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**Latin America
Review** 

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2 August 1985

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2 August 1985*

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The military has been modernizing its forces ostensibly to prepare for defense of the Panama Canal in the year 2000, when the United States relinquishes responsibility for it. More pressing concerns include security of the country's northern border, support for Costa Rica in the event of Nicaraguan aggression, a potential influx of refugees, and drug trafficking. [Redacted]

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[Redacted]

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The far-left Movement for National Liberation, generally known as the Tupamaros, has been reorganizing since jailed members were freed by a presidential amnesty shortly after Uruguay returned to civilian rule in March. [Redacted]

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [Redacted]

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Articles

El Salvador: Insurgent Strategy and Tactics

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The rebels' increasingly indiscriminate attacks on economic targets, political agitation, and reversion to terrorism underscore their ineffectiveness against government forces in the countryside, but also suggest that guerrilla leaders believe these tactics are more likely to undermine the government without risking the loss of irreplaceable cadre in combat. The insurgents probably anticipate that their urban operations may negate many of the armed forces' current advantages in rural areas, including artillery, increasing air assets, and a 7-to-1 ratio in military manpower. Moreover, hardline guerrilla leaders may believe that by targeting the general public they will accelerate polarization and foster a rightwing backlash and popular disaffection, thus setting the stage over the longer term for a Nicaraguan-style insurrection. Although the rebels are capable of creating an atmosphere of insecurity, we believe their strategic and tactical disunity and diminishing resources will hinder their chances of regaining the tactical momentum. Moreover, the terrorist-oriented strategy is likely to erode their domestic and international support further, particularly if, as we anticipate, the popularly elected and military-backed government of President Duarte enacts prudent countermeasures.

Hardball Tactics

the guerrillas' failing war effort in the countryside is demoralizing their supporters and cadre, some of whom may also fear that the insurgents' image of increasing impotency is undermining any prospect to force a political solution through dialogue with the government, as advocated by less militant rebel leaders. As a result, we believe that policy debate within the insurgent hierarchy increasingly is dominated by more ideologically driven hardliners. The hardliners do not see their cause as lost over the longer term and are encouraged

by the success of recent urban terrorist operations against US and other interests. They publicly have declared the conflict to be entering a "new phase," and have committed themselves to a war of attrition calculated—as in Vietnam—to outlast both the local military and Washington.

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Central to guerrilla strategy appears to be continuing small-unit operations in the countryside against military and economic targets, combined with escalating urban activities. Rebel strategists probably anticipate that such a two-front approach will hinder the efforts of the moderate government to consolidate its authority and possibly provoke official repression and a resurgence of rightist death squad activity. We judge that the rebels envision that any official or extraofficial overreaction would reopen public debate in the United States over Washington's support to President Duarte and the armed forces.

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The insurgents have escalated their harassment of common citizens, including increased kidnappings and executions of minor officials and civilians in the countryside. According to US Embassy reporting, the guerrillas have abducted nearly a score of mayors of provincial towns since the 31 March election, and have murdered two of them. Most of the victims were members of Duarte's Christian Democratic Party. Insurgents massacred over two dozen people, including off-duty Civil Defense personnel and women passersby in the village of Santa Cruz Loma in La Paz Department last April. More recently, US defense attache reporting indicates that some 150 rebels stole food and money from villagers during an attack in northwest El Salvador. Before being repelled by badly outnumbered Army defenders, the guerrillas

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killed several civilians and extensively damaged a number of private residences. Guerrilla propaganda statements indicate that such attacks are aimed at demonstrating that the government is powerless to protect civilians and that they must submit to the will of local insurgent cadre. [redacted]

Statistics show that during the first half of 1985 the guerrillas destroyed 75 rural townhalls and other nonmilitary public facilities, as opposed to just 12 such acts during all of 1984. Rebels have begun machinegun attacks on the highways against civilians in private vehicles. Their indiscriminate mining of unpaved country roads is causing increasing civilian and military casualties. According to a recent defense attache report, insurgent mines and boobytraps have accounted for 14 percent of all combat deaths and 47 percent of all armed forces casualties this year. Most recent civilian casualties, according to the attache, have also been caused by mines and boobytraps left by retreating rebels. [redacted]

In the capital, meanwhile, [redacted] in addition to guerrilla plans to escalate terrorism and economic sabotage, leftist front groups are intensifying political agitation in the form of public- and private-sector labor strikes and student demonstrations. Particularly ominous are credible reports that the guerrillas have been surveilling US personnel throughout the country for kidnaping and assassination. According to public guerrilla statements, the massacre on 19 June of four US Marines and two civilians—as well as seven other civilians—was part of an overall campaign to bring the war to the capital and force a reduction in the US presence in El Salvador. [redacted]

Constraints on Insurgent Strategy

The rebels are likely to enjoy some successes with their strategy. Nevertheless, we believe that rebel disunity and diminishing personnel, materiel, and financial resources, combined with government countersubversion measures, will blunt its impact. In this regard, a body of reporting from US Embassy [redacted] and statements made by guerrilla defectors indicate that insurgent groups in the countryside are suffering from increasing desertions, lack of funding, and resupply problems. Some urban units have been hurt by arrests and capture of documents and equipment. [redacted]

While the 19 June massacre may have given the rebels a badly needed psychological boost, it also appears to have intensified factionalism. [redacted] leaders of the various Marxist groups were divided over whether to applaud or denounce the operation, which apparently was carried out independently by an urban terrorist wing of the smallest insurgent group. To avoid the appearance of disunity, the alliance reportedly broadcast its approval of the killing of the US Marines, but blamed the other civilian deaths on alleged government agents. [redacted] insurgent leaders presented guerrilla rank-and-file and leftist labor activists with a sanitized version of the massacre. [redacted]

Despite such efforts, some rebel political spokesmen made an unprecedented break with the official guerrilla line following the killings, denouncing the act as terrorism and disassociating themselves from it. Others, led by Guillermo Ungo, president of the insurgents' political umbrella organization, publicly reaffirmed support for the alliance but noted that the political leadership could not approve of all actions "such as the unfortunate incident that occurred on 19 June." [redacted] members of Ungo's own Social Democratic faction are now more seriously seeking to break from the rebel alliance and join the mainstream democratic process because of increasing disillusionment with hardline guerrilla tactics. [redacted]

Government Countermeasures

The military's quick response to the guerrillas' evolving tactics underscores the seriousness with which it views the rebel threat and reflects the relative flexibility it now enjoys with a force of some 50,000 men supported by air power. In the countryside, the High Command has used quick-strike operations featuring airborne troops and attack helicopters against insurgent camps, particularly those of the faction responsible for the slaying of the US Marines. These strikes have been generally successful, resulting in numerous rebel casualties, the confiscation of vital documents, and the capture of high-ranking guerrilla

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leaders and other cadre. These operations underscore the military's increasing effectiveness in using information provided by defectors and prisoners, which has also led to the capture of arms, ammunition, and medical supplies. [redacted]

[redacted] the Army may now be considering establishing patrol bases near guerrilla camps and using small units to augment larger sweep operations. Such tactics, indicative of the 7-to-1 manpower advantage the armed forces enjoys over the guerrillas, would jeopardize the insurgent practice of avoiding combat during Army sweeps and returning to base areas upon its withdrawal. [redacted]

The cities pose a different set of problems, and we believe that a greater security consciousness will be necessary to counter the terrorist threat and to avoid the danger of resurgent rightwing vigilantism. To this end, President Duarte has assigned the new US-supported Special Investigative Unit to investigate terrorist acts, and the US-trained, 48-man Special Anti-Terrorist Unit to react to attacks in the capital. Although these small forces promise to be useful, senior military officials are concerned that the public security forces—the National Guard, Treasury Police, and National Police—are not adequately trained or equipped to counter major urban guerrilla warfare or to react to several simultaneous attacks.

