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Nicaragua: Prospects for the Insurgency

Special National Intelligence Estimate
Memorandum to Holders

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SNIE 83.3-4-85
March 1986

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

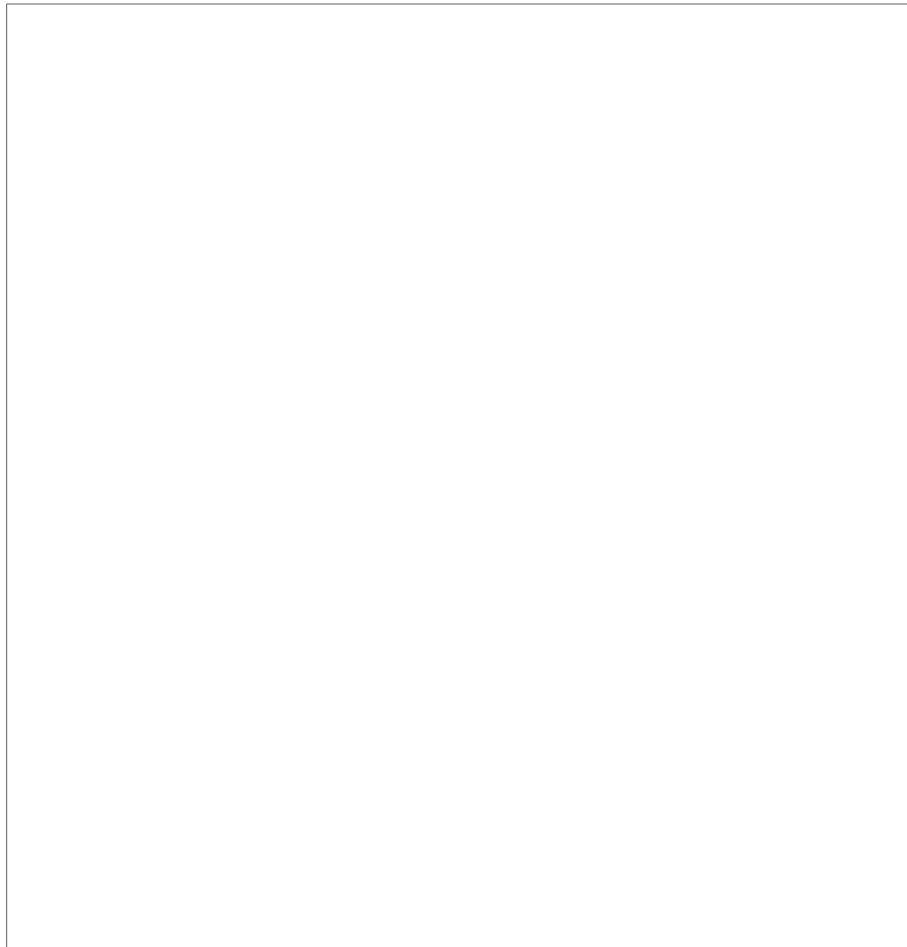
Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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Memorandum to Holders of SNIE 83.3-4-85

**NICARAGUA: PROSPECTS OF
THE INSURGENCY**

Information available as of 27 February 1986 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

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SCOPE NOTE

This Memorandum to Holders updates the Special National Intelligence Estimate, *Nicaragua: Prospects for the Insurgency*, prepared in July 1985. It will look first at recent trends in the conflict and the strengths and weaknesses of both sides. It will also examine the significance of foreign support to Managua and to the insurgents. It will then discuss prospects for the insurgency over the next year or so, depending primarily on alternative scenarios of outside support for the rebels and the likely Soviet-Cuban response. Finally, it discusses other key variables likely to affect the outcome, and the prospects for a negotiated solution to the conflict.

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KEY JUDGMENTS

The armed conflict in Nicaragua has intensified since mid-1985, but neither side has achieved a decisive advantage. Although the insurgents reopened and expanded a second front in central Nicaragua during the latter part of 1985, they have continued to suffer from serious logistic problems made more acute by inconsistent Honduran cooperation and the insurgents own inadequate management and delivery capabilities. This has precluded expansion of the total insurgent force, forced them to withdraw troops into Honduras and to keep large numbers there awaiting resupply, and made it difficult to support forces deep inside Nicaragua. Furthermore, although the insurgents have received some popular support in rural areas, their inability to maintain a dominant presence anywhere in Nicaragua or to create an effective political program has limited their ability to attract more active support, and they remain unable to operate in urban areas. Finally, insurgent units now find themselves confronting experienced and aggressive Sandinista counterinsurgency forces supported by artillery and helicopter gunships.

Insurgent success in obtaining US military aid would have an immediate positive impact on their morale and would send a clear message to Nicaragua's neighbors about Washington's commitment to the struggle. Many Latin countries would fear that the result would be a prolonged and intensified conflict, but specific reactions within the region are likely to vary considerably. The Honduran Government, in particular, would feel reassured by approval of military aid, providing it remains in covert channels. But it would expect compensation for its support, and would remain nervous about the US commitment to Honduran security and the prospect of an indefinitely prolonged guerrilla presence in Honduras. Costa Rica, for its part, would be unlikely to change past policy and allow the insurgents more extensive activities inside Costa Rica.

With increased US support, the armed conflict inside Nicaragua would likely intensify, and, with better management and delivery capability, the insurgents would most likely be able to sustain a large force presence inside Nicaragua. It also may enable the insurgents to expand their operations and add to their strength—now estimated at about 20,000. Although the insurgents are unlikely to achieve military victory within the next year, the Sandinistas would increasingly face the prospect of a long and costly conflict with no end in sight. Much would depend on the type and size of the aid, however, and the degree to

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which the insurgents would respond to US training and guidance. The rebels still have serious administrative, leadership, tactical, and training weaknesses that are not susceptible to quick fixes.

