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1ST STORY of Level 1 printed in FULL format.

The Associated Press

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April 26, 1989, Wednesday, PM cycle

SECTION: Washington Dateline

LENGTH: 469 words

HEADLINE: U.S., Anti-Sandinistas Say Election Being Rigged

BYLINE: By GEORGE GEDDA, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Nicaraguan Opposition

BODY:

The State Department is joining a delegation of Nicaraguan opposition leaders in accusing Sandinista authorities of trying to rig national elections set for next February.

The opposition leaders, ranging from an anti-Sandinista communist to U.S.-backed Contra rebels, said Tuesday that Nicaraguan officials are attempting to ensure victory by stacking the all-powerful Supreme Electoral Council in their favor and by denying the opposition equal access to media outlets.

The State Department leveled similar charges and appealed to the Sandinistas to meet opposition demands for a more equitable process.

At issue is legislation approved by recently by the Sandinista-dominated legislature setting forth ground rules for the elections.

Tuesday was the deadline, established at a Central American summit meeting last February in El Salvador, for setting in motion an electoral process that will culminate in national elections 10 months from now.

Nicaraguan Embassy spokeswoman Cecilia Lopez said the new laws were approved with the participation of the political parties represented in the legislature and are in compliance with the terms of the Central American summit.

In a telephone interview, she said the law allows opposition parties more air time for campaign purposes than they would have received under their original request.

In addition, she said, the Sandinistas, consistent with another pledge made at the summit, have released about 1,700 National Guardsmen who served the rightist regime which was ousted by the Sandinistas a decade ago.

Twelve opposition leaders outlined their criticisms at a news conference after discussing the issue with United Nations and Organization of American States officials.

The Associated Press, April 26, 1989

The delegates included Eli Altamirano of the Nicaraguan Communist Party and three members of the U.S.-supported Contra rebels.

At the State Department, spokeswoman Margaret Tutwiler said the administration shares the criticisms of the opposition leaders.

The electoral law approved last week "is not the result of good faith bargaining between the government of Nicaragua and the internal opposition groups, and was unilaterally imposed after being passed by the Sandinista-dominated legislature," she said.

She said the law includes a provision requiring that the election council which the Sandinistas control receive one-half of any foreign political contributions.

The law, she said, ignores proposals made by the internal opposition for absentee balloting and procedures for ensuring unlimited access for international election observers.

A new law governing press conduct, she added, includes penalties for disseminating information which the Interior Ministry determines to be a violation of national integrity and allows officials to order closures of up to four days.

2ND STORY of Level 1 printed in FULL format.

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April 26, 1989, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A23

LENGTH: 643 words

HEADLINE: Nicaragua's Electoral Reform Faulted;  
U.S. Warns That Military Aid to Contras Can Be Resumed

BYLINE: John M. Goshko, Washington Post Staff Writer

BODY:

The Bush administration, in a pointed reminder that its agreement not to seek new military aid for the Nicaraguan contras is linked to free elections in that country next February, charged yesterday that reforms made by the Marxist-led Sandinista government are insufficient to prevent rigged balloting.

State Department spokesman Margaret Tutwiler began her daily press briefing with a statement that described the electoral laws enacted by the Sandinistas last week as "troubling" and "not the result of good-faith bargaining" with its domestic opposition. She concluded with a warning that dialogue and compromise are necessary to "create conditions of trust in which free elections can go forward."

Administration officials said the statement was meant to remind Nicaraguan President Daniel Ortega that President Bush can ask Congress next year to resume funding of the contra guerrilla war against the Sandinistas if the elections are a sham.

The officials, noting that Ortega is touring Western Europe seeking economic aid from the European Community, said the statement also was intended to draw the attention of West European leaders to what the United States contends is lagging progress toward democracy in Nicaragua.

The officials said privately they felt Ortega was given what one called "an uncritically warm reception" by French President Francois Mitterrand. Ortega also will be meeting for the first time with such U.S. allies as British Prime Minister Margaret Thatcher and West German Chancellor Helmut Kohl, and, as one U.S. official said, "We want to remind them that they shouldn't accept his avowals of commitment to democracy at face value."

The bipartisan accord reached last month by Secretary of State James A. Baker III and congressional leaders calls for Bush not to seek arms for the contras until after the February elections. In the meantime, Baker has said, the United States will use moral suasion and various "carrots and sticks" to prod the Sandinistas toward fair elections.

Administration officials said Tutwiler's statement was in line with this approach and was timed to coincide with Ortega's promise to have satisfactory electoral reforms in place by yesterday. He set that deadline at a Feb. 14 meeting in El Salvador with the presidents of the four neighboring countries that joined with Nicaragua in the 1987 Central America peace plan.

(c) 1989 The Washington Post, April 26, 1989

The new laws adopted by Nicaragua's Sandinista-dominated legislature have been attacked by opposition political parties as enabling the government to manipulate voter registration and balloting and retain unfair control over television and other media.

"Both the substance of these laws and the manner in which they have been put into effect is troubling," Tutwiler said. "The electoral law was not the result of good-faith bargaining and was unilaterally imposed. . . It is still not too late for dialogue and for the necessary compromises by all sides, which alone can create conditions of trust in which free elections can go forward."

Similar charges were repeated at a news conference here yesterday by a delegation of 12 Nicaraguan opposition figures representing the contras and political parties ranging from the far right to the Nicaraguan Communist Party. In addition, a group of House members -- including several Democrats who have been key swing voters in past battles over contra military aid -- sent a telegram to Ortega urging him to address charges that the new laws are "biased and unfair."

Paul Reichler, a Washington attorney who represents the Sandinista government here, said, "The State Department is hardly a disinterested party." He charged that Tutwiler's statement contained inaccuracies and distorted characterizations of Nicaraguan laws, which he asserted are comparable to the electoral laws used by many Latin American democracies.

TYPE: FOREIGN NEWS

SUBJECT: NICARAGUA; POLITICS; GOVERNMENT AID TO FOREIGN NATIONS

ORGANIZATION: CONTRAS

6TH STORY of Level 1 printed in FULL format.

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March 20, 1989, Monday, Late City Final Edition

SECTION: Section A; Page 1, Column 3; Foreign Desk

LENGTH: 1127 words

HEADLINE: GUN BATTLES FLARE AS SALVADORANS VOTE FOR A LEADER

BYLINE: By LINDSEY GRUSON, Special to the New York Times

DATELINE: SAN SALVADOR, March 19

BODY:

As firefights broke out across much of the country between the military and the anti-Government guerrillas, Salvadorans voted today for a successor to President Jose Napoleon Duarte.

The right-wing Republican Nationalist Alliance, known from its initials as Arena, announced at a news conference late tonight that its candidate, Alfredo Cristiani, a wealthy coffee grower, had won more than 50 percent of the votes and would not have to face a runoff election. However, official results in the seven-candidate race were not expected until Monday.

In the election-day violence, three journalists were killed and one was seriously wounded in three separate shootings. Military officials said five guerrillas and two soldiers died in fighting in nine provincial towns, and eight civilians were wounded.

Problems for U.S. Policy

Early projections put Fidel Chavez Mena of the ruling Christian Democrats in second place, far behind. That would mark a sharp rejection of President Duarte, whose term ends June 1.

The Christian Democratic headquarters was virtually deserted tonight and the party provided no results.

A first-round victory for Mr. Cristiani and Arena, which has strong anti-American strains, would mark a failure of American efforts to build the Christian Democrats as a centrist bulwark against the political extremes. It could leave the American Congress very reluctant to send more financial aid to the country.

The voting and the violence came after a week in which much of the country lived in near siege conditions. The guerrillas, who called for a boycott of the vote, imposed a transportation ban that paralyzed traffic for four days and stepped up sabotage, cutting power and water to about 80 percent of homes.

Explosions reverberated across the capital this morning as the army sent helicopters to support troops battling rebels on the slopes of Guazapa volcano, a guerrilla stronghold to the north.

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'With these problems it's better to stay home,' said 23-year-old Carlos Ortiz as he sat in his house. As he spoke, a rebel unit retreated from an attack on a military post three blocks away. A commander of the rebels, Ana Guadalupe Martinez, said in a radio interview that the guerrillas attacked 20 towns today. She said army posts were the targets, not polling stations.

The capital and other Government-controlled areas reported minor incidents. But there was fierce fighting in the east and southeast, rebel strongholds. The turnout in those areas was far lower. Caught between official calls to take part and a rebel boycott, voters often cast ballots reluctantly.

Turnout appeared light through much of the morning as people in this predominantly Roman Catholic country went to church to celebrate Palm Sunday. Others stayed home and listened to their radios, trying to gauge whether it was safe to vote.

#### Lines at Some Polls

By midday, lines stretched around the block at some polling stations in the capital while others were barely busy.

Many poll workers said it appeared that the overall turnout would be moderate, about the same as in the last presidential elections, in 1984.

'I'm afraid, but I'm voting because I'm afraid there will be trouble if I don't,' said Jorge Alvarenga as he voted in Tenancingo, 40 miles northeast of the capital. The town was bombed and deserted in 1983 but was resettled two years ago.

A bomb exploded to the southwest as he stuffed his paper ballot through a wooden slot into a clear plastic garbage bag, which allows anyone standing nearby to see the vote. The square near the polling station was festooned with rebel slogans. 'Everyone Prepare for the Grand Popular Uprising -F.M.L.N.,' said one sign, referring to the guerrilla coalition, the Farabundo Marti National Liberation Front.

#### No Voting in 19 Towns

Several poll workers who resigned because of thinly veiled rebel death threats were replaced before the vote. Officials said all but 19 of the country's 262 municipalities held balloting. Those that did not were in guerrilla strongholds in the north where officials deemed it too dangerous. Five national elections have failed to end the nine-year-old civil war, which has cost 70,000 lives and displaced one in four Salvadorans. Much of the killing has been attributed to right-wing death squads linked to the Arena party.

Poll watchers said it did not appear that there was a pattern to the irregularities or that they were made in an attempt to rig the election. It was not immediately clear if they were widespread enough to affect the outcome.

After visiting two polling stations early in the morning, the United States Ambassador, William G. Walker, compared the vote to a 'civic fiesta.'

The election was monitored by 120 foreign observers, including a group of legislators and others from the United States led by Representative Tony

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Coelho of California, the House Majority Whip, whose visit was supervised by the United States Embassy.

The deaths of the three newsmen, including a Dutch cameraman working for Ikon Television, raised the number of journalists killed while covering the civil war to 25, according to Americas Watch, a New York-based human rights group. The cameraman, Cornelio Lagrouw, was hit in the chest when caught in a crossfire during a battle between the rebels and the army in San Francisco Javier, southeast of the capital in the province of Usulután.

Colleagues said that they loaded his body into their van, which was clearly marked with flags and tape saying "TV," but that the van was then repeatedly strafed, although not hit, by a helicopter gunship. "The military appears to be targeting journalists in some cases and deliberately harassing them in others," said Douglas Farah, president of the Salvadoran Foreign Press Association, who works for The Washington Post. "We strongly condemn these actions and this attitude."

But Defense Minister Carlos Vides Casanova defended the army. He said that it was not clear who shot the Dutch cameraman and that the helicopter pilot did not identify the news vehicle.

Two other journalists were killed by security forces. A Salvadoran soundman for a local television station, Mauricio Pineda de Leon, was killed at a police roadblock near San Miguel, 85 miles east of here, his driver said.

A freelance Salvadoran photographer, Roberto Navas, was killed and a second, Luis Galdamez, was wounded at a roadblock near an air force base on the outskirts of the capital Saturday night. Both worked for Reuters.

Mr. Galdamez told friends that the two were returning from work on a motorcycle when they were stopped at the checkpoint and their credentials were checked. Moments after they were waved through, he added, the soldiers began shooting at them.

GRAPHIC: photos of a government soldier near Salvadoran capital (AP) (pg. A1); voters in Santiago de Maria (NYT/Candace Freeland); map of El Salvador (pg. A10)

SUBJECT: ELECTION RESULTS; ELECTIONS; UNITED STATES INTERNATIONAL RELATIONS; SALVADOR, EL-INTERNATIONAL RELATIONS-US; NEWS AND NEWS MEDIA; CIVIL WAR AND GUERRILLA WARFARE

ORGANIZATION: ARENA PARTY ( EL SALVADOR)

NAME: GRUSON, LINDSEY; CHAVEZ MENA, FIDEL; CRISTIANI, ALFREDO

GEOGRAPHIC: SALVADOR, EL

7TH STORY of Level 1 printed in FULL format.

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March 20, 1989, Monday, Late City Final Edition

SECTION: Section A; Page 10, Column 1; Foreign Desk

LENGTH: 578 words

HEADLINE: In One Town, Election Fear And Charges

BYLINE: By MARK A. UHLIG, Special to the New York Times

DATELINE: SAN RAFAEL ORIENTE, El Salvador, March 19

BODY:

The presidential elections today divided the rural towns of this lush, volcanic country into two sharply opposed camps.

In the many towns controlled by Government troops, the day was a festival of civic pride, celebrated with bright banners and lines of voters who walked as many as two hours to cast ballots. In parts of the country sympathetic to the guerrillas, it was a call to defiance as citizens avoided even the appearance of cooperation with the voting.

But in many towns where authority is bitterly contested, as in this small cotton-growing village in the southeast, the voting gave way to intimidation, fear and confusion as townspeople struggled with competing demands. And the absence of clear electoral supervision threatened the legitimacy of thousands of ballots.

Under threats of death from the leftist rebels, most election officials in at least 11 towns, including San Rafael Oriente, resigned on Friday, leaving stacks of election materials unclaimed.

Parties Fill Vacuum

In several towns, heavily armed military units brought in new election workers by helicopter to open the polling stations. But in many others the vacuum in authority was filled by convoys of political party workers who set up voting on their own, certifying ballots and policing voting areas in what some officials described as a brazen attempt to commandeer the vote.

'I will ask the Central Electoral Council to declare that all the ballots collected here today are null and void,' said Juan Gilberto Portillo, a beleaguered national election official here. He was pitted against a score of workers trucked in by the Nationalist Republic Alliance, known by its Spanish acronym, Arena.

'This has turned into a sham,' Mr. Portillo said.

Arena officials overseeing the balloting in San Rafael Oriente, where 10,000 voters were registered, acknowledged that they had taken responsibility for opening the election booths, arranged in a shaded outdoor area off the town's rutted main road. Most of the workers, they said, were brought in from San

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Miguel, a conservative stronghold known for heavy guerrilla activity.

The Arena officials, dressed in red-white-and-blue poll -watching aprons, said they had received authority from national election officials to take charge of the voting. But they could produce no credentials to document that, and journalists who visited the polling station encountered citizens denouncing the vote as a fraud.

