



10 DOWNING STREET

PRIME MINISTER

Alfred Sherman has asked me to submit to you the two papers attached.

They are:

1. Grenada's Global Significance which is an immediate up-date of
2. Discussion Notes on Central America.

Stephen

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CONFIDENTIAL

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GRENADA'S GLOBAL SIGNIFICANCE.

26 Oct 1983

NOTES ON CENTRAL AMERICA (enclosed) were completed Sunday, for re-typing. In light of subsequent events in Grenada and reactions here, I add a few lines.

1) Grenada has crucial strategic and political importance. Strategically, it would provide Cuba/USSR with an Eastern Caribbean base, from which it could threaten Venezuela as well as the Eastern Antilles.

Cuba launched guerrilla war against Venezuela in 1962 through the Castroite MIR (Independent Revolutionary Movement) whose successes drew the official Moscow-supported communists, who had originally held back, into the offensive, and came close to creating a civil war, as well as dangerously increasing the then social-democratic government's dependence on the military. (I watched these developments at first hand, at the time.)

The Cuban-backed guerrilla campaign, which had succeeded in setting up base-areas in mountain and jungle, was finally defeated after a long military and political struggle. Cuban aid was only partly effective because the Venezuelan Navy, with US help, was able to intercept a good deal of Cuban shipments of arms, guerrillas sent overseas for training, etc.

Were they able to operate from Grenada, where fast boats can make the trip to Southern Venezuelan beaches and fishing villages, and back, under cover of darkness, Venezuela would stand in much greater danger.

The Eastern Caribbean Federation's members feel that a strong Cuban/USSR presence on Grenada would threaten them, giving the Soviet Union its own West-Atlantic GULAG archipelago, as well as obliging the USA to divert substantial forces there. And from where could they divert them, other than from Europe or the Persian Gulf?

The Grenadan episode was also seen as a major test of US will to resist further Soviet encroachment. Its consequences were bound to reverberate, one way or the other, throughout Central America/Caribbean. They will vitally affect the credibility of America's stance vis a vis Central America - and perhaps, ultimately, Mexico, a candidate for subversion.

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Only direct action could have succeeded at this stage in the game. Had it been delayed, the Cubans/Russians could have flown in troops, causing a quantum leap in the scale of operation needed to reduce the Island. Moreover, had Cubans or Russians officially established themselves, the political implications of a US/Caribbean invasion would have been all the more daunting. With their base in Cuba, the Russians can move brigades with full equipment by airlift, as they practiced doing from the USSR to South Yemen a couple of years ago. A stitch in time saved ninety-nine.

3) There can be no question of economic sanctions succeeding. After 25 years, they have failed completely in Cuba, which can now levy tribute on Mexico and Venezuela to eke out heavy Soviet subsidies. (Mexico's tribute is actually financed by US and British "loans" of the non-returnable variety. But then, so to a large extent is Soviet imperial expenditure.)

A fortiori, in the case of Grenada, with only a hundred thousand inhabitants with low living standards, the Soviet/Cuban exchequers could have carried them in their stride indefinitely.

4) The Grenada episode can only be understood against the Soviet attempt, outlined in my NOTES ON CENTRAL AMERICA, to gain and extend a foothold in Central America/Caribbean, with the intention of outflanking Europe, reducing American presence in Europe, threatening oil-rich Mexico and Venezuela, and neutralising the Panama Canal. If Reagan's policy in Central America and his Caribbean Initiative are broadly right, so is his decision to invade Grenada.

5) Having supported its allies in Europe and elsewhere (whatever the imperfections of understanding and cooperation, which I should be the last to minimise) the US expects a measure of support when it is fighting on its own doorstep. As I explain in my note, if this support is not forthcoming, and if indeed Europe seems to be either neutralist where the New World is concerned, or actively on the other side, like the French, anti-European and neo-isolationist currents in the USA grow stronger, reinforcing the "liberal" and leftwing neutralist opposition to confronting the USSR over Europe.

Hence, it is not only the special relationship which is at stake, but also the North Atlantic Alliance.

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6) Grenada embodies the global struggle. To see it primarily in terms of the well being of 200 British citizens there is to voluntarily abdicate status of world power and withdraw into ridiculous parochialism.

