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DIRECTORATE OF INTELLIGENCE

JULY 1986

CENTRAL AMERICAN MONTHLY REPORT #36

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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 31 July 1986. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA

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**July 1986
CENTRAL AMERICAN MONTHLY REPORT #36
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PERSPECTIVE

Regional Implications of New US Aid to the Nicaraguan Insurgents

Despite some strong support among Central American leaders for new US aid to the anti-Sandinista insurgents, US Embassy reports indicate several are worried that intensified fighting in Nicaragua resulting from the aid will increase regional tensions. The Central Americans are concerned about insurgent activity in their own territories, Sandinista retaliation through subversion and terrorist attacks, and the potential influx of additional refugees. El Salvador and Honduras are emphasizing the potential Sandinista threat in order to get increased US military commitments. 

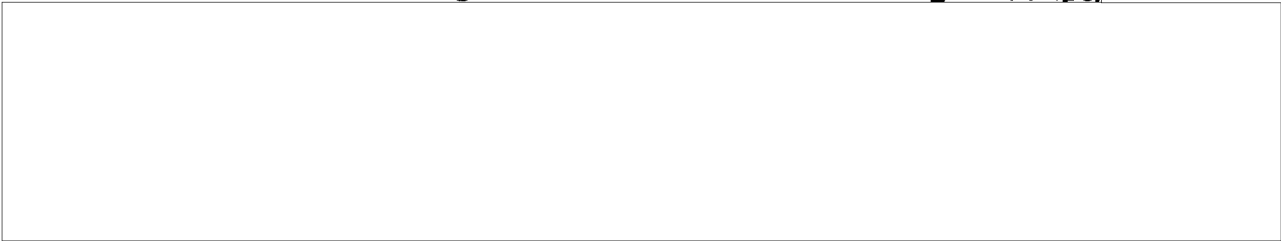
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Tegucigalpa has publicly welcomed US aid to the anti-Sandinistas with the clear expectation that it would lead the insurgents to vacate "provisional" camps inside Honduras. We believe that renewed Honduran tensions with the insurgents--and the US--are likely if the guerrillas fail to reduce their presence on the border and make military progress within six months after US aid resumes. Moreover, the detention of two US reporters during July suggests that Honduran interest in minimizing public knowledge of its role will be a continuing problem. 


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Honduras also is concerned about Sandinista retaliation. Tegucigalpa fears bolder--and more embarrassing--cross-border attacks on insurgent camps, 


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El Salvador remains the most willing among the Core Four to express support for US policy publicly because of its belief that the longterm effect will be to reduce Sandinista aid to the Salvadoran rebels. President Duarte, however, has told US officials that he fears that the Sandinistas in the near-term will retaliate by sponsoring a guerrilla offensive in El Salvador or supplying the rebels with SA-7 missiles. He has sought assurances that the US will provide the means necessary to defeat such a response. 

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Costa Rica's President Arias, who earlier expressed opposition to US aid to the anti-Sandinistas, told US officials this month that he still does not believe the rebels can win and that he worries the aid will give Managua new excuses for repression. Government officials publicly acknowledge the likelihood of expanded fighting in southern Nicaragua as a result of the aid, but they have stressed that Costa Rica will not permit use of its territory for military purposes. Costa Rica reinforced its stance by promptly expelling two Nicaraguan guerrillas who reportedly provoked Sandinista shelling of Costa Rican territory earlier in the month and by promising to dismiss any government officials found to be aiding the rebels. 

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Guatemala's President Cerezo, who also has had misgivings about US aid, appears intent on maintaining Guatemala's balancing act in the region. While expressing his policy as "active neutrality," he has deliberately avoided any actions that would isolate Nicaragua.

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[Redacted]

Some Guatemalan leaders have told US officials that their refusal to criticize Nicaragua publicly has reduced Nicaraguan support for Guatemala's rebels.

