

BUSINESS MAGNATE CARLOS PELLAS CLAIMS MONTEALEGRE UNLIKELY TO WIN RACE

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MONTEALEGRE UNLIKELY TO WIN FOUR-WAY RACE Classified By:
AMBASSADOR PAUL TRIVELLI. REASONS 1.4 (B,D). 1. (C)
Business magnate Carlos Pellas claims that statistics from
past elections "prove" that Eduardo Montealegre is
unlikely to win a four-way race in November and argues
that Montealegre must thus come to terms with Arnaldo
Aleman and his Liberal Constitutional Party (PLC). Both
Pellas and President Bolanos are working to negotiate an
alliance between the PLC and Montealegre's ALN-PC; all of

the specific that we have seen thus far would require Aleman to step aside from politics, a highly questionable prospect. Pellas presented the Embassy with an analysis of various scenarios that could arise in a four-way presidential race, arguing that all these scenarios result in continued PLC-FSLN control of the National Assembly and that there is a real risk of a Daniel Ortega victory in the first round. However, Pellas' analysis does not take into account the historical tendency of Nicaraguan voters to rally around whatever candidate seems most able to defeat Ortega, nor does he consider that the best way to prevent an Ortega victory would be to marginalize Aleman immediately in order to make possible a broad Liberal alliance and avoid a four way race in the first place. END SUMMARY.

2. (C) At an April 28 breakfast at the Ambassador's residence with President Bolanos and business magnate Carlos Pellas, Pellas presented a political analysis of past voter behavior that he claimed "proves" that an Eduardo Montealegre victory in a four way race is very unlikely. Pellas also suggested that under any scenario, "pacto" forces will retain control of the National Assembly. Pellas reported that the FSLN is counting on four pillars for its victory: Cardinal Miguel Obando y Bravo, Hugo Chavez, a divided right, and a vice presidential candidacy by liberal maverick/loose cannon Jaime Morales (to calm the private sector).

3. (C) Regarding current efforts to unite the center-right, Pellas reported that discussions are focused on Montealegre's taking the PLC vice presidential slot in exchange for 15-20 deputies, with each side enjoying a limited number of slots they can veto from the other's list, to ensure that the most odious PLC Assembly candidates do not run. PLC admitted that this deal will only work if Aleman agrees to step aside from politics. Pellas stressed that "big capital" has made it clear in private that neither the PLC nor the ALN-PC will receive funds unless a deal is struck.

4. (C) President Bolanos told the Ambassador that he will travel to El Salvador the first week in May to talk to President Saca and ex-President Calderon Sol regarding the Nicaraguan political mix. Bolanos believes that the best strategy is to

publicly merge Montealegre's ALN-PC, the Alliance for the Republic (APRE), the Resistance Party (PRN) and Jose Antonio Alvarado, and then go to Rizo, telling him he must make a deal or face sure defeat in November. Again, Aleman would have to step aside. Both Bolanos and Pellas are convinced that a deal must be struck by May 11, the last day to register alliances with the CSE. Neither offered any sure-fire way of forcing Aleman to step down; both hinted they could live with an Aleman amnesty following the elections and both stressed that the Assembly races are almost more important than the Presidency given the dreaded constitutional reforms set to go into effect 10 days after the inauguration in January.

PELLAS' ANALYSIS -
- - - - - 5. (C) As a follow up to the meeting on the morning of April 28, late that afternoon Pellas had a copy of his electoral analysis of the possible outcomes of a four way race delivered to the Embassy. Based on data from the 2001 national elections and the 2004 municipal elections, along with a handful of assumptions, Pellas sets out three scenarios: Best-Case ALN-PC, Best-Case PLC, and Best-Case FSLN. All three scenarios assume that 2.4 million ballots will be cast on election day (compared to 2.2 million in 2001 and 1.665 million in 2004). Pellas scenarios follow.

6. (C) BEST-CASE ALN-PC: -The PLC holds its 2004 municipal vote (600,000) but gains nothing. -The FSLN holds its 2004 municipal vote (728,000) but gains nothing. E -Herty Lewites takes 100,000 votes from the 2001 Sandinista vote and receives 200,000 independent votes. -The ALN-PC takes 648,000 votes. -Minor parties take 100,000 votes. This scenario leads to a presidential runoff between Ortega and Montealegre (which Montealegre would certainly win), but leaves the PLC and FSLN with a majority (56%) in the National Assembly.

7. (C) BEST-CASE PLC: -The PLC only loses 300,000 votes from 2001, leaving it with 900,000. -The FSLN receives the same number of votes as in 2001 (900,000). -Herty Lewites takes 200,000 independent votes. -Minor parties receive 100,000 votes. -The ALN-PC takes the leftovers: 300,000 votes. In this scenario, Rizo and Ortega face a runoff, and the PLC and FSLN control 75% of the new National Assembly. Although Pellas does not analyze the results of a runoff between

Rizo and Ortega, polls have shown that Rizo is the only major candidate that Ortega could possibly beat in a head-to-head contest. 8. (C) BEST-CASE FSLN: -The FSLN receives the same number of votes as in 2001 (900,000). -Herty Lewites takes 200,000 independent votes. -The PLC holds its 2004 municipal vote (600,000) but gains nothing. -Minor parties take 100,000 votes. -The ALN-PC takes the leftovers: 576,000 votes. In this scenario, the ALN-PC and PLC divide the Liberal vote almost evenly, leaving Ortega and the FSLN far out in front with 37.5% of the vote--enough for Ortega to win the presidency in the first round. COMMENT - - - - 9. (C) It is the third scenario (Best-Case FSLN) that alarms Pellas and leads him to conclude that a four way race is unacceptable. However, Pellas does not factor in the tendency of Nicaraguan non-FSLN voters to turn to whatever candidate seems most likely to beat Ortega as an election nears. It is highly likely that as election day approaches, non-Sandinista voters will move en masse towards either the PLC or the ALN-PC, depending on which appears to be the most viable force. Pellas also does not factor in that the best way to ensure an FSLN defeat would be to sideline Arnoldo Aleman and his corrupt clique in the PLC in order to make possible a viable liberal alliance and avoid a four-way race. TRIVELLI