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A Secret War For Nicaragua

A covert operation to restrict the flow of Cuban arms to El Salvador expands into a larger plan to undermine the Sandinista government in Managua, miring the Reagan administration deeper in Central America.



American airman preps Hondurans during

The smoky bar in Tegucigalpa was a cousin to Rick's Café in "Casablanca," a nightly gathering place for the dangerous and the desperate in Honduras. Squeezed into a corner one evening last week were four Argentine military advisers, speaking machine-gun Spanish and occasionally stealing furtive glances around the room. A half-dozen Americans stood in a loose line at the bar, drinking beer and talking too loudly about guns. In the center of the room, grouped around a table that listed far right, were seven men drinking rum. One of them wore a gold earring. He explained that the seven men were Nicaraguan

exiles who belonged to various factions of *la contra*, a band of counterrevolutionaries trying to topple the leftist Sandinista regime. They were ready to move toward Managua, one of the men said. "We just need to hear from The Boss that it's time to go." Who was The Boss? The man with the earring was impatient with stupid questions. "He's the man you call 'Mr. Ambassador'."

The envoy in question was John D. Negroponte, the American ambassador in Honduras. Official sources told NEWSWEEK last week that Negroponte is overseeing an ambitious covert campaign to arm,

train and direct Nicaraguan exiles to intercept the flow of arms to leftist guerrillas in El Salvador. But the operation has another objective: to harass and undermine the Cuban-backed government of Nicaragua. The project traces back to Jimmy Carter's efforts to support Nicaraguan moderates. Ronald Reagan added the task of cutting the Cuban-Nicaraguan arms pipeline to El Salvador. The plot, launched mostly with popguns and *machismo*, now threatens instead to destabilize Honduras, to fortify the Marxists in Nicaragua and to waste U.S. prestige along the tangled banks of the Coco River. Worse, U.S. officials concede there is

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John Hoegland—Gamma-Liaison

joint maneuvers: A mushrooming commitment

a danger that the operation could provoke a Nicaraguan counterattack on Honduras that could drag the United States directly into the conflict. "This is the big fiasco of this administration," says one U.S. official. "This is our Bay of Pigs."

Reports of secret operations along the Nicaraguan-Honduran border have circulated for months. But NEWSWEEK has uncovered extensive details of a campaign that has escalated far beyond Washington's original intentions. Administration sources told NEWSWEEK that there are now almost 50 CIA personnel serving in Honduras—certainly the longest manifest in Central America. That team is supplemented by dozens of operatives including a number of retired military and intelligence officers. Argentine military advisers are supporting the operation in Honduras; separate anti-Sandinista activities are underway in Mexico and Venezuela.

Camps: The fighting forces are drawn from 2,000 Miskito Indians, an estimated 10,000 anti-Sandinistas in Nicaragua itself and an assorted group of former Nicaraguan National Guardsmen and supporters of deposed dictator Anastasio Somoza. They have set up 10 training camps divided between Honduran and Nicaraguan territory. Their hit-and-run forays against Nicaraguan bridges, construction sites and patrols are designed to harass the Sandinistas while CIA operatives cast around for a moderate new Nicaraguan leadership. Among others, the United States tried to cultivate Edén Pastora—the former Sandinista hero known as Commander Zero—after he resigned from the government in July 1981. That effort failed. "Pastora is a man who would not accept a penny from the CIA," swears one associate. "If he did, I would kill him."

The operation posed some very disturbing questions: did it violate the spirit if not



Hitting the silk: A Honduran trainee bails out behind his American adviser



Mario Ruiz



Randy Taylor—Sygma

A nursing mother, a funeral at Mocerón: Willing recruits among Miskito refugees

the letter of congressional restrictions on dirty tricks—and would it only make a bad situation in Central America even worse? A congressional-committee spokesman said that CIA Director William Casey (who personally inspected the operation in Honduras) had adequately briefed congressional oversight committees. But some congressional sources complained that the CIA's briefings had been bland and disingenuous. And others wondered pointedly whether the administration had used approval for plans to cut off the flow of Cuban arms to rebels in El Salvador as a cover for a more reckless plot to topple the Sandinistas. "This operation's just about out of control and people are getting panicky," said one source. According to one U.S. official, Secretary of State George Shultz was "fuming" over the mess. Said another, "Only Shultz can change it—if there is still time."

