.

The following report was prepared by Senator J. Bennett Johnston and Senator Lawton Chiles who comprised the delegation which visited El Salvador, Honduras, Panama and Nicaragua. It is being made available in a summary, unclassified form in order to achieve a broad dissemination of the information gleaned in the course of the survey. The focus of the report is on matters relating to the President's request for \$659.1 million in supplemental fiscal year 1984 funding and \$1375.9 million in fiscal year 1985 funding for economic and security assistance programs for the region. Much of the information bearing on these matters is highly classified and cannot be revealed in an unclassified report. Nonetheless, it was the judgement of the delegation that an unclassified report, which could be widely discussed, would be of more benefit than one requiring restricted distribution.

The President's request for supplemental assistance to Central America in 1984 includes \$259.1 million in security assistance and \$400.0 million in economic and developmental aid. The President's 1985 request includes \$255.9 million in military aid and \$1120.0 million in economic and other assistance. The President's request encompasses the recommendations of the National Bipartisan Commission on Central America, the so-called Kissinger Commission.

We would suggest, however, that to consider the elements of the President's proposals without reference to the ends and purposes they are intended to serve would be to rob the proposals of meaning and fail to illuminate the political, economic and military context in which the President's Central American policy is embedded. An understanding of this context is key to gaining a perspective on the current crisis in Central America and evaluating any U.S. aid program to the region. Accordingly, the delegation did not confine its inquiry into the costs and essential components of the proposed assistance, but also sought to investigate the broader economic situation, the political dynamics in each country visited, the military dimensions of the conflict, human rights concerns, and other factors bearing on the establishment of a comprehensive peace in the region. To achieve this, the delegation entered into frank discussions with significant political and public figures of various aspects of the conflict in Central America, including the status of pending elections, the redistribution of wealth and resources, human rights concerns, and the impact of the growing militarization of the region.

In the course of its inspection, the delegation visited El Salvador, Honduras, Panama and Nicaragua. The pace of the legislative calendar compelled us to limit our inspection to the period from April 15 through April 20, 1984. Nonetheless, the delegation was able to compress into this brief period meetings with Provisional President Alvaro Alfredo Magana Borja of El Salvador and Commandante Daniel Ortega Saavedra, Coordinator of the Junta of the Government of National Reconstruction of Nicaragua, as well as extended discussions with leading political and military figures in the region, such as Jose Napoleon Duarte, now President-elect of El Salvador, General Walter Lopez Reyes and Carlos Roberto Flores Facusse of Honduras, Carlos Rodriguez and Nicholas Barletta of Panama and others.

These discussions, together with meetings with other political and military authorities in Central America and briefings by various United States government officials, gave us a firm appreciation of the complexities of the Central American situation. It is a dynamic and fluid situation unusually complicated by the intertwining of key political, military and economic problems not only in individual national contexts, but also in the necessary interactions between the seven nations which comprise Central America.

It is the observation of this delegation that no individual aspect of this crisis can be dealt with in isolation. The achievement of a lasting peace in the region will require improvement in all elements of the Central American equation: political, social; economic and military.

It is hoped that this report will contribute to the Senate's understanding of the issues which influence peace and stability in Central America.

EL SALVADOR

The delegation was in El Salvador during the period April 15 to April 17, 1984. During its stay in El Salvador, the delegation met for 45 minutes with outgoing Provisional President Alvaro Alfredo Magana Borja for discussions on the May 6, 1984 elections in El Salvador. Other activities in El Salvador included a lengthy meeting with Jose Napoleon Duarte, the presidential candidate of the Christian Democratic Party and now the President-elect of El Salvador; briefings by United States Ambassador Thomas Pickering; a visit with Foreign Minister Fidel Chavez Mena; a session with Bishop Marcos Rene Revelo; various meetings with business, labor and campesino organizations; and tours of the towns and military cuartels in Santa Ana, San Lorenzo, San Vicente, San Miguel, and La Union. The delegation requested a meeting with Roberto D'Aubuisson, the ARENA party candidate who most closely challenged Duarte for the presidency. Mr. D'Aubuisson did not choose to meet with the delegation.