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In our view, the new US aid has reinforced the positions of the Central American democracies at the regional peace talks, and their reactions to the aid generally parallel their role in the Core Four. Honduras and El Salvador, for example, have been increasingly firm in their objections to the latest Contadora treaty draft. Although the four have not been totally unified, a US Embassy report indicates Guatemala reluctantly agreed near month's end to join the other three Foreign Ministers in discussing their next moves. They share similar objections to the June Contadora proposal and appear disposed to minimize the mediators' role in future talks. According to US Embassy reports, they intend to propose direct negotiations with Nicaragua on an agenda focusing on commitments to democracy.

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Even though the Contadora countries continue to oppose US aid, they have not been strident critics and appear unwilling to organize an initiative at regional peace talks in an attempt to stave off US action.

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the mediators are disillusioned with the lack of progress, and they apparently have allowed the initiative to shift to the Central Americans for now. Despite their inactivity, the Contadora countries do not appear willing to abandon the talks altogether, and we believe that they would bring new pressure for a settlement in the event of a serious rise in tensions or a demonstration of flexibility by any of the Central Americans.

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Managua has taken advantage of the aid vote to tighten restrictions on opposition groups and has warned the nation of increased economic sacrifices ahead. Bouyed by recent military deliveries, the regime is focusing on military preparedness and appears unwilling to make domestic political concessions to forestall Senate action on the aid. The Sandinistas probably anticipated that their domestic actions would be criticized abroad, but calculated that the World Court decision declaring US support for the anti-Sandinistas a violation of international law would yield favorable propaganda that would more than offset disillusionment with their tough policy at home.

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Nicaragua's diplomatic activity in the months ahead will probably be geared to keeping international attention focused on US policy and its regional allies, and the regime is unlikely to make significant concessions in regional talks any time soon. President Ortega's appearance before the UN Security Council at month's end was calculated to have the maximum impact on US public opinion to influence the Senate vote on Contra aid. Nicaragua also plans to bring its case to the UN General Assembly and to ask the World Court for reparations from Honduras and Costa Rica.

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NICARAGUA

On the war front, the Sandinistas sought to assure that anniversary celebrations in Esteli--in northwestern Nicaragua--on 19 July would not be upstaged by insurgent attacks. They took unprecedented security measures, and [Redacted]

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[Redacted] the deployment there of 15 armed helicopters as well as radar-directed antiaircraft artillery. [Redacted] the Sandinistas conducted almost daily patrols and fired BM-21 artillery rockets into Honduras, moved at least five counterinsurgency battalions into screening positions north and east of Esteli, and flew numerous reconnaissance flights along the border. No rebel activity was noted in the area, although intense fighting was reported in northern and central Nicaragua during the first half of the month. [Redacted]

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[Redacted]

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During July, Managua, probably encouraged by limited international reaction to the closure of the country's only independent newspaper, stepped up its crackdown against domestic opponents, especially the Catholic Church. A prominent bishop was exiled, two Church lay leaders were placed under virtual house arrest, [Redacted]

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[Redacted] During the last half of the month, state security officials strip-searched a private sector leader at Sandino airport, temporarily detained several mid-level officials of the Social Christian Party, and confiscated the notes of two US journalists who had conducted extensive interviews with dissidents. Underscored by President Ortega's comments in his anniversary address that those dissatisfied with the regime should leave the country, Managua has indicated that it will not abide domestic opposition. [Redacted]

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Key opposition leaders are rethinking their commitment to remain in Nicaragua in the wake of stepped-up regime pressure. Several mid-level opposition leaders have told the US Embassy they may leave the country. A Conservative Party delegate to the Sandinista-dominated National Assembly, stripped of his immunity on trumped-up charges, [Redacted]

[Redacted]

[Redacted]

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sought asylum in the Venezuelan Embassy in Managua. A gradual exodus might help the Sandinistas avoid the political costs of international criticism that would accompany massive, forcible expulsion of regime opponents. [Redacted]