'Everyone Is Afraid'

'They don't have any right to be doing this,' said Dr. Jose Antonio Morales Ehrlich, a local resident who carried a letter certifying him as a poll watcher for the small National Conciliation Party. 'Everyone else is afraid, so they have just taken it into their own hands.'

Dr. Morales and other residents said a guerrilla commander, identified as Commandante Francisco Sanchez, sent a written warning to the town's election workers Wednesday night, saying they would be killed within 24 hours if they took part in the election.

When the officials resigned, the residents said, the Arena workers stepped in, organized by the city's former Mayor, an Arena supporter who resigned under guerrilla threats late last year. Questioned about his role, the former Mayor insisted that he no longer held a political office and accused townspeople of trying to expose him to guerrilla retaliation.

San Rafael Oriente is in a rough rural area that has long been a center of rebel activity.

SUBJECT: BOYCOTTS; CIVIL WAR AND GUERRILLA WARFARE; ELECTIONS

NAME: UHLIG, MARK A

GEOGRAPHIC: SALVADOR, EL; SAN RAFAEL ORIENTE (SALVADOR)

8TH STORY of Level 1 printed in FULL format.

The Xinhua General Overseas News Service

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MARCH 20, 1989, MONDAY

LENGTH: 553 words

HEADLINE: roundup: salvadorians go to polls amidst gunfire

BYLINE: by wang shubo

DATELINE: beijing, march 20; ITEM NO: 0320169

BODY:

sunday's nationwide presidential elections in el salvador were held amidst gunfire and explosions, while consistent fighting between government troops and guerrillas made it impossible to give a preliminary count of the votes. however, observers said alfredo cristiani, candidate of the right-wing nationalist republican alliance (arena), was expected to claim more than half of the vote, followed by fidel chavez mena of the ruling christian democratic party. as the voting started at 7:00 a.m. local time on sunday, fully-armed troops and police began to patrol the streets to prevent guerrilla attacks on balloting booths. starting from saturday night, the guerrillas of the farabundo marti national liberation front (fmln) had mounted attacks against the capital city and more than 20 towns across the country. fire exchanges between the government troops and guerrillas continued until sunday evening, leaving more than 10 people killed, including three foreign journalists who were shot dead by the police. sunday's presidential elections drew a total of seven candidates. under the nation's constitution, whoever obtains more than 50 percent of the vote will succeed president jose napoleon duarte, who is suffering from cancer and will retire on june 1. early this year, the fmln put forward a peace proposal designed to end the 10-year-old civil war which has left more than 70,000 dead. the fmln urged the government to ensure a fair and free election without interference from the united states, and asked the government to put off the election until september 15. the guerrillas also called for a reshuffle of the army leadership and put those responsible for the death-squads on trial. if these demands were met, the fmln said, the guerrillas would then participate in the election and accept the results. besides, the guerrillas would give up armed struggle and join in the political life of the country, the fmln added. however, those demands have been turned down by the government and the military. fretted by the rejection of their demands, the guerrillas, three days prior to the election, launched nationwide strikes to cut off public transportation and electricity supply in a bid to boycott the election. sunday's turnout of the 1.83 million eligible voters was lower than expected because of the violence and the guerrillas' threats, even though the guerrillas honored their promise not to hit the polling stations and voters. following the election, arena leader roberto d'aubuisson said that by his party's account, cristiani had gained 59 percent of the vote in eight of el salvador's 14 provinces, and 59 percent in the capital city. still, observers were uncertain about the post-election prospects in el salvador. cristiani, who claimed victory in sunday's election, said he will continue to ask for u.s. support for the country's reconstruction and war against the

The Xinhua General Overseas News Service, MARCH 20, 1989

guerrillas. the united states has, in the past eight years, pumped 3.3 billion dollars in aid into the government's war against the guerrillas. meanwhile, the guerrillas, while stepping up their military attacks, said that they will put forward another peace proposal after the results of the election are released.

12TH STORY of Level 1 printed in FULL format.

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March 19, 1989, Sunday, Home Edition

SECTION: Part 1; Page 15; Column 1; Foreign Desk

LENGTH: 418 words

HEADLINE: SALVADOR BOMB HURTS 7; REBELS RENOUNCE ATTACKS IN VOTE TODAY

BYLINE: From Times Wire Services

DATELINE: SAN SALVADOR

BODY:

A bomb exploded beneath a police truck in the capital's central market Saturday, injuring seven civilians on the eve of El Salvador's presidential elections.

Witnesses and Red Cross officials said the seven, one of them a boy of 11, were hit by shrapnel after leftist guerrillas put the bomb under the pickup truck while its occupants were in the market buying vegetables.

The attack was the most serious since Wednesday, when a rebel ban on public transportation went into effect.

The ban was issued by the Farabundo Marti National Liberation Front in an attempt to paralyze traffic and keep voters away from the polls. Most of the nation's roads were deserted Saturday. Rebel attacks on power installations overnight also left much of El Salvador without electricity and water.

The rebels earlier warned that all polling places would be considered "military targets" and vowed to turn "each street into a battleground" during today's elections to choose a successor to President Jose Napoleon Duarte, the dominant figure in Salvadoran politics for the past eight years.

However, on Saturday, the rebels assured the nation's nearly 1.8 million voters that they will not be attacked. Recent surveys indicated that most Salvadorans would indeed go to the polls.

A U.S. team of observers, led by Republican Sen. Mitch McConnell of Kentucky and Florida Republican Gov. Bob Martinez, arrived late Saturday in the capital, which remained tense as troops began distributing ballots to voters.

Salvador officials said there is no plan to distribute ballots to the 24 municipalities under rebel control.

Armed forces chief Col. Rene Emilio Ponce has said the military would guarantee the security of voters, and that it would provide trucks to take people to the polls.

Opinion polls show voters are expected to favor rightist candidate Alfredo Cristiani of the Nationalist Republican Alliance, or Arena, although a runoff is expected.

(c) 1989 Los Angeles Times, March 19, 1989

Millionaire businessman Cristiani has promised to seek a national dialogue to end the nine-year guerrilla war.

He is opposed by Fidel Chavez Mena of the Christian Democratic Party, a former foreign and planning minister. But Chavez Mena has had to fight off accusations of corruption and incompetence against his party.

The election also is the first this decade in which a candidate of the left has taken part. Guillermo Ungo of the Democratic Convergence, a coalition of parties of the left, has focused his campaign on the need for a negotiated end to the war.

GRAPHIC: Photo, Tense election eve -- Officials and gun-toting soldiers deliver ballot boxes to isolated areas in El Salvador for today's presidential vote. Despite earlier threats, leftist guerrillas assured Salvadorans that they will not be attacked at the polls. Associated Press

TYPE: Wire

SUBJECT: BOMBINGS -- EL SALVADOR; EL SALVADOR -- ELECTIONS; EL SALVADOR -- REVOLTS; GUERRILLAS -- EL SALVADOR

15TH STORY of Level 1 printed in FULL format.

Copyright (c) 1989 The Sunday Telegraph Limited;  
Sunday Telegraph

March 19, 1989, Sunday

SECTION: INTERNATIONAL; Pg. 9

LENGTH: 916 words

HEADLINE: Salvadorean voters run deadly gauntlet

BYLINE: by David Blundy

BODY:

SAN SALVADOR THIS MORNING, the citizens of El Salvador go gingerly to the polls to vote for a new president. It will be a difficult and often dangerous task. Forty-nine per cent of them have said in opinion polls that they do not want to vote or do not know who to vote for. It is not surprising. Unlike the British, who are often deterred from casting their votes by a slight drizzle, Salvadorean voters face a battery of lethal obstacles in their pursuit of democracy. The election is taking place in the middle of a civil war between the Salvadorean army, funded, armed, trained and advised by the United States government, and Communist guerrillas, funded and armed by Cuba, Nicaragua and, indirectly, the Soviet Union. The Salvadorean army has bases in almost every town. But at night, as a Western diplomat said, "the soldiers control only the ground they stand on". Guerrillas, who in effect control most of the countryside, oppose the election. They make their views brutally clear. The mayors of 140 municipalities fled, under threat of death, to the fragile security of the capital, San Salvador. Ten mayors who refused to resign, as the guerrillas demanded, have been shot dead. Polling officials have been threatened and so have many rural voters. In 21 municipalities entirely controlled by guerrillas there will be no voting. The guerrillas wrecked the country's electricity system by blowing up pylons and sub-stations. Many towns and villages have not had electricity, telephones or running water for months. Even the capital has been virtually without power for three days.

At night, San Salvador is a dark sprawl, with a volcano - where the guerrillas have their bases - looming above it, almost in the city's suburbs. Many Salvadoreans will have to walk miles to the polling booths because the national transport system has been paralysed by the guerrillas' demand that vehicles keep off the roads.

A group of bus drivers sat under a tarpaulin in a small town last week getting drunk instead of driving buses.

"If I drive, maybe next week or next month - bang!" said a bus driver as he put two fingers against his head and pulled an imaginary trigger. There was little enthusiasm for the election in San Agustin, a benighted town about 60 miles east of San Salvador in the centre of what Salvadoreans call a "conflict zone". Senora Maria Reyes, owner of the town pharmacy, was reluctant to discuss the poll because a soldier with a rifle was leaning through the window listening to the conversation. Guerrillas go on patrol a mile or so outside the town, and the inhabitants have been frequently caught in the cross-fire. They are afraid of both the army with its long history of killing civilians and the guerrillas. They have had no electricity or running water for years and very

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little money. In the previous election, in 1984, many San Agustinians voted for the Christian Democratic Party, which promised a new road for the town. It has still not been built. This year, since even voting carries dangers, Senora Reyes was adamant: "We will not vote." However, pollsters and officials confidently predict that at least half the Salvadoreans eligible to vote will turn out for the election. Professor David Browning of Oxford University, Britain's official election observer, believes that Salvadoreans will overcome the odds and that the election will be fair and comparatively free. If the polls and the experts are even modestly correct, the winner today will be the Right-wing Arena Party. It has a big lead over the ruling Christian Democrats, led by the colourless Senor Chavez Mena, and the Left-wing Convergence Party, which has loose links with the rebels. The Convergence candidates wear bullet-proof vests as protection against Right-wing assassins and even the rebels. If Arena fails to get 51 per cent of the vote today, there will be a run-off with the Christian Democrats next month. Arena is expected to win. This is bad news for Washington, which has put much of its \$ 400 million-a-year aid behind the moderate Christian Democrats and President Napoleon Duarte, who is dying of cancer. A lot of this money found its way into the pockets, villas and limousines of Christian Democrat officials, whose rampant corruption will almost certainly lose them the election. The Arena Party has been linked to some of the worst atrocities of the past eight years of civil war. Its former leader, the cashiered Major Roberto D'Aubuisson, organised death squads and is suspected of deep involvement in the murder of Archbishop Oscar Romero in 1980. The party's new candidate and the man most likely to be the next president is an engaging businessman, Senor Alfredo Cristiani. He promises to improve the country's economy rather than his own bank account, and disavows the bloody extremes of the D'Aubuisson era. It is difficult to take him seriously. Senor Cristiani has refused to condemn Major D'Aubuisson until he sees "clear evidence" of his guilt. According to US officials, this makes Senor Cristiani either a fool or a liar. The election result could light a short fuse to another explosion of violence. If Arena wins, the guerrillas have threatened to increase their attacks and even unleash what they call a "Tet offensive" against the capital. Arena may, in turn, unleash the Salvadorean army with its legendary reputation for brutality. If the violence changes from the present "low-intensity conflict" to full-scale war, the guerrillas could win.

24TH STORY of Level 1 printed in FULL format.

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March 18, 1989, Saturday, Late City Final Edition

SECTION: Section 1; Page 1, Column 2; Foreign Desk

LENGTH: 731 words

HEADLINE: Election Officials Quit in Fear of Salvador Rebels

BYLINE: By LINDSEY GRUSON, Special to the New York Times

DATELINE: SAN SALVADOR, March 17

BODY:

Bowing to a heightened campaign by leftist rebels to disrupt presidential elections, poll workers resigned today in 11 eastern towns, provincial officials said.

That may prevent voting there on Sunday, when the first round of the presidential election is to be held. No elections have been scheduled in 24 other towns in guerrilla-controlled areas. As a result, as many as 35 of the country's 260 municipalities will not take part in the elections.

In their attempt to disrupt the vote, the guerrillas have brought much of El Salvador to a standstill. Sabotage of utilities has left most of the country without power or water for the last four days and traffic has almost vanished from the highways.

The rebel campaign has strained relations with a coalition of leftist political parties that is taking part in the election for the first time in almost a decade.

Members of the coalition, known as the Democratic Convergence, say they think the guerrillas' campaign helps the right-wing Nationalist Republican Alliance, which is known by its Spanish acronym Arena and enjoys a commanding lead in the polls.

Coalition leaders said the guerrilla campaign was an attempt to strengthen the extremes and force the Government to increase repression. The rebels, they added, hope that will polarize the electorate and drive many voters to the left, providing the support necessary for a popular insurrection.

Seven candidates are running in the first round, but only two are given any chance of winning. They are Alfredo Cristiani, a businessman, for Arena and Fidel Chavez Mena, a lawyer and technocrat who leads the ruling Christian Democrats.

Guillermo Ungo, also a lawyer, is the candidate for the Democratic Convergence, which is expected to finish a distant third. If no candidate receives an absolute majority, there will be a runoff of top two finishers. President Jose Napoleon Duarte, who is being treated for liver cancer, is constitutionally barred from running for re-election.

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Mr. Duarte and other senior Christian Democratic officials say they fear the rebels' tactics will succeed. In recent days, they have repeatedly warned that the party may not survive a loss.

'The guerrillas want the center to disappear so that at last it will be a fight between the classes,' Gerardo Lechevallier, a senior party official and vice minister of communication, said in an interview Thursday night.

#### U.S. Policy in Question

That would pose a major challenge for the Bush Administration. It would mark the failure of longstanding American efforts to build up the Christian Democrats as a centrist bulwark against both political extremes.

The Marxist-led rebels charge that the elections are a facade put in place by the United States to continue the nine-year-old civil war, which has claimed 70,000 lives and displaced an estimated one in four Salvadorans.

The rebels have boycotted the last five elections, often using violence in attempts to disrupt them. In a dramatic about-face, the guerrillas in January agreed to take part in the vote provided it was postponed six months.

But the negotiations broke down and the rebels began seeking to disrupt the elections.

