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DIRECTORATE OF INTELLIGENCE

AUGUST 1986

CENTRAL AMERICAN MONTHLY REPORT #37

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

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**August 1986
CENTRAL AMERICAN MONTHLY REPORT #37
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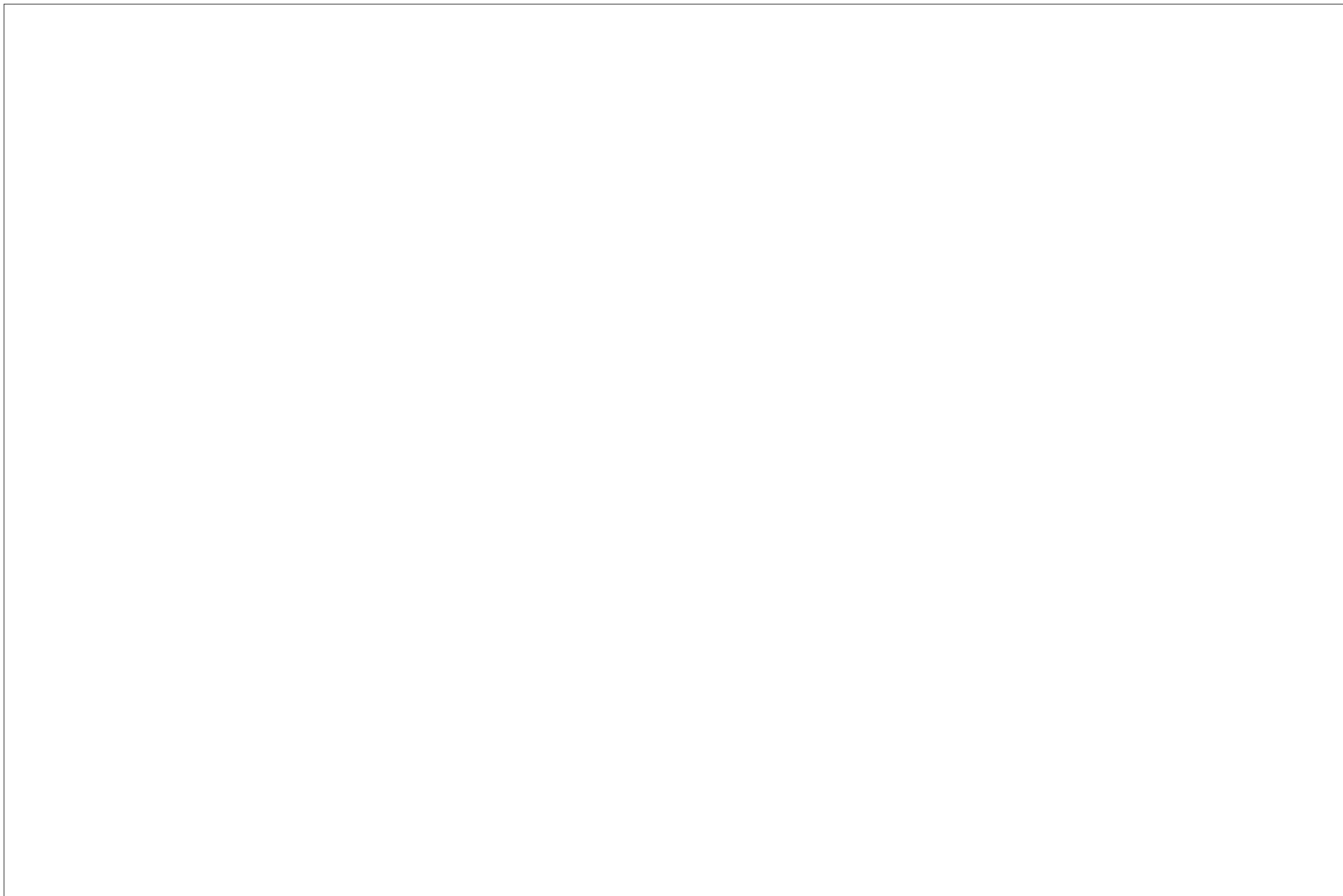
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NICARAGUA

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During July, the Sandinistas masked continuing pressure against rank-and-file opposition members by taking a more conciliatory public posture toward major opposition figures. They renewed calls for a dialogue with the Catholic Church and allowed Cardinal Obando y Bravo to reenter the country after a brief visit to El Salvador, despite hints he might be barred. President Ortega also publicly promised not to take action against the opposition as a result of the vote in the US Senate on increased aid to the insurgents. Simultaneously, however, security officials arrested numerous independent unionists and the vice-president of the Nicaraguan Chamber of Commerce. Several business executives accused of working for US intelligence also were jailed. In addition, [redacted]