A key variable for insurgent prospects will be the ability of the political leadership to achieve greater unity, develop a more effective political strategy, and establish better links to the internal opposition in order to mobilize greater popular support. This has been a major weakness so far, despite growing popular dissatisfaction with the Sandinista regime. Increased military success, coupled with a viable political program, probably would begin to shift the strategic balance in the insurgents' favor. We believe, however, such improvements are unlikely to happen within the next year.

Managua probably will use increased external support for the insurgents to justify even greater sacrifices from its population and tighter controls on the internal opposition. The Sandinistas are also likely to step up diplomatic pressure and, whenever necessary, use military pressure on Honduras and Costa Rica to deny sanctuary to the rebels. Finally, Managua would likely continue its support for radical and subversive groups in neighboring countries and encourage subversive activity in an effort to raise the cost of support to the Nicaraguan insurgents.

A major factor in Managua's capability to contain the insurgency will be how much additional military support the Soviet Bloc and Cuba are willing—and able—to provide. We believe the Soviet Union will continue to provide substantial military and economic support to buttress the Sandinista regime. In particular, they or their surrogates are likely to provide additional helicopters and other material to support the counterinsurgency effort. The Soviets may provide new air defense weapon systems, and they may test the levels of US tolerance by supplying L-39s or comparable aircraft. They will still feel constrained about providing advanced jet fighter aircraft for fear of provoking a US response.

Cuba would likely be willing to commit additional military advisers and trainers. But we do not believe that Castro would be willing to send ground combat units to Nicaragua for fear of a US response. And, although he may step up support for neighboring radical groups, he will be wary of being openly linked to terrorist acts on their part.

We believe that, should the insurgents fail to obtain military aid from the United States but continue to receive nonlethal support at current levels, they are likely to be discouraged, and the incentives for cooperation among the various factions of the external opposition would be reduced. The insurgents probably would be unable to obtain sufficient funds from other sources to purchase necessary transport

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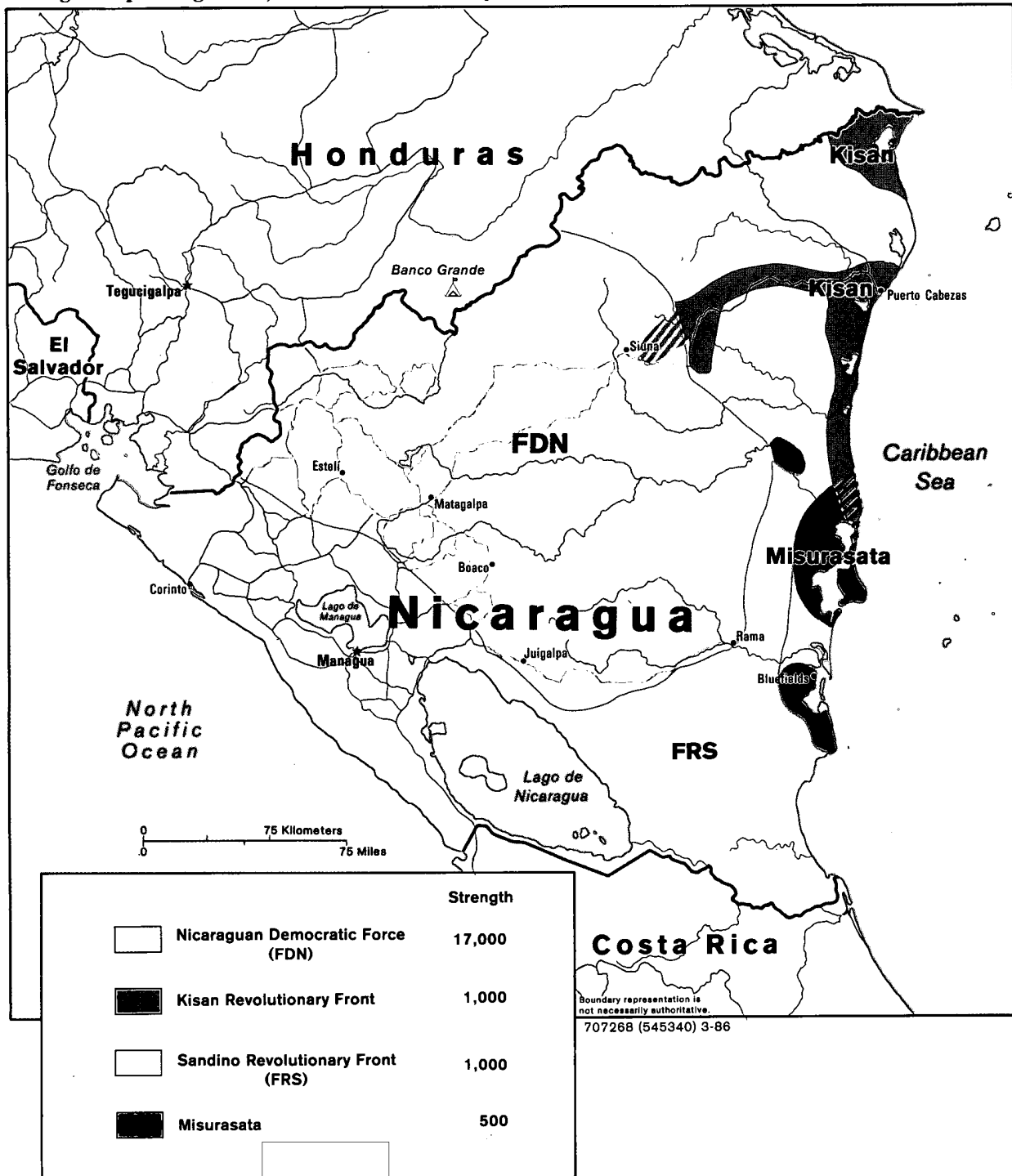
aircraft or meet other critical military needs. Furthermore, Nicaragua's neighbors are likely to have greater doubts about the ultimate viability of the insurgency and the US commitment to oppose Sandinista consolidation. Honduran military support for the insurgency would become increasingly problematic. We doubt that the insurgency would precipitously disintegrate, but, over time, the strategic balance is likely to shift gradually in Managua's favor from the current stalemate as its own capabilities continue to improve and the rebels fail to keep pace.