The French, predictably, have reacted on the basis of narrow, short-sighted opportunism, with a mixture of de Gaulle's worst and most negative anti-Americanism and the Mitterand family's infatuation with the vicarious thrill-seeking leftism represented by Mrs. Mitterand's protegee, REGIS Debray. They have done much harm in the Salvadorean conflict with the notorious Franco-Mexican statement.

The trouble is that there is, unfortunately, a whole school in the FCO which follows the French almost blindly. In this case there is confluence between the pro-French and the apologists for the Soviet Union, and the general stance of appeasement, which led me to characterise the dominant FCO approach to the struggle between the USA and its Central American allies on the one hand, and the Soviet/Cuban/Nicaraguan drive on the other, as neutralist.

(I could document this if required.)

Though it varies from one person to the next - and there are some good robust people in the FCO - this is the overall impression, exemplified by the superintending under-secretary, Ewer (or is it spelled Ure?)

7) It may be said that the United States went into the Grenadan venture without first ascertaining how they were eventually going to be able to extricate themselves. This may be true. And in an ideal world, one should never enter a situation without knowing how one can eventually exit, or at least keep lines of retreat open.

But in this imperfect world, there are cases where to act first, while there is time, and work out subsequent moves by rule of thumb, is better than putting off acting till it is too late to do anything . I think that the Grenadan affair belongs squarely in the second category, and that one way or another, with the help of other Caribbean countries, including Jamaica, and I should hope of Britain too, arrangements can be madw within weeks which will allow the Marines to leave with political as well as military victory. Reagan can do with it.

It seems a better contribution to seek ways of helping the Americans extricate themselves with a political victory than to chide them for not having elaborated a complete politico-military plan before acting in the first place.

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8) Healey, who is the complete opportunist, will play as hard as he can to the Leftwing anti-American gallery. If we seem uncertain as to which side we are on, Labour will rout us, the genuinely patriotic wing of the Labour Party will be left in mid-air, and the various factions of the Alliance will be left to choose between neutralism (strongest on the Liberal side) and outflanking the Tories from the patriotic Right, which might be Owen's choice. I should rather he be spared that dilemma.

End of Grenada-annexe to NOTES ON CENTRAL AMERICA.

DISCUSSION NOTES ON CENTRAL AMERICA

1. The third world war is being fought in Central America.

If the Soviet-supported and directed communist drive makes headway, Europe will be outflanked, and the United States will be forced into a defensive "new world" strategy, reducing the political, economic and military resources it is prepared to devote to Europe.

2. The four Central American countries have shown themselves capable of surviving a high level of terrorist activity directed and supported from Cuba and Nicaragua.

This is true for El Salvador, where the uprising planned by the communist fronts" at the meeting in Cuba failed to gain mass support. The guerrilla war has turned into a war against El Salvador, carried out from secure bases in Nicaragua, destroying roads, bridges, wells, factories, farms (including cooperatives set up under "land reform" after 1979), public utilities, kidnapping for ransom, and assassination.

El Salvador now has a respected President and a respected Minister of Defence : its citizens are learning to live with terror. Its army could achieve more if the US military authorities were allowed to increase their aid to the limit which they consider could be absorbed. The obstacle is in Congress.

3. Guatamala has survived terrorism and guerrilla warfare which preyed on Indian resentments dating back to the Spanish Conquest.

(Guatamala and Mexico are the only countries in Central America / Caribbean Basin with an Indian problem. In Guatamala, where about half the population is Indian in language and way of life, ethnic relations are politicised to an extent not evident in Mexico.)

Terror, Kidnapping, assassination and destruction of economic targets have failed to destabilise the Guatamalan Government. But both in Guatemala and El Salvador - as in some countries of the Southern Cone - frustration at the failures to end the guerrilla war have paved the way for "right-wing" death squads, which are equally destabilising, but which can most successfully be suppressed as as the war against terror shows assuring successes.

4. It remains true that without an escalation in the scale of attacks against the Central American Countries, with more overt intervention from Nicaragua, none of the Central America regimes can be overthrown. They can however be kept for years in an state of insecurity, tension, economic difficulty, frustrating hopes of advance towards constitutional rule, de-militarisation of governmental institutions, and economic progress, and providing fertile soil for "counter-terror", i.e. death-squads.

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5. These problems are exacerbated by US ambivalence. The pro-communist propoganda campaign has struck deep roots in the USA, in the East Coast media, the Catholic Church, universities, and above all in Congress, where it is amplified by the pre-election atmosphere.

