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South America and the Soviet Union: Slowly Expanding Ties

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An Intelligence Assessment

Secret

ALA 86-10047
November 1986

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An Intelligence Assessment

This paper was prepared by
Office of African and Latin American Analysis.
It was coordinated with the Directorate of
Operations.

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Comments and queries are welcome and may be
directed to the Chief, South America Division, ALA,

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Secret
ALA 86-10047
November 1986

Declassified in Part - Sanitized Copy Approved for Release 2012/07/16 : CIA-RDP88T00768R000400470001-1

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South America and the Soviet Union: Slowly Expanding Ties

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Key Judgments

Information available as of 9 September 1986 was used in this report.

We believe that over the next two years the Soviet Union will be able to build on the gradual expansion of its commercial, diplomatic, and cultural relations with South America that has occurred since the late 1970s. Although still a second-order priority for Moscow, South America is attracting more Soviet attention than ever—as evidenced by General Secretary Gorbachev's proposed visit to the region next year. The most important implications of these changes for the United States would result from the Soviets' potential exploitation of developments in Chile and Peru.

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The failure of the Pinochet regime in Chile to begin a credible transition to civilian rule is enabling the Soviet Union to encourage the revolutionary left's increasingly violent confrontation with the government and assist it in efforts to dominate the opposition. The growing polarization of Chilean society vastly complicates US efforts to promote a peaceful transition to a democratically elected civilian government.

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We believe that Moscow views Peru's President Alan Garcia as the regional leader most in harmony with its interests and will probably provide him with continued political backing while attempting to expand the Soviet presence throughout the country. Garcia is a nationalist, but he is developing closer economic and political ties to Nicaragua and the USSR as his administration struggles to pay Lima's huge foreign debt and outflank domestic leftist opponents. In order to keep the support of the armed forces, Garcia will continue to purchase Soviet military equipment on generous credit terms and to accept Soviet advisers.

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Recent Soviet gains in the region have been modest and come largely as a result of the careful cultivation of state-to-state relations. This patient diplomacy has already bolstered Moscow's ties to Brazil and particularly Argentina, the key regional powers, and is helping the Soviets make inroads in Uruguay.

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Moscow has kept most South American revolutionary groups at arm's length. Having concluded that revolution is mostly a long-term prospect in the region, the Soviets are urging leftists to exploit nonviolent opportunities for change. With the exception of Chile, where Moscow provides direct aid to leftist groups, the Soviets apparently prefer to protect their state-to-state relations by allowing the Cubans and Nicaraguans to take the lead in assisting groups with only a small chance of seizing power, such as Colombia's M-19 and Ecuador's Alfaro Vive.

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We believe the basic Soviet objective in South America is to undermine US influence and, in the long term, to promote conditions conducive to revolutionary change. Moscow is positioning itself for the long haul by making incremental advances in a variety of political, economic, and cultural spheres. To this end, the Soviet Union can be expected to continue to take advantage of the democratic environment to cultivate influential leftist political parties and leaders, and other social groups such as unions, students, and educators. Moscow is also stepping up the volume and sophistication of its propaganda in South America, and urging Soviet front groups to become more active on the continent. South American Communist parties enhance Moscow's influence in the region by joining and then attempting to manipulate broad leftist opposition coalitions, most successfully in Peru and Uruguay.

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Over the next two years, Moscow, in our view, will continue to use the increased access it has gained to South American societies—a product of the region's return to civilian rule—to encourage opposition to US policies and to erode US influence in the region. South America's popularly elected leaders, who are highly sensitive to domestic political opposition, may become somewhat less willing to back the United States, and leftists will increasingly use Washington's policies as pretexts to attack local US interests. Soviet competition with the United States in public outreach programs—such as binational centers, scholarships, and publications distribution—will become more intense. Expanding access to South American societies will also improve Moscow's opportunities for propaganda and intelligence collection.

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We believe that several important factors, however, will inhibit both Soviet willingness and ability to penetrate South America. The continent's distance from the USSR and generally low potential for revolutionary change will keep it a second-order priority for Moscow. Moreover, the USSR will not, in our view, make major resource commitments or risk confrontation with Washington to advance its goals in the area, and will remain more concerned with developments in Central America, where Moscow views its stakes as much higher. In addition, South American military establishments are likely to remain militantly anti-Communist, and factionalism within the left will undermine the effectiveness of the opposition coalitions Moscow is backing. Except in Chile, and possibly Brazil, Soviet-sponsored Communist parties will not gain much additional popular support.

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We judge that South American governments will continue to have limited objectives in their relations with the Soviet Union, and primarily will remain concerned with minimizing superpower competition in the hemisphere. Although some nations—especially Argentina, with its grain relationship with the USSR—will look to trade with Moscow for help in alleviating debt and balance-of-payments problems, most governments recognize that Moscow lacks the economic wherewithal to affect the debt issue significantly or provide new markets for South American exports. Most area governments, in our view, will maintain good relations with the United States to protect their access to Western credits.

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Our projection for modest Soviet gains in influence in South America presupposes that fundamental economic and political conditions in the region remain fairly constant over the next two years. There are several eventualities, however, that could give Moscow the opportunity to make more dramatic gains in the region:

- The Communist-dominated revolutionary left in Chile could launch a full-blown insurgency to topple the Pinochet regime. Increased military assistance by the Soviets or surrogates such as Cuba to the insurgents would be crucial to their chances, admittedly slim, of winning a military struggle against the Chilean armed forces. Such a victory, while a long shot, would, however, lead to the establishment in Santiago of a Moscow-line revolutionary government, significantly altering the strategic equation in South America.

- Any significant victories by the Soviet-backed Nicaraguan regime or its revolutionary allies in Central America would have a ripple effect in South America. Although the removal of the current constraints on Sandinista expansionism—and especially the creation of a new Soviet client state in Central America—would raise South American fears of Soviet influence in the region, most governments would also regard such developments as a significant setback for Washington.

