

John Wayne goes to Managua: US covert policy in  
Nicaragua during the Reagan Administration  
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For Canadians, one of the most important factors in the aftermath of September 11<sup>th</sup> is being able to understand and anticipate American policy in order to better serve our own national interests. This is especially important since Canada has committed itself to the United States' (US) war on terrorism – a struggle that will be largely fought outside of the public view using covert warfare. Understanding past US use and implementation of covert warfare is essential if Canada is to continue being an effective ally and an independent player in the conflicts of the twenty-first century.

One of the most relevant cases of American covert warfare is the US intervention in Nicaragua over the course of the 1980's. The US led covert war against terrorism shares a great deal of similarities with the case of Nicaragua and understanding the lessons learned in Central America will enable us to better prepare for the turbulent days ahead while avoiding the mistakes of the past.<sup>1</sup> This is especially pertinent since policy makers involved in US intervention in Nicaragua have recently returned to positions of authority under the new Bush administration and seem poised to implement similar actions.<sup>2</sup> Facilitated by recently declassified, US State Department documents, this paper will focus on the implementation of covert warfare in Nicaragua.<sup>3</sup> It examines US covert policy in terms of a multilateral model of low-intensity intervention that included paramilitary, military, and economic aspects to accomplish American objectives.

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<sup>1</sup> Many covert operations have resulted in gross human rights violations, breaches of international and domestic law and other moral issues including Nicaragua. Argentina's Dirty War is a potent example of covert activity that had a tremendous scarring impact on a nation. See Arthur S. Hulnick, "US Covert Action: Does it have a future?" *International Journal of Intelligence and Counter-Intelligence* 9, 2 (1996), p. 155 and for a discussion on Argentina, see Ariel C. Armony, *Argentina, the United States, and the Anti-Communist Crusade in Central America, 1977-1984* (Columbus: Center for International Studies, 1997), p. 1-30. For a discussion on the idea of covert policy being able to "learn, adjust and adapt" see Sharyl Cross, "Learning in Soviet and Cuban responses to the Nicaraguan Revolution" *Journal of Political and Military Sociology* 22, 2 (1994), p. 285.

<sup>2</sup> See President Bush's recent appointment of Elliot Abrams, Otto J. Reich, and Roger Noriega to senior positions responsible for Latin America and human rights and John D. Negroponte to the United Nations. All of these men were involved in controversial Reagan era covert activity. See Marquis, Christopher. "Bush's Latin America Nominations Reopen Wounds" in *New York Times* (August 1<sup>st</sup>, 2001), [www.nytimes.com](http://www.nytimes.com).

<sup>3</sup> These include 3237 catalogued, primary source documents recently released from the National Security Archives that give new information previously unavailable to historians, researchers and the general public. These documents include mostly declassified cables from the embassy in Managua to the State Department, but also include documents from the Sandinistas, CIA, Defense Intelligence Agency, Bureau of Intelligence and Research, Treasury Dept., National Security Council, Justice Dept., and Senate and House oversight committees. See Peter Kornbluh, "Introduction" *Nicaragua: the Making of US Policy, 1978-1990: Guide & Index*. (Alexandria: Chadwyck-Healey, 1991), p. 6. and Peter Kornbluh, "The United States and the Nicaragua Revolution" in *Nicaragua: the Making of US Policy, 1978-1990*. (Alexandria: Chadwyck-Healey, 1991), pp. 25-33.

Historically, covert policy has been used by nations around the world as a useful foreign policy tool of executive branches of government.<sup>4</sup> Today, we see covert warfare being used at the forefront of the US led war against terrorism but the use of these types of policies in the coming years will not always be accompanied by overt military action or massive public support. As recently as last spring, the RAND corporation commissioned a variety of discussion papers concerning the breadth of national security threats facing the new Bush administration.<sup>5</sup> Included in these threats were ethnic conflicts, tensions in the Indian subcontinent and the Middle East, Rogue States like Iran, Iraq and North Korea, the proliferation of WMD, international criminal organizations, the elusive “plague of narcotics” and, of course, the threat of global terrorism.<sup>6</sup> All of these will continue to threaten policy-makers in the US and Canada and they will face the choice of using covert actions or walking away from a multitude to threats.<sup>7</sup>

