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**DIRECTORATE OF INTELLIGENCE**

**MARCH 1986**

**CENTRAL AMERICAN MONTHLY REPORT #32** [Redacted]

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**PERSPECTIVE**

**Nicaragua's incursions into Honduras in March--the largest and deepest to date--appeared intended to deal the insurgents a decisive blow before US military aid could be approved and disbursed.** [Redacted]

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[Large Redacted Area]

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**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 1 April 1986. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA,** [Redacted]

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For Tegucigalpa, the US emergency logistical aid and the prospect of renewed US military assistance to the rebels appear--at least for the time being--to have outweighed embarrassment caused by continued publicity about the insurgents' presence in Honduras. US Embassy and press reporting shows that Tegucigalpa initially was hesitant even to admit that the incursion occurred, but that civilian and military leaders--presumably encouraged by US promises of \$20 million in emergency aid for Honduras--eventually developed a combined military and diplomatic strategy to help force a Sandinista withdrawal.

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The insertion of 600 Honduran troops into the Las Vegas salient resulted in no clashes and was, in our view, largely a public relations effort. The decrease in military actions with their arrival suggests, however, that they might have taken some pressure off the rebel forces and allowed them to continue infiltration into Nicaragua.

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Although the incursion, at least in the short term, failed to defeat the rebels and undermine Honduran support, we believe the Sandinistas continue to see attacks against insurgent targets inside Honduras as an important aspect of their overall effort to complicate rebel infiltration, wear down insurgent morale, and force Honduras to agree to discuss a joint border commission as has Costa Rica.

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even before last month's incursion, the Sandinistas believed that the US eventually would resume military aid to the rebels, and Managua may have calculated that neither Washington nor Honduras would take major military action against them. As a result, the Sandinistas probably concluded that the period preceding approval and disbursement of US military aid presented the best opportunity to strike hard at the insurgency.

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suggests that the Sandinistas have not abandoned this strategy and are continuing to improve roads near the border and keeping large numbers of troops in the area.

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We believe Honduras would still like to find a way to expedite the rebels' departure from Honduras and lessen their own involvement in the conflict.

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given continuing Sandinista pressure on the border and Honduras's current nervousness, Tegucigalpa likely will be more forceful over the next few weeks in demanding that the US take the lead in supporting the rebels.

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NICARAGUA

On the political front, the regime stepped up efforts to undermine the influence of

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the Catholic Church by accusing Cardinal Obando y Bravo and another prelate of treason.

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[Redacted] A delegation also traveled to South America late in the month to seek support for Nicaragua's chairmanship of the Non-Aligned Movement. [Redacted]

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The Nicaraguan economy continued to deteriorate, as controlled prices on consumer goods were raised an average 150 percent. Prices for meat, milk, and other staples were increased 120 percent while corn, beans, and other dairy products went up 300 percent. Prices for producers continued to lag far behind, however, providing little incentive for higher production. Purchasing power dropped further, despite another 50 percent wage hike at mid-month. Inflation, estimated at about 200 percent by the regime, probably exceeds 400 percent annually, according to the US Embassy. Censored newspaper articles indicated widespread shortages of staples. [Redacted]

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To help offset domestic economic woes, the Sandinistas arranged new aid and trade deals. [Redacted]

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[Redacted]

EL SALVADOR

Labor activity dominated the domestic political scene as President Duarte's critics on the left and right attempted to weaken his regime by mobilizing opposition to the government's austerity package. [Redacted]

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the leftist-backed National Union of Salvadoran Workers (UNTS) believed that a second national forum focusing on economic conditions could be used to unite political opposition to Duarte. [Redacted] funding problems and tensions between UNTS member groups were seriously hampering planning by the alliance. [Redacted] honorary ARENA President

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D'Aubuisson jumped into the labor fray as well by offering financial support to some leftwing UNTS leaders and by trying to form an opposition front to Duarte that would include groups as diverse as ARENA and UNTS. [Redacted]

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some opportunistic leftist labor leaders have in fact held discussions with D'Aubuisson, the US Embassy says that private sector and labor groups are unlikely to become entangled in a left-right alliance under ARENA, and that, in any case, ARENA would have difficulty delivering on the financial promises it is using to woo UNTS leaders. [Redacted]

