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DIRECTORATE OF INTELLIGENCE

DECEMBER 1985

CENTRAL AMERICAN MONTHLY REPORT #29 [REDACTED]

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PERSPECTIVE

Over the past year, [REDACTED]

[REDACTED] a general increase in the intensity of the fighting in Nicaragua, with both sides incurring substantially greater casualties. Although Miskito Indian guerrillas in the northeast and Eden Pastora's forces along the Costa Rican border dwindled in strength and effectiveness, the Nicaraguan Democratic force (FDN) grew by 2,500 men to a year-end strength of some 17,000, [REDACTED]

Moreover, the FDN succeeded in widening the war beyond the traditional northwest combat zone by reactivating fronts in the central highlands and south-central Nicaragua. Largely bottled up in its Honduran bases in the spring, the FDN infiltrated large numbers of combatants into Nicaragua in May and June after receiving massive supply shipments. Despite the continuing vulnerability of their tenuous air resupply arm, the rebels undertook aggressive attacks in Esteli and Chontales Departments in mid-summer and along the vital arms route from Rama to Managua in the fall, according to press [REDACTED]

For its part, the regime continued to upgrade its capabilities throughout the year. [REDACTED]

This memorandum was prepared by the [REDACTED] ALA. It was coordinated with the Directorate of Operations. It contains information available as of 3 January 1986. Questions and comments are welcome and should be addressed to [REDACTED]

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The FDN's resupply capabilities, moreover, have remained uncertain. [redacted] the number of insurgents in Honduran bases has continued to fluctuate with the availability of supplies and the ability of the rebel air arm to drop materiel to units inside Nicaragua. By year's end, some 8,000 insurgents were in Honduras. [redacted] Tegucigalpa, angered by negative publicity over the delivery of US nonlethal aid in October, blocked further shipments in December and has not indicated when the ban will be lifted. [redacted]

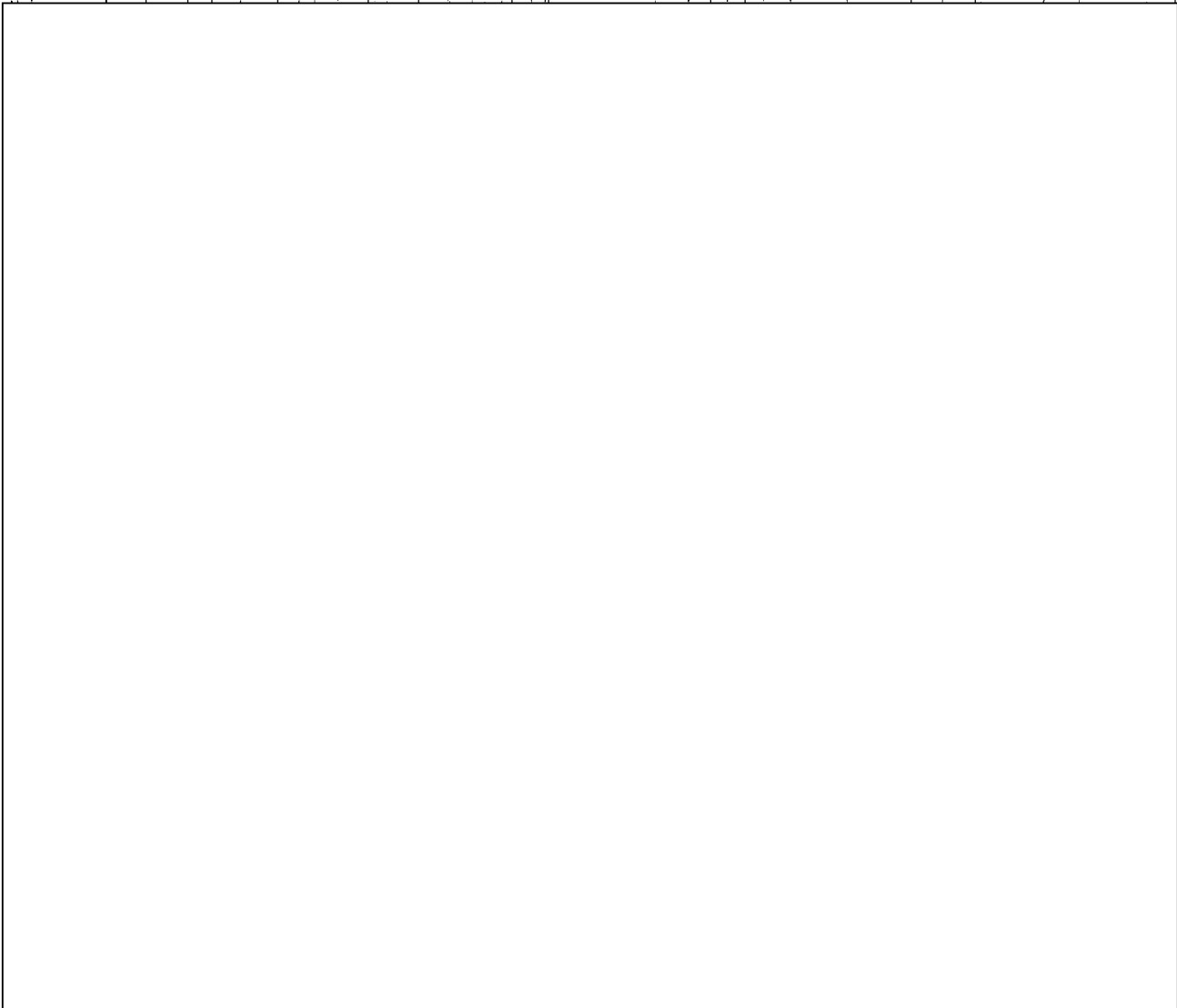
The rebels' use of an SA-7 surface-to-air missile to down a MI-8 helicopter on 2 December has been portrayed by the Sandinistas as a dangerous escalation of the war. Managua publicly warned that leftist guerrillas in El Salvador could also acquire the weapon. Despite the insurgents' success, however, [redacted] the FDN has had difficulty operating the SA-7, and two other missiles subsequently malfunctioned when fired. [redacted]