Although increased US military aid to the insurgency probably would not change the Sandinista negotiating posture in the near term, a stronger and more viable insurgency would tempt Managua to accept a less advantageous Contadora Treaty and undertake at least nominal talks with the internal opposition on national reconciliation. On the other hand, there is some possibility that no amount of insurgent or other pressure will induce the Sandinistas to make fundamental concessions.

The Managua regime remains intent on ultimately consolidating a Marxist-Leninist, totalitarian state in Nicaragua, and the insurgency has remained a major obstacle to its success. We believe that, should the insurgency be greatly reduced or defeated, the generally weak and divided internal opposition would present little challenge to the Sandinistas, and Sandinista incentives to make negotiating concessions would be greatly reduced. Although Managua argues publicly that it cannot make concessions while subject to external aggression, we do not believe it would be significantly more conciliatory were the insurgency weakened. Instead, this would improve Nicaragua's chances of obtaining advantageous bilateral agreements with Cost Rica and Honduras, thereby undermining the prospects of an effective regional agreement under Contadora auspices.

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Figure 1
Insurgent Operating Areas, Mid-1985 to February 1986



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DISCUSSION

Status of the Insurgency

1. The level of fighting in Nicaragua intensified during the last half of 1985 as both sides increased the scope of their operations considerably. The insurgents were able to reopen a second front in south-central Nicaragua with a force of some 5,000 to 6,000 combatants and to sustain operations in the area for over six months. (See map.) This force apparently has enjoyed popular support in the area, has been able to threaten the strategic Rama road on several occasions, has occupied a few small towns for several hours, and has caused the Sandinistas to divert more than half of its counterinsurgency battalions to contain it. [REDACTED]

2. In recent months, however, it has become increasingly difficult to keep this force supplied with adequate ammunition, boots, medicines, and other supplies from support bases in Honduras. The logistic problems resulted in part from a shortage of suitable aircraft and restrictions by the Honduran Government. As a result, nearly a fourth of this force was forced to exfiltrate to Honduras. This, combined with Sandinista military pressure, has forced the remaining elements to conserve their supplies and reduce their level of operations. [REDACTED]

3. Meanwhile, in the north-central area near the Honduran border, the insurgents have been generally less active than in the past. Insurgent efforts to seize several towns in early August 1985 were in most instances repulsed by the rapid arrival of MI-25 gunships, and the insurgents have generally reverted to small-scale operations since then. Over the last year the Sandinistas have gradually increased their efforts to apply military pressure on insurgent supply bases and infiltration points in the border area. They also have been willing to conduct small-scale operations inside Honduras for extended periods, and they recently seized a key supply point at Banco Grande after a relatively costly effort (see map). Sandinista raids have caused some Honduran civilian and military casualties, but, except for a retaliatory airstrike last September, Honduras has chosen not to respond with force and has left the fighting to the Nicaraguan rebels. [REDACTED]

The Armed Opposition

4. Most major anti-Sandinista insurgent forces have been drawn together into a loose political alliance called the Unified Nicaraguan Opposition (UNO). Its political leadership consists of Adolfo Calero of the Nicaraguan Democratic Force (FDN), Alfonso Robelo of the Democratic Revolutionary Alliance (ARDE), and Arturo Cruz, an independent who attempted to run in the 1984 presidential elections as candidate of a coalition of internal opposition parties (see inset.) All three have strong democratic and anti-Sandinista credentials, and UNO issued a political platform in January 1986 calling for a negotiated solution to the conflict and new elections in Nicaragua. Nevertheless, UNO has not developed any grassroots political organization needed to exploit growing popular discontent. Nor has it gained widespread international recognition as a valid opposition political force, probably because of the FDN's persistent Somosista image and the perception that UNO and the FDN were put together by the United States and rely primarily on US support. [REDACTED]

5. The FDN remains the largest, best equipped, and most proficient of the anti-Sandinista insurgent groups. Its force strength appears to have stabilized at an estimated 17,000 since mid-1985, primarily as a result of its inability to deliver supplies to forces inside Nicaragua and the lack of an adequate infrastructure to sustain a larger force. The FDN military forces continue to be commanded by Enrique Bermudez, a former Somoza National Guard officer, and other former Guard commanders occupy key positions on the General Staff. Nevertheless, 75 of 105 field commanders are either local volunteers or former Sandinista soldiers. The overwhelming majority of the troops consists primarily of peasants from the mountainous areas of northern and central Nicaragua. [REDACTED]

6. There are several Creole, Miskito, and other Indian groups that also are continuing armed resistance against the Sandinista regime. These groups operate primarily along the Caribbean coast of Nicaragua and have rebelled against harsh repression by the Sandinistas. Numbering perhaps 1,500 combatants, the Indians have been sporadically active against the

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Sandinistas in the past six months as a result of supply shortages and internal disorganization. Nevertheless, they are fierce fighters who know the terrain well, and they could probably expand with sufficient support. The majority of them are affiliated with UNO under an organization called Kisan, and others have been fighting with a group called Misurasata led by Indian leader Brooklyn Rivera. Virtually all the Indian groups distrust Spanish-speaking Nicaraguans, including the anti-Sandinistas, and they have strongly resisted subordination to the UNO. [REDACTED]

7. The last major group of anti-Sandinista resistance forces continues to be led by former Sandinista commander Eden Pastora and operates primarily in southeastern Nicaragua along the Costa Rican border. Pastora's forces have suffered from Sandinista offensives and his erratic leadership, and most of his key field commanders have begun to ally themselves with UNO in order to obtain better logistic support. Although he claims an overall strength of over 3,000, no more than 1,000 can currently be considered combat effective.

