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# Bullying and Bargaining

Kenneth Roberts

## The United States, Nicaragua, and Conflict Resolution in Central America

Under the presidency of Ronald Reagan, Nicaragua came to be seen as a test case of the "Reagan Doctrine," which espoused support for armed resistance movements against revolutionary Marxist regimes in the Third World.<sup>1</sup> Early in his second term in office, President Reagan himself publicly declared his intention to remove the Nicaraguan government "in the sense of its present structure" and to force its Sandinista leadership to "cry uncle."<sup>2</sup> Five years later, on April 25, 1990 the Sandinistas peacefully delivered the reins of government to a U.S.-supported opposition coalition, while steps were taken to demobilize the *contra* guerrilla army which had served—along with an economic embargo—as a lever of U.S. coercion against the Nicaraguan government. A decade of acrimonious conflict between the United States and Nicaragua thus appeared to draw to a close, as the Sandinistas' considerable political, social, and military power—while hardly eliminated—was displaced from the commanding heights of Nicaraguan society.

This denouement was celebrated in Washington, which clearly had expected a different outcome. Not surprisingly, both sides in the decade-long policy debate over Nicaragua were quick to claim that their respective positions had been vindicated by the government change in Managua. While *contra* supporters claimed victory for the Reagan Doctrine, and advocates of the Arias Peace Plan heralded the triumph of negotiations and diplomacy,

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1. For a discussion of the Reagan Doctrine and its problems of implementation, see Angelo Codevilla, "The Reagan Doctrine—(as yet) a Declaratory Policy," *Strategic Review*, Vol. 14, No. 3 (Summer 1986), pp. 17–26.

2. See President Reagan's press conference of February 21, 1985, reprinted in the *Department of State Bulletin*, Vol. 85, No. 2097 (April 1985), p. 11.

the Bush administration claimed credit for its policy of mobilizing international support for democratic elections in Nicaragua.<sup>3</sup>

Nevertheless, events in Nicaragua are considerably more complex than these interpretations would suggest. Political change in Managua was precipitated not by U.S.-supported guerrillas but by an electoral process which the U.S. government had always doubted, and by an extended, tortuous series of regional negotiations which the U.S. had consistently undermined.

These negotiations, and the electoral process they produced, shifted the locus of political conflict in Nicaragua from the military terrain to the arena of democratic contestation. However, this arena was not exempt from coercive pressure, as the competitive position of the Sandinista regime had been undermined by the political attrition associated with warfare, hyper-inflation, and economic recession, and by the uncertainty of the U.S. response to a potential Sandinista victory. Both the regional negotiations in Central America and the Nicaraguan electoral process, therefore, took place against the backdrop of military and economic coercion exercised by the United States against Nicaragua, and were heavily conditioned by such coercion.<sup>4</sup>

What, then, was the relationship between coercion and negotiations in the U.S.-Nicaragua conflict? In what ways were the dynamics of bilateral coercion and resistance transformed by multilateral negotiating ventures such as the

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3. Al Kamen, "U.S. Strategy Enlisted Soviets, Europeans to Press for Elections," *Washington Post*, February 28, 1990, p. A1.

4. The principal negotiating efforts in Central America included the Contadora plan and the Arias or Esquipulas II treaty. The Contadora plan grew out of an effort by Mexican President Lopez Portillo to mediate the U.S.-Nicaragua dispute, and developed into a regional initiative to negotiate a peaceful resolution of the civil and international conflicts in Central America. Named after the Panamanian island where the initiative was born in January 1983, the Contadora group included Mexico, Venezuela, Colombia, and Panama, with a "support group" composed of Brazil, Argentina, Peru and Uruguay formed in July 1985. These countries became known as the "Group of Eight." Three drafts of the Contadora treaty were proposed to the five Central American nations (Nicaragua, Costa Rica, El Salvador, Honduras, and Guatemala) in 1984, 1985, and 1986, but differences between Nicaragua and the U.S.-backed "Tegucigalpa Group" (Costa Rica, Honduras, and El Salvador) blocked a treaty agreement.

The Contadora negotiations collapsed in January 1987, thus clearing the path for a new diplomatic initiative by President Oscar Arias of Costa Rica, who shifted the regional political alignment by steering Costa Rica toward a more neutral position in the U.S.-Nicaragua dispute after taking office in May 1986. A first draft of the Arias plan was discussed by the presidents of Costa Rica, Honduras, Guatemala, and El Salvador in San Jose, Costa Rica, in February 1987. A second meeting at Esquipulas, Guatemala, in August 1987—this time with the participation of Nicaraguan President Daniel Ortega—culminated in the signing of the Esquipulas II treaty by the five Central American nations. (Esquipulas I was a declaration of support for a negotiated settlement issued by the five nations, at a previous summit meeting at Esquipulas in May 1986 during the negotiations surrounding the Third Draft of the Contadora treaty.)

Contadora process and the Arias (Esquipulas II) treaty, and how did such forms of collective action help create a framework for conflict resolution? As explained below, U.S. coercive tactics against Nicaragua—and particularly the widespread impression that the United States intended to “roll back” Sandinista rule—produced a backlash in Latin America. This reaction was attributable in part to the violation of the principle of non-intervention, but also to the fear that U.S. policies would spawn political and economic instability in neighboring countries and precipitate a regional war. The Latin American response—as manifested by the Contadora Plan and the Arias Treaty—was to engage in a form of collective action that was unprecedented in the Americas both for its level of multilateral cooperation<sup>5</sup> and for its sustained challenge to the “hegemonic presumption”<sup>6</sup> of the United States.

This regional cooperation, and the new-found foreign policy autonomy that it represented, constrained U.S. policy options and shielded Nicaragua from U.S. coercion, thus earning the unstated but de facto opposition of U.S. policymakers who believed that any negotiated settlement would leave Sandinista rule intact. However, the regional negotiations also exerted new forms of pressure on the Sandinista government to make political concessions in order to facilitate a settlement that could terminate the *contra* war and the U.S. economic embargo. Ultimately, in accordance with the provisions of regional peace accords, the Sandinistas exposed their revolutionary government to democratic contestation under unfavorable conditions, and accepted a change of government as the price to be paid for the normalization of relations with the United States.

### *U.S. Policy in Nicaragua: Competing Explanations*

When President Reagan left office in January 1989, the vast majority of the *contra* guerrilla forces had retreated to their Honduran base camps, while the Sandinista government—shaken but still defiant—went on the diplomatic offensive to achieve a regional accord for their definitive demobilization. Consequently, one of the first foreign policy initiatives of the Bush admin-

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5. For an overview of this new multilateral foreign policy cooperation in Latin America, see Alicia Frohmann, *De Contadora al Grupo de Los Ocho: El Reaprendizaje de la Concertación Política Regional*, Documento de Trabajo No. 410 (Santiago, Chile: Facultad Latinoamericana de Ciencias Sociales, 1989).

6. See Abraham Lowenthal, “The United States and Latin America: Ending the Hegemonic Presumption,” *Foreign Affairs*, Vol. 55, No. 1 (October 1976), pp. 199–213.

istration was to negotiate an agreement with Congress to provide economic—but not military—assistance to the *contras* for one year. This agreement, reached in March 1989, not only represented the end of the partisan haggling and executive-legislative conflict which had plagued Reagan administration policy, but also signaled a quiet retreat from the direct use of military force as an instrument for political change in Nicaragua. Therefore, although the Bush administration insisted that the *contra* army be kept intact as a coercive lever pending further political developments in Nicaragua, the U.S. government tacitly acknowledged that the struggle to promote regime change had shifted from the military to the political-electoral terrain.

A year later, the electoral victory of Violeta Chamorro produced not only surprise in Washington, but also a collective sigh of relief, as it enabled the Bush administration to escape what surely would have been a serious foreign policy dilemma. A victory by President Daniel Ortega in internationally-verified elections would have ratified Sandinista rule in Nicaragua and enhanced its legitimacy abroad, thus forcing the U.S. government to make difficult decisions regarding the fate of the *contra* army and the normalization of relations with a regime it had pledged to remove. Indeed, the Chamorro victory fortuitously obviated the need for Washington to develop a new, post-election policy that would confirm what the Bush administration had already tacitly acknowledged—that the *contra* policy had failed to dislodge the Sandinistas, and had in fact been defeated politically both at home and abroad.

The prolonged conflict between the United States and Nicaragua thus offers revealing insights into the use—and limits—of military force as an instrument of political change. It also provides a classic study of the dynamics of coercive international bargaining.<sup>7</sup> However, the analysis of such themes requires that U.S. policy first be evaluated in order to determine how tactical measures such as coercion and negotiations were related to the broader strategic objectives of the U.S. government in Nicaragua and Central America.

A critical evaluation of U.S. policy in Nicaragua is complicated by a number of factors. Under the Reagan administration, U.S. policy was often conducted

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7. For a theoretical treatment of coercive bargaining, see Glenn H. Snyder and Paul Diesing, *Conflict Among Nations: Bargaining, Decision Making and System Structure in International Crises* (Princeton: Princeton University Press, 1977); see also Alexander L. George, David K. Hall, and William E. Simons, *The Limits of Coercive Diplomacy: Laos, Cuba, Vietnam* (Boston: Little, Brown, 1971).

covertly, due in part to the constraints imposed by domestic and international legal norms and political opposition. Public statements of policy objectives were often not congruent with actions taken in the field, while stated objectives expanded over time.<sup>8</sup> Moreover, different policymakers and bureaucratic agencies pursued competing policy goals, thus operating at cross purposes with each other and obfuscating the intentions behind U.S. policy. Finally, U.S. policymaking was shaped and constrained by the need to appease different political constituencies, including domestic public opinion, the Congress, and foreign allies, while the United States waged a proxy war that had little foreign or domestic support.<sup>9</sup>

The resulting inconsistencies and ambiguities make it imperative to develop an interpretive framework for the analysis of both the process and outcome of U.S. foreign policymaking toward Nicaragua. The framework developed here outlines three alternative ideal-type explanations of U.S. objectives and strategy, and argues that the *de facto* policy outcome—a “bullying strategy” dominated by rollback objectives—was produced through a process of veto and negation rather than conscious or explicit selection.