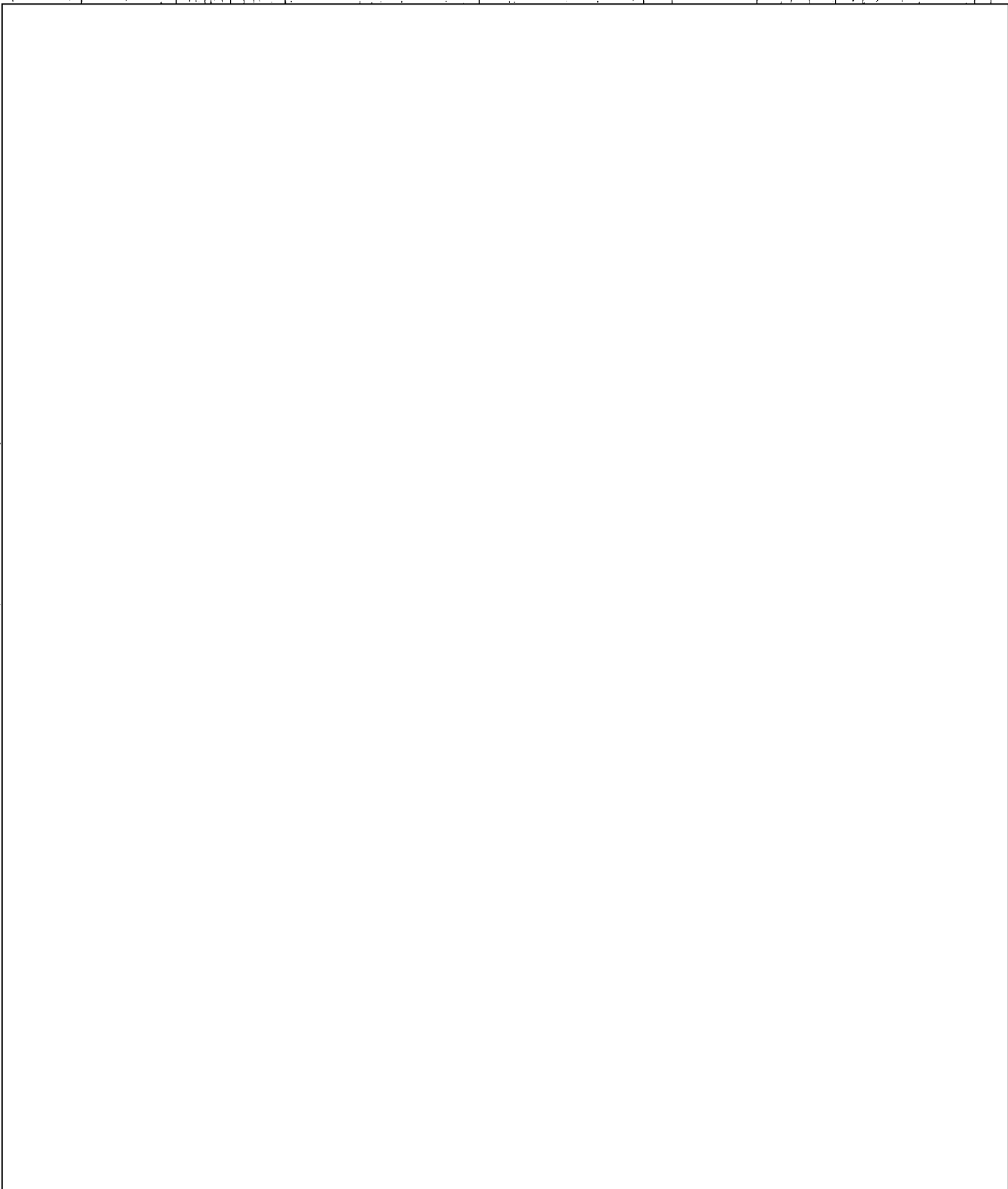
The regime, meanwhile, does not appear to have reduced the use of its helicopters as a result of the loss and has shown a continuing interest in improving air capabilities by using forward airfields and transferring many aircraft from Managua to the new airbase at Punta Huete. [redacted] Nicaragua plans to acquire additional helicopters, transport aircraft, and antiaircraft weapons, [redacted]

including radar-directed self-propelled guns. In response to the spread of the fighting, the regime split its ground forces in December. [redacted]

Looking ahead, the Sandinista military will face a wider and more costly war if rebel supply problems are overcome. Nonetheless, we expect that it will be able to meet the insurgent challenge over the next several months. [redacted]

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GUATEMALA

Christian Democratic candidate Vinicio Cerezo's strong electoral showing provides him a mandate for reform, but we believe he will move cautiously in order not to alienate key interest groups in implementing much-needed economic austerity measures, challenging the military, or significantly reversing Guatemala's policy of neutrality in the region. Cerezo, a center-leftist, defeated his opponent Jorge Carpio, the leader of the National Centrist Union, by a two-to-one margin in the 8 December runoff. [redacted] the broad appeal of the Christian Democrats, the financial collapse of Carpio's campaign, and the declining popularity of the far right as factors in Cerezo's victory. [redacted]

