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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

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National Security Council Meeting  
January 10, 1986; 11:00 AM - 12:00 PM; Cabinet Room

SUBJECT: Review of US Policy in Central America ~~(U)~~

PARTICIPANTS:

The President  
The Vice President

Vice President's Office  
Mr. Craig L. Fuller  
Mr. Donald T. Gregg

State  
Secretary George P. Shultz  
Mr. Elliott Abrams

Treasury  
Secretary James A. Baker, III

Defense  
Secretary Caspar W. Weinberger  
Dr. Fred Ikle

OMB  
Director James C. Miller

White House  
Mr. Donald T. Regan  
Adm. John M. Poindexter  
Mr. Donald R. Fortier  
Mr. David L. Chew

NSC  
Mr. Raymond F. Burghardt  
Lt. Col. Oliver L. North

CIA  
Director William J. Casey  
Mr. Alan Fiers

JCS  
Adm. William Crowe  
Lt. Gen. John Moellering

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Minutes

Adm. Poindexter: Mr. President, we are meeting today to review our policy in Central America. In general, we are making good progress there. A democratic system is being established in El Salvador, and El Salvador has had much success, in part, because of our help in keeping the insurgency under control. Recently there was an election in Guatemala, and soon that country will make the transition from a military dictatorship to democracy. There also were recent elections in Honduras, and there will soon be elections in Costa Rica. The one significant problem area is Nicaragua. It is important to keep in mind that success in Nicaragua is important for US security and would be a significant symbol for the rest of the world. We need to have success there to be able to deal with the Soviets on other regional issues. If we cannot succeed in such a close area, it will have clear implications for our ability to deal with the Soviet Union on other issues. We need to be successful in Nicaragua in the next three years -- in the remaining years of your Administration. There has been some progress in increasing the military, economic and diplomatic pressure. But, we need to increase the momentum and ensure that we can be successful in the next three years. One option is to restore some type of military assistance to the armed resistance. We need to consider the timing and approach to the Hill for making sure we can get that kind of assistance to them. And, now, Bill Casey will give you an intelligence overview. (S)

Director Casey: Mr. President, this is the first time we have addressed Central America in the National Security Council in 15 months. In that time, we have published four intelligence assessments on the Soviet military buildup in Nicaragua, Nicaraguan support for subversion in Central America, and the status of the insurgency in Nicaragua. (S)

The resistance has held itself together in a remarkable way and intensified its activities. The resistance is the only obstacle, short of direct military intervention, to the consolidation of a Marxist-Leninist regime in Nicaragua. That consolidation would represent a serious threat to our security. It would threaten our sea lanes and divert our attention from other vital areas. To fully appreciate the challenge to our security, we have to look beyond Nicaragua to Cuba, where the Soviet Union has created a strategic military presence in the Western Hemisphere. The Soviets have exported to Cuba anti-aircraft, SA-2s, surface-to-air missiles, attack boats, and Foxtrot submarines. The Soviets have their own military base in Cuba, where 4,500 advisers are stationed.

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Nicaragua represents the extension of this Soviet presence on the mainland. In the past five years, the Soviets have shipped \$350 million in military equipment to Nicaragua, including sophisticated tanks and MI-25 attack helicopters. They have given to Nicaragua an early warning radar capability which reaches as far as the Panama Canal. They now are cooperating in developing an air defense system. The Cubans are giving assistance to develop, in Nicaragua, at least three airfields capable of handling Soviet bear bombers: Sandino airfield, near Managua; Puerto Cabezas on the Atlantic Coast; and Punta Huete, which will have a 10,000-foot runway -- the only one in Central America capable of handling all classes of Soviet aircraft. We also see the Bulgarians building a major naval base at El Bluff, on the Atlantic, which will be capable of handling 5,000 ton vessels. This is to complement the Pacific ports being developed at Corinto and San Juan del Sur. Since the Soviets, then, will have access to advanced port facilities on both the Pacific and Atlantic coasts, they are considering building a new canal across Nicaraguan. (S)

