

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. profile	Background Papers/Talking Points/Public Statement/Q & A for President's Luncheon with Central American Leaders (1 page)	11/23/1993	P1/b(1)
001b. memo	Marc Grossman to William H. Itoh re: Background Materials, Talking Points, Public Statement/Q & A's for the President's Luncheon with Central American Leaders (1 page)	11/23/1993	P1/b(1)
001c. briefing paper	The Central American Crisis from Peace Processes to Free Trade and Good Governance (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001d. briefing paper	Central American Integration (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001e. briefing paper	Central American Security Cooperation (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001f. briefing paper	Regional Issues (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001g. briefing paper	Environment (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001h. briefing paper	Poverty in Central America (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001i. briefing paper	Central America: U.S. Economic Assistance and Debt Relief (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001j. briefing paper	El Salvador (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001k. briefing paper	Panama (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022

COLLECTION:

Clinton Presidential Records
 National Security Council
 Press (Philip J. (PJ) Crowley)
 OA/Box Number: 3103

FOLDER TITLE:

Central America - General

2011-0516-S

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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001l. briefing paper	Honduras (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001m. briefing paper	Nicaragua (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001n. briefing paper	Costa Rica (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001o. briefing paper	Guatemala (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001p. briefing paper	Belize (1 page)	ca. 11/23/1993	P1/b(1) KBH 4/12/2022
001q. talking points	President's Luncheon for Central American Leaders (3 pages)	ca. 11/23/1993	P1/b(1), P5 KBH 4/12/2022
001r. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1)
001s. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1) <i>Partial release KBH 4/12/2022</i>
001t. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1), P6/b(6)
001u. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1), P6/b(6)
001v. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1)
001w. report	U.S. Government Report (1 page)	11/22/1993	P1/b(1)

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001x. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1), P6/b(6)

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2017-0341-M (1.01)
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THE CENTRAL AMERICAN CRISIS
FROM PEACE PROCESSES TO FREE TRADE AND GOOD GOVERNANCE

In El Salvador, March 1994 national elections, in which the former FMLN guerrillas will participate as a legitimate political party, mark the formal end of the peace process. A large UN mission (ONUSAL) that has supervised implementation of the accords will then quickly downsize. Under the accords the military has been purged of human rights abusers, cut in half and restructured. Two police forces are being disbanded and a new one incorporating FMLN cadres developed. The FMLN has demobilized. Voter registration, land transfer and other difficult issues remain, however, and recent violence reminiscent of far-right death squad activity has spurred concern. The UN is developing an investigative commission, which we will support. Assistant Secretary Watson visited El Salvador November 10-11 to deliver our own strong message that the violence must be stopped before it disrupts the peace process itself.

No peace accords comparable to El Salvador's ended the conflict in Nicaragua; there was no underlying political deal. Rather, the Central American Presidents produced a limited regional agreement whereby we ended our military support for the Nicaraguan resistance (contras) in exchange for free elections. When Mrs. Chamorro won those elections in 1990, the resistance demobilized. The OAS has maintained a mission (CIAV) in Nicaragua since 1990 to aid reintegration of the former resistance but its authority to oblige Government compliance with promises made to the resistance is strictly limited. We provided some \$55 million in resettlement aid to the resistance, but reintegration has been difficult and nearly a thousand have rearmed.

In Guatemala government and URNG guerrillas will meet under UN auspices in early December to see how talks can be restarted. Although an end to the 33-year old conflict is not a near-term prospect, the much smaller scale of fighting in Guatemala poses less threat to the region as a whole.

Resolving the internal conflicts in El Salvador and Nicaragua -- between them they defined the Central American crisis of the 1980's -- has been our highest priority. Because these conflicts had roots in lack of democracy, neither could have been resolved without the strong emphasis we and others gave to opening up political systems, to making economic growth more equitable (through land reform, for example) and to promoting human rights. As we move beyond conflict resolution, we are turning our economic emphasis increasingly to strengthening the social safety net, free trade, and regional integration. On the political side, we seek to promote good governance: strengthening of judicial systems, reforms to ensure transparency in the conduct of public business, renewal of municipal and other community-based institutions.

CENTRAL AMERICAN INTEGRATION

Integration has long been a goal of the region and U.S. policy has encouraged it as a support to economic development and political stability for more than thirty years. The Central Americans formed a Common Market in the 1960's. Based on an import substitution model that sought growth behind common high external tariffs, it quickly exhausted developmental possibilities. The 1969 war between Honduras and El Salvador threw integration into complete disarray. To address the Central American crisis, the Central American presidents began in 1986 to hold regular summit meetings (the 14th took place last month).

This summit process has revived interest in economic and political integration. It also has resuscitated and given birth to new regional institutions. Among the more important are a bank (CABEI) and secretariat (SIECA) for economic integration and a political secretariat (SICA, new this year) to manage the summit process. An ad hoc commission examines arms control and related security issues. A Central American parliament (PARLACEN), modeled on the European parliament, is now in its fourth year. Panama is now a regular participant in regional meetings. Traditionally the odd man out in Central America because of Guatemala's territorial claims and its British political heritage, Belize has not been included. It has observed some Central American events, however, and we strongly encourage its inclusion.