The communist disinformation campaign, as ever, is orchestrated on a world scale. Defence of freedom and Western security, by contrast, lacks score or conductors. Only recently has President Reagan taken steps to wage a war of ideas. This includes the appointment of the bi-partisan Kissinger Commission, and the appointment of two special ambassadors for Central American Affairs, one of them, Ed Stone, a former Democratic Senator for Florida, the other, Otto Reich, concerned with media and Congress.

6. Central America has a European dimension. As early as January 1981, I warned that European failure to support the US in Central America, indeed to treat Central America as a problem of the whole free world, not just for the USA, would led to estrangement in US-European relations and strengthen neo-isolationist tendencies. This has come to pass to an alarming extent, and bears some of the responsibility for the pro-Argentine posture of groups which would otherwise have placed emphasis on NATO solidarity.

7. In the case of France, and to a lesser extent other members of NATO, public and governmental opinion has gone so far as to support Communist revolution in Central America, to call for recognition of the terrorists as equal partners in negotiation, and to produce classic anti-American stereotypes.

The British attitude has been ambivalent. The Prime Minister has made statements supporting the US and Salvadorean Governments. The Government sent observers to the elections. However, El Salvador remains without a resident British Ambassador, a source of considerable resentment there. The argument of cost cannot be taken seriously, since all government expenditure is a matter of priorities, and if El Salvador, where an ally of the West is under armed attack, is of such low priority as to be one of the few countries in the world without a resident British head of mission, Salvadorean and the wider world will draw their own conclusions.

8. In general, the impression is given by the Foreign Office of something approaching neutrality in the conflict between Cuba and the USA. Of course, this differs from official to official; some adopt a more robust attitude, some more neutralist ones. But it remains true to say that the Prime Minister's own attitudes are not adequately reflected in FCO policies or day to day attitudes, which certainly do not reflect the feeling that British security will be affected by the outcome of political and military struggles in Central America.

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9. Attitudes towards Mexico stand in need of reconsideration in light of events. The Mexican government has for the past twenty years followed a path of active appeasement of Castro - and subsequently of Nicaragua. This is motivated partly by fear that Castro could otherwise engage in subversion inside Mexico, where glaring poverty and inequalities, under a thoroughly corrupt government, whose leftwing economic policies have ended in crushing failure, make it perhaps the most vulnerable country in the region to communist subversion. Appeasement has included substantial economic aid to Cuba - financed by Western Loans - political support, including support for the Salvadorean "fronts", the appointment of many Marxists - some of them refugees from failed revolutions and guerrilla movements elsewhere in Latin America - to key economic posts inside Mexico, and policies of Marxist orientation, including the nationalisation of the banks, inimical policies towards foreign investors, and anti-American demagoguery generally.

In the short term, appeasement has worked. In the longer term, like all Danegeld, it has had the effect of strengthening the Cuban threat, and making Mexico increasingly vulnerable. As economic policies continue to fail, living standards actually fall while dependence on foreign aid disguised as loans and "exports" increases, the temptation for Cuba to fish in troubled waters can be expected to grow.

Western Opinion has largely ignored these considerations. The Bankers and other Western firms have chosen to throw good money after bad, following the will-o'-the-wisp of stabilisation - which is unattainable, because the economic structure of Mexico has been distorted in such a way that the economy cannot be put to rights without revolutionary changes which the PRI regime is incapable of imposing. But they have succeeded in shaping public opinion in the West, which has no alternative sources of information than these cheer-leaders.

10. Mexican regional policy has also been given the Nelson treatment. The "Contadora" initiative has been widely praised in the West, unreservedly so in Britain. Yet this was an anti-Western, pro-Soviet policy ab initio. It was originally designed to counteract the effect of a conference of Democratic, Christian-Democratic and Social-Democratic parties held in San-Jose, which affirmed the need to press for the implementation of the original Sandinista pledge for pluralistic democracy and from all outside countries. The initiative also supported further democratisation of El Salvador, and the democratisation and demilitarisation of other Central American countries. This too ran counter to the aim of the "fronts".

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The Contradora initiative successfully torpedoed the San Jose initiative. It was also designed to weaken the Organisation of American States by excluding the USA, and to equate the US involvement in the region with the Soviet Union's, though the Central America is vital US space, as well as having millions of Mexicans and Central Americans living inside its borders, and affected by what occurs in the Isthmus.