The first ideal-type explanation sees U.S. policy as an exercise in *coercive diplomacy*, a strategy in which the threat or restrained use of force is employed to pressure another nation to alter its behavior or make diplomatic concessions. According to Alexander George,<sup>10</sup> the effectiveness of coercive diplomacy is likely to be enhanced when the strategy employs the “carrot” as well as the “stick”; in other words, coercive threats are best combined with positive inducements or incentives to elicit cooperation and promote mutual

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8. For example, the Reagan administration initially claimed that its support for the *contras* was intended to interdict weapons being transhipped from Nicaragua to the Salvadoran guerrilla movement. Over time, the administration spoke of the *contra* war as a means of leverage to pressure Nicaragua to make concessions at the bargaining table or to adopt democratic reforms. Eventually, U.S. officials implicitly acknowledged their commitment to the objective of overthrowing or replacing the Sandinista regime, as seen by President Reagan’s statement that he intended to remove the Sandinista government “in the sense of its present structure”; Reagan, July 21, 1985, press conference.

9. For an analysis of the constraints placed upon policymaking by the requisites of public support, see Alexander L. George, “Domestic Constraints on Regime Change in U.S. Foreign Policy: The Need for Policy Legitimacy,” in Ole R. Holsti, Randolph M. Siverson, and Alexander L. George, *Change in the International System* (Boulder, Colo.: Westview, 1980), pp. 233–262. For an overview of the Reagan administration’s struggle with Congress over its *contra* aid policy, see William M. LeoGrande, “The Contras and Congress,” in Thomas W. Walker, ed., *Reagan versus the Sandinistas: The Undeclared War on Nicaragua* (Boulder, Colo.: Westview, 1987).

10. See Alexander L. George, “The Development of Doctrine and Strategy,” in George, Hall, and Simons, *The Limits of Coercive Diplomacy*, p. 25.

accommodation in a bargaining process. Such a "carrot-and-stick" variant of coercive diplomacy should be distinguished from a strategy of pure coercion.

In the case of Nicaragua, a U.S. strategy of coercive diplomacy could very well have been limited to the policy *objective* of containment; that is, the United States could have chosen to tolerate the existence of the Sandinista regime, but to adopt a mixture of coercive measures and positive inducements to constrain Sandinista behavior and inhibit the projection of the Sandinista Revolution beyond Nicaragua's borders. The U.S. efforts to restrain the Nicaraguan government's military buildup, its relations with the Soviet Union and Cuba, and its support for revolutionary movements in neighboring countries like El Salvador would correspond to such containment objectives. Positive inducements such as economic cooperation or the enforcement of U.S. neutrality laws could have been extended in return. Thus, in theory, coercive diplomacy could have been aimed at establishing the terms of a mutual accommodation and defining the parameters of tolerable behavior on both sides. However, although U.S. officials frequently characterized policy in such terms, in practice the opposition to a negotiated agreement by administration hardliners nullified efforts to implement this type of coercive diplomacy.

An alternative ideal-type explanation sees the United States as engaging in a more unalloyed form of coercion analogous to what Russell Leng and Henry Wheeler call a "bullying" strategy.<sup>11</sup> This strategy would also rely upon the coercive threat or use of force, but would not combine such measures with the "carrot" of positive incentives; that is, coercive pressure alone would be adopted to force Nicaraguan compliance with U.S. demands. Unlike the carrot-and-stick variant of coercive diplomacy discussed above,<sup>12</sup> a bullying strategy aims at unilateral submission to superior power rather than mutual accommodation. In theory, a bullying strategy could be adopted in

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11. For a discussion of "bullying" and other types of influence strategies, see Russell Leng and Henry Wheeler, "Influence Strategies, Success, and War," *Journal of Conflict Resolution*, Vol. 23, No. 4 (December 1979), pp. 655-684.

12. George's conceptualization of coercive diplomacy does not make the extension of positive inducements a tactical necessity or a definitional requirement. Therefore, it is possible to conceive of a bullying strategy as a variant of coercive diplomacy that relies solely upon the "stick" without a concomitant extension of the "carrot." In other words, coercive diplomacy is flexible in the mix of tactical instruments that can be adopted. It is likewise flexible in the type of objectives that are sought or the type of demands that are made of an opponent. As George suggests, the likelihood of an opponent yielding to coercive pressure is determined not only by the strength of coercive leverage and positive inducements, but also by how much is being demanded; see George, "The Development of Doctrine and Strategy," pp. 24-26.

pursuit of the limited containment objectives outlined above; however, in its more extreme forms it could be employed in the pursuit of a more expansive “rollback” objective aiming at the elimination—rather than containment—of the Sandinista regime.<sup>13</sup> This vision of a rollback of radical, Soviet-supported leftist regimes in Third World societies was the essence of the Reagan Doctrine advocated by Reagan administration hardliners.

A third explanation sees U.S. policy as a complex, multi-tiered coercive strategy involving both maximum and minimum (or fallback) objectives. This alternative could be conceived as a variant of the bullying strategy involving multiple, hierarchical objectives. That is, the U.S. government could have pursued the *contra* war with the ultimate objective of driving the Sandinistas from power, believing that the pursuit of this maximum objective, even if not successful, would produce secondary goals related to the containment of Nicaragua. Therefore, even if U.S. coercive tactics failed to achieve a rollback, the minimum or fallback objective of containment would be produced epiphenomenally through the attrition process imposed on the Sandinistas by warfare and economic hardship. If such attrition did not topple the Sandinista regime, at least it would weaken Nicaragua as both a challenge to U.S. regional hegemony and as a model for social and political change in Latin America. In particular, this attrition would greatly limit the Sandinista capacity to project Nicaragua’s power beyond its borders.

Each of these ideal-type explanations assumes that the U.S. policy outcome was a coherent and integrated strategy in which coercive instruments were fitted to established policy preferences or objectives. However, in practice the policymaking process was neither fully coherent nor integrated; instead, it was frequently *ad hoc* and contradictory, as the Reagan administration failed to establish a set of clear policy objectives or a consistent strategy for dealing with Nicaragua. Indeed, the U.S. decisionmaking process produced a confusing and decentralized policy by combining coercive diplomacy and containment objectives with a bullying strategy that was designed to roll back Sandinista rule. This policy combination was produced not by the simultaneous pursuit of minimum and maximum objectives, as in the third explanation outlined above, but by ambiguous policy definition and evolution at the top of the Reagan administration, combined with interbureaucratic divisions and power struggles.

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13. The tensions between these divergent policy objectives are discussed in William H. LeoGrande, “Rollback or Containment? The United States, Nicaragua, and the Search for Peace in Central America,” *International Security*, Vol. 11, No. 2 (Fall 1986), pp. 89–120.

The policymaking process thus produced not a coherent strategy with integrated objectives and tactics, but a decentralized mixture of policy initiatives incorporating competing objectives and incommensurate tactics. However, the incommensurabilities contained in this policy amalgam caused the carrot of coercive diplomacy to be canceled out, thus enabling the bullying strategy to become dominant through a process of veto or negation rather than conscious selection. Therefore, the de facto policy was consistently coercive in accordance with a bullying strategy, even though the policymaking process was lacking in strategic consistency and coherence.

A brief overview of the different orientations within the Reagan administration should help demonstrate why the bullying strategy came to dominate U.S. policy. Despite his manifest sympathies for the rollback option, President Reagan's failure to establish a clear and consistent policy line at the top of the administration gave considerable latitude to different actors within the executive bureaucracy to develop and pursue their own—often competing—strategies and objectives. Administration hardliners were concentrated primarily in the National Security Council (NSC), the Central Intelligence Agency (CIA), and the civilian desk at the Pentagon, and included such influential policymakers as CIA Director William Casey, National Security Adviser William Clark, Secretary of Defense Caspar Weinberger, and NSC Staff member Oliver North, along with Jeane Kirkpatrick at the United Nations and Elliot Abrams at the State Department. These officials favored a rollback of Sandinista rule; viewing any negotiated agreement as a compromise of this objective, they resolutely rejected a mutual accommodation with the Sandinista regime. In contrast, key policymakers at the State Department and in U.S. diplomatic posts preferred to pressure the Sandinistas to accommodate U.S. security interests and accept political reforms. Secretary of State George Shultz and Assistant Secretary of State for Latin America Thomas Enders, special negotiators Harry Shlaudeman and Philip Habib, and former U.S. Ambassador Anthony Quainton were principal proponents of this policy line.<sup>14</sup>

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14. For a more detailed analysis of the policy and bureaucratic differences within the Reagan administration, see Roy Gutman, *Banana Diplomacy: The Making of American Policy in Nicaragua, 1981–1987* (New York: Simon and Schuster, 1988); see also Barry Rubin, "Reagan Administration Policymaking and Central America," in Robert S. Leiken, ed., *Central America: Anatomy of Conflict* (New York: Pergamon, 1984), pp. 299–318. For a highly partisan inside look, see Constantine C. Menges, *Inside the National Security Council: The True Story of the Making and Unmaking of Reagan's Foreign Policy* (New York: Simon and Schuster, 1988).

These latter policymakers were not, in principal, opposed to negotiated arrangements with the Sandinistas. Indeed, they believed negotiated "gains of trade"<sup>15</sup> could be realized, with the United States accepting the Sandinista regime (or, preferably, a "liberalized" version of it)<sup>16</sup> and the principle of non-intervention, while Nicaragua would agree not to challenge U.S. security interests in Central America. For these policymakers, the U.S.-Nicaragua conflict was neither intractable nor zero-sum, and the right combination of coercion and incentives could have made mutual accommodation possible. Holding these beliefs, they advocated a policy analogous to the carrot-and-stick variant of coercive diplomacy outlined above.

However, among the hardliners there existed more deeply rooted "strategic" barriers to conflict resolution.<sup>17</sup> The hardliners were generally wary of or opposed to negotiations, and sought to block agreements in order to allow time for the attrition process to weaken Nicaragua's capacity for resistance. Even more fundamentally, they perceived the U.S.-Nicaragua conflict as inherently zero-sum, and denied that mutual advantages or gains of trade could be realized through negotiated agreements. Indeed, negotiated agreements would confer legitimacy upon the Sandinista regime and solidify its rule, precisely the outcomes most feared by those committed to the rollback objective. For the hardliners, the objective was not to elicit conciliatory moves from the Sandinistas or change their behavior, but to eliminate their regime altogether through a military rollback or a thorough political transformation.