[redacted]

Outlook

We believe that hardline rebels will continue to dominate the guerrillas' decisionmaking process and sanction more rural and urban terrorist activities designed to demoralize Salvadoran society and reawaken critical debate in the United States. Local civilian elites, military officers, and US personnel will remain prime subjects for kidnaping and assassination. Moreover, as their military and political isolation mounts, the guerrillas are increasingly likely to target the general public, particularly the middle and upper classes in the capital. The impact of such tactics, particularly over the longer term, remains dubious, however. Transportation stoppages, electrical blackouts, and water shortages have become routine

nuisances over the years in the countryside and are unlikely to constitute a major demoralizing factor for a populace that now overwhelmingly rejects the insurgent cause. Urban areas are more vulnerable, and increased terrorism could bring the war more dramatically to the capital, which for years has escaped most guerrilla actions. Nevertheless, the government's heightened security consciousness, new countermeasures, and the growing capabilities of the armed forces will complicate rebel efforts to foment violence, although we anticipate increasing student and labor unrest. [redacted]

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Over the longer term, the hardline guerrilla strategy stands to be counterproductive for the rebel alliance. Although the insurgents still claim to be fighting against a repressive oligarchy, their opponent now is a government generally recognized as reformist, representative, and popularly supported. In part, this reality may have prompted some insurgent leaders to begin more ruthless operations against the general public in the belief that they may perceive they have less to lose in negative public reaction to these acts. We believe, however, that the tactics of terrorism may have the greatest impact on the insurgent alliance itself by exacerbating divisions among rebel moderates and hardliners, and thus setting the stage for a formal break that would leave the extremists completely isolated. [redacted]

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Brazil: Conflicts Within the Sarney Government [redacted]

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President Sarney is facing considerable infighting within his five-month-old coalition government. Serious rivalries exist between and within the coalition's two parties—the late President-elect Neves's center-left Brazilian Democratic Movement Party (PMDB) and Sarney's smaller, middle-of-the-road Liberal Front Party (PFL). The need to accommodate a variety of factions and individual politicians within the coalition is making it difficult for Sarney to build an image as a strong, decisive leader. [redacted]

Despite the strains afflicting the alliance, we do not expect it to collapse entirely anytime soon. Leaders of both parties appear to recognize that, by retaining the coalition, they stand a better chance of consolidating civilian rule and of dominating a key constitutional assembly scheduled for 1987. Nonetheless, the alliance will remain an uneasy and unreliable one. Although the two parties together hold a commanding majority in both houses of the Brazilian Congress, Sarney cannot count on automatic congressional approval of government initiatives and must try to build support for his policies on a case-by-case basis. [redacted]

Differences Between the Parties

Ulysses Guimaraes, president of both the PMDB and the lower house of Congress, evidently is not giving Sarney his full backing. [redacted]

[redacted]

[redacted] Moreover, Guimaraes wanted to become president himself at one point, and he may still resent Sarney's accession to the office. [redacted]

[redacted] he tried to wield control over the government during the late President-elect Neves's

illness in March and April, even though Sarney was serving as acting President.¹ [redacted]

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[redacted] Sarney is also concerned over increased squabbling between the two coalition parties as they prepare for mayoral elections in Brazil's 23 state capitals this November. In many of these races, PMDB and PFL candidates have formed alliances with other political groups in an effort to strengthen their electoral prospects. In some localities, personal rivalries further divide the two parties. Sarney has tried to promote PMDB-PFL cooperation in several of the contests, but without success. According to US Embassy [redacted] the PMDB is likely to fare better than Sarney's PFL in the mayoral elections and should win in most cities, thanks to the efforts of state governors from the party who have made adept use of patronage in recent years. [redacted]

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Differences Within the PMDB

The PMDB, now the country's largest party, suffers from internal factionalism. The party itself is a coalition; Neves's relatively conservative Popular Party merged with the existing PMDB in 1981. The PMDB's 200 members in the lower house of Congress—out of a total membership of 479—include approximately 60 leftwing backbenchers who have been critical of what they regard as Guimaraes's lackluster leadership. According to press reports, these legislators want Guimaraes to put even greater distance between the PMDB and Sarney. The US Embassy reports that the party's left wing defied Guimaraes on several occasions during recent congressional votes on rules for the mayoral races. [redacted]

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¹ Under Brazil's constitution, as head of the lower house of Congress, Guimaraes is next in the line of succession to the presidency. [redacted]

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Some of the leftist PMDB congressmen also are members of the Brazilian Communist Party, which has recently been legalized after 20 years as a clandestine party. [redacted] PMDB leaders are concerned that the Communists—now that their party can operate openly—will run mayoral candidates in several cities and take votes from the PMDB. [redacted]

PMDB factional differences extend into Sarney's cabinet. Planning Minister Sayad, a left-leaning economist, and the more conservative Finance Minister Dornelles, a nephew of Neves who served in the previous military government, bitterly disagree over what policies the government should pursue on such issues as financial austerity and negotiations with the IMF. On at least one occasion, PMDB politicians successfully pressed Sarney to reverse a decision favored by Dornelles. [redacted]

[redacted] In addition, Labor Minister Pazzianotto, who is tied to the PMDB left wing, and Industry Minister Gusmao, a conservative, have clashed over the government's handling of recent labor strikes. Left-right infighting within the party almost certainly will continue to complicate Sarney's efforts to govern, in our judgment. [redacted]

Differences Within the PFL

Sarney's PFL is a loosely organized party with about 75 congressional seats. It was formed last year by dissidents from the conservative Social Democratic Party, which supported the military regime. [redacted]

The personal ambitions of several PFL leaders are a major source of divisiveness within the party. The party's titular head, Minister of Mines and Energy (and former Brazilian Vice President) Chaves, wants to be the country's next President, and Education Minister Maciel may harbor similar ambitions.

[redacted] Both Chaves and Maciel seem intent on diminishing Sarney's stature within the party, even though the President thus far has shown no interest in becoming a candidate himself in the next election, expected to take place in 1988.

[redacted]

Outlook

Given the rivalries within and between the coalition parties, Sarney cannot count on automatic support from the alliance's majority in Congress. He will have to try to build congressional support on an issue-by-issue basis, using different mixes of members each time. [redacted]

Although the divisions plaguing the coalition may sharpen in the coming months as it faces tough choices on economic and social issues, we believe there is a good chance the alliance will survive for another couple of years. Both of the coalition parties view Rio de Janeiro's state governor, leftist Leonel Brizola, as a major contender for the presidency and have an interest in cooperating to reduce his chances. Thus, the PMDB and the PFL may well close ranks during the 1987 constitutional assembly, which will set the rules and timing for the presidential election. They may, for example, join forces to enact a runoff provision for that election, a move that some observers believe would hurt Brizola's prospects. [redacted]

[redacted]

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Brazil: Brizola's Evolving Role [redacted]

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Shifting political alliances in Brazil are benefiting Leonel Brizola, governor of Rio de Janeiro state and leader of the leftist Democratic Workers Party (PDT). Brizola, who hopes to become the country's next president, was a key figure in pre-1964 Brazilian politics, and has enjoyed increasing importance since the return to civilian rule in March. According to the US Embassy, many political activists have left other parties in recent months to join the PDT. [redacted]

Brizola hopes to use this new support to further his political career and his agenda for Brazil. Among his policy goals are a tougher stance toward the IMF and Brazil's other creditors, greater social welfare expenditures, and a far-reaching agrarian reform program. Recent statements by Brizola accusing the United States of attempting to postpone a direct presidential election in Brazil indicate to us that he retains his longstanding animosity toward Washington. [redacted]

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Although Brizola's popularity is on the rise, his chances of gaining the presidency are far from assured. His outspoken advocacy of leftist policies worries moderate Brazilians, according to US Embassy [redacted] Military leaders, for their part, have hinted that they would block Brizola from taking office. Whether or not he becomes president, we believe Brizola will continue to play an important role in Brazilian politics. [redacted]