The Contradora initiative was also designed to gain time for the communist Government of Nicaragua to absorb Soviet arms and equipment, to give it larger and stronger armed forces than the other Central American states and Panama combined.

The initiative was given lip service by the US Administration, which saw no choice but to make a virtue out of necessity, at a time when everyone else accepted and supported the initiative, whether from conviction or lack of choice. But the Administration had no illusions regarding its negative character. The UK and Europe, by contrast, actually believed in the initiative, as the "best thing there is", as though something which is not intrinsically good can yet somehow be best. the initiative.

Support for the Contradora initiative amongst Central American states is, however, beginning to be undermined.

The change in regime in Guatamala brought in a wiser leadership which set about mending its fences with the USA and further strengthening cooperation, already started under Rios Montt, with other Central American countries. This produced a strong stand by the four countries, as the Costa Rican Government became disenchanted with contadora. This, in turn, as the Mexican ploy became obvious, tended to bring about changes in attitude on the part of Panama and then of Colombia.

In Washington during the second half of September, where I arrived from Panama after experiencing the mood of the Central American representatives to Contradora, and of other Contradora members, after the wholly inconclusive Contadora meeting there, leading US policy-makers agreed with me that given the weakening support for Mexico, and the readiness to write-off Contradora as a result, the US would be well advised to reconsider its position too, and cease helping breathe life into something that could otherwise die, and good riddance. The Central Americans, Costa Rican Government included, are now ready for a stronger stand on the Nicaraguan question, and would welcome US initiatives. The Costa Ricans, though they have no army, still have fans in "liberal" US circles, and among European and Latin-American Socialists.

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BELIZE AND GUATAMALA

11. British policy over Belize will be crucial for the whole area, possibly even for the North Atlantic Alliance. The importance is out of all proportion to the size and of Belize and its intrinsic value. British troops were originally stationed in Belize as a result of the sovereignty dispute with Guatamala. This dispute could be settled, insofar as the new regime in Guatamala recognises that it needs a settlement in order to rescue it from a false position, and allow it to concentrate its efforts on the fight against communist aggression.

I have no doubts regarding the new leadership's sincerity or competence in this, or of the good chances of their taking the country with them into reasonable settlement, though it would be easier before an elected government comes to office i.e. before the elections presently planned for next Spring.

At first sight, the prospect of a settlement would seem to render the presence of British Troops in Belize unnecessary. In practice it makes them more necessary than ever, due to the changes in the regional situation. Unsupported by the British military presence Belize would be in danger of being swallowed-up by the Cubans.

Belize is an under-developed, under-populated mini-state of some hundred thousand inhabitants, of four different nations - English-speaking blacks, Maya-speaking Indians, Carib-speaking Indians and Spanish-speaking Indians and Ladinos - with an ineffective corrupt government, and little in the way of an economic life, would be very vulnerable to Cuban take-over. (The Cubans already gained a economic and political foothold there thanks to help from the late Panamanian dictator, Omar Torrijos. The country is used as a staging post for drug smuggling from Cuba and Columbia to the USA.)

The Americans are very keen on a continued British presence. It is the one issue that every American policy-maker I met in Washington raised spontaneously with me. Were the Cubans to take over, they would outflank both Guatamala and Honduras, making them vulnerable to a pincer movement mounted from Nicaragua and Belize, and would have direct access to Southern Mexico, an area with a very poor Indian population ripe for sedition.

This would threaten the whole position in Central America.

The Americans feel that if they can keep six division, two fleets and a large airforce in Europe, we can keep a battle group and a few Harriers in Belize. The political situation there would not make it possible to bring in American troops to replace British, even if Congress permitted. Our withdrawal would therefore create a vaccuum which the Cubans would fill, with disastrous consequences for us all, NATO included.

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No less important, the prospect of premature withdrawal of British troops from Belize is making the Guatemalans nervous too, for the last thing they want is Cubans on their border. Hence, this gives new arguments to their hard-liners. Were our troops to stay "for so long as is needed", negotiations between Belize and Guatemala could be carried through to a successful conclusion, and then some way sought for providing alternative insurance against a Cuban take-over. Recent events in Grenada illustrate what could happen, and should help to dispell complacency.