Our attention has generally been focused on the export of revolution, but we increasingly are seeing that the consolidation of a Soviet-aligned regime in Nicaragua bears on the national security of the United States. And the problem is not only there. We see a similar threat in Afghanistan, Libya, Mozambique, Angola, and in the South China Sea at Cam Ranh Bay. Seen in this broader context, we see that the Central American conflict is the closest. (S)

We must see how close the Marxist regime in Nicaragua is to closing off a democratic future. In the past six months, the Sandinistas have been under a lot of pressure -- economic, political, military, and diplomatic. They have reacted by hardening their policies and determining that they can weather any US challenge.

 The Sandinistas spent over 50% of their government budget on defense in 1984 and 63 percent in 1985. Economic activity there has declined by 25% in five years. Exports have dropped from over \$1 billion to less than \$300 million per year. (S)

The Catholic Church is the forefront of the opposition in Nicaragua and has adopted a higher profile. Cardinal Obando y Bravo has made pastoral visits throughout the country and called for negotiations between the Sandinistas and the resistance. The Sandinistas have stepped up their counterinsurgency war. Only a large increase in Soviet bloc aid

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has kept the economy afloat at all. They gave \$400 million in economic aid last year. This was not enough to prevent a decline, but it does keep them afloat. Moscow provides 80% of their oil needs. Libya and Iran also help -- about \$200 million per year. ~~(S)~~

The Sandinista decree on October 15 suppressed all civil liberties. Since then, they have strongly suppressed the Catholic Church by closing the radio station, forbidding its newspaper to publish, etc. The government, also, has detained Protestant ministers, business and labor leaders, political leaders, Nicaraguan employees of our embassy. It has required the only independent human rights organization to submit all its reports for prior censorship. ~~(S)~~

The resistance has grown from 14,000 to 18,000 in the last six months. They are fighting further inside Nicaragua than before. At the same time, the Sandinista armed forces have become more effective and are using more sophisticated weapons, which they are obtaining from the Soviet bloc. They have organized counterinsurgency battalions. The Soviets and Cubans have helped them with their radio intercept capability. Cubans are piloting the MI-8 helicopters. The Cubans are becoming more directly involved in the fighting and had more casualties in 1985 than in 1984. ~~(S)~~

The resistance has held itself together, but this last obstacle to the consolidation of a Marxist-Leninist regime is likely to be ground down unless it receives greater help soon. Greater help is also required if we can expect Honduras, El Salvador, Costa Rica, and Guatemala to continue to take risks by providing support to the resistance. ~~(S)~~

And, now, I would like to ask Alan Fiers (who is Chief of our Central American Task Force) to provide a briefing on the current situation in Nicaragua. ~~(S)~~

Mr. Fiers: Mr. President, the armed resistance has faced an increasingly difficult challenge from the better-equipped and better-trained Sandinista forces. In the northeast, the Indian and Creole forces are now in a weak state because of lack of sufficient supplies. In the south, the resistance forces do not pose a real challenge to the Sandinistas. In the north-central area, the Sandinistas are developing an infrastructure to prevent infiltration from Honduras by the resistance. They have constructed helicopter fields and fire support bases at strategic locations. They, also, have developed counterinsurgency battalions which are highly mobile and capable of rapid attack in response to insurgent forces. ~~(S)~~

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The FDN now has 8,000 men in country. Five thousand are in the Rama Road area, where they have been fighting for the past two months with good effect. They have intercepted the road, which is a key Sandinista supply route, and have occupied one town briefly. The other 3,000 FDN in Nicaragua are in their traditional area in the north-central region. This dispersement has forced the Sandinistas to split their counterinsurgency battalions: eight are in the central region, and the remainder in the north. (S)