Moderates: Washington's covert involvement in Nicaragua began even before Somoza fled the country. In 1978, with the dynasty nearing collapse, Jimmy Carter signed a "finding," as required by post-Watergate law, authorizing under-the-table CIA support for democratic elements in Nicaraguan society, such as the press and labor unions. The Carter administration correctly recognized that with the Somoza regime crumbling, Cuban-backed leftist forces would try to squeeze out more moderate elements. American financial support for Nicaragua's opposition forces has continued, and it remains one of the many items on the CIA's yearly "Classified Schedule of Authorizations."

After the Sandinistas seized power anyway, the Reagan administration took office worried that Nicaragua would be

come a platform for Cuban-sponsored subversion. Ronald Reagan's first national-security adviser, Richard Allen, set to work on plans to harass the Sandinistas. Former Secretary of State Alexander Haig and Thomas O. Enders, assistant secretary of state, became increasingly concerned that the Sandinistas were providing weapons to leftist rebels in El Salvador—much of the hardware shipped across Honduras. In several meetings, a well-placed administration source says, Enders spoke about the need to "get rid of the Sandinistas." "The driving forces behind this operation were Haig and Enders," said one insider. "Both the agency and the Pentagon had qualms."

Joint Action: At first, the administration's planning focused entirely on how to cut the Salvadoran rebels' supply lines from Cuba and other communist nations through

Nicaragua and Honduras into El Salvador. Haig directed then State Department counselor Robert McFarlane to prepare a series of option papers. Senior Defense Department officials rejected a blockade of Cuba or Nicaragua, pointing out that much of the arms traffic moved by air. Administration officials say McFarlane then asked the CIA to explore possible covert action against the rebels' supply lines, an option that proved more promising and less politically risky than the direct use of U.S. forces. Early on, Haig's ambassador at large, Gen. Vernon Walters, and other officials discussed possible joint covert operations with conservative Latin American governments, including Argentina, Guatemala and Honduras.

Last December Reagan signed his own "finding," expanding on Carter's and authorizing the CIA to contact dissident Nicaraguans in exile and to conduct political and paramilitary operations to interdict weapons shipments from Nicaragua to Salvadoran guerrillas. A second document, known as a "scope paper," outlined permissible operations and their estimated cost. In its first stage, the plan was to create a 500-man, U.S.-trained paramilitary force at a cost of \$19.9 million. Argentina would train an additional 1,000-man force. "The focus was on action which would interdict the flow of arms to guerrillas in the friendly countries," said one source who has read both documents. "Nowhere does it talk about overthrow." But one senior official involved in the decisions conceded that "there are secondary and tertiary consequences which you can't control"—such as the fall of the Sandinista government.

As U.S. officials tell it, the size of the CIA station in Honduras doubled, bringing it to about 50, with orders to

Commander Zero: A rebuff to the CIA

Bosio—Gamma-Liaison



help interdict the arms supplies by training the Honduran intelligence and security forces in intelligence gathering and interrogation, providing logistical support for raids into Nicaragua, aiding the Honduran coast guard and helping the Argentines and other non-Nicaraguans train anti-Sandinista Nicaraguans in sabotage operations using small arms supplied by the Americans.

Washington had used Honduras once before as a base for a destabilization program: in 1954, when the United States toppled the reformist government of Jacobo Arbenz in Guatemala. In the view of the Reagan administration, Honduras itself had become dangerously vulnerable to the Cuban-backed spread of communism. Honduras had managed to remain relatively calm and largely unaffected after the 1979 Nicaraguan revolution by simply looking the other way as Cuban-Nicaraguan arms passed through to El Salvador. "There was kind of an understanding that if we looked the other way, the *subversivos* wouldn't look our way," said one Honduran Army officer.