It is the sense of this delegation that, as inconclusive and fraught with danger as this period might be, there currently exists a period of hope and opportunity for El Salvador. Our discussions with Mr. Duarte and others led this delegation to believe that El Salvador is in a position to take great strides in resolving its own problems. However, our optimism is tempered by the realization that in order to solve these problems, the leaders and people of El Salvador must make hard political choices over the coming months and years. Equally, the American people and their leaders face difficult decisions on how best to support Salvadoran attempts to achieve peace and stability.

Political Issues

El Salvador, as described by many people the delegation met with, is in the process of a "democratic revolution" -- a revolution which must succeed if El Salvador is to achieve peace and prosperity. The general elections which took place in April, and the run-off elections on May 6, 1984, were a major step forward in the process of reform which began in October of 1979 when a group of young officers staged a coup d'etat to replace the brutal regime of General Romero. The young officers persuaded the Christian Democratic party to join them in an interim coalition until a new government could be freely elected. Elections for a constituent assembly were held in 1982 with presidential elections held in 1984.

During the delegation's visit, two and one-half hours were spent in discussions with Christian Democratic candidate Jose Napoleon Duarte, the winner of the May 6 run-off and, at this writing, the President-elect of El Salvador. Duarte fervently spoke of the need for El Salvador to move away from the five key power groups which have controlled the country in the past: the government, the political parties, the military, the private sector, and the influence of the United States. Duarte hopes to establish a government built on a broader base of support, encompassing elements of all of these constituencies. To do this, he recognizes that when he takes office, he will need to reach out beyond his own constituency and create incentives for his political opponents to participate in the new government. The delegation believes that with the right support from the United States, Duarte can develop this broader constituency, including support within the armed forces.

We do not dismiss the substantial difficulties in building this new coalition. Discussions with a variety of public figures made the delegation aware of the long-standing and visceral animosities between key political groups, a history of hatred that will make government exceedingly fragile. Moreover, since the Christian Democrats have insufficient voting members to control the constituent assembly, it will be difficult for Duarte to develop a cohesive legislative plan. This can, of course, create opportunities. Duarte will have to reach some kind of consensus with other political entities to institute his policies. If he is forthcoming in these efforts, he may be able to develop a heretofore unprecedented degree of non-violent exchange between all Salvadoran political groups. Thus, it may be possible to create conditions for peaceful social change.

Duarte expressed to the delegation his belief that the conditions placed on U.S. aid to El Salvador in the past have been helpful in curbing human rights abuses. Duarte also made it clear that he understood the need for El Salvador to control violence on both the extreme right and the extreme left. He fully understands the need for civilian authorities to maintain control over the armed forces and, based on discussions with both political and military leaders, the delegation left El Salvador with the very clear impression that both the civilian and military leadership in El Salvador is committed to continuing development of a professional military which will remain responsive to civilian control.

The delegation was impressed by Duarte's forceful commitment to improving social and economic justice in El Salvador. This too will prove a complicated task, particularly during a period when Duarte will need to reach out to such powerful groups as the private sector in order to create the necessary political coalition to govern. Many of the political entities which Duarte will need to reach out to will feel the most threatened by efforts to achieve a more equitable social and economic situation in the country. The immediate period which lies ahead in the political future of El Salvador will require a degree of political sophistication and a generosity of spirit for which the past has left the people of El Salvador ill prepared. Yet, in the midst of war, the human spirit often triumphs and perhaps, in El Salvador, a new history is being created which will make the people more ready to accept change.

As part of his efforts to achieve these ends, Duarte stated his intention to come to Washington shortly after he takes office in order to achieve, in his words, "a historic compact with the United States" on the goals for not only El Salvador but the entire region. The U.S. response to Duarte's forthcoming overture will be critical to his ability to implement his agenda for El Salvador. The delegation believes that Duarte's ability to ensure the continuation of U.S. military and economic assistance programs will be a key tool in convincing his political opponents that only through development of a peaceful coalition under his leadership can they insure continued U.S. support which is critical to the Salvadoran economic and military situation. However, in this request, Duarte will ask for a generous degree of faith and an absence of conditions attached to future U.S. aid.