Currently the Sandinistas are focusing on interdicting the FDN's lines of supply and of reinfiltration into the country. The counterinsurgency battalions are cutting the infiltration lines. The FDN has 8,000 men in Honduras -- bivouacked there for lack of supplies. Honduras has refused a resumption of supply flights into Honduras, so it is difficult to resupply the task force in Nicaragua. If they are not resupplied, they will soon be forced to exit, a 45-day march north to Honduras. We now are taking steps which we hope will fix the supply situation in the near future. We are seeking alternative methods of supply out of El Salvador. If we could have a full program of support, the FDN could grow to 30,000-35,000. If we could resolve the supply problems with cooperation from Honduras, El Salvador, and others, it is not incredible to think that we could have 35,000 fighters in country, deployed in two areas. This would stretch Sandinista resources thin. If new fronts could be opened in the northeast and south, it would stretch the Sandinistas' fighting force. If we could use Costa Rica and Guatemala as supply lines, we then could stretch the Sandinistas' anti-aircraft capability so that it would be difficult for them to cope with the supply flights. (S)

With an increase in support, it is possible to increase the pressure on the Sandinistas so that they would be facing great difficulty, forced to choose between negotiating with their opposition, collapse, or dealing with a military situation which they could not manage. (S)

Adm. Poindexter: We now will hear from Secretary Weinberger on the military situation. (S)

Secretary Weinberger: The military situation is considerably less favorable than it was a while back. We are concerned that we have focused so much on Honduras as a base, that, now, we face a situation in which the new government there probably will not be as favorable. I would suggest, Mr. President, that you keep the lines of communication open to President Suazo, both before and after he leaves office. Suazo has been cooperative. It may be possible, if you send a message to him, to persuade him to permit a shipment in there before he leaves office. (S)

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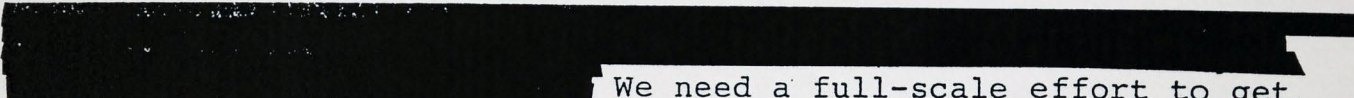
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Soviet shipments to Nicaragua have risen dramatically since 1981. There have been a total of 37 deliveries. They continue to pour in tanks, helos, artillery. We believe we should go to Congress for support for \$100-\$110 million in covert military aid. We must persuade Congress of the danger of a growing military presence in that area. The Sandinistas could undo all the good work which has been done in El Salvador and threaten the other democratic countries in the area. The contras are not in a very good situation now. They are resupplied only by air. They have no road communication with Honduras, and their exit would be very dangerous. (S)

One of our goals should be to persuade the contras to form into a single political unit to allow them to be the vehicle for a change of regime in Nicaragua. With the Sandinista regime totally Marxist-Leninist, there is no possibility of friendly relations with them. It is developing into a Soviet base and will be another Cuba unless we can restore it to a friendly government. (S)

 We need a full-scale effort to get the funds for a covert military program: good relations with the future and outgoing governments in Honduras and Guatemala; and in the long-term, we need to develop an alternative government for Nicaragua. There is a great danger; Nicaragua can undermine all the good progress in neighboring governments. (S)

And, now, I would like to ask Admiral Crowe, who has just visited Central America, to give you some of his observations from his trip. (S)

Adm. Crowe: I agree with what has been said by Director Casey and Secretary Weinberger. What was most significant to me on my trip was what was said by our ambassador in Nicaragua, Harry Bergold, who met with me in Honduras. Ambassador Bergold said that the insurgency was more of a harassment than a threat to the Sandinista regime and will not be successful unless it starts having some victories in the field. The Nicaraguan insurgency has inflicted more casualties than any other in Central America; it is the largest insurgency in the region. But, I heard from General Galvin, as well as from Ambassador Bergold, that it has no strategy and is not well-versed in tactics; they spin their wheels a lot. I agree with the thoughts which have been expressed here about the need for equipment and supplies and to prepare politically for the long term. But they, also, need training and advice. We need some way for our people to get their thoughts to them. It could be through the Hondurans, or the agency people, or we could do it ourselves if