From the very outset of the Reagan administration, the struggle between these competing tendencies prevented the United States from developing a coherent or consistent policy toward Nicaragua. Although the Reagan administration presented U.S. policy as a "two-track" approach integrating coercion with diplomatic negotiations,<sup>18</sup> interbureaucratic differences under-

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15. See Lee Ross and Constance Stillinger, "Psychological Barriers to Conflict Resolution," Working Paper No. 4, Stanford University Center on Conflict and Negotiation, Stanford California, 1988, p. 1.

16. The issues of political liberalization or democratization (and the different conceptualizations of such terms) proved to be highly contentious in both the bilateral and multilateral negotiations related to the U.S.-Nicaragua dispute. As seen below, the United States increasingly made the internal political transformation of the Sandinista regime the *sine qua non* of a negotiated settlement, both as an end in itself and as a means to guarantee agreements on security-related issues.

17. For a discussion of strategic barriers to conflict resolution, see Ross and Stillinger, "Psychological Barriers to Conflict Resolution," pp. 2-3.

18. See, for example, the testimony of Assistant Secretary of State for Inter-American Affairs Elliot Abrams and Special Negotiator Philip Habib before the Senate Foreign Relations Com-

mined the theoretical complementarity of the two tracks. Whereas the advocates of coercive diplomacy viewed coercion as an instrument to extract concessions at the bargaining table, the bullying strategy, to the extent that it tolerated negotiations at all, exploited them to legitimate or justify coercive measures and to extract resources from a reluctant Congress. Therefore, since there was no consensus on the relative importance or instrumentality of the two tracks, hardliners effectively nullified coercive diplomacy by vetoing State Department attempts to offer positive inducements to the Sandinistas or negotiate a mutual accommodation. Thus denied the inducement of the "carrot," U.S. policy became a de facto "bullying" strategy; although the Reagan administration was generally ambiguous about the ultimate objective of the policy, the veto power wielded by hardliners over a negotiated settlement allowed the rollback objective to dominate the strategic trajectory of U.S. policy. Congressional opposition and public opinion served as the principal restraining forces to this strategy, in effect driving the administration's policy implementation underground.

If there was dissent within the Reagan administration regarding the ultimate strategic objectives of U.S. policy, there was unanimity on the tactical necessity of maintaining pressure on the Sandinistas. The *contra* army served as the principal lever of military coercion, in conjunction with a trade and credit embargo as economic coercion. Policymakers advocating coercive diplomacy viewed this pressure as necessary to induce the Nicaraguan government to negotiate seriously and moderate its behavior.<sup>19</sup> For hardliners committed to a bullying strategy, pressure was necessary to erode the political and economic base of the Sandinista regime in preparation for its eventual replacement. Given the dissensus over negotiations and strategic objectives, the compatibility at the level of coercive tactics reinforced the dependence of U.S. policy on such instruments, and thus the *contra* war became the centerpiece of Reagan administration policy.

#### *U.S.-Nicaragua Bilateral Interaction*

In retrospect, there were early indicators of the inability of the State Department to implement an effective strategy of coercive diplomacy. In its first

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mittee on February 5, 1987, reprinted in "Development of U.S.-Nicaragua Policy," *Department of State Bulletin*, Vol. 87, No. 2122 (May 1987), pp. 75-82.

19. This position was expressed by former Secretary of State George Shultz in an interview with the author, Stanford, California, June 2, 1989.

months in office, the Reagan administration made a firm commitment to contain revolutionary change in Central America, warning the Sandinistas that the United States would not tolerate Nicaraguan arms shipments to the guerrilla movement in El Salvador. Secretary of State Alexander Haig held out the inducement of renewed economic aid if the Sandinistas complied with U.S. demands to cease their support for the Salvadoran rebels; the Nicaraguans responded with a pledge to stop the arms flow, and also shut down a clandestine Salvadoran radio station operating near Managua.<sup>20</sup> The State Department called the Nicaraguan response "positive," and issued a statement acknowledging that "we have no hard evidence of arms movements through Nicaragua during the past few weeks, and propaganda and other support activities have been curtailed."<sup>21</sup> However, rather than reciprocating the Nicaraguan concessions or providing positive inducements, the United States decided to escalate its coercive pressure by canceling a \$15 billion disbursement of economic aid and suspending credit lines for Nicaraguan wheat purchases.<sup>22</sup> This response helped prompt the resignation of the U.S. ambassador to Nicaragua, Lawrence Pezullo, who believed a mutual accommodation with the Sandinistas was possible.

The first, highly tentative attempt to construct such an accommodation occurred several months later, when U.S. Assistant Secretary of State for Inter-American Affairs Thomas Enders flew to Managua for secret talks with the Sandinistas. These talks initiated a flurry of diplomatic activity between August and October of 1981, during which Enders tried to convince the Sandinistas to limit their military buildup and halt all support for the Salvadoran insurgency. In exchange, the Reagan administration would agree to a nonaggression pact under the terms of the 1947 Rio Treaty, enforce U.S. neutrality laws against Nicaraguan exiles using U.S. territory to conduct paramilitary training operations, and request a renewal of economic aid from Congress.

Although the United States later blamed Sandinista intransigence for the breakdown of this diplomatic initiative,<sup>23</sup> it appears that hardliners in the

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20. See Secretary Haig's "Interviews at Breakfast Meetings," *Department of State Bulletin*, Vol. 81, No. 2050 (May 1981), p. 12.

21. See "U.S. Suspends Economic Aid to Nicaragua," *Department of State Bulletin*, Vol. 81, No. 2050 (May 1981), p. 71.

22. This disbursement had earlier been suspended by the Carter administration as a result of Nicaraguan support for the Salvadoran guerrilla movement.

23. See Thomas O. Enders, "Nicaragua: Threat to Peace in Central America," *Department of State Bulletin*, Vol. 83, No. 2075 (June 1983), p. 77.

Reagan administration tied Enders's hands by making extravagant demands of the Sandinistas and by prohibiting Enders from offering significant positive inducements. The United States failed to deliver promised proposals for economic aid and cultural exchanges; a proposal on security issues was prepared in Washington and shown to the Nicaraguan ambassador, Arturo Cruz, but was so tough that it was immediately shelved instead of being sent to Managua. It reportedly called for Nicaragua to reduce its army below 10,000 soldiers, freeze the acquisition of all heavy weapons systems, and literally recreate and re-export back to their country of origin any weapons that were not also possessed by its neighbors. Cruz, who later became a key U.S. ally as a political leader of the *contras*, admitted to being "flabbergasted" by the U.S. demands, calling them "the conditions of a victorious power."<sup>24</sup>

Shortly after the breakoff of these talks, President Reagan signed an intelligence finding authorizing \$19.5 million for the CIA to construct a paramilitary force of 500 Nicaraguan exiles recruited from the remnants of deposed president Anastasio Somoza's defeated National Guard. The stated objectives of this force were to interdict arms and obstruct the Cuban military support structure in Nicaragua.<sup>25</sup> Over time, both the size and the objectives of this force would expand.

The first year of the Reagan administration thus witnessed the establishment of two basic patterns of interaction that would characterize the U.S.-Nicaragua dispute. The first pattern, evident during the tacit coercive bargaining from February to April on the issue of aid to the Salvadoran rebels, involved the escalation of U.S. coercive pressure in response to concessions made by the Nicaraguan government. This pattern would be especially evident several years later, when the Sandinistas made a number of unilateral conciliatory moves following the U.S. invasion of Grenada in October 1983. Salvadoran rebel leaders and one thousand Cuban military advisers were asked to leave Nicaragua, and the Sandinistas offered to discuss additional restrictions on foreign advisers, arms imports, and military forces. They also declared a partial amnesty for *contra* rebels, relaxed press censorship, initiated a dialogue with the Catholic Church hierarchy and the political opposition, and announced plans for national elections in November 1984.

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24. Quoted in Roy Gutman, "Nicaragua: America's Diplomatic Charade," *Foreign Policy*, No. 56 (Fall 1984), pp. 3-4.

25. Don Oberdorfer and Patrick E. Tyler, "U.S.-Backed Nicaraguan Rebel Army Swells to 7000 Men," *Washington Post*, May 8, 1985, p. A1.

Although Secretary of State Shultz initially welcomed these moves, Assistant Secretary of State Langhorne Motley soon charged that the Nicaraguan government was engaged in a "campaign of deception designed to avoid real accommodation," and claimed that "there is still no evidence that the Sandinistas are taking any of the essential measures which, if actually implemented, could help bring about among the states of the region a viable and lasting peace."<sup>26</sup> More important, the United States declined to test Nicaragua's intentions in negotiations, opting instead to exert greater coercive pressure by directing the CIA to mine Nicaraguan harbors. This action became public in early 1984, provoking a public outcry in the United States, a congressional ban on further aid to the *contras*, and a lawsuit by Nicaragua before the World Court.

The second pattern involved nullification of State Department attempts at bilateral negotiation by the demands imposed by hardliners within the administration. Following the failure of the Enders negotiations in 1981, the United States tried a new diplomatic initiative in the spring of 1982 when Ambassador Anthony Quainton presented an eight-point program of demands in talks with the Sandinistas. This program incorporated most of the security demands previously made by the United States, but added a significant demand on a new issue as well—that Nicaragua undertake democratic political reforms as a condition for the normalization of relations. The government of Nicaragua replied that it was willing to enter into serious discussions of the issues proposed by the United States, but Washington waited for three months before responding, and decided not to let Quainton continue the talks.<sup>27</sup>

Whether or not the United States was genuinely interested in an accommodation at this point,<sup>28</sup> the expansion of U.S. demands to cover Nicaragua's internal political arrangements constituted a serious obstacle to a negotiated settlement. The United States was insisting not only that the Nicaraguan

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26. Langhorne Motley, "Is Peace Possible in Central America?" *Department of State Bulletin*, Vol. 84, No. 2084 (March 1984), p. 68.