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- Severe economic reverses in key countries over the next two years could provide new political openings for the broad leftist coalitions the Soviet Union is supporting and could contribute to the spread of anti-Americanism throughout the continent. Although Moscow would not provide significant aid to financially strapped South American countries, the South American left would nevertheless quickly blame the United States for adverse economic developments and oppose cooperation with the Western financial system. Centrist civilian governments now in power would almost certainly lose considerable political support, complicating the delicate process of strengthening South America's democratic institutions. 25X1

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South America and the Soviet Union: Slowly Expanding Ties

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Introduction

Over the past decade relations between South America and the Soviet Union have undergone a slow, but discernible expansion. With the exception of Chile—where the Soviets have backed leftist revolutionaries seeking to overthrow the Pinochet regime—this broadening of ties is the product of patient, conventional Soviet statecraft, as illustrated by the gradual growth in trade and commercial ties, the increased attention the Soviet media have paid to the region, and the expansion of high-level political contacts, including General Secretary Gorbachev's projected visit to South America next year.

This paper takes stock of recent trends in Soviet–South American relations. It briefly surveys the evolution of relations and analyzes how changing conditions in South America have been benefiting Moscow. Special attention is given to Soviet policy toward Chile and Peru, and to Moscow's use of surrogates to further its policy aims in the region. A concluding section assesses Moscow's prospects for building on its gains to date, while an appendix arrays details on Soviet links to and presence in individual countries in the region.

Strategic Background

Academic studies show that, because of Latin America's geographical remoteness, the USSR has tended to relegate the region to the periphery of Soviet security concerns, except when Moscow's involvement with Cuba or Cuban activities has threatened to provoke a serious crisis in Soviet-US relations. According to the US Embassy in Moscow, Soviet interest in Latin America is opportunistic and has largely been motivated by the USSR's global competition with the United States. Moscow has tended to view South America in terms of its impact on Central America and the Caribbean, subregions with higher priority. We believe the basic Soviet objective in the hemisphere has been to undermine US influence by expanding the USSR's ties to area governments, selectively promoting radical change in countries judged promising, and fomenting discord between the United States and the Latin Americans, all in anticipation that such activities would divert Washington's attention from areas and issues of more vital Soviet concern, provided confrontation with the United States can be avoided.

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During the 1960s and 1970s, according to academic and press sources, the higher priority the Kremlin attached to developments in the Far East and Africa significantly limited the attention the Soviets paid to South America. Setting its sights low, Moscow concentrated on cultivating diplomatic and commercial relations where it could, while competing behind the scenes with China for the ideological loyalty of local Communist and leftist groups. Moscow also attempted to avoid a strategic confrontation with the United States, largely, in our view, out of a belief that Washington would not hesitate to defend its strategic interests in the area. This cautious approach was reflected in Soviet reluctance to back Castro's plans to export revolution to South America or to provide the level of economic assistance that might have helped Chilean President Salvador Allende's Marxist government remain in power.

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Moscow's slow start in South America, however, was only partially a matter of its volition: Latin antipathies toward the USSR also played a central role. Soviet ideology and culture had little attraction for South Americans, the USSR was seen as having little to offer in the way of exports or economic assistance, and the clumsy diplomacy of the Khrushchev era subsequently created an image problem for the Soviets. More important, in our view, were the suspicions that Moscow's "revolutionary" rhetoric and

support for leftist groups caused among South America's conservative military and civilian leaders, and the concern of these leaders about possible US reactions to signs of expanding Soviet influence in the region.

Factors Impelling a New Relationship

We believe that developments in South America since the mid-1970s, and particularly since the early 1980s, have created—despite continuing constraints—a more favorable environment for Soviet regional policy objectives and Moscow's relations with individual countries.

The Return to Democracy

Since 1980 five South American nations, including the key powers of Argentina and Brazil, have returned to democratic rule, and the new civilian governments—in contrast to most of their military predecessors—have been more open to relations with the Soviet Union. Leaders from left-of-center parties, such as Argentina's Alfonsin and Peru's Alan Garcia, are heir to political traditions emphasizing independent foreign policies. Others, such as Brazil's Sarney and Sanguinetti of Uruguay, want to show that they are independent of the United States in order to diminish political pressure from domestic leftists.

Communist parties and other leftist groups aligned ideologically with, or at least sympathetic to, Moscow have been freer than they were under the military to recruit members and engage in political activity. For instance, the US Embassy in Brasilia reports that the Brazilian Communist Party, operating legally for the first time in decades, has doubled its membership since early 1985. While the Marxist left controls no South American government, its political influence, in our view, is rising. US embassies affirm, for example, that vocal domestic leftists influenced Brazilian President Sarney and Argentine President Alfonsin to mute their criticisms of the Sandinistas' growing internal repression and of Managua's manipulation of the Central American peace process.

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Deteriorating Economic Conditions

The huge foreign debts contracted in the late 1970s are affecting the internal political climates and foreign relations of South American countries in several ways that indirectly benefit Soviet interests. When the United States embargoed grain sales to the USSR in 1979, the Soviets secured long-term, reliable supplies from Argentina, Brazil, and Uruguay; these three countries now have interest in expanding trade with the Soviet Union to alleviate their debt and balance-of-payments problems. At the same time, leftist and nationalist groups in the region—some with open or tacit Soviet backing—have attacked the austerity programs area governments adopted to cope with the foreign debt as a "Western imperialist plot" to transfer wealth to the "north" and keep South America mired in poverty. Soviet front organizations, such as the World Peace Council, have added denunciations of the debt to their standard propaganda, while in Peru President Garcia has used confrontation with Western financial institutions to outflank leftist opponents. Finally, declining living standards, according to press and US Embassy reporting, are expanding the pool of potential recruits for leftist revolutionary groups.

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Growing Guerrilla Activity and Political Violence

Most of South America's budding leftist guerrilla groups—with the exception of Chile's—are not, in our view, Soviet sponsored or instigated, yet Moscow benefits indirectly from their violent activities. Revolutionary movements in Peru, Ecuador, and Colombia are virulently anti-American and frequently target US interests. Their activity has at times inclined governments to reduce their support for the United States or to turn a blind eye to Soviet designs. For example, in the fall of 1985 former Colombian President Betancur attempted to suppress evidence linking Nicaragua to the M-19 terrorists, at least in part, because he feared provoking more Nicaraguan assistance to the M-19.

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The Nicaraguan Revolution

The victory of the Sandinistas in 1979 decisively affected Moscow's strategy toward South America. Most significant, in our view, Somoza's defeat convinced Moscow the United States would not necessarily use force to block leftist gains in the region. Academic and official sources agree that Moscow has since assigned priority to Central America, both because it views revolutionary change there as more imminent than in most South American countries and because of the demonstration effect that successful revolution in the area might have throughout Latin America. Soviet publications reflect Moscow's view that the protracted crisis in Central America contributes to anti-American sentiment throughout all of Latin America, particularly as the risk of intervention by Washington increases. Moreover, Moscow, in our view, has used opposition within some South American governments to US policy in Nicaragua to draw closer diplomatically to these nations by echoing their concerns over the danger of "US imperialist" hegemony.