Sources of Support

[redacted]
Brizola's popularity stems from his personal charisma, compared to other Brazilian political leaders; his skillful use of television; and his populist positions on economic and social issues. His most ardent

¹ Although the parties' numerical strength is in a state of flux and precise membership figures are unavailable, the PDT is Brazil's fourth-largest political party in numbers of congressional seats, after the two government coalition parties—the center-left Brazilian Democratic Movement Party and the middle-of-the-road Liberal Front Party—and the Social Democratic Party, which supported the former military government. [redacted]

The PDT: History and Ideology

The history of the Democratic Workers Party (PDT) typifies the ephemeral character of Brazilian parties and political alliances. The party was formed by Leonel Brizola in 1981 as an offshoot of the late President Getulio Vargas' Brazilian Labor Party (PTB). The latter party was abolished after the 1964 military coup, but was reestablished in the late 1970s under the leadership of Vargas' niece, Ivete. A leadership struggle between Ivete and Brizola, who also had been active in the pre-1964 PTB, led Brizola to establish his own party. [redacted]

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Since its creation, the PDT has served primarily as a personal political vehicle for Brizola. The party is strongest in Rio Grande do Sul state, where Brizola was a prominent political figure in the 1950s and 1960s, and in Rio de Janeiro state, where he is now governor. [redacted]

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According to US Embassy reporting, the PDT is attempting to expand its political base to other areas of Brazil, and it appears to be making some headway. In 1982, the party held a total of only 73 elected offices nationwide. Within two years the number had grown to 484, making the PDT the third-largest party in Brazil in numbers of elected officeholders. With the establishment in mid-1984 of the Liberal Front Party—a breakaway faction of the pro-military government party—the PDT is now fourth nationally in terms of congressional seats. [redacted]

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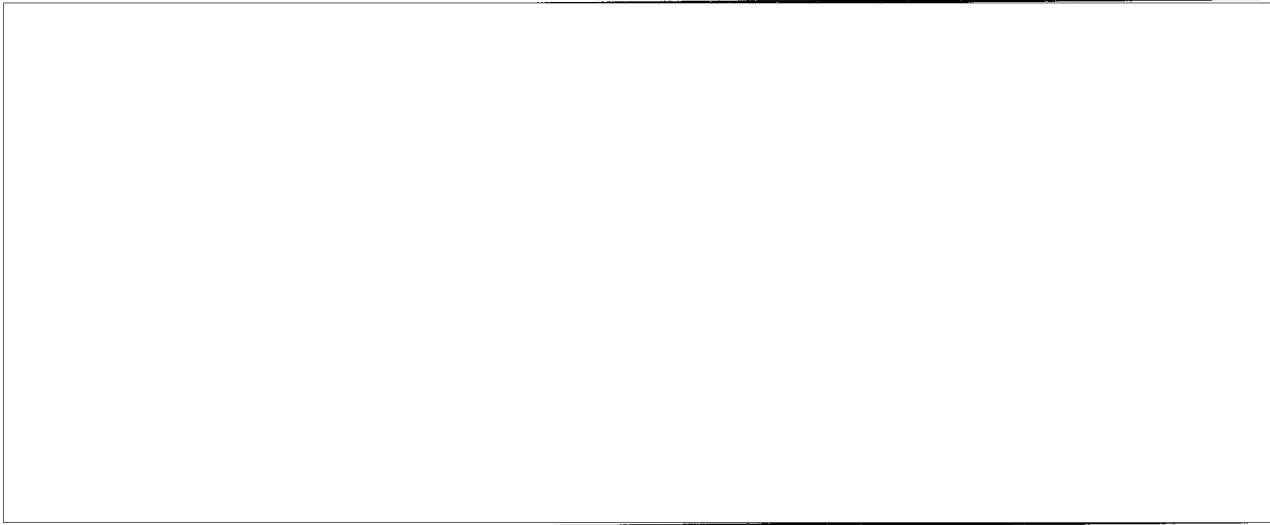
The party's ideological orientation reflects Brizola's longstanding militant leftism. According to US Embassy reporting, however, he has lately begun trying to remold the PDT's image along the lines of center-left West European Social Democratic parties in the hope of winning support among more moderate Brazilians. [redacted]

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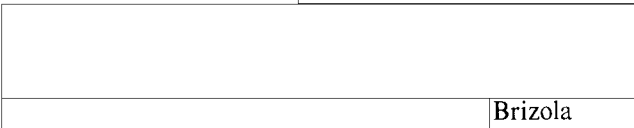
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supporters are the slumdweller, or "favelistas," in his present home state of Rio de Janeiro. Brizola has strongly championed the interests of this group, along with those of the urban and rural poor elsewhere in Brazil. The recent enactment of a law enfranchising illiterates should significantly expand his voting constituency. [redacted]

US Embassy reporting indicates that the PDT is gaining new members in several parts of the country at a time when other major parties are having difficulty maintaining their strength. The Brazilian Democratic Movement Party, the senior partner in President Sarney's ruling coalition, is suffering from internal strife between leftists and more moderate members. The coalition's junior partner, Sarney's Liberal Front Party, was created only a year ago and has not yet managed to build a strong political organization or gain broad popular support. The center-right Social Democratic Party is trying to live down the negative image it earned through its affiliation with the military government. The problems of these parties are leading many of their members to switch to the PDT, according to US Embassy and Brazilian press reporting. Brizola may reap the benefits of these trends in November, when municipal elections will be held in Brazil's 23 state capitals. [redacted]

Presidential Aspirations

Brizola is pressing for a direct presidential election in 1986—two years earlier than the Sarney government plans to hold such a vote. [redacted]



[redacted] Brizola probably reasons that an early election would improve his chances for victory, given the difficulties plaguing the other parties. He may well be correct on this score, since putting off the election until 1988 would give those parties more time to overcome some of their organizational and other problems. [redacted]

We doubt, however, that a direct election will be held before 1988, notwithstanding Brizola's efforts. The Congress has approved a proposal by Sarney for a constituent assembly in 1987 [redacted]

[redacted] a key responsibility of this assembly will be to arrange a direct presidential election that would probably be held the following year. US Embassy and press reporting from various sources suggests that most of the public appears content with the prospect of a direct election in 1988. [redacted]

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Mayoral and Gubernatorial Elections

Brizola is working hard to position himself as a strong candidate regardless of when the presidential election is held. In the current campaign for municipal elections this November, he is backing the mayoral candidacies of several politicians from parties other than the PDT. According to US Embassy and press reporting, Brizola hopes that these candidates, in exchange for his backing, will support his presidential bid. [redacted]

The PDT's own prospects in the mayoral elections appear strongest in Rio de Janeiro, where Brizola has chosen a popular Senator, Saturnino Braga, as the PDT candidate. [redacted]

[redacted]

Brizola is also planning his strategy for gubernatorial elections that will be held in 1986. [redacted]

[redacted] Brizola—whose gubernatorial term in Rio expires in 1986—is considering running for governor of Rio Grande do Sul state, a post he held prior to the 1964 military coup. Brizola reportedly believes that he needs a position from which to maintain his political visibility in the event that the presidential election is not held until 1988.

[redacted]

Obstacles

Notwithstanding his popular appeal and his party's improving fortunes, a number of factors are complicating Brizola's presidential quest:

- *Dissidence within his party.* Many of the PDT's new members are not supporters of Brizola, but rather dissidents from other parties who see the PDT as their most viable option. Some of these people do not share Brizola's leftist views, according to the US Embassy. Thus, while the PDT has been expanding, Brizola's ability to control it and to marshal its support for his political ambitions may be eroding.
- *Dissatisfaction with his performance as governor.* According to US Embassy and Consular reporting, many residents of Rio de Janeiro are unhappy with

Brizola's performance as an administrator. He is particularly unpopular with the state's sizable organized labor movement, which resents his favoritism toward slumdweller and his lack of attention to union concerns. Moreover, in Rio as in other parts of Brazil, most members of the upper and middle classes, including business interests, dislike Brizola's leftist orientation.