#### Rebels Threaten Officials

In a broadcast this morning on their underground radio network, the guerrillas once again called for an election boycott and issued a veiled threat against any mayors, municipal officials and poll workers who refused to resign.

The threats led two mayors to resign today. Nine mayors have been assassinated and 137 have quit in the last three months. That has disrupted municipal government in more than half of the country's cities and towns, a blow to American efforts to extend the Government's authority.

The Government has responded to the rebel campaign by imposing censorship, ordering local news organizations to refuse to publish or broadcast rebel statements. A radio station in the capital said an interview with a guerrilla commander was stopped in mid-sentence Thursday by the Attorney General's office.

Much of the country was living in siege conditions today. Highways were deserted for the second straight day because the rebels have threatened to 'blow to pieces or consume in flames' any vehicle.

The transportation stoppage, which began Thursday, was imposed to prevent the country's 1.9 million registered voters from going to the polls.

SUBJECT: ELECTIONS; CIVIL WAR AND GUERRILLA WARFARE

NAME: GRUSON, LINDSEY

GEOGRAPHIC: SALVADOR, EL

25TH STORY of Level 1 printed in FULL format.

Proprietary to the United Press International 1989

March 18, 1989, Saturday, BC cycle

SECTION: International

LENGTH: 579 words

HEADLINE: Salvadoran voters prepare to defy rebel election boycott

BYLINE: By DAVID KIRBY

DATELINE: SAN SALVADOR, El Salvador

KEYWORD: Salvador- Voters

BODY:

A threat by leftist rebels to attack polling places sent tensions rising on the eve of presidential elections Saturday but some Salvadorans said they were determined to cast their ballots.

Officials said some 1.5 million of 1.8 million registered voters were expected to vote Sunday for president and vice president despite the threat by the leftist Farabundo Marti National Liberation Front.

The FMLN decided to boycott the elections when negotiations broke down to postpone the voting by six months. The rebels had offered to participate in the elections and held out hopes for a possible end to the civil war, which has killed some 70,000 people.

Urban commandos of the FMLN announced Thursday all polling places would be considered "military targets" and vowed to turn "each street into a battleground" during elections to choose a successor to President Jose Napoleon Duarte, the dominant figure in Salvadoran politics for the past eight years.

"We advise people to stay inside on Sunday," the rebels said in a taped message broadcast on local radio stations.

But many people said they would take the risk.

"Of course I'm going to vote, although I have to admit it's pretty scary. But we live with warfare every day of our lives, why should Sunday be any different?" said Jose Maria Bustamente, a construction foreman in the capital.

"Here, going to the grocery store can be dangerous, but you have to do it. And you have to vote, too. We can't just roll over and play dead each time we're threatened," Bustamente said.

Martha Castillo Godoy, a housewife from a pleasant middle-class neighborhood, said she was going to vote because, "We have to keep our fragile democracy going. Otherwise, the communists will take over to fill the void."

Castillo said she and her entire family would vote for Alfredo Cristiani of the right-wing Nationalist Republican Alliance (ARENA), who was expected to

Proprietary to the United Press International, March 18, 1989

defeat Fidel Chavez Mena of the ruling Christian Democratic Party.

As Castillo spoke, the familiar muffled sound of a bomb in the distance marred the otherwise tranquil afternoon.

'I think we'll be hearing lots of that sort of thing tomorrow. We're going to the polls early so we don't have to wait in a long line - that's the most dangerous part of voting,' she said.

The relative calm in the city led to rumors that the rebels might back off their threat and let the voters cast their ballots. Rebel leaders contacted by United Press International in Mexico City indicated they might let Sunday go by without excessive bloodshed, although they would not give any guarantees.

Even so, some people took the boycott seriously. Jorge Mendoza, a 28-year-old mechanic, said he 'wouldn't dare step foot outside tomorrow.'

'We have enough food, water and candles to last a few days. My family and I see no reason to be out on the street. The guerrillas have guts. If they decide to attack, then any place in the city is not safe. We live near a polling place, I hope they don't bomb it,' he said.

Other people said they wouldn't vote, but not because of rebel threats.

'I'll go vote when I see there is a chance of finally having peace in the country. But there is no choice here. The ARENA operates death squads, but Jose Napoleon Duarte and the Christian Democrats have allowed them to do so,' said Miguel Argel Roger Montenegro, an investigator for the non-governmental Human Rights Commission.

'We are all tired of suffering,' he said.

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who strictly apply the law to convicted drug offenders and severe sentences for dealers who hire children. And it means increasing Federal drug prosecutions. And, yes, it means strict enforcement—and I mean strict enforcement—of the Antidrug Abuse Act of 1988. I want increased prison sentences for drug-related crimes and, yes, the death penalty for drug kingpins and those who commit these drug-related murders. We owe our police officers nothing less than that. I was very pleased that yesterday the Supreme Court validated drug testing. I hope this will help achieve our goal of a drug-free workplace.

A secure community is the right of every American. Toward the end, guns can be imported under current law only if they are adapted for sporting purposes. That's the way the law reads now. We've recently taken a step and temporarily suspended the import of these AK-47's and certain other semiautomatic weapons into this country, as we continue to search for a solution to this difficult and complex problem.

I do believe—and I expect many in the room like me are sportsmen—I do believe in the legitimate right of sportsmen and others who own guns. But I also believe in supporting our police officers who lay their lives on the line. And I am convinced that the vast majority of sportsmen want to find a way to support our law enforcement officers, and I want to be with them in finding a solution to this problem. I said yesterday that I'm a member of the NRA [National Rifle Association], and I am. I have nothing to be ashamed of there. But I happen to believe that the vast majority of NRA members support the position I've just taken: that the time has come to do something about these automated weapons that are threatening the lives of these people behind me. And I'm going to see that it takes place.

You know, many issues involve shades of gray. Crime is not among them. Drug trade is not among them. It involves good guys and bad guys, white hats and black hats, good and evil. And many of you, I'm sure, have heard of Everett Hatcher. I'll bet these guys have—Federal agent involved in an undercover drug investigation. He was only 46 years old, the father of two. Barely 3 weeks ago, an hour after radioing col-

leagues that he was driving to a new site to meet a drug dealer, he was found shot to death in Staten Island. And earlier this month I met with his widow, Mary Jane—a very emotional moment. And we have offered \$250,000 for information leading to the apprehension of the man wanted in connection with this murder. But it brought it home to me, loud and clear: We have got to win the war on drugs for Everett Hatcher and all those of your profession who have given their lives to free America of drug abuse.

To build a better life, to make tomorrow free of drugs, will require the will and spirit of the American people. People like Everett Hatcher. People like Corporal Durnan. People like you. And of this I am certain: As Americans, nothing lies beyond our reach. The people, yes. The future, yes. By serving one, let us seize the other.

And thank you for inviting me and for your many kindnesses. And God bless you all, and God bless the United States of America. Thank you very, very much.

*Note: The President spoke at 12:35 p.m. in the Delaware Ballroom at the Radisson Hotel. He was introduced by Gov. Michael N. Castle. Following his remarks, the President returned to Washington, DC.*

**Statement by Press Secretary Fitzwater  
on President Bush's Telephone  
Conversation With Newly Elected  
President Alfredo Cristiani of El  
Salvador**

*March 22, 1989*

President Bush spoke earlier today with Alfredo Cristiani, the winner of the Salvadoran Presidential election, to congratulate him on his victory. The President assured Mr. Cristiani that the United States would continue to work closely with El Salvador to help the Salvadorans create and protect a durable democracy there. Mr. Cristiani affirmed his recent public statements that he and his administration will be committed to respect for human rights. President Bush invited Mr. Cristiani to visit Washington at an early date.

On Sunday, March 19, hundreds of thousands of Salvadoran peasants, working people, business men and women, and citizens from every walk of life defied threats of death and terror from Marxist guerrillas to vote in that country's Presidential election. This was the sixth national election El Salvador has held under international supervision in the last 7 years. What we witnessed last Sunday should leave no doubt: The people of El Salvador are passionately committed to the democratic rights and liberties they have fought for and won with U.S. support in recent years.

Our policy in El Salvador, forged through bipartisan consensus and with bipartisan support, is clear: We are committed to continue democratic progress and the defense of human rights. There must be no turning back to the dark and terrible past. We expect, and the Salvadoran people clearly desire, continued steady progress toward establishing the rule of law, an effective judicial system, and security against political violence from either the right or the left. There is also a message for the FMLN [Farabundo Marti National Liberation Front] guerrillas in Sunday's election: The Salvadoran people clearly yearn for an end to the terrible violence to which they have been subjected.

The time has come to end the violence and secure an honorable peace that will protect the rights and security of all Salvadorans, regardless of their political views, to participate in a safe and fair political process. If the FMLN would embrace that goal, we are confident that this tragic war can come to an end. The President welcomes Mr. Cristiani's stated commitment to continue the dialog with the FMLN guerrillas and hope the guerrillas accept his offer. Moreover, the guerrillas will not succeed in obtaining the political victory in the United States that they cannot win among the people of El Salvador. The United States is committed to the defense of democracy and human rights in El Salvador. So long as El Salvador continues on that path, the United States will remain a firm and steady ally.

A final note: Last Sunday's election heralds the final months of the Presidency of José Napoleón Duarte, a great patriot and champion of democracy. The President salutes President Duarte for his courage, his

patriotism, his steadfast commitment to democracy, and for his enormous and lasting contribution to building an authentic democratic process in his country.

### **Nomination of Quincy Mellon Krosby To Be an Assistant Secretary of Commerce**

*March 22, 1989*

The President today announced his intention to nominate Quincy Mellon Krosby to be Assistant Secretary of Commerce (Export Enforcement). She would succeed G. Philip Hughes.

Since 1982 Mrs. Krosby has been with the Department of State, serving in several capacities, including economic officer (energy attaché) for the U.S. Embassy in London; Special Assistant to the Under Secretary for Security Assistance, Science and Technology; Special Assistant to the Counselor of the Department; economic counselor for the U.S. Embassy in Bulgaria; and political/economic officer in the Office of East European and Yugoslav Affairs. Between 1973 and 1981, she was a consultant in London and Oslo for private firms and U.S. Government agencies and served as an adjunct college teacher for Union College, University of Minnesota, the London School of Economics, and Oslo University.

Mrs. Krosby received a bachelor of arts and a master of arts degree from the University of Minnesota and the London School of Economics and Political Science (Ph.D., 1979).

### **Nomination of Kenneth W. Gideon To Be an Assistant Secretary of the Treasury**

*March 22, 1989*

The President today announced his intention to nominate Kenneth W. Gideon to be Assistant Secretary of the Treasury (Tax Policy). He would succeed O. Donaldson Chapoton.

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### **Nomination To Be a Member of the Commission on Trade and Tariffs**

*March 22, 1989*

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# Carter's unfulfilled deal

Mark M. Klugmann is an editorial writer for *The Washington Times*. He served in the White House from 1983 to 1985 as assistant director of the Outreach Working Group on Central America.

The crisis in Nicaragua has a forgotten history. It is the negotiated settlement by which the United States helped install Nicaragua's Sandinista government in 1979.

That this agreement has been virtually absent from the Nicaragua debate is most unfortunate, but all too typical of America's failure to assert or enforce its past diplomatic solutions.

For example, U.S. officials rightly criticize Fidel Castro's on-going support for subversion in a dozen countries — but they rarely cite the stipulation of the Kennedy-Khrushchev agreement that bars Cuba from exporting revolution. Similarly, Eastern Europe, Vietnam, human rights in the Soviet bloc, and other areas of concern are addressed by never fulfilled, never enforced negotiated agreements.

But in a key respect the 1979 Nicaragua settlement is different. Some past agreements have faded from sight because they deal with bygone issues or because the United States has no appetite or instrument for enforcing them. With the Nicaragua settlement, on the other hand, the issue is current and an effective enforcement policy — support for the freedom fighters — is already being carried out. Ironically, it is only the settlement which has been remembered.

Back on July 20, 1979, the day after the Sandinistas took power, a standard news summary, *Facts on File*, would matter-of-factly write that "The U.S. negotiated an agreement with the leaders of the FSLN while pressing Somoza to resign. When the FSLN had conceded a number of points that the U.S. felt were necessary to insure that the new government would not be dominated by communist sympathizers, Somoza was told that he could step down." The account would refer to "the plans for a peaceful transfer of power that had been painstakingly negotiated by [U.S. Ambassador to Nicaragua] Lawrence A. Pezullo, the 5-member rebel junta and Somoza." The story of the negotiations and settlement, the decisive political front in the Sandinistas' march to power, is well told by Pulitzer prize-winning journalist Shirley Christian in "Nicaragua: Revolution in the Family" and is documented in the Congressional Record and press accounts.

But despite the historical record,

diplomatic amnesia has set in. And as a consequence the Nicaragua issue is often misreported, as in a recent Associated Press news story that termed the central policy question "whether the United States should be sponsoring a rebel force aimed at destabilizing a foreign government." Memories may fade, but facts don't. The real question is whether the Sandinistas will be forced to comply with the negotiated settlement that legitimized them and enabled them to take power.

U.S. policy in Nicaragua is now at a critical point. With the failure of the Arias plan to bring either peace or democracy to Nicaragua and with Congress scheduled to vote on new aid to the freedom fighters in early February, it is time to reexamine the still valid and binding 1979 negotiated settlement and restore the agreement to the primary role it deserves in public debate. At minimum, it is essential to a truthful accounting of how we got where we are today. And it could hold the political key to renewing aid to the Nicaraguan resistance and removing the Sandinista's brutal Marxist-Leninist regime.

Until recently, the Reagan administration made little mention of the 1979 settlement. Presidential speeches would briefly mention the Sandinistas' "broken promises," failing to explain that these commitments were part of a negotiated settlement that addressed political, security and human rights issues.

The Democrats in 1979 were not so modest about their accomplishment. In June of that year, Senator Edward Kennedy and other senators pressing the Carter administration on Nicaragua said plainly that their goal was the ouster of President Anastasio Somoza and "a political settlement in Nicaragua." Carter's Deputy Secretary of State, Warren Christopher, candidly wrote to Sen. Kennedy three weeks before the Sandinistas were installed that "we are engaged in a wide-ranging diplomatic effort in Washington, in Managua, and throughout the hemisphere. Our goal is a process which would remove Somoza peacefully and would lead to . . . the establishment of a new representative government." The State Department, following Somoza's resignation and departure from Nicaragua, credited itself with having "worked to facilitate a peaceful and democratic solution." President Carter, once Somoza was out and the Sandinista-dominated junta was in, boasted of having "[brought] about an orderly transition." Mr. Carter later hosted Daniel Ortega at the White House and with the support of Congress provided \$118 million in direct U.S.

aid and led the international community in putting together a \$1.6 billion financial package for Nicaragua's new government.