27. See Gutman, *Banana Diplomacy*, pp. 95–97.

28. Some doubt about U.S. intentions is in order, since the Quainton talks came shortly after the *contra* war broke out in the open. The war alarmed Mexico and other regional actors and prompted Mexican President Lopez Portillo to urge the U.S. to negotiate with the Sandinistas. A National Security Council document from the period spoke of the need to "co-opt the negotiations issue" and isolate Mexico internationally, since its stance on Central America was considered inimical to U.S. objectives; see "National Security Council Document on Policy in Central America and Cuba," *New York Times*, April 7, 1983, p. A16.

government alter its foreign relations and limit its military forces, but also that it reconstitute its domestic political institutions. In short, the U.S. position made a settlement contingent not merely upon a change in the behavior or policies of the Sandinista regime, but upon a transformation of the regime itself—surely a grating demand for a revolutionary government with strong nationalist sentiments and a congenital antipathy to U.S. interventionism. Indeed, U.S. demands relating to Nicaragua's domestic political arrangements were the crucial factor in the breakdown of the most serious—and also the final—bilateral talks between the two nations under the Reagan administration. These talks were conducted by U.S. Special Negotiator Harry Shlaudeman and Nicaraguan Vice-Foreign Minister Victor Tinoco in Manzanillo, Mexico, during the summer and fall of 1984.<sup>29</sup> Over the course of their nine meetings, Shlaudeman and Tinoco reportedly negotiated a resolution of the principal security issues dividing the two nations, including foreign advisers, armaments, the size of Nicaragua's armed forces, and the question of aiding the Salvadoran rebels.<sup>30</sup> However, Tinoco refused to discuss Nicaragua's internal political arrangements, which Washington had made the *sine qua non* of a negotiated settlement, and the United States formally broke off the talks in January 1985.<sup>31</sup>

NSC staff member Constantine Menges later boasted that he and other hardliners blocked the State Department's negotiating effort by appealing directly to President Reagan and by watering down U.S. concessions that might have served as positive inducements for Nicaraguan cooperation.<sup>32</sup> Documents released during the 1989 trial of Oliver North suggest that, at least for the hardliners, these negotiations were designed not to reach a settlement with Nicaragua but to induce Congress to support *contra* aid. Reagan himself stated at a June 25, 1984, meeting of the National Security Planning Group that, "if we are just talking about negotiations with Nica-

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29. Constantine Menges, the top Latin American expert at the National Security Council during this period, claimed that these talks were initiated secretly by Secretary of State Shultz to circumvent the opposition of hardliners who feared that the State Department would negotiate an agreement leaving Sandinista rule intact; see Menges, *Inside the National Security Council*, p. 123.

30. See Mary B. Vanderlaan, *Revolution and Foreign Policy in Nicaragua* (Boulder, Colo.: Westview, 1986), p. 357.

31. The U.S. subsequently claimed that the Sandinistas tried to use the bilateral talks at Manzanillo to undermine the multilateral Contadora process, although Nicaragua's offer to sign the first draft of the Contadora Treaty in September of 1984 was made while the Manzanillo talks were being conducted; see, for example, the testimony of Philip Habib in "Development of U.S.-Nicaragua Policy," p. 82.

32. See Menges, *Inside the National Security Council*, pp. 123–141.

ragua, that is too far-fetched to imagine that a Communist government like that would make any reasonable deal with us, but if it is to get Congress to support the anti-Sandinistas, then that can be helpful.”<sup>33</sup>

It was shortly after the breakdown of the Manzanillo talks that President Reagan spoke openly of the need to “remove” the Sandinista regime. Subsequently, the United States rejected Nicaraguan overtures to resume bilateral negotiations, arguing that a dialogue between the Sandinistas and the *contras* was a precondition for talks between the United States and Nicaraguan governments.<sup>34</sup> However, as relations between the United States and Nicaragua approached a complete rupture, a third (and ultimately the most significant) pattern of interaction intensified—namely, the mediatory role of other regional actors in the U.S.-Nicaragua dispute. Although Nicaragua was initially skeptical of regional initiatives like the Contadora Plan, over time the Sandinista government turned increasingly to multilateral negotiating forums to shield itself from U.S. coercion. In these multilateral forums, the Sandinistas not only made concessions on regional security issues, but eventually addressed the internal political arrangements that they had declared off-limits in the context of bilateral coercive bargaining with the United States.

Indeed, these multilateral negotiations—first for a Contadora Treaty, then later for the Arias Plan—represented an unprecedented level of cooperation among the Latin American nations, and one of the most significant and concerted challenges ever posed to U.S. hegemony in the Western hemisphere. But why did this new form of collective action emerge, and how did these negotiations change the context of the dispute between Nicaragua and the United States? How did they influence the foreign policy behavior of the two nations, and what impediments had to be overcome in the search for a negotiated settlement? It is to these questions that we will now turn.

### *Regional Cooperation and the Contadora Negotiations*

It is in some ways remarkable that neighboring Latin American nations played such an important role in shielding Nicaragua from U.S. coercion and

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33. “Excerpts From North Trial Documents on Aid to the Contras,” *New York Times*, April 14, 1989, p. A10.

34. The Sandinistas adamantly rejected this precondition when it was repeatedly demanded by the U.S. government. Later, after regional negotiations led to the signing of the Esquipulas II Treaty, the Sandinistas did initiate a dialogue with the *contras*, although the treaty only required that they engage in a dialogue with unarmed internal opposition. Nevertheless, the U.S. refused to resume bilateral government-to-government talks.

promoting a negotiated settlement. Nicaragua's mix of Marxism and revolutionary nationalism clashed with the moderate-to-conservative regimes in surrounding states, most of which were close political allies of the United States and wary of the destabilizing effects of a revolutionary neighbor. Clearly, the Sandinistas could not rely upon political or ideological affinity to evoke regional solidarity in their conflict with the United States. Nevertheless, U.S. policies—and particularly the de facto dominance of the bullying strategy—came to be seen as a threat to other Latin American countries, thus creating new forms of common interest that facilitated cooperation while reducing Nicaragua's diplomatic isolation. Indeed, the signing of the Arias Treaty in 1987 demonstrated that the closest Central American allies of the U.S.—El Salvador and Honduras—were themselves threatened with isolation if they obstructed a regional accord. By opting to assert their autonomy from the U.S. policy line, they left the United States virtually alone in its support for the *contra* war.

The emerging foreign policy *concertación* among Latin American nations, and their enhanced autonomy *vis-à-vis* the United States, represented both change and continuity in inter-American affairs. Historically, U.S. interventionism has been a controversial issue in Latin America, although the United States was generally able to mobilize the support—or at least acquiescence—of the Organization of American States (OAS) for previous interventions in the post-World War II era, including the 1954 intervention in Guatemala, the trade and diplomatic embargo of Cuba, and the 1965 intervention in the Dominican Republic. However, by the 1970s the “hegemonic presumption” of the United States was increasingly being challenged in Latin America. The embargo of Cuba began to break down, and there was considerable regional solidarity with Panama in the negotiations over the Panama Canal. In 1979, the OAS rebuffed a U.S. request that it give its imprimatur to a “peacekeeping force” that would contain the Nicaraguan insurgency and prevent the Sandinista guerrilla army from supplanting the National Guard of the Somoza dictatorship.

However, these signs of independence pale beside the defiance that the OAS states manifested in the search for a negotiated settlement of the Nicaragua dispute in the 1980s. This search began in earnest with Mexico's 1982 appeal for negotiations between the United States and Nicaragua, and became regional in scope when Mexico and Venezuela induced Colombia and Panama to join in a multilateral negotiating forum known as the Contadora

initiative in January 1983.<sup>35</sup> The Contadora Plan experienced several permutations before collapsing in January 1987 and being superseded by a new initiative known as the Arias Plan.<sup>36</sup> The five Central American nations signed the Arias (or Esquipulas II) Treaty in Guatemala in August 1987, and despite subsequent problems with implementation, the treaty created a framework for a political settlement of the *contra* war in Nicaragua.

The signing of the Arias accord surprised many observers, as there were substantial obstacles to a negotiated settlement in Central America, which had blocked a Contadora treaty for four years. Hardliners in the Reagan administration who were committed to the rollback option obstructed a bilateral compromise between the United States and Nicaragua. In turn, the Reagan administration was able to use its influence over U.S. allies in Central America—the so-called “Tegucigalpa Group” of El Salvador, Honduras, and Costa Rica—to block a regional Contadora agreement, which would have protected the Sandinista regime and neutralized U.S. policy by proscribing aid to the *contras*.

Although the United States gave rhetorical support to Contadora, this regional initiative repeatedly clashed with established U.S. policy positions in Central America. The Contadora plan concentrated on limiting external involvement in the internal affairs of the Central American nations; it called for the removal of foreign military bases, the gradual withdrawal of foreign military advisers, and the proscription of foreign military maneuvers. It also required the Central American nations to strengthen democratic procedures, limit the size of their armed forces, restrict arms imports, and halt all support for insurgent movements in neighboring countries. These terms would have scaled back the Soviet-Cuban role in Nicaragua while limiting Nicaragua’s military buildup and Sandinista support for the Salvadoran rebels. However, they also would have guaranteed the survival of the Sandinista regime, while

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35. These four nations would later be joined by four new South America democracies—Peru, Brazil, Argentina, and Uruguay—who comprised the Contadora Support Group. Eventually, they came to be known as the Group of Eight, which addressed a variety of regional issues.

36. For an overview of the origins and evolution of the Contadora initiative, see Terry Lynn Karl, “Mexico, Venezuela, and the Contadora Initiative,” in Morris J. Blachman, William M. LeoGrande, and Kenneth E. Sharpe, eds., *Confronting Revolution: Security Through Diplomacy in Central America* (New York: Pantheon, 1986). See also Bruce Michael Bagley, “Contadora: The Failure of Diplomacy,” *Journal of Inter-american Studies and World Affairs*, Vol. 28, No. 3 (Fall 1986), pp. 1–32. A documentary record of the plan can be found in Bruce Michael Bagley, Roberto Alvarez, and Katherine J. Hagedorn, eds., *Contadora and the Central American Peace Process: Selected Documents*, SAIS Papers in International Affairs, No. 8 (Boulder, Colo.: Westview, 1985).

sharply restricting the U.S. military role in El Salvador and Honduras and curtailing U.S. support for the *contras*.

At times, hardliners in the U.S. government openly expressed their opposition to the Contadora plan, as seen by Elliot Abrams's statement that: "There is always the danger of a Contadora agreement with the Sandinistas, the signing of something that could be called a peace agreement."<sup>37</sup> However, such manifest opposition was politically damaging when there was strong support in Congress and Latin America for a negotiated settlement. Indeed, as already seen in the example of the Manzanillo talks, it was useful to go through the motions of pursuing a negotiated settlement in order to elicit congressional support for the *contras*. In short, negotiations served as a useful cover for bullying tactics; they helped mitigate domestic and foreign opposition by giving the appearance of openness to a political settlement, while allowing the administration to claim that coercive tactics were only designed to obtain concessions at the bargaining table. Consequently, the Reagan administration generally gave rhetorical support for Contadora while working behind the scenes to block a regional settlement.