Spurred by NAFTA, the Central Americans are now moving fastest in the area of trade, which has overtaken conflict-resolution diplomacy as the impetus behind integration. Realizing they become more attractive and viable partners for us if they unite, the northern tier countries -- El Salvador, Guatemala and Honduras -- have aggressively pursued free trade with each other (to be completed in 1994) and with Mexico. Nicaragua joined in earlier this year.

Proud of its human rights record and democracy, Costa Rica has been reluctant to associate itself too closely with the others; Panama has also been hesitant, owing to its distinctive history and unique, canal-based service economy. But in Guatemala last month, and although no date was set, Costa Rica and Panama for the first time committed to an eventual free trade union with their Central American partners.

Along with these steps, the Central Americans are cooperating on regional issues, particularly to combat narcotics trafficking, alien smuggling, and arms trafficking. They are committed to working with us and Mexico to develop regional strategies and plans. The Central Americans have also launched a process to address regional security issues.

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CENTRAL AMERICAN SECURITY COOPERATION

Following on the Esquipulas peace process, the Central American Presidents reaffirmed their commitment to regional security cooperation and arms control. In 1990 they created the Central American Security Commission (CASC) to achieve these goals. The CASC in 1991 established an agenda to eliminate offensive military capabilities and to exchange information (regarding troop movements, inventories, etc.). Honduras also presented a draft security treaty (which was the result of extensive consultations with us).

Despite this positive start, the CASC process has been unable to create a consensus within the region. The one definitive action taken by the CASC, the creation of a regional mechanism to combat arms trafficking, came as a result of US pressure and has yet to be implemented. A 1992 seminar by USG experts in Honduras once more raised interest in the topic, but it was short-lived.

Regional realities have worked against the success of the CASC. The Guatemalans have refused to be a party to any security treaty until their insurgency is resolved. At an OAS sponsored conference on Confidence Building Measures last week, however, the Guatemalan delegate, acting as spokesman for the five CASC signatories (Panama and Belize are observers), stated that they would host the next CASC meeting within three to four months.

While the formal CASC process has not moved as quickly as had been hoped, the changing realities in the region are producing progress on reduction of arms and troops. As a result of the Peace Accords, the Salvadoran armed forces have reduced by 50 percent down to less than 30,000. The Nicaraguan armed forces are down to 18,000. Budgetary constraints are also forcing restructuring and downsizing throughout the region. Our policy strongly supports the downsizing and restructuring of the regional militaries as essential for democratic stability, and emphasizes the importance of establishing effective civilian control.

We are working closely with the Central Americans and the OAS to support the CASC and negotiation of a regional security treaty among those countries. We are providing technical assistance on both arms trafficking and confidence-building measures.

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NARCOTICS

One-third of the cocaine entering the U.S. flows through Central America from the Andean region. The increase of narcotics trafficking through the region, and the corruption it engenders, pose a large threat to democratic institutions. Illegal drug activity is heaviest in Panama and Guatemala; opium is cultivated in the latter. Panama remains a significant center for money laundering. The Central Americans pledged greater regional cooperation at a February 1993 drug summit in Belize. We are working with the Mexicans and the OAS to urge development of a regional anti-narcotics action plan.

We are cooperating closely with governments in the region, save Nicaragua, which has left law enforcement in the hands of the Sandinista-dominated National Police. We are pursuing low-cost programs and emphasizing multilateral cooperation. In accordance with your narcotics policy decision directive (PDD-14), we are continuing to examine each country's cooperation closely for the purposes of Presidential "certification."

ALIEN SMUGGLING

Central America is a major conduit for the smuggling of illegal aliens, including PRC Chinese, to the U.S. We are working aggressively with the Central Americans to counter this, which has resulted in a number of recent seizures of ships and aliens. We are working with Mexico to promote a regional framework for combatting the problem.

REFUGEES

While there were significant numbers of refugees in Central America in the 1980s, the numbers have dramatically declined. Some 30,000 Nicaraguans remain in Costa Rica. Mexico remains host to 44,000 Guatemalans. Organized Guatemalan repatriation began in January 1993 but has been stalled due to the refugee leaders' desire to return to conflicted areas. A program of reintegrating the displaced that was established under the International Conference on Central American Refugees (CIREFCA) in May 1989 is scheduled to end in May 1994. However, it is expected that UN agencies will incorporate longer term refugee resettlement and returnee reintegration programs into their development plans.

ENVIRONMENT

Less than 40 percent of the region's original forest remains. Unsustainable agriculture and high population growth are major problems. Efforts to address these issues are hampered by weak local institutions. We seek to promote sounder policies as part of a broader effort to encourage sustainable development and strengthen democratic institutions.

ENVIRONMENT

Environmental Degradation-- Continuing degradation of Central America's natural resource base is reducing its overall productivity and potential for future economic growth. Further deterioration is likely to exacerbate the region's political and social instability.