The Carter administration with the support of liberal congressional Democrats had cut off military, economic, and political support from Somoza as he battled the Sandinista insurgency in order to force him to accept a settlement. As Nicaragua's civil war grew in intensity, the U.S. government conducted negotiations with the Somoza government, the communist Sandinistas, the genuinely democratic opposition to Somoza, and the Organization of American States. The objectives of the Carter administration were codified on June 23, 1979 when the OAS passed a resolution calling for the "immediate and definitive replacement of the Somoza regime" and "the installation in Nicaraguan territory of a democratic government" that would honor "human rights," hold "free elections," and guarantee "peace, freedom, and justice." This resolution was a request for a new government willing to meet certain political specifications. The Government of National Reconstruction junta — the Sandinista-dominated government-in-waiting — had positioned itself to fill that role by crafting a democratic facade and actively campaigning and negotiating with the United States and other OAS member states.

With Somoza still in power, President Carter's envoys met repeatedly with the GNR junta to negotiate specific democratic requirements and, ultimately, finalize a plan for installing the five-member GNR junta. On July 12, 1979, a spokesman for the GNR junta said that their talks with the United States had "reached the final stages." That same day, the GNR junta sent a cable to the OAS Secretary General acknowledging the June 23rd resolution and presenting their "Plan to Achieve Peace" — which they described as developed on the basis of the June 23rd resolution — and the "Program of the Junta of the GNR." The covering letter and documents committed the junta to "free elections," "a broad-based democratic government," "full respect for human rights," "fundamental liberties," "freedom of religion," "union rights," "a mixed economy," "an independent foreign policy of non-alignment" and a "minimum" permanent military corps, among other specifics. On July 15, 1979, the United States gave its approval to the GNR junta based on the specific commitments received on July 12th, and final plans were made for Somoza's resignation and the transfer of power. (. . . next page)



Jimmy Carter

TUESDAY, JANUARY 26, 1988

COMMENTARY

MARK KLUGMANN

*The Washington Times*

The political settlement reached with the Sandinistas in 1979 is still unfulfilled, but the terms are good, guaranteeing real democracy and human rights for the people of Nicaragua — which, after all, was the objective of the American intervention against Somoza. The settlement also fully protects the security of Central America and the United States by precluding Nicaragua from aiding communist guerrillas in Central America, basing thousands of Soviet bloc, Cuban, PLO, and Libyan military and intelligence personnel in Nicaragua or building a military capability greater than that of all its neighbors combined — all of which the Sandinistas have done.

The 1979 settlement must be enforced and complied with. Without the political settlement, the Sandinistas would not have gained power. And if the agreement is enforced, the United States' policy requirement of a genuinely democratic, peaceful Nicaragua will be satisfied and the yearning of the Nicaraguan people for democracy and freedom, expressed in their opposition to both the Somoza dictatorship and the Sandinista communists, will at long last be fulfilled.

But that is only part of what the settlement negotiated between the Carter administration and the Sandinistas does; it also recasts the American political debate over Nicaragua's communist regime, shifting the burden to the political party that helped bring the Sandinistas to power and, most importantly, which has generally opposed aiding the Nicaraguan resistance and enforcing the negotiated settlement. Opponents of contra aid have insisted that they are not defenders of the Sandinistas, they simply want a negotiated settlement. The reality is that we already have a satisfactory negotiated settlement, and the Democratic party is chiefly responsible for it. The agreement provides everything that we require. The Sandinistas are not honoring it. The contras are fighting to fulfill it. Some members of Congress are working to erase it.

Congressional liberals have for too long hid behind a false choice by saying they seek a diplomatic solution, not a military solution. The reality is that the contras' armed struggle is not *instead* of a negotiated settlement, it is in *enforcement* of the settlement that President Carter reached. Cutting off aid to the contras does not promote a political solution, it abandons the democratic settlement already achieved. The

freedom fighters' military struggle would stop tomorrow, if tomorrow the Sandinistas fulfilled their 1979 pledges. However, for the U.S. Congress to terminate the freedom fighters prior to that point, is to effectively convert the United States' 1979 intervention and settlement from a pro-democratic undertaking into one that served only to advance Soviet communism to the mainland of North America.

The failure of the Arias plan to deliver what it promised has focused renewed attention on the 1979 agreement. President Reagan, speaking last October before the OAS, bluntly stated that "there already exists a negotiated settlement with the Sandinistas that pre-dates the Guatemala plan — the settlement of 1979. . . each nation here is a party to that negotiated settlement." (Unfortunately, despite thirteen references to the 1979 settlement in a major presidential policy address, the settlement, having vanished down the memory hole, went unmentioned in most press coverage of the speech.) In November, President Reagan speaking again to the OAS, reiterated the point about the 1979 settlement, as did Secretary of State George Shultz, addressing the organization the following day.

When it was Daniel Ortega's turn to speak to the OAS last November he, spent half his speech trying to escape the grip of the 1979 agreement, arguing a defense reminiscent of the man accused of murder who claimed he was out of town when it happened and, besides, he had acted in self-defense. Mr. Ortega began by denying "the supposed violation of an in-existent commitment," then switched to arguing that "even supposing that such a political pledge had had the force of a legal commitment, it could not have justified the United States insisting [on] the fulfillment of the commitment made not directly toward the United States." (Of course, Comandante Ortega knows that the Sandinistas' made their democratic commitments directly to the United States: he personally participated in the 1979 negotiating sessions. And both Daniel Ortega and Sergio Ramirez, his vice president, signed the July 12, 1979 written commitments.)

Both congressional liberals and the Sandinista Marxists have used the Arias plan in an effort to defund the resistance and prevent the enforcement of the 1979 settlement. The Arias plan's concept of disarming and evicting the resistance today in exchange for promises of "democratization" tomorrow is utterly flawed and unenforceable. By contrast, in 1979, Costa Rica provided

both weapons and sanctuary to Sandinista guerrillas while democracy for Nicaragua was negotiated in San Jose; meanwhile it was the dictator in Managua whose arms supplies were cut off, not the rebels. No Central American president — and certainly not Daniel Ortega — has the authority to sign away the legitimate claim of every Nicaraguan to the fundamental democratic rights provided under the 1979 settlement.

The terms of the Arias plan fall far short of the requirements of the 1979 settlement, both in terms of genuine democracy and with respect to fundamental security issues which the plan does not address. But at this point the shortcomings of the Arias plan are largely beside the point: The Arias plan's own stipulations on human rights, democratization, amnesty, and political negotiation have not been honored by the Sandinistas, and the 90 and 150-day deadlines have each passed and been ignored. Under the terms set by the signers of the Arias plan themselves on August 7, 1987, the plan has failed not once, but twice. What remains is what we have always had: the 1979 settlement, a group of brave Nicaraguans struggling to fulfill it, some of them armed and others resisting without arms, and a communist regime determined to hold and expand its power in Central America. Indeed, the Burton Amendment to the 1985 Foreign Assistance Act requires that U.S. policy in Nicaragua must be governed by the terms of the 1979 settlement. And after two Arias deadlines, three years of Contadora deliberations, many rounds of bilateral negotiations and numerous visits of congressional delegations it has become quite clear: There is no other sound basis for U.S. policy besides the 1979 settlement.

When the Reagan administration asks Congress to renew aid to the Nicaraguan democratic resistance the message should be this: we have a binding negotiated settlement with the Sandinistas that guarantees true liberal democracy for the people of Nicaragua and assures the security of Central America and the United States. Under the auspices of the OAS, the settlement was achieved by a Democratic president with a Democratic Congress. The United States is morally obligated to enforce it, and our national security requires that we do so. If the Democrats now want to repudiate their own settlement rather than enforce it against a brutal and expansionist pro-Soviet communist dictatorship on the mainland of North America, let them tell the American people why. Come November, the electorate will have a clear choice.

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*What the Democrats  
say they want — a  
negotiated settlement  
— we already have.  
Jimmy Carter's  
Nicaragua settlement  
guarantees democracy  
and U.S. security —  
but will Congress let  
Reagan enforce it?*

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 26, 1989

EXECUTIVE ORDER

- - - - -

DELEGATING AUTHORITY TO PROVIDE ASSISTANCE  
FOR THE NICARAGUAN RESISTANCE

By the authority vested in me as President by the Constitution and laws of the United States of America, including Public Law 101-14, to implement the Bipartisan Accord on Central America of March 24, 1989 ("Act"), the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 et seq.), Central American Peace Assistance Act, Public Law 100-276, and section 301 of title 3 of the United States Code, and in order to delegate certain functions concerning the designation of amounts to be transferred from specified accounts, the transfer of funds, and related personnel matters, it is hereby ordered as follows:

Section 1. The Director of the Office of Management and Budget, in consultation with the Secretary of State, is authorized to perform the functions, vested in the President by sections 2 and 4 of the Act, of determining the amounts of unobligated funds that are to be transferred to the Agency for International Development, and of designating the accounts to which they are to be transferred.

Sec. 2. The Secretary of Defense, in consultation with the Administrator of the Agency for International Development, is authorized to perform the functions, vested in the President by sections 2 and 4 of the Act, of transferring unobligated funds from the accounts specified in section 6 of the Act.

Sec. 3. The Secretary of Defense is authorized to perform the function of designating the amounts of unobligated funds from accounts specified in section 6 of the Act to be transferred.

Sec. 4. The Director of the Office of Management and Budget is authorized to perform the function of approving the detailing of personnel to the Agency for International Development. This authority is vested in the President by section 4(d) of Public Law 100-276 and made applicable by section 8(c) of the Act.

Sec. 5. This order shall be effective immediately.

Sec. 6. Executive Order No. 12654 is revoked.

GEORGE BUSH

THE WHITE HOUSE,  
April 26, 1989.

# # #

1ST STORY of Level 1 printed in FULL format.

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March 31, 1989, Friday

LENGTH: 467 words

HEADLINE: LATIN AMERICA: SELA ANNOUNCES POSSIBLE OUTLINE OF DEBT PROPOSAL

DATELINE: CARACAS, Venezuela, March 31

BODY:

The possible outline of a joint proposal by Latin American and Caribbean nations on the foreign debt was announced here today by the permanent secretary of the Latin American Economic System (SELA), Carlos Perez del Castillo.

The proposal would include the "solid foundations" espoused by the Group of Eight since their meeting in Rio de Janeiro in 1987, as well as the specific interests of each sub-region (South America, Central America and the Caribbean).

The focus of the proposal would be to reduce both the principal and interest owed on four different types of debt: medium- and long-term debt, loans granted by multilateral lending agencies, government loans and intra-Latin American commitments.

The SELA outline is contained in a document drafted on the basis of principles agreed to during three meetings of experts from SELA's 26 member-countries.

The South American group met in November 1988, the Caribbean group in February 1989 and the Central American group in March 1989.

The Group of Eight was created in December 1986 in Rio de Janeiro by the most indebted Latin American countries -- Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela -- in an effort to strengthen Latin America's role and leadership in the world as well as seek a solution to the foreign debt crisis.

SELA's proposal envisions a reduction of the debt through the creation of an entirely new multilateral financial organization or, at least, a new branch of the International Monetary Fund (IMF) or World Bank.

Also proposed is the repurchase of debt on secondary markets as well as the adoption of legislation that facilitates the conversion of debt into investment, according to Perez del Castillo.

The scheme will also suggest the implementation of certain macroeconomic policies as set forth by the new U.S. foreign debt treatment drafted by Treasury Secretary Nicholas Brady.

The SELA official maintained that the issue of intra-Latin American debt must be considered within the context of the joint regional proposal.

(c) 1989 Inter Press Service, March 31, 1989

"We must first put our house in order to be able to demand a new treatment" from abroad, Perez del Castillo said.

He will now circulate the draft proposal to SELA member-countries with an eye towards holding a regional conference on the debt, probably during the second half of the year.

The SELA secretary remarked that the new proposal offers a more coherent treatment of the debt than the series of ambiguous proposals sketched by the Brady Plan.

"The Brady Plan speaks of separate negotiations and leaves the decision about the percentages of reducing the debt up to creditor banks . . ." Perez del Castillo noted.

The SELA initiative, on the other hand, attempts to deal with 90 percent of the region's \$420-billion foreign debt, he explained.

16TH STORY of Level 1 printed in FULL format.

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The New York Times

March 6, 1989, Monday, Late City Final Edition

SECTION: Section A; Page 10, Column 1; Foreign Desk

LENGTH: 961 words

HEADLINE: Venezuela Unrest: Lesson for Leader

BYLINE: By MARK A. UHLIG, Special to the New York Times

DATELINE: CARACAS, Venezuela, March 5

BODY:

Speaking in this riot-torn capital late last week, Venezuela's new President, Carlos Andres Perez, said that the three days of violent street protests should teach world leaders an important lesson about the dangers of third world debt.

But many here believe that the lethal explosion of discontent may be equally instructive for Mr. Perez himself, starkly emphasizing how much Venezuela has changed since he last occupied the presidency a decade ago.

When the 66-year-old Social Democrat won his first five-year term as President in 1974, Venezuela was riding a wave of apparently endless prosperity as South America's only major oil-producing nation. Mr. Perez's Government reflected - indeed, embodied - that outlook, gaining a reputation for free spending and poor management that haunted him beyond the end of his term in 1979.

A Volatile Setting

On Feb. 2, however, Mr. Perez returned to the presidency of a far different country, weakened by a long-term slump in oil markets, burdened by \$33 billion in foreign debt and faced with a deep decline in living standards - a volatile setting by any measure.

Mr. Perez, a career politician who belongs to the Democratic Action Party, was clearly aware of the difficulties that lay in store for him and issued forceful warnings that Venezuela's debt payments, which he said had reached as much as 70 percent of export earnings, threatened the stability of the country's longstanding democratic institutions.

But it now seems clear that neither Mr. Perez nor the rest of the country's political leadership was prepared for the strength of the backlash that occurred when he imposed the first steps in an austerity program intended to stabilize the country's economy.

What has not changed since the 1970's is Mr. Perez's forceful style or the desire for international influence that once made him a spokesman for developing nations. In that role, he played a part in negotiations leading to the Panama Canal treaties and became a confidant of many world leaders, including President Jimmy Carter, who publicly described him as "one of my best personal friends and a great counselor and adviser" on Latin American issues.

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### Supporter of Sandinistas

In his first term of office, Mr. Perez, was also an important early supporter of Nicaragua's Sandinista guerrillas, whom he supplied with money and arms in their successful revolution against the dictator Anastasio Somoza Debayle in 1979. And he retained his high international profile even after his departure from office, serving as vice president of the Socialist International and in several important regionwide posts.