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On the economic front, the Embassy's latest food basket survey indicates that in July inflation was higher and consumer shortages worse than at any time since the Sandinistas took power. Food prices increased 35 percent, and all staples were in extremely short supply, with meat, cooking oil, tortillas, eggs, and bananas virtually unavailable at any price. In his anniversary speech, Ortega said corn rations would have to be tightened, and other officials admitted to severe food shortages. [Redacted]

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[Redacted]

EL SALVADOR

Deteriorating economic conditions have hurt President Duarte politically and prompted him to press for additional US aid. The US Embassy reports that the economic measures adopted last January have neither solved budget problems nor stimulated growth and have had a harmful impact on workers and peasants, Duarte's traditional constituents. The Embassy reports that democratic labor unions are opposing a new devaluation and, as a result, the President will be reluctant to implement any additional necessary reforms. Moreover, he has begun to intensify requests for more assistance from Washington to shore up the economy without taking any unpopular austerity measures. [Redacted]

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[Redacted]

Meanwhile, the guerrillas continued political maneuverings in preparation for the third round of dialogue with the government to be held 28-30 August. In a radio announcement, they demanded that the government be reorganized to include them and that both sides retain their arms and territorial control in a ceasefire to be followed by new elections. The US Embassy reports that the rebels' proposal is little changed from their position at talks in 1984 and that Duarte and the armed forces continue to reject negotiations on the basis of

[Redacted]

[Redacted]

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powersharing and abrogating the Constitution. The guerrillas also refused calls by the Catholic Church for both sides to meet privately in advance to plan an agenda for the dialogue and tried to put the government on the defensive by challenging it to a public debate. Embassy [Redacted] reporting indicates that even though Duarte supports the idea of a private meeting, the government has set the date for formal talks to demonstrate that the guerrillas have nothing new to offer. [Redacted]

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On the military side, the insurgents have tried to take advantage of the drawdown in largescale government operations during the rainy season to reinfiltrate former base areas. The armed forces, meanwhile, have mounted new operations in the suburbs north of San Salvador to rout guerrillas from safehavens there, [Redacted]

[Redacted] destroy safehouses, disrupt plans for sabotage, and rid the area of criminals and suspected guerrillas. [Redacted]

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HONDURAS

While relations with Nicaragua and the anti-Sandinistas dominated Honduran politics in July, labor troubles again reminded Tegucigalpa of the need for greater attention to domestic issues. The US Embassy reports that workers at the US-owned Rosario Resources Corporation--Honduras's biggest mineral producer--went on strike in late June, demanding a 20-percent wage increase over the next two years. Rosario, which predicts a \$15-million loss this year because of declining prices and has put the mines up for sale, refused the workers' demands and conditioned reopening the mines on reductions in taxes and electricity rates. The government granted the company's requests, according to the US Embassy, and the strike was ended when President Azcona authorized a \$1-million "indemnity" payment to the union in lieu of a wage increase. The government's political and financial ability to grant such special concessions to companies and workers in troubled industries is severely limited, however, and the overall stagnation of the economy suggests that many employers will be unable to meet worker expectations in the coming months. New strikes, while not likely to pose an immediate threat to the stability of the government, probably will lead to increased pressure on the President to get moving on the economic revitalization program he announced in May and to devote less time to international relations. [Redacted]

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GUATEMALA

President Cerezo's state visit to Mexico dominated events in Guatemala this month, with talks centering on several topics, including border issues and economic assistance. The two Presidents agreed only to continue limited cooperation on border issues and, despite press reports, do not plan to establish a joint refugee commission. According to the US Embassy in Guatemala, Mexico promised to increase its military presence along the border to prevent Guatemalan guerrillas from using Mexican territory as a base for cross-border infiltration in exchange for stepped up Guatemalan action on border drug trafficking. While in Mexico City, President Cerezo met with exiled members of the Guatemalan Communist Party to discuss their chances for returning to the country. [Redacted]

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[Redacted]

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[Redacted]

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[Redacted]

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In domestic affairs, a peasant demonstration calling for land reform aroused the interest and concern of the military. [Redacted]