This obstruction was most evident when Nicaragua, to the surprise of many, proclaimed its acceptance of a revised draft of the Contadora Treaty in September 1984. The United States and the Tegucigalpa Group had previously expressed support for this draft, apparently assuming Nicaragua would find its terms too demanding. When Nicaragua agreed to sign the treaty, the United States and its allies backtracked, claiming that further revisions were necessary to strengthen the provisions for internal democratization, the timing of security measures, and procedures for verification and enforcement. According to Menges, Costa Rica and Guatemala were also leaning toward signing the treaty, until he and NSC adviser Robert McFarlane convinced President Reagan to write a letter to all the Central American presidents expressing U.S. opposition to the terms of the accord.<sup>38</sup> While the Reagan administration denounced Nicaragua's pledge to sign the treaty as a public relations stunt, a National Security Council Background Paper claimed that the United States had "effectively blocked Contadora Group efforts to impose a second draft of a revised Contadora Act."<sup>39</sup>

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37. *Central America Report*, January 16, 1987, pp. 9–10.

38. Menges, *Inside the National Security Council*, p. 142.

39. See Alma Guillermoprieto and David Hoffman, "Document Describes How U.S. 'Blocked' a Contadora Treaty," *Washington Post*, November 6, 1984, p. A1.

With greater input from the Tegucigalpa Group, a new draft of the Contadora treaty was drawn up in September 1985. This draft imposed stricter verification procedures, but did not require that the United States halt the large-scale military maneuvers it had been conducting in Honduras as part of its pressure against Nicaragua. Furthermore, it provided no guarantees for a halt in U.S. assistance to the *contras*. Nicaragua refused to accept this draft of the treaty without a formal U.S. pledge to stop aiding the *contras*, which the United States was not inclined to give.

A third and final draft of the Contadora Treaty collapsed in June 1986. The Sandinistas had initially opposed this draft, claiming again that it required Nicaragua to disarm without offering a firm guarantee that U.S. support for the *contra* war would end. The Sandinistas warily altered their position to one of support for the treaty shortly before its June 6 deadline, in the process agreeing to negotiate future arms reductions. However, the Tegucigalpa Group rejected this version of the treaty, arguing that its provisions for democratization, verification, and enforcement were incomplete and imprecise. U.S. Special Negotiator Philip Habib later claimed that Sandinista intransigence had caused the Contadora process to stray from its original objectives, and argued that the June 1986 draft of the treaty was a "piecemeal" solution that allowed Nicaragua to "sign now, negotiate later" without adequately addressing the "political issues of national reconciliation and democratization."<sup>40</sup> Meanwhile, as the Contadora process broke down in the summer of 1986, the U.S. Congress ended its two-year resistance to *contra* military aid and passed a new \$100 million appropriation for military and logistical support.

A Contadora settlement was thus blocked by divisive issues similar to those which obstructed a bilateral accord between the United States and Nicaragua. The Sandinistas agreed to concessions on security issues in exchange for firm guarantees of nonintervention and an end to the *contra* war. However, they refused to negotiate with the *contras*, and while pledging a process of democratization, were reluctant to alter the established constitutional framework of their revolutionary regime. The Reagan administration and the Tegucigalpa Group objected to provisions that would limit the re-

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40. Habib, in "Development of U.S.-Nicaragua Policy," p. 81. For an account of the breakdown of the Contadora talks, see Bagley, "Contadora: The Failure of Diplomacy," pp. 19-20; see also William Goodfellow, "The Diplomatic Front," in Walker, *Reagan versus the Sandinistas*, pp. 154-155.

gional military role of the United States, and demanded more rigorous enforcement mechanisms as well as radical change in governmental structures in Managua. Indeed, hardliners in the United States rejected the Contadora process altogether. For example, a furor erupted in Washington when Habib wrote to Congressman Jim Slattery (D-Kan.) in April 1986, pledging that the United States would abide by the terms of a Contadora Treaty and cease its support for the *contras* if a settlement was reached. The letter suggested that although the United States would not be a signatory to a Contadora treaty and thus would not be legally bound by it, the administration would abide by its terms and would halt U.S. support for the *contras* from the date of signature, so long as the treaty was respected by other nations.

Habib's letter sparked outrage from *contra* supporters in Congress as well as the administration, and generated serious conflict between the State Department and hardliners in the Pentagon, the CIA, and the NSC.<sup>41</sup> The Defense Department published a study discrediting the Contadora process, saying that Nicaragua could not be trusted to observe a treaty and that the United States would have little choice but to intervene militarily if a peace agreement was signed and then broken.<sup>42</sup> The State Department's repudiation of this study provided graphic evidence of the policy divisions within the U.S. government, and demonstrated that there was dissensus not only on the proper strategy to follow, but also on the fundamental objectives of U.S. policy.

In effect, the rollback objectives of U.S. hardliners in the dispute with Nicaragua were all but non-negotiable. In theory, a rollback could have been achieved through one of two different processes: either the military defeat and removal of the Sandinista regime, or a thorough process of internal political transformation involving not only liberalization or democratization, but the effective elimination of Sandinista political hegemony over the Nicaraguan state. The first of these processes clearly lay outside the realm of a negotiated settlement; as for the second, although the Sandinistas made pledges of democratization in multilateral negotiations, U.S. hardliners did not believe they could be trusted to implement an agreement (or to respect an electoral process) that would effectively eliminate their monopoly of po-

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41. Joanne Omang, "Habib Called Wrong, Imprecise in Letter on U.S. Latin Policy," *Washington Post*, May 24, 1986, p. A21.

42. See Leslie H. Gelb, "Pentagon Fears Major War if Latins Sign Peace Accord," *New York Times*, May 20, 1986, p. A1.

litical power.<sup>43</sup> By rejecting a negotiated settlement, the hardliners thus became fixed on the use of military force to impose political change on Managua.

Therefore, a regional peace settlement was precluded so long as two basic conditions existed: the veto power wielded by hardliners in the Reagan administration, and the willingness of the Tegucigalpa Group to follow Washington's policy lead. However, it was the erosion of this second condition that ultimately undermined Reagan administration policy in Central America and made possible the signing of the Arias Treaty in 1987. As seen below, internal political changes in Costa Rica, combined with the weakening of the Reagan administration as a result of the Iran-*Contra* scandal, brought about a realignment of political forces in Central America and a renewed push for a regional peace agreement.

*The Assertion of Autonomy: Negotiating the Arias Treaty*

After an unsuccessful last-ditch effort by the Contadora nations, the OAS, and the United Nations to salvage the Contadora Treaty in January 1987, the Arias plan moved to center stage in the search for a negotiated settlement. Crafted by Arias and Costa Rican Foreign Minister Rodrigo Madrigal in collaboration with U.S. officials Philip Habib and Elliot Abrams in late 1986 and early 1987, the plan was initially seen as a joint U.S.–Costa Rican venture to displace the Contadora Treaty—which was perceived as being too soft on Nicaragua—and mobilize international pressure on the Sandinistas to negotiate with the *contras* and accept an internal political restructuring.<sup>44</sup> However, the plan was modified in early 1987, reportedly with the encouragement of Guatemalan President Vinicio Cerezo and U.S. congressional Democrats. Demands that the Sandinistas hold new elections and negotiate with the

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43. Indeed, the concern for treaty verifiability and enforcement was widely shared within the Reagan administration, and became integrally linked to the question of democratization. According to George Shultz, international verification of a negotiated settlement on security issues would require the deployment of a large on-ground observation force, which could be prohibitively expensive. Therefore, the only effective way to verify an accord would be through internal political processes, i.e., the checks and balances associated with the democratization of the Nicaraguan polity. The political transformation of the Nicaraguan regime was thus not only a strategic objective of U.S. policy, but was also viewed instrumentally as a prerequisite for the enforcement of agreements on other issues as well. Author's interview with former Secretary of State George Shultz, Stanford, California, June 2, 1989.

44. Bernard Gwertzman, "U.S. Aides Confer on a Latin Peace," *New York Times*, January 8, 1987, p. A13.

*contras* were dropped, prompting the Sandinistas and the Contadora nations to switch from wariness to tacit support of the proposal.<sup>45</sup> A summit meeting of Central American presidents that was called to discuss the plan was canceled in June when Salvadoran President Napoleon Duarte declined to participate, apparently under U.S. pressure. Arias himself received strong criticism from the Reagan administration during a June trip to Washington.<sup>46</sup> Nevertheless, Arias persevered, and a peace treaty was signed in early August 1987 at a summit meeting of the five presidents of Nicaragua, Costa Rica, Guatemala, Honduras, and El Salvador.

The Arias plan emphasized internal democratization while downplaying Contadora's emphasis on foreign military ties. It called for cease-fires to be declared in Nicaragua, El Salvador, and Guatemala, along with the establishment of national reconciliation commissions, the opening of dialogues between incumbent governments and unarmed opposition groups, the lifting of restrictions on civil and political liberties, and the cessation of support for insurgent groups in neighboring countries. The plan required that the Sandinistas adopt democratizing measures, but did not specifically demand that they negotiate with the *contras*, hold new elections, or alter Nicaragua's constitutional framework. As such, the treaty explicitly recognized the legitimacy of the Sandinista regime, while also obtaining Nicaragua's recognition of the Salvadoran government and a Sandinista pledge to cease all support for the guerrilla movement in El Salvador. Consequently, the treaty provided measures of protection for incumbent regimes throughout the region, thus eliciting the support of both Nicaragua and El Salvador. The Reagan administration, apparently believing that Honduran President Jose Azcona would agree to nothing more than a communiqué at the summit, was dealt a serious setback when Azcona yielded to the pressure of being the lone holdout to an agreement and opted to sign the treaty.<sup>47</sup>

The Arias treaty placed strong pressure on the Reagan administration to halt its support for the *contra* war. Given the *contras'* dependence on the U.S. logistical network established in Honduras, the war could not be sustained without Honduran collaboration, which would violate the proscription

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45. See "Players in Motion as Reagan Defends His Goal," *Envio*, Vol. 6, No. 70 (April 1987), pp. 5-7; see also *Central America Report*, February 20, 1987, pp. 49-50.