The delegation believes that a peaceful future for El Salvador may well be tied to ability of a few individuals committed to a new future. As such, the importance of Jose Napoleon Duarte's individual role should not be minimized. Although Duarte represents a larger group committed to reform, it was not clear to the delegation whether this movement could be sustained without its leader.

The delegation also met with a key group generally opposed to Duarte, representatives of El Salvador's private sector. The leadership of the private sector remains concerned about the prospects of Duarte's presidency. Their principal concern lies in Duarte's commitment to further land reform measures and the prevalent belief the Duarte is committed to a widespread transfer of private assets to labor and campesino groups.

Duarte recognizes that alienation of the private sector would be devastating to the country's economy. The Christian Democrats talk of the need to build a "silver bridge" to the private sector and to involve them in the new government. While the private sector's expertise is critical to El Salvador's economic recovery, Duarte will need to convince them that traditional capitalist incentives will be retained.

Discussions with individuals involved in Salvadoran legal circles impressed the delegation with the realization that to achieve social and economic justice, El Salvador will need to move aggressively in the area of judicial reform. The delegation was disturbed by the universal concern in El Salvador for the state of its judiciary. Clearly, El Salvador needs to create a credible and independent judiciary.

The inclusion of the left in the political process remains a key problem for any new government in El Salvador. While the delegation believes that a true political solution in El Salvador can only be achieved through free elections in which all political groups can participate, it did not see any evidence that the far left has a legitimate claim for power-sharing with the new government. Instead, the delegation believes that the future role for the left can only be legitimately determined through the electoral process. The delegation hopes that the new government can take strides to ensure non-violent participation of the left in the 1985 assembly and mayoral elections. The delegation found no indications of a significant political constituency supporting the leftist guerillas.

Security Issues

Concern over security is, unfortunately, the dominant aspect of U.S. policy in El Salvador. The military situation during the delegation's visit characterized the ever changing pattern of conflict; with the initiative alternating between the government and the guerilla forces. During the delegation's visit, government forces were involved in counter-insurgency operations in the western portion of the country, and a four-battalion operation was underway in San Vicente Province, in the central part of the country. The guerillas, on the other hand, had managed to stage a major ambush on the Pan American Highway, killing 37 government troops.

Overall, the delegation was impressed by the morale and discipline of the Salvadoran military. The motivation and willingness of government troops to fight was substantially better than anticipated. The training and quality of the government forces also exceeded expectations. However, the performance of government forces is clearly linked to the quality of leadership. When adequately led and supported, the Salvadoran armed forces give every indication of being an effective and disciplined force. They are clearly a seven-day-a-week army. U.S. and Salvadoran officials did, on the other hand, relate to the delegation some incidence of problems with motivation and morale where leadership was lacking.

The delegation was favorably impressed with the results of U.S. training of the Salvadoran armed forces. Not only is this training improving Salvadoran tactics and combat skills, it also appears to be having a profound effect on the professionalism of El Salvador's military. Salvadoran military leaders acknowledged that their U.S. trained troops had in the course of their exposure to U.S. personnel developed a more professional, and less political, orientation. The delegation believes that this can be an important step forward in improving the role of the military in El Salvador and winning broader support for the political leadership in the countryside.

Although the delegation was favorably impressed with the Salvadoran troops encountered, it did note several shortfalls. The most serious concerned transportation, particularly trucks. All local military commanders the delegation met with decried the lack of trucks to transport men and materiel. Local commanders currently rent trucks off the local economy to move units into combat. In addition to alerting the guerillas to impending operations, this represents an unacceptable drain on the local economy.

The national command authorities in San Salvador stressed the need for more utility helicopters for both transportation and medical evacuation. El Salvador currently has 19 UH-1H "Huey" utility helicopters with an additional four in the process of being delivered. The four additional helicopters are specially configured for medical evacuation. Minister of Defense, General Vides Casanova noted that some 50% of the helicopter fleet is under maintenance at any one time and expressed his opinion that the lack of helicopters was a serious impediment to the Salvadoran military's ability to carry the war to the guerillas.