Another result of the Sandinista victory, according to academic studies, was to persuade Moscow that, while most South American countries were not poised for revolution, at least one—Chile—could follow the Nicaraguan example. Since 1980 the Soviets have publicly supported the Moscow-line Chilean Communist Party's terrorist campaign against the Pinochet regime, in contrast to their admonitions to leftists elsewhere in South America to concentrate on electoral politics. We believe Moscow has concluded that the stakes in Chile are so high, and the international reputation of the Pinochet regime so poor, that it can advocate violence there without jeopardizing its diplomatic and economic equities elsewhere on the continent.

Limitations on Soviet Influence

Despite the more favorable circumstances governing Soviet ties to South America, Moscow still operates under significant constraints within the region, which remains distant from the USSR and from Moscow's principal interests. Soviet publications note that Moscow has few resources available for new commitments in the hemisphere. We believe, moreover, that the USSR remains wary of head-on challenges to Washington's interests. Finally, many key interest groups in South America oppose closer ties to the Soviets. Anti-Communism is strong in area military establishments, all of which—save Peru—have refused to buy Soviet military equipment. With the exception of Peru or Uruguay, organized labor in South America is nationalist, as in Argentina, or only slightly left of center, as in Chile and Venezuela. Finally, South America's current civilian leaders, in our view, are first and foremost nationalists who view all foreign efforts at influence building in the region with considerable suspicion. 25X1

Slowly Expanding Ties

We concur with the judgment of the US Embassy in Moscow that the USSR has a low-key, long-term strategy in South America emphasizing conventional statecraft and the careful cultivation of promising domestic political groups. With the exception of Chile, Moscow is relegating direct support for leftist insurgencies to Nicaragua and Cuba 25X1 25X1 The East Europeans are 25X1 playing minor supporting roles, mainly as trading partners with various South American nations and in intelligence gathering on the continent. 25X1

Substantial evidence demonstrates that the Soviets' interest in South American matters has increased in recent years 25X1 for example, that since 1983 Moscow has launched new overtures to Argentina, Brazil, Colombia, and Peru for trade and economic cooperation. The frequency of high-level South American visitors to the Soviet Union is unprecedented, including the former Brazilian and Argentine Foreign Ministers in late 25X1 1985 and early 1986, respectively, and the Uruguayan Foreign Minister in July of this year. In addition, Argentine President Alfonsin went to Moscow in October, to be followed by Brazilian President Sarney in 1987. 25X1

The Soviet Surrogates in South America

Cuba [a]

The Soviet Union derives significant benefits from Cuba's anti-US foreign policy in South America and Havana's longstanding relations with most of the region's radical leftist and insurgent groups. Although [redacted] *tensions sometimes arise between Moscow and Havana over differing foreign policy priorities, we believe they generally coordinate their activities at least loosely. Both countries are attempting to ease their political isolation and garner new markets in South America by developing correct bilateral relations with democratic governments and strengthening ties to non-Communist domestic interest groups in the area. Moscow and Havana apparently agree, in particular, on supporting armed struggle in Chile and on avoiding any actions that would damage the USSR's important political and economic stakes in Peru and Argentina.* [redacted]

Nonetheless, [redacted] *the Cubans are also providing at least minimal political support to the radical left in almost all South American countries.* [redacted]

[redacted]

[redacted]

[redacted]

Moreover, Havana—like Moscow—is openly supporting armed opposition to the Pinochet government in Chile. [redacted] *Cubans are encouraging the left to step up terrorist activity. Havana is providing financial aid, paramilitary training, and logistic support to the Movement for the Revolutionary Left (MIR), and more limited assistance to the Chilean Communist Party (PCCh) and its affiliated Manuel Rodriguez Patriotic Front (FPMR).* [redacted] *Cubans are also providing limited training and funding to terrorist groups in Ecuador, Colombia, Argentina, Uruguay, and Venezuela.* [redacted]

We believe that Havana will use its expanded presence in the region to build ties to South American leftists, but will not jeopardize improved political and economic relations with the area's civilian governments by prematurely promoting social unrest and violent political tactics. Cuba will also follow the Soviet lead on giving priority to Central America. Although this cautious approach may not yield dramatic results in the short term, it enables Castro to contribute to the long-term strengthening of the far left's popular support and insurgent capabilities. [redacted]

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Nicaragua

Nicaragua's ties to revolutionary and terrorist groups in South America are growing. We believe that the Sandinistas' involvement with the region's radicals is an integral part of their foreign policy, stemming from an ideological commitment to foment Latin American revolution. 25X1 *Managua closely coordinates at least some of its activities—varying from political propaganda to insurgent training—with Moscow and Havana.*

Although Colombia is a member of the Contadora group and maintains correct relations with Nicaragua, the Sandinistas have continued to aid Colombian guerrillas. *since 1984, some 60 M-19 combatants have gone to Nicaragua, where, according to an M-19 spokesman's public statement, they fought the anti-Sandinista insurgents. Weapons taken from guerrillas who participated in the M-19 assault on the Palace of Justice in Bogota last year represent the first confirmed evidence that Nicaraguan arms are reaching Colombian insurgents.*

The Sandinistas have also been active in providing funding to the Ecuadorean left. *the Nicaraguans have provided funding to the Ecuadorean Socialist Revolutionary Party and training to the Alfaro Vive guerrilla group. Some of the Ecuadoreans also received combat experience in fighting the anti-Sandinista insurgents.* *the Nicaraguans are also supporting the Chilean left by transshipping arms to Chile and providing combat experience for Chilean guerrillas trained in Cuba and the Soviet Union.*

the Nicaraguans have provided more limited assistance to leftists from Argentina, Venezuela, Brazil, and Bolivia. In the Argentine case, for example, officials of the Alfonsin administration told the US Embassy that members of the Montenero terrorist organization were in Managua, and that one member of the group was working for the Nicaraguan Government. *Venezuelan and Brazilian radicals planned to travel to Nicaragua in 1983 and 1985 to obtain combat experience fighting the anti-Sandinista insurgents.*

Eastern Europe

The East European role in South America is minor. Visiting East Bloc representatives have followed the Soviet lead in establishing trade ties, promoting cultural exchanges, and offering scholarships. From the South American perspective, however, the Bloc countries have little to offer in economic benefits, and in the case of Poland and Romania—which have not yet repaid South American credits extended in the late 1970s—have proved unreliable partners.