In 1979, Nicaragua had been governed by the dictatorship of the Somoza family and the US trained National Guard for over fifty years. After a series of crises, the regime began to rapidly lose both domestic and international support, and after the assassination of a popular outspoken journalist named Pedro Joaquín Chamorro, the country went up in flames.<sup>8</sup> With Cuban support and training, the Frente Sandinista para la Liberación Nacional (FSLN), also known as the Sandinistas, fought to remove the Somoza regime from power.<sup>9</sup> After eighteen months of violent struggle against loyal forces of the National Guard, Anastasio Somoza fled Nicaragua and the FSLN established a new revolutionary government in Managua.<sup>10</sup>

Although the new Sandinista government rode to power on a wave of popular support, there seems to have been resistance to their policies from the beginning.<sup>11</sup> Many

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<sup>4</sup> Hocker describes covert activities of the US, France, Israel, the USSR and South Africa. See Eileen Hocker, “Nation building or nation destroying: Foreign powers and intelligence agencies in Africa” in Ufahamu 10, 1 (1998), p. 146-149.

<sup>5</sup> Frank Carlucci, Robert Hunter and Zalmay Kahlizad (co-chairs), Taking Charge: a Bipartisan Report to the President Elect on Foreign Policy and National Security - Discussion Papers RAND Corp., MR-1306/1-RC, 2000, and see also Natalie Crawford and Chung-in Moon (eds.), Emerging Threats, Force Structure, and the Role of Air Power in Korea RAND Corp., CF-152, 2000 and Thomas S. Szayna (ed.), Identifying Potential Ethnic Conflict: Application of a Process Model RAND Corp., MR-1188A, 2000.

<sup>6</sup> Hulnick, p. 150-153 and see also Carlucci et al. (2000), Crawford (2000) and Szayna (2000).

<sup>7</sup> Robert Gates in Ryan, p. 189 and McGeorge Bundy, “Covert operations in Nicaragua: Will the Sandinistas cry uncle?” First Principles 10, 4 (1984), p. 10.

<sup>8</sup> See Lawrence Pezzullo and Arthur R. Day, Oral History: Interview with Lawrence A. Pezzullo - non classified history (Georgetown University, Feb. 24<sup>th</sup>, 1989), p. 11 and see also, John Norton Moore, The Secret War in Central America: Sandinista Assault on World Order (Frederick: University Publications of America, 1987), p. 9.

<sup>9</sup> Cuban assistance was involved in uniting the Sandinista movement, providing arms, training and intelligence and played a significant role in building an internal security apparatus modeled after the Cuban system under Castro. See Moore, p. 11.

<sup>10</sup> Medley summed up the Nicaraguan Revolution as a “thrilling revolutionary escape from the bonds of a hated dictatorship and of promised delivery from imperialist-dictated, economic servitude and hardship. See Medley, p. 112.

<sup>11</sup> Some view Nicaragua conflict as Somoza/US aggression against a popular regime while others interpret the conflict as a civil war caused by Sandinista socialist policies. For a review of the debate see, Hagar, p. 133.

resented the Sandinista leanings towards a Cuban style totalitarian government although other policies were debated.<sup>12</sup> The FSLN, for example, instituted some unpopular agrarian reforms, put restrictions on the freedom of the press, the freedom to strike, held political prisoners, and instituted an unpopular military draft.<sup>13</sup> More importantly, however, was the threat the new government presented to the power base of the old elite and implications that the FSLN was engaging in a secret war against neighboring states.<sup>14</sup> The Carter administration's reaction to the Sandinista Revolution in the American "backyard" was immediately one of concern but it wasn't until the Reagan administration promised to get tough on the spread of global communism that American intervention shifted into high gear.<sup>15</sup>

With the benefit of recently declassified statements from National Security Advisor (NSA) Robert McFarlane and a Presidential Finding signed by President Reagan, it seems clear that from early 1981 the Reagan administration was determined to implement a National Security Council (NSC) and "Central Intelligence Agency (CIA) proposal for a very broad program of covert actions" to address US national security concerns in Nicaragua.<sup>16</sup> US covert policy in Nicaragua was an application of the Reagan administration's new doctrine of "low-intensity-conflict" (LIC) that, according to McFarlane, depended upon the successful integration and coordination of US covert political, economic, diplomatic and military actions.<sup>17</sup>