Another major shortfall concerned control of the battlefield. In meetings with both national and local area commanders it became clear that government forces did not control or police the battlefield after engagements with the guerillas. Not only does this raise questions concerning the reliability of government reporting on guerilla casualties; but in a war where capture and retention of equipment is vital to sustaining the guerilla effort, government failure to control the battlefield allows the guerillas to acquire and retain the arms used by casualties or left behind by both forces in an engagement.

The delegation was struck by the fact that all regional military commanders who met with the delegation stressed the need for economic assistance as the most vital measure in addressing security concerns. High unemployment (in some areas as high as 40%) clearly provides fertile recruiting grounds for the guerillas. Getting future economic aid out of San Salvador and into the countryside will be an important asset in addressing security needs.

Foreign Minister Chavez Mena also expressed his concern that Nicaragua must be forced to cease its support of the Salvadoran guerillas if there is to be peace in El Salvador. Chavez Mena urged the United States to put all possible pressure on the Sandinistas to force Nicaragua towards a more democratic position.

The delegation was briefed on U.S. intelligence activities supporting the Salvadoran military. While the details of these activities are highly classified, it is the opinion of the delegation that such operations are of exceedingly high value to the Salvadoran forces and of very low risk to the United States. The delegation believes these operations should be continued. Furthermore,

future assistance must address the fact that much of the immediate value of the intelligence is lost due to the lack of mobility of the Salvadoran armed forces.

Future U.S. Actions

The level and nature of U.S. support to the newly elected government of Jose Napoleon Duarte will be a critical factor in the eventual success or failure of the "democratic revolution" in El Salvador. The delegation believes that continuing U.S. military and economic assistance programs to El Salvador are essential.

The delegation believes that the U.S. security assistance program has been both appropriate and necessary. Future U.S. military assistance must be oriented towards giving El Salvador the tools to contain and neutralize the guerilla threat. Furthermore, the scale of the U.S. aid effort should be sufficient to allow the Salvadoran government to gain the initiative in the war.

This does not, however, mean that the development of a Salvadoran military force capable of permanently eradicating the guerillas through military means alone is either easily achievable or appropriate. The eventual settlement of the guerilla threat to El Salvador must come through a combination of military strength, economic well-being and political freedom. Without all three of these conditions, El Salvador will not be able to achieve peace and stability.

The delegation believes that the basic military aid program at the levels approved by Congress is essentially appropriate. The most serious shortfall in the program is the where-with-all to allow the Salvadoran military to respond more quickly to guerilla activity. To this end, the delegation would strongly recommend immediate measures to provide El Salvador with trucks and other transportation assets. Some increases in the Salvadoran helicopter force to improve mobility and provide for medical evacuation may also prove warranted. Military training of the Salvadoran forces, which is beginning to pay dividends, should be continued and increased.

The delegation would not, however, recommend steps which would substantially raise the technological sophistication of the Salvadoran military. Increasingly sophisticated equipment, such as advanced helicopter gunships, which require advanced maintenance and training do not appear appropriate and could undermine the military's overall improvement program.

Economic aid will be a vital part of addressing both political and security concerns. The U.S. economic aid program should be sized and oriented towards the following goals:

1. Economic aid should be sufficient to stabilize El Salvador's economy and address the nation's external debt problem.
2. U.S. economic and developmental aid should encourage private sector involvement in El Salvador's future. This will be critical in improving Duarte's prospects for building the necessary coalition to govern El Salvador.
3. U.S. aid should be labor intensive and oriented towards creating the maximum number of jobs and economic infrastructure in the countryside. As

discussed above, this is a necessary aspect in addressing security concerns.

HONDURAS

The delegation was in Honduras from April 17 through April 18, 1984. During its stay, the delegation met with Minister of the Presidency Carlos Roberto Flores Facusse and General Walter Lopez Reyes, the newly installed Commander-in-Chief of the Honduran Armed Forces. Other activities in Honduras included briefings by United States Ambassador John D. Negroponte; meetings with leaders of the Honduran opposition parties and press; and a tour of the Honduran air base at Palmerola. The itinerary was to include tours of the refugee camp at Colomoncagua, under the auspices of the United Nations High Commissioner for Refugees and tours of military facilities in Comayagua and Cucuyagua; however, the delegation's itinerary was necessarily cut short after the helicopters carrying the delegation came under guerilla fire near the Honduran-Salvadoran border.

