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The Director of Central Intelligence
Washington, D.C. 20505

25 August 1988

National Intelligence Council

MEMORANDUM FOR: See Distribution

FROM:

[Redacted]

Assistant National Intelligence Officer for Latin America

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SUBJECT:

Latin America Warning and Forecast Report August 1988

1. The Latin America Warning and Forecast Meeting was held on 23 August 1988. The following three countries were discussed and major judgments of the Intelligence Community were that:

- In Nicaragua, the Sandinista buildup in the north continues as regime troops work to push the insurgents into Honduras and dismantle the Resistance infrastructure. Meanwhile, the insurgents' position inside Nicaragua continues to erode and the exodus to Honduras has increased. [Redacted] 25X1
- In Panama, the death of titular political opposition leader Arnulfo Arias offers new possibilities for the divided opposition to rally around emerging leaders, but dissidents are unlikely to be able to do so. [Redacted] 25X1
- In Chile, General Pinochet is almost certain to be named the Junta's presidential candidate next week, and a either narrow win or loss by the regime is likely to increase prospects for political instability in the weeks following the election, tentatively set for early October. [Redacted] 25X1

2. Nicaragua

The Sandinista buildup in north central Nicaragua continues. At least three counterinsurgency battalions plus Interior Ministry and border force troops comprise the largest troop concentrations in over a year. The Intelligence Community believes that rather than conducting search and

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destroy operations, the mission of the BLIs and border forces is to locate and channel insurgent units back into Honduras. Interior Ministry units then fill the vacuum left by the Resistance forces and destroy the remnants of their local support networks. Sandinista troops are engaging insurgent units only to prevent reinfiltration and to push the units northward, a posture reflected in reduced levels of fighting. Despite the increasing concentration of Resistance combatants in Honduras, analysts see little likelihood of a cross-border incursion in the near-term. The Sandinistas are achieving their objectives without an incursion and there are no important military targets, such as supply depots, within easy reach of the border. Moreover, they do not want to refocus Washington's attention on the war during the election campaign. Even the passage of a lethal assistance package for the Resistance would be unlikely to prompt an incursion, at least until after the election.

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For their part, the position of the Resistance continues to erode both inside Nicaragua and in Honduras. Most units incountry are without experienced commanders, there is little coordination between headquarters and field units, and critical food and ammunition shortages have diminished combat effectiveness sharply. As a result, the exodus of Resistance forces into Honduras continues. The Intelligence Community estimates that as of mid-August: 2,000 to 3,000 ERN/North, 1,000 ERN/South; and 200 to 400 Yatama Indian combatants remained inside Nicaragua, including part-time personnel and full-time personnel short of supplies. Inside Honduras, the availability of food will help maintain force cohesion in the near-term, but military capabilities will continue to decline. Indeed, even if lethal aid were restored, most analysts believe that restoring the Resistance to former strength would be difficult, given the success of the Sandinistas in destroying local support networks. Analysts saw little likelihood that the current Resistance leadership would resume ceasefire talks from such a weakened position, although a dissident group might reengage Managua.

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Warning Issue: The Sandinistas will continue to push the insurgents into Honduras and consolidate their control over the countryside while continued food shortages in Honduras will complicate the efforts of the rebel leadership to hold their force together even in the near-term.

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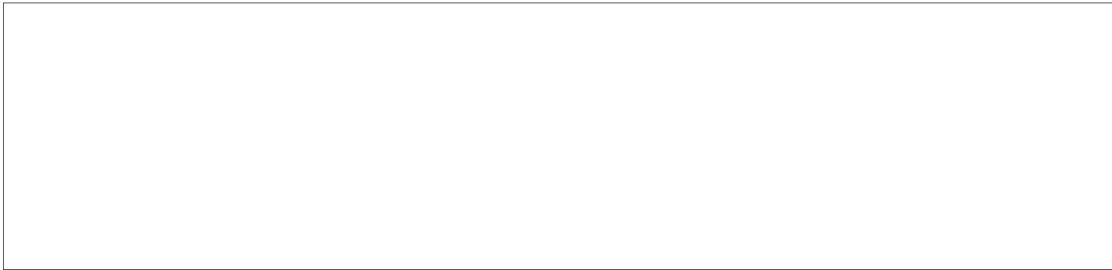
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3. Panama

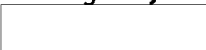
The death of Arnulfo Arias offers new possibilities for the opposition to rally around emerging leaders, but Intelligence Community analysts do not believe dissidents are capable of doing so. Indeed, most of their energy is focused on internal maneuvering to gain control over Arias' followers rather than on building on the momentum of the large turnout for Arias' funeral--estimated at 100,000 by  observers--to form a united front and revive opposition activity. Analysts believe that the struggle to succeed Arias as the titular head of the opposition reflects growing support within of the political opposition to participate in the May 1989 elections under any conditions. 