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Outlook

Rules governing the presidential election, which will be formulated by the constituent assembly, will have a major impact on Brizola's electoral prospects, in our judgment. A decision by the assembly to establish a runoff system would probably hurt his chances of victory because other, more moderate candidates could join forces to defeat him if his charisma and campaigning skills carried him to a first-round plurality. If, on the other hand, the constituent assembly opts for a plurality system with no runoff, we believe Brizola's prospects would be enhanced.²

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Regardless of the outcome of his bid for the presidency, we believe Brizola's role in politics will continue to be controversial. He is virtually certain to continue pushing for costly social welfare programs for the urban and rural poor. We also expect him to increase his criticism of the government's economic stabilization policies and its efforts to reach agreements with the IMF and Brazil's Western bank creditors. Moreover, if he is not satisfied with the progress of his presidential quest, he may try to stir up popular unrest, a development that would cause great concern within the military. [redacted]

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² Congress recently passed a measure providing for a runoff, but this action is subject to change by the constituent assembly. [redacted]

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According to the US Embassy, Brizola's recent allegations that Washington is meddling in Brazilian politics ended a period of several years in which he had been largely silent about the US role in Brazil. We expect him to continue to use the United States as a scapegoat from time to time. [redacted]

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The municipal elections in November will be an early indicator of Brizola's future prospects. If the PDT cannot win a significant number of posts, Brizola's chances of eventually gaining the presidency will suffer. Nevertheless, he is likely to retain a significant following and remain a major actor on the Brazilian political scene for years to come. [redacted]

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Mexico: Radical Slum Organizations

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Radical slum groups are a potent force in many Mexican cities, but recent economic problems have increased pressure from landowners and businessmen on local governments to curtail their activities. The Mexican military has also expressed concern about the emergence of radical groups, including those in urban areas,

In the past, these organizations were considered a tolerable nuisance and allowed to demonstrate and agitate without fear of reprisal. In recent years, however, efforts to draw these urban groups into the political and economic mainstream have intensified, and eventually most probably will either be co-opted or destroyed.

The early 1970s saw the beginning of urban slum organizations, most notably in the cities of the northern border states. These slumdweller groups, with names like Tierra y Libertad (Land and Liberty) and the Committee for Popular Defense, espoused separatist and sometimes Marxist rhetoric and used confrontational tactics to intimidate local officials. A national organization of slum dwellers has not been formed, but the National Coordinator of Popular Urban Movements (CONAMUP) has affiliated slum groups in many states. Despite claims to represent many thousands of slum dwellers, these groups actually represent only a small percentage of Mexico's 17-20 million urban poor.

Tierra y Libertad—Socialist Ideology

Tierra y Libertad (TyL), founded in 1971 in Monterrey, is one of the earliest, and for a while, the most effective of the radical squatter groups. TyL was the name taken by a bloc of virtually autonomous squatter *colonias*, or neighborhoods, within the metropolitan Monterrey area. The leaders, many of them college educated, preached a radical socialist ideology and promised protection and basic services to the squatter population. The leadership maintained complete control over the inhabitants through "peoples committees," which regulated everything from services and law enforcement to new admissions

to the *colonias*. They hoped that their separatist ideology would spread among the urban poor, but squatter communities in other parts of Mexico that have assumed the TyL name, such as a *colonia* in Mazatlan, have not followed the TyL philosophy of separation and local autonomy.

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The authorities in Monterrey responded by instituting the *Fomento Metropolitano de Monterrey* (FOMERREY) program in 1974. This program has two objectives: grant legal land titles to squatters and integrate these communities into the metropolitan system. FOMERREY housing sites are geographically dispersed throughout the metropolitan area, probably to ensure that the low-income earners are not concentrated in one area of the city, and to prevent them from making unified demands on the system. FOMERREY has served 63,000 families in developments that range from small plots with some utilities for self-built homes to already constructed dwellings with all utilities. The program also includes the construction of schools and medical clinics.

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The FOMERREY program effectively split the TyL community into two factions in 1982. One faction sought to retain its autonomy, while the other supported integration into the metropolitan system. The split prompted violent demonstrations, and in early 1984 the leader of the faction supporting autonomy was jailed. The group supporting integration was rewarded with a visit by President de la Madrid in 1984 to dedicate a new road through the community and to grant to the residents full legal title to the land. In June the faction seeking autonomy staged a poorly attended and unenthusiastic demonstration at the US Consulate in Monterrey, suggesting that support for the group is waning.

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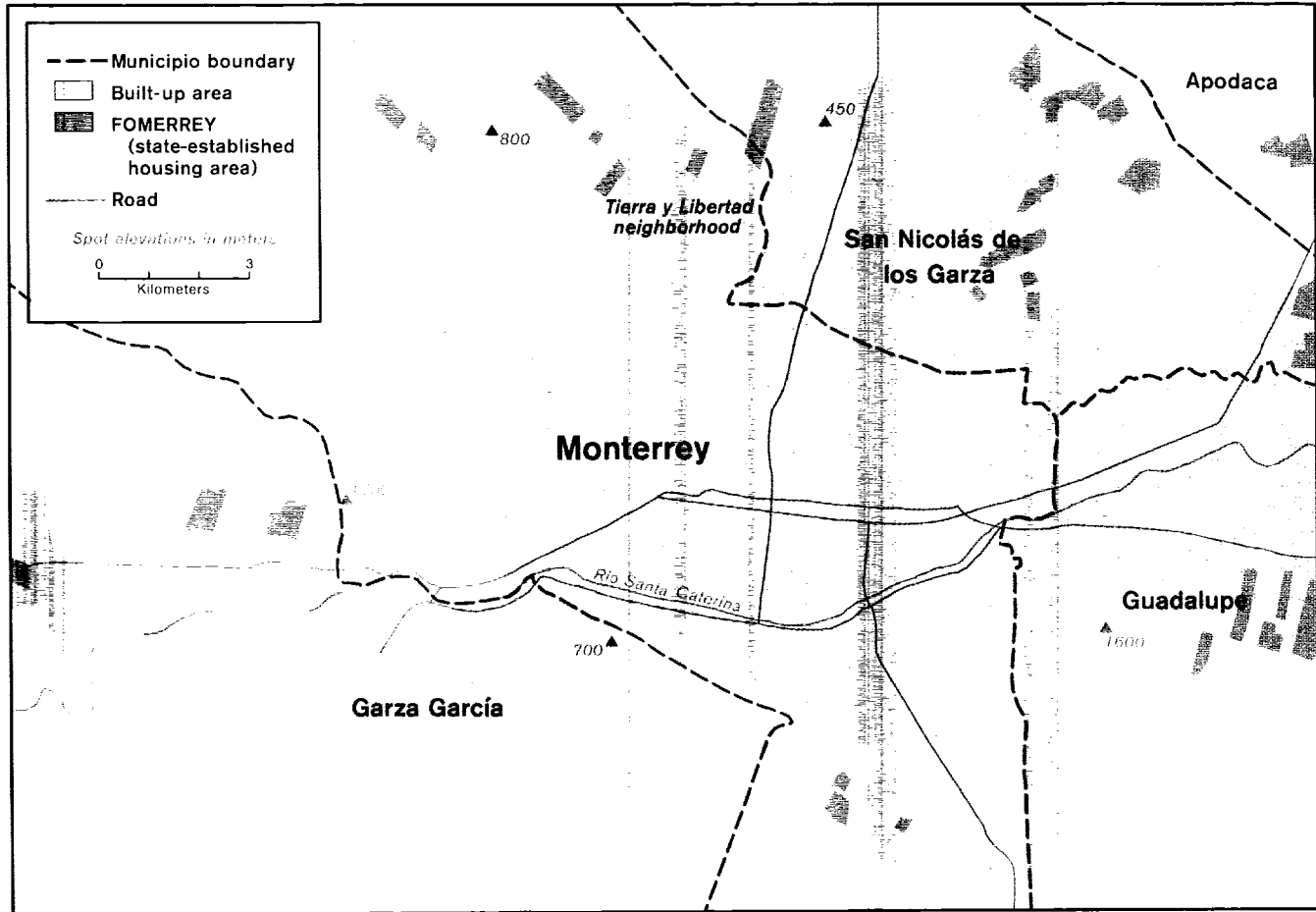
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Committee for Popular Defense—Student Origins
In 1973 students at the University of Chihuahua founded an organization called the Committee for