Bloc countries may occasionally support Soviet covert activities.

South America Views the Soviet Union

Historically, South American countries have had little interest in close relations with the USSR. Moscow's distance and the scant opportunities for commerce kept the Soviet Union on the periphery of South American concerns. Except among small groups of Marxist intellectuals, Soviet culture and ideology aroused little interest. Moscow's clumsy entry into the continent's diplomatic arena in the 1960s and close identification with Castro's Cuba left many South American governments with a strong residue of suspicion. Moreover, the region is strongly, if ambivalently, tied to the West by history, culture, migration, and economic relationships.

Nevertheless, in recent years many South Americans have become more interested in developing trade ties to the Soviet Union. According to US embassies in the area, some South American governments hope that new markets in the East Bloc will help them alleviate their debt and balance-of-payments problems and offset declining international commodity prices. Most countries, however, are not eager to purchase what they consider to be inferior Soviet industrial goods, and only Argentina has carved out a niche for itself as a politically reliable supplier of grain to Moscow.

This economic rapprochement has not been paralleled by political developments. In our view, the centrist governments now in power in much of South America want few substantive political dealings with the Soviet Union, although they attempt to use cosmetically close relations with Moscow for domestic political purposes. Many leaders want to demonstrate their independence of the United States to outflank local leftists and affirm their credentials as nationalists. Such gestures also reflect South America's historical wariness of an overwhelmingly richer and more powerful United States, and the more recent attraction of many intellectuals and policymakers to identification with the Third World and neo-Marxist theories.

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In our view, South American governments also use the spectre of closer ties to the Soviet Union to pressure Washington for economic and political concessions. For example, 25X1 *since the Falklands war, Argentina has* 25X1 *repeatedly hinted that it is prepared to buy Soviet military equipment if either the United States or other Western countries fail to meet its needs. Similarly, when Uruguayan President Sanguinetti encountered difficulties in scheduling his trip to Washington this year, Montevideo floated rumors that he might visit Moscow instead.* 25X1

A review of the Soviet literature on South America leads us to conclude that Moscow establishes priorities within the region based on the strategic and revolutionary potential of the different countries, and, to a lesser degree, the perceived economic gain for the USSR.[1] Soviet publications indicate developments in Argentina and Brazil will be decisive for the region because these are the largest and most developed countries; one Soviet analysis published in 1984 stated that both countries were developing industrial proletariats, a signal that the classic Marxist revolutionary process could begin to unfold. Soviet publications also show a strong interest in Chile because of the Allende experience and the revolutionary potential of the left, and in Peru—largely due to the military assistance relationship. Published Soviet analyses assign Venezuela, Colombia, Bolivia, and Ecuador to a second echelon of varying—but not critical—interest, depending on the type, pace, and impact of political change in each country on Moscow's regional strategy. 25X1 25X1

Growing Political Contacts

US Embassy reporting indicates that the Soviet Union is building overt and covert links to influential independent leftist South American political parties and leaders. The Soviets have been most successful in Peru and Uruguay, which have important leftist opposition movements and almost no counterintelligence capabilities. They have been least successful in Brazil and Argentina, where the left is weak or behaving cautiously because of the recent return to democracy and continuing military sensitivities.

Reporting from the US Embassy indicates that the Soviets use a similar approach throughout the region. Soviet Embassy officers—often KGB—engage key local figures in restrained, nonideological political discussions. They frequently offer trips to the USSR or Cuba, opportunities to meet with visiting Soviet delegations, and financial or propaganda support. For example, Liber Seregni, head of Uruguay's Broad Front leftist coalition, and Armando Villanueva, General Secretary and leader of the left wing of Peruvian President Garcia's ruling American Popular Revolutionary Alliance (APRA) party, have traveled to the Soviet Union, Eastern Europe, and Cuba at Moscow's expense.

In our view, the Soviets have developed their closest ties to non-Communist political leaders in Peru, where they are benefiting from President Alan Garcia's nationalist policies and the dependence of the Peruvian Army and Air Force on Soviet equipment. the Soviets have used the congruence between the Garcia party's "anti-imperialist" and anti-US ideology and Moscow's traditional propaganda themes, as well as the willingness of APRA leaders to accept Soviet financial support, to promote close working relationships between Soviet Embassy officers and APRA party officials. APRA officials have also sought out Soviet advice in long-range planning. The Soviets have given support to Armando Villanueva- We expect Villanueva to repay these favors by encouraging APRA to adopt pro-Soviet and anti-US policies.

Garcia has been a willing beneficiary because he believed in 1985, before the presidential election, that the Soviets could help him line up support from the Marxist left and might provide economic assistance if Peru failed to reach an agreement with its foreign creditors.

We believe, however, that despite this growing political relationship, the Soviets are not prepared to provide massive economic assistance to Peru or to encourage Lima to repudiate its foreign debts.

By contrast, Argentine and Brazilian political parties and leaders have been less willing, for both pragmatic and ideological reasons, to deepen their relationship with the Soviets, according to US Embassy reporting.

the US Embassy in Brasilia reports that, on the whole, the Soviets have had few dealings with non-Communist political figures, largely because the Brazilian political elite is suspicious of the USSR and anxious not to provoke the country's anti-Communist military that only recently relinquished political power. Brazilian leftists, including Marxists, have also preferred indigenous political parties, such as the Workers Party—an offshoot of militant labor activism in Sao Paulo in the late 1970s—to the orthodox, Moscow-line Brazilian Communist Party.

In Argentina the Soviets have not made extensive efforts to cultivate civilian politicians outside of formal government-to-government channels because of a lack of suitable targets and fear of jeopardizing bilateral economic relations, according to the US Embassy in Buenos Aires. Soviet publications did not

criticize the Argentine military governments for decimating the non-Communist left during the so-called dirty war that preceded the return to democracy, and we have no indication of any Soviet interest in establishing relations with the small groups of leftist survivors. In fact, the Argentine Communist Party maintained a semilegal existence during that period. The mainline Peronist and Radical Parties are, in our judgment, too nationalist to respond favorably to Soviet overtures. We believe that Moscow is also avoiding any actions that would antagonize the still potent Argentine armed forces or further diminish such prospects as exist for sales of Soviet military hardware to Buenos Aires. 25X1

Moscow uses South American Communist parties to spread Soviet propaganda and recruit sympathizers,

Moscow subsidizes these parties' activities and publications, and in return demands an active voice in their strategies and policies. the local parties frequently resent close Soviet supervision, and the Soviets in turn regard many of the parties as insubordinate and ineffective.

