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Central Intelligence Agency



Washington, D.C. 20505

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DIRECTORATE OF INTELLIGENCE

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CENTRAL AMERICAN MONTHLY REPORT #17 (S)

PERSPECTIVE

Uncharacteristic tactical miscalculations by President Duarte coupled with the military's growing anxiety over the peace initiative generated coup plotting in December.

[redacted] Duarte's perceived tampering with the military institution and that senior officers had never intended actions that would jeopardize US assistance. Nevertheless, the pronounced military disgruntlement with the Executive has given extreme rightist political leaders opportunities to build upon their already strong influence with key officers, and the events of December underscore both the antipathy that Duarte continues to engender and thus, the inherently fragile nature of his administration. (S ~~NP~~ NC OC)

Despite the military's public backing for the peace process, armed forces' distrust of Duarte apparently has increased since the first round of talks with the guerrillas in October. The President's subsequent lobbying for a cease-fire and his insistence that a notorious junior officer be cashiered for alleged human rights abuses—even though the officer had been exonerated by the Salvadoran Supreme court—generated strong resentment in the military. Ultimately, however, the catalyst

This memorandum was prepared by the Central America North and South Branches, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 5 January 1985. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA, [redacted]

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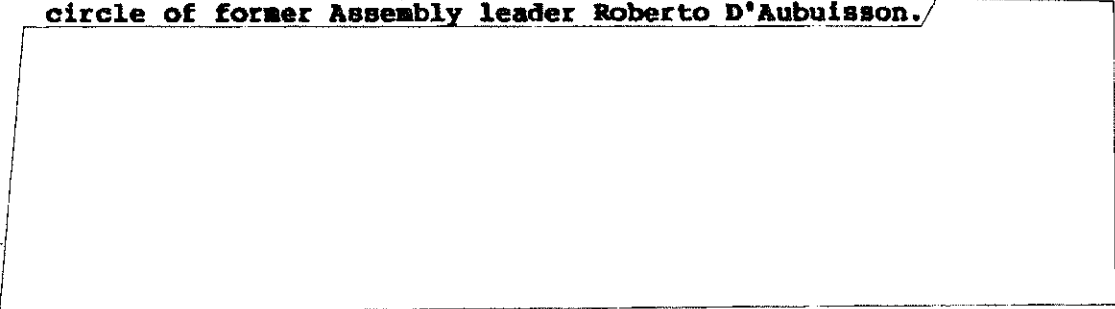
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for the plotting was Duarte's efforts to promote Colonel Lopez Nuila, the Deputy Defense Minister for Public Security, despite strong military opposition stemming from Lopez's lack of combat experience and the perception among officers that his loyalty was to Duarte rather than to the institution. (S NF)

Notwithstanding the omission of Lopez's name on the final promotion list, the incident has offset earlier improved relations between the officer corps and Duarte. It has also raised questions about the President's judgment, especially during a period of delicate discussions with the guerrillas when any sign of dissension plays into the hands of the extreme left. We further believe that the sense of unease in military circles has been reinforced in the political arena. Here, Duarte apparently miscalculated the strength of opposition in the Assembly to his line veto of provisions in the new electoral law aimed at damaging Christian Democratic prospects in the legislative and municipal election scheduled for March. Recent reporting from the US Embassy indicates that Duarte's action has increased cooperation between moderate rightists and extremists, and at month's end the Christian Democrats were anxiously seeking a means of minimizing their political quandary. (S NF)

A major beneficiary--and prime instigator--of Duarte's difficulties at this juncture appears to be the extreme rightist circle of former Assembly leader Roberto D'Aubuisson.



Although their roles remain enigmatic at this point, senior officers clearly had knowledge of the plotting.