A primary means of US covert policy in Nicaragua was the use of paramilitary forces, known as the Fuerza Democratica Nicaraguense (FDN) or simply the Contras, to achieve strategic objectives in Nicaragua. The documentation about the early formation of the FDN indicates that there was already a fledgling force, albeit untrained,

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<sup>12</sup> It was the military leaders of the FSLN who began to dominate Sandinista policy and make moves towards Marxist-Leninist policy. See Moore, p. 9. Political rifts between the FSLN and the opposition resulted in the resignation of several key politicians including Violeta Barrios de Chamorro and Alfonso Robelo Callejas who felt their criticisms were falling on deaf ears. See Hagar, p. 140.

<sup>13</sup> These are all cited as sources of FDN discontent. See Barry H. Barlow, "The Nicaraguan-Contra negotiations of 1988: A test of the Reagan Doctrine," *Canadian Journal of Latin American and Caribbean Studies* 18, 35 (1993), p. 77 and Hagar, p. 143-154.

<sup>14</sup> Moore suggests that these difficulties formed the basis of the FDN. See Moore, p. 13 but other scholars suggest that these repressive actions were taken only as a result of US intervention. See, for example, John Weeks, "Economic crisis in Nicaragua: Blaming the victim," *Review of Radical Political Economics* 20, 2-3 (1988), p. 266-271 and Kornbluh, p. 27.

<sup>15</sup> The Carter administration attempted several last minute initiatives to try and prevent the rise of the Sandinistas to power with little success. Their efforts to get the Organization of American States to send a peace force to Managua was unanimously declined. See Benjamin Keen, *A History of Latin America* (Toronto: Houghton Mifflin Co., 1996), p. 457.

<sup>16</sup> See Robert C. McFarlane, *Talking Points [Comprehensive Strategy for dealing with Cuban Influence in Central America] - secret talking points*. (Washington: National Security Council, 1981a), p. 1 and Robert C. McFarlane, *Covert Action Proposal for Central America- secret memorandum* (Washington: National Security Council, 1981b), p. 1 and US House of Representatives, Office of the Chief Deputy Majority Whip, *[Central Intelligence Agency Activities in Nicaragua since 1981] - non-classified letter* (Washington: US House of Representatives, 1988), p. 2.

<sup>17</sup> See McFarlane (1981b), p. 1.

disorganized and ill-equipped, prior to US covert involvement.<sup>18</sup> The CIA was given the objective of creating a paramilitary force to supplement the FDN by providing additional funding, arms, supplies and training.<sup>19</sup> US policy makers sent agents to discuss options for joint-operations with several Latin American countries including Argentina, Guatemala and Honduras that each had their own national security concerns with Nicaragua.<sup>20</sup>

While the paramilitary forces relied primarily on domestic recruits, they grew completely dependent on US support.<sup>21</sup> Over the first term of the Reagan administration, the FDN grew from under a thousand members in 1981 to a force of 20000 in 1985.<sup>22</sup> The CIA brought in weapons and supplies, established logistical infrastructure, provided intelligence and training as well as general overall strategic planning.<sup>23</sup> Over the course of 1982, the CIA transformed the FDN into a well-armed, trained and equipped 4000 man force “capable of inflicting great harm on Nicaragua”.<sup>24</sup>

More vital than logistics was US intelligence as to the movements of the Sandinista armed forces. US agents provided the Contras with extremely accurate maps and information about enemy troop movements from satellites and sophisticated surveillance aircraft that allowed the Contras to operate with little armed interference as well as effectively combating Sandinista troops.<sup>25</sup>

One of the key policy objectives of the covert paramilitary force was to strike from their bases in Honduras into Sandinista controlled Nicaragua and to seize, and then hold, territory.<sup>26</sup> The goal behind this objective was for the FDN to have a base from which they could declare a provisional government, build a supply network and to serve as a potential beachhead for US overt action.<sup>27</sup> According to Edgar Chamorro former front-man for the FDN, “as soon as our hold on that territory was secured, we should establish a provisional government which the United States and its Central American allies would promptly recognize as the legitimate government of Nicaragua”.<sup>28</sup>

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<sup>18</sup> Hagar attributes this to internal resistance to the radical social programs encouraged by the Soviet Bloc. Hagar, p. 133-134.