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Except for Chile—where Moscow publicly is urging violent opposition to Pinochet—the Soviets, in our view, are most interested in using South American Communist parties to exploit the political opening created by the return to democracy.

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Moscow generally urges local Communist parties to join and then attempt to manipulate broad leftist opposition coalitions from within. Communist parties in Ecuador, Uruguay, and Peru, for example, have become influential members of leftist fronts. This development is particularly important in Peru, where we believe the United Left coalition is the major electoral alternative to Garcia's APRA party.

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both Moscow and local Communist parties see building leftist coalitions as a long-term, incremental process. In Ecuador, for example, 25X1

the Communists regarded the election in June of three Broad Leftist Front congressmen as a significant accomplishment. 25X1

the Colombian Communist Party supported the leftist Patriotic Union (UP) instead of running its own candidates in the last election 25X1

The UP is the legal, electoral organization of the Revolutionary Armed Forces of Colombia (FARC), Colombia's largest guerrilla movement, which in turn is the armed wing of the Communist Party.

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Penetrating South American Society

In addition to politicians, the Soviets are also wooing union leaders, students, educators, professional groups, and the media, according to reporting from US embassies in South America. Local Communist parties are using Soviet funds to elect their members and sympathizers to office in union confederations in virtually every South American country

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In Peru and Uruguay, however, the US Embassies note that the Communists face stiff competition for control of the unions from still more extreme leftist groups, and in the case of Uruguay have been steadily losing ground to ultra-leftists.

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The Soviets' education programs are also having mixed results. Using data compiled from Embassy reporting, we estimate that more than 4,500 South American students—particularly from Colombia, Peru, and Bolivia—attended Soviet universities in 1985, with the largest number enrolled in technical programs at Patrice Lumumba University in Moscow. The US Embassy in Lima notes that Soviet-educated Peruvians are slowly acquiring sociopolitical influence as they move into such positions as high school and university teachers and middle-level government bureaucrats. US embassies elsewhere on the continent report, however, that graduates of Soviet schools do not compete effectively with their US, West European, or domestically educated countrymen, and, in the case of Colombia, frequently return disillusioned with Soviet life and universities. The refusal of Colombian and Brazilian educational institutions and government agencies to recognize Soviet academic degrees limits the influence of such graduates in those countries.

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The Soviets are investing heavily in cultural diplomacy. Except for Chile and Paraguay, all South American countries have Soviet friendship societies and binational centers, feature visiting Soviet cultural presentations, and permit the local distribution of Soviet publications and books. Now that democratic governments have curtailed many of the control and surveillance activities put in place by previous military regimes, these Soviet publications, according to US embassies in the area, are reaching much wider audiences. The United States Information Agency found in 1985 that Soviet books are generally far cheaper and more readily available in many South American countries than local products or US books, particularly on university campuses.

Only Brazil and Argentina participate with any regularity in scientific and technical exchanges with the Soviet Union, according to regional embassy reporting. The exchanges cover several scientific fields, but both countries appear to limit transfer of technology to nonsensitive industries, such as iron and steel. The USSR, however, is attempting to use the exchanges to gather intelligence.

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the Soviet Union is stepping up the volume and sophistication of its propaganda in South America.

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the number of TASS and Novosti correspondents, who gather news and disseminate propaganda locally, is increasing.

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Soviet front organizations are becoming more active in the region as well, according to US embassies

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The World Peace Council, a longstanding Soviet front group, has established a new chapter in Uruguay, and is holding more frequent meetings of its Argentine, Brazilian, and Ecuadorean chapters. Such undertakings, however, often backfire. In 1985, for example, after the Soviets invited large South American delegations to the Moscow youth festival, many Argentine and Uruguayan participants told the US Embassy in Montevideo that they were repelled by the Soviets' heavyhanded stage management of the affair.

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Terrorism and Insurgency

Although leftist revolutionary violence in South America has increased since 1979—when the Sandinista victory in Nicaragua provided a powerful example—the Soviet Union has given significant direct assistance only to Chilean insurgents.

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we believe that Moscow may be the ultimate source of some of the assistance

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Chile: Moscow Supports Insurgency

According to published Soviet analyses, Moscow believes that "objective conditions" favor armed struggle leading to revolution in Chile. Soviet studies point to the narrowing political and social base of support for the Pinochet regime, as well as increased discontent among the armed forces; they advocate the gradual escalation of revolutionary violence under a vanguard leadership. Soviet interest in Chile is also strong, in our view, because of Moscow's desire to reverse the ideological and psychological setback it suffered when the Allende regime fell in 1973. The USSR's longstanding support for the Chilean Communist Party—one of the strongest and best organized in Latin America—and the country's commanding strategic location on the South American Pacific littoral made this setback particularly acute. The Soviets also probably believe they have a freer hand in Chile than elsewhere in South America because they can exploit the Pinochet government's status as an international pariah, and, concurrently, undercut US influence in the region. In addition, Moscow has no state-to-state relationship to protect in Chile.

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According to US Embassy reporting, the Chilean Communist Party (PCCh) is the largest, most cohesive, most influential far-left group in the country, and among all political parties is second only to the Christian Democrats in overall strength. *the party has about 50,000 members in its regular organization and about 1,000 members in the closely allied terrorist front, the Manuel Rodriguez Patriotic Front (FPMR).* *Secretary General Luis Corvalan, who has led the party for more than 25 years, directs overall policy from exile in Moscow, where the Kremlin advises him on a systematic basis. The PCCh has also created an extensive clandestine sector and has forged effective ties to local components of other opposition parties.*

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Moscow provides training and financial support to the PCCh and the FPMR. We 25X1 25X1 *concur with the US Embassy's conviction that Soviet and Cuban assistance is increasing, as demonstrated by the major arms caches—including large quantities of Soviet and East Bloc weapons, along with Vietnam-era US M-16 rifles—Chilean security forces found in August 1986.* 25X1 *there is close coordination among the Soviet Union, Cuba, and East European countries in providing military training abroad to Chilean leftists.* 25X1

The PCCh strategy closely parallels Soviet analyses of how to exploit the Chilean turmoil, 25X1

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25X1 25X1 25X1 *We have noticed an increased pace of bombings and lethal terrorist activities in recent months, particularly during the two-day general strike in July 1986 when armed terrorists directly confronted the security forces, and in the assassination attempt against Pinochet in September.* 25X1 25X1 25X1

Cuba has provided to terrorist groups such as the Colombian M-19 and Ecuador's Alfaro Vive. According to the US Embassy in Bogota, the Soviets have also provided limited aid and training to the FARC, the armed wing of the orthodox Colombian Communist Party, but Moscow, in our estimation, has kept its role small to avoid disrupting official bilateral ties.