That kind of stature made the re-election of Mr. Perez a kind of political homecoming that was welcomed by leaders throughout the region who looked to him for guidance and leadership.

His inauguration last month was one of the grandest celebrations Latin America has ever known, drawing 22 heads of state together with Vice President Dan Quayle and other dignitaries from around the world.

Regional leaders have sought his counsel and mediation on issues ranging from relations with the European Community to negotiations with leftist guerrilla movements. And when five Central American Presidents held a summit meeting in Tesoro Beach, El Salvador, last month, operators could be overheard placing calls for them to Mr. Perez, apparently to seek his advice as a respected neutral party.

### A Role in Debt Debate

For months, Mr. Perez has made a virtue of necessity by taking a highly visible role in the debate on the debt issue. In appearances here and in Europe, he has argued that rigid repayment schedules threaten Latin America's recent progress toward greater democracy. And he has proposed, among other steps, the creation of an international agency to buy outstanding third world debt at discounted rates and convert it into long-term bonds.

But few anticipated how quickly his warnings would be tested by his own countrymen. And few political analysts and diplomats here are willing to say how seriously the violence may damage Mr. Perez's standing, either in Venezuela or on the international stage where he feels so at home.

Most Venezuelans seem to believe that the crisis was not of Mr. Perez's making. They fault him more for the way he imposed austerity measures — raising prices, for instance, before announcing agreement on private sector wage increases to offset them.

And many this week have looked beyond the President's role to the larger roots of the crisis, expressing shock and even shame that their proudly democratic nation should react so violently to economic measures that have been seen as unavoidable for quite some time.

### Ammunition for His Foes

Caracas newspapers have pointedly noted that Mr. Perez's predecessor, Jaime Lusinchi, who left a legacy of economic chaos, was not even in the country as the crisis unfolded last week, but was reported to be relaxing at a spa in Florida.

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Yet even if Mr. Perez successfully rides out the storm at home, it is not clear how the days of bloodshed -which took at least 300 lives - will affect his ambition and his ability to serve as a regional leader. In the short run, the problems appear to have buttressed Mr. Perez's case for relief of Venezuela's own debt, and some here believe that they may also focus world attention on his role as a spokesman for debtor nations as a whole.

But in the sharp conflicts of Latin American politics, enemies of Mr. Perez have already capitalized on Venezuela's troubles with caustic suggestions that he put his own affairs in order before meddling elsewhere. And it remains to be seen whether Mr. Perez can preserve his influence abroad at a time when his troubles at home are on painful display.

GRAPHIC: photos of President Carlos Andres Perez; Venezuelans picks through remains of discarded food (Reuters)

SUBJECT: DEMONSTRATIONS AND RIOTS; ECONOMIC CONDITIONS AND TRENDS; CREDIT

NAME: UHLIG, MARK A; PEREZ, CARLOS ANDRES (PRES)

GEOGRAPHIC: VENEZUELA

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March 2, 1989, Thursday, Late City Final Edition

SECTION: Section A; Page 1, Column 3; Foreign Desk

LENGTH: 1342 words

HEADLINE: DRUG PRODUCTION RISING WORLDWIDE, STATE DEPT. SAYS

BYLINE: By ELAINE SCIOLINO, Special to the New York Times

DATELINE: WASHINGTON, March 1

BODY:

Global production of coca, marijuana, opium poppies and hashish increased sharply in the last year, partly because of political and economic instability in drug-producing countries, the State Department reported today.

American policymakers "were confronted once again in 1988 by world events that can and do have a devastating impact on efforts to reduce the global supply of drugs," the report said.

Despite a directive issued by President Reagan in 1986 that made drug trafficking a national security issue, the new report concluded that "political and economic instability in drug-producing areas around the world have resulted in the subordination of our drug control agenda to other pressing concerns."

Limits on U.S. Action

Civil strife in Burma, war in Afghanistan, the death of President Mohammed Zia ul-Haq in Pakistan and the declining economy in Peru were cited as examples of events that signaled possible setbacks for the United States in its war on drugs.

Administration officials acknowledged that the drug issue has often been subordinated to other American interests, from support for insurgents fighting Communist regimes to the belief that punishing drug-producing countries like Colombia and Peru might destabilize them.

Most discouraging, it said, was the failure to curb the production of coca in the Andean countries, where a new generation of traffickers has emerged that threaten both the streets of America and the stability of countries long friendly to the United States. Also cited as disappointing was the inability of the United States to convince the Andean Governments to agree to aerial spraying of coca, which the report said is the only way to significantly curb cocaine production.

"We will have only limited success in battling cocaine until we forge a comprehensive, multifaceted strategy which recognizes that cocaine is not simply a law enforcement issue but is also a complex foreign policy matter, requiring a long-term approach," the report said.

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It added that the United States needs to explore ways of using third world debt as a lever in gaining cooperation on drug control.

The report estimated that from 1987 to 1988, the production of coca increased 7.2 percent among the four coca-growing countries: Bolivia, Colombia, Peru and Ecuador. Over the same period, the global marijuana crop increased by 22 percent, the opium crop by 15 percent and the hashish crop by 11 percent.

Despite the pessimistic tone of the report, the accompanying actions by the Bush Administration were rather mild, as they were during the last years of the Reagan Administration.

Under a law passed in 1986, it is up to the President to certify by March 1 that countries where major drug trafficking occurs are "fully cooperating" in cracking down on the drug trade.

There is a growing sentiment in Congress and the State Department that the law is flawed and applied selectively because it does not take into account the complexities of relations between drug-trafficking countries and the United States.

#### Half-Steps Used

Although empowered to impose sanctions against drug-producing countries that do not qualify, President Bush announced mostly symbolic penalties against six countries with which the United States has no relations or severely strained relations: Panama, Afghanistan, Iran, Syria, Laos and Burma.

Mexico, Colombia, Bolivia, Peru, the Bahamas and Paraguay, all major drug-producing or drug-transit countries - which were described by Ann B. Wroblewski, Assistant Secretary of State for International Narcotics Matters, as "close friends and allies" - were also cited as needing to "do more" to cooperate with the United States. But they were fully certified under the law and will not be penalized.

Lebanon was again faulted for not doing enough to combat the drug trade, but was certified because of overriding "national interests."

A preliminary decision to certify Laos and Burma because of national interests, reported today by The New York Times, was altered to decertify them completely, White House officials said.

#### Troubled by the Futility

Secretary of State James A. Baker 3d, transmitting the President's certification to Congress, was quoted by Ms. Wroblewski as saying that he and Mr. Bush "are deeply troubled by the state of affairs upon which the President based his certification decisions."

"Despite the hard work and dedication of many public servants and private citizens both here and abroad, the international war on narcotics is clearly not being won," he said.

The report in effect has become an annual admission of the inability of the United States to singlehandedly fight narcotics. This year's report details

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increases in arrests, record drug seizures and eradicated acreage, new international treaties of cooperation, cooperative raids and the successful extradition of a small number of drug traffickers, while acknowledging an increase in both global drug production and demand.

The report said that continuing turmoil in Afghanistan, where the production of opium poppy and heroin trafficking increased in 1988, could lead to an even bigger increase this year if refugees returning home after the nine-year Soviet occupation turn to opium as a cash crop.

#### Rebel Agriculture

Much of the opium poppy grows in areas controlled by the United States-supported Afghan guerrillas or on territory where they have influence, according to the report.

The collapse of order in various parts of the country after the Soviet troop withdrawal, favorable weather and the destruction of some traditional agriculture all make the cultivation of opium extremely attractive.

'As we see refugees moving back into a war-torn country where there is no central government, we see them turning to a fairly easy, quick, profitable means of supporting themselves,' Ms. Wroblewski said. Perhaps the most dramatic shift in this year's report concerns Mexico, which was criticized last year for 'endemic' corruption in the highest levels of government. Although this year's report expressed concern over continued government corruption, it emphasized a commitment by the newly elected President, Carlos Salinas de Gortari, to intensify anti-drug efforts.

As for the Bahamas, which has emerged as a major transit area for much of the cocaine and some of the marijuana entering the United States, the report says 'drug-related corruption continues to be a problem, making the country attractive to drug smugglers.' It also faults the Bahamas for stalling extradition requests in the courts.

#### Debate Expected

Congress, which has 45 days to rule on the Administration's decision on certification, is likely to challenge Mr. Bush's conclusions on Mexico and the Bahamas.

These were among the report's other conclusions:

- \* The demand for drugs outside the United States, particularly in countries involved in production and transportation like Pakistan and parts of South America, has contributed to increased production. In Pakistan, for example, there are now between 670,000 and one million addicts, who consume more opium than the country produces.

- \* In Panama, even though the United States no longer recognizes the leadership of Gen. Manuel Antonio Noriega, American law enforcement officials continue to work with the Panamanian military in fighting drugs.

- \* Officials in Laos are involved in opium and marijuana production, refining and smuggling. Although Laos won certification on grounds of American national

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interest last year because of its cooperation in helping to recover American remains from the Indochina war, corruption in the small Southeast Asian nation is so severe that it was decertified this year.

\* In Colombia, drug kingpins have so thoroughly corrupted the criminal justice system by threats and bribes that it is 'virtually impossible' to arrest and convict them or to significantly damage their organizations.

The report was printed in a small quantity and will not be available to the public.

SUBJECT: DRUG TRAFFIC; MARIJUANA; COCA (PLANT); OPIUM; HASHISH; CIVIL WAR AND GUERRILLA WARFARE; POLITICS AND GOVERNMENT

NAME: SCIOLINO, ELAINE

GEOGRAPHIC: UNITED STATES; COLOMBIA; PERU; BURMA; PAKISTAN; AFGHANISTAN; UNITED STATES

Ecuadorian finance Minister Jorge Gallardo said government officials were preparing to renegotiate debt payments owed to foreign banks following a decision to resume some interest payments.

"We are entering a process of renegotiation which has neither a starting date nor a deadline but will be a continuous process of negotiations," Gallardo told a news conference.

Gallardo, who returned on Sunday from conversations with creditor banks in New York, said government officials were preparing to renegotiate with the bankers 5.5 billion dollars of principal and about one billion dollars in interest arrears.

Ecuador's total foreign debt stands at more than 11 billion dollars, central bank figures showed.

Gallardo said the renegotiation was part of a long-running process aimed at repaying the debt after the government announced in February it would make some payments on interest due this year.

Gallardo did not say when Ecuador would start the interest payments, ending a suspension of debt payments to foreign banks caused by tumbling oil revenues in force since January 1987.

President Rodrigo Borja has said the government decided to resume interest payments to enhance credit opportunities for Ecuador, the second poorest country in South America.

Separately, Gallardo said Ecuador had requested new credits of between 495 and 565 million dollars from the World Bank for the next two and a half years.

"We hope the World Bank will approve the credits that would finance telecommunications, drainage and flood-control programmes," he said.

He said the funds would also be used for export promotion, development of the oil sector, family health and nutrition.

Gallardo, who met officials of the World Bank and Inter-American Development Bank in Washington last week, did not say when the World Bank was likely to respond to Ecuador's application.

BODY:

DATELINE: QUITO, APRIL 12, REUTER

BYLINE: By Jorge Aguirre

HEADLINE: ECUADOR TO RENEGOTIATE FOREIGN DEBT WITH BANKS

LENGTH: 311 words

SECTION: Domestic Money. Money Report.

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April 2, 1989, Sunday, Home Edition

SECTION: Part 1; Page 1; Column 4; Foreign Desk

LENGTH: 898 words

HEADLINE: U.S., VENEZUELA OK STEPPED-UP EFFORT ON DEBT

BYLINE: By DOYLE McMANUS and ART PINE, Times Staff Writers

DATELINE: WASHINGTON

BODY:

President Bush and Venezuelan President Carlos Andres Perez agreed Saturday to begin intensive work on a plan to reduce Venezuela's \$33-billion foreign debt, making the country one of the first "test cases" of America's new Third World debt strategy.

U.S. officials said the meeting between the two leaders, which lasted for almost two hours, was designed both to provide new political impetus to the effort to help Venezuela with its debt problems and to coordinate the two leaders' policies on Central America.

Administration officials said top economic policy-makers from the two countries would begin intensive sessions this week to work out a concrete debt-reduction plan. The Venezuelans are here for a meeting of the 151-nation International Monetary Fund.

It was not immediately clear how much in actual debt relief Venezuela would be able to obtain. Secretary of the Treasury Nicholas F. Brady is to unveil the broader U.S. debt strategy at a special meeting today of finance ministers from seven major industrial nations.

Mixed Reaction to U.S. Plan

Initial reaction to the U.S. proposal, which Brady outlined broadly on March 10, has been mixed. U.S. officials say support from Perez, who is one of South America's elder statesmen, could have a major impact on how other Third World countries react to the plan.

"The focus (at the White House meeting) was on implementation (of the new debt relief ideas) -- let's get on with it," a U.S. official said. "Nobody has any question about the urgency of the economic situation in Venezuela."

Besides Bush and Brady, Secretary of State James A. Baker III also attended the White House meeting.

The new Brady debt plan essentially would offer to help debtor countries reduce the cost and size of their huge foreign debt by asking the IMF and the World Bank to serve as catalysts for schemes under which banks could write down their loans and swap them for guaranteed bonds.

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The proposal is designed to replace the previous debt strategy, outlined by Baker when he was Treasury secretary in 1985, which called on banks to provide new loans to help debtor countries finance economic reforms. (See related story in Business, Page 1.)

Venezuela, the oldest democracy in Latin America and a major oil producer, has been in a crunch since oil prices collapsed in the early 1980s. Perez, a moderate socialist, imposed economic reforms after his inauguration in January, touching off riots that claimed 300 lives.

Although Perez publicly has blamed the riots on the "intolerable and obscene" burden of repaying his country's foreign debt, U.S. officials said he struck a more conciliatory and pragmatic tone in his talks with Bush, promising to continue overhauling his economy.

"He made it clear that he understands that countries that don't reform and restructure their economies can't escape blame for their own problems," the official said.

U.S. and Venezuelan officials have already held preliminary talks to discuss a debt reduction strategy, but Bush and Perez directed their aides to accelerate the negotiations this week, several officials said.

Treasury officials have been hoping to move quickly to apply the new plan to two or three countries in hopes of blunting criticism that the proposal is ineffective and making it more credible to debtor countries, many of which are embroiled in political unrest and are facing leftist challenges.

Besides Venezuela, U.S. officials also have been considering Mexico as a candidate for quick action under the new proposal.