<sup>19</sup> US National Security Council, Scope of CIA Activities under the Nicaragua Finding - secret scope paper (Washington: National Security Council, 1982), p. 1

<sup>20</sup> Other nations were also involved in assisting the US covert program in Nicaragua. Korea, Taiwan, Saudi Arabia, El Salvador, Panama and perhaps even China, Israel and Japan were involved in supporting the Contra program. See Molloy, p. 118.

<sup>21</sup> Horton, p. 123-124, 301-304.

<sup>22</sup> Despite this large size, the FDN was facing the Sandinista armed forces which numbered over 75000 men. See Armony, p. 131 and see also, US House of Representatives, House Democratic Study Group, The Covert Aid Cutoff (Washington: US House of Representatives, 1983), p. 2.

<sup>23</sup> Chamorro, p. 1-3 and Horton, p. 124.

<sup>24</sup> Chamorro, p. 3.

<sup>25</sup> Chamorro, p. 5.

<sup>26</sup> See for example, Nicaraguan Embassy (1982), p. 3 and US National Security Council (1982), p. 1.

<sup>27</sup> Armony, p. 131.

<sup>28</sup> Chamorro, p. 6.

The first operations into Nicaragua consisted of hit-and-run missions that started in December of 1981 and had their first success in March of the same year when FDN saboteurs blew up two vital bridges in northern Nicaragua at Rio Negro and Ocotal. By the end of 1982 they were able to pursue more substantive objectives within Nicaragua.<sup>29</sup>

In March of 1983, the FDN mounted a major offensive across the northern border of Nicaragua consisting of several thousand FDN, mercenaries and Honduran troops. The offensive met heavy Sandinista resistance around the northern town of Jalapa and the FDN was forced to withdraw back to Honduras.<sup>30</sup> Only a wish to avoid open conflict with Honduras prevented the final destruction of the withdrawing FDN by the pursuing Sandinista forces.<sup>31</sup>

By 1984, however, US frustrations with the Contras inability to achieve strategic paramilitary objectives within Nicaragua began to test the limits of CIA direct involvement. This is apparent in the US Congress Boland-Zablocki Report where it was found that, despite US intervention to that point, Central American counterinsurgency forces had “neither the financial resources, the know-how, nor the trained personnel to conduct effective interdiction activities in their own territory”.<sup>32</sup>

To this point, the CIA forces involved with the Contras were not officially active participants in Contra activities and were mainly limited to airborne and training operations.<sup>33</sup> CIA personnel used aircraft and helicopters to gather reconnaissance, and to airdrop supplies to FDN troops in Sandinista territory.<sup>34</sup> FDN failures over the course of 1983, coupled with growing pressures for results led to the creation of a special CIA covert operative unit known as the Unilaterally Controlled Latino Assets (UCLAS) that was developed in order to carry out covert operations within Nicaragua.<sup>35</sup>

The UCLAS, in combination with US special-forces units were depended upon to train, and likely lead combat missions.<sup>36</sup> They became increasingly relied upon to achieve select combat and sabotage operations such as the Corinto harbor mining of October 1983.<sup>37</sup> After official CIA involvement ceased with the second Boland Amendment of 1984, these training and leadership responsibilities were taken over by a

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<sup>29</sup> Chamorro, p. 3.

<sup>30</sup> Chamorro, p. 3.

<sup>31</sup> The FDN were defeated not by lack of support, but by inefficient field commanders, internal divisions within the Contras, and the superior firepower of Soviet-supplied helicopter gunships and artillery. See Chamorro, p. 82 and Hagar, p. 148-154.

<sup>32</sup> Boland-Zablocki Report, p. 2. Besides these difficulties many Contras had other motivations, stealing humanitarian aid to “set themselves up” for when they eventually ousted the Sandinistas from power. See Kornbluh, p. 29.

<sup>33</sup> However, see also Blum where US forces were reported to be leading forces in combat areas, tracking down guerillas and calling in airstrikes. See Blum, p. 9-11.