[redacted] the Army is harassing landowners in Chontales Department, an area of strong insurgent support, and [redacted] security officials arrested all the inhabitants of a village in the area, allegedly for helping the rebels. The Sandinistas probably calculate that such moves pose little risk and do not add appreciably to the backlash caused by the recent expulsion of several prominent clerics and closure of the country's only independent newspaper. [redacted]

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Internationally, Nicaragua stepped up efforts to win the chairmanship of the Nonaligned Movement. [redacted]
[redacted]

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[Redacted]

[Redacted]

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Meanwhile, a severe drought has destroyed much of the cotton crop and all unirrigated corn crops in the northwest, according to the US Embassy. Already reduced by manpower and machinery shortages, the next cotton harvest probably will be the worst since the revolution, and lost revenues are likely to equal one third of this year's hard currency earnings. The lost corn also will deepen the food shortage crisis and may lead to another Soviet emergency grain shipment. [Redacted]

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[Redacted]

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[Redacted] Managua demobilized more than 2,000 conscripts completing their two-year service obligation and drafted an additional 2,000 to send to training. According to press accounts and [Redacted] nine counterinsurgency battalions each lost an average of 235 veterans in the demobilization, and their replacements have only about one month of operational experience. The loss of so many experienced fighters from the regime's best fighting units is certain to diminish effectiveness and lead to increased casualties during the next few months. [Redacted]

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EL SALVADOR

Representatives of the Salvadoran Government and the guerrilla alliance agreed at secret meetings in Mexico City in late August to renew formal peace talks on 19 September in the small town of Sesori in eastern El Salvador. US Embassy reporting indicates that further preliminary talks are scheduled for early September in Costa Rica to discuss security arrangements and possibly the agenda for the Sesori meeting. The government team insisted at Mexico City that the formal dialogue session be limited to one day and again rejected the longstanding insurgent demand that student, labor, and other civilian observers be present at the peace talks. Neither side is likely to offer concessions, making a major agreement unlikely. [Redacted]

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While the warring sides talked in Mexico, the Salvadoran armed forces continued to

[Redacted]

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[Redacted]

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maintain pressure on the insurgents with sweep operations in seven departments. [Redacted]

[Redacted] rebel forces in central El Salvador remained on the defensive because of government operations and were experiencing severe shortages of food and money. Guerrilla units in some parts of the country have shortages of ammunition and other military supplies and are increasingly forced to rely on dilapidated weapons because Salvadoran and Honduran interdiction efforts have impeded the arms flow from Nicaragua. [Redacted] Nonetheless, the insurgents have not been decisively beaten in combat, continue to be costly to the government, and are still capable of occasional large-scale attacks against major economic and military targets. [Redacted]

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HONDURAS

Although the Hondurans welcomed the resumption of US military aid to the Nicaraguan insurgents, Tegucigalpa in August appeared increasingly uneasy about its role in the escalating war effort. The US Embassy reports that President Azcona and military chief Regalado pointed out that publicity about the US assistance has negative domestic political repercussions and urged Washington to maintain as much secrecy as possible about the program. The Foreign Minister publicly disavowed any connection with the insurgents more insistently than in the past, according to US Embassy and press reporting, and he forcefully denied US press reports that Washington will funnel the aid through Honduras and train the rebels there. Although a Foreign Ministry official assured the US Embassy that such statements do not represent a change in policy, we believe that they indicate a growing concern among Honduran civilian and military leaders that popular support for the war is limited. [Redacted]

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[Redacted]

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GUATEMALA

Land reform continued to be the dominant domestic issue in Guatemala during August. [Redacted] the military leadership met with field-grade officers to allay their concerns about the civilian government--especially their feeling that President Cerezo was moving too quickly on land reform. Although Cerezo has yet to articulate a definitive policy, he has been accused both publicly and privately of encouraging peasant protests. [Redacted] The officers reportedly were told that their

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military leaders fully support the return to democratic rule and were instructed to be patient with the new government. The private sector also is maneuvering on the issue, with one group planning to head off more radical steps by the government by establishing five cooperatives for poor farmers, [Redacted]

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[Redacted]

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Although US Embassy reporting indicates that efforts at accommodation on land reform continue in a variety of public forums, the government's inconsistent approach appears to be falling short of satisfying either advocates or foes. In our view, Cerezo's inability to define a coherent policy--and reassure landowners--on this highly charged issue continues to impact negatively on general business confidence, but there is no indication that he is ready to take a stand. [Redacted]