'Spearhead': That changed when John Negroponte arrived. He was handpicked for the job and reported to Enders, with whom he had worked in Southeast Asia during the Vietnam War and later under then national-security adviser Henry Kissinger. "Negroponte is the spearhead," said one Washington insider. "He was sent down there by Haig and Enders to carry out the operation without any qualms of conscience."

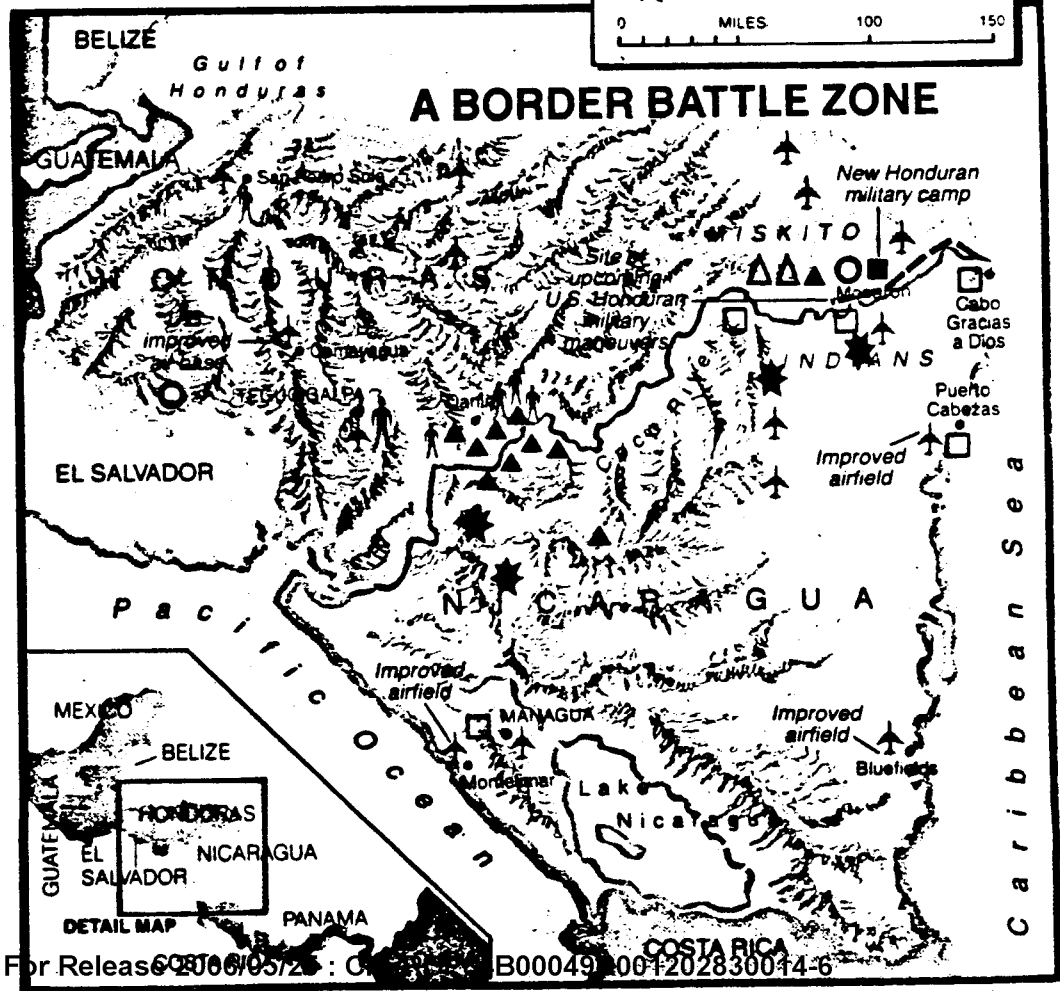
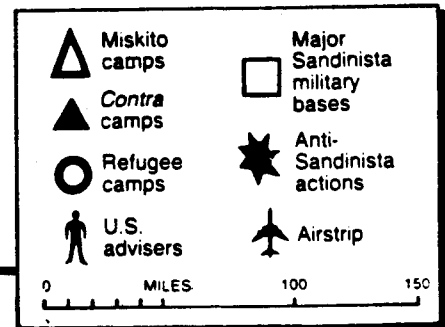
Negroponte forged close ties with powerful Hondurans, especially the commander of the armed forces, Gen. Gustavo Aldo Alvarez, who is still the most powerful Honduran in the country despite the election in January of President Roberto Suazo Córdova, the first civilian president in nine years. "They discuss what should be done, and then Alvarez does what Negroponte tells him to," a member of the military high command said matter-of-factly. The two appear to dislike each other personally, said one aide to Alvarez, because "they both run the Army, although only one of them has the title for that job." Alvarez's G-2 military-intelligence agents act as liaisons to the *contras* and Alvarez himself reports to Negroponte. In addition, two officials in Washington said, Alvarez's military is the main conduit for small arms being delivered to the Nicaraguan exiles and is the main link to Argentine military advisers in Honduras. Alvarez has reason to cooperate: in the past two years, total U.S. assistance to Honduras has totaled \$187 million. A \$78.3 million aid package has been proposed for 1983.