<sup>34</sup> Molloy, p. 118.

<sup>35</sup> Molloy, p. 111.

<sup>36</sup> Molloy presents a well-documented case for US involvement in actual combat situations. See Molloy, p. 118-119.

<sup>37</sup> Molloy, p. 111 and see also US House of Representatives, OCDMW (1988), p. 2 and US Congress, CFA (1981), p.1 where legal issues of UCLAS activities are discussed.

special team under the control of the NSC.<sup>38</sup> The NSC used retired and on-leave personnel, a process known as “sheep-dipping” to circumvent Congressional limitations and continue to operate within Nicaragua, pushing the FDN forward despite its failures.<sup>39</sup> The US paramilitary activity in Nicaragua, at first focused on defeating the Sandinistas either directly with the Contras or indirectly because of a civil war or a US invasion, gradually began to shift towards damage infliction since it became apparent that the FDN could not defeat the Sandinistas.<sup>40</sup>

Another integral aspect of US covert policy in Nicaragua was the use of conventional US military forces to support paramilitary activity. This was despite the official line that regular military forces were only conducting training exercises and interdicting the flow of arms into Central America. US ships and planes were responsible for bringing in supplies, and military personnel were responsible for the construction of US bases, airstrips, docks, radar stations and communication centres in Honduras and elsewhere.<sup>41</sup> These were essential jump-off points for covert paramilitary activity in Nicaragua.

Additionally, the CIA, in order to support their operations, were required to take advantage of bases and equipment “left behind” by, or on loan from the military.<sup>42</sup> While most estimates for development of Central American bases were under \$10 million per base, the DOD acknowledged that the construction of a fully equipped base with all the modern technological equipment, capable of supporting the most modern aircraft, could cost well over \$100 million.<sup>43</sup> US military commitments to the covert operations in Nicaragua could therefore have far exceeded the Congressional limitations on spending.

Additionally, the transfer of equipment and personnel to the CIA, free of charge, presents another ambiguous question of US military support for the covert operation in Nicaragua. According to US Department of State (DOS) documents, the CIA determined that without DOD support they had “insufficient funds to support such an activity” on their own and given the unprecedented military build-up that occurred, we can infer that a certain amount of DOD support was essential to continued paramilitary operation in

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<sup>38</sup> This “secret team” known as Enterprise, consisted of retired or on leave military and intelligence personnel, businessmen, professional criminals and right-wing millionaire financiers and operated illegally without the sanction or knowledge of Congress. It formed an integral part of the Reagan administrations continued activity in Nicaragua after 1984 and was headed by the National Security Council including William Casey, Oliver North, Robert McFarlane, Admiral John Poindexter and President Reagan. See Molloy, p. 111-118.

<sup>39</sup> Via a secret army unit known as the Intelligence Support Activity, the NSC were able to control a helicopter assault group as well as naval support for continued operations against Nicaragua. Eugene Hasenfus, a CIA operative captured by the Sandinistas in 1986 is an example of sheep-dipping. See Molloy, p. 119.

<sup>40</sup> Herman, p. 273.

<sup>41</sup> Blum, p. 11 and US General Accounting Office, Responses to Questions in Nov. 14<sup>th</sup> Letter (Washington: US General Accounting Office, 1984), p. 1-21.

<sup>42</sup> For a detailed examination of DOD concerns about legality, method of supply and financial commitments, see US GAO (1984), p. 1-21.

<sup>43</sup> US GAO (1984), p. 18-21.

Nicaragua.<sup>44</sup> Two more significant instances of DOD transfer of equipment to the counterrevolutionary army were Operation Tipped Kettle and Operation Elephant Herd. The former constituted the transfer of captured PLO arms to the Contras, and the latter involved DOD planes that were transferred to the CIA at no expense in order to circumvent Congressional restrictions.<sup>45</sup>

The most obvious use of conventional US military resources in Central America was to support the potential for worst-case scenario force projection into Nicaragua. The US government directed a massive build-up of US armed forces in the region and practiced military drills, maneuvers, and massive naval operations off both the Atlantic and Pacific coasts of Nicaragua. The psychological use of US conventional forces intimidated the Sandinista government with the threat of invasion.<sup>46</sup> This impending danger forced the Sandinista government into a state of defensive paranoia where they were forced to divert resources, both financial and human, to counter the potential of US invasion.<sup>47</sup> By forcing the Sandinistas to thin their military forces, they also gave the Contras more operational leeway within Nicaragua.<sup>48</sup>