In our view, the Soviets have limited their role in supporting insurgency for ideological and tactical reasons:

- Having concluded that revolution is a long-term prospect in South America, the Soviets urge revolutionaries, except in Chile, to exploit nonviolent opportunities presented by the return of democracy. This approach also helps the Soviets avoid any damage to their careful cultivation of state-to-state relations in the area, particularly with Brazil and Argentina.

- Colombia and Peru have active insurgent movements, but these groups have preferred to accept Cuban, Nicaraguan, or Libyan aid. Soviet installations and personnel in Peru have been the victims of Sendero terrorist activities. Soviet representatives in Peru have worked to avoid any suggestion that they are supporting insurgency because they do not want to damage their relationship with the Peruvian military or the Garcia government. Moreover, Peruvian terrorists attacked Soviet targets in summer 1986.

- Moscow is aware that elsewhere on the continent insurgent movements are either nonexistent, as in Brazil and Paraguay, or are very small or inactive, as in Argentina, Uruguay, and Venezuela.

Military Relations

Moscow is trying to build relations with South American armed forces by offering military equipment, training, and technical assistance on highly favorable terms, but so far only Peru has accepted. US embassies report that most South American militaries are strongly anti-Communist and prefer Western hardware:

- As of 1984, the Brazilian, Colombian, and Venezuelan high commands have refused to exchange military attaches with the USSR because of the possible security and intelligence ramifications.

- Bolivia rejected a large Soviet aid package that included military hardware in early 1986, confirming the Paz Estenssoro regime's reversal of its predecessor's tentative rapprochement with Moscow.

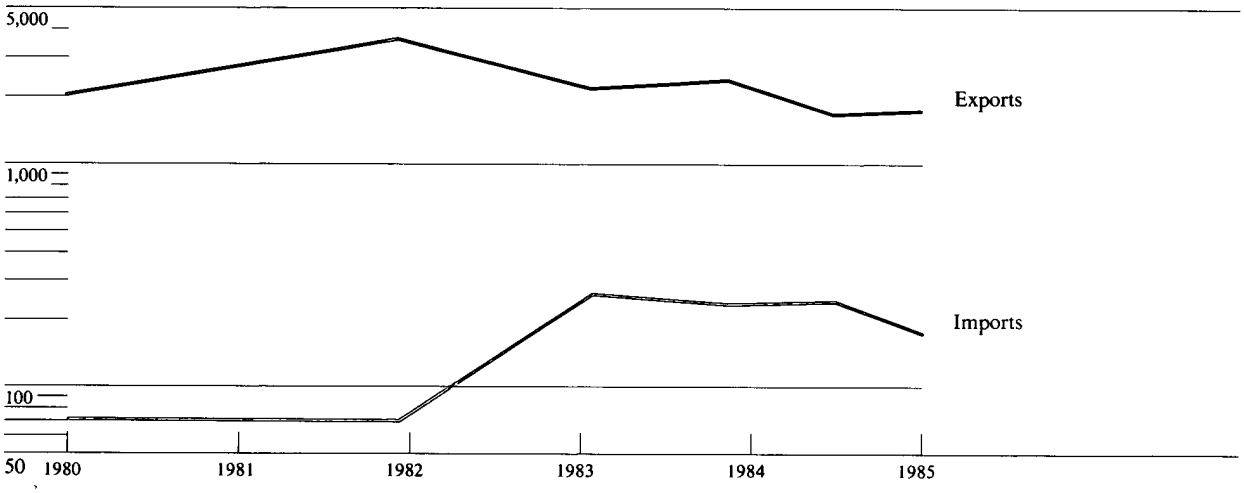
- Although Argentine officers have tested Soviet equipment in Peru, they add that the military hierarchy fears Soviet influence and considers Soviet arms to be far inferior to Western equipment. The Argentine military has consistently rebuffed Moscow's many sales pitches, and has indicated that it would only turn to Soviet supplies if it lost all access to Western sources.

Except for the Navy, Peru's military services have become highly dependent on Soviet military equipment and advisers. A strongly nationalist military government turned to Moscow in the early 1970s after Western suppliers refused to fill its orders. According to the Soviets have supplied nearly half of Army and Air Force equipment, trained over 200 officers and 2,000 enlisted men, and stationed advisers with nearly every Army and Air Force unit. Peru now owes the USSR $1.2 billion for this assistance.

We believe that the potential for Soviet influence within the Peruvian Armed Forces is slowly expanding as younger, Moscow-trained officers assume more senior positions. Older, higher ranking officers favor closer ties to the United States, but at least some younger officers trained in the USSR have, in general, a positive impression of Soviet society, military

Figure 2
South America: Trade With USSR, Regional Export and Import Trends, 1980-85[a]

Million US $



[a] Argentina, Uruguay, Brazil, Colombia, Peru

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capabilities, and assistance to Peru [redacted] the Soviet Union's reluctance to improve Peru's capability to service Soviet equipment in-country has generated considerable resentment within the officer corps. [redacted]

Trade and Economic Cooperation

According to official data, South American countries are earning collectively about $2 billion in hard currency from sales to the Soviet Union, but this trade as a share of total South American exports to the world has been declining since 1981 in dollar terms. Argentina, Brazil, and to a lesser extent Uruguay, account for the lion's share, but other countries' exports to the USSR are declining.The Soviets also buy few of the industrial goods the South Americans most want to promote. Meanwhile, press reports indicate that Moscow is encountering stiff resistance to efforts to redress its trade imbalance by encouraging the South American countries to buy more Soviet manufactured goods, which are generally perceived as inferior to Western or local equivalents. [redacted]