46. Elaine Sciolino, "Reagan Meets Costa Rican to Fault Peace Plan," *New York Times*, June 18, 1987, p. A13.

47. See Lindsey Gruson, "Peace Accord Raising Misgivings in Honduras," *New York Times*, October 1, 1987, p. A4.

against aiding insurgent movements. Indeed, the *contras'* external dependence was their Achilles' heel; created and sustained as an instrument of U.S. policy, they were unable to operate inside Nicaragua without external assistance, which required the support—or at least the tacit consent—of authorities in neighboring countries. Prior to the election of Arias in May 1986, this consent had generally existed in Central America, even if the terms of support were occasionally disputed. Honduran Army Chief Gustavo Alvarez Martinez had played a critical role in creating the *contra* movement, and Honduran authorities had allowed their territory to be used as a sanctuary for *contra* forces. Military bases, training camps, and supply depots were established in Honduras, along with an aerial resupply network. The Salvadoran military also allowed the CIA to use the Ilopango air base, while the Costa Rican government headed by Luis Alberto Monge between 1982 and 1986 had allowed the United States to construct an air field near the Nicaraguan border for resupply flights. Despite Costa Rica's declared neutrality, the Monge government had generally looked the other way as its territory was used to construct a "southern front" for the *contra* movement.

However, the domestic political reaction to Monge's collaboration with the United States had initiated the unravelling of this regional bloc and a realignment of political forces in Central America. As a nation without a standing army, and the only Central American country with a democratic tradition, Costa Rica contained substantial domestic opposition to the *contras'* presence along the border with Nicaragua as well as to Monge's effort to build a permanent military force. In 1985 four former Costa Rican presidents, including the revered three-time ex-president Jose "Pepe" Figueres, criticized the bellicosity of the Monge government and called for a dialogue with Nicaragua and the reassertion of Costa Rica's traditional neutrality.<sup>48</sup> The chancellors of three prestigious universities as well as 22 of the 56 congressmen joined in this criticism, while Figueres initiated a high-profile dialogue with the Nicaraguan government. Meanwhile, residents of northern Costa Rica created citizens' groups to demand government protection from the lawlessness of roaming bands of *contra* guerrillas.<sup>49</sup>

This opposition exacerbated divisions within Monge's own party, the National Liberation Party (PLN); although Arias was from the conservative wing of the party and was a reputed hardliner on the Nicaraguan issue, he was

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48. "Support for Dialogue Grows," *Central America Report*, August 23, 1985, pp. 253–254.

49. "Turmoil in the North," *Central America Report*, November 1, 1985, p. 335.

forced to align with the more moderate wing in order to gain the party's nomination for the presidency in 1985 over an even more hardline candidate who was favored by the United States. In the 1986 presidential campaign, Arias ran as the "peace" candidate, warning that his opponent, Angel Calderón, would lead Costa Rica into a regional war with Nicaragua. He also criticized the militarization of Costa Rica, called for the reassertion of neutrality, and stressed the need for a negotiated settlement in Central America.<sup>50</sup> After lagging early in the polls, Arias staged a narrow come-from-behind victory over his more hawkish opponent.

Following his victory, Arias spoke out against U.S. aid to the *contras* and took steps to close down the U.S. air base used to resupply the *contras* in northern Costa Rica. These actions strained relations with the Reagan administration, but the United States nevertheless retained sufficient trust in its Costa Rican ally to support the Arias plan in its formative stages, believing it could help mobilize international pressure on the Sandinistas and circumvent the Contadora process. However, this support evaporated when the Arias plan was transformed in early 1987 into a variant of the Contadora plan, engendering a subtle but crucial political realignment in Central America. Previously, Nicaragua had been isolated in the region, while Guatemala tried to assert its neutrality, and El Salvador, Honduras, and Costa Rica allied with the United States against Nicaragua. But with Costa Rica asserting its own neutrality under Arias, the Tegucigalpa Group began to dissolve. Nicaragua's regional isolation was mitigated as Costa Rica and Guatemala began to play a mediatory role in the search for a negotiated settlement, with the strong backing of the Contadora nations.

This realignment threatened El Salvador and Honduras with isolation if they rejected a treaty, whereas acceptance offered certain advantages. The Duarte government saw the treaty as a way to buttress its waning domestic political leadership, enhance its international legitimacy, and acquire a measure of international protection. Duarte's acquiescence to the treaty in turn subjected Azcona to intense Latin American pressure to assert Honduran

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50. For an account of the campaign, see "Leading Candidates Neck and Neck," *Central America Report*, January 31, 1986, p. 31. The position of Arias on the Nicaraguan issue is also discussed in Francisco Rojas Aravena, "Costa Rica: Profundizando la Beligerancia Política y la Neutralidad Militar," in Heraldo Muñoz, ed., *Las Políticas Exteriores de América Latina y el Caribe: Continuidad en la Crisis*, Programa de Seguimiento de las Políticas Exteriores Latinoamericanas (PROSPEL), *Anuario de Políticas Exteriores Latinoamericanas 1986* (Buenos Aires: PROSPEL/Grupo Editor Latinoamericano, 1987), pp. 283–303.

autonomy *vis-à-vis* U.S. policy. The Azcona government faced domestic political pressures as well, since opposition to the presence of U.S. and *contra* troops on Honduran territory raised sensitive issues of national sovereignty which had to be balanced against the economic benefits attendant upon support for U.S. policy. Under this complex set of inducements and pressures, El Salvador and Honduras dealt a serious blow to U.S. policy by acceding to the regional Arias (or "Esquipulas II") treaty at Esquipulas in 1987.<sup>51</sup>

#### *Conditions for a Negotiated Settlement*

The collective search for a negotiated settlement which culminated in the Esquipulas II treaty represented an unparalleled manifestation of Latin American foreign policy cooperation and autonomy. This cooperation was facilitated by a number of factors that created incentives for collective action and provided the capacity for a multilateral challenge to U.S. hegemony. First, U.S. support for the *contra* war and the dominance of the bullying strategy in Washington clearly came to be seen as threatening and destabilizing to other regional governments. The fear that U.S. support for the *contras* would eventually lead to U.S. military intervention and a regionalization of the war was a primary factor in motivating Mexico and Venezuela to initiate the Contadora negotiations. The specter of a regional war was especially threatening to Costa Rica, which had no national army, and whose democratic institutions and political stability were already being strained by the militarization provoked by the *contra* war. Monge's collaborative role in the *contra* war had sparked widespread public opposition and undermined the nation's international reputation, culminating in a World Court suit filed by Nicaragua against Costa Rica for its role in supporting the *contras*.

Under such conditions, Arias's regional diplomacy for a negotiated settlement provided a means to begin rebuilding a domestic political consensus around a foreign policy of neutrality, as well as a way to restore the nation's tainted international reputation. Additionally, Costa Rica's highly indebted economy suffered as a result of the *contra* war, which scared away much-

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51. An analysis of the complex political pressures faced by the Central American regimes can be found in Raul Benitez Manaut and Lilia Bermudez Torres, "Centroamerica: Entre la Guerra y los Acuerdos de Pacificación," in Heraldo Muñoz, ed., *Las Políticas Exteriores de America Latina y el Caribe: Un Balance de Esperanzas*, PROSPEL, *Anuario de Políticas Exteriores Latinoamericanas 1987* (Buenos Aires: PROSPEL/Grupo Editor Latinoamericano, 1988), pp. 353-365.

needed tourism and investment and created a flood of Nicaraguan refugees that burdened the country's social services.<sup>52</sup> According to Arias, "the problem is that we have more than 300 kilometers of border with Nicaragua, and the economic development I want for my country is incompatible with war in Nicaragua. That is why I don't agree with the armed struggle. That is why I favor a peaceful negotiated solution."<sup>53</sup>

If Arias believed a negotiated settlement in Nicaragua was necessary to protect the Costa Rican economy, the Sandinistas had even stronger economic incentives to negotiate an end to the war, as the Nicaraguan economy had entered an acute crisis by 1987. As defense spending surged from less than 11 percent of the national budget in 1983 to over 41 percent in 1987, fiscal deficits helped precipitate inflation that topped 1300 percent in 1987. In both 1986 and 1987, economic losses attributed to the war exceeded Nicaragua's export earnings, and the Nicaraguan government claimed nearly \$1.15 billion in war-induced damages to infrastructure and production between 1980 and 1987.<sup>54</sup> By 1988, hyper-inflation of 33,000 percent per year had set in, forcing the Sandinista government to curtail its revolutionary social programs and adopt a series of harsh austerity measures to address fiscal and balance-of-payments crises. The austerity plan plunged the Nicaraguan economy into a severe recession, with per capita gross domestic product falling by 11 percent and unemployment surging to over a quarter of the population.<sup>55</sup>

Indeed, economic coercion played an important role in the U.S. strategy to promote attrition in Nicaragua that would wear down and weaken the Sandinista government. Economic coercion was exercised not only through the direct and indirect effects of the *contra* war, including material destruction, production losses, and inflated military spending, but also through direct economic measures. President Reagan imposed a trade embargo on Nicaragua in 1985, and consistently blocked international lending agencies such as

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52. By the time Arias assumed the presidency, some 240,000 Nicaraguan refugees had entered Costa Rica, a number equivalent to approximately one-tenth the Costa Rican population itself; see Rojas Aravena, "Costa Rica: Profundizando la Beligerancia Política," p. 300.

53. Quoted in William Branigan, "Costa Rica Pushes New Peace Plan, Cracks Down on Contras," *Washington Post*, February 1, 1987, p. A30.

54. These economic figures are taken from Comisión Económica Para América Latina y el Caribe (CEPAL), *Estudio Económico de América Latina y el Caribe 1987* (Santiago, Chile: CEPAL, 1988), pp. 487–492.

55. For a Nicaraguan perspective on the economic crisis and its political effects, see Alejandro Bahamondes, "La Economía: Factor de Derrota," *Página Abierta*, Vol. 1, No. 9 (March 5–19, 1990), p. 19.

the World Bank and the International Monetary Fund from extending loans to Nicaragua. Additionally, the U.S. government pressured West European nations to reduce foreign aid levels in Nicaragua, and to establish political conditions for any assistance.<sup>56</sup>

These forms of coercion exacerbated the economic crisis in Nicaragua, and hindered the attainment of emergency economic relief from outside the socialist bloc. As the deteriorating economic situation threatened to aggravate domestic political conflicts and erode the Sandinista political base, it became increasingly clear that there were no viable options for economic recuperation so long as the *contra* war continued and Nicaragua remained on the margins of international trade, finance, and assistance. Only a definitive resolution of the war and the reconstruction of international economic and financial ties would allow the crisis to be overcome.