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[Redacted] the Guatemalan military was upset about the participation of Cerezo's wife and two cabinet ministers at the rally, which attracted approximately 5,000 participants, according to US Embassy estimates. The officers reportedly were concerned that the trio's presence increased the farmers' militancy and that future protests might become violent. [Redacted]

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[Redacted] Guatemala's powerful private sector also harshly criticized the "official character" of the rally. Cerezo repeatedly has denied that he will undertake traditional agrarian reform--involving the expropriation of land--and, indeed, we believe prospects are unlikely. In our opinion, Cerezo may hope to use protests like these to push for some less drastic social reforms later in his term. His failure to manage this sensitive issue properly, however, could lead to a deterioration of his good relations with the military and an increase in private sector mistrust. [Redacted]

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COSTA RICA

San Jose got temporary relief from its financial problems during July, but negotiations with the IMF are proving difficult. Although the government received \$80 million in delayed World Bank and USAID funds last month, most of it was used to pay arrearages to commercial creditors. Reaching agreement with the IMF on a new standby accord will mean placing limits on both the public sector deficit and salary increases, involving significant political costs. The new government's effort thus far to keep private sector wage increases in line has angered organized labor, prompting calls for demonstrations. Meanwhile, ineffective leadership and indecision by the ruling party's leader in the Legislative Assembly has eroded President Arias' prestige, according to the US Embassy. Arias's campaign promises to pass legislation creating more housing and jobs have been stymied by the impasse, and, in our view, the President is likely to engineer the eventual replacement of his legislative lieutenant to repair the damage. [Redacted]

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PANAMA

The war of words between the government and the opposition press spilled over into the streets in July, as the military became increasingly sensitive to domestic and international criticism. The government effectively blocked the reopening of an opposition radio station and temporarily detained a former announcer and college professor, touching off student demonstrations that forced the closure of the university for three days, according to the US Embassy. A noted journalist for the leading opposition newspaper, La Prensa, sought asylum in Venezuela, fearing incarceration by the government. The regime apparently was preparing to fine or close down the newspaper. Meanwhile, Defense Chief Noriega kept up Panama's official counterattack against US media allegations of Noriega's involvement in illicit activities. [Redacted]

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[Redacted]

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NICARAGUAN MILITARY BUILDUP

[Redacted]

[Redacted]

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Mid-July

Managua hopes to sign new five-year military cooperation agreement with East Germany when Nicaraguan delegation headed by Humberto Ortega travels there in September. [Redacted]

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Late July

Press reporting from Managua indicates construction of Puerto Cabezas Airfield on Atlantic coast completed and runway extended to 8,250 feet, long enough to accommodate most Soviet military aircraft, including MIG-21s. [Redacted]

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[Redacted]

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[Redacted]

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[Redacted]

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[Redacted]

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SIGNIFICANT NICARAGUAN POLITICAL EVENTS

- 4 July Sandinistas expel Bishop Vega from Nicaragua for making "unpatriotic" statements in Managua and Washington. [Redacted] 25X1
- 15 July Managua rejects appeal from Nicaraguan Episcopal Conference to allow Bishop Vega to return. [Redacted] 25X1
- 18 July Two US journalists who interviewed opposition figures are held for interrogation by Sandinistas and deported from Nicaragua on charges of having ties with the CIA. [Redacted] 25X1
- 19 July President Ortega addresses seventh anniversary celebration in Esteli, with five of the nine National Directorate members in attendance. [Redacted] 25X1

[Redacted]

[Redacted]

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[Redacted]

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NICARAGUAN HUMAN RIGHTS CHRONOLOGY

In July, Managua continued to accuse the rebels of various human rights abuses. The Sandinistas focused on insurgent killings of Nicaraguan civilians and protested the kidnaping of another internationalist volunteer in northern Nicaragua. Meanwhile, regime persecution of the Catholic Church, internal opposition, and political prisoners continued.

[Redacted]

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Insurgent Human Rights Record

[Redacted]

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3 July

Managua charged the insurgents with killing 32 civilians, including 12 women and 12 children, when their vehicle hit a mine in Jinotega Department, according to press reporting.