Nevertheless, they continue to conduct small-scale attacks and harassment operations in the region. [REDACTED]

8. The insurgents rely heavily on the rural population for recruits, intelligence, and various kinds of support. The overall growth of FDN ranks and rebel commanders' reports of popular backing in the countryside attest to the considerable discontent with the Sandinistas. The peasants' resentment of the regime stems largely from its intrusion into their lives through agricultural collectivization, control over access to credit, resettlement programs, military conscription, and antichurch policies. Developing this base of potential political support is critical to the insurgents' ability to expand operations inside Nicaragua. [REDACTED]

Insurgent Problems

9. The insurgents' major weakness over the last six months has been erratic logistic support and inadequate delivery means despite the renewal of US nonlethal aid assistance last year. The major bottleneck

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has been Honduras, where the government and military have been disturbed by the overt nature of the US support, the publicity given to early supply flights from the United States, and what they see as lack of insurgent progress. They also view as inadequate the US military and economic aid being provided to Honduras in compensation for the key role it is playing in supporting the FDN. As a result, Honduras suspended supply flights for the insurgents last November. Although some of these restrictions have recently been eased, the insurgents suffered heavily in the interim, and the majority of its forces were kept tied to forward bases in Honduras awaiting delivery of supplies. In addition, a shortage of suitable aircraft has made it difficult to fly sufficient support operations for forces operating in the interior of Nicaragua, making it impossible for them to sustain a high level of operations [redacted]

10. The insurgents also find themselves outgunned by Sandinista forces well equipped with machine guns, mortars, and other heavier weapons. In particular, the insurgents have suffered from a lack of adequate air

defense weapons to counter the increased use of Sandinista air assets. Although the insurgents were able to down a Sandinista MI-8 helicopter in December 1985—with the loss of two Cuban pilots—their small arsenal of SA-7 missiles has been almost exhausted, and they have not been able to obtain more reliable and effective alternatives. [redacted]

11. The insurgents also continue to suffer from problems with command and control of units in the field, poor planning and target selection, inadequate training, and uneven leadership. This has forced them to rely primarily on small unit tactics such as ambushes of small Sandinista units, raids on vehicles, and attacks on coffee cooperatives, collective farms, and other poorly defended government facilities. Their destruction of such basic infrastructure as electric grids and major bridges has been less frequent. They have attacked some militia units in lightly defended towns, but have not targeted major garrisons. [redacted]

12. Finally, the insurgents have yet to develop an effective political effort inside Nicaragua despite

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growing popular dissatisfaction with the regime. Their radio propaganda has been ineffective. They have so far been unable to generate support in heavily populated western Nicaragua and have confined their operations to rural areas. Even in these areas, they have failed to establish a dominant presence or the political infrastructure necessary to give them a permanent support base. [redacted]

The Sandinista Counterinsurgency Effort

13. The Sandinistas have continued to improve their counterinsurgency capabilities over the past six months. They are making better use of their 12 to 14 special counterinsurgency battalions, helicopter force, and signal intercept capabilities to seek out and attempt to engage the guerrillas. Moreover, the Sandinistas have thoroughly penetrated the FDN infrastructure and operational units and have frequently had advance notice of FDN operations, although they have not always been able to act effectively on their intelligence. The counterinsurgency units are more experienced and aggressive than the reserve and militia units they have replaced, and their leadership also appears somewhat improved. Local militia units are now used primarily to guard key bridges, agricultural cooperatives, and other Sandinista facilities. The Sandinistas also have constructed a large number of forward artillery and air support bases in insurgent areas to improve their firepower and rapid response capabilities. According to guerrilla commanders, the increased use of armed MI-17 and MI-25 helicopters has been particularly effective in preventing insurgent units from concentrating and attacking larger targets. [redacted]

14. Nevertheless, the war is imposing a heavy financial burden on Managua, which, combined with steadily worsening economy, is resulting in increased popular dissatisfaction with the regime. Nicaragua admits it spent about 50 percent of its budget on the war last year, and the figure reportedly may climb to nearly 65 percent in 1986. The Sandinistas have responded to growing economic difficulties with increasingly tough measures to control distribution of goods and eliminate speculation by private merchants. Sandinista sources have acknowledged that the regime has lost much of its support in rural areas as a result of past economic and political abuses and mistakes. In response, Managua has stepped up agrarian reform in an effort to win back greater support from the rural sector. [redacted]

15. Furthermore, the Sandinista military continues to demonstrate some significant weaknesses, including

poor command and control, low morale, and continued desertions and supply problems in the field. Although units that have operated in the northwest for extended periods now know the terrain much better, this is not true in the central and southern regions where the insurgents have expanded operations. Their major successes have come in ambushes along infiltration routes and in rapid response to insurgent efforts to seize towns. Finally, while the Sandinista force of some 25 to 30 Soviet-built helicopters has been put to good use, it has suffered from poor maintenance and other problems, and has not been entirely adequate to counter the more widespread insurgent operations since mid-1985. [redacted]

Foreign Support

16. Soviet Bloc and Cuban military and economic support has become increasingly critical to the Sandinista regime as Western support has continued to decline. Soviet Bloc and Cuban economic aid reached an estimated \$400 million in grants and credits last year and may increase in 1986. Bloc goods now account for nearly 60 percent of all imports, and Moscow now provides virtually all of Nicaragua's oil needs. Although the value of military aid dropped off last year from the 1984 peak of some \$250 million, the Soviet Bloc provided an increased volume of military-related goods in 1985 in support of Managua's needs (see charts). We believe the Soviet Bloc may provide additional helicopters during the next 12 months and possibly new air defense weapons as well. [redacted]