#### Investment Potential

"We discussed the potential for Venezuela as one of the first test cases (of the Brady plan)," the official said. "As an oil exporter, Venezuela can attract new capital flows better than some other countries."

Officials said it was too early to predict how soon a concrete plan for reducing Venezuela's debt might be ready, however.

The United States wants finance ministers of the seven largest non-Communist industrial nations to endorse the plan today and agree to refine it further between now and the seven-nation economic summit in Paris in July. Besides the United States, the group includes Japan, West Germany, Britain, France, Italy and Canada.

In their meeting Saturday, Bush and Perez also discussed the situation in Nicaragua, where the Administration has launched a new strategy to put diplomatic pressure on the ruling Sandinista regime for democratic reforms.

As part of its pressure, the Administration has won approval from congressional leaders for continued non-military aid to the Contras.

Perez, who has played a key role as a mediator between the Sandinistas and Nicaraguan opposition groups, assured Bush of his general support for the new

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U.S. approach and said he understood the rationale for the continued Contra aid, one official said.

But the Venezuelan disappointed some U.S. officials by ducking an opportunity to make his support public when he left the White House without pausing to talk with reporters.

Bush and Perez also discussed the situation in Panama, where the United States has mounted an abortive campaign to oust the military strongman, Gen. Manuel A. Noriega.

Along with Bush, Perez has been pressing Noriega to allow free elections in Panama next month, although U.S. and Venezuelan officials are privately pessimistic about the chances for an untainted vote.

SUBJECT: BRADY, NICHOLAS F; BUSH, GEORGE; PEREZ, CARLOS ANDRES; VENEZUELA -- ECONOMY; VENEZUELA -- FINANCES; FOREIGN DEBT; UNITED STATES -- FOREIGN RELATIONS -- VENEZUELA; UNITED STATES -- FOREIGN RELATIONS -- THIRD WORLD; UNITED STATES -- FOREIGN POLICY -- CENTRAL AMERICA; UNITED STATES -- FOREIGN AID -- NICARAGUA; NICARAGUA -- FOREIGN RELATIONS -- VENEZUELA; UNITED STATES -- FOREIGN RELATIONS -- PANAMA; PANAMA -- FOREIGN RELATIONS -- VENEZUELA; THIRD WORLD -- FINANCES

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Japan Economic Journal

April 1, 1989

SECTION: Pg. 1

LENGTH: 1045 words

HEADLINE: Risky details in Brady plan worry bankers

BYLINE: By Konosuke Kuwabara, JAPAN ECONOMIC JOURNAL STAFF WRITER

BODY:

U.S. Treasury Secretary Nicholas Brady's Third World debt -relief proposal drew praise and the promise of financial support from Japan when it was disclosed earlier this month.

But, with its stress on concerted efforts by numerous banks, international agencies and debtor nations, the plan will need more than praise and promises to materialize.

Already, some misgivings have surfaced with the new strategy. And Japanese officials say they are likely to figure in the discussion of the Brady plan at upcoming meetings of the International Monetary Fund and the World Bank in Washington in early April.

The plan presents three major problems, sources say.

First, it is uncertain whether it will enjoy the full support of creditor banks. Private Japanese banks, whose help is essential because they are the largest loan providers, are concerned that the U.S. strategy will force them to shoulder an even heavier burden than at present.

Second, not all creditor nations share the same priorities in resolving the \$ 1.3 trillion Third World debt problem, a Ministry of Finance official said. The U.S., for instance, is said to be most interested in helping Mexico, while France is concerned about Africa. Other European nations associate debt relief chiefly with Eastern Europe's plight.

Third, debtor countries themselves may not be able to effectively carry out the economic reforms that are essential elements of the debt strategy.

"Now is not the time to resolve the details (of the Brady plan)," the ministry official said. Rather, the April meetings will indicate how receptive the creditor nations are to the U.S.'s ideas, he added.

Japan's stance on debt

The Brady plan shows the shift of the U.S. debt policy, from new loans -- under the so-called Baker plan, announced in 1985 by then U.S. Treasury Secretary James Baker -- to broad debt -reduction efforts.

Says the Finance Ministry official: "We do not need to add any ideas to the Brady plan because it reflects the so-called Miyazawa plan" (which was

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outlined last year by then Finance Minister Kiichi Miyazawa).

The two pillars of the Miyazawa plan were an emphasis on reduction of old debt and interest payments rather than on new lendings, and a larger role for international agencies in debt-relief programs. These points are incorporated in the new U.S. plan.

So, the U.S. policy shift was an important step in "ending friction between the new-money approach of the U.S. and the debt-reduction-oriented policy of Japan," said Motoo Kusakabe, special adviser to the president of Japan Center for International Finance (JCIF).

Japan, with an annual trade surplus of some \$ 90 billion, is being asked by the U.S. to share the debt-relief burden because Washington has been suffering from its own crunching deficits.

But Tokyo will likely face difficulty in making the domestic adjustments necessary for it to assume that international role, sources say.

#### Japanese banks' anxieties

Japanese banks, whose debt exposure to less-developed countries was about \$ 85 billion at the end of 1988, welcome the framework of the new U.S. strategy. But they don't necessarily welcome some of its specific points, which have yet been finalized.

A source at one of Japan's biggest banks said it would be "nonsense" if the Brady plan asks private banks to extend new loans to a debtor country at the same time the banks are completing a debt-reduction program for that country.

The source said the banks will want to wait and see if the debtor nation succeed in restructuring its economy before providing new money. And that could take years.

Yet, the combination of debt reduction and new money lending is crucial to the Brady plan. Unless debtor nations are provided with money for long-term economic growth, the plan will not work, said JCIF's Kusakabe.

Another banking source said he wants to ask the Ministry of Finance to carefully select the debtor nations to which the new program will be applied.

For instance, Japan and the U.S. are said to be thinking about applying the Brady plan to Mexico first.

But Mexico, the banker said, would be an unfavorable choice for banks. Taking into account Japanese banks' 10% share in the country's outstanding external debt, banks may be able to help reduce the nation's debt to some extent, but they will not readily extend new financial assistance, he said.

Finally, to participate in the Brady plan, some revision of Japan's tax and accounting regulations is essential, banking sources say. That will require long and intense work, a government source said.

IMF, World Bank meetings

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All these problems mean that a smooth launch of the Brady plan is unlikely at the upcoming IMF and the World Bank meetings, sources say. They say the competing interests among major industrialized countries could get in the way.

Even Mexico, Argentina and some other debtor nations are reportedly against the Brady plan's call for more debt-for-equity swaps, which assistant U.S. Treasury Secretary David Mulford calls "an integral part" of the new approach.

This is mainly because such swaps lead to a higher money supply, which could accelerate inflationary pressure in those countries.

A senior Bank of Japan official said the Brady plan is not all. Thus, the major creditor nations may begin seeking ways to put together the best aspects of various debt-relief ideas (based on the Brady plan) to satisfy all parties involved.

"Any debt-relief strategy requires a long time (to mature)," he said. "Thus, April is like a milepost in a long road, even for a proposal as anticipated as this one."

Outstanding balance of Japanese  
financial institution' loans  
(in millions of dollars; end of March 1987)

Region	Balance	Change (%) *
Asia	27,211	+17.8
Central & South America	39,759	+ 9.1
Middle East	897	+ 1.3
Africa	6,187	+ 4.3
Soviet, Eastern Europe	12,859	+16.1
OECD members	79,973	+28.3
Int'l organizations	14,469	+11.5
Total	181,356	+18.7

Note: \* Change from Sept. 1986. Yen-denominated loans are calculated at a rate of 145.0 to the dollar at the end of March 1987, and 153.6 at the end of Sept. 1986.

Source: Ministry of Finance

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PM. 392  
W4916

reaching out Theme

- democracy in Central America + Panama
- economic debt
- drugs

Panama  
Nicaragua

0900 Apr 27

The Secretary's remarks to the Council of the Americas

May 1, 1989

David  
Paceki

If you look around the world today, from the Communist bloc to the developing areas, you will see evidence of the triumph of two great ideas: the idea of a free ~~society~~ society and the idea of a free economy.

The two ideas are really one, joined in a single vision, a vision of democracy. Abroad, it is a vision that causes ordinary people to rejoice and dictators to tremble. Here at home, it is a vision which all Americans should applaud, for freedom is quintessentially our founding vision, the vision of the New World.

A free society and a free economy are now also becoming the models for the rest of the New World that Columbus discovered almost 500 years ago -- the countries of Latin America and the Caribbean. Across this hemisphere, the old barriers of dictatorship and state control are being dismantled.

Democracy -- <sup>a decade</sup> ~~10 years~~ ago the exception -- is today the rule. The ballot box is the concrete symbol of a decade of

political progress in Latin America and the Caribbean. By year's end, 14 national elections will have been held this year alone. And most of them will have offered real choices with real consequences.

Economically, also, there are encouraging signs. Mexico has joined GATT and is making profound changes toward a more open and outward-oriented economy. Costa Rica is exporting cellular phones to third world customers; Brazil is to supply automated supermarket systems to Portugal; and Venezuela is mixing water and oil in a new substance called orimulsion which it is marketing for power plants in Japan.

You in the business community are among the pioneers and partners in these changes. You are contributing to Latin America's productivity and capacity for progress. You have greatly increased the region's potential for success.

These hopeful changes in Latin America, and the historic shift in political and economic thinking now underway, are good news for us all. Once democratic habits have become established, they give people both a stake in their future and mechanisms for change that are less violent and disruptive than the abrupt swings Latin American countries have often known in the past. There is fundamental value, even strategic advantage for the United States, in the stability that comes from

America's economies fuels trade and jobs for the citizens of the United States.

Thomas Jefferson said that "It is a kind of law of nature that every nation prospers by the prosperity of others." Today, the stake we have in the prosperity of our neighbors is greater than ever. Their growth will restore vigor to U.S. trade with Latin America and the Caribbean. Growth will win the approval of the voters in the Latin democracies who are looking to their elected leaders to "deliver the goods." And because it brings diversification, growth is also the key to a new and meaningful kind of independence -- not being dependent on one or two commodities; the independence that comes from having options and freedom to maneuver.

Which brings me to my central point today: to make the most of the new opportunities in the hemisphere, we must improve our working partnerships -- between countries north and south, between the different branches of government, and between government and business. We are all in this together. We must all work together.

We in the Administration intend to reach out to Latin America as never before to build a new partnership for the Americas -- a partnership built on mutual respect and mutual responsibility.

We seek a partnership based on support for democratic forms of government. The battle for democracy is by no means won; in many nations the struggle continues or has only just begun. But it is clear on which side of the battle line we stand: This Administration stands with the people of Latin America in the cause of democracy and against the enemies of freedom on the extreme left and on the extreme right.

On Central America, we have already made a new approach toward partnership with the democratic leaders of this hemisphere. With the full bipartisan support of Congress we have joined together to support the promises of democracy, security, and peace contained in the Agreement signed almost two years ago at Esquipulas by the five Central American Presidents.

← insert

- security Threat
- Soviets must cooperate
- Sandinistas lack of compliance on election law + media law
- (see state Dept sheets)

Achieving these goals will not be easy. But if the U.S. Congress and the Administration and the democratic governments inside the hemisphere and out work together, we have the best chance of turning the promises of Esquipulas into concrete realities on the ground.

In Paraguay, the only country with a dictator who had been in power longer than Fidel Castro, elections are taking place ~~today~~ <sup>yesterday</sup> under freer and fairer conditions that give hope that Paraguay is on its way to joining the hemisphere's mainstream.

(MAY 1)

In Panama, free and fair elections this coming Sunday would end that nation's political and economic crisis and its international isolation as well. Despite coercion and intimidation and the regime's tight control of the media, Panamanians have mounted an effective campaign for democracy. The regime's candidates are trailing in polls by a margin over 2 to 1. Unfortunately the Noriega regime's response has been to prepare for a massive fraud and to <sup>S</sup>restrict the presence of international observers and press.

If democracy is to continue to develop in this hemisphere, such practices cannot be tolerated. The position of the United States is clear: There can be and there will be no accomodation with a Noriega-dominated regime. There is still time for the Panamanians to save their country from the increasing destruction wrought by the Noriega dictatorship. The key is in the hands of the Defense Forces. They can fulfill their constitutional duty as professional soldiers and allow the elections to proceed freely and fairly. Or they can face the consequences of the path on which General Noriega has placed them. The days of dictatorship in Latin America are over. They must end in Panama as well.

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take from  
draft  
pres. dir. /  
statement

A second element of the new partnership we seek should reflect a common committment to helping new market oriented economies survive, prosper, and prevail. Thus far, economic

freedom has not moved as far along or as fast as political freedom. The economic case for statism and protectionism has never been weaker and the advocates of these regressive policies have never been so few in number, yet statist regulations and entrenched bureaucracies remain largely intact in many nations in the Americas.

That is why this Administration has made a new commitment, through the Brady proposals, to reach out to help reduce the weight of debt -- as Latin governments and leaders take the important, but difficult steps to restructure their economies.

And that is the key point: debt reduction is necessary, but it is not by itself sufficient to generate the needed growth. To grow, Latin America must create a climate for investment -- a climate that will bring flight capital back to the region and that will attract new capital flows. Debt is a problem, but it is really also a symptom of, sometimes, a greater problem. If there were a magical solution that did not require structural economic reform, then those nations which have declared a moratorium on debt would be growing well today, but that simply is not the case. Instead, they are in deeper economic crisis. Today the democratic governments must try to reform bloated state economies, service their debt and, at the same time, satisfy the real needs of their citizens. We understand that facing this challenge alone is a nearly impossible undertaking.

We recognize that individual debtor economies are different. Their problems are different. Election schedules do not always match ideal timetables for economic initiatives. But, the Brady approach is not an "all or nothing," "now or never" option. Progress will likely come incrementally, case-by-case and step-by-step. No country is precluded from participation so long as a clear commitment is made to needed reforms.

Our common interest in growth demands that each do his part and that all work together: debtor countries, commercial banks, creditor countries, and the international financial institutions. We must be able to count on the full and meaningful participation of all.

Third, our new partnership seeks a common commitment to free and open trade. If we ask Latin America to strip away the layers of protection that shield their economies from the free flow of trade in goods and services, then we in the United States, too, must confront protectionism and steadily reduce the barriers to products. We are deeply engaged in the Uruguay Round in an effort to dismantle remaining tariff barriers and to grapple with the many nontariff barriers that have sprung up to impede trade. Already making good on the promise of freer and expanded trade, the Caribbean Basin Initiative can go still

further. We welcome proposals in the Congress to enhance opportunities under the Initiative.