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Monterrey Metropolitan Area



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Popular Defense (CDP) to campaign for student rights at the University. The CDP leaders, however, found a receptive audience among the city's poor, and were soon leading land invasions and establishing squatter neighborhoods on the fringes of Chihuahua and later in Ciudad Juarez. The CDP *colonias* grew rapidly and the leaders became more skilled in making demands on the system. In Ciudad Juarez the CDP has even become adept at using the US media to gain attention. Much of the CDP's support there is attributed to the leadership's success in intimidating the local government into providing virtually free services to CDP neighborhoods, many of which are on illegally occupied land.

[redacted] the CDP is involved in a variety of illicit activities, but authorities do not believe the group is much of a threat to order. [redacted] the CDP was stockpiling weapons to prevent police from patrolling CDP-controlled *colonias* in Ciudad Juarez. [redacted] drug trafficking through CDP areas into the United States is a major source of revenue for the group. Government officials claim to have good sources within the group, and, according to the Consulate in Ciudad Juarez, they have responded to the public outcry over lawlessness in the CDP

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Major Radical Slumdweller Groups

Group and City	Established	Population
Tierra y Libertad		
Monterrey	1971	40,000-100,000
Mazatlan	1974	2,400-3,000
Committee for Popular Defense		
Chihuahua	1973	13,000-50,000
Juarez	1976	12,000-50,000
Torreon	Unknown	20,000
Camargo	Unknown	500
Jimenez	Unknown	200-300

neighborhoods by patrolling the formerly off-limits areas. The tactics apparently are working and the government is exercising much greater control over the *colonias*. [redacted]

There is little evidence of foreign involvement in the CDP. Last year there were suggestions that senior leaders, who often use Marxist rhetoric, received limited financial aid from Cuba. [redacted] the government has put some of these same leaders on its payroll, probably to co-opt and gain control over the group. [redacted]

CDP views toward the electoral process, which it had condemned as corrupt, have changed. The group's leaders decided to join forces with the Trotskyite Revolutionary Workers Party, and it put forward six candidates in the federal deputy elections in July in Chihuahua. Participation by the CDP in the elections was stormy; one of the candidates was slightly wounded in an election-related scuffle, and a preelection rally at the international bridge in Ciudad Juarez got out of control and was broken up by the police. None of the CDP candidates won, but the group is considering running one of its leaders for mayor of Ciudad Juarez in 1986. [redacted]

CONAMUP—Diverse Grouping

Although not truly national in scope, the National Coordinator of Popular Urban Movements (CONAMUP) is a loose coalition of diverse groups representing slumdweller in many parts of Mexico. The origin and leadership of CONAMUP is not well established, but the group has met annually since 1979. CONAMUP has affiliated slum organizations in the states of Guerrero, Nuevo Leon, Oaxaca, Chihuahua, and Chiapas, but has been most active in the poor *colonias* in and around the Federal District. [redacted]

CONAMUP has restricted its activities to relatively nonviolent protests against deteriorating economic conditions. For example, it has seized milk trucks and distributed the contents in poor neighborhoods and has organized marches and rallies with various affiliated groups. CONAMUP also took part in organizing a national work stoppage in mid-1984 that attracted little support. Like the CDP, which has loose ties to CONAMUP, the Revolutionary Workers Party has made overtures to CONAMUP to join in a leftwing coalition. [redacted]

Outlook

The split in TyL and the involvement of the CDP in the recent elections are classic examples of co-optation by the Mexican system. The TyL faction supporting local autonomy will continue to demonstrate, but the offer of land titles and services to the residents will probably prove effective and essentially end the movement. The CDP, which had established itself as a force to be reckoned with in the state of Chihuahua, will probably become enmeshed in local politics to serve the ends of its university-educated leadership. [redacted]

Organizations such as CONAMUP, which seek to unify diverse local groups into a broad coalition of urban poor, will not have a great deal of success because of the disparate interests and goals of the local leaders. CONAMUP, like the local groups that [redacted]

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it is based on, will probably find itself allied with one party or another in Mexico's shifting leftist political movement. Although demonstrations and other activities are likely to continue, it is unlikely that the leaders of CONAMUP or other groups representing the urban poor will find organized large-scale violence a viable course of action.

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**Venezuela: Perez's Precampaign
Maneuvers**

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er President Carlos Andres Perez, Venezuela's
ng center-leftist politician, is pursuing an
ecedented second presidential term beginning in
, but he faces determined opposition from
mbent President Lusinchi and other leaders of the
ocratic Action (AD) party's Orthodox faction.¹ In
l to broaden his base in the party, Perez has
erated his stand on some foreign policy issues. On
domestic front, he has avoided attacking
nchi's economic austerity program but is now
icly intimating that the time has come for strong
nsionary measures. Perez's prospects have been
nced by a recent domestic scandal that the US
assy believes probably has eliminated his leading
l as a viable candidate. Most party leaders are
nvinced by Perez's tactical shifts, however, and
casting about for another candidate capable of
ating the former president's bid for the party's
ination.

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tical Maneuvering on Foreign Policy

: Venezuelan Constitution stipulates that past
sidents must wait at least 10 years before running
a second term. This rule has kept Perez, who left
ce in 1979, out of the presidential palace but not
of the public eye. Carefully avoiding
frontations with Lusinchi, he has thus far
centrated on public relations gambits. Earlier this
umer he completed a multicontinental road show
t took him to Algeria, China, and Japan. The trip
ved the dual purpose of providing Perez with a
sign policy platform outside of Venezuela and
inding the electorate that, even out of office, he is
widely respected international figure.

president, Perez played an important role in
ping the Sandinistas come to power, but he has

ie Democratic Action party is made up of three factions of
tively equal strength—the Orthodox faction associated with
sident Lusinchi, the labor faction led by party Secretary
ieral Manuel Penalver, and the populist faction identified with
los Andres Perez. The alliance between Orthodox and labor
lers within the party's National Executive Committee (CEN)
quently places the populist faction in a minority position on
ortant policy issues.

increasingly distanced himself from the Ortega
government in recent months. Last summer he
arranged for the hospitalization in Venezuela of
Democratic Revolutionary Alliance leader Eden
Pastora and encouraged Pastora's press declarations.
In January, he declined to attend Daniel Ortega's
inauguration and instead dispatched a letter to
Managua that sharply criticized the Nicaraguan
elections. In April, Perez publicly supported President
Reagan's Central America peace initiative as the only
way to end the conflict in Nicaragua and return the
Sandinista revolution to its original objectives.

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Nevertheless, Perez remains considerably to the left
of Lusinchi on most major international issues. For
example, he advocates the normalization of
Venezuelan-Cuban relations and the creation of a
Latin American debtors' cartel, and is a strong
supporter of Guillermo Ungo, a leader of the
Salvadoran guerrillas' political front group. In a
meeting with Japanese Prime Minister Nakasone in
June, he asserted that US-Soviet confrontation over
Nicaragua, along with Latin America's accumulating
external debts, could endanger democracy in the
region, according to the US Embassy. This statement
is characteristic of Perez's present posture: blaming
both superpowers for Central America's problems but
implying that Latin America's creditors—above all,
the United States—are the main culprits.