Furthermore, if war termination came to be seen as a prerequisite for economic recuperation, by 1987–88 the possibility of a military solution to the war appeared increasingly remote. Although the Nicaraguan government inflicted serious military defeats on the *contra* army in 1985–86, forcing the bulk of the *contra* forces back into Honduras, thousands of *contra* guerrillas re-infiltrated Nicaragua following the congressionally-approved resumption of U.S. military assistance at the end of 1986. The level and scope of fighting subsequently increased even while the Arias plan negotiations unfolded in 1987, with the *contra* forces moving into new areas of operation and attaining a higher degree of battlefield success. The specter of a chronic guerrilla insurgency, sustained by U.S. aid and Honduran sanctuaries, exerted additional pressure on the Sandinista government to seek a political solution. Indeed, by the end of 1987 the Sandinistas yielded to these pressures and dropped their vow not to negotiate with the *contras*, thus implicitly recognizing the *contra* army as a serious political-military force and not simply as a proxy army of the United States. These negotiations led to the signing of a 60-day cease-fire agreement in March 1988, and although subsequent talks between the two sides on a peace treaty broke down shortly thereafter, the cease-fire was extended unilaterally by the Nicaraguan government until October 1989.

Given these combined forms of economic and military pressure, collective action leading to a negotiated settlement offered the Sandinista government

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56. Kamen, "U.S. Strategy Enlisted Soviets, Europeans to Press for Elections," p. A18.

the most viable and least costly strategy to put an end to the war and to stabilize a dangerous and deteriorating economic situation. The Arias treaty, therefore, served as a shield behind which Nicaragua sought international protection from the multifaceted forms of U.S. coercion.

Also contributing to a negotiated settlement was the widespread perception in Latin America that the *contra* war was both ineffective and counterproductive. Despite the *contra* military comeback in 1987, regional governments did not see the guerrilla army as a viable instrument for the rollback of the Sandinista regime. Such an objective would likely require direct U.S. military intervention, which was steadfastly opposed by the other nations in the region. The *contras* had never succeeded in capturing politically or militarily significant territory or population centers, nor in sparking urban insurrectionary activities. Furthermore, their military capabilities were undermined by serious internal political disarray and the unreliability of U.S. congressional support. The thought of a defeated or abandoned *contra* army occupying its southern border region was disturbing for Honduras, and created domestic political reasons for the Azcona government to accede to treaty provisions calling for the dismantling of the *contra* army and its Honduran base camps. Indeed, the regional governments were not even convinced that the *contra* war was an effective form of leverage to induce democratic reforms from the Sandinistas; Arias, in particular, expressed his belief that the Sandinistas responded to *contra* aid with authoritarian measures rather than democratization.<sup>57</sup>

Finally, the successful push for the Arias treaty coincided with—and was undoubtedly related to—the weakening of the Reagan administration as a result of the Iran-*Contra* scandal and the Republican Party's loss of a Senate majority in late 1986.<sup>58</sup> The scandal erupted in November 1986, shortly after the Contadora process had broken down for the third time and the Congress had agreed to resume military aid to the *contras* after a two-year hiatus. However, the administration's *contra* aid policy was put on the defensive both domestically and internationally by the scandal, which reinforced the perception that the *contra* war was a lost cause, even as a *contra* army flushed

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57. See Edward Cody, "U.S. Pressure on Costa Rica Reported," *Washington Post*, April 13, 1986, p. A1.

58. See Jose Miguel Insulza, "La Crisis de la Presidencia Norteamericana y la Politica Hacia America Latina," in Heraldo Muñoz, ed., *Las Politicas Exteriores de America Latina: Un Balance de Esperanzas*, PROSPEL, Anuario de Politicas Exteriores Latinoamericanas 1987 (Buenos Aires: PROSPEL/Grupo Editor Latinoamericano, 1988), pp. 399–414.

with new U.S. military aid expanded its operations in 1987. The refusal of the new Democratic-controlled Congress to appropriate additional military aid for the *contras* after the scandal became public forced the bulk of the *contra* forces to leave Nicaragua and return to their Honduran base camps in 1988.

With the Reagan administration losing control of its policy, and less capable of directing the course of events in Central America, there was greater political space for Arias and other mediators to maneuver and to craft an accord that would be acceptable to Nicaragua as well as Honduras and El Salvador. Additionally, the weakening of the Reagan administration and the lingering doubts about the viability of the *contras* made it easier for El Salvador and Honduras to assert a measure of autonomy from U.S. policy and accede to a negotiated settlement.

Along the same lines, it is not surprising that the February 1989 regional agreement signed by the five Central American presidents, to dismantle the *contra* army was reached at a time when the capacity of the United States to obstruct an agreement was weakened, as President Bush had just taken office and had yet to form a foreign policy team for Latin American affairs. This accord—which also required that the Sandinista government move national elections forward to February 1990—helped revive the Arias treaty, which had been stalled since the breakdown of peace talks between the Sandinistas and the *contras* in June 1988. It also set the stage for a new round of conflict between U.S. policies and the negotiating efforts of the Central American states, as the Bush administration refused to relinquish the lever of military coercion entirely and insisted that the *contra* army be left intact until elections had been held. This conflicted with the February 1989 regional accord, which called for the *contra* army to be voluntarily demobilized and repatriated prior to the elections in order to create a climate for national reconciliation and democratization.<sup>59</sup>

This agreement established a 90-day period in which a definitive plan was to be devised—under UN supervision—to close the *contras'* Honduran base camps, demobilize the guerrilla army, and relocate *contra* soldiers. However, given U.S. political and economic support to keep their army intact, *contra* leaders rejected a voluntary demobilization. A new agreement reached in Tela, Honduras, in August 1989 established a plan for the dismantling of the

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59. Lindsey Gruson, "Latin Presidents Announce Accord on Contra Bases," *New York Times*, February 15, 1989, p. A1.

*contra* bases and demobilization under UN and OAS supervision by December. But this deadline also passed without implementation, following a brief surge of renewed combat when Sandinista forces broke their unilateral cease-fire to attack *contra* guerrillas who had re-infiltrated Nicaragua.

A final meeting of the Central American presidents in Costa Rica in early December led to yet another agreement to demobilize the *contras* as well as the Salvadoran guerrilla movement. Nevertheless, the U.S. government held to its position of keeping the *contras* intact until after the Nicaraguan elections, and the Sandinista government opted to proceed with the electoral process despite the failure to implement the regional accords requiring demobilization. In the meantime, the Bush administration kept its options open until it could determine whether the electoral process would change the political landscape in Managua. Political and financial support was provided by the United States to the opposition campaign of Violeta Chamorro, in the hope that the elections could contribute to political change, but the U.S. government consistently challenged the validity of the electoral process and declined to make a commitment to normalize relations until after the stunning victory of Chamorro. By keeping the *contra* army intact, the United States kept the coercive option alive against the possibility that an electoral victory would institutionalize the Sandinista regime at home and legitimize it abroad.

Although the Sandinista government clearly expected the electoral process to ratify its rule, its search for a political settlement that would provide a measure of international protection from U.S. coercion entailed a number of significant concessions, and not insignificant risks. In agreeing to negotiate with the *contras* and place internal political arrangements on the bargaining table, the Sandinistas made political concessions that required retraction of public pledges and commitments. And in requesting UN and OAS oversight of the 1989 electoral process, Nicaragua also became the first sovereign state to accept such international monitoring of internal elections.<sup>60</sup>

The concessions made by Nicaragua cannot simply be attributed to U.S. coercion, but neither can they be attributed solely to a process of negotiation where coercion was absent. A complex linkage of coercion and negotiations makes it virtually impossible to disentangle the two processes and identify

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60. The request for international oversight represented an effort to avoid a repetition of the 1984 electoral process in Nicaragua, when the United States challenged the legitimacy of the Sandinista victory and sharply escalated its coercive pressure immediately afterwards by threatening to take military action to prevent the alleged importation of Soviet MiG aircraft by Nicaragua.

their independent effects. The Sandinistas expressed a willingness to make concessions on military and security issues in bilateral coercive bargaining with the United States, but resolutely refused to negotiate with the *contras* or to discuss internal political relationships in this bilateral interaction, where the principle of sovereignty was directly threatened and the United States reaction to Nicaraguan concessions tended to be an intensification of coercive pressure.

Nicaragua offered these latter concessions only in the context of multilateral negotiations, where they could be incorporated into a regional framework involving mutual concessions and international supervision and protection. Concessions in such forums presented Nicaragua with a more realistic potential for stopping the *contra* war, and were less likely to indicate a weakness that could be exploited through increases in United States coercion. But these negotiations occurred under the shadow of military and economic coercion, which created powerful inducements for accommodation and conciliation.

Therefore, although Nicaraguan policies have clearly been shaped by U.S. pressure, it would be misleading to characterize political changes in Nicaragua as a *direct* response to U.S. policy in general, or to U.S. coercion in particular. Not only has there been extensive intermediation by other regional actors in the U.S.-Nicaragua conflict, but Nicaragua has been subjected to a variety of other international pressures as well. Regional negotiations allowed Nicaragua to shield itself from U.S. coercion, but they also exposed the Sandinistas to new forms of international pressure to accept a conventional model of electoral-representative democracy so as to legitimize a multilateral peace treaty.<sup>61</sup> In short, the protective shield offered by regional negotiations was contingent upon the adoption of a conciliatory stance by the Sandinistas and a modification of Nicaragua's internal political order. Additional pressure to adopt an accommodative negotiating posture came as a result of the need to improve relations with other Latin American and European nations, especially at a time when restrictions on Soviet oil and weapons shipments had manifested the limits to the Soviet Union's capacity (or willingness) to rescue Nicaragua from its economic and political crisis. Indeed, the foreign policy shifts undertaken by the Soviet Union under Gorbachev undoubtedly exerted additional pressure on Nicaragua to adopt an accommodative posture

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61. Costa Rican President Arias, in particular, led an intense political and ideological campaign which criticized Nicaraguan political practices and pressured the Sandinistas to accept democratization as requisite to a negotiated settlement of the *contra* war.

in regional negotiations and to construct a *modus vivendi* with the United States.<sup>62</sup>

*Lessons from the Case: Obstacles to Dispute Resolution*

If this case study helps identify the conditions that facilitate collective action for conflict resolution, it also highlights a number of significant barriers to the negotiated resolution of international disputes.