Security Issues

The Nicaraguan military buildup is the dominant security issue and preoccupation in Honduras. Concern about Nicaraguan military intentions were voiced by virtually all the Hondurans the delegation met with.

Although the delegation did meet with individuals whose overriding concern was with the growing militarization of the region, the prevailing view expressed by most Hondurans was that, with the rapid Nicaraguan arms buildup, Honduras had no alternative but to enhance its own military forces.

Both Minister of the Presidency Flores and General Lopez expressed growing concern over Nicaraguan actions, the belief that the Nicaraguan military buildup was disproportionate to its own security requirements, and the view that Nicaragua was actively engaged in subversion and terrorism in Honduras. Both officials maintained that while Honduras could live with a "socialist" government in Nicaragua, they could not live with a "communist" government on its borders. The distinction, of course, being the presumed commitment to exporting revolution. Although there remains anxiety in Tegucigalpa over the Nicaraguan buildup and the potential for subversion in Honduras, any such efforts to promote insurgencies have so far failed.

The delegation noted what appears to be a growing (but cautious) rapprochement with El Salvador. It was not too long ago, in 1969, that these countries fought a brief but bloody war over unresolved border disputes, exacerbated by nationalistic feelings following a series of soccer games. Currently, Honduran and Salvadoran troops are being trained at the U.S.-sponsored Regional Military Training Center in Honduras. Additionally, Honduras is considering a request by El Salvador to move two battalions of Honduran infantry into the border area to act as a blocking force for operations against Salvadoran guerillas operating near the border. The delegation believes that this growing cooperation, which remains fragile, can be seen as a positive role which the U.S. is playing in bringing the region together. The delegation believes that this role should continue and be enhanced. At the same time, the delegation must caution that unless U.S. policy makers remain sensitive to the issues which divide El Salvador and Honduras, a heavy handed approach could undermine prospects for cooperation.

Clearly, Honduran security concerns are driven by outside forces. In addition to the Nicaraguan military buildup, Honduran security is affected by the war

in El Salvador and the resulting refugee flow into Honduras. A major security issue for Honduras is how to deal with these refugees, particularly those in the refugee camps sponsored by the United Nations High Commissioner for Refugees (UNHCR). These camps lie immediately across the border in Honduras and are widely believed to provide bases of support for Salvadoran guerilla forces. With UNHCR approval, Honduras is considering moving these camps away from the border areas, but faces the dilemma of disrupting other areas of the country which would have to accept some 50,000 Salvadoran refugees. Nevertheless, the delegation left Honduras with the conviction that the refugee camps must be moved away from the border in order to undermine the Salvadoran guerilla effort and secure Honduran border areas.

Another key security issue the delegation discussed with Honduran officials and other public figures was the potential impact on Honduras of a cut-off of funding to the Nicaraguan contra activities. All Hondurans consulted believed that an abrupt cut-off of U.S. support to the contras would create a genuine threat to Honduran security.

This security threat was discussed from three perspectives. The principal and immediate concern was the potential impact of large numbers of armed contras set loose in Honduras to fend for themselves. The second concern was the potential for Nicaragua to react to a cut-off of U.S. funding by stepping up its arms trafficking to El Salvador and subversive activities against Honduras. The third concern was the broader implications of such a decision to U.S. allies in the region. For example, in response to the delegation's questions, Minister Flores indicated that the general sentiment in Latin America is that the United States abandons its allies. In his view, a funding cut-off would only heighten this perception. Not only would this embolden communist forces in the area, he said, but it would also complicate U.S. efforts to stabilize the region.

Although we will discuss the purpose and influence of the contra program in the chapter below on Nicaragua, the delegation notes that with one exception, the Hondurans with whom the delegation met supported what they perceive to be the goal of the contra effort: to overthrow the Sandinista regime in Nicaragua.

Political Issues

Although the present government of President Roberto Suazo Cordova and the Liberal Party is stable and all political parties appear committed to the democratic process, officials of the opposition parties which met with the delegation expressed concern about the current voting registration process for the 1986 elections. Several individuals expressed concern that the ruling Liberal Party is taking steps which would lead to a skewed voter registration and strengthen Liberal Party control.