American experts share the belief of many of our own that Britain could twist Price's arm sufficiently to get a feasible settlement, while warning the Guatemalans that if they they cannot do a deal with Price, they may find themselves dealing with Castro.

The financial cost of aiding the US in preventing a collapse of the Western position in Central America - and possibly Mexico - is infinitesimal. Belize is, anyway, of value as a jungle-training centre for British troops. Failure to show our support will encourage the neo-isolationist vibrations already being generated in the United States.

12. The Lesson of Grenada

Events in Grenada show how easy it is for Castro to buy his way into a mini-state of immense strategic importance, and take over by stages, as the Russians did in Afghanistan. Whereas the Communist take-over in both Cuba and Nicaragua was based on skilful opportunism, the Russians and Cubans are now initiating guerrilla warfare and revolution from a standing start.

13. The Role of Britain

Britain's frontier on the Rio San Juan, and the need to maintain the Anglo-American special relationship have to be balanced against the problems entailed in winning-over British public opinion to more active policies for defence of Central America, and to move the other European countries from their hostile position.

In the first place, we need a sense of involvement and urgency. Britain could achieve more were it more strongly represented in the region. It is worth considering not only the quantity, quality and motivation of British diplomatic representation throughout the area, which can no longer be regarded as backwater. But there is a good case for having a senior diplomat in charge of the whole region, dealing with joint matters concerning Central America and the Caribbean Basin, while leaving resident ambassadors to deal with bi-lateral relations in the usual way. At present, the FCO gets six embassy reports on Contradora meetings (there would be nine if we had ambassadors in every Central American and Contadora capital. It should receive only one comprehensive report.

The cost is small, and deserves priority, for this is a moving frontier, where the outcome can effect the world startegic balance, perhaps world history.

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13. Britain, the USA, Europe and the Argentine

Britain's role in Central America is inescapably linked with US-Argentine relations; it should not be, but it is. The Falklands, Belize, Britain in Central America are inextricably linked.

We cannot disengage them, but we can, to a large extent, determine the direction of interinfluence.

The US decision to re-arm the Argentine is a wrong one, from the US standpoint no less than ours. (Argentine does not need defending from anyone. There is no external Soviet threat to the Argentine. They do not need the type of arms they are seeking to protect themselves from internal subversion. The argument that if they do not get them from the US, they will turn to Moscow could not seriously be used by Jeane Kirkpatrick or anyone of any principles. To give them the arms in the hope that they will not use them is crass.)

The strongest arguments against opportunism and the Latin American lobby would be that Britain is playing a key role (which is not the same as a large one) in the defence of Central America, which would be jeopardised by American military and other support for the Argentine. This could be achieved at limited cost. It would need : -

- A) Unequivocal statements that we see Central America as an area of Soviet advanced designed to outflank Europe and weaken US involvement in NATO, hence of the defence of Central America is a British interest.
- B) Statements of increased support for Central America in general, and El Salvador in particular, without let-up in the principle of human rights, democratisation and demilitarisation of civil life, but with the recognition of what has been done since 1979 and the difficulties in that path created by communist terrorism aided by Nicaragua on behalf of the Soviet bloc.
- C) The establishment of a strong supportive embassy in El Salvador, and an ambassador in Nicaragua to show that we are closely monitoring developments.
- D) Favourable attitudes to trade and investment in Central America.
- E) Ceasing to treat the countries as pariahs.
- F) Sustained efforts on the part of the British government to win support among British public opinion and European allies for the struggle against communism in Central America. This is of vital importance to the Reagan Administration, whose enemies in the media and Congress present the President's stand in Central America as isolating him from the United States' natural allies.

British standing at the moment, under Mrs Thatcher, is such that Britain could achieve a good deal for Reagan in this regard, with relatively little effort in time, and expenditure of diplomatic, military and ministerial time.

Everything has a price. The price we have a right to ask from the US in this case, for Britain's participation in this new frontline of the West's defence, must be solid US support for Britain over the Falklands.

I think that if this choice were clearly posed, people like Kirkpatrick would have little hesitation in accepting the British bid.

Conversely, if we reach a mutual rug-pulling situation, where they follow an opportunist path of rearming the Argentinians on grounds of their alleged return to democracy (purely mythical and irrelevant) and we respond by an equally negative stance over Central America and Belize, relations will go into a downward spiral, to the benefit of neo-isolationism (there) neutralism (here and in Europe) and Soviet advance.

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