John Hoagland—Gamma-Liaison
President Córdova: A struggling democracy

The interdiction project proved more difficult than expected. The rebel supply lines were elusive: as the Honduran Army cracked down on arms shipments across land, the leftists began receiving aid by sea and air. At the same time, the Sandinistas undertook a massive military buildup. Under the new pressures, the plan spread beyond its original bounds. "It became clear that cutting the roads from Nicaragua wasn't enough," said one source. "It was necessary to raise the cost to the Sandinistas and the Cubans of meddling in El Salvador."

Problems: That meant, at the least, cross-border harassment—and that, too, proved more difficult than Washington planned. First, according to sources in Honduras, the Argentines reduced their participation in the covert training program and in the overt training of the Honduran Army after the outbreak of the Falklands War. (Washington officials said, however, that there were about 20 Argentine trainers in





Susan Meiselas—Magnum

Sandinistas hold guardsmen during the civil war: Can the Somocistas come back?

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been any authorization to deal with the Somoza people." But Negroponce, under pressure from Haig and Enders to produce some successes against the Sandinistas, turned to the only promising group available—the Somocistas. "It was Negroponce who began dealing with the guardsmen and the Somocistas," says one U.S. official. "That wasn't the original plan. He had to improvise." Sources in both Washington and Honduras say the ambassador has been careful to deal with the Somocistas through intermediaries to preserve his deniability. Asked about U.S. support for Somocistas or other contras last week, Negroponce said: "No comment, no comment and a big fat no comment." Of his own contacts, he said, "The only Nicaraguan I know personally is the Nicaraguan ambassador to Honduras. The only Nicaraguan I deal with in any official way is the ambassador."

At the same time, the Reagan administration looked for a leader around whom to build the opposition. No one connected with the hated Somocistas would do. The most attractive candidate was Pastora—Commander Zero. After leaving the government in 1981, he suddenly surfaced in Costa Rica last April, denounced his former

the country last week and that the numbers had not changed appreciably during the Falklands War.) Then the Miskito Indians, who had been forcibly driven from their homes along the Honduran-Nicaraguan border, proved eager but unpromising modern soldiers. "The Indians aren't very quick

learners," says one knowledgeable source.

Such problems soon led to strange bedfellows. When the covert policy was first developed, direct U.S. dealings with exiled Somocistas were officially ruled out. "Our guidelines are pretty damn firm," says one senior U.S. official. "At no time has there

Our Man in Tegucigalpa

John Negroponce, the U.S. ambassador in Honduras, doesn't look like the Ugly American. At 43, he is tall and baldish; his manner is studiously bland. His deliberate, pause-filled conversation, says one frequent dinner guest, "prompts a keen desire for coffee." But another who knows Negroponce better calls him "a Machiavelli—only shrewder." He is street smart. He speaks fluent Spanish, French, Greek and Vietnamese. He reads Shakespeare. Says one Honduran official who has followed his progress, "He must love 'Julius Caesar'."