Perhaps the single most devastating component of US covert policy against Nicaragua was their systematic attacks against the economy of a country that was already facing serious economic challenges.<sup>49</sup> The US program of covert economic subversion sought to worsen these challenges as well as targeting specific areas that would be particularly damaging to new Sandinista programs and their ability to defend themselves against other American covert operations. The Sandinistas faced this economic aggression with a treasury emptied by Somoza and in excess of \$2 billion in foreign debt.<sup>50</sup>

The economic blockade of Nicaragua constituted a major component of US covert economic strategy. When the Reagan administration came into office, the move was made to terminate all aid and economic activity with Nicaragua.<sup>51</sup> This was facilitated by President Reagan's invoking of the International Emergency Powers Act to cancel all aid to Nicaragua.<sup>52</sup> The blockade did not end there, however, as the US used all of its

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<sup>44</sup> See US Department of State CIA Request for Department of Defense Support of Covert Activities in Nicaragua - top secret memorandum (Washington: US Department of State, 1983), p.1-2 and Kornbluh, p. 27-28 and especially US GAO (1984), p. 4 where one instance of DOD use of personnel and aircraft to transport ammunition to the CIA.

<sup>45</sup> Kornbluh's discussion of these Operations is supported by declassified DOS documents. See Kornbluh, p. 28. See also US Department of State (1983), p. 2 where there is a discussion of the legal responsibilities of the DOD regarding transfers of equipment and personnel.

<sup>46</sup> Molloy, p. 116.

<sup>47</sup> Counterrevolutionary forces diverted Sandinista men and resources into national defense instead of recovery efforts putting a further strain on the shattered Nicaraguan economy. See Weeks, p. 269.

<sup>48</sup> Molloy, p. 116.

<sup>49</sup> US covert economy policy had already been used to damage the Chilean economy in 1972-1973. See Herman, p. 274.

<sup>50</sup> Molloy, p. 117.

<sup>51</sup> Notably was the discontinuing of the aid program initiated by the Carter administration. See Kornbluh, p. 25-26.

<sup>52</sup> Molloy, p. 117

substantial influence to block foreign aid, trade and loans to Nicaragua.<sup>53</sup> This included aid not just from other nations but also an “invisible blockade” of assistance from international organizations such as the World Bank, International Monetary Fund (IMF) and the International Development Fund (IDF).<sup>54</sup> Nicaraguan Embassy reports concur with this position claiming that the US used its influence “in multilateral financial institutions to block assistance to Nicaragua”.<sup>55</sup> The US efforts at killing loans and delaying aid caused a serious economic crisis for Nicaragua and put a large dent into its attempted social programs.

The second component of US covert economic strategy against Nicaragua was sabotage operations designed to further devastate the economy, broaden the damage caused by Somoza and to prevent military and social funding.<sup>56</sup> Members of the Nicaraguan elite who were threatened by socialist leaning policies of the Sandinistas, actively sabotaged the economy in order to harm the FSLN government.<sup>57</sup> This further weakening the Sandinistas and endangered the longevity of their government by preventing them from successfully implementing their social policies.<sup>58</sup> A 1981 World Bank loan worth \$30 million that went undistributed is one of the best examples of a private sector act of economic sabotage.<sup>59</sup>

Although the elites aided the US covert economic program, the FDN and other CIA agents were responsible for the majority of the damage. US covert policy makers, unsatisfied with FDN failures over the course of 1983, resorted to the use of UCLAS to hit economic targets within Nicaragua and isolate the country from foreign supplies.<sup>60</sup> This included crippling the fragile oil economy; hitting the Puerto Sandino pipeline, Nicaragua’s sole refinery near Managua, and Nicaraguan harbors, and was greatly facilitated by support from the US military.<sup>61</sup>

US covert policy began to shift towards “sabotage of roads, bridges, fuel and other storage depots, power lines and stations, vehicles and farm equipment, health and educational facilities, and by inflicting casualties on officials and cooperating civilians” using the Contras to hit the agricultural base while the UCLAS concentrated on foreign supply, industry and communications.<sup>62</sup> The US covert economic operations proved much more effective in destabilizing the Sandinistas than had the previous attempts to

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<sup>53</sup> US trade embargo was found in 1986 to be in violation of international law by the World Court. See Molloy, p. 117, Herman, p. 272-273 and Weeks, p. 270.