Finally, we seek a partnership based on a common commitment to face our common enemies, none more than narcotics traffickers. We all have a responsibility and a part to play. Drugs threaten our citizens and civil society on both sides of the Rio Grande and all shores of the Caribbean. We and the people of Latin America must face this common menace together as full partners instead of wasting time and precious energy in the endless game of mutual blame and recrimination. For the plain truth is that drugs is both a problem of demand and of supply and if we do not tackle both heads of this two headed monster, it will devour us all.

You in Council of Americas have long propounded a vision of cooperation and partnership with Latin America. Your commitment is important as never before. The potential is great, but there are also dangers. The countries which have not yet summoned political will to make needed economic reforms need our encouragement and assistance. They must know that if they are willing to walk down same path as Mexico, Costa Rica, Bolivia, Chile, the financial business community will help them take the next step with debt reduction and new investment.

In conclusion, if I were to summarize our approach, I would say that progress in Latin America towards democracy and the

economic freedom that goes with it makes possible greater cooperation than ever. Democracy within nations makes it easier to practice democracy among nations. We recognize that our dialogue will move at different speeds and follow a somewhat different course for nations like Mexico and Venezuela, which have just installed new governments, than with nations like Argentina and Brazil, which are preparing for elections. But we are prepared to move ahead in partnership with any nation that is ready to make a serious effort. And we intend to use the OAS to help define and support partnership on a regional basis as well.

I do not underestimate the problems, risks, and threats that challenge and assail us. There is no guarantee that all will work out for the best -- the problems are daunting, even for a Texan. But I believe that all of us -- North and South, in government and in the private sector -- can indeed work to meet the challenges of change head on and together. And I believe that if we do, then the Americas will indeed enter the next century living up to its enormous potential.

2 pages to follow

From: Donald Hill  
State Dept RA/PRS  
647-2492

Attn: Reggy Dooker

DEPARTMENT OF STATE  
DAILY PRESS BRIEFING

DPC #71

TUESDAY, APRIL 25, 1989, 12:39 P. M.  
(ON THE RECORD UNLESS OTHERWISE NOTED)

MS. TUTWILER: Good morning. How are you all? I have a brief -- not brief, but I have a statement. Are we ready?

Q Yes, ma'am.

A Today, April 25, marks the date by which the Government of Nicaragua is obligated under the Tesoro Beach agreement to have in place electoral laws conducive to free and fair elections scheduled to take place in February of 1990.

The Government of Nicaragua has recently put into effect new laws governing electoral procedures and the press. Both the substance of these laws and the manner in which they have been put into effect is troubling.

The electoral law was not the result of good-faith bargaining between the Government of Nicaragua and the internal opposition groups and was unilaterally imposed after being passed by the Sandinista-dominated legislature. This law includes a provision requiring that the Supreme Electoral Council, of which the Sandinistas maintain control, receive one-half of any foreign political contributions. It ignores proposals made by the internal opposition for absentee balloting and procedures for ensuring the presence and unlimited access of international election observers.

A new law governing press conduct includes penalties for disseminating information which the Interior Ministry determines to be a violation of national integrity and allows the Interior Ministry to order closures of up to four days. This media law has also been passed by the Sandinista Legislature without genuine dialogue with the internal opposition, which depends upon freedom of expression, or with the independent media in Nicaragua.

It is still not too late for dialogue and for the necessary compromises by all sides which alone can create conditions of trust in which free elections can go forward. We urge the Government of Nicaragua to engage in the necessary dialogue to revise its electoral and press laws.

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Tuesday, 4/25/89

Q Can we get a copy of that?

A Sure.

Q Margaret, is the conclusion of the Administration, therefore, to offer carrots or sticks or nothing at all in response to what has happened in Nicaragua?

A I'm not sure I understand what you're asking me.

Q Well, the Secretary of State told Congress that he would have --

A I know about that.

Q -- this whole collection of incentives or disincentives. Now the Sandinista Government has done some things, as you just outlined them, so what is the response? Does the United States -- do you want to ask for sticks or are you going to offer carrots?

A The United States is asking for free, fair and honest elections.

Q But, for example, relations with the Sandinistas are still at a very low level. There's no Ambassador in either capital.

A Ambassador -- what?

Q There's no Ambassador in either capital.

A That's correct. And that particular point is under review.

Q What does that mean?

Q Does that mean he's under review?

Q We're now considering --

A The reinstituting of an Ambassador there and an Ambassador here is currently under review.

Q That's been under review since the Administration took office.

A That's true. It's still under review, as of today. (Laughter) I asked.

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Tuesday, 4/25/89

Q I think what Roy is asking, if I -- what happens -- I mean, we're calling on them, we're saying there's still time to make these changes which we have outlined. What if they don't?

A That's something that I'm not prepared to answer today.

Q What if they do?

A That would be very encouraging.

Q No. But I think what Roy was trying to get at is --

A I know.

Q -- there was this set of carrots and sticks, and this is one of the deadlines of which one would have expected some sort of an official U.S. response -- either a carrot or a stick or nothing.

A But I think that I just did make an official United States response to -- today is April 25 -- and to point out our disappointment that genuine consultation has not taken place with all the opposition groups. I'd point out, which I think you all would have an interest in, that the media laws that they have passed -- I'd hate to think what it would be like in many countries in the world, including our own, if we said we were going to disband the media for four minutes, much less four days.

So, I mean, there is definitely room for improvement here.

Q Do you see anything positive in the steps that have been taken?

A I've characterized the steps that have been taken, as I characterized them in the statement.

Q I mean, for example, they used to be able to shut down the media indefinitely, and so they are claiming that limiting themselves to four days is an advance. Now, for us it's certainly not. But do you see any advance in that?

A I wouldn't call that an advance, just as you said you wouldn't.

Q Is the State Department prepared to have some observations about Japan's political problems? Mr. Takeshita, who was unceasingly described by the White House as President Reagan's best friend, apparently is on the way out, and I wondered if relations with Japan will take a dip because of all this.

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Thursday, 4/20/89

A -- that there be no discrimination.

Q But go ahead and list all the other appointments he's made, and it doesn't come out looking that good, so --

A Well, the whole process is not finished yet, I'm sure. But in any case, he's very firmly committed to this. There was an announcement he issued on, I think it was February 22nd, about equal opportunity within the Department, and it's a matter of great importance to him, and I'm sure he will carry it out fully.

Q New subject.

A All right.

Q Does the United States Government intend to ask the Mexican Government to extradite Ramon Salcido?

A We've been in touch with Mexican authorities on the matter, but I don't have anything particular for you now on extradition.

Q Do you expect any particular difficulties with the treaty with Mexico in this situation? Does the situation present any obvious difficulties in achieving an extradition?

A They're not obvious to me. I don't really have any knowledge of it. It is a legal matter. It's under review. It's being looked at here and at the Department of Justice, and we just don't have any conclusions or statements now.

Q Richard, Iraq has called for declaring the Middle East a zone free of nuclear and chemical weapons. Do you have any comment on that?

A I don't have any comment on that. I'm sorry.

Q Will you look at that? Will you have any comment?

A I think our position on nuclear-free weapon zones, nuclear-free areas, chemical-free areas and that sort of thing has been stated many times.

Q Yes, but this time it is coming from Iraq.

A I don't think I have anything new on this. I'll look into it and see if there is anything specific to Iraq, but I must say right now that I doubt it.

Q On Nicaragua --

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Thursday, 4/20/89

Q Specifically, what do you find objectionable? You've been speaking in general terms. You haven't given specifics as to what's wrong with the process.

A Well, what's wrong with the process is a lot of things. I'd say the basic step that's been taken so far regards the structure of the electoral council. That council, in order to achieve legitimacy, has to fairly represent the people of Nicaragua. The structure that's been passed in this legislation is not one that can lead, then, to further steps that would ensure the legitimacy of the elections.

We've also, I think, spoken before about access to the media and other things. These are things the opposition groups have highlighted in their statements. They have listed a whole bunch of specific steps that should be taken in order for there to be fair and free elections.

Back to your statement on Panama for just one more question. Are there any consequences to U.S.-Panamanian relations from the announcement that you reported today about the change of visa requirements and travel requirements, and so on? Are there any consequences with regard to the election process that you foresee to U.S.-Panamanian relations?

A I'm not exactly sure what kind of consequences you're looking for. There's a consequence to American travelers, first of all. We, as the United States Government, are very concerned about that. There's a consequence to the ability of --

Q Can you do anything about that -- about your concern?

A Well, we've made it clear. What we've said is that there can be no normal relations -- what the Secretary said -- "No normal relations as long as Noriega is in power." This kind of thing shows why.

Q But you don't meet with -- you don't send anybody to meet with the Noriega government to resolve this little issue of visa -- or travel restrictions?

A Nothing that I'm aware of.

Q Do you do anything about trying to influence the setting up of the election procedures?

A As we said, we've made public calls for the ability of outside observers to monitor a free and fair election. We have supported the efforts of various groups to try to get in there and monitor elections. We're calling attention to the fact Noriega has made that impossible. That's what we're doing.

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Tuesday, 4/25/89

Q But isn't there a difference because those were changes in parties?

A There is a difference overall, no matter who had won this election, in standards. And there is a difference -- what in the first term of the Reagan Administration, I can't speak to the Carter Administration -- an initial FBI, what we call "name check," "overnight name check," which in the first term of the Reagan Administration took approximately 24 hours to 3 to 5 days, which is what I have been told. Today that same process can take anywhere up to three weeks or longer, so there is a difference in process, yes.

Q You just mentioned "standards." What do you mean by standards?

A I mean there is a different standard based on -- after eight years of an administration we're all under much more difficult scrutiny; I believe there are more forms to fill out; there are different questions we are asked, in reaction to things that happened over the last eight or 10 years. And so it definitely takes longer.

In fact, you can talk to some people who served in the Ford Administration who are now serving in this administration; you can talk to people who served in the first term of the Reagan Administration -- it just takes longer. There are a combination of reasons, and it just does.

But as far as where we are and who all's been confirmed, how many Assistant Secretaries have been officially nominated by the President and announced from the White House, I don't keep a list. I can try to get it for you. I just don't have it.

Q Do you have any comment on, or can you tell us something about the two Soviets who allegedly defected up around Alaska? What happened to these people?

A We don't comment, Don, as you know, on whether or not individuals have made requests for asylum. The Immigration and Naturalization Service decides all requests for asylum, with the State Department serving in an advisory role.

Q Margaret, I want to go back to -- unless you have a follow-up on that, Don? Go ahead.

A We have not received a request from the Soviets to meet with the two journalists. That's all I have.

Q On Nicaragua, is the Secretary going to Congress in the context of the Bipartisan Accord, and relaying in any way the information that you have laid out here this morning, that clearly the Nicaraguans have not passed this first deadline, or hurdle, that we had set, for them for their reforms?

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Tuesday, 4/25/89

A He does not have a scheduled meeting on the Hill that I am aware of.

Q May I ask, what are the implications? I mean, April 25 was the date.

A That's correct.

Q It's now passed.

A And the last paragraph of my statement said something to the effect of -- I'll get it literally -- that it still is not too late.

Q Right.

A It is still not too late for dialogue and for the necessary compromises by all sides, which alone can create conditions of trust in which free elections can go forward.

My understanding of that is that we are asking people to still, sincerely and genuinely, negotiate and discuss and talk to try to ensure free, fair, and honest elections in Nicaragua.

Q Has the Secretary given that message to the Sandinistas in some form other than through the public podium here?

A I don't have a literal answer for you to that, but my instincts would tell me there are officials in this building who certainly are.

Q In other words, this has been transmitted already to the Nicaraguan Government?

A I haven't asked that specific question.

Q Also, there's a group of Resistance, internal opposition people, and Contra leaders in town. Is the Secretary seeing them?

A Not that I'm aware of. But I'd want to check that for you. I know it's not on his schedule for today, to my knowledge, unless they added it this morning or something --

Q I understand Mr. Delvalle is in town and is requesting meetings with people in the State Department. Has his request been granted?

A I became aware that he has requested this morning to see Secretary Baker. I do not know if it was added to his schedule. I believe the request was for today.

- how long since US mil aid stopped?
- during this I period, est of sev. mil aid.

Dave Paelli

3860

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 24, 1989

STATEMENT BY THE PRESIDENT

The President of a Central American democracy was asked recently what is the most important step the United States can take. He said, "Speak with one voice." Today, for the first time in many years, the President and Congress, the Democratic and Republican leadership in the House and Senate, are speaking with one voice about Central America.

In my inaugural address I reached out my hand to the leadership of Congress in both parties asking them to join with me to rebuild a bipartisan foreign policy based on trust and common purpose. Today, I am gratified that the Speaker and the Majority and Minority Leaders of the Senate and House have extended their hands back to me.

We have signed today together a Bipartisan Accord on Central America. It sets out the broad outlines of U.S. policy towards that troubled region and commits both the Executive and Congress to work together to achieve it.

The goals we seek are the goals which the people of Central America yearns for: democracy, security, and peace. Those are the pledges made by the Central American Presidents in the Esquipulas II Accord. That agreement is an integrated whole: all of its provisions must move forward together if any of them are to be fulfilled. Our challenge now is to turn those promises into concrete realities on the ground.

The only way we can meet that challenge is if Latin democratic leaders and the United States work together, with the support of our European friends and allies, as true partners with candor and mutual respect. I believe Latin leaders are asking for that kind of relationship as we confront together the many challenges facing our hemisphere. As President, I pledge the United States is ready to respond.

Under this Central America agreement, insurgent forces have the right to re-integrate into their homeland under safe, democratic conditions with full civil and political rights. That is the desire of the Nicaraguan Resistance. It is what they are fighting for. We hope and believe it can be achieved through a concerted diplomatic effort to enforce this regional agreement.

To achieve these goals the bipartisan leadership of Congress has agreed to support my request for continued humanitarian assistance to the Nicaraguan Resistance through the elections scheduled in Nicaragua for February 28, 1990.

There will be extensive consultations and review with respect to these funds effective November 30, 1989 by the bipartisan leadership and relevant committees. However, I have been assured that the leadership in both Houses supports the extension of this assistance through the Nicaraguan elections barring unforeseen circumstances.

There is no shortcut to democracy; no quick fix. The next weeks and months will demand patience and perseverance by the democratic community and the hard, technical work of ensuring compliance with the Esquipulas Accord. The United States will work in good faith to support that kind of diplomatic effort, but we will not support a paper agreement that sells out the Nicaraguan people's right to be free.

We do not claim the right to order the politics of that country. That is for the people of Nicaragua to decide. We support what the Esquipulas Accord requires: free, open, political processes in which all groups can fairly and safely compete for political leadership. That means the playing field must be level; all, including the current government must respect the majority's decision in the end, and the losers must also retain the political rights to operate as a legal opposition and contest again for political authority in the next recurring election contest.