Negroponce's 12-month tenure in Honduras has been a bit imperious. At the Inauguration of President Roberto Suazo Córdova last January—the first civilian president in nine years—a messenger handed the new leader a four-page letter from the U.S. Embassy drafted by the new American ambassador. Encouraging a prompt "revitalization" of the ailing economy, the letter—using the imperative form of Spanish—directed the government of Honduras to take 11 specific actions, such as reducing taxes on mining companies and lifting some price controls. The government dutifully complied with many of the demands. Negroponce's influence steadily grew, and, it appears, so did his involvement in covert action against Nicaragua. "I'm not saying that the guy who gives all the orders here, even for covert ops, is Negroponce," says a Western source who knows. "But that guy wears Negroponce's suits and eats his breakfast. Do you get the picture?"

Negroponce's arrival in Tegucigalpa was something of a surprise. Few expected an ambassador of quite his caliber. "Anyone who thinks that I'm extremely ambitious just doesn't know me very well," he says mildly.

But no one has ever called him an underachiever. "Knowing this administration's preoccupation with Central America and its worries about Honduras in particular, he set out to make a mark in Honduras that would be noticed all the way to the top," says a colleague who has known him for years.

Career: Educated at Exeter and Yale, Negroponce joined the Foreign Service at the age of 21 and rose quickly. He was a favored political officer in Saigon at the height of the war in Vietnam. He was sent as an emissary to the Paris peace talks, where he insisted that the United States was giving up too much to the communists. The young Negroponce was rewarded with a post at the National Security Council. After a falling-out with his onetime mentor, Henry Kissinger, who was then national security adviser, Negroponce was exiled to Ecuador as political counselor, but he bounced back to become U.S. consul general in Thessaloniki, Greece.

Since coming to Honduras, Negroponce has worked hard to establish himself as something more than our man in Tegucigalpa. Fellow envoys are particularly galled by his habit of sending upbraiding cables when he disapproves of their actions. His efforts have not been as successful as he might have hoped: Hondurans in frequent contact with the ambassador say he was "deeply disappointed" and "personally hurt" that President Reagan chose to make Costa Rica his only stop in Central America during a planned five-day tour of Latin America at the beginning of December. The ambassador may be in for more disappointment. "His obsession to get to the top fast will be the very thing that brings him crashing down," concludes a foreign diplomatic colleague in Honduras. "The question is whether he might not bring a policy and the fragile government of Honduras down with him."

Negroponce: The proconsul

Applewhite—AP



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comrades as "traitors and assassins" and announced: "I will drag them with bullets from their mansions and Mercedes-Benzes." The CIA first tried to cultivate Pastora after he left the Sandinista government, but he would not cooperate. After Negroponte began to deal with the Somocistas, any chance of recruiting Pastora probably was lost.

Alienated: Negroponte now has frozen him out of the action. Pastora and other disillusioned Sandinistas, such as former junta member Alfonso Robelo, have been told that "Honduras is closed to us, we cannot work here," says one of them. NEWSWEEK has learned that Pastora has made two clandestine trips to Honduras since spring to try to win support and establish base camps. Both times he was kept under virtual house arrest by the military. "He couldn't make a phone call, let alone organize a contra group," says one Honduran military officer. "The orders came from Alvarez himself that our American friends did not want this guy to have any part of the game." As a result, despite Washington's intentions, Negroponte has alienated the only group likely to attract widespread support inside Nicaragua. "There's no question that Nicaragua is ripe for a change," said one European observer in the region. "But the U.S. is supporting the only wrong, the only truly evil alternative."