Population Growth -- The region's current population of 31 million people is projected to increase to over 50 million by the year 2025, making it one of the fastest growing areas in the world. This expanding population is placing increasing pressure on its natural resource base and Environment.

Unsustainable Agriculture -- Most Central American economies depend heavily on agriculture for employment and foreign exchange. Most of the region's poor live in rural areas. Unsustainable agricultural practices are degrading the natural resource base and resulting in loss of agricultural productivity, increased unemployment and reduced incomes for the region's poor.

Ineffective Policies and Weak Institutions-- Public and private institutions are poorly developed and lack resources to implement sound environmental policies. Many current policies, such as subsidies for cattle production and agricultural pesticides, tend to undervalue the natural resource base and promote waste and misuse. The concentration of wealth and productive lands in the hands of a few, combined with ineffective policies for conserving and protecting natural resources, push the poor to clear marginally productive forest lands on lands unsuited for sustainable agriculture. The people and governments of Central America are sacrificing future economic opportunities to address immediate short-term subsistence needs and avoid difficult political decisions.

Deforestation--less than 40% of the region's original forest remains. Two thirds of this loss has occurred in the last forty years.

Biodiversity--the region's biodiversity (6% of the world's total) is threatened and with it a significant tourism industry, as well as important agricultural, medical, and industrial research.

Overuse of Pesticides--agricultural expansion/intensification, accompanied by inappropriate use of pesticides, has resulted in worker poisoning, pest resistance and soil/water contamination.

Soil erosion--is causing decreased production, siltation of waterways and hydroelectric facilities, and damage to coastal and marine resources.

POVERTY IN CENTRAL AMERICA

Poverty is still a serious problem in the Central American region, with almost 57 percent of the total population of the region or over 16 million people living in absolute poverty at the beginning of the 1990s, unable to meet their minimum basic needs. Fifty percent or more of their populations were living in absolute poverty in four countries -- El Salvador, Guatemala, Honduras, and Nicaragua. Costa Rica was the only country where the poverty level has declined to below one quarter of the population.

The poverty problem appears to have worsened during the 1980s. According to estimates available from the Economic Commission for Latin America and the Caribbean (ECLAC), the numbers of people living in poverty increased in four countries -- Costa Rica, Guatemala, Honduras and Panama. In Costa Rica, which started from a much smaller base in terms of the percent of the population that is poor, the numbers of people living in poverty increased by over 200 percent between 1981 and 1989. Poverty increased by 20 percent between 1980 and 1986 in Guatemala, by 14 percent between 1988 and 1990 in Honduras, and by 39 percent between 1979 and 1989 in Panama, with most of the increase occurring between 1986 and 1989. Costa Rica is the only country for which there is evidence that the numbers living in poverty may now be in decline. That is, the number living in poverty in 1990 was smaller than in 1989.

Many tend to think that poverty in Latin America has become primarily an urban problem. This is not true for the Central American region or for the majority of countries in the region. Sixty six percent of Central America's poor still live in rural areas. Over 60 percent of the poor still live in rural areas in five of the Central American countries -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Panama is the only country in the region where urban poverty predominates.

Some also look to social indicators to provide an additional or alternative indication of a population's well-being. Two social indicators highly correlated with poverty are infant mortality and child malnutrition. Four countries -- El Salvador, Guatemala, Honduras and Nicaragua -- have infant mortality rates above 45 deaths per 1000 children born and 30 percent or more of their children suffering from chronic malnutrition, levels which are consistent with the high prevalence of poverty in these countries. These social indicators have improved over the decade of the 1980s, however, at the same time that the numbers of people living in absolute poverty have increased.

CENTRAL AMERICA: U.S. ECONOMIC ASSISTANCE AND DEBT RELIEF

The Central American countries began to experience serious economic problems at various times in the late 1970s and early 1980s. The second oil-price shock of 1979-80 led to a worldwide recession that lowered prices for the region's traditional commodity exports. Meanwhile, world interest rates rose sharply, increasing debt service burdens. Debt servicing problems, in turn, limited Central America's ability to make new borrowings. Capital flight, due largely to the political turmoil in the region, further depleted foreign exchange reserves.

Central America thus lacked the means to import essential machinery, equipment, and raw materials needed to sustain its production, employment, and income levels. The U.S. government responded to this crisis by increasing its economic assistance to the region from \$215 million in FY 1980 to an annual average of \$573 million in FY 1983-84 and \$1,034 million in FY 1985-87. More than half was fast-disbursing balance-of-payments support. El Salvador received 39% of all U.S. economic assistance during FY 1985-87; Honduras and Costa Rica each received 17%.

By 1987 Costa Rica, Belize, and Guatemala were on the way to economic recovery, but economic performance lagged in the rest of the region. U.S. economic assistance thus remained at high levels, averaging \$919 million annually in FY 1988-91.

The need for U.S. assistance to the region diminished as economic recovery spread to other countries, major conflicts in Nicaragua and El Salvador were brought to an end, and the international financial institutions were able to resume operations in several countries. Thus U.S. economic assistance to Central America fell to \$501 million in FY 1992 and \$467 million in FY 1993. For FY 1994, preliminary estimates show a sharp decline to \$273 million.