[Redacted]

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Press accounts indicate one civilian was killed and seven others wounded when insurgents attacked a river ferry between Rama and Bluefields.

[Redacted]

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[Redacted]

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7 July

A US Embassy source in Tegucigalpa reported insurgents forcibly recruited 26 Indians in Honduras during June.

[Redacted]

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11 July

The proregime press alleged that insurgents were killing Miskito Indians in Honduras and that some 300 other Indians were captured by insurgents in April and another 29 in June.

[Redacted]

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[Redacted]

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[Redacted]

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22 July

A Western press service reported that insurgents kidnaped a Belgian volunteer worker in northern Nicaragua. [Redacted]

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[Redacted]

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28 July

According to a western press service, three West Europeans and two civilian representatives of the Sandinista government were killed when insurgents ambushed two pickup trucks in northern Jinotega. [Redacted]

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[Redacted]

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The proregime press announced insurgents attacked a cooperative in northern Nicaragua, killing five civilians, including four children, and wounding 26. [Redacted]

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Sandinista Human Rights Record

[Redacted]

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2 July

A Spanish press service indicated that the Nicaraguan Permanent Human Rights Commission receives no less than 150 charges monthly about government human rights violations--including deaths, torture and disappearances. Moreover, there are no less than 10,000 political prisoners in Sandinista jails. [Redacted]

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[Redacted]

[Redacted]

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[Redacted]

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3 July

The US Embassy in Managua reported that eight nuns were raped by state security forces in July 1985. [Redacted]

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[Redacted]

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7 July

[Redacted] Sandinistas bombarded several civilian homes in Jinotega Department, killing three elderly civilians and wounding two others. [Redacted]

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[Redacted]

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15 July

The International League for Human Rights based in New York claims the Sandinista regime is guilty of thousands of human rights violations, including torture, illegal imprisonment, and the suppression of religious and press freedom. The League indicated that between 3,500 and 6,500 political prisoners are imprisoned in Nicaragua at any given time and that prisoners have reported beatings, rape, mock executions, food and sleep deprivation, prolonged isolation, and submersion in water. [Redacted]

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[Redacted] a civilian in central Zelaya was kidnaped, tortured, and killed by a Sandinista patrol. [Redacted]

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18 July

Sandinista officers beat a civilian woman and killed her son in northern Nicaragua, [Redacted]

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[Redacted]

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23 July

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In northwest Nicaragua, an opposition activist died in May while being interrogated as she was giving birth to a baby, according to [Redacted] the La Prensa newspaper. [Redacted]

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[Redacted]

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[Redacted]

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NICARAGUAN TRAVELS/VISITS

[Redacted]

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26 June

Foreign Minister D'Escoto travels to the Hague to attend International Court of Justice, then on to UN in New York. [Redacted]

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Vice Foreign Minister Tinoco visits Mexico. [Redacted]

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29 June

National Directorate member Tirado heads Nicaraguan delegation to 10th Congress of Polish United Workers' Party in Warsaw. [Redacted]

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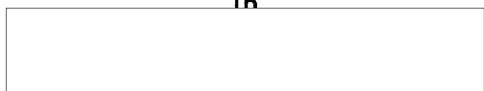
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COMING EVENTS IN CENTRAL AMERICA DURING AUGUST

- 5-21 August Salvadoran President Duarte travels to Colombia and the Dominican Republic to attend presidential inauguration ceremonies. 25X1
- 8 August Costa Rican labor confederations plan public demonstrations to protest government's wage policies. 25X1
- 12 August Third annual military parade commemorating Panamanian General Noriega's tenure as Defense Forces Chief and the formation of Battalion 2000. 25X1
- 13 August Central American Vice Presidents to meet in Guatemala to discuss Central American Parliament. 25X1
- 28-30 August Third round of dialogue between Salvadoran Government and guerrillas. 25X1



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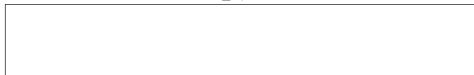


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