After Negroponte and the Somocistas became partners, the new American allies began to force Washington's hand. The Somocistas bivouacked in Honduras were already trained soldiers, backed by wealthy exiles in Miami. With the added boost of tacit U.S. support, they soon took a com-



John Ficarra—NEWSWEEK

Clark, Enders: 'Get rid of the Sandinistas'

manding position among competing contra groups. They also developed their own private *plan numero uno*: to move the contra camps that remain in Honduras across the border into Nicaragua, then move the camps already established in Nicaragua farther down toward Managua and, finally, past the capital into the south. When the time is right, the Somocistas say, they will draw their loose circle of camps together in toward Managua and force the Sandinistas out. And then? "Come the counterrevolution, there will be a massacre in Nicaragua," promises one contra officer. "We have a lot

of scores to settle. There will be bodies from the border to Managua."

That obviously was not what Washington had in mind. Despite the dirty little war on the ground, there is little support in Washington either for a massive contra invasion or for a border war between Nicaragua and Honduras. Instead, the constant pressure on Nicaragua from the border areas is designed to keep the four-year-old Sandinista government in a jumpy state of alert. While U.S. officials maintain that the primary objective of the operation remains cutting off the supply routes, they also hope that a threatened Sandinista government will bring itself down by further repressing its internal opposition, thereby strengthening the determination of moderate forces to resist. If that happens, says one U.S. official in Central America, "then the Sandinistas will fall like a house of cards in a wind."

Thin Line: Although the Reagan administration and the Somocistas disagree on strategy, U.S. involvement with the contras has escalated. When equipment—helicopters and radios, for example—breaks down, Americans repair it. Americans established the guerrillas' training regime, and arming the contras was easy: the massive American buildup of the Honduran military freed older Honduran equipment, which was shipped off to counterrevolutionary bases. The Americans were soon treading the thin line between instructing insurgents and plotting the missions they were being trained for. Though Americans are expressly forbidden to go out on operations, one veteran of other paramilitary operations said: "Inevitably that happens . . . You lose your credibility with the people you're

GETTING IN DEEPER—A TIMELINE FOR TROUBLE

Although the United States has steadily increased its military and economic commitments in Central America, the troubled region has only grown more volatile.

1976. The Carter administration authorizes the CIA to support moderate opposition groups in Nicaragua opposed to the dictatorship of Gen. Anastasio Somoza.

JULY 1979. Leftist Sandinista guerrillas topple Somoza and seize power. Hoping to influence the Sandinistas, the Carter administration continues U.S. aid.

MARCH 1980. The junta in El Salvador announces agrarian reforms, triggering an upsurge in left- and right-wing violence. Congress freezes U.S. aid to Nicaragua, which is backing Salvadoran leftists.

JANUARY-MARCH 1981. The Reagan administration takes office as the Salvadoran leftists launch a major offensive. U.S. Secretary of State Haig declares Washington will not remain passive in the face of communist subversion and threatens to "go to the source"—Cuba. The United States sends more military advisers and increased military aid to El Salvador.

AUGUST 1981. U.S. Assistant Secretary of State Enders visits Managua and promises aid and U.S. noninterference in Nicaraguan affairs if the Sandinistas will end their support for the Salvadoran leftists. The Sandinistas ignore the offer.

DECEMBER 1981. At an OAS meeting in St. Lucia, the Nicaraguan foreign minister outrages Haig by flatly denying Managua is helping the Salvadoran rebellion. The Reagan administration announces it will train 1,500 Salvadoran government troops; secretly, it authorizes a \$20 million CIA plan to create a 500-man paramilitary force based in Honduras to cut off Nicaraguan supplies to the Salvadoran leftists. The plan's unofficial goal: to undermine or overthrow the Sandinistas.

FEBRUARY 1982. Reagan unveils the \$350 million Caribbean Basin development plan.

MARCH 1982. The Sandinistas declare a state of emergency after antigovernment guerrillas infiltrating from Honduras dynamite two key Nicaraguan bridges.

APRIL 1982. Edén Pastora, the legendary "Commander Zero" who defected from the Sandinistas in 1981, surfaces in Costa Rica; the CIA tries unsuccessfully to enlist him to lead the Honduran-based opponents of the Sandinistas. At about the same time, U.S. Ambassador Negroponte makes contact with former members of Somoza's Nicaraguan National Guard living in exile in Honduras.

