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NIO/LA
26 October 1984NSC TALKING POINTS

Overall developments in Central America continue to be generally favorable to US interests in the region, but problems do remain:

El SALVADOR

In El Salvador, reports [REDACTED] indicate that the insurgents are anxious to reach a negotiated settlement with the government because they no longer believe they can win a military victory in the foreseeable future, and because the future degree of Cuban and Nicaraguan support is in doubt.

-- [REDACTED]
[REDACTED] Cuba has long been pushing the Salvadoran insurgents to negotiate with the government to gain sufficient political and military space in which to maneuver. Cuba reportedly is giving first priority to consolidating the Sandinista revolution, and it is prepared to reduce its support to the insurgents, if necessary, to give the Sandinistas a better chance of survival.

-- This report is consistent with an earlier report that the Cubans told Panamanian Defense Chief Noriega that Nicaragua has first priority, and that the Salvadoran insurgency could be renewed once the Nicaraguan revolution is consolidated.

The Salvadoran insurgents themselves are now hopeful of negotiating some form of agreement with Duarte that would allow them to rebuild their damaged political and labor organizations, particularly in San Salvador and other major cities. Furthermore, if they can obtain a ceasefire which would postpone or prevent major offensive actions by the Salvadoran armed forces, it would give them more time to strengthen their military forces while expanding their political activities.

-- Shortly after the La Palma meeting, the insurgents broadcast a number of "maximum goals" for the talks. These goals were much less ambitious than previous demands, and included such items as the release of all political prisoners, the right to organize government workers and peasants into unions, and full access to the media by all labor and popular organizations.

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Thus although President Duarte now has the insurgents on the military and political defensive, he will have to be careful not to make any concessions to the insurgents that weaken his own military efforts and give the leftists too much political breathing room inside El Salvador. He especially should not agree to a ceasefire proposal that leaves the insurgents armed and in control of major base areas, because this would probably precipitate a revolt by his own military.

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Turning to the situation on the ground, the death of Col. Monterossa is a real loss to the Salvadoran Army and a blow to its morale. Nevertheless, the appointment of Col. Mendez as a replacement is a good one, and the Army should be able to resume offensive operations without significant pause. The insurgents tried to take advantage of the loss by calling for a popular uprising, but this fell on deaf ears. Meanwhile, the major insurgent radio station in eastern El Salvador has been shut down as a result of military action.

- The guerrillas have tried to focus new attention on the urban sector to make up for their setbacks in the countryside. Student groups, labor unions, and other popular sector associations are preparing for strikes and protests to take advantage of the political opening. Terrorism probably will also escalate as the guerrillas, frustrated with their defensive posture in the field, seek to weaken the government's image and intimidate the public by fomenting unrest in the cities.

NICARAGUA

In Nicaragua, the Sandinistas also are on the political and military defensive, and their economic problems continue to mount. They appear determined to push ahead with their elections on 4 November, despite the withdrawal of the major democratic opposition party, primarily to legitimize their regime and reduce US options to interfere in their domestic political affairs.

[REDACTED] the elections were mainly for "show"--to convince the international community that Nicaragua was a good, pluralistic democratic country. He said the Sandinistas had also managed to avoid the mistakes of Castro by not attempting immediately to collectivize agriculture or enforce doctrinaire reforms. He added, however,

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that the ultimate intention was to eliminate the private sector. He said they were attempting to create a coherent ruling party on Marxist-Leninist lines, and had turned to the Soviets for guidance and assistance. Once a disciplined party was created, it would be possible to dispense with the temporary supporters of the revolution.

- [] reports that in response to urgings by Venezuelan Socialist Carlos Andres Perez to the Sandinistas to open up the elections and cut their blatant ties with the Cubans and Soviets, Sandinista leader Sergio Ramirez responded harshly. He said the Sandinistas had always been Marxists, and that they would not change their affiliation now that they were in power. He added that the leadership is prepared to sign the Warsaw Pact and openly align themselves with the Cubans and Soviets, if necessary, to ensure their security and military needs.

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The above reports should dispel any illusions about the ultimate intentions of the Sandinistas to establish a Marxist-Leninist regime. Managua may hope that early elections will reduce the options of the US to interfere in its domestic political affairs by having a "legitimate" government in place which would not be subject to the subsequent "democratic" election provisions in the draft Contadora Treaty. In effect, the Contadora Treaty would serve to ratify Nicaragua as a democratic state. The Sandinistas would then be able to write their own constitution and consolidate the regime at their own pace.

The greatest Sandinista fear would probably be that the elections fail to bestow the necessary legitimacy on their regime to gain international recognition and prevent US interference. In particular, there is a danger to them that one of the Contadora countries may condemn their elections and question Sandinista legitimacy to sign the Treaty.

Meanwhile, the anti-Sandinista insurgents continue to carry on militarily despite the cutoff of US aid.

- Recently, the insurgents have begun to attack the northern city of Esteli to demonstrate their continued strength, forcing the Sandinistas to deploy aircraft, tanks, and artillery in defense. [] indicate the Sandinistas have suffered heavy losses, and while the insurgents may not take the town, they have already shown they remain a major force to be reckoned with on the eve of the election.

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Finally, the Sandinistas continue to get financial aid from various sources to alleviate their economic difficulties.

- Although Mexico has suspended shipments of crude oil, it is continuing delivery of refined products in return for cash downpayments, and has accepted barter deals to pay off past debts.

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-- Libya has provided Nicaragua with \$100 million recently, and [REDACTED]
[REDACTED] reports that Nicaragua will be the focus for
Libyan aid to other regional radical groups during the coming
year. Chile, El Salvador, and Colombia will be special targets
for destabilization.

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Attachments:

- A. Contadora Talking Points
- B. Concern of Presidents of the Core Four Contadora
Countries Over the Nicaraguan Elections

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