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The US Embassy reported that the government attempted to counter

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leftist-inspired labor protests and rightist maneuverings by bolstering the democratic labor movement. The ruling Christian Democrats organized a mid-month demonstration, which, with the assistance of the newly formed and moderate National Worker and Campesino Union (UNOC), was instrumental in turning out at least 25,000 in support of land and social reforms, peace, and democracy. Although the demonstrators criticized the austerity package, the Embassy reported that the government still viewed the march as a success, if only because it drew some four times as many participants as a leftist-sponsored demonstration in February. [Redacted]

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Both the government and rebels made or considered new proposals last month concerning a resumption of the dialogue, but we see little chance that negotiations will resume soon. [Redacted]

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[Redacted]

[Redacted] President Duarte's own offer to renew negotiations with Salvadoran insurgents if Managua would begin talks with the anti-Sandinistas was made, in our judgment, primarily to force Nicaraguan President Ortega to take a public stance toward negotiations with the anti-Sandinistas [Redacted]

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On the military front, activity--as measured by numbers of clashes--was relatively light, [Redacted] is committed to maintaining the more aggressive posture they adopted at the beginning of the year.

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[Redacted] Rebel activity was light and largely confined to continued sabotage of the nation's power grid and agricultural facilities and small unit ambushes. [Redacted]

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**GUATEMALA**

Anticipation of and reaction to President Cerezo's economic package dominated reporting from Guatemala this month. After considerable delay, the government announced a package at mid-month that sought to balance cuts in government spending and higher luxury and import taxes with a temporary public works jobs program and wage hikes. [Redacted]

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Although Cerezo has worked hard to win support from the public and various interest groups, the plan initially has come under heavy criticism, according to the US Embassy. The private sector, opposition groups, and the press, for example, have recognized the need for reform, but have criticized the program for its vagueness and lack of investment incentives. At month's end, the government was continuing to entertain revisions to the package before implementing it sometime in April. [Redacted]

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[Redacted]


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[Redacted]



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Cerezo's political initiatives appeared to win more favor than his economic pronouncements as he moved cautiously to defuse the human rights issue, aggressively to reform the internal security apparatus, and map out a counterinsurgency strategy. He continued to meet with members of the Mutual Support Group--the most vocal proponents of trials for past human rights abuses--and promised to form a special commission to investigate future disappearances, according to the US Embassy. Cerezo also benefitted from the UN Human Rights Commission's decision to end its mandate for a special rapporteur and issue its first report in eight years that did not condemn Guatemala for human rights violations. Meanwhile, the Interior Ministry continued its drive to reform the National Police by ordering an audit of internal practices and making some 80 changes in its leadership. In a move designed to reassure the military, Cerezo attended the opening of two model villages, a program the military views as vital to the success of its counterinsurgency effort. 

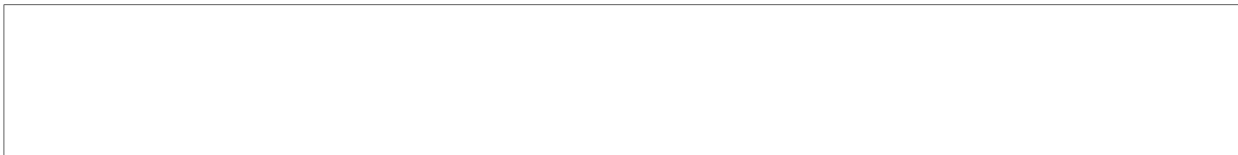
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On the diplomatic front, Cerezo continued to lobby for his idea of a regional parliament by sending his vice president to lay the groundwork with other Central American leaders for a summit to be hosted by Guatemala in May. US Embassy reporting indicates that while Cerezo probably has not yet made a final decision, he appears willing--initially at least--to allow parliamentary members to be appointed rather than directly elected, a position strongly supported by Nicaragua. On the issues of Nicaragua and the anti-Sandinistas, the Embassy reported that the President continued to believe that a more active regional role for Guatemala requires that his government refrain as much as possible from making what can be interpreted as partisan statements. Several times during the month, for example, Cerezo or his ministers attempted to reassure US officials in private that public statements critical of the US were in fact misstatements that reflected the government's lack of coordination rather than policy. 


