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2 APR 1982

MEMORANDUM FOR: John N. McMahon
Executive Director

FROM : R. E. Hineman
Acting Deputy Director for Intelligence

SUBJECT : Answers to Two Questions from HPSCI

1. *How likely is Nicaragua to stage attacks against anti-Sandinista camps in Honduras?*

Answer: Although pressures for a retaliatory strike to destroy anti-Sandinista insurgent camps in Honduras probably have been building among Nicaraguan leaders, Managua fears that such a move would provoke a major U.S. military action against Nicaragua. The Sandinistas, therefore, prefer instead to retaliate in kind against Tegucigalpa by stepping up their covert activities in support of violent Honduran leftist elements. [REDACTED]

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2. *Word has been received by the HPSCI through an unnamed source that if the U.S. strains relations with Nicaragua they will break diplomatic ties. Statement should be prepared suggesting the advantages for Nicaragua not breaking relations with the U.S. and why it's not in their best interest to do so.*

Answer: We believe that the Sandinistas are not likely to break diplomatic relations with the U.S. One advantage to avoiding a rupture is that it enables them to present--through diplomatic and publicity efforts--a conciliatory and responsible image abroad. Managua tries to portray itself as the aggrieved party in relations with Washington. The Sandinistas are fostering the sentimental image of the Nicaraguan "David" courageously resisting the U.S. "Goliath" in the hope that such a tactic will influence American and

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international public opinion against possible U.S. military actions. Moreover, Managua is likely to follow Cuba's policy of abstaining from breaking diplomatic ties with any country--with the sole exception of Israel. In addition, the Sandinistas fear that a break with the U.S. would lead to a U.S. trade embargo against Nicaragua. They are heavily dependent on the U.S. market for both exports and imports, and foreign trade is vital to Nicaragua's economy. Although the Sandinistas could eventually expand trade with other industrialized nations to replace U.S. commerce, they are concerned with the disruptive effects of such a shift on the fragile Nicaraguan economy.



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