



**THE SECRETARY OF STATE  
WASHINGTON**

DEC 22 1993

Dear Senator Dole:

Thank you for your letter of December 14 in which you and other Senators express concerns regarding notification of the Department's intent to release \$40 million in previously-appropriated FY 1993 Economic Support Funds (ESF) for Nicaragua.

After a decade of war, Central America is largely at peace. On November 30, President Clinton met with the Presidents of Guatemala, El Salvador, Costa Rica, Honduras, Panama, and Nicaragua, and the Prime Minister of Belize. This was the first time that democratically-elected leaders of these nations had met with a U.S. President. U.S. assistance to Central America fell from \$1.4 billion in 1990 to \$654 million in 1993, while during the same period economic growth recovered in most of the Central American countries and U.S. exports to the region increased from \$4.3 billion to over \$5.5 billion. The consolidation of these foreign policy and economic gains requires stability in all of the countries of the region. This is the overall context in which we believe aid to Nicaragua should be viewed.

The Administration shares your concerns regarding Nicaragua on the issues of political reconciliation, property claims, military reform, human rights, and terrorism. We evaluated the conditions contained in Section 562 of PL 103-87, and determined that, even though Nicaragua's progress in these areas has been mixed, circumstances warranted the notification sent forward on November 30. Prior to actual disbursement of the \$40 million in ESF, we will also consult with the international financial institutions, and the Government of Nicaragua will need to meet conditions on fiscal responsibility, property, and financial accountability contained in the grant agreement.

The Honorable  
Bob Dole,  
United States Senate,  
Washington, D.C.

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Nicaragua continues to experience grave economic difficulties. This ESF grant will provide much needed balance of payments support to encourage sustainable economic development. Nicaragua is also negotiating an Enhanced Structural Adjustment Facility with the IMF, and we are strongly encouraging these negotiations as an indispensable vehicle for ensuring economic growth and development.

Release of the ESF will also provide the government of President Chamorro with a crucial demonstration of U.S. support just as talks to reach an accord on political reform among the GON, UNO, and FSLN reach a critical stage. The recent agreement between the UNO-affiliated Christian Democrats (UDC), the FSLN, and the Center Group allows the National Assembly to return to session on January 10 with enhanced legitimacy and enough deputies to make it possible to pass badly needed constitutional reforms. This Administration has emphasized the need for political reconciliation in Nicaragua as the best way to consolidate democracy and remedy the issues that concern us.

The GON has increased the pace at which it is resolving property claims. Overall, 135 U.S. citizen claims out of a total to date of 1,280 U.S. claims are fully or substantially resolved. In September, the Embassy presented the government with a list of 40 GON-held properties claimed by American citizens. Since then, 14 of these properties have been returned to their American citizen owners. Rapid resolution of many of the remaining claims on this list is expected. While some claimants have expressed dissatisfaction with the government's offer of compensation bonds in place of returning their property, to date 19 U.S. citizens have accepted compensation bonds, including large claimants such as Rosario Mining and Montemaria S.A. These bonds have been used to purchase government property in the last two weeks. We have kept resolution of property claims at the top of the U.S. agenda in Nicaragua, and the assignment last July of an officer to our Embassy in Managua to deal exclusively with property issues has helped get results. We will continue to press the Nicaraguan government on this issue.

President Chamorro announced her intention to establish civilian control over Nicaragua's military and security forces in her Army Day speech of September 2. Since then she has taken some important initial steps, and we regularly encourage her to take further action. On October 26, President Chamorro sent a letter to UNO and the FSLN outlining the principles behind a new military law to be submitted to the National Assembly in the first quarter of 1994. These are:



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subordination of the army to civilian authorities, term limits for all the top military commanders, and the establishment of a civilian-led Ministry of Defense. The GON has requested assistance from Spain and the National Democratic Institute for International Affairs to help draft a new law in early 1994.

On October 15, President Chamorro removed Col. Lenin Cerna from his position as head of the Directorate of Defense Information (DID) and transferred him to be Inspector General of the Army. She simultaneously signed a decree establishing the Directorate of Intelligence Affairs (DAI), which will provide civilian oversight over all intelligence agencies from the Office of the Presidency, and appointed a civilian, Sergio Narvaez, to head this agency. Although it is too early to draw conclusions, this is an important first step towards establishing civilian control over intelligence matters.

As we continue to press the government for action on human rights, we are disappointed by the failure so far of efforts to prosecute major human rights cases, and the lack of police and military compliance with Tripartite Commission recommendations. However, some measures on human rights and judicial reform are underway: The government's recent decision to allow publication of Commission reports will bring badly needed public light to this subject in Nicaragua. The GON announced that it intends to have crimes committed by military personnel tried in the civilian courts rather than the military courts, a recommendation of the Tripartite Commission that the Army strongly opposes. On December 13, the National Assembly accepted the nominations of four new Supreme Court nominees, giving the Court a non-Sandinista majority for the first time since President Chamorro took office. This has positive implications for human rights and property issues. The OAS Jurists Commission is due to present its report on National Assembly problems in January.

The Nicaraguan Government has made progress in investigating the Santa Rosa arms and documents cache, and the 19 other caches that have been discovered. The investigation has thus far produced no evidence pointing to GON or FSLN links to the New York City bombing plot terrorists. The GON should be credited for having sought a high degree of international participation and scrutiny of its effort. At the GON's invitation, the U.S., Spain, El Salvador, Venezuela, and international organizations, including ONUSAL and INTERPOL, have cooperated in the investigation. Brazil, Mexico, Guatemala, and Honduras have also provided cooperation.



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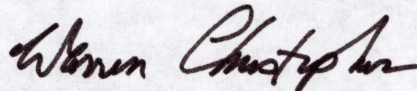
In addition to a lack of professional training and resources, which impedes the GON from carrying out a comprehensive investigation, GON efforts to move the investigation into areas where FSLN figures might be implicated are making only limited progress. The U.S. wants to see the investigation concluded and has reminded the GON that the Secretary of State must certify that there has been a full and independent investigation and that individuals identified by the investigation are being prosecuted in order for FY 1994 ESF to be released.

Your letter also referred to our decision to release an additional \$14.7 million in assistance to Nicaragua. At present, the Administration has notified \$13 million in Development Assistance (DA) and ESF Project Assistance for three activities in Nicaragua. Included in this amount is: \$5 million in ESF for the Strengthening Democratic Institutions Project, notified on June 22 and placed on hold; \$2 million in DA for the Private Sector Support Project, notified on June 22, placed on hold, and renotified with changes in the project design on December 17; and \$6 million in DA to amend the Private Voluntary Organization Co-financing Project, notified on December 17.

These projects are designed to support activities that will help Nicaragua make progress on the issues of mutual concern. For example, the Democratic Institutions project will help professionalize the judiciary, fund two independent human rights organizations, and support two democratic trade unions through the American Institute for Free Labor Development (AIFLD). The Private Sector Project will provide technical assistance to the government's economic liberalization program, including privatization of Nicaragua's state-owned telecommunications corporation (TELCOR), the proceeds of which will be used to back property compensation bonds. New PVO co-financing will sponsor U.S. and local voluntary organization services to help Nicaragua's poor start small businesses.

We hope that this responds to your concerns and that you understand our decision to move ahead with this aid to Nicaragua. Please feel free to contact us if we can be of further assistance.

Sincerely,



Warren Christopher