In addition to providing economic assistance to Central America, the U.S. government has granted debt relief to three countries in the region under various authorities:

- Under Section 572 of the Foreign Operations Appropriations Act of 1989, Honduran debts to the U.S. government of \$334 million, and Nicaraguan debts of \$260 million, were forgiven in September 1991.

- Under Section 411 of the Agricultural Trade Development and Assistance Act of October 1990, Honduran debts of \$109 million and Nicaraguan debts of \$25 million under PL-480 food aid programs were forgiven during FY 1991.

- Under the Enterprise for the Americas Initiative, El Salvador's PL 480 debt was reduced by 80% from \$335 million to \$67 million, and its foreign assistance debt was reduced by 70% from \$279 million to \$84 million.

DEPARTMENT OF STATE

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EL SALVADOR

Thought to be a captive of rightist extremists when elected in 1989, Georgetown University graduate (B.S.'68) Alfredo CRISTIANI will leave office next March having proved to be a strong and able statesman. It is no exaggeration to say that, but for Cristiani, El Salvador would still be mired in conflict today. Critical provisions of the Peace Accords remain to be implemented, however, and the recent murders of FMLN personnel have raised the specter of renewed political violence.

We have worked closely with the UN in support of the peace process, and have mobilized almost \$1 billion in international donor support to mount a comprehensive National Reconstruction Program. We are confronted -- after having spent \$4 billion during the 1980's -- with rapidly declining assistance levels from \$296 million in FY91 to \$50 million in FY94. This has called into question our ability to meet our 1991 pledge to provide \$300 million over five years.

Implementation of the Peace Accords has been generally successful. Progress has been made in transferring land to ex-combatants, establishing a new National Civilian Police (PNC), reforming the judicial system, and purging the armed forces of human rights violators. Much remains to be accomplished, however, in the land program, in the judiciary, and in deploying nationally the PNC, and in disbanding the old National Police responsible for past human rights abuses.

The Salvadoran opposition and concerned U.S. non-governmental groups fear that renewed political violence is creating a climate of intimidation. We are supporting establishment of a UN-sponsored investigation of political violence and have provided FBI assistance to the Salvadoran police. Meanwhile, the recent declassification, at the request of Congress, of thousands of documents on El Salvador, some of which deal with "death squads" during the 1980s, has contributed to Salvadoran rightist allegations of a U.S. conspiracy against Cristiani's ARENA party. The New York Times reported one document's unsubstantiated allegation that some activities were planned at the home of ARENA presidential candidate Armando Calderon Sol.

Maximum participation and transparency in the upcoming elections, the first in which the former FMLN guerrillas will participate as a political party, is essential to successful completion of the peace process. The ongoing voter registration effort may succeed in registering 80 percent of eligible voters. We are working with the UN and, at the request of Congress, have conditioned release of aid on demonstrable progress.

There is a growing appreciation of Cristiani's success in modernizing and invigorating the nation's economy. Trade issues such as intellectual property rights, labor code reform, textile quotas, and NAFTA parity for El Salvador's GSP/CBI benefits are of increasing importance.

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President Guillermo ENDARA came to power in December, 1989, in the wake of U.S. military action, ending more than twenty years of military dictatorship in Panama. He inherited an economy in shambles, a corrupt and bankrupt national bureaucracy and a populace that thought Noriega's ouster would solve all their ills. Under Endara's administration, the economy has rebounded rapidly with some of the highest annual growth rates in the hemisphere (8-9 percent per annum). Solid progress has also been made in reestablishing democratic institutions and returning the government to sound fiscal management and accountability. However, Endara has been unable to meet his public's high expectations for overnight miracles. With approval ratings in the single digits, he steadfastly hews to his primary objective: to deliver the presidency to a freely, democratically elected successor following national elections in May, 1994.

The Panama Canal and the treaties governing its ownership and control have played a central role in U.S.-Panamanian relations since 1903, when we assisted Panama's secession from Colombia in order to construct the canal. With the conclusion of the Panama Canal Treaty of 1977 and related agreements which mandates the transfer of the canal and all U.S. military bases to Panama by December 31, 1999, successful treaty implementation has become our primary bilateral policy objective. That and other policy issues are outlined below.

Treaty Implementation: We are fully committed to the Panama Canal Treaty of 1977 and related agreements and plan to honor their provisions to the letter, transferring the canal and withdrawing all U.S. troops and bases by December 31, 1999.

1994 National Elections: We support free and fair democratic elections in Panama in May, 1994. The U.S. will not favor any one candidate or coalition over others, and will look forward to close relations with any democratically elected successor government.

Economic Reform: With the passage of NAFTA, CBI countries must prepare their own economies to be ready for whatever form of accession process evolves. Panama must complete its accession to GATT and take much stronger measures to lower tariffs and liberalize its trading regime.

Narcotics: Panama has increased its cooperation with the United States in enforcement efforts to stop illegal drug trafficking. Seizures are up dramatically as a consequence. However, Panama must make a greater effort to counter the use of Panama's financial sector for drug money laundering. Ratification of the Vienna Convention on drugs, enactment of stricter national drug legislation and imposition of cross-border currency controls are essential additional steps.