The burden of proof is on the Sandinista government to do something it has steadfastly refused to do from 1979 to 1989: to keep its promises to the Nicaraguan people to permit real democracy; keep its promises to its neighbors not to support subversion in Central America; and keep its obligation to this hemisphere not to permit the establishment of Soviet bloc bases in Central America. If those promises are kept we have an opportunity to start a new day in Central America; but if those promises continue to be violated, we hope and expect that other nations will find ways to join us to condemn those actions and reverse those processes.

The Soviet Union also has an obligation and an opportunity: to demonstrate that its proclaimed commitment to "new thinking" is more than a tactical response to temporary setbacks, but represents instead a new principled approach to foreign policy.

In other regional conflicts around the world the Soviet Union has adopted a welcome new approach that has helped resolve long-standing problems in constructive ways. In Central America what we have seen from the Soviet Union and Cuba can only be described as "old thinking."

In the last decade, the Soviet bloc has poured at least \$50 billion in aid into Cuba and Nicaragua. Soviet and Cuban aid is building in Nicaragua a military machine larger than all the armies of the other Central American nations combined and continues to finance violence, revolution, and destruction against the democratically elected government of El Salvador. Indeed, Soviet bloc military support for the Marxist guerrillas has increased since the United States ended military support for the Nicaraguan Resistance and Soviet military aid to the government of Nicaragua continues at levels wholly uncalled for by any legitimate defensive needs. The continuation of these levels of Soviet bloc aid into Central America raises serious questions about Soviet attitudes and intentions towards the United States.

The Soviet Union has no legitimate security interest in Central America; and the United States has many. We reject any doctrine of equivalence of interest in this region as a basis for negotiations. Instead, the Soviet Union and Cuba have an obligation to the leaders of Central America to stop violating the provisions of the Esquipulas Accord which the Soviet Union and Cuba both pledged to uphold. The time to begin is now.

In signing the Esquipulas Accord, President Oscar Arias of Costa Rica said: "Without democracy, there can be no peace in Central America." He is right. But with democracy and peace in Central America can come new hope for economic development in which all of the people of the region can share. One can look at the terrible violence ravaging Central America and despair, but I have a different vision of its future.

I can see a democratic Central America in which all of the nations of the region live in peace with each other; where the citizens of the region are safe from the violence of the state or from revolutionary guerrillas; where resources now devoted to military defense could be channeled to build hospitals, homes, and schools. That is not a dream if all the people and nations of the Americas will it to be true. I hope the Esquipulas Accord and perhaps, also, the Bipartisan Accord, will someday be seen as the first step toward its fulfillment.

# # #

1ST STORY of Level 1 printed in FULL format.

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March 31, 1989, Friday

LENGTH: 467 words

HEADLINE: LATIN AMERICA: SELA ANNOUNCES POSSIBLE OUTLINE OF DEBT PROPOSAL

DATELINE: CARACAS, Venezuela, March 31

BODY:

The possible outline of a joint proposal by Latin American and Caribbean nations on the foreign debt was announced here today by the permanent secretary of the Latin American Economic System (SELA), Carlos Perez del Castillo.

The proposal would include the "solid foundations" espoused by the Group of Eight since their meeting in Rio de Janeiro in 1987, as well as the specific interests of each sub-region (South America, Central America and the Caribbean).

The focus of the proposal would be to reduce both the principal and interest owed on four different types of debt: medium- and long-term debt, loans granted by multilateral lending agencies, government loans and intra-Latin American commitments.

The SELA outline is contained in a document drafted on the basis of principles agreed to during three meetings of experts from SELA's 26 member-countries.

The South American group met in November 1988, the Caribbean group in February 1989 and the Central American group in March 1989.

The Group of Eight was created in December 1986 in Rio de Janeiro by the most indebted Latin American countries -- Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela -- in an effort to strengthen Latin America's role and leadership in the world as well as seek a solution to the foreign debt crisis.

SELA's proposal envisions a reduction of the debt through the creation of an entirely new multilateral financial organization or, at least, a new branch of the International Monetary Fund (IMF) or World Bank.

Also proposed is the repurchase of debt on secondary markets as well as the adoption of legislation that facilitates the conversion of debt into investment, according to Perez del Castillo.

The scheme will also suggest the implementation of certain macroeconomic policies as set forth by the new U.S. foreign debt treatment drafted by Treasury Secretary Nicholas Brady.

The SELA official maintained that the issue of intra-Latin American debt must be considered within the context of the joint regional proposal.



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"We must first put our house in order to be able to demand a new treatment" from abroad, Perez del Castillo said.

He will now circulate the draft proposal to SELA member-countries with an eye towards holding a regional conference on the debt, probably during the second half of the year.

The SELA secretary remarked that the new proposal offers a more coherent treatment of the debt than the series of ambiguous proposals sketched by the Brady Plan.

"The Brady Plan speaks of separate negotiations and leaves the decision about the percentages of reducing the debt up to creditor banks . . ." Perez del Castillo noted.

The SELA initiative, on the other hand, attempts to deal with 90 percent of the region's \$420-billion foreign debt, he explained.

16TH STORY of Level 1 printed in FULL format.

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March 6, 1989, Monday, Late City Final Edition

SECTION: Section A; Page 10, Column 1; Foreign Desk

LENGTH: 961 words

HEADLINE: Venezuela Unrest: Lesson for Leader

BYLINE: By MARK A. UHLIG, Special to the New York Times

DATELINE: CARACAS, Venezuela, March 5

BODY:

Speaking in this riot-torn capital late last week, Venezuela's new President, Carlos Andres Perez, said that the three days of violent street protests should teach world leaders an important lesson about the dangers of third world debt.

But many here believe that the lethal explosion of discontent may be equally instructive for Mr. Perez himself, starkly emphasizing how much Venezuela has changed since he last occupied the presidency a decade ago.

When the 66-year-old Social Democrat won his first five-year term as President in 1974, Venezuela was riding a wave of apparently endless prosperity as South America's only major oil-producing nation. Mr. Perez's Government reflected - indeed, embodied - that outlook, gaining a reputation for free spending and poor management that haunted him beyond the end of his term in 1979.

A Volatile Setting

On Feb. 2, however, Mr. Perez returned to the presidency of a far different country, weakened by a long-term slump in oil markets, burdened by \$33 billion in foreign debt and faced with a deep decline in living standards - a volatile setting by any measure.

Mr. Perez, a career politician who belongs to the Democratic Action Party, was clearly aware of the difficulties that lay in store for him and issued forceful warnings that Venezuela's debt payments, which he said had reached as much as 70 percent of export earnings, threatened the stability of the country's longstanding democratic institutions.

But it now seems clear that neither Mr. Perez nor the rest of the country's political leadership was prepared for the strength of the backlash that occurred when he imposed the first steps in an austerity program intended to stabilize the country's economy.

What has not changed since the 1970's is Mr. Perez's forceful style or the desire for international influence that once made him a spokesman for developing nations. In that role, he played a part in negotiations leading to the Panama Canal treaties and became a confidant of many world leaders, including President Jimmy Carter, who publicly described him as "one of my best personal friends and a great counselor and adviser" on Latin American issues.

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### Supporter of Sandinistas

In his first term of office, Mr. Perez, was also an important early supporter of Nicaragua's Sandinista guerrillas, whom he supplied with money and arms in their successful revolution against the dictator Anastasio Somoza Debayle in 1979. And he retained his high international profile even after his departure from office, serving as vice president of the Socialist International and in several important regionwide posts.

That kind of stature made the re-election of Mr. Perez a kind of political homecoming that was welcomed by leaders throughout the region who looked to him for guidance and leadership.

His inauguration last month was one of the grandest celebrations Latin America has ever known, drawing 22 heads of state together with Vice President Dan Quayle and other dignitaries from around the world.

Regional leaders have sought his counsel and mediation on issues ranging from relations with the European Community to negotiations with leftist guerrilla movements. And when five Central American Presidents held a summit meeting in Tesoro Beach, El Salvador, last month, operators could be overheard placing calls for them to Mr. Perez, apparently to seek his advice as a respected neutral party.

### A Role in Debt Debate

For months, Mr. Perez has made a virtue of necessity by taking a highly visible role in the debate on the debt issue. In appearances here and in Europe, he has argued that rigid repayment schedules threaten Latin America's recent progress toward greater democracy. And he has proposed, among other steps, the creation of an international agency to buy outstanding third world debt at discounted rates and convert it into long-term bonds.

But few anticipated how quickly his warnings would be tested by his own countrymen. And few political analysts and diplomats here are willing to say how seriously the violence may damage Mr. Perez's standing, either in Venezuela or on the international stage where he feels so at home.

Most Venezuelans seem to believe that the crisis was not of Mr. Perez's making. They fault him more for the way he imposed austerity measures -raising prices, for instance, before announcing agreement on private sector wage increases to offset them.

And many this week have looked beyond the President's role to the larger roots of the crisis, expressing shock and even shame that their proudly democratic nation should react so violently to economic measures that have been seen as unavoidable for quite some time.

### Ammunition for His Foes

Caracas newspapers have pointedly noted that Mr. Perez's predecessor, Jaime Lusinchi, who left a legacy of economic chaos, was not even in the country as the crisis unfolded last week, but was reported to be relaxing at a spa in Florida.



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Yet even if Mr. Perez successfully rides out the storm at home, it is not clear how the days of bloodshed - which took at least 300 lives - will affect his ambition and his ability to serve as a regional leader. In the short run, the problems appear to have buttressed Mr. Perez's case for relief of Venezuela's own debt, and some here believe that they may also focus world attention on his role as a spokesman for debtor nations as a whole.

But in the sharp conflicts of Latin American politics, enemies of Mr. Perez have already capitalized on Venezuela's troubles with caustic suggestions that he put his own affairs in order before meddling elsewhere. And it remains to be seen whether Mr. Perez can preserve his influence abroad at a time when his troubles at home are on painful display.

GRAPHIC: photos of President Carlos Andres Perez; Venezuelans picks through remains of discarded food (Reuters)

SUBJECT: DEMONSTRATIONS AND RIOTS; ECONOMIC CONDITIONS AND TRENDS; CREDIT

NAME: UHLIG, MARK A; PEREZ, CARLOS ANDRES (PRES)

GEOGRAPHIC: VENEZUELA

20TH STORY of Level 1 printed in FULL format.

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March 2, 1989, Thursday, Late City Final Edition

SECTION: Section A; Page 1, Column 3; Foreign Desk

LENGTH: 1342 words

HEADLINE: DRUG PRODUCTION RISING WORLDWIDE, STATE DEPT. SAYS

BYLINE: By ELAINE SCIOLINO, Special to the New York Times

DATELINE: WASHINGTON, March 1

BODY:

Global production of coca, marijuana, opium poppies and hashish increased sharply in the last year, partly because of political and economic instability in drug-producing countries, the State Department reported today.

American policymakers "were confronted once again in 1988 by world events that can and do have a devastating impact on efforts to reduce the global supply of drugs," the report said.

Despite a directive issued by President Reagan in 1986 that made drug trafficking a national security issue, the new report concluded that "political and economic instability in drug-producing areas around the world have resulted in the subordination of our drug control agenda to other pressing concerns."

Limits on U.S. Action

Civil strife in Burma, war in Afghanistan, the death of President Mohammed Zia ul-Haq in Pakistan and the declining economy in Peru were cited as examples of events that signaled possible setbacks for the United States in its war on drugs.

Administration officials acknowledged that the drug issue has often been subordinated to other American interests, from support for insurgents fighting Communist regimes to the belief that punishing drug-producing countries like Colombia and Peru might destabilize them.

Most discouraging, it said, was the failure to curb the production of coca in the Andean countries, where a new generation of traffickers has emerged that threaten both the streets of America and the stability of countries long friendly to the United States. Also cited as disappointing was the inability of the United States to convince the Andean Governments to agree to aerial spraying of coca, which the report said is the only way to significantly curb cocaine production.

"We will have only limited success in battling cocaine until we forge a comprehensive, multifaceted strategy which recognizes that cocaine is not simply a law enforcement issue but is also a complex foreign policy matter, requiring a long-term approach," the report said.

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It added that the United States needs to explore ways of using third world debt as a lever in gaining cooperation on drug control.

The report estimated that from 1987 to 1988, the production of coca increased 7.2 percent among the four coca-growing countries: Bolivia, Colombia, Peru and Ecuador. Over the same period, the global marijuana crop increased by 22 percent, the opium crop by 15 percent and the hashish crop by 11 percent.

Despite the pessimistic tone of the report, the accompanying actions by the Bush Administration were rather mild, as they were during the last years of the Reagan Administration.

Under a law passed in 1986, it is up to the President to certify by March 1 that countries where major drug trafficking occurs are "fully cooperating" in cracking down on the drug trade.

There is a growing sentiment in Congress and the State Department that the law is flawed and applied selectively because it does not take into account the complexities of relations between drug-trafficking countries and the United States.

#### Half-Steps Used

Although empowered to impose sanctions against drug-producing countries that do not qualify, President Bush announced mostly symbolic penalties against six countries with which the United States has no relations or severely strained relations: Panama, Afghanistan, Iran, Syria, Laos and Burma.

Mexico, Colombia, Bolivia, Peru, the Bahamas and Paraguay, all major drug-producing or drug-transit countries - which were described by Ann B. Wrobleski, Assistant Secretary of State for International Narcotics Matters, as "close friends and allies" - were also cited as needing to "do more" to cooperate with the United States. But they were fully certified under the law and will not be penalized.

Lebanon was again faulted for not doing enough to combat the drug trade, but was certified because of overriding "national interests."

A preliminary decision to certify Laos and Burma because of national interests, reported today by The New York Times, was altered to decertify them completely, White House officials said.

#### Troubled by the Futility

Secretary of State James A. Baker 3d, transmitting the President's certification to Congress, was quoted by Ms. Wrobleski as saying that he and Mr. Bush "are deeply troubled by the state of affairs upon which the President based his certification decisions."

"Despite the hard work and dedication of many public servants and private citizens both here and abroad, the international war on narcotics is clearly not being won," he said.

The report in effect has become an annual admission of the inability of the United States to singlehandedly fight narcotics. This year's report details

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increases in arrests, record drug seizures and eradicated acreage, new international treaties of cooperation, cooperative raids and the successful extradition of a small number of drug traffickers, while acknowledging an increase in both global drug production and demand.

The report said that continuing turmoil in Afghanistan, where the production of opium poppy and heroin trafficking increased in