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A senior AD official has told the US Embassy that
leaders of the party's Orthodox wing are concerned
over cooperation between Perez and Peruvian
President-elect Alan Garcia on a variety of issues,
including regional cooperation on Latin debt. These
leaders reportedly fear that, if Venezuela's oil
revenues fall sharply, the new foreign debt repayment
schedule would be jeopardized and populists within
the party, led by Perez, would gain support for
Venezuelan participation in a debtors' cartel.

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Perez has also been mentioned as the key figure in a proposed new Contadora-type group for Chile. In addition to Venezuela, the group reportedly would include Argentina, Brazil, Colombia, and Uruguay. In the unlikely event that such a group were to be formed, Perez would not only have a limelight-stealing diplomatic coup to his credit, but would also enhance his image as a major Latin American statesman. [redacted]

Pushing Domestic Populism

On domestic matters, Perez appears through his public pronouncements to be trying to nudge the austerity-minded Lusinchi toward an expansionary economic program and setting the stage for a populist campaign that will focus on pocketbook issues. In May, Perez publicly urged the government to show "audacity" in its economic policies. He blamed the previous Social Christian (COPEI) government of Herrera Campins for the "monstrous" foreign debt Lusinchi inherited, but said the country is ripe for an economic resurgence. [redacted]

Perez probably calculates that he is well positioned to capitalize on the politics of optimism and progress. In contrast to the recessionary gloom of recent years, many Venezuelans probably remember the Perez years from 1974 to 1979 as an era of unparalleled prosperity. The US Embassy reports that Lusinchi, meanwhile, seems determined to stick to his economic game plan for a gradual recovery that will not jeopardize Venezuela's international debt-restructuring agreement, risk runaway inflation, or discourage new investment. Given the likelihood that Venezuela's economy will remain sluggish in 1986 and Perez's penchant for political expediency, he probably will increase his populist rhetoric. Whether he will directly criticize Lusinchi's economic policies is unclear, but such a move almost certainly would stiffen the President's resolve to prevent Perez's nomination. [redacted]

Opposition to Perez

Until recently Interior Minister Octavio Lepage, a member of AD's Orthodox faction, appeared likely to be Perez's strongest challenger for the party's nomination. Lepage is a Lusinchi confidant, but party leftists strongly distrust him and he lacks broad

popular appeal. In June Lepage was accused by a leader of the major opposition party of illegally accepting funds from Juan Vincente Perez Sandoval, the former president of the Banco de Comercio, which the Lusinchi government has recently placed in receivership amid allegations of banking irregularities and kickback payments to public officials. The US Embassy believes that this episode has effectively killed Lepage's presidential ambitions and that the Orthodox faction will use the scandal to justify seeking another candidate. [redacted]

[redacted] party Secretary General Manuel Penalver has the inside track at this point to secure the backing of the Orthodox faction. As Venezuela's preeminent labor leader, he is one of the few AD figures who might be able to hold his own against Perez. Organized labor appears particularly concerned that a Perez presidency would increase the influence of the business elite at the expense of blue-collar workers, and members of the country's largest workers' confederation doubtless would enthusiastically support Penalver's candidacy. The leaders of the Orthodox faction are persuaded, [redacted] that a second Perez presidency would be as corrupt as the first and that the former president would destroy the power balance among existing leaders and factions. They probably would rally behind Penalver if he can demonstrate broad voter appeal. Two prominent "ortodoxos," AD President Gonzalo Barrios and Minister Secretary of the Presidency Carmelo Lauria, have reportedly been weighing the possibility of backing Penalver's candidacy. [redacted]

Outlook

Perez's anti-US orientation is well established and is unlikely to change. His public remonstrations with the Sandinistas—whether sincere or not—may bolster his credibility among some party members. With internal party elections scheduled for the end of the year, we believe Perez will continue to strike moderate poses on most foreign policy issues. [redacted]

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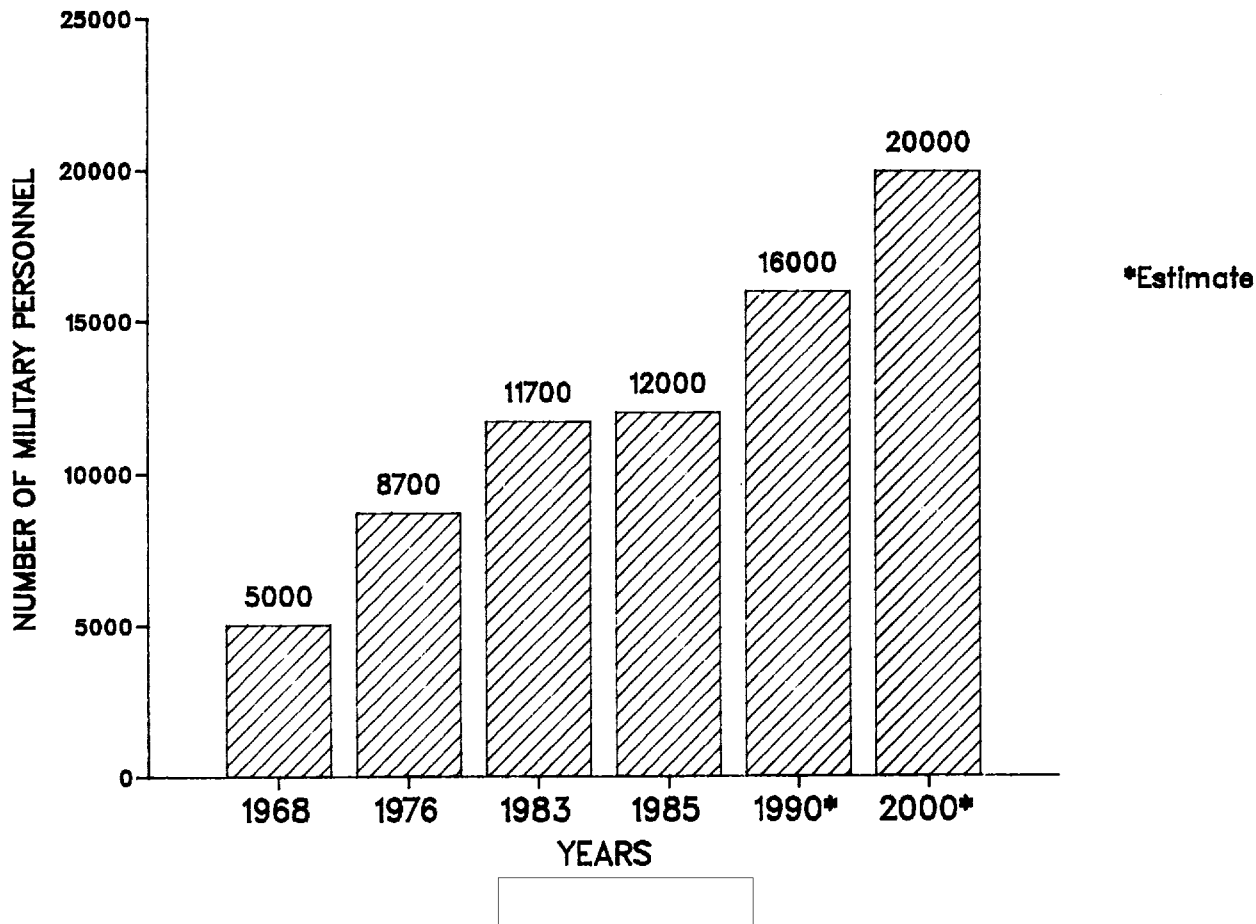
For their part, Lusinchi and his supporters—mindful of Perez's popular appeal—probably will prepare for party elections by maneuvering to retain key positions in the party machine and its labor and peasant affiliates. Down the road, however, they may face a quandary, particularly if Penalver or another moderate candidate fails to gain electoral momentum. If the moderates insist on trying to block Perez's nomination, we believe they risk splitting the party, losing leverage over the left, and ultimately jeopardizing AD's chances of retaining control of the government in the next election. By acquiescing in Perez's candidacy, however, they probably ensure losing effective control of the party. In this context, moderate ruling party stalwarts probably fear that, as a second-term president, Perez might be able to accomplish in a second term what he failed to do in the first—remold the party in his own image.