First, it demonstrates how the prospects for a negotiated settlement are affected by the process of internal bargaining within national governments as well as external bargaining between nations. Intra-governmental bargaining within the Reagan administration failed to establish a consensus on the terms for an acceptable accommodation with the Sandinista government, and bureaucratic in-fighting prevented the government from speaking or acting as an integrated unit. Consequently, there was a significant "agency" problem in negotiations between the United States and Nicaragua, whereby U.S. officials who entered into negotiations—Enders, Quainton, Shultz, Shlaude-man, and Habib—did not speak for the entire Reagan administration. Indeed, these diplomats had little or no authority to negotiate an agreement, given the policy divisions in Washington and the de facto veto power of administration hardliners committed to the rollback option. Since the rollback objective was essentially non-negotiable, and the State Department was unable to commit the U.S. government to a mutual accommodation built around security issues, there was little chance of a bilateral agreement between the

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62. During the years of intense conflict between the Sandinista regime and the Reagan administration, the Soviet Union was generally forthcoming in providing military assistance to Nicaragua, and it also made available some economic aid in the form of technical assistance, trade credits, soft loans, and oil shipments. However, the Soviets manifested little interest in assuming responsibility for the economic sustenance of another isolated revolutionary regime in Latin America, and were wary that the U.S.-Nicaragua conflict could seriously complicate their own bilateral relations with the United States. They did not enter into a security treaty with Nicaragua, which indicated that Nicaragua was responsible for its own security and should not rely upon the Soviets in the eventuality of a military confrontation with the United States. In short, the limits on the Soviet commitment to the Sandinistas—which became increasingly evident under Gorbachev—probably encouraged a conciliatory stance by the Nicaraguan government vis-à-vis the United States, as did the need to maintain political and economic ties with Western Europe and Latin America. For a discussion of these influences and the Sandinista effort to "diversify" Nicaragua's external dependency, see Vanderlaan, *Revolution and Foreign Policy in Nicaragua*. On the shifts in Soviet policy under Gorbachev, see Augusto Varas, "La Perestroika y las Relaciones Union Sovietica-America Latina," in Heraldo Muñoz, ed., *Las Políticas Exteriores de America Latina y el Caribe: Un Balance de Esperanzas*, PROSPEL Anuario de Políticas Exteriores Latinoamericanas 1987 (Buenos Aires: PROSPEL/Grupo Editor Latinoamericana, 1988), pp. 367–378.

United States and Nicaragua in the absence of a significant shift in the balance of power within the Reagan administration.

Second, a negotiated agreement was obstructed by U.S. hardliners' fear that an accord would both legitimate the Sandinista government and guarantee its survival. Being committed to a rollback of the Sandinista regime, the hardliners did not want to confer legitimacy upon the regime via a process of negotiations. Likewise, they opposed the construction of a *modus vivendi* on security issues that would ensure the containment of the Nicaraguan Revolution while leaving the basic parameters of Sandinista rule intact. In essence, U.S. hardliners rejected the Sandinista regime as a negotiating agent or partner: rather than seeking concessions from Nicaragua at the bargaining table, they sought the elimination or complete restructuring of the opposing regime, objectives which were essentially non-negotiable in character.

Third, negotiations were undermined by the reluctance of the Reagan administration to offer positive inducements for Nicaraguan cooperation, and by its tendency to exploit Nicaraguan concessions rather than to reciprocate them. The de facto dominance of the bullying strategy in U.S. policy entailed the rejection of a "tit-for-tat" approach which would have combined firmness (or coercive measures) with a demonstrated willingness to reward or reciprocate Nicaraguan cooperation.<sup>63</sup> The practice of ratcheting up U.S. coercive pressures following Nicaraguan concessions merely reinforced Sandinista fears that the Reagan administration was committed to the overthrow of their regime rather than to the construction of a mutual accommodation. Consequently, the Sandinista leadership was hesitant to make concessions that would weaken their defensive capabilities and make them more vulnerable to U.S. coercive pressures.

Fourth, the related problems of verification, enforcement, and timing served to complicate a negotiated settlement. The United States and its Central American allies consistently claimed that the Contadora process lacked effective guarantees for verification and enforcement, while Nicaragua later objected to the weakness of international oversight and verification mechanisms under the Esquipulas II treaty. The timing of treaty provisions was also an obstacle to a Contadora agreement, particularly when U.S. special

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63. For a theoretical discussion of the advantages of a tit-for-tat strategy for conflict resolution, see Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984). For an overview of research on the topic, see Martin Patchen, "Strategies for Eliciting Cooperation from an Adversary: Laboratory and International Findings," *Journal of Conflict Resolution*, Vol. 31, No. 1 (March 1987), pp. 164-185.

negotiator Philip Habib tried to commit the Reagan administration to halt *contra* aid upon the signature of a Contadora Treaty in 1986. Habib's opponents in the U.S. government insisted that *contra* aid continue until Nicaragua had fully implemented treaty provisions for demilitarization and democratization; the Nicaraguan government objected that it could hardly undertake such measures while still being subject to the *contra* war. An analogous timing issue obstructed negotiations in 1989 over the dismantling of the *contra* army, as the Sandinistas insisted that the *contras* be disbanded to create a political climate conducive to the 1990 electoral process, whereas the Bush administration preferred to keep the *contras* intact as a form of leverage to ensure Sandinista compliance with promises for free elections. Most important, as demonstrated by the controversy over Habib's negotiating efforts, U.S. hardliners saw *any* negotiated settlement as inherently dangerous, since the Nicaraguan government, as a "communist" regime, could not be trusted to abide by treaty provisions.

### *Conclusion*

The outcome of the Nicaragua conflict was not only surprising, but also paradoxical. The government transition in Nicaragua—the principal objective of U.S. policymakers—was the end product of a negotiating process which sought to halt the war that was the chosen instrument of U.S. rollback designs. Although U.S. coercive policies shaped this negotiating process and the eventual electoral outcome, U.S. policy itself was repeatedly undermined and constrained by the collective action of smaller Latin American nations who sought to end the *contra* war, as well as by the internal contradictions within the U.S. policymaking apparatus. Indeed, following the outbreak of the Iran-*Contra* scandal, the diplomatic initiative was consistently taken by the Central American nations: first by Costa Rica, which promoted the regional peace treaty, and then by Nicaragua, which made political concessions to move subsequent negotiations forward and attain international verification of *contra* demobilization plans and internal elections.

These diplomatic initiatives shifted the locus of the Nicaragua conflict from the military to the political arena, a shift that was actively promoted by the Sandinista government but was resisted by the Reagan administration and only partially accepted by the Bush administration. Although this shift represented the political defeat of the Reagan administration's *contra* aid policy,

the coercive effect of U.S. policies influenced the subsequent course of events within both the regional negotiations and the Nicaraguan electoral process. Thus, the complex interrelationship between coercion, regional intermediation, and multilateral negotiations makes it difficult to explain the U.S.-Nicaragua conflict, and particularly political changes in Nicaragua, within the conventional explanatory framework of coercive diplomacy. Regional intermediation shielded Nicaragua from more extreme forms of U.S. military coercion, but it simultaneously exposed the Sandinistas to other types of pressure for political reform as the prerequisite for international protection. Indeed, this international protection required that the Sandinista government run the risk of democratic contestation under conditions of political attrition, and that it accept an alternation in power when an electoral mandate proved impossible to generate.

Besides transforming the nature of the U.S.-Nicaragua conflict, this regional intermediation points to the possibility of collective action and foreign policy autonomy among dependent nations that traditionally have been subservient to the hegemonic power of the United States. The incentive for challenging U.S. policy derived from the costs and potential threats imposed on other regional actors by U.S. coercive tactics and the *contra* war in Nicaragua; collective action was encouraged by the fact that none of the other nations could effectively challenge U.S. policy unilaterally. Indeed, the multifaceted pressures exerted on Costa Rica by the United States—including the withholding of economic assistance, the cutting of imports, and pressure to remove Costa Rica's ambassador to the United States and a foreign policy aide to Arias<sup>64</sup>—are indicative of the penalties that may result from defiance of U.S. hegemony. In such a context, collective action can be a means not only to enhance the influence of small nations *vis-à-vis* a superpower, but also to "spread the risks" of defiance.<sup>65</sup> Additionally, Costa Rica's democratic institutions played a role in enabling it to act as a "political entrepreneur" in the search for a negotiated settlement; they allowed domestic political forces

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64. See, for example, the pressures reported in Stephen Kinzer, "Officials Assert U.S. is Trying to Weaken Costa Rica Chief," *New York Times*, August 7, 1988, p. A1.

65. See Terry Lynn Karl, "Hegemons and Political Entrepreneurs: Dependency, Democratization, and Cooperation in the Americas," paper presented at the MacArthur Foundation and Americas Program seminar on "The New Interdependence in the Americas: The Challenges to Economic Restructuring, Political Democratization and Foreign Policy," Stanford University, September 1988.

to press for changes in foreign policy, while granting the regime a high level of international prestige which gave added weight to its initiatives and complicated U.S. efforts to inflict reprisals.<sup>66</sup>

It is, of course, too early to tell whether the foreign policy cooperation and autonomy demonstrated by the Latin American nations in the search for a negotiated settlement will continue into the future. In the short term, continuation of regional *concertación* and foreign policy autonomy will be necessary if the Arias plan is to be effectively extended to the conflicts in El Salvador and Guatemala, as originally conceived. Additionally, such cooperation could branch out of the security realm to address regional problems in other issue areas, such as foreign debt and economic integration.<sup>67</sup> But whether or not these patterns presage a permanent change in inter-American relations, they profoundly affected the recent course of events in Central America, as well as the exercise of U.S. hegemony in a region where it was rarely questioned in the past. Perhaps the greatest irony of this case is that the regional cooperation that challenged and obstructed U.S. policy in Central America culminated in the reinforcement of U.S. hegemony, by replacing the Sandinistas' revolutionary regime with a coalition government composed of Washington's closest allies.

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66. *Ibid.*

67. For a discussion of the learning process associated with the Central American peace negotiations and the broader implications for Latin American integration, see Frohmann, *De Contadora al Grupo de los Ocho*.