We believe that the USSR assigns a high priority to its grain trade with South America. A reliable supply of Argentine grain in particular has given the Soviets some insurance against another US boycott and greater leverage in their worldwide purchasing activities. In our view, the Soviets also believe that they will eventually be able to offset their hard currency grain purchases in South America with sales of manufactured products and contracts for industrial development projects. [redacted]

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The Soviets, however, are not willing to back their South American policy with economic aid or significant trade concessions. [redacted] the Soviet Union buys the lowest priced grain available on world markets regardless of origin, and, to the dismay of South American vendors, has sometimes changed suppliers on short notice as they have done this year with Argentina. Although the Soviets will finance military equipment and industrial

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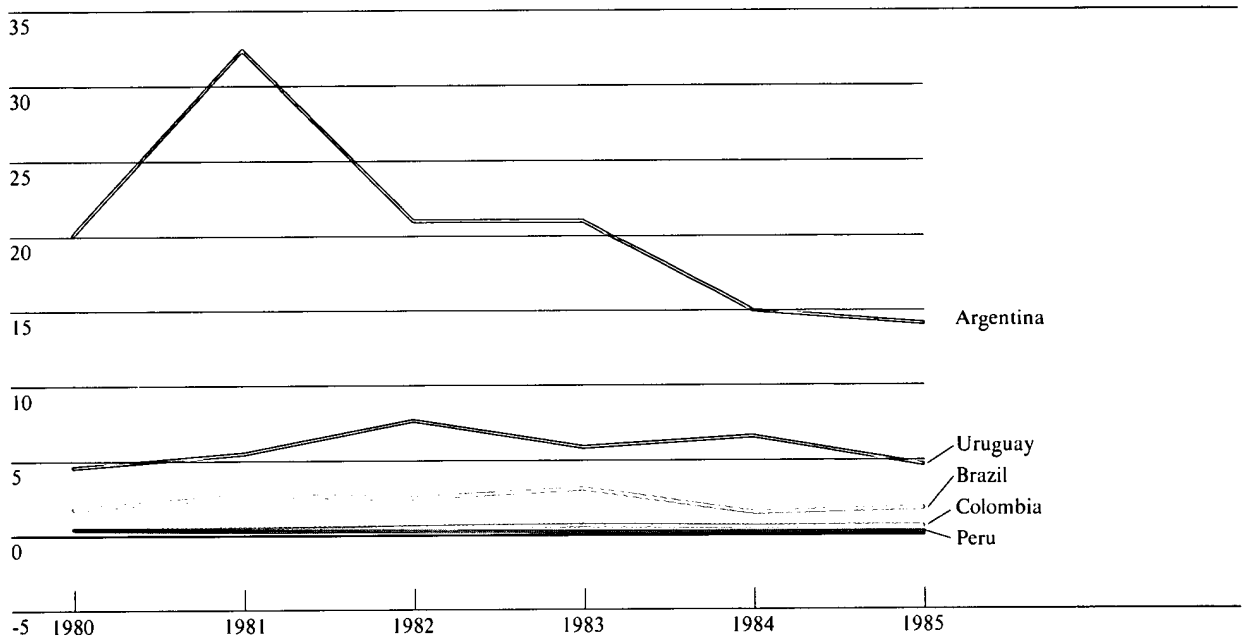
Figure 3
Exports to USSR: Country Trends, 1980-85

Percent of total trade



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and infrastructure development projects, such as factories and hydroelectric dams, at highly concessionary interest rates, we have had no indication that Moscow is willing to offer the massive credits and loans that would give the South Americans a significant alternative to their continued dependence on trade and financial dealings with the West.

Argentina stands out as the Soviet Union's closest economic partner in South America. According to US Embassies in Moscow and Buenos Aires, the Alfonsin government is continuing its military predecessors' push for more trade with Moscow. Argentine Foreign Minister Caputo signed a new, five-year, long-term agreement for grain sales during his visit to the USSR in January 1986, pledging the Soviets to 4 million metric tons of corn and sorghum and 500,000 metric tons of soybeans. Soviet purchases of only 700,000 metric tons by late 1986 lead us to doubt the depth of their commitment, notwithstanding reaffirmation of this agreement during Alfonsin's visit to Moscow in October 1986.

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The Soviet Union is putting strong pressure on Argentina to meet its pledge under the long-term agreement to buy $500 million in Soviet goods over the next five years, according to the US Embassy in Moscow.

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Argentine purchases will be tied to specific development projects. According to press reports, the Soviet Union and Argentina have agreed on Soviet participation in the modernization of the fire-damaged port of Bahia Blanca; Moscow will dredge the port's access channels and cover the $150 million cost with low-rate financing. In late summer, the Argentine Government awarded Moscow a $200 million contract for railroad electrification.

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Brazilian President Sarney also wants to expand commerce with Moscow and has stepped up negotiations for a new trade agreement. The Soviet Union in turn has shown interest in Brazil's high-technology and scientific industries but has not been willing to expand its imports of Brazilian manufactured products,

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Press reports indicate that Brazilian and Soviet state firms are discussing joint development projects, including mining and pig iron production for the Soviet market, which are similar to cooperative ventures the two governments already have in Brazil, Angola, and Mozambique in hydroelectric power, chemicals, and steel.

Peru, the only country in South America to run a trade deficit with the Soviet Union, has seen its exports decline steadily since 1981, even as its purchases of military equipment contributed to a growing debt to Moscow. since late 1985 the two countries have signed two debt rescheduling agreements that permit Lima to pay some of its obligations by deliveries of nontraditional products. The US Embassy in Lima reported in early 1986 that Peru will pay off another portion of this debt by delivering goods to Nicaragua under a triangular trade arrangement.

Aside from bilateral trade and development deals, the Soviet Union is using a fisheries aid program to expand its maritime presence in South America, according to reporting from US embassies. The USSR has signed fishing agreements with Argentina and Peru, and has offered aid to the Ecuadorean and Brazilian fishing industries. Fishing agreements open new possibilities for joint ventures with area governments and maximize the profitability of Soviet fishing fleets on both coasts of South America. Both Lima and Buenos Aires allow Soviet vessels port rights for repairs and resupply, and several thousand Soviet fishermen transit Argentina and Peru yearly as part of the periodic rotation of crews on Soviet trawlers and factory ships.