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Panamanian Defense Forces Personnel



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Panama: Onward Panamanian Soldiers [redacted]

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The Panamanian military has been modernizing its forces ostensibly to prepare for defense of the Panama Canal in the year 2000, when the US relinquishes responsibility for it. More current and compelling concerns include frontier security, support for Costa Rica in the event of Nicaraguan aggression, a potential influx of refugees, and drug trafficking. The Defense Forces, however, have encountered opposition to their upgrade as the new civilian government struggles with escalating economic difficulties and seeks to establish a preeminent position in Panamanian politics. [redacted]

handpicked presidential candidate in 1984, he increased PDF civic action programs, including road repairs, school construction, and other high-visibility projects. [redacted]

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Military Reorganization

In September 1983 the rubber-stamp Legislative Council authorized the reorganization of the National Guard into the Defense Forces of the Republic of Panama (PDF). The restructuring was designed to convert the Guard into a conventional military institution better able to undertake defense of the canal as stipulated in the Torrijos-Carter Treaties of 1977. [redacted]

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Further Rationale for Military Preparedness

Although the canal treaties provided the initial justification for the modernization of the PDF, the deteriorating regional security situation has recently given the effort added emphasis. For example, Panama's intention to defend Costa Rica against attack has taken on new meaning in light of Nicaragua's military buildup and continuing Sandinista border incursions. In late 1983, [redacted]

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[redacted] Noriega explained that more units and better training would be needed to enable Panama to help defend Costa Rica. Noriega's trips to confer with officials in San Jose, his visits to the border, and the basing of the Army's newest battalion along the Panamanian-Costa Rican border—rather than in Colon as planned—reflect his growing concern over Costa Rican security. [redacted]

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To provide the framework for its expanded responsibilities, the new organization combined the former Guard, its Air Force and Navy, a canal defense force, and law enforcement units. Ground units provide national defense, the Navy patrols territorial waters to interdict drug smugglers and illegal immigrants, and the Air Force is equipped for observation and reconnaissance. The National Guard retains its police and security functions, and other departments handle investigatory and immigration duties. [redacted]

Concern over a future influx of refugees as a result of the conflicts in El Salvador and Nicaragua has reinforced the military's mandate to enforce immigration regulations and prevent illegal entry. Officials are attempting to increase control over foreign nationals entering the country because the number already there are having an adverse impact on employment and housing opportunities, according to US defense attache reporting. [redacted]

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Although the title of supreme commander was legally ascribed to the President, former chief of the Guard Manuel Noriega immediately consolidated his power as Commander in Chief at the head of the unified force. He tried to identify himself with force improvements in order to bolster his stature, and he assigned loyal officers to key commands. Moreover, in an effort to influence voters to elect the military's

As Panama becomes more desirable as a transfer point for narcotics moving from South America to the United States and Europe, the military has been challenged to do better in interdiction and drug enforcement. Emphasis on drug smuggling by the local media focuses further attention on the PDF. In a

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briefing last winter for Colombian military officers, Noriega pledged Panama would intensify its land, sea, and air border patrols. [redacted]

Improved Capabilities

As a key part of its reorganization, the military has begun to increase its total strength in order to improve tactical capabilities. By 2000, the PDF expects to have 20,000 soldiers in uniform, according to US Army Intelligence. Current strength is 12,500. The plan includes using four combat battalions to protect the canal and to increase patrols in border regions. The first, a 600-man combined weapons battalion staffed by skilled professionals, was established in 1984 and the formation of the second is anticipated in September. [redacted]

In addition, the military is developing combined services operations for future defense responsibilities. The US defense attache reports that in February the PDF demonstrated its capability to conduct large-scale military exercises without US assistance. Coordinating operations in all 11 military zones, it planned and executed amphibious and airborne assaults and other tactical operations. [redacted]

Force expansion has led to a dramatic increase in new equipment and the formation of specialized units. The military is setting up a maintenance battalion to work on the growing inventory of heavy- and light-wheeled vehicles. In recent years, [redacted]

[redacted] Panama has received military hardware from not only the United States but also from the United Kingdom, Canada, France, Israel, and Brazil. Although Panama does not produce military equipment, it has been experimenting with the manufacture of a light reconnaissance vehicle, according to US Army Intelligence [redacted]

Development of a professional military has also entailed specialized training. The PDF is conducting courses on military intelligence, radio communications, and paramedic skills at the former US Army School of the Americas. Our defense attache reports that high-level officers have also been studying ways of improving training for female soldiers. Although Panama does not operate a military academy, the PDF has been taking

advantage of military scholarships provided by Latin American neighbors to develop officers. Military maneuvers are practiced in annual joint US-Panama Canal defense exercises to improve PDF logistic and defense capabilities and reinforce frontier units. In addition, training in combat techniques, antiterrorism, commando tactics, and psychological warfare is being provided by Israel, Peru, Venezuela, Argentina, and Brazil, according to the US Embassy. [redacted]

Political Fallout

Modernization and buildup of the Defense Forces have continued despite the deteriorating economy, austerity requirements, opposition outrage, and civilian resentment. Noriega, however, has taken steps to deflate the negative groundswell. Government newspapers played up the PDF's first attempt to combine sea, land, and air forces in military exercises without US assistance to illustrate PDF readiness to defend the canal. Similarly, an aggressive civic action program has been undertaken to help stem antimilitary sentiments. Partly as a result, Noriega managed to ease the military budget request successfully through the legislature amid popular protest and even got a significant increase—12 percent for 1985. The PDF has pushed ahead with major equipment purchases—including an Italian patrol boat and a French helicopter—in spite of stagnating economic growth and lenders' calls for decreased public spending. [redacted]

Outlook

Despite public disapproval, the buildup probably will continue. The Defense Forces hold the power and have influential supporters. Some civilian elements probably also believe that the military can be sufficiently distracted from political gamesmanship if allowed the resources to professionalize. Moreover, the military will be able to play on lingering fears of increasing regional instability and the potential for this instability to spill over into Panama at least in the form of increasing refugees. In addition, opposition elements are still too fragmented and disorganized to deter Noriega from his plans. [redacted]

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Uruguay: The Return of the Tupamaros [redacted]

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The far-left Movement for National Liberation, generally known as the Tupamaros, has been reorganizing since jailed members were freed by a presidential amnesty shortly after Uruguay returned to civilian rule in March. Some Tupamaros say they now intend to pursue their goals within the framework of the country's newly restored democratic political system, but others remain committed to a return to guerrilla violence, [redacted]

[redacted]

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Solid information on the current size of the movement is lacking. [redacted] we believe there are no more than 300 members at present. [redacted]

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Factionalism

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[redacted] Although they currently appear too weak in numbers and organization to mount a major threat to law and order, the Tupamaros could gain wider backing if the new government is unable to halt Uruguay's continuing economic decline. A resurgence of Tupamaro violence could eventually lead the armed forces to intervene again in the political arena. [redacted]

Differences between those Tupamaros who want to work within Uruguay's political system for now and those who advocate early resumption of the armed struggle are impeding efforts to reinvigorate the movement. [redacted]

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members of two factions—known as the Six Points group and the 26th of March group—favor resuming the armed struggle as soon as possible. It is unclear [redacted] whether these two groups are completely separate or have overlapping memberships. [redacted]