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HONDURAS

President Rafael Leonardo CALLEJAS leaves office in January but aspires to return after sitting out the constitutionally mandated four years. He is young, energetic, U.S. educated and economically literate. With good reason he is proud of bringing about major economic reforms. Fluent in English, he appears to possess regional and even hemispheric leadership credentials. But Callejas has tolerated widespread corruption and has been a major disappointment on good governance issues.

As Callejas leaves office, he can point with pride to the transformation of the Honduran economy. His ambitious restructuring program, including privatization of state enterprises, recovered the country's international creditworthiness. GDP grew 4.9% in 1992. Annual inflation dropped from 34% in 1991 to only 9% in 1992.

With a population of only five million, Honduras under Callejas has been a leader in pursuing regional economic integration to expand its markets. Honduras has diversified into non-traditional exports and joined regional efforts to build a new coffee agreement and lobby the EC on bananas, its traditional exports. It is in final stages of acceding to the GATT. However, corruption and a weak judiciary undermine the accomplishments of the Honduran economic transformation.

Elections November 28 are expected to be extremely close. Callejas' National party has been behind in recent polls and a narrow victory by the opposition Liberal party appears probable. Both major party candidates are pro-U.S. A growing fiscal deficit and upswing in inflation will make IMF fiscal deficit targets tough if not impossible to meet in 1994. The new administration will be faced early on with difficult policy decisions. New taxes and cuts in public spending may be required. Failure to take those measures could undo Callejas' accomplishments.

Lack of transparency in bidding practices and influence peddling by officials remain problems in attracting and keeping foreign investment. Contract disputes of this sort involving AT&T and Rohm and Haas were successfully mediated by the U.S. Corruption in the court system, and complicated, confusing and often contradictory title registry processes weaken the investment climate. Investment disputes involving US citizens are growing.

Honduras publicly supports Costa Rican Foreign Minister Bernd Niehaus for OAS Secretary General, to be elected next March. Callejas' name has been floated by supporters as a possible Central American candidate, however, were Niehaus to drop out.

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NICARAGUA

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2017-0341-M (1.08)
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Nicaragua is a country in quasi-perpetual crisis, the result of unreconciled political divisions that paralyze government decision-making and economic recovery. Elected on a National Opposition Union (UNO) platform in 1990, President Violeta Chamorro has delegated much of her authority to her son-in-law, Antonio Lacayo, who governs in de facto alliance with the Sandinistas, especially army commander Humberto Ortega. UNO has moved into overt opposition, making it difficult for the legislature to function at all.

Although the Government has dismantled much of the state-run command economy in favor of market mechanisms, the Sandinistas control the army, police, intelligence services and much of the judiciary. Armed groups representing rearmed "contras" and demobilized army personnel are posing renewed security threats in the north. Having failed to move against the Sandinistas and to resolve the issue of thousands of properties seized, Chamorro cannot attract international donor support and investment. Her government may not survive until the 1996 national elections.

Chamorro's principal concern is the "hold" on \$40 million in FY 93 ESF. The IMF is counting on the \$40 million in 1994 in its calculations of Nicaragua's balance of payments needs. Although Congress has just been notified that the funds will be released, no decision has been made about its timing. FY 94 ESF amounts will likely be much less. Having received over \$1 billion in U.S. aid and debt relief since 1990, Nicaraguans are surprised by the drop, which many believe signals a lack of support for Chamorro.

We continue to press the Nicaraguans to negotiate their differences, establish civilian control over the security forces and respect human and property rights. Some progress has been made. Congress conditioned release of FY 94 aid on successful conclusion of the investigation into the May 23 arms cache explosion and progress on civilian control over the security forces, resolution of property disputes for U.S. citizens, human rights and reform of the judiciary.

With a GDP per capita barely over \$400, in this hemisphere, only Haiti is poorer. Inflation declined from 13,000% in 1990 to about 20% this year and the free fall in GDP has been arrested, production and investment are stagnant, unemployment and underemployment exceed 50 percent, and the country labors under a chronic balance of payments gap of about \$350 million. Nicaragua is currently negotiating an Enhanced Structural Adjustment Arrangement (ESAF) with the IMF. The expected disbursement of an IDB agricultural loan with Taiwanese co-financing, amounting to \$55 million, should keep the government afloat until early next year.

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COSTA RICA

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Like most Costa Ricans, President Rafael Angel Calderon is proud of his country's unique status as a fully consolidated democracy in a region known for instability and human rights violations. He is strongly pro-U.S. (he fished for a bilateral invitation this fall) but a number of recent bilateral irritants have combined to dampen our traditionally warm relations. Because his father authored Costa Rica's labor code, Calderon took USG acceptance of a GSP petition against Costa Rica for worker rights deficiencies as a personal affront. After enactment of labor reforms, the AFL-CIO withdrew the petition and, on this issue, Calderon seems mollified. But extradition difficulties and expropriation disputes also affect the relationship. Nor has Costa Rica understood our lukewarm response to the candidacy of Foreign Minister Bernd Niehaus for OAS Secretary General (he lacks the stature and skills the position requires). Closure of our AID mission by 1996, announced November 18, may be seen in Costa Rica as confirmation of shifting U.S. priorities. This luncheon therefore sends a timely message of continuing U.S. interest.

