


Acting NIO/Economics
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NICARAGUA: Economic Update

The Nicaraguan economy continues to deteriorate as 1985 draws to a close. Assessments  reflect the ongoing economic decline under Ortega. 25X1

- Agricultural export earnings in 1985 will be only \$250 million, 50 percent less than when the Sandanistas came to power.
- Industrial output during the first six months of 1985 fell 12 percent short of last year's rate.
- A 50 percent decline in industrial exports will pace another substantial drop in foreign sales this year.

In our judgment, only massive injections of Soviet aid have prevented economic catastrophe.

- About one-quarter of Nicaraguan GDP is now accounted for by Soviet economic and military aid, including oil, food, and hard currency.
- Indeed, 1985 will be seen as the year that Nicaragua became almost totally dependent on the USSR to keep its economy afloat.

For 1986, Nicaraguan officials claim to have asked for and received a \$600 million line of credit in hard currency from the USSR and Eastern Europe. Other Communist countries also have made commitments.

- North Korea has extended \$20 million in credit lines and technical assistance.



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- Cuba and Nicaragua have agreed to extend a \$50 million barter arrangement whereby Cuba provides medicine, chemicals, and trucks in exchange for cotton, coffee, and liquor.

Although the Soviets are willing to extend hard currency loans to Nicaragua, they are being less generous on oil deliveries.

- At the recent CEMA meeting, Moscow offered 300,000 tons of oil annually for 1986 and 1987, while Nicaragua requested 700,000 tons.
- The Soviets are encouraging Nicaragua to make up the difference from other suppliers, particularly Mexico, so as not to be totally dependent on the USSR.
- Mexico, however, has backed down from earlier promises to maintain oil shipments.

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Moscow seems more willing to provide hard currency loans to Nicaragua than to boost oil deliveries. Nicaragua's demand for petroleum, particularly diesel fuel, is growing, probably reflecting use of new military vehicles obtained from the Soviets. If the Mexicans prove to be an unwilling supplier, Managua will have little choice but to press the Soviets for additional oil shipments.

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