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COSTA RICA

San Jose's relations with Managua took center-stage once more after Nicaragua filed suit in the International Court of Justice against Costa Rica, accusing it of collaborating with the Nicaraguan insurgents. The Sandinistas, [Redacted] hoped the suit would make San Jose more receptive to bilateral negotiations to monitor their common border. Thus far, however, US Embassy reporting indicates that Managua's action has stiffened San Jose's resistance to any rapprochement. President Arias has taken an increasingly hard line against the Sandinistas, holding them responsible for the turmoil in Central America, and publicly predicting their eventual downfall should they invade Costa Rica. Foreign Minister Madrigal also has publicly expressed Costa Rica's reluctance to confer with Nicaraguan officials while the suit is pending. Moreover, Arias has decided not to name an Ambassador to Managua for the present, and his government is preparing to file a countersuit in the ICJ, accusing the Sandinistas of aggression. Nevertheless, [Redacted] Arias--to avoid appearing intransigent--may be keeping private channels open to Managua, as did his predecessor. [Redacted]

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Meanwhile, [Redacted] all members of the Communist Mora-Canas Brigade, which had been serving with the Sandinistas in Nicaragua for the last four years, have returned to Costa Rica and are assuming a low profile. [Redacted]

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[Redacted]

PANAMA

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A national holiday on 12 August marked the third anniversary of General Noriega's command of the Panamanian Defense Forces and provided him with an opportunity to rally support for the regime. Speeches by Noriega and President Delvalle before a crowd estimated at over 100,000 climaxed the regime's campaign against recent US press attacks against the General, according to the US Embassy. Nonetheless, the US Embassy believes the crowd's response to the speeches was lackluster, [Redacted] that military coercion was instrumental in mustering the large turnout. [Redacted]

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[Redacted] the crowd--although substantial--was only one third the number expected to attend, and the low level of enthusiasm exhibited has made Noriega reconsider running for President in 1989, probably at least for now. [Redacted]

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High-level military retirements were not announced during the celebration, dispelling widely circulating rumors of a major reshuffling. Indeed, [Redacted] and influential ruling party leaders may be considering a move to extend the maximum length of military service. This would allow Noriega--due to retire next year--to serve six more years as commander and temporarily relieve him of responsibility for replacing key loyalists on the General Staff who have already passed mandatory retirement dates. [Redacted]

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[Redacted]

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NICARAGUAN MILITARY BUILDUP

[Redacted]

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7 August

Convoy of 17 or 18 heavy-lift transporters observed travelling west along Rama road,

[Redacted]

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[Redacted]

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22 August

[Redacted] **fourth AN-26 medium transport being assembled in Cuba.** [Redacted]

[Redacted]

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[Redacted]

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[Redacted]

[Redacted]

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SIGNIFICANT NICARAGUAN POLITICAL EVENTS

- Late July**
United Nations Security Council issues resolution calling for compliance with International Court of Justice's ruling against US aid to anti-Sandinista insurgents. [Redacted]
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- 1 August**
Some 2,300 Nicaraguan conscripts complete two-year military obligation and are demobilized. [Redacted]
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- 6 August**
Opposition rallies in front of La Prensa, holding first demonstration since imposition of state of emergency. Regime supporters subsequently demonstrate and deface front of La Prensa building.
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- 13 August**
Central American Parliament meeting held in Guatemala. [Redacted]
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NICARAGUAN TRAVELS/VISITS

24-31 July

Sandinista National Directorate member Henry Ruiz visits Vietnam, Laos, and Kampuchea to meet with high-level national leaders.

[Redacted]

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28-30 July

Vice Foreign Minister Chamorro attends Organization of African Unity meeting in Ethiopia as an observer. [Redacted]

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15 August

President Ortega heads Nicaraguan delegation to inauguration of Dominican Republic's President Balaguer. [Redacted]

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27 August

Delegation of European Parliament of Christian Democrats visits Nicaragua. [Redacted]

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Late August

[Redacted]

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National Directorate member Bayardo Arce heads Nicaraguan delegation to Social Democratic conference in East Germany. [Redacted]

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President Ortega meets with Yugoslavian President Hasani and discusses Nicaraguan candidacy for NAM chairmanship in 1989.

[Redacted]

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[Redacted]

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[Redacted]

[Redacted]

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CHRONOLOGY OF ARMS FLOW INTO EL SALVADOR

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22 August

[Redacted]

[Redacted] interdiction efforts by the Salvadoran and Honduran militaries have apparently impeded the logistics flow from Nicaragua. The rebels have abandoned the use of large concealment chambers in tractor-trailer rigs and ended maritime delivery because of the risk of interception. As a result, the guerrillas are experiencing shortages of ammunition and other military supplies and are forced to rely on deteriorating weapons.