National elections take place February 6. Opposition PLN (Liberacion) candidate Jose Maria Figueres is running slightly ahead of government party PUSC (Social Christian) candidate Miguel Angel Rodriguez. If Rodriguez wins, it will be the first time the smaller PUSC has won two consecutive elections.

Costa Rica has been reluctant to endorse regional integration plans for fear they will expose the country to the monetary, labor market and political problems of its less stable neighbors. The Costa Ricans would prefer to pursue multilateral trade liberalization through the GATT and bilateral arrangements with us. But, in Guatemala last month, the Costa Ricans committed to an eventual free trade union with their neighbors.

A half dozen longstanding U.S. citizen expropriation cases have detracted from an otherwise attractive investment climate and have become a major thorn in the bilateral relationship. Although we have stopped short of invoking Hickenlooper and Gonzalez Amendment sanctions, \$10 million in 1989 economic support funds for Costa Rica are being returned to the U.S. Treasury in the rescission exercise for lack of better progress.

Prompted by the Alvarez Machain case in Mexico, Costa Rica's Constitutional Court issued a ruling earlier this year that effectively set aside our 1982 extradition treaty. We hope to repair the damage once our differences with Mexico on this issue are worked out.

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GUATEMALA

President Ramiro De Leon arrives in Washington following resolution of a protracted crisis brought on when, pushed by popular opinion, he sought to force the resignations of Guatemala's Congress and Supreme Court. A November 16 agreement mediated by the Catholic Church provides for a referendum to approve a modest package of constitutional reforms, new Congressional elections next summer and replacement of all the justices of the supreme court. The paralysis of government brought on by this conflict was threatening serious destabilization when it was finally resolved.

De Leon was elected President by the Congress in June after OAS and international pressure that we helped orchestrate forced former President Serrano to abort an attempted auto-coup. The former Ombudsman for Human Rights, de Leon named as Minister of Defense an officer who is committed to civilian control over the military. He also eliminated from the military's presidential support staff an intelligence unit linked to human rights abuses. To support the military's new, moderate leadership, we have renewed a very modest program of military training.

Guatemala's continuing guerrilla conflict hinders progress on human rights. Civil Defense Patrols (PACs), created by the armed forces for anti-guerrilla actions, are a major source of human rights violations. The URNG lost an historic opportunity to settle the 33 year-old conflict when, in May this year, it did not grasp the GOG's offer of an internationally verified human rights accord in exchange for a ceasefire. Now the Government is playing hard-ball. De Leon's new peace plan calls for the guerrillas to lay down their arms prior to entering talks on social issues, and rejects international verification of human rights or a Salvadoran-like truth commission. However, both sides have asked the UN to organize a meeting in December to discuss new talks.

De Leon is struggling to maintain the sound economic and fiscal policies he inherited from Serrano, but is torn between the need to take tough economic reform measures and to address long-neglected social needs through an ambitious "180-day" program of social investment. Our pledge of \$10 million at a World Bank meeting in September helped leverage vitally needed aid from the donor community. Guatemala is negotiating with the IMF to develop a "shadow program" to permit disbursement of urgently needed IFI loans. Raising electricity rates and tax revenues (the latter currently total only about 7 percent of the budget) are key conditions. We have conditioned disbursement of our aid on economic reform.

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BELIZE

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Prime Minister ESQUIVEL's United Democratic Party (UDP) won a narrow upset victory in parliamentary elections last June. He then launched an attack on alleged corruption by the defeated PUP party of former Prime Minister Price. Belize has been a member of the Commonwealth since gaining independence from Great Britain in September 1981. Queen Elizabeth II is head of state and is represented in Belize by Governor General Colville Young, a Belizean.

Belize is one of only two countries, Guatemala being the second, that shares a land border with the NAFTA zone. Belize has a small, free market economy but relies heavily on preferential markets for its major exports: sugar, bananas and frozen orange juice concentrate. Tourism is extremely important. Belize has maintained a stable economic climate with low inflation and high growth. U.S. products account for 58% of Belizean imports. While Belize has welcomed U.S. investment, estimated at \$150 million, we recently have had to weigh in strongly to support Dominion Electric to salvage a \$20 million investment in a hydroelectric project contracted with the previous government. Esquivel has sought to renegotiate the contract based on allegations of corruption by the PUP. With their economy small and vulnerable, the Belizeans are particularly anxious to protect their current GSP/CBI benefits in the face of NAFTA.

Bilateral relations are excellent. Belize has cooperated with us to combat narcotics trafficking and alien smuggling. A successful marijuana eradication program has been in place for several years. With our encouragement, Belize hosted a drug summit of Central American leaders in February to forge a regional counter-narcotics strategy.