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The recently signed Argentine-Soviet agreement represents a significant upgrading in Soviet access to Argentine port facilities, but other nations have been reluctant to service Soviet vessels.

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Outlook and Implications for the United States

We believe that relations between the USSR and South American countries, particularly Argentina, Brazil, Peru, and Uruguay, will tend to expand slowly over the next two years—a pace that will not substantially affect US interests. Because of its distance from the Soviet Union and generally low potential for revolutionary change, the continent will remain a second-order priority for Moscow. The Soviets, in our view, are still not capable or prepared to make major resource commitments or risk confrontation with the United States in the area. Furthermore, Soviet actions will remain closely tied to developments in Central America, where Moscow views its opportunity and its investment as much larger.

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Moscow will be ready, however, to exploit promising political openings, particularly if the opportunity to promote revolutionary change appears. Chile, in our view, offers the Soviets the greatest opportunities. The

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Soviets will exploit continued failure by the Pinochet regime to begin a credible transition to civilian rule by encouraging the revolutionary left to intensify its increasingly violent confrontation with the government and push its efforts to dominate the opposition.

We believe the Soviets will continue to take advantage of South America's new democratic political environment to build more direct contacts with key non-Communist political figures and encourage more activist leftist groups while—Chile aside—relegating support for insurgencies and terrorism to Cuba and Nicaragua. Moscow will use these contacts to continue to encourage South American opposition to US policies, and to promote erosion of US influence in South America. These activities could reduce the willingness of South American leaders to back US positions toward Central America and other Third World countries and reinforce the growing propensity of South American leftists to focus on Washington's policies outside the continent as pretexts to attack local US interests.

Expanding access to South American societies will also improve Moscow's opportunities for propaganda and intelligence collection. New scientific and exchange programs with Brazil and Argentina may help Moscow acquire sensitive technologies, some of US origin, such as fiber optics and advanced computers. US representatives in the region can also expect increasingly effective direct Soviet competition in public outreach programs, such as binational centers, scholarships, distribution of publications, and placement of press releases in local media.

Moscow, viewing President Alan Garcia as the regional leader most in harmony with its interests, will probably continue to provide him with political backing while attempting to expand the Soviet presence throughout Peru. The Soviets almost certainly would like an even friendlier, more ideologically promising regime to succeed Garcia—either from the left wing of APRA or from the United Left coalition. They are aware, however, that the Armed Forces High Command would probably prevent a Marxist government from taking power.

Continuing constraints, however, will impede Moscow's ability to penetrate South American societies. Area military establishments will remain militantly anti-Communist. Leftist groups willing to collaborate with Soviet representatives or Communist parties are likely to remain on the fringes of the political system in Argentina, Brazil, Venezuela, and Colombia. In Ecuador, Peru, and Uruguay, moreover, we judge that Communist parties will continue to be outflanked by extreme leftist groups and will probably find factionalism on the left a strong obstacle to effective coalition-building. Except in Argentina, labor movements—another favorite Soviet target—have limited political clout. South American governments will also likely limit their ties to the Soviet Union to trade in order to avoid disturbing their generally satisfactory relationships with Washington, or provoking opposition from their military establishments. Economic ties between the Soviet Union and South American countries will at best grow slowly, relative to the continent's trade and financial dealings with the rest of the world.

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Alternative Scenarios

Our projection for modest Soviet gains in South America presupposes that fundamental political and economic conditions in the region remain fairly constant over the next two years. There are several eventualities that could give Moscow the opportunity to make dramatic gains in the region.

Sudden Political Change in Chile

The Communist-dominated revolutionary left may judge it has sufficient strength to launch a full-blown insurgency to topple the Pinochet regime. Although the Communists have been too cautious to date to embark on such a venture, we believe they might change their strategy if excluded from a peaceful transition to civilian rule or if their current campaign of political violence exposes significant vulnerabilities in the regime. The Soviets would sanction and provide substantial support for an all-out assault on Pinochet if they believed it would succeed. Such a commitment

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could lead to a Moscow-line revolutionary government in Santiago—dramatically altering the strategic equation in South America and possibly prompting some governments to move toward a greater accommodation with the Soviets. The Soviets and the Cubans would take advantage of their new foothold to expand their aid to selected revolutionary groups elsewhere on the continent, while US influence would suffer a severe blow.

US Setbacks in Central America

Dramatic victories for the Sandinistas or their revolutionary allies in Central America would have a ripple effect in South America. If Managua crushes the anti-Sandinista insurgents, it would remove some of the constraints on Sandinista expansionism and increase the likelihood of a new infusion of Cuban or Soviet military assistance to the Salvadoran or Guatemalan guerrillas. In the worst case scenario, such support—combined with a reduced US presence in the region—could enable a revolutionary Marxist regime to take power in El Salvador.

Even without the establishment of a new Soviet client in Central America, the freer rein for Managua inherent in the defeat of the anti-Sandinista insurgency would boost Moscow's prospects in South America. Although the Sandinistas' entrenchment might heighten South American concerns regarding Soviet imperialism on the continent, regional governments would regard a victory by Managua over the insurgents—and even more so the defeat of the Duarte regime—as a setback for the United States and a signal that East-West power politics would intensify in the area. Success in Central America would likewise embolden the Soviets and their surrogates to increase aid to selected South American revolutionary groups, perhaps prompting many countries to make peace with Moscow and Havana in the hope of minimizing such support.

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Dramatic Economic Decline

Key South American countries—particularly Argentina and Brazil—could suffer dramatic economic reverses over the next two years if discontent over frozen salary levels, increased cost pressures on import-dependent industries, and poor international markets for agricultural exports reignite a cycle of hyperinflation and recession. Also, soft international petroleum prices and growing leftist political activism may make the economy a critical issue in Ecuador, while Peru could suffer a rapid economic collapse as a consequence of its isolation from the international financial system.

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A deepening economic crisis in South America, in our view, could provide new political openings for the broad leftist opposition coalitions the Soviet Union supports in the region. These groups include advocates of statist and nationalist economic policies who oppose cooperation with the Western financial system and who would quickly blame the United States for adverse economic developments. The centrist civilian governments now in power in much of the continent might lose considerable public support, complicating the delicate process of strengthening South America's democratic institutions. Finally, although resource constraints would probably prevent the Soviet Union from offering significant financial aid to win over area governments, Moscow would benefit from the increased political clout of radical leftists.

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