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COMING EVENTS IN CENTRAL AMERICA DURING SEPTEMBER

- Early September** **President Ortega to travel extensively in September, including the NAM summit in Zimbabwe and subsequent stops in Ethiopia, India, and China.**

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- Early September** **Salvadoran Government officials to meet in Costa Rica with guerrilla representatives to discuss security agenda for formal peace talks.**

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- 19 September** **Peace talks scheduled to begin between the Salvadoran Government and insurgents in Sesori, El Salvador.**

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- 28 September** **Guatemalan President Cerezo to address the UN General Assembly and travel to Western Europe.**

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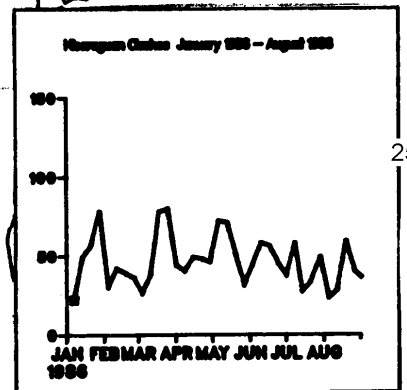
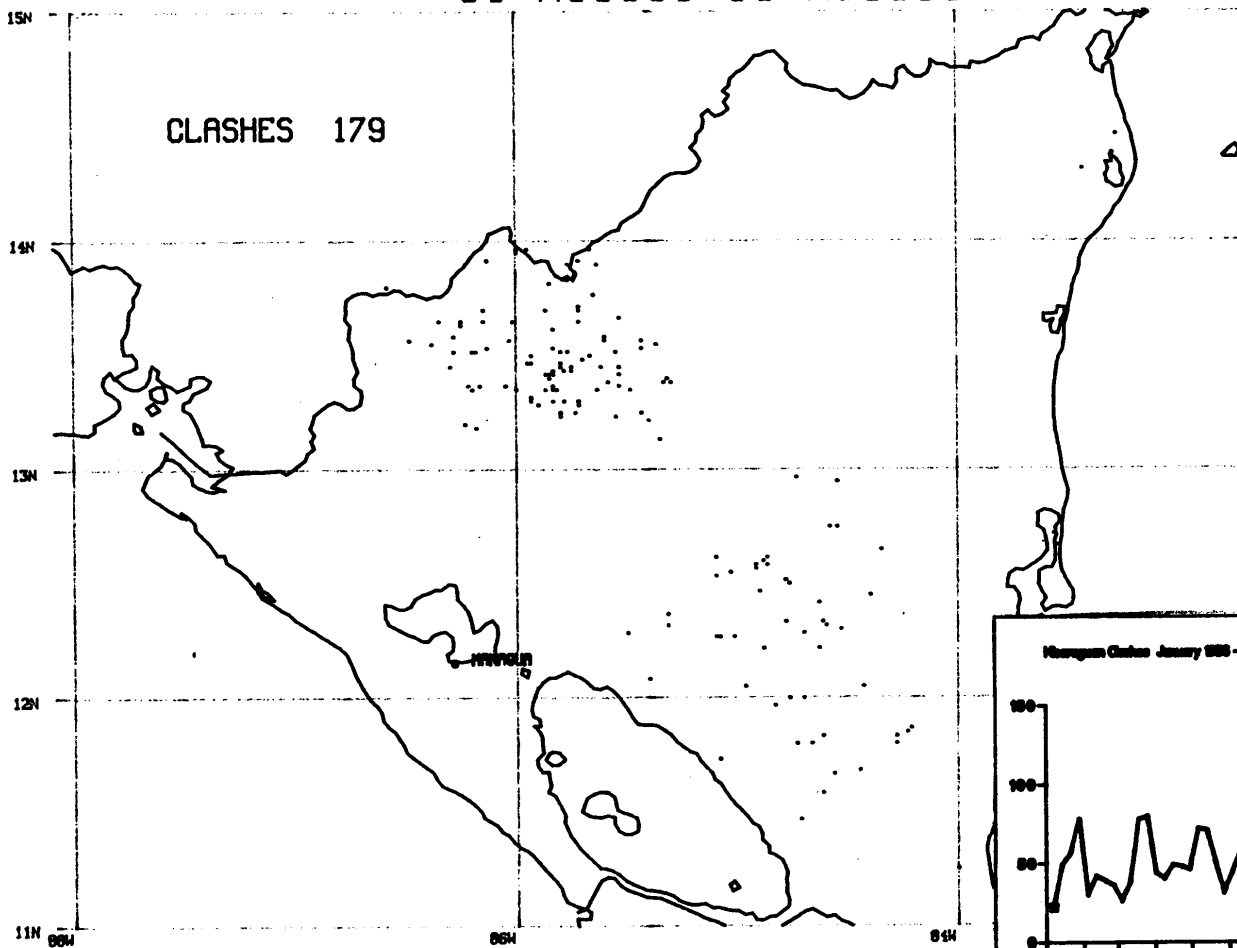
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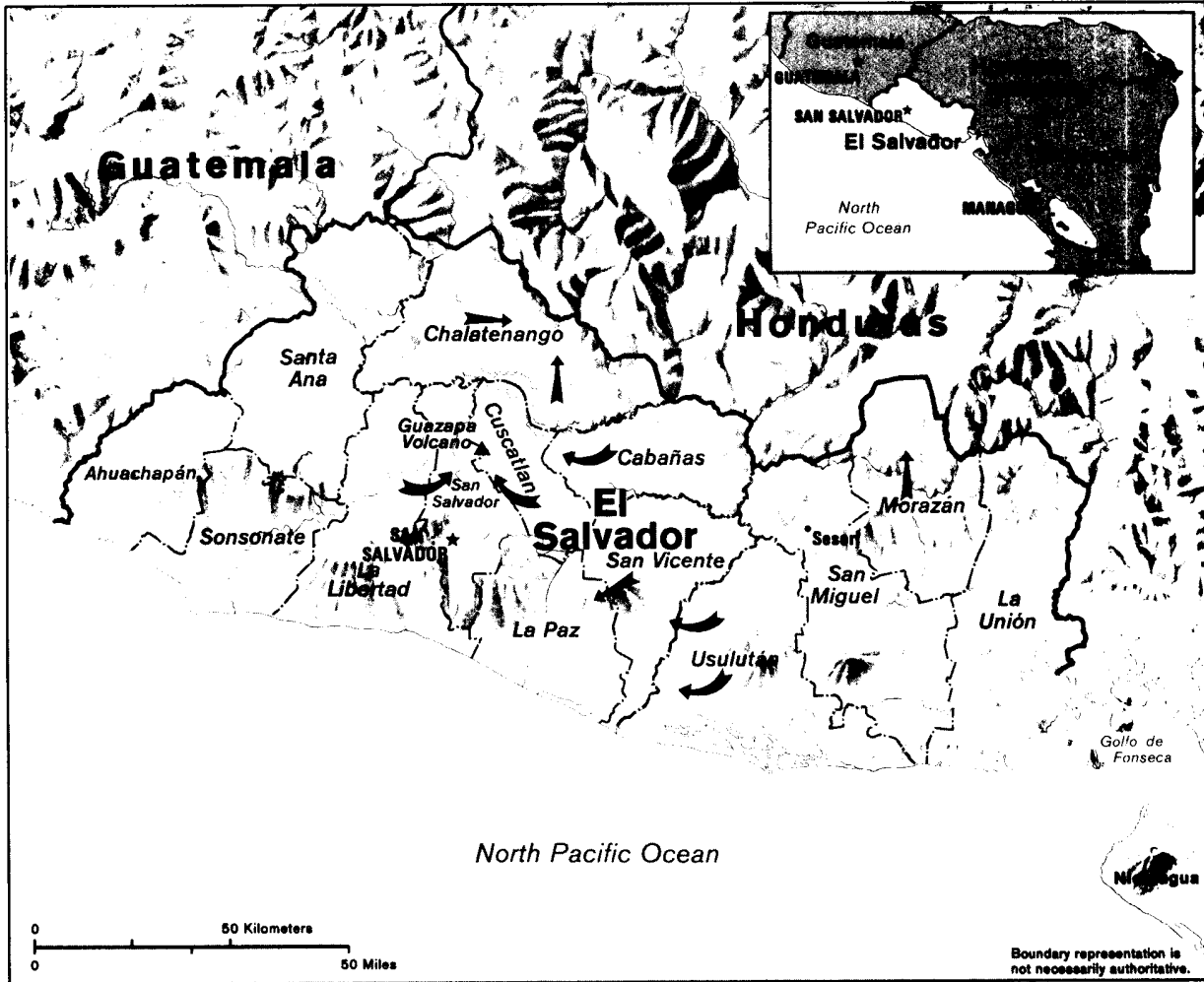
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Government Sweep Operations, August 1986



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


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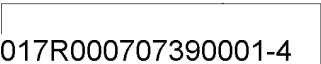
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