AUGUST 1982. U.S. Air Force C-130s ferry Honduran troops to the Nicaraguan border where they can protect the anti-Sandinista forces from Nicaraguan retaliation. Washington plans to increase military aid to Honduras to \$40 million in fiscal 1983. The Nicaraguan ambassador in Washington tells reporters a virtual state of war exists between Nicaragua and Honduras.

OCTOBER 1982. Reagan sends letters to Mexico and Venezuela expressing his "great interest" in their recent proposal for restoring peace along the Nicaraguan-Honduran border and his support for a "fully verifiable regional agreement" that will ban arms imports and the use of foreign advisers in Central America.

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training if you hole up entirely."

Negroponte insists that his strategy precisely follows Washington's orders. But other sources claim that Negroponte censors embassy cables so that Washington will only know what he wants it to know, and that he seems to operate with little interference or second-guessing from superiors. "Haig and Enders gave Negroponte full autonomy," said one high-level insider in

Honduras. Added another: "A lot of us think the ambassador should have a little more E.T. in him—that he should phone home now and then. But I'm sure his contention would be that 'home' would say, 'Go ahead and do what you think is best.' He only has to answer to himself."

In either case, virtually every knowledgeable official says that the operation needs firmer restraints. "It is reminiscent of the cable that went out, 'Order turkeys for the division' but got garbled so we ordered a

division to Turkey," said one official. The Hondurans themselves fear that their country might slip into the Central American line of fire. In September Honduran leftist guerrillas took more than 100 businessmen and officials hostage for eight days in San Pedro Sula. Tegucigalpa was blacked out after a power plant was dynamited. The Hondurans say they have evidence that both operations were masterminded by Salvadoran and Nicaraguan leftists. The Hondurans also claim to have



Richard Cross—AP

Castro and Sandinistas in Havana (1979): Guns, training and a talent for revolution

The Cuban Connection

Nicaragua's Sandinistas have always had their reservations about Fidel Castro. But the revolutionary bond between them is tight. U.S. officials say some 4,000 Cuban doctors, teachers and other civilian specialists help make Nicaragua run, while 2,000 military advisers bolster the police and Army. Cuban backing has fueled Nicaragua's own, extensive military buildup. And Cuban support has bolstered Nicaraguan assistance to leftist guerrillas in El Salvador. As Assistant Secretary of State Thomas Enders sees it, revolutionary Nicaragua has become little more than "a forward base of operations" for Cuba.

The administration has argued its case in a Haig-era report ominously titled "Cuba's Renewed Support for Violence in Latin America." According to the report, Castro helped unite the three Sandinista rebel factions under an effective fighting command in 1978. Cuba then pumped arms and advisers to the rebels through bases in Costa Rica. After the Sandinista triumph in 1979, Julián López Díaz, the head of Cuba's support mission in Costa Rica, became the first Cuban ambassador to the new Sandinista regime. "Nicaragua really did something to the Cuban leadership," says one U.S. official. "It was a psychological shot in the arm for Castro and his guerrilla elite."

Unprecedented: The Sandinistas promptly netted \$28 million in military equipment funneled through Cuba from the Soviet Union and Eastern Europe, according to U.S. sources. The military buildup included 25 Soviet-made T-55 and T-54 tanks, 12 Soviet BTR armored personnel carriers, light airplanes, hel-

icopters and SAM-6 and SAM-7 anti-aircraft missile batteries. Tons of arms also arrived to supply a beefed-up 25,000-member Sandinista Army, backed by an unprecedented 80,000-strong civilian militia. Photographs from U.S. spy planes showed the Sandinistas lengthening airfields at Puerto Cabezas, Montelimar and Bluefields to carry MiG-21 fighters. U.S. officials claim that 50 Nicaraguan pilots are being trained in Bulgaria to fly the jets in at a time of the Sandinistas' choosing—threatening to overtake Honduras's air superiority in Central America.