Many expressed confidence in the symbolic significance of the recent removal of General Gustavo Alvarez Martinez, the previous Commander-in-Chief of the Armed Forces, and his replacement by General Lopez. While the actual sequence of events which led to the deposition of General Alvarez is not widely known, there is general acceptance that his removal diminishes the threat of excess militarization of Honduras and lessens the threat to the development of democratic institutions which was presented by his forceful personality and his concentration of power within the military. General Lopez did acknowledge his control over the armed forces and pledged the military's allegiance to the President. However, it

is too early to tell whether the removal of Alvarez represents a demonstration of civilian control over the military or a successful effort on the part of junior officers to restore traditional lines of authority within the military. Further, it is uncertain what changes this shift in power will bring to the evolving U.S.-Honduran military relationship.

NICARAGUA

The delegation was in Nicaragua during the period April 19 to April 20, 1984. During its stay in Nicaragua, the delegation met for one and one-half hours with the Coordinator of the Junta of the Government of National Reconstruction, Commandante Daniel Ortega Saavedra for wide ranging discussions on Nicaragua and its role in Central America. Commandante Ortega was accompanied at the meeting by the Minister of Foreign Affairs, Father Miguel D'Escoto Brockman. Other activities in Nicaragua included a lengthy meeting with Deputy Minister of Foreign Affairs, Victor Hugo Tincoco; briefings by outgoing United States Ambassador Anthony Quainton; and, discussions with various opposition figures.

Security Issues

During the course of its survey, the delegation was thoroughly briefed by both U.S. and Central American authorities on the extensive and unprecedented military buildup in Nicaragua. In addition to the widely discussed strategic implications for the United States, the military buildup in Nicaragua is a key catalyst in the escalating militarization of the region. The delegation believes that establishing the conditions to defuze the potentially explosive militarization of the region should be a central goal for U.S. policy towards Central America.

Nicaragua's willingness to participate in a reduction of military forces has not been evident. While Commandante Ortega expressed a desire to take steps to reduce tensions, the willingness of Nicaragua to take concrete steps to do so is not clear. Ortega justified the rapid buildup in Nicaragua's military forces on two grounds: (1) as a response to the contras; and, (2) to meet the perceived threat of a U.S. invasion. For example, Ortega claimed that the current Nicaraguan army (some 100,000 personnel) were sized to provide a 10:1 ratio of forces to deal with the contras (which he claimed to number 10,000). A 10:1 ratio is often cited as the minimum ratio of forces necessary to defeat a counter-insurgency campaign.

The delegation notes, however, that this conflicts with statements made by the Sandinistas shortly after they seized power, where they pledged to build a military force of some 100,000 personnel. Furthermore, the delegation notes that the Nicaraguan military buildup started before the political opposition to increasing Sandinista dominance became a fighting force.

Regardless of the rationale, the Nicaraguan military buildup is seen by neighboring countries as the major threat to their security. This buildup, and the resulting responses by neighboring states, is evolving into a dangerous pattern of escalation and counter-escalation. The delegation believes it is essential that this pattern be broken.

The role and impact of the Nicaraguan contras was a major issue in all of the countries we visited in Central America. Clearly the contras represent extraordinary leverage for getting the Sandinistas to the bargaining table. Such leverage should not be disposed of lightly.

The contras are, in the words of Commandante Ortega, causing great social, military and economic pressure on the Sandinistas. It was the impression of the delegation that the contras are a major preoccupation of the Sandinistas.

This preoccupation is generally seen by others in the region as a major advantage since the contras divert Nicaragua's capability for creating more mischief in the region. As one Salvadoran military leader claimed, "If there were 5,000 contras operating in Cuba, there would not be 50,000 Cubans in Africa."

The tactics the Sandinistas are using against the contras exacerbate their economic and social problems. For example, the Sandinista tendency to use militia to combat the contras (as opposed to regular forces) diverts farm workers from harvesting duties to fulfill militia responsibilities, thus lowering agricultural productivity. Additionally, conscription appears to be causing some degree of social unrest, particularly as mothers object to the conscription of younger Nicaraguans into the military.