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**COSTA RICA**

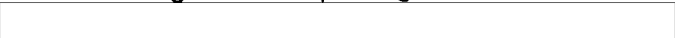

Following the decision in late February to normalize relations with Nicaragua, San Jose signed an agreement with Managua on 12 March providing for the formation of an international border commission that, in our view, strongly favors Nicaraguan interests.



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Costa Rica is likely to remain under considerable pressure from some of the Contadora states and others to move ahead. 

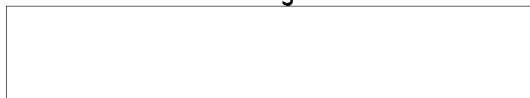
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The rapid movement toward a border agreement suggests that both President Monge and President-elect Arias are intent on defusing tensions with Nicaragua. Press reports indicate that in March Costa Rican authorities arrested some 60 people associated with anti-Sandinista rebels in February and 12 insurgents transporting arms. Moreover, the President-elect recently reiterated,   
that he will not tolerate armed Nicaraguan insurgents in Costa Rica and will enforce a new gun-control law forbidding automatic weapons. 

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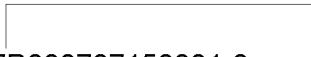
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Nonetheless, we believe the small patrols envisioned by the agreement will face



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[Redacted]

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considerable difficulties in monitoring the 300-kilometer border effectively. Anti-Sandinista forces rely on Costa Rica more as a sanctuary than as a staging area, and the rebels enjoy some support among locals and members of the civil and rural guard located along the border. Moreover, a formal agreement is unlikely to affect the insurgents' political offices located in San Jose. [Redacted]

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**PANAMA**

In mid-March, the national labor coalition, supported by the political opposition and some business interests, staged a ten-day general strike to protest government efforts to reform labor, agricultural, and industrial policy. One person was killed, and millions of dollars in property damage were reported. [Redacted] troublemakers employed by the military to discredit the political opposition may have triggered the violence. Key unions loyal to Defense Chief Noriega refused to join the strike, and the US Embassy reports the military intends to increase its influence in the labor movement to block future work stoppages. Some labor leaders, bitter about the military's support for the government's economic adjustment program, have urged workers to break ranks with the ruling party and join the opposition, but the failure of the strike may weaken enthusiasm for the next scheduled demonstration in late April. Reform legislation passed at mid-month appears to meet the preconditions for a long-delayed World Bank loan, [Redacted]

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**REGIONAL PEACE NEGOTIATIONS**

During March, participants in the Contadora talks--despite objections from some Central Americans--continued to focus on implementation of the Caraballeda declaration and the Nicaraguan-Costa Rican border agreement, preventing any real progress toward resuming negotiations on the draft treaty. [Redacted]

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[Redacted]

The next ministerial meeting was scheduled for early April. [Redacted]

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**SIGNIFICANT NICARAGUAN POLITICAL EVENTS**

10 March

[Redacted]

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12 March

Nicaragua and Costa Rica initial draft outline of border agreement

30 March

President Ortega appeals to Contadora nations to create plans for Honduran-Nicaraguan border patrol force. [Redacted]

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[Redacted]

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[Redacted]

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NICARAGUAN HUMAN RIGHTS CHRONOLOGY

Sandinista allegations of human rights abuses by the insurgents increased during March, probably reflecting both an upturn in combat activity and regime efforts to influence US Congressional debate on renewing military assistance to the rebels. For their part, the insurgents tried--but acquitted--a high-ranking rebel commander for "misconduct." [Redacted]

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[Redacted]

Insurgent Human Rights Record

8 March

According to the proregime press, the government-sponsored human rights organization investigated the death of a Swiss agronomist in northern Nicaragua in February and concluded that insurgents were responsible. The commission planned to send its final report to international human rights groups. [Redacted]

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[Redacted]

12 March

A Western press service reports that President Ortega has accused the rebels of kidnaping 32 peasants and killing three in Zelaya and Rio San Juan Departments. [Redacted]

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15 March

The US Embassy in Managua reports the Sandinistas continue to accuse the insurgents of kidnaping nine teachers and killing four of them. The Embassy cites considerable evidence refuting the charges. [Redacted]

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19 March

A group of US medical doctors opposed to US policy in Central American have accused the insurgents of destroying 61 health facilities and forcing the closing of 37 others since 1981, according to a Western news service. [Redacted]