In December, Cerezo concentrated on obtaining foreign support and economic backing for his administration. In an effort to end Guatemala's international isolation, he made quick visits to the other Central American nations and to the United States, Colombia, Venezuela, and Mexico. He billed his stops in San Salvador, San Jose, Tegucigalpa, and Managua as the first steps toward increasing Guatemalan involvement in regional

affairs. In Central America and elsewhere, he said his administration would follow a policy of "active neutrality" in the region that appeared to include more direct communication with Nicaragua and improved relations with Guatemala's other neighbors. Although he likely will attempt to craft what he sees as a more "balanced" regional policy, we believe any changes will be tempered by his recognition of the armed forces' continued opposition to any military involvement in the region and the need to maintain good relations with Mexico. [redacted]



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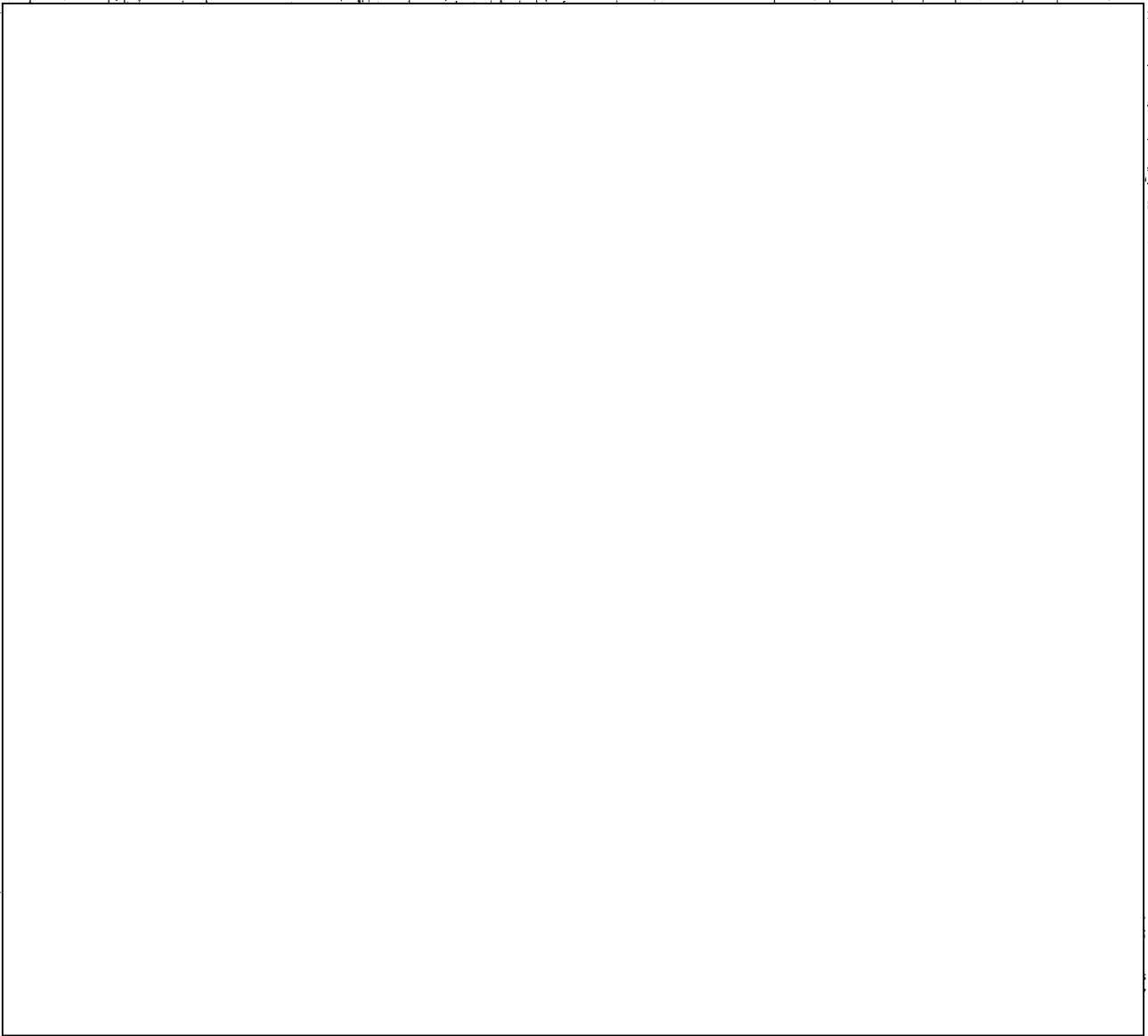
REGIONAL PEACE TALKS

In early December, Nicaragua requested a six-month postponement of the Contadora negotiations, following its failure to persuade the OAS to discuss US support for anti-Sandinista insurgents and to obtain a strong anti-US resolution at the UN.

[redacted] The Contadora mediators and the other Central Americans, however, believe the proposed hiatus would threaten the entire peace process, [redacted] San Jose has suggested meeting without the Nicaraguans, [redacted] and President-elect Cerezo of Guatemala has proposed the establishment of a Central American parliament to support the negotiating process. The mediators and support group--Brazil, Argentina, Peru, and Uruguay--plan to meet on 12 January to discuss strategy. [redacted]

Nicaragua probably believes a six-month break in the talks will work in its favor. The Sandinistas can use the break to lobby new governments in Guatemala, Honduras, and Costa Rica for more flexible terms. The regime also may calculate that the mediators, faced with the threat of a total collapse of the talks, will renew entreaties for direct negotiations between Managua and Washington. [redacted]

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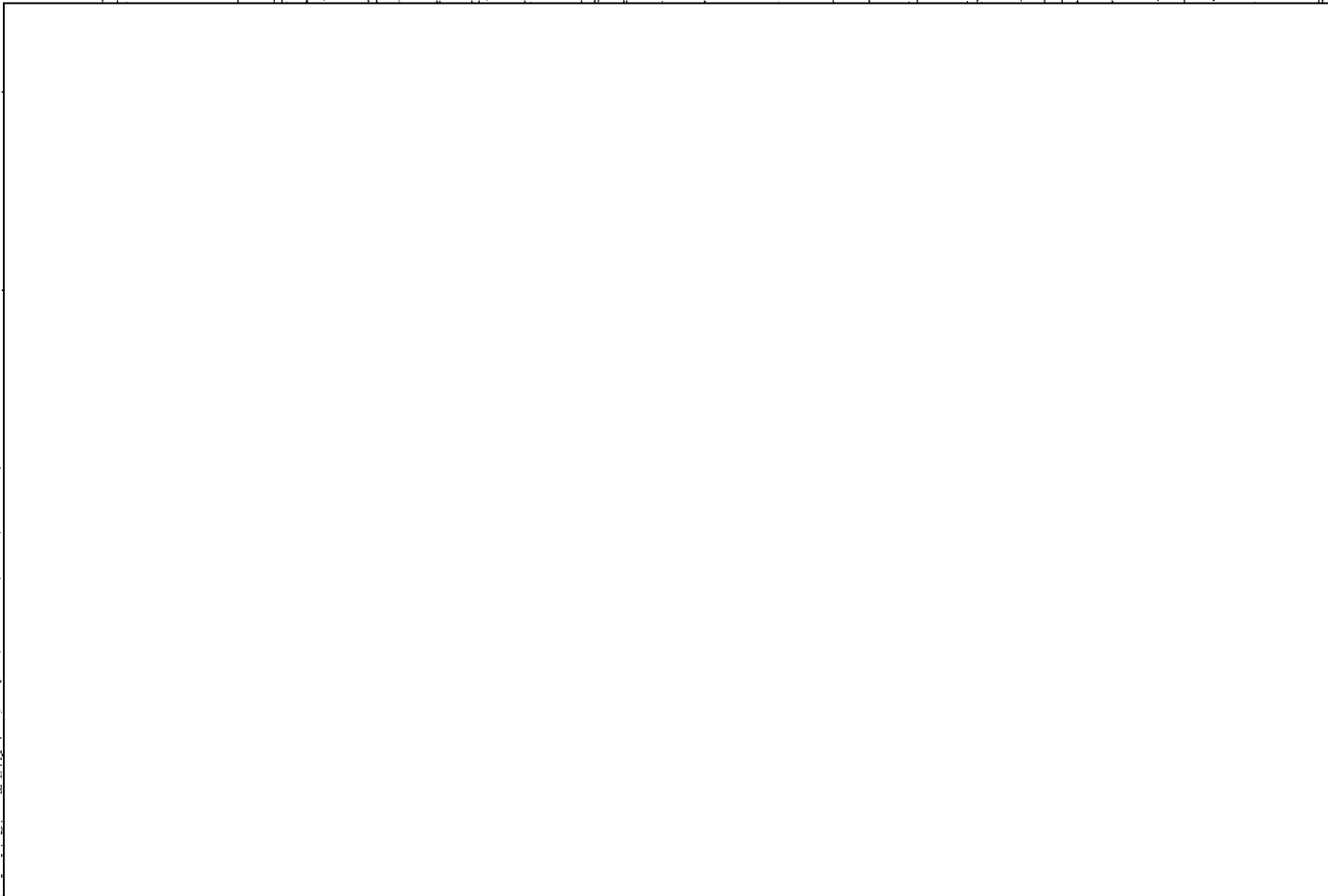


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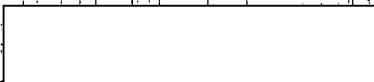
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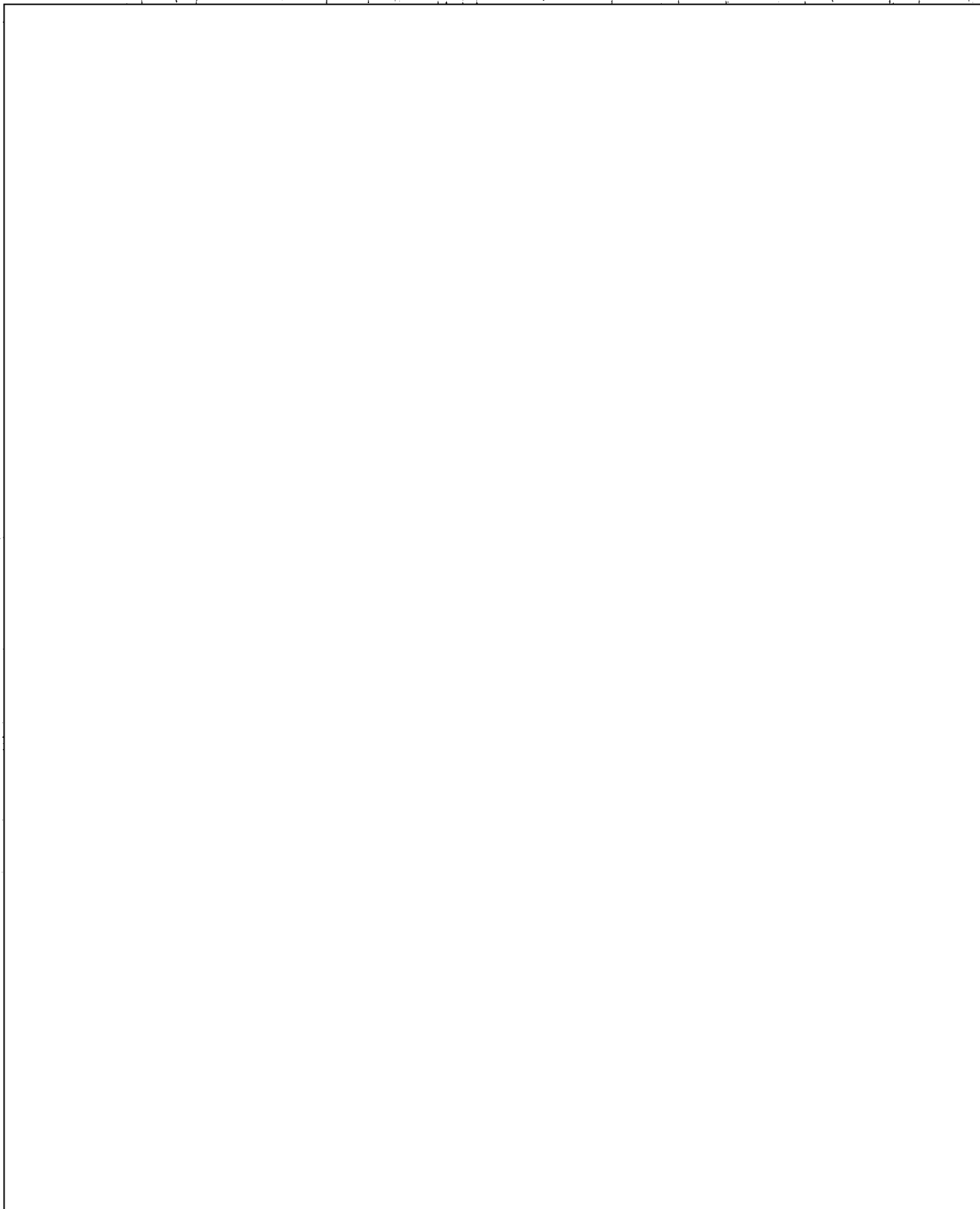
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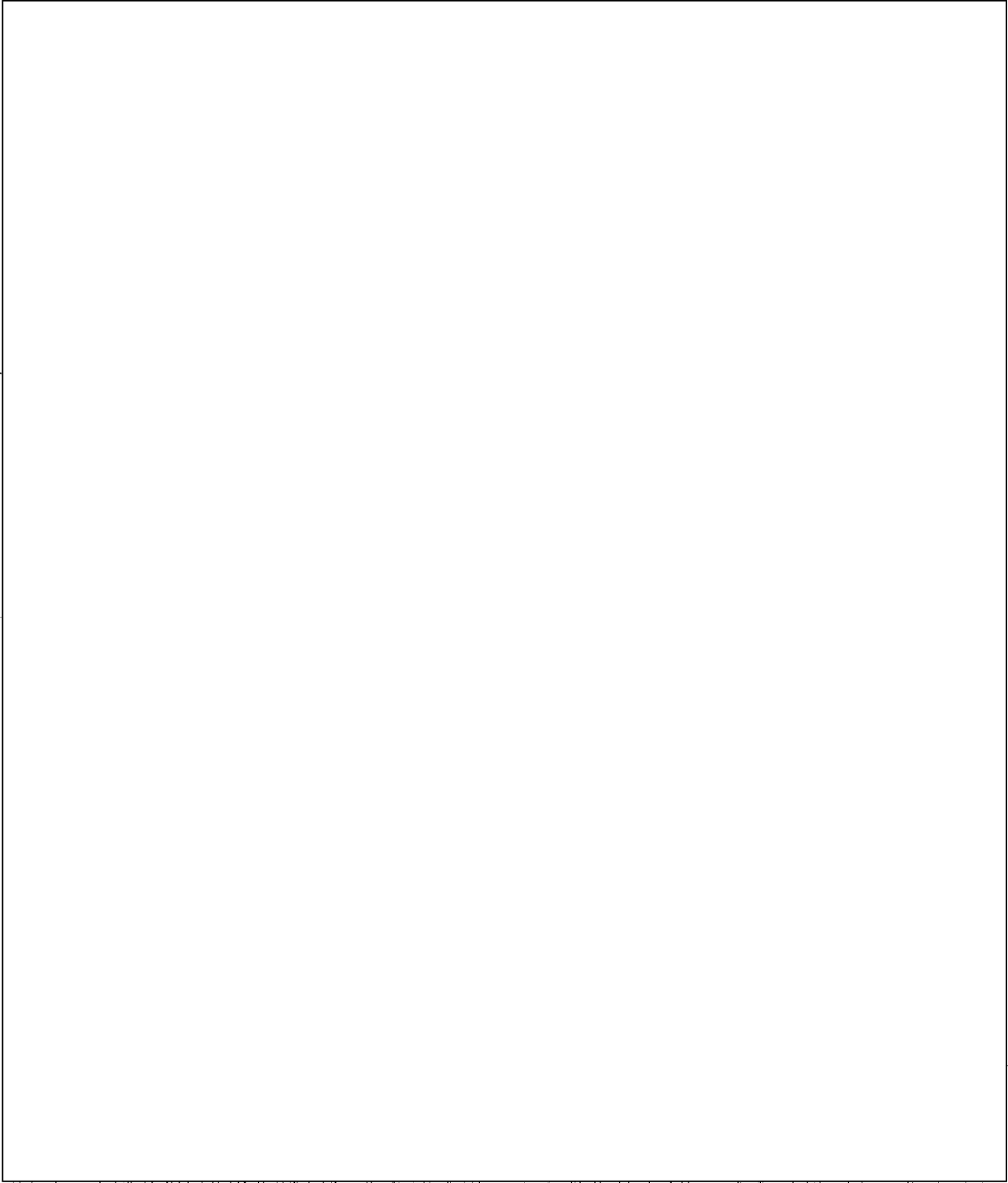
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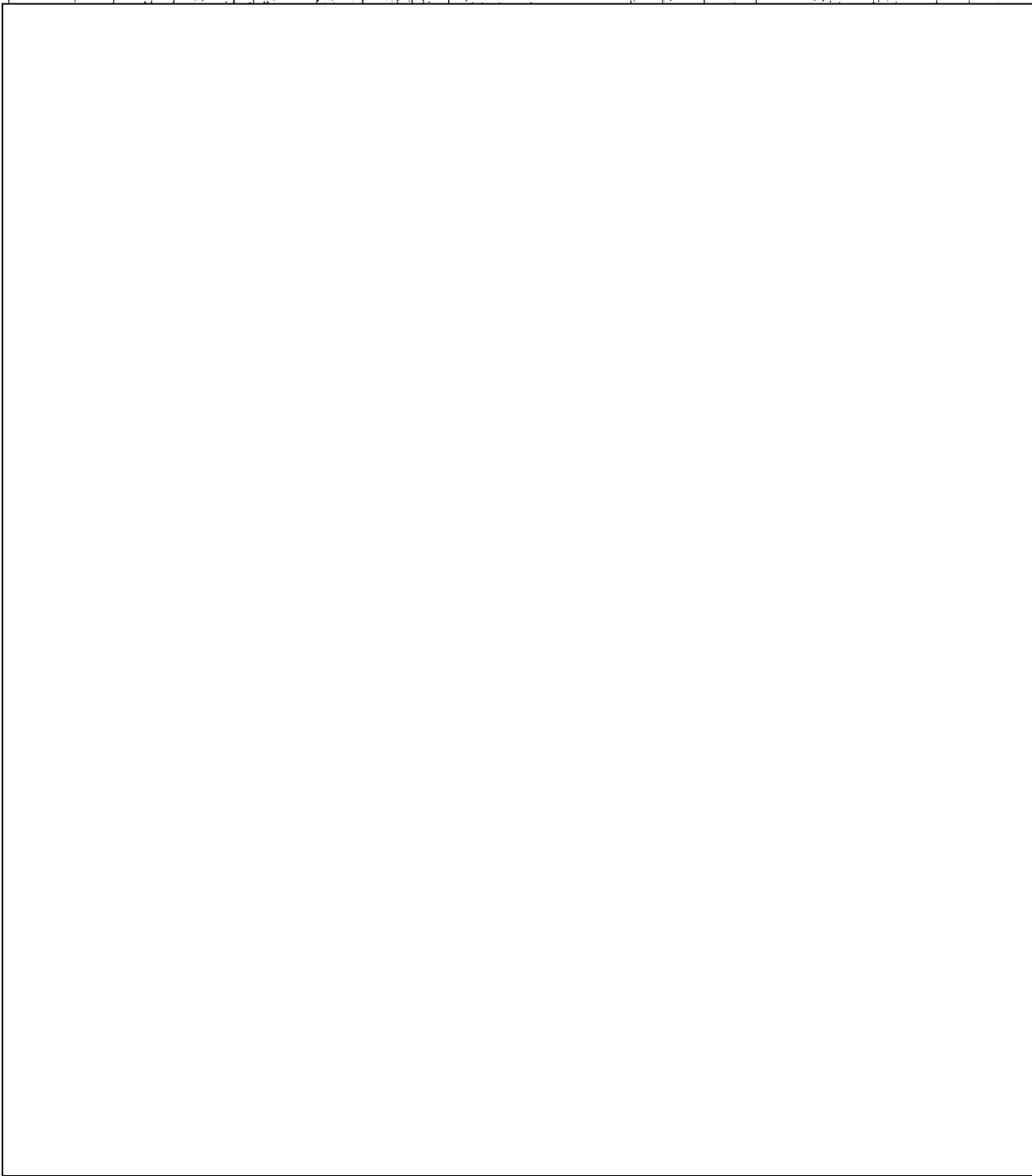


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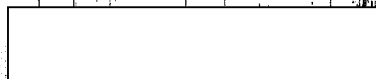
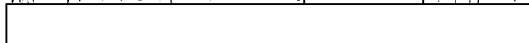
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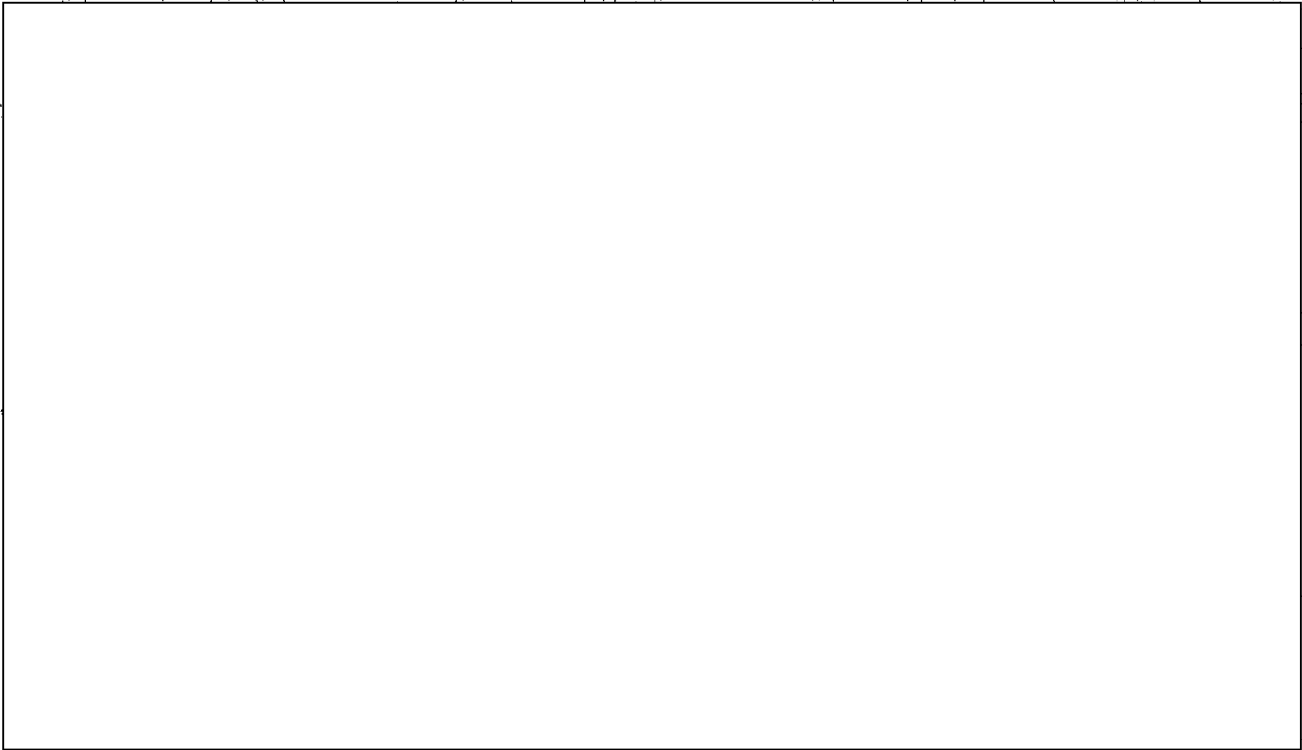
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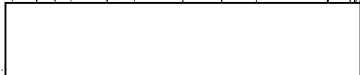


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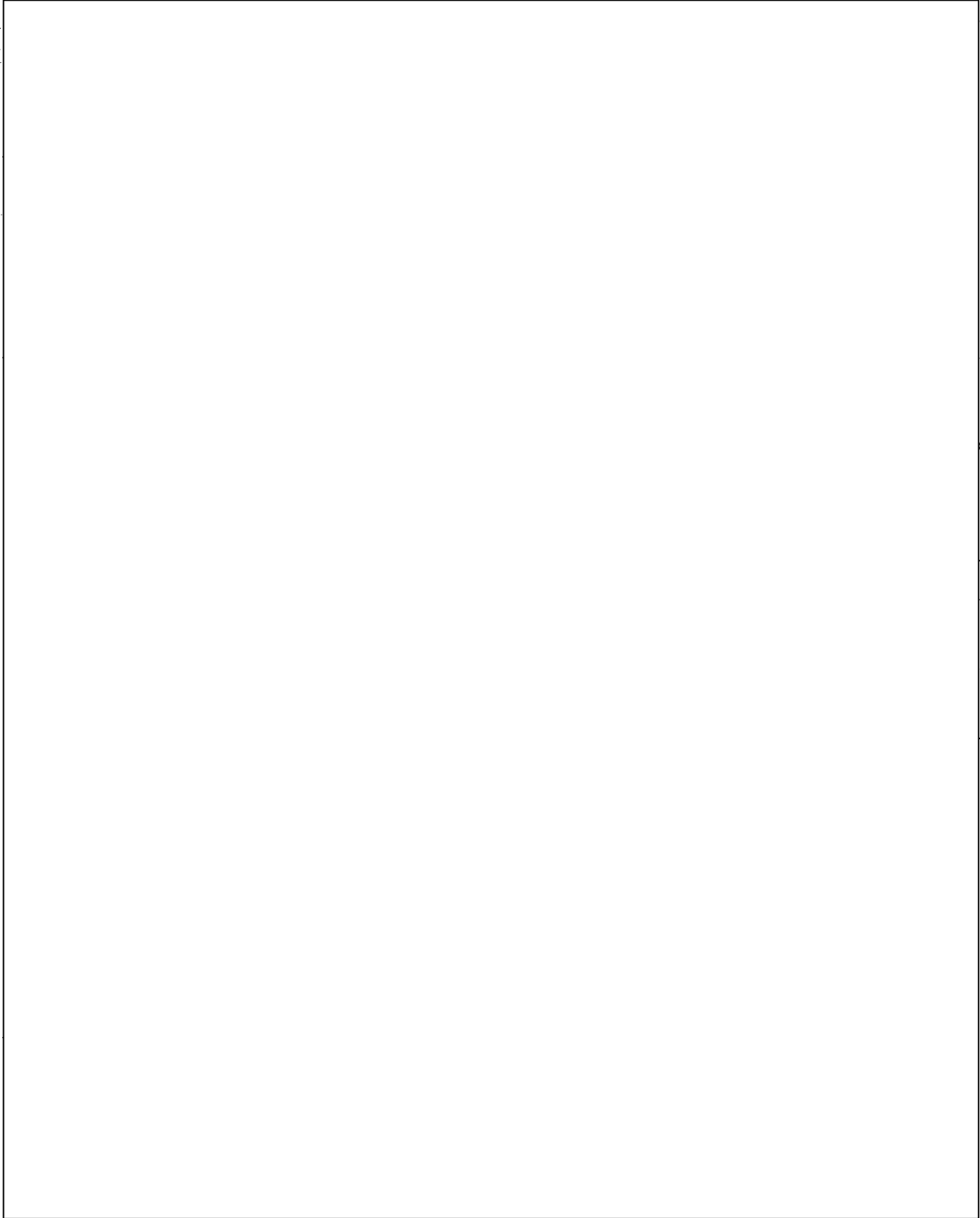
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COMING EVENTS IN CENTRAL AMERICA DURING JANUARY

- January Third anniversary of establishment of Contadora Group. [redacted]
- 11-12 January Contadora will meet in Caracas to discuss status of the group. [redacted]
- 14 January Inauguration of Guatemalan President Cerezo and 100-member Congress. [redacted]
- 25 January Installation of new Congress
- 27 January Inauguration of Honduran President Azcona. [redacted]

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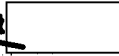


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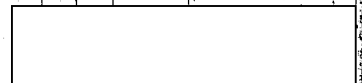
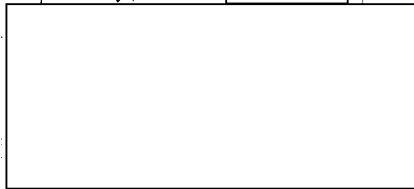
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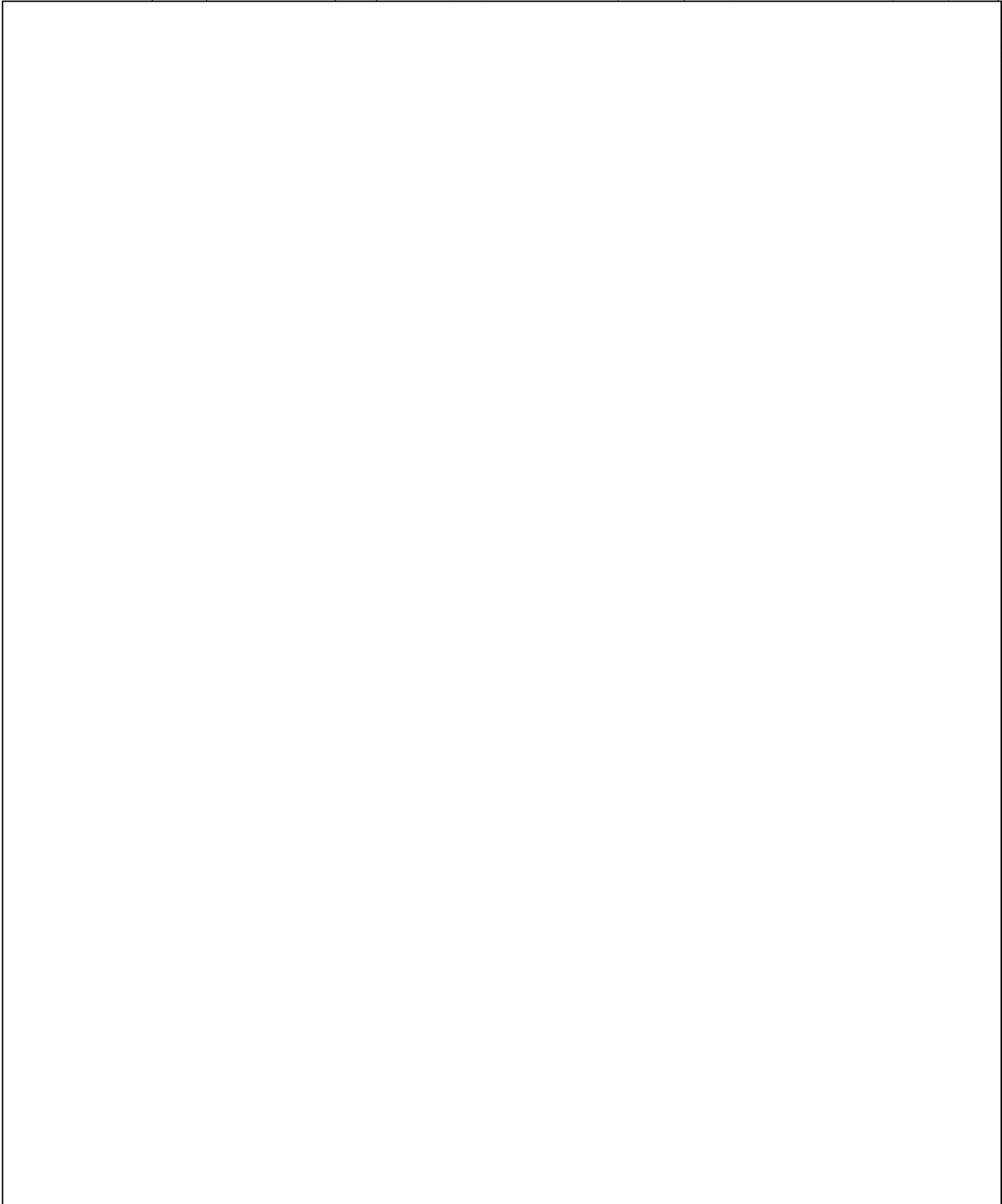


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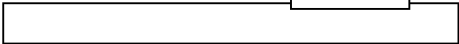


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