17. The 2,500 to 3,500 Cuban military advisers and technicians in Nicaragua are playing a key role in assisting the counterinsurgency effort. About 20 Cuban pilots reportedly are helping to fly Sandinista aircraft, [redacted] and many have engaged in combat missions. At least four of these pilots have been killed in combat operations. Cuban military advisers are present down to company level in some counterinsurgency units, [redacted] and they reportedly carry Nicaraguan ID cards and wear Sandinista uniforms to conceal their identity. Other sources indicate that Cubans play a key role in helping to operate the eight communications intercept sites identified in Nicaragua. [redacted]

Military Outlook

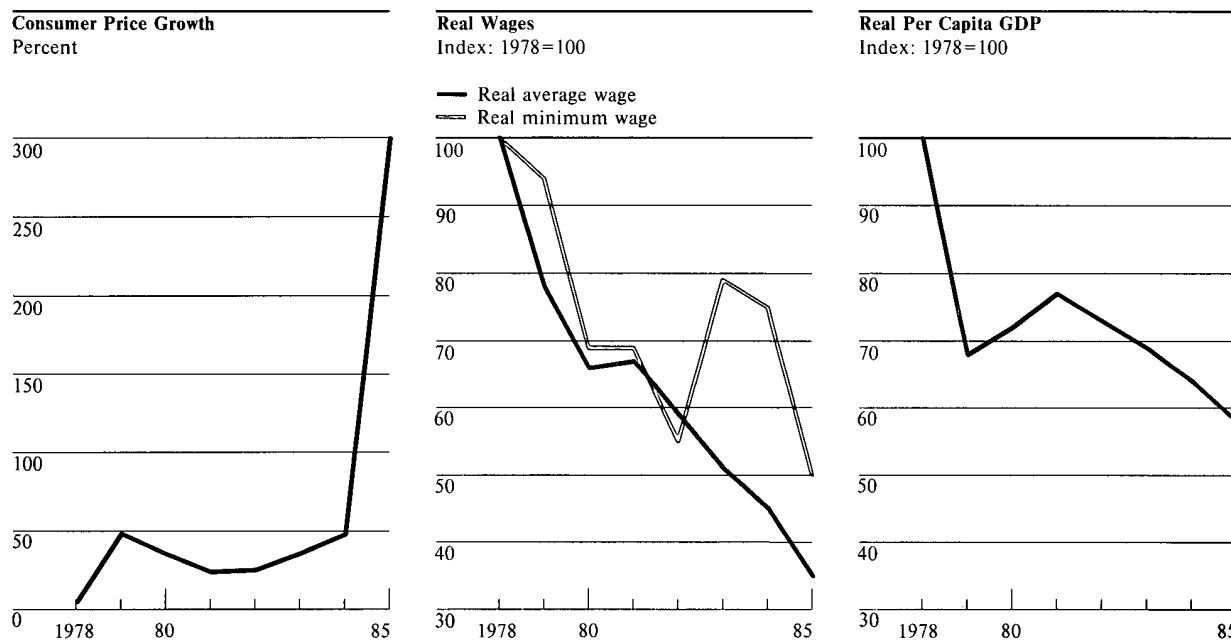
Increased Support

18. The military outlook for the insurgency in Nicaragua is likely to be significantly affected by whether the rebels are able to obtain substantial US

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Figure 2
Nicaragua: Economic Indicators, 1978-85



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military aid and training assistance. A decision to provide the assistance probably would provide an immediate boost to insurgent morale. US training assistance, strategic advice, and tactical planning, along with better intelligence, would lay the groundwork for substantial improvement in insurgent capabilities over time. With adequate logistic support, better management, and improved delivery capability to field commanders, the insurgents will most likely be able to sustain a large force presence inside Nicaragua. One important result may be the reactivation of fronts along the Atlantic Coast and southern Nicaragua, which would put further strains on Sandinista resources. [redacted]

19. Although the insurgents would be unlikely to achieve a decisive military victory within the next year, the delivery and effective use of increased assistance would provide the insurgents the wherewithal to expand their forces and to regain and hold the initiative. Under such circumstances, the level of fighting probably would intensify considerably, but insurgent effectiveness would depend on the type and

use of the military assistance package and the degree to which the insurgents respond to training and guidance. In any case, the conflict is still likely to be confined primarily to the rural areas of central and eastern Nicaragua, and the insurgents probably will still have difficulties controlling large areas or capturing and holding major towns for more than short periods. [redacted]

20. Increased US aid should be a positive factor in increasing the unity of the insurgency and its political leadership and helping it to demonstrate its viability to the general population. With better training and intelligence support, the insurgents should be able to conduct operations against key targets in the more heavily populated areas of western Nicaragua. Nevertheless, they will have to significantly improve their counterintelligence capabilities if they are to circumvent the Sandinistas' efforts to prevent the formation of urban support networks and avoid compromise of operational plans. [redacted]

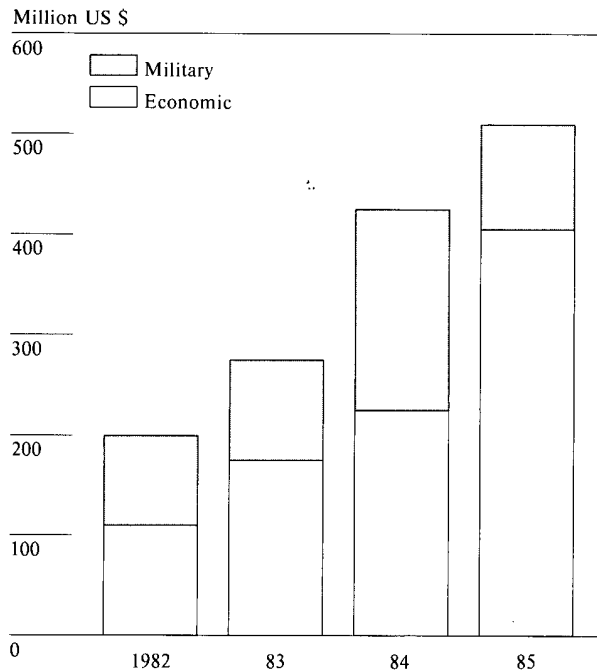
21. A key variable for the prospects of the insurgency will remain the ability of the political leadership to