Belize has had a traditionally contentious relationship with Guatemala due to the latter's territorial claims. Although the two countries began a process of normalization two years ago, advancing that process remains a sensitive domestic political issue in both countries. Esquivel declined to attend last month's Central American summit in order not to exacerbate Guatemalan President De Leon's domestic political problems. The luncheon with you will be the first time Esquivel and De Leon have met. We have played a major role in support of the normalization process, urging the Central Americans to incorporate Belize into their regional community.

Belize is quite concerned about its ability to sustain the Belize Defense Force (BDF) and provide for self-defense needs in the face of pullout of British forces set for September 1994. We have conducted training exercises in Belize, but have made clear to both the UK and GOB that we will not replace the British presence.

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PRESIDENT'S LUNCHEON FOR CENTRAL AMERICAN LEADERS

TALKING POINTS

INTRODUCTORY

- o Thank you for accepting my invitation. I wanted to talk with you as soon as possible after the passage of NAFTA to discuss our shared agendas for expanding trade and building democracy. My Administration is committed to working closely with all of you.
- o Thank you for your summit letter and public statements supporting NAFTA. Strong international support played an important part in its passage through the Congress.

COUNTRY-SPECIFIC POINTS

- o El Salvador: Ending the war was a tremendous accomplishment. We have great confidence in your commitment to implementing the Peace Accords' remaining provisions. We will remain engaged with the UN and the donor community. We share your concern about the recent resurgence in violence.
- o Panama: Since you assumed office, Panama has made enormous strides in reactivating its economy and reestablishing democratic institutions. We are looking forward to Panama's May 1994 elections to further strengthen this process.
- o Honduras: The elections two days ago demonstrated the commitment of Honduras to democracy. I congratulate you on your economic reform program. Your successor will inherit a revitalized economy.
- o Nicaragua: I been following events in Nicaragua closely since we spoke in N.Y. I appreciate the steps you have taken so far. I hope progress on economic reforms will continue and that the release of the \$40 million in economic support funds for Nicaragua I recently notified to Congress will help you implement an IMF program.
- o Costa Rica: I was pleased to hear the AFL-CIO withdrew its GSP petition against Costa Rica. Your decisive action to enact labor code reforms made that possible.
- o Guatemala: I applaud your efforts to reform democratic institutions within the constitutional framework. I hope you enjoy similar success in achieving peace and in battling impunity for human rights violators. You have our full support in your efforts to reform your economy in cooperation with the international financial institutions.

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- o Belize: Mr. Prime Minister, your election demonstrated once again the strength of democracy in Belize. We will continue to work with Belize as a member of the Central American community.

NAFTA

- o NAFTA opens prospects for a hemispheric partnership to advance democracy and development.
- o Expanded trade presupposes that the partner countries support good governance through strong democratic institutions and respect for human rights. The trade, development, and democracy agendas are inextricably linked.
- o While it is premature to discuss NAFTA accession or other free trade arrangements, there are steps which can be taken now which are in your economic self-interest and will make your countries stronger candidates for NAFTA or an FTA.

While I commend you for the progress made on market-oriented reforms (including intellectual property, workers' rights, property rights, and investment regimes), much remains to be done. We want to intensify collaboration with you in these areas.

We should revitalize the existing Trade and Investment Council mechanisms to deepen our dialogue on trade and related issues.

I have asked Ambassador Kantor to meet with you following the lunch, and subsequently with your ambassadors, to address your concerns and to map out what can be done to enhance your CBI and GSP benefits in order to ensure parity with NAFTA.

We encourage you to work within the framework of GATT principles.

The successful conclusion of the Uruguay Round on December 15 is the single most important step countries can take to open markets and expand trade.

The Central American countries have an important contribution to make to a successful Uruguay Round conclusion. We urge you to do more to improve your market access.

- o What are your views?

- o Accelerating efforts to expand trade and investment is particularly important now that our previous high levels of aid are no longer sustainable.

We will remain fully engaged with the international donor community and the IFIs in support of assistance to strengthen democratic institutions and promote sustainable development, including addressing poverty alleviation.

INTEGRATION AND REGIONAL ISSUES

- o The dramatic progress made in the peace processes in Central America have created the brightest future in a generation for the region.
- o We welcome the steps you are taking to consolidate those gains by moving towards greater integration, including the commitment to economic union made at your summit in Guatemala. We were delighted to see Costa Rica and Panama make this commitment. I would hope that Belize might also be included.
- o We want to strengthen cooperation on regional issues of mutual concern, particularly to combat narcotics trafficking, alien smuggling, and arms dealing.
- o At your summits you have launched initiatives to enhance regional security. I urge you to continue to find ways to increase the relationships between your militaries in support of civil-military cooperation and democracy.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001r. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

Central America - General

2011-0516-S

kh593

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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- PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
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6.2(d)

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Ramiro DE LEON Carpio
(Phonetic: deh lehOHN)

2017-0341-M [1.14]

GUATEMALA

KBH 5/24/2021

President (since June 1993)