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the traffic will bear that. We could have a US military group in Honduras to advise the resistance, but, presently, we are not allowed to do that. (S)

Adm. Poindexter: Secretary Shultz will now give us a diplomatic update. (U)

Secretary Shultz: Rather than talk about the diplomatic side (which is fairly obvious), I would like to talk about what to do about all this. Bill, you gave a good summary of the situation. I agree with your references to the other situations in the world. Afghans need our help to keep the program going. The Soviets are not having their way in Afghanistan. There are courageous, tough people in this world who deserve our support. In Vietnam and Cambodia, I have always felt that supporting the ASEAN program is important -- keeping Vietnam isolated and making an example of what Hanoi is like compared with Bangkok, Kuala Lumpur or Singapore. You should talk with Armitage, Wolfowitz, and Childress about what Hanoi looks like compared with anywhere else in Southeast Asia. Their economic system produces a disaster (just as it does in Nicaragua), and that contrast is our greatest weapon. (S)

With respect to Latin America, you didn't mention Peru, Bolivia, and other places in South America where the combination of narcotics trafficking and terrorism has created a serious challenge. (S)

I think we need to do the following things for Central America; this is the action component of our meeting: First, we need to make a major push in Congress to have the wraps taken off us on things we can do for UNO. We ought to have in mind to make a big push after the February recess. We should seek a funding level which will last through FY 1986 and FY 1987. I have in mind what has been said about the need for sustainability. We should step up the funding level, whatever it should be. As a strategy with Congress, I would keep the overt program alive (at about \$35 million in 1987), but, then, stress the need for a covert program as well. We see in Honduras what has happened because of an overt program; they can't stand it. We need to make it covert in order to go to other countries to ask for support. Elliott already has been out probing. Our present funds end on March 31, and we have a fast-track legislative vehicle to get a vote in a hurry. So we can pick our timing. After the February recess would be a good time, and we should go for a bundle. (S)

Second, we should try to enlarge the base of support for UNO beyond ourselves. It hedges them and gives them better standing. Yesterday, Cruz, Robelo, and Calero had a one-and-a-half hour

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meeting with Senator Lugar. It was very effective. If we decide what we are going to ask Congress for, UNO can be very helpful. We need to keep pushing our effort on behalf of the Nicaraguan opposition and for our entire Central American program. The program has been a gigantic success. Compared to where it was three-and-a-half years ago (when I first became involved with it), there is just an enormous difference, as John pointed out. The evidence of Sandinista involvement in drug trafficking and with the M-19 in Colombia scares Nicaragua's neighbors because they see the drug/terror link. That gives us a good handle to press them. (S)

On the military, we have a marker out there on the introduction of MIGs, and we need to hit them hard if they do it. I have heard there is some tendency to back-track here, but I think we need to hit them hard. I laid down the marker with Gromyko in New York in 1983 after everyone here took a blood pledge that we would live by it. (S)

Finally, we need to stand by our friends in Central America, and that means money. Their economies show some chance of progressing, but our economic aid level is now a half-billion dollars below what was recommended by the Kissinger Commission. The military aid (before any Gramm-Rudman cuts) is holding its own for Costa Rica, up slightly for El Salvador, down a bit in Honduras, and down in Panama. In ESF, we will be giving Guatemala \$50 million compared to \$12.5 million and maintaining the level unchanged in El Salvador, but at the expense of a \$35 million cut in Costa Rica and smaller cuts in Honduras and Panama. For the last three days, I've been going over these numbers, and Cap has called me because we're taking something out of Korea. Central America has to be right up on the top of our priority list. We have dramatized what life is like in Nicaragua, Cuba, and the other communist countries compared with democratic countries. In the long run, that is our game and what will win for us. (S)