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Figure 3
Nicaragua: Communist Assistance



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achieve greater unity, develop a more effective political strategy, and establish better links to the internal opposition in order to capitalize on growing popular dissatisfaction with the Sandinista regime. Increased insurgent military success coupled with a viable and effective political program probably would begin to shift the balance from the current stalemate to the insurgents' favor. We believe this is unlikely to happen within the next year, however. [redacted]

Regional Impact

22. A US decision to provide military aid would send a clear message to Nicaragua's neighbors about Washington's commitment to the struggle. Many Latin countries will fear that the result will be an intensified conflict, but specific reactions are likely to vary considerably. The new Honduras military leadership would welcome an increased US commitment to the FDN but expect to be rewarded for Honduran cooperation. The Azcona government would also feel reassured by approval of military aid, providing it remains

in covert channels, but will likewise expect compensation and will remain nervous about the US commitment to Honduran security and the prospect of an indefinitely prolonged large guerrilla presence in Honduras. We see little likelihood that the new Arias government will change the Monge administration's policy and allow more extensive insurgent activities in Costa Rica; indeed, it may become even more restrictive. El Salvador would support US military aid, but we do not see any real chance of greater cooperation from Guatemala. [redacted]

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Sandinista Response

23. Managua would view any US military assistance as further evidence that it is in for a long tough struggle with no end in sight. It probably will demand even greater economic sacrifices from the population, putting the blame on increased US aggression. It will almost certainly step up its surveillance and intimidation of the internal opposition, and may arrest key opposition leaders to avert any possibility of an internal front. The Sandinistas are likely to continue improving their own capabilities and will cite US military aid to the rebels as justification for requesting greater support from the Soviet Bloc, Cuba, and radical allies. [redacted]

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24. A key Sandinista priority is likely to be attempts to pressure Honduras and Costa Rica to deny sanctuary to the rebels through diplomatic and military means. Managua probably will step up its cross-border military operations against insurgent base camps and staging areas in Honduras, even at the risk of provoking retaliation. Although they are likely to continue hot pursuit into Costa Rica, they may be more cautious there to avoid endangering the recent rapprochement with San Jose and efforts to establish international supervision of the border. Finally, Nicaragua is likely to continue its covert support to neighboring radical groups and encourage other subversive acts to raise the cost of support to their external opponents. [redacted]

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Soviet and Cuban Support

25. As in the past, the Soviets, will probably continue to use Cuba and East European countries as intermediaries for major weapon system deliveries to avoid arousing regional fears and to avoid confrontation with the United States. They will probably refrain from supplying US-proscribed arms such as MIG-21 fighters. The Soviets may, however, provide more advanced weapon systems such as radar-guided surface-to-air missiles, and they may decide to test the limits of US tolerance in gray areas such as L-39s or comparable aircraft if the Sandinistas can make a

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persuasive case for their utility. They will continue deliveries of military-associated goods most suitable to a counterinsurgency and to correcting the deficiencies the Sandinistas have demonstrated in the field [redacted]

26. The Cubans, for their part, are likely to be willing to assume an even greater combat role in support of the Sandinista regime. The number of Cuban advisers and support personnel may increase significantly in an effort to assist the Sandinistas with rapid absorption of additional helicopters, air defense weaponry, and other combat equipment. At the recent Cuban Communist Party Conference in Havana, Castro stated that, in the event the United States augments aid to the resistance, "Cuba will do everything possible to increase its support to the people of Nicaragua." Nevertheless, we doubt that Castro would take the risk of sending ground combat units to Nicaragua for fear of US detection and response. And, while he may step up Cuban support for neighboring radical groups, he will be wary of being linked openly to any terrorist acts on their part [redacted]

No Increased Support

27. Should the insurgents fail to obtain military aid from the United States and continue to receive nonlethal support at current levels, they are likely to be greatly discouraged, and the incentives for cooperation among the various factions of the external opposition would be somewhat reduced. Provision of only nonlethal aid would force continued reliance on uncertain levels of private funding for arms and munitions, which at a minimum would complicate military planning. The insurgents probably would be unable to obtain sufficient financial resources to purchase equipment to meet some critical needs, such as large transport aircraft and anti-aircraft weapons to cope with the increasing Sandinista air threat [redacted]

28. Furthermore, Nicaragua's neighbors are likely to have greater doubts about the ultimate viability of the insurgency and the US commitment to oppose Sandinista consolidation. Honduran military support for the insurgency would become increasingly problematic, and Tegucigalpa may impose greater restrictions over rebel logistic and support bases. We doubt that the insurgency would precipitously disintegrate, and the guerrillas probably can sustain their attacks at

reduced levels over the next year or so. Over time, however, the strategic balance is likely to shift gradually in Managua's favor as its own counterinsurgency capabilities continue to improve and the insurgents fail to make similar progress. [redacted]

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Impact on Sandinista Policy

29. A stronger and more viable insurgency, along with the higher economic costs involved in fighting it, would place increased pressure on the Sandinistas to make negotiating concessions. Although initially Managua is likely to continue to take a hard line and refuse to make any significant concessions either in the Contadora talks and with the internal opposition, over time this resolve may weaken. Much will depend on the ability of the insurgency to increase its political viability and to bring the war closer to major urban areas in western Nicaragua. In the event the insurgency becomes both a greater political and military threat, Managua may be tempted to accept a less advantageous Contadora Treaty in an effort to end its external support. Nevertheless, such a treaty may fall short of minimal US objectives for a regional peace settlement, especially on internal reconciliation and democratization. Finally, there is some possibility that no amount of guerrilla military pressure will induce the Sandinistas to make fundamental concessions, and they may decide to settle the issue on the battlefield. [redacted]