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Background

The Tupamaros, named for an 18th-century Inca Indian rebel, emerged as an urban guerrilla organization in the 1960s. Their activities progressed from Robin Hood-style bank robberies, purportedly for the benefit of the poor, to kidnappings and murders designed to undermine the democratic political system and pave the way for creation of a radically socialist society. By the early 1970s, the Tupamaros' numerical strength had reached between 500 and 1,000, with an additional 2,000 to 5,000 collaborators, according to open sources. When the civilian government proved unable to combat the movement, the armed forces assumed power in 1973 and cracked down harshly. Most of the Tupamaros were either killed, jailed, or driven into exile [redacted]

[redacted] the Six Points faction is led by Tupamaro exiles living in Sweden, but some of its members have returned to Uruguay. [redacted]

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[redacted]

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In May, top Tupamaro leader Raul Sendic and some of his colleagues issued a public statement disassociating themselves from the more radical factions. [redacted]

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[redacted] Sendic intends to concentrate for the present on rebuilding the Tupamaros organization, leaving armed struggle for sometime in the future. [redacted]

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Shortly after civilian rule was restored this March, the new government of President Julio Sanguinetti granted amnesty to all of Uruguay's approximately 300 political prisoners. Those released included around 80 Tupamaros, according to US Embassy reporting. Since then, members of the movement have been holding meetings, planning strategy, and trying to recruit new adherents. [redacted]

[redacted] the majority of the Tupamaros believe the movement should join the leftist Broad Front coalition, one of Uruguay's three [redacted]

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main political parties. [redacted] while they were in prison many Tupamaros came under the influence of the pro-Soviet Communist Party, which participates in the Broad Front. [redacted] members of the Six Points faction have had contact with a leader of the center-left Blanco Party, Senator Juan Raul Ferreira, and may have obtained Swedish financial assistance through him. [redacted]

Organizational and Recruiting Efforts

Sendic and other Tupamaro leaders have taken a number of steps to rebuild the movement. Shortly after their release from prison, they called on members to organize committees in neighborhoods and workplaces and to begin preparing for a Tupamaro "national convention" later this year. A number of organizational and planning meetings have already taken place. [redacted]

[redacted] Some of the emphasis evidently has been on economic issues. According to press [redacted] reporting, the movement is calling for renunciation of Uruguay's foreign debt, as advocated by Cuban President Castro for all Latin American debtor countries; nationalization of the banking system; and expropriation of large landholdings. [redacted]

The Tupamaros have also launched a recruiting campaign, aimed primarily at younger people residing in the interior of the country. [redacted]

[redacted] Tupamaro leaders believe that discontent over Uruguay's economic troubles—particularly over continuing inflation—is creating opportunities for recruitment in a number of interior areas. [redacted]

Military Attitudes

[redacted] Uruguayan military officers are disturbed by the reemergence of the Tupamaros, whom they regard as subversives. [redacted]

[redacted] some officers fear the Tupamaros will take violent action against selected military personnel for human rights abuses committed when the armed forces were in power. Sendic has said he will seek prosecution and punishment of all officers who were involved in the military regime's antsubversive campaign, [redacted] [redacted]

Military leaders have generally supported Uruguay's transition to civilian rule, and they do not appear inclined to take any independent action soon against either the Tupamaros or the Sanguinetti government itself. This could change, however, in the event of a resurgence of Tupamaro violence. The Army Commander, General Medina, has stated publicly that, while the military has no intention of staging another takeover, neither will it permit the forces of democracy to be overwhelmed by "enemies of the state." [redacted]

Outlook

The Tupamaros, in our judgment, currently lack the popular support they would need to pose a serious threat to Uruguayan stability. We also believe that the factions favoring an early return to armed struggle lack the capability to do so anytime soon. Over the longer term, however, if Sanguinetti fails to improve Uruguay's economic situation, we expect the Tupamaros to gain wider support, become more unified, and engage increasingly in the kinds of violent activities that disrupted Uruguayan society in the 1960s and early 1970s. Sanguinetti could eventually feel compelled to crack down, reimprisoning suspected Tupamaros and limiting Uruguayans' political and civil liberties. If the civilian government proved unable to deal effectively with a growing Tupamaro threat, the military would be tempted to seize power again. [redacted]

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**Latin America
Briefs**

**Argentina-United
Kingdom**

British Trade Ban Lifted [redacted]

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The United Kingdom announced in early July that it was unilaterally lifting its ban on imports from Argentina, imposed during the Falklands war three years ago. British Foreign Secretary Howe, visiting Brazil at the time of the announcement, said the move was intended to improve Argentine-UK relations and urged Buenos Aires to respond in a "constructive spirit." In its reply, the Argentine Government did not offer a reciprocal gesture on trade, according to US Embassy and press reporting, but instead called on London to begin negotiations that would address the issue of sovereignty over the Falklands. The Argentines offered to end the "state of war" that still exists between the two countries if the British would agree to such negotiations. [redacted]

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Talks between British and Argentine representatives last year in Switzerland—the first attempt at direct dialogue since the war—broke down over the issue of sovereignty. The British, in our view, will not be prepared to negotiate on this question until considerably more time has elapsed since Argentina's attempt in 1982 to settle the dispute by force. For its part, President Alfonsin's elected civilian government in Buenos Aires cannot abandon its insistence on negotiations on sovereignty without suffering political setbacks at home. The Argentines, nonetheless, would probably be willing to accept a negotiating agenda that deferred the sovereignty issue, so long as some provision was made for its eventual inclusion. [redacted]

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Argentina

Impact of Budget Cuts on Navy [redacted]

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Cuts in the military budget are continuing to take a toll on the Argentine Navy. Its program for building conventional submarines has been particularly hard hit. [redacted]

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[redacted]

[redacted] We expect the negotiation of new payment terms to delay delivery of this ship—already behind schedule—for as much as another year. In addition, work at Argentine shipyards on three other TR-1700s is being delayed because industry officials are unable to buy supplies or pay the West Germans for technical assistance. Completion of the first of these Argentine-built submarines, originally scheduled for this year, [redacted]

[redacted]

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In addition, cost-saving measures necessitated by the budget cuts have severely reduced the Navy's personnel training and equipment maintenance. Two exercise slowdown periods this year have restricted at-sea and naval flight training to what one naval officer has described as "token opportunities."

[Redacted]

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These problems already have rendered the aircraft carrier incapable of operating for extended periods. [Redacted]

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Efforts by the Navy to offset its budget problems by selling some of its ships to foreign buyers have been unsuccessful so far. In the past six months, [Redacted] Buenos Aires has engaged in negotiations with Libya, Iran, and several Asian countries on possible sales of Argentine submarines or other ships, but no agreements have been reached. Iran appears interested in purchasing Argentine submarines and destroyers, but Buenos Aires is reluctant to conclude a deal with Tehran because of US opposition. Given the scant prospects for revenue-producing sales and the likelihood of additional budget cuts under the new financial austerity program announced by President Alfonsin in June, we expect the Navy's capabilities to erode further. [Redacted]

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Argentina-Iraq

Aircraft Sale Stalled [Redacted]

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[Redacted] the deal appears to be stalled. The contract provides for the sale of 20 Pucaros along with bombs and spare parts, as well as training for Iraqi mechanics and flight personnel.

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[Redacted]

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[Redacted] the contract was signed in April by Iraqi officials and representatives of Argentina's government-owned Military Aircraft Factory (FMA), but that it has not been approved by top levels of the Argentine Government.

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[Redacted]

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The Alfonsin administration is facing considerable pressure both for and against the sale. Aircraft industry officials and their supporters within the government argue that the sale would boost the industry's revenues at a time when financial stringencies have forced the government to cut back purchases of military aircraft. Baghdad has pressed Argentina to honor the contract, while Iran has officially protested the sale and is threatening to reduce its substantial purchases of nonmilitary goods from Argentina if the deal is completed. [Redacted]

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[Redacted] President Alfonsin wants to avoid alienating Iran or Iraq and is therefore hesitant to make a final decision. [Redacted]

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