In Nicaragua, somehow we need to project UNO as the democratic alternative, emphasizing what they want to do for the country besides being fighters. (S)

As far as Contadora diplomacy is concerned, it is essential on the Hill that we be able to say that, of course, we have a negotiating option and that we would like to see Contadora succeed with the right treaty. On Manzanillo, you put forward our position and said we would negotiate if they basically change their government. So, we are the most reasonable people in the world. On Contadora, the Nicaraguans have been playing into our hand because they have walked away from the talks. So, we are in a good position there. (S)

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Admiral Crowe, I know that you are thinking of pulling the dependents out of El Salvador, and I sure hope you don't do it. It's a dangerous business serving there -- we know, because we have our foreign service dependents there. If we take the dependents out, it will undermine everything we are doing to show confidence in Duarte. It will also undermine dealing with asylum cases in which we are stating every day that it would be safe for people to return to El Salvador. (S)

Adm. Crowe: I talked with the military dependents there, and I can tell you, they agree with you completely. (S)

The President: The wives don't want to go home? Maybe we should issue them weapons. (S)

Adm. Crowe: They made their position very vigorously. They said they are part of our policy there, are contributing to our policy, and don't want to quit. (S)

Secretary Baker: I couldn't agree more with anything than with what George said on the marker we have laid down on aircraft. That marker has been down there a long time. (S)

Director Casey: The Soviets don't need to bring in fighter aircraft. Even without it, they are well on their way to setting up what they need there. Perhaps we need a new marker which states that we will not tolerate actions which threatened our national security. (S)

Secretary Shultz: In retrospect, one problem with the marker is that it says that anything else is OK. We should discuss some more the need for a big request to Congress. (S)

Secretary Baker: The atmosphere should be good. In general, a lot of minds have changed in Congress. A lot of money can be made by carefully consulting with the committee chairmen on this subject. If the Congressmen hear about our request from us and not, first, in the newspapers, there is a good chance of getting it. (S)

The President: I have talked with Congressmen about this, and they think we have an excellent chance of getting lethal aid now. But, we should start to go after it now, George, not after the February recess. (S)

Mr. Regan: That's right. We should approach Congress now. (S)

Secretary Shultz: What I recommend is that we form an interagency group to come up with a Congressional strategy. Last time, the group was under Don Fortier. But with his new job,

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maybe Don wouldn't want to do it this time. Elliott has already gotten involved in sounding out Congress. We can decide how to organize the group. ~~(S)~~

The President: Some of you have heard me refer before to Lawrence Bealman, an old friend in California. Bealman wrote in one of his books that Lenin created subversion as a profitable weapon of aggression in the world. When you mentioned Afghanistan, George, I thought you meant to say Nicaragua. But your point about all the regional conflicts was correct. Do the Soviets want peace? Of course they do; they want to win without war. We can wake up one day and find ourselves virtually isolated, defeated in the end, but without war. I agree with Don; we need to start now to get what we need. (To Adm. Crowe) I understand the difficulty your people have talking with the contras. There must be some way; maybe they could have barbecues with them. George, you said I should think it over and decide. Well, I've thought it over. The answer is yes. ~~(S)~~

Adm. Poindexter: We'll get together a battle group with Elliott and Don. The group can come up with a game plan for Congress. It is important that at least part of the funds be covert, and there is no reason to ever talk about the military assistance. ~~(S)~~

Secretary Shultz: We can use the overt program as an asset. We can say that's our assistance. And, there must be no leaks on this meeting. This must be held tightly. ~~(S)~~

The President: That's right. ~~(S)~~

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213237	MEMO	BURGHARDT TO POINDEXTER RE NSC MEETING (INCLUDES ATTACHED TALKING POINTS)	4	1/8/1986	B1
213240	PAPER	RE DIPLOMATIC STRATEGY FOR CENTRAL AMERICA	9	ND	B1
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