Despite Cuban and Nicaraguan denials, the administration remains convinced that Salvadoran insurgents are supplied through Nicaragua with air, land and sea shipments of arms. Evidence has been harder to deliver, but in one U.S. example, Honduran police reportedly intercepted a truck coming from Nicaragua in January 1981 that carried Salvadoran rebel supporters, 100 U.S.-made M-16 rifles, 50 81-mm

mortar rounds and 100,000 other rounds of rifle ammunition. U.S. intelligence also charges that Nicaragua helped establish one of Honduras's new rebel bands, the Morazanist Front for the Liberation of Honduras.

The United States draws a formidable picture of the Cuban-Nicaraguan threat. But some experts are not so impressed. During a recent visit to Nicaragua, Lt. Col. John Buchanan, a retired Marine Corps pilot and critic of U.S. policy, was flown on an inspection tour in a Nicaraguan Air Force Cessna that crashed after landing. Buchanan found the Sandinistas' T-55 tanks decidedly ill-suited to tropical warfare. "With friends who would supply you T-55s," he told one Sandinista commander, "who needs enemies?"

Rhetoric: The Cubans have repeatedly offered to help the United States ease tensions over Nicaragua and throughout Central America—but Castro has always insisted on ground rules, including an end to U.S. covert assistance to Nicaraguan counterrevolutionaries. Critics charge that Washington's alarmist rhetoric has distorted American perceptions. Wayne Smith, retired head of the U.S. interests section in Havana, observes: "We have tended to exaggerate the level of Cuban involvement and assistance in El Salvador—but there is no question there has been some." The Sandinistas argue that the U.S. hostility forces them to take any allies they can get. "Some people here say Cuban assistance is an excuse to maintain a Sandinista dictatorship," says Father Xavier Gorostiaga, director of the Institute of Social and Economic Research in Nicaragua. "But in Nicaragua we say this is the only way to survive."

JAMES LeMOYNE with JOHN WALCOTT in Washington

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cracked six safe houses in the past two months and found huge stocks of weapons and literature that connects the caches with the Sandinistas.

Any more violence could touch off a confrontation over security measures between General Alvarez and the still unsteady civilian government. Guerrilla attacks already have led to growing repression. For the first time in Honduras's modern history, right-wing death squads now appear to be operating. "There is a low level of violence and subversion now, and it would be an easy step to more aggressive government actions than are needed," worried a U.S. official—"followed by more aggressive subversion." America's secret war might thus have the intended effect—in the wrong country.

The operation has stirred up its intended target as well. The Sandinistas have used the contra attacks as an excuse to spend an estimated \$125 million on defense this year, beefing up the Army and civilian militia while attacking what remains of a free press and private business. But Sandinista repression has not led to a noticeable upsurge of anti-Sandinista activity inside the country—perhaps because Nicaraguans now only see a choice between the Sandinistas and the hated U.S.-backed Somocistas. "Our operations along the Honduran border have only played into the hands of the Sandinistas," says one dismayed U.S. official.

Terrified: But other American officials see light at the end of the tunnel. The Sandinista leaders are "terrified to their Marxist cores," says one. They have made their first attempts in months to try to re-establish communication with the private sector—and with the United States. U.S. Ambassador to Nicaragua Anthony Quainton, who had been refused any official meetings with the Sandinista leaders, was astonished to find junta member Bayardo Arce waiting for him, unannounced, in the Foreign Ministry recently. On the verge of panic, one source said, Arce asked, in effect, "What is the price we have to pay to stay in power?"

Tensions could peak within the next few weeks. On Dec. 5 the United States and Honduras will begin joint military maneuvers near one of the most sensitive stretches of the Nicaraguan-Honduran border. The five-day maneuvers will include the U.S. Army, Navy and Air Force; they will simulate the freeing of an army garrison from cross-border invaders. A growing number of people on both sides of the border fear the simulation might preview a real war. Ronald Reagan will be visiting nearby Costa Rica on Dec. 4. Two months after he authorized the operation against Nicaragua, Reagan was asked how he felt, generally, about covert action to destabilize regimes. His answer: "No comment."

JOHN BRECHER with JOHN WALCOTT and
DAVID MARTIN in Washington and
BETH NISSEN in Honduras