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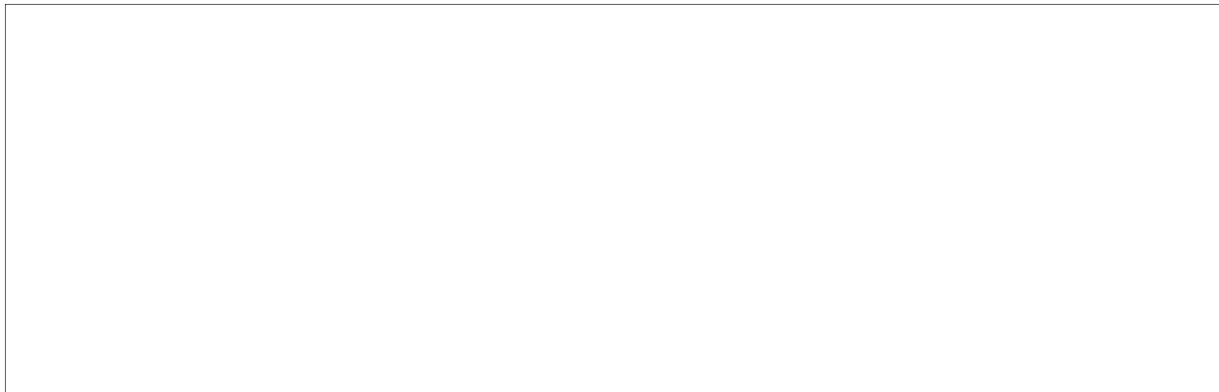
For his part, the position of PDF commander Noriega remains firm. He does not appear inclined to reach a settlement of the crisis and the regime's recent approach to the Uruguayans is probably nothing more than another Noriega gambit. Economic pressures are almost certain to intensify in coming months, but they are unlikely to increase levels of worker unrest. The current labor dispute with the electrical workers, for example, is small and isolated and the regime's decision to place a military officer in control of the electric company underscores Noriega's determination to head-off labor unrest. 

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Warning Issue: A decision by the opposition to participate in the elections will lend considerable legitimacy to the regime, and undercut efforts by dissidents to broaden their support. 

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4. Chile

Pinochet is almost certain to receive the Junta's nomination when it meets on 30 August, marking the start of the campaign season that will end with national elections in early October. The Intelligence Community believes that prospects for instability in the post-election period will hinge on the margin of victory or defeat for the regime. The probability would be highest if the regime either wins or loses by a narrow margin. A narrow victory for the government would almost certainly generate accusations of fraud and embolden the far left to launch terrorist acts in an effort to unseat Pinochet. More moderate parties, frustrated by their defeat, may privately sympathize with the extremists or at least remain neutral toward them. [REDACTED]

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The great majority of analysts believe that a narrow regime defeat would prompt an auto-golpe by Pinochet, who would then void the results of the balloting. Such a move probably would be supported by the Army, whose strength and influence would counter those in the Junta who would oppose such a move. Open splits in the military in the wake of a coup would be unlikely in the near-term, although elements--such as the police--might remain in their barracks rather than fulfill their functions in the event of public unrest. In addition, some commanders could resign in protest. A minority of analysts opined that rather than stage a coup, Pinochet--pressured by military officers--would adhere to the constitution, which calls for direct elections within a year. [REDACTED]

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Analysts see little likelihood of widespread and significant electoral fraud. Most of the regime's efforts at manipulation will likely occur during the pre-election period, when Pinochet will work to limit the opposition's access to the media and continue intimidating voters in the rural areas. The overwhelming number of voters--nearly 90 percent of those eligible have registered--and expected close monitoring of polling places will keep election-day fraud to a minimum. There could be some manipulation of the results as they are transmitted from small towns to Santiago, but it would be unlikely to amount to more than one to three percent of the total vote. [REDACTED]

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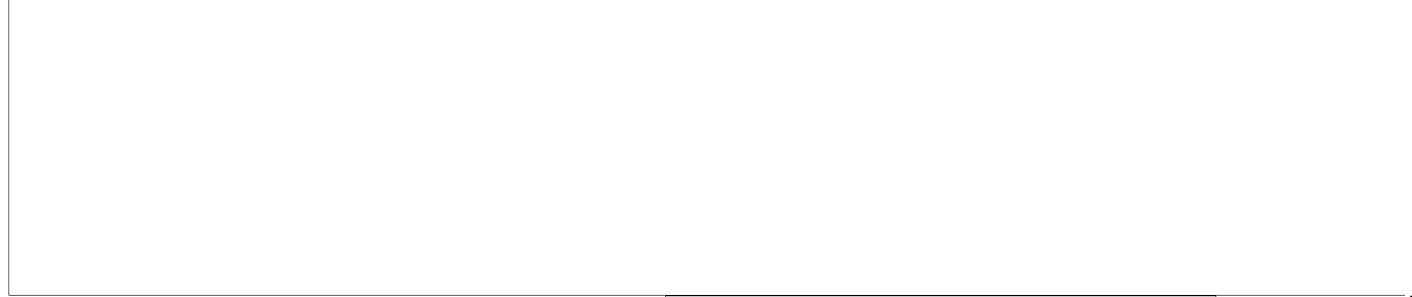
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Warning Issue: A narrow victory by either side will increase the likelihood of post-election violence.

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