Addressed as: Mr. President



Guatemalan President Ramiro De Leon is a political conservative with a social conscience who is intent on using his limited time in office to set the wheels of change in motion. His election by a wide margin in Congress in June to complete the term of ousted President Jorge Serrano probably reflected more the political elites' desire to end the crisis that Serrano precipitated in May with his power grab than an endorsement of the reform-oriented political perspective that De Leon represents. Nevertheless, he sees himself not as a caretaker, but as a foundation builder for the next administration, which comes to office in 1996, and he has articulated an ambitious agenda that emphasizes social equity and political reform. 6.2(d)

Cultivating the Military

Despite his tough posture with civilian politicians, De Leon has chosen to avoid confrontation with the military—still Guatemala's most powerful institution—to win the maneuvering room to pursue his ambitious agenda. He has backed away from vigorously criticizing the Army's human rights record. De Leon has instead publicly recognized the challenges faced by the Army, as well as its potential role in public works projects, and has pledged to maintain military strength as long as the insurgency continues. Moreover, he probably has bolstered his credibility with the armed forces by downplaying the importance of peace talks, which his predecessor had put at the top of his agenda, and by continuing to include officers in the process. Nevertheless, in the eyes of many human rights leaders—including Nobel Laureate and indigenous activist Rigoberta Menchu—who expected a wholesale purge of the institution, De Leon has been too accommodating to the military. 6.2(d)

De Leon has proved himself willing to take risks to achieve his goals. Viewing widespread government malfeasance as an obstacle to his reform program, he called for the voluntary resignation of members of both the notoriously corrupt Supreme Court and Congress just two months into his presidency. Frustrated by their inaction but emboldened by growing popular support, De Leon initiated a referendum intended to remove them. After 11 weeks of bickering that threatened to destabilize the fledgling democracy—during which De Leon maintained a tough negotiating posture—the two sides hammered out an agreement under the auspices of the Catholic Church. Although the President's brinkmanship was criticized by popular groups and political parties and threatened the credibility of his presidency, he gained the promise of congressional elections in early 1994 and of the legislature's immediate passage of key fiscal legislation that had been languishing during the crisis. We expect these kinds of hardball tactics to characterize De Leon's presidency; he has already adopted a hard line with leftist guerrillas to end the 33-year-long insurgency.

Looking to Washington for Support

We believe De Leon, who has enjoyed excellent relations with Washington throughout his public life, views US assistance as key to his success. He

6.2(d)

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(continued)
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genuinely shares an American appreciation for democratic consolidation and recognizes that his plans to institutionalize democracy, end human rights abuses, and combat corruption address US concerns. De Leon [REDACTED] E.O. 12958-3:3(b)(1)

[REDACTED] has intimated that the resumption of US military assistance would strengthen his position vis-a-vis the military, and he publicly welcomed high-level US State Department and military visits in June and August, which he saw as signals of Washington's support for him. [REDACTED] 6:2(d)

Human Rights Activist With Ties to the Elite

Although a member of the elite who has had ties to center-right political parties, De Leon rose to prominence as Guatemala's Human Rights Ombudsman during 1989-early 1993. During his tenure, De Leon was outspoken in his criticism of Guatemala's abysmal human rights climate. Immediately after he became Ombudsman, he lambasted his predecessor's shoddy investigations and reopened cases that had been prematurely closed. He criticized the government and the Army for their lack of cooperation with his office, and in his 1990 report he singled out National Police leaders and the Ministers of Defense and Interior as the worst offenders. De Leon has also taken Guatemala's leftist guerrillas to task by publicly stating that their attacks against infrastructure constitute flagrant violations of the most basic human rights of all Guatemalans [REDACTED] 6:2(d)

De Leon was born in 1942. While attending law school at Rafael Landivar University, he was president of the Association of Law Students during 1968-69. He served in the Guatemalan Congress during 1970-74 and was Secretary General of the Council of State during 1974-78. He was director general of the ultraconservative Association of Sugar Producers during 1981-83. De Leon is a member of the politically prominent Carpio clan, an affiliation that almost certainly bolstered his political prospects. Close relative Roberto Carpio was Vice President during 1986-91. Another relative, recently assassinated Jorge Carpio, cofounded the National Centrist Union (UCN) with De Leon. De Leon was elected to the Constituent Assembly (the body tasked with rewriting the Constitution) in July 1984 and served as one of three rotating presidents. During the 1985 presidential race, he ran for vice president on Jorge's ticket, which came in second. Feeling his influence gradually eroding after the defeat, De Leon left the party in 1988, citing differences over UCN policy. Congress elected him in 1989 to complete the term of Guatemala's ailing Human Rights Ombudsman; De Leon was reelected in 1992. [REDACTED] 6:2(d)

De Leon is married and has five children, three of whom are from a previous marriage. He speaks some English [REDACTED] 6:2(d)

22 November 1993

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001u. report	U.S. Government Report (2 pages)	11/22/1993	P1/b(1), P6/b(6)

COLLECTION:

Clinton Presidential Records
National Security Council
Press (Philip J. (PJ) Crowley)
OA/Box Number: 3103

FOLDER TITLE:

Central America - General

2011-0516-S
kh593

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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001w. report	U.S. Government Report (1 page)	11/22/1993	P1/b(1)

COLLECTION:

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