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30. We believe a less effective insurgency would greatly reduce Sandinista incentives to make any negotiations concessions in the Contadora context, and it would improve their ability to reach advantageous agreements. Although Managua publicly argues that it cannot make any concessions while subject to external aggression, we do not believe they would be significantly more conciliatory were the insurgency weakened. The Sandinistas may be willing to undertake a dialogue with the internal opposition to satisfy international public opinion, but the terms would essentially be over what trappings of pluralism, private enterprise, and political nonalignment they would allow to remain. Honduras and Costa Rica, for their part, would be more likely to conclude bilateral agreements with Managua, thereby undermining the Contadora process. Alternatively, Nicaragua may be able to conclude a much more advantageous Contadora Treaty. [redacted]

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ANNEX A

THE INTERNAL OPPOSITION

1. The opposition political coalition, Coordinadora (CDN), plagued by internal disputes and increasingly hemmed in by the expanded state of emergency decreed last October, has been reluctant to assume the political risks entailed in consistently defying the regime. The coalition lacks charismatic leaders and has been unable to define a political strategy to put the Sandinistas on the defensive. Its power to make its voice heard has been further limited by its absence from the National Assembly—it fielded no candidates in the 1984 election—and the resumption of heavy media censorship. Other opposition parties that are members of the National Assembly have not been effective in providing independent views or blocking FSLN legislation. As a result, constituent members of the coalition and other opposition parties have pursued their own strategies for coping with the regime. The private sector, for example, has held a series of local meetings of businessmen to discuss government economic policies, and several of the political parties are continuing their local organizing activities, despite regime restrictions. Further, the coalition parties along with one of the parties in the National Assembly circulated a document in early February renewing their call for a national dialogue. Party chiefs also continue to travel abroad to meet with potential backers, and various sources indicate they continue to meet with political leaders of the armed resistance to coordinate strategy. Nevertheless, they remain generally isolated within Nicaragua and lack the extensive political apparatus necessary to reach Nicaraguans beyond the major urban areas [redacted]

2. We see little likelihood of any sustained challenge to FSLN policies by the internal political opposition. Internal disputes and regime intimidation and maneuvering to sow dissension probably will continue to preclude the creation of a truly united and effective political resistance. Although some key leaders almost certainly will maintain covert contacts with the armed resistance, they are likely to stop short of openly supporting the insurgents because they fear retaliation. We believe politicians and businessmen will assume more risk only when convinced the insurgency has established momentum in both urban and rural areas. [redacted]

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Main Opposition Groups**Democratic Coordinating Board**

3. The Democratic Coordinating Board (CDN), or Coordinadora, is composed of moderate and conservative and anti-Sandinista political parties and business and labor organizations. Accurate membership figures for the constituent member groups are elusive, but rosters are small. [redacted]

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The Legal Opposition

4. The legal opposition is composed of parties that participated in the 1984 elections and hold seats in the National Assembly proportionate to their electoral performance. Some of the parties strongly support the Sandinistas, while others are badly split over regime policies. [redacted]

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ANNEX B

NICARAGUAN INSURGENT GROUPS

Unified Nicaraguan Opposition (UNO)

1. Insurgent leaders from the FDN and ARDE and exiled opposition leader Arturo Cruz announced the formation of the new umbrella organization UNO in June 1985. It replaced an alliance formed in 1984—the Nicaraguan Unity for Reconciliation (UNIR)—in which Miskito Indians of the Misura organization also participated. The Indian insurgents have ties to UNO and receive arms and other support, but are not represented in the organization's top leadership. [REDACTED]

2. *Nicaraguan Democratic Force (FDN)*. Formed in 1981, it is the largest and best equipped of the guerrilla organizations, with an estimated 17,000 armed combatants. Headed by Adolfo Calero, former president of Nicaragua's largest opposition party, the FDN operates out of base camps in Honduras into northwestern and central Nicaragua. The FDN also has established a presence in southern Nicaragua and the east coast through ties to semiautonomous groups. Some 100 men of the Nicaraguan Revolutionary Armed Forces (UNO/FARN), under Fernando Chamorro, operate on the southern border near Lake Nicaragua, and a reported 300 black Creoles near Bluefields are allied with the FDN. [REDACTED]

3. *Democratic Revolutionary Alliance (ARDE)*. Alfonso Robelo, a former Sandinista government junta member and head of a political party that opposed Somoza, leads this group. Robelo broke his alliance with Eden Pastora's forces in mid-1984, and ARDE's small military wing now operates as part of the FDN. [REDACTED]

4. *Other Political Leaders*. Arturo Cruz, the third principal UNO leader, served on the Sandinista government junta and was the presidential candidate of a coalition of opposition political parties in the election in 1984, though he ultimately did not run. Several other political organizations also signed the UNO unity document. Most of these are exile wings of Nicaraguan opposition parties. [REDACTED]

Nicaraguan Indian Insurgents

5. Kisan was formed in September 1985 to unify ethnic insurgents—primarily Miskito Indians, but also Sumo and Rama Indians and black Creoles—on Nicaragua's Caribbean coast. The new organization joins the Misura Revolutionary Front, dissidents of the Misurasata guerrillas, and the Southern Indigenous Creole Community (Misurasata-SICC). Kisan is led by Wycliffe Diego, replacing longtime rival Indian leaders, Steadman Fagoth of the Misura and Brooklyn Rivera of the Misurasata. [REDACTED]

6. *Misurasata*. A small group of combatants in central and southern parts of the east coast remains loyal to Brooklyn Rivera, who refused to join Kisan. Rivera's attempts last year to negotiate regional autonomy with the Sandinistas produced divisions in Misurasata's ranks and a rupture in the organization's alliance with Eden Pastora. In January, however, Rivera declared his willingness to unify with Kisan after the Sandinistas launched attacks on his party traveling in the area south of Puerto Cabezas. [REDACTED]