The delegation did note the very real disconnect between U.S. policy vis-a-vis the contras, as stated by the President, and the perceived role of the contras by those living in the region. While the U.S. position is that the U.S. interest in the contras is in obtaining leverage against the Nicaraguans, the perceived goal of the contras (by everyone the delegation talked with in Central America) was to overthrow the Sandinista regime. This disconnect between policy and perception can only further the confusion in the region concerning U.S. goals and intentions.

The delegation believes that a sudden and complete withdrawal of U.S. support for the Nicaraguan contras would not only dramatically weaken our negotiating leverage with Nicaragua, but it would break faith with our allies and create potentially disastrous problems for neighboring states. Additionally, a U.S. withdrawal of U.S. support for the contras would raise significant questions in the region on the reliability of the U.S. as an ally.

Nonetheless, the Sandinista leadership which met with the delegation indicated a willingness to negotiate, particularly through the Contadora process. The Nicaraguans claimed that past initiatives on their part had been largely ignored by the United States. Although the delegation remains somewhat skeptical of the sincerity of the Nicaraguan desire to negotiate, we do believe that it is time to test the Sandinista willingness to participate in meaningful discussions. Naturally, the sincerity of the Nicaraguans will need to be demonstrated in deeds and not just words.

A Nicaraguan move to cease their support for the leftist guerillas in El Salvador could help free the new government in El Salvador to deal with the more insidious problems they face with the economy and the extreme right. President-elect Duarte indicated a desire to discuss this matter with the Nicaraguans. Therefore, the delegation believes that opportunities to negotiate with Nicaragua should not be ignored, though at this point the initiative should be with Duarte.

The delegation noted in its discussions with Commandante Ortega, the lack of direct Sandinista criticism of Duarte. The Sandinistas did, however, state their belief that the Salvadoran political right and military would conspire to keep Duarte from effectively governing.

Economic Issues

Although the delegation concentrated on security issues while in Nicaragua, from discussions with a variety of individuals, we received an impression that

Nicaragua is beginning to face significant economic difficulties. Shortages of consumer goods and rationing of staples is appears to be becoming the norm. While it would be premature to claim that the economy is failing, Nicaragua's growing economic problems should place increasing pressure on the Sandinista's to negotiate alternatives to their military buildup.

PANAMA

The delegation was in Panama during the period April 18 to April 19, 1984. During its stay in Panama, the delegation met with leadership of the two major political parties, Nicolas Ardito Barletta, of the National Democratic Union party and Carlos Rodriguez, the First Vice President candidate of Arnulfo Arias Madrid, the candidate of the Democratic Opposition Alliance party. During its stay, the delegation also held lengthy discussions with General Paul Gorman, Commander-in-Chief of the United States Southern Command, to discuss the overall military situation in the region. The delegation was also briefed by United States Ambassador Everett Briggs on the Panamanian political situation.

Political Issues

During its stay in Panama, the delegation focused its discussions on the forthcoming elections in Panama. The May 6, 1984 elections mark the first democratic elections in Panama in sixteen years. The delegation visited Panama to assess the forthcoming transition of power from military to civilian rule through free elections.

The delegation views the return of democratic elections to Panama as a significant step forward not only for Panama but for the entire region. Not only does Panama continue to have strategic significance for the United States, Panama has an increasing important role in Central American affairs. For example, Panama is a core member of the Contadora group which is working to establish democratic systems and free elections across Central America. Equally, the delegation came to realize the symbolic importance of the Panamanian elections to the other nations of Central America. If the democratic process were to fail in Panama, the country with the closest ties to the United States in the region, it would surely raise profound questions about the credibility of U.S. intentions throughout the region.

The delegation was disturbed by the perceptions of some Panamanian political figures that there remained significant potential for voting fraud in the May 6, 1984 elections and the possibility of the Panamanian military to interfere with the elections. However, the threat of military interference was not shared by all the people who met with the delegation.

Through discussions with United States Ambassador Briggs and Panamanian political leaders it became clear to the delegation that while the U.S. had and should remain neutral to the outcome of the elections, it was vital that the United States clearly discourage any interference in the return to a full democratic process in Panama.