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[Redacted]

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21 March

[Redacted]

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23 March

The Sandinista press reports that guerrillas kidnaped two forestry workers near Puerto Cabezas. [Redacted]

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25 March

The Nicaraguan Government accused the rebels of murdering a Canadian priest in Honduras. An outspoken local bishop repeated the allegations and accused the rebels of numerous other abuses of locals, including raping children and murdering entire families along the border. [Redacted]

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The proregime press reports the arrest of a group of insurgents trained in El Salvador who were assigned the task of destabilizing Leon and Chinandega Departments, including the kidnaping of families. [Redacted]

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Sandinista Human Rights Record

1 March

The US Embassy in Managua reports that state security agents arrested 14 members of independent labor unions living on a cooperative--no reason was given for the arrests, and the status of the prisoners is unknown. [Redacted]

4 March

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An evangelical priest, recently released after two months in detention, tells US Embassy officers that the regime, while not prohibiting the practice of his faith, is making his work difficult. The government routinely turns down requests for outdoor meetings, and he and other ministers are heavily surveilled. [Redacted]

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5 March

At a press conference in Brazil, Interior Minister Borge states that his security officers were "reaching a high degree of technical development in interrogations" and discussed the ability of the government to tape conversations and infiltrate opposition groups. Borge states that "only 5 percent of all those detained are innocent." [Redacted]

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18 March

The head of Nicaragua's independent human rights organization tells visiting US officials that, while the Sandinistas maintain three model prisons to show foreign delegations, conditions at government facilities are grim. He also cites reports from locals that government security officers commit human rights abuses while posing as guerrillas to build anti-insurgent sentiments. [Redacted]

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20 March

A Nicaraguan refugee in Costa Rica claims Sandinista troops executed 30 people in a town near Nueva Guinea in June 1985. The victims were tortured before being shot, and their gold teeth extracted before or after the executions. Two Catholic laymen were

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tortured and had their gold fillings extracted before their execution. The refugee also alleges the Sandinistas dress as insurgents and commit human rights abuses. [Redacted]

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21 March

[Redacted]

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22 March

The representative of the independent human rights group assigned to Boaco and Chontales Departments tells the US Embassy that during the past year he had received over 100 complaints of Sandinista abuses compared to only two for the guerrillas. [Redacted]

23 March

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According to US Embassy reporting, Sandinista security forces occupied a house owned by one of the independent labor confederations. [Redacted]

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28 March

The US Embassy in Managua reports that the Sandinistas forcibly recruited 75 Miskito Indians. Further Embassy reporting on regime activity along the Atlantic coast points to other abuses, including random shelling of villages. [Redacted]

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29 March

[Redacted]

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[Redacted]

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**NICARAGUAN TRAVELS/VISITS**

27 February - 7 March	Nicaraguan Interior Minister Tomas Borge visits Peru and Brazil. [Redacted]	25X1
11 March	President Ortega returns from vacation in Cuba. [Redacted]	25X1
16 March	President Ortega attends funeral for Swedish Prime Minister Palme. [Redacted]	25X1
18 March	[Redacted]	25X1
21-23 March	Vice President Ramirez and Cardinal Obando y Bravo meets with visiting US Congressional delegation. [Redacted]	25X1
24-27 March	Vice Interior Minister heads delegation to 17th Czechoslovakian Communist Party Congress. [Redacted]	25X1
2 April	Nicaraguan Minister of Agriculture and Agrarian Reform Jaime Wheelock leads Nicaraguan delegation to Bulgaria's 13th Communist Party Congress in Sofia. [Redacted]	25X1
3 April	[Redacted]	25X1

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**COMING EVENTS IN CENTRAL AMERICA DURING APRIL**

- 3-5 April                      Anti-government forum planned by leftist labor organization.
- 5-6 April                      Contadora meeting of all 13 participants in the talks.
- 11-12 April &  
24-25 April                      Central American Vice Foreign Ministers will meet in Guatemala to lay the groundwork for Central American Parliament.
- 16-17 April                      Vice presidents from El Salvador, Honduras, Costa Rica--possibly Guatemala--will meet in San Jose to discuss Monge's economic initiative



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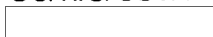




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