Sandino Revolutionary Front (FRS)

7. Eden Pastora, a Sandinista revolutionary hero, is the most charismatic and best known insurgent leader. The FRS has suffered battlefield setbacks from government offensives and defections because of Pastora's erratic leadership and inability to supply his troops. Nevertheless, his estimated 1,000 troops continue to mount sporadic small-unit actions in Nicaragua's southeast. Pastora has refused to join UNO because of his opposition to the presence of former National Guardsmen in the FDN military leadership and his desire to be given what other insurgent leaders consider an excessive share of power. Pastora's political arm, the Southern Opposition Bloc (BOS), conducted unsuccessful unity talks with UNO last December. In January, however, three of Pastora's top five commanders independently agreed to cooperate militarily with the FDN in exchange for supplies, an agreement that Pastora subsequently claimed he had authorized. [REDACTED]

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ANNEX C

ECONOMIC DETERIORATION AND POPULAR DISCONTENT

1. The costs of the war, as well as regime mismanagement, have left the Nicaraguan economy in a shambles, eroding popular support for the government. The Sandinistas' military buildup has required an ever-increasing share of the budget—10 percent in 1980, 25 percent in 1984, 50 percent in 1985, and we expect it to reach about 65 percent in 1986. At the same time, we estimate that real GDP fell 5 percent in 1984 and another 7 percent in 1985, while inflation soared to 300 percent last year. We estimate that agricultural exports for 1985 amounted to only \$250 million, 50 percent less than when the Sandinistas came to power. Industrial output during 1985 fell nearly 10 percent. The deteriorating economy has led to significant declines in per capita consumption and forced substantial shifts in purchasing patterns. Inflation, for example, has wiped out the savings of many in the middle class and forced cutbacks in purchases of imported items. Minimum-wage earners are postponing purchases of clothing and other basic consumer goods, and Nicaraguan housewives report sharp deteriorations in family diets because of high prices and chronic shortages. The economic decline and conflict in the rural areas has sparked large-scale migration to Managua, contributing to lower food production, unemployment, and breakdowns in services that have plagued the capital. Only massive support from the Soviet Bloc has prevented total economic collapse.

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2. The Sandinistas have responded with plans to expand the agrarian reform program to bolster crop production and stem migration and with tighter controls over food supplies to cut into black-market operations. In mid-January, the government revised the land reform law to facilitate more rapid confiscations of private holdings and promised to step up distribution of titles this year. To strengthen the agricultural sector further, as well as discourage migration, President Ortega has stated that any available funds for development projects will be assigned to rural areas. In February, Managua announced a consumer census to eliminate abuses in the ration system, as well as new retail licensing and market monitoring procedures to reduce speculation and hoarding. Ortega has also tried to deflect responsibility for the economic crisis by blaming the insurgency and the US trade embargo.

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3. US Embassy and defense attache reporting points to widespread dissatisfaction with Sandinista economic policies, but there have been relatively few instances of open resistance to the government. Economic protests have been limited to some strikes and a few reported incidents of industrial sabotage. There has also been scattered violence in the markets—one regime price inspector was killed recently trying to enforce regulations. Most local and foreign observers agree that the Nicaraguan public is traditionally passive and difficult to mobilize. Nonetheless, the Sandinistas apparently are concerned about their eroded popular base, and areas showing high levels of hostility are to receive additional economic aid.

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ANNEX D

CATHOLIC CHURCH OPPOSITION TO THE REGIME

1. Cardinal Obando y Bravo is the most effective voice of opposition to Sandinista policies, and his elevation from Archbishop last April has buttressed church militancy. The Nicaraguan church is considered the strongest national church in Central America, and the nearly 300,000 faithful who met the new Cardinal upon his return from Rome testify to Obando's immense popularity. The bishops have condemned government repression and strongly resisted regime efforts to compromise church autonomy and to impose Marxist indoctrination in the schools. The hierarchy also has opposed military conscription and repeatedly called for a national dialogue that would include the insurgents. Obando has mounted daring political challenges to the regime by celebrating a mass in Miami in June attended by insurgent leaders and by publishing a church newspaper in October in defiance of press censorship. Although the bishops reappointed Obando as president of the Episcopal conference last October to reinforce his position and present a united front, US Embassy reports indicate several have reservations about Obando's confrontational approach.

2. The Sandinistas have responded to church activism by detaining clergy and lay activists, launching harsh press attacks on Obando, and expanding the state of emergency. The regime seized a new church newspaper before it could be disseminated, occupied the Curia office where it was printed, and shut down the church radio station. The Interior Ministry also ordered Obando to cancel outdoor masses—a directive

he promptly defied—and the government has used harassment tactics to obstruct attendance. In addition, the Sandinistas have increased their efforts to sow divisions in the church, not only by backing the leftist “popular church” as a rival to the hierarchy, but also by attempting to cultivate ties to the other bishops.

3. Although the church does not have formal ties to opposition parties, we believe that Cardinal Obando will remain an important symbol to the internal opposition. The Pope's mid-December letter to the Nicaraguan bishops' criticizing regime oppression of the church suggests that Obando will continue to receive strong Vatican support. The Sandinistas probably will be unable to discredit him with the Nicaraguan populace, and his stature will give the prelate the credibility and personal security that eludes other opposition leaders.

4. The church's role will, however, continue to be primarily to lend moral authority to the opposition, and Obando is unlikely, in our opinion, to move significantly out in front of his political allies or the other bishops by calling for antigovernment demonstrations or openly supporting the insurgents. Nevertheless, heightened government repression is very likely and could reach a point where the bishops would be emboldened. Obando and the Sandinistas remain on a collision course even if both sides occasionally temporize.

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