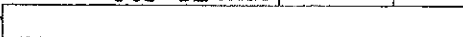


We believe fear of jeopardizing the war effort would be likely to override most personal and ideological animosities in the military toward Duarte, but that the rumblings at a minimum were intended to convey the seriousness of institutional disgruntlement to the Salvadoran President--and to Washington. Duarte, meanwhile, probably anticipates that D'Aubuisson and his extreme rightist followers will continue to

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foment dissension in the military through ties with leading officers such as Ochoa and Bustillo. While Duarte probably would like to remove these officers, their effectiveness in the field and his own political weakness preclude such action. ~~(S NF NC OC)~~

With the Lopez issue behind him for now and with the Christian Democrats assuming an increasingly conciliatory posture in the Assembly, the immediate threat to Duarte apparently has passed. The respite is likely to be temporary, however, as the next round of talks with the guerrillas--tentatively scheduled for late January--will again heighten military sensitivities and anxieties. Such an environment will present extreme rightists and military malcontents with good opportunities to vent their frustrations, and the security threat to the President--including the risk of assassination--will escalate accordingly. ~~(S NF)~~

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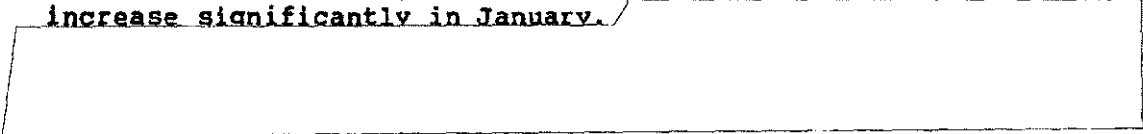
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Military

With the exception of several minor clashes, the holiday truce was generally observed by government and insurgent forces. Nevertheless, there are indications that fighting may increase significantly in January.



Meanwhile, numerous reports reflected rebel plans to increase economic warfare throughout the country. Insurgents in the western departments of Santa Ana and Ahuachapan were to establish or reactivate logistic networks to support a "sharp" increase in activity, [redacted]. Some 800 to 1,200 rebels reportedly plan small-scale attacks and harassment actions there against economic targets, especially the coffee harvest. Guerrillas in Santa Ana, where a large coffee processing plant was destroyed in late November, continue extorting money from local coffee growers.

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Several terrorist actions in December in the heretofore quiescent capital may be part of this overall tactic of stepping up operations against the economy. [redacted]

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capital's transportation, electrical, and telephone systems. In addition, a rebel splinter group--the Clara Elizabeth Ramirez Front (CERF)--has been responsible for a number of terrorist incidents in San Salvador since November, according to various reporting. The insurgent clandestine Radio Venceremos' confirmation of the CERF's responsibility for one recent assassination suggests insurgent leadership approval of its activities. ~~(S NF NC OC)~~

The Salvadoran Army continued sweep operations against guerrilla strongholds in December to keep pressure on the insurgents. Several operations--including an advance on northern Morazan--produced little contact with the enemy.

and the Salvadorans boarded, searched, and registered several civilian ships in the area. ~~(S NF)~~

Economic

Attempts by the guerrillas to disrupt harvesting are not seriously hurting overall economic performance but are contributing to rural unemployment and losses for some growers. The US Embassy estimates that the cotton harvest for 1984/85 will increase slightly while coffee production is expected to fall by 7 percent. Export revenues will be unaffected, however, since production still exceeds the amount El Salvador is able to sell on world markets. The smaller coffee harvest is due more to inadequate production incentives than to destruction by guerrillas, according to the Embassy. ~~(C)~~

Meanwhile, exporters should benefit from the monetary board's decision in early December to allow a larger percentage of foreign exchange transactions at the parallel market rate. Approximately 40 percent of all imports and exports will now be traded at the parallel rate of US \$1=4 colones, and all others will continue to use the official rate of US \$1=2.5 colones, according to the Central Bank president. The new regulations should help ease the shortage of foreign exchange and pave the way for an official devaluation after the March election. ~~(C)~~

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Military

Insurgents of the Nicaraguan Democratic Force (FDN) again

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