<sup>54</sup> Kornbluh, p. 27.

<sup>55</sup> Nicaraguan Embassy, p. 3.

<sup>56</sup> Molloy, p. 117.

<sup>57</sup> Armony, p. 109-115.

<sup>58</sup> Weeks, p. 267-268.

<sup>59</sup> Weeks, p. 268.

<sup>60</sup> This type of direct attack against the Sandinista economy was suggested in a RAND report in 1984. See Molloy, p. 118, Armony, p. 114 and Herman, p. 273.

<sup>61</sup> US covert attacks against the oil industry started, according to Edgar Chamorro, in September/October 1983 and involved combined sea and air attacks that the FDN was instructed to take credit for. Chamorro, p. 6 and Blum, p. 11. The oil economy was already in dire straits due to suspensions of supply by both Mexico and Venezuela forcing the Sandinistas to rely on the Soviets. See Cross, p. 299-300.

<sup>62</sup> Molloy, p. 117-118, Kornbluh, p. 27-30 and Herman, p. 273.

damage them militarily since economic targets were more vulnerable, incurred less casualties and had an additional psychological impact.<sup>63</sup>

The economic effect of these activities was felt immediately and by 1985, the Nicaraguan economy was virtually destroyed.<sup>64</sup> The export economy that was specifically targeted by US covert policy dropped from a pre-Revolution high of \$134 million in 1977 to under \$11 million in 1986.<sup>65</sup> It is because of these frustrations and the success the US had with the economic attacks that one perceives a shift in the emphasis of US covert policy around 1984 from a civil war strategy to an economic strangulation strategy.<sup>66</sup> The US economic stranglehold on Nicaragua during the 1980's resulted in Nicaraguan direct losses of over a billion dollars and indirect losses through 1987 of over \$3.6 billion.<sup>67</sup> Sandinista estimates put the damage much higher, at greater than \$12 billion in direct and indirect losses.<sup>68</sup>

Although economic strangulation was only one component of the US covert multidimensional strategy, it seems that the economic aspect had the largest impact on destabilization efforts in Nicaragua. US frustrations with the inability of the Contras to achieve a military victory, when compared to the enormous impact of the active sabotage of the Nicaraguan economy, suggest that Reagan's doctrine of low-intensity, covert policy against Nicaragua was a much more effective economic foreign policy tool than anything else.<sup>69</sup>

As Canada is forced to make tough decisions based on the United States' war against terrorism, having an understanding of the historical implementation of American covert policy is essential. The current struggle against the Taliban government of Afghanistan bears a remarkable resemblance to the efforts to oust the Sandinistas in the 1980's. The American approach towards the Northern Alliance is likely similar to their experience in the use of the Contras. Western politicians are seeking allies amongst neighboring countries like Uzbekistan and Pakistan to use as a staging ground for incursions and intelligence gathering just as the US did in Honduras. In terms of military and economic aggression, the US effort to topple the Taliban has an even more straightforward agenda since years of hardship have already crippled vital infrastructures.

While there remains obvious and significant differences between the situation today and the situation then, the applicability of the lessons learned in Nicaragua are hard to ignore. The paramilitary, military, and economic aspects of US covert strategy may evolve but they continue to play a role in strikingly similar ways. Whether Canada plays a role in current and future US operations or pursues a more independent strategy, understanding the historical development of American covert warfare is essential information in order to best serve our national interests.

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<sup>63</sup> Molloy, p. 118.

<sup>64</sup> Molloy, p. 118.

<sup>65</sup> Weeks, p. 270 and see also Herman, p. 272.

<sup>66</sup> Molloy, p. 118.

<sup>67</sup> Barlow, p. 82 see also Herman, p. 273.

<sup>68</sup> Weeks, p. 116 and Kornbluh, p. 32.

<sup>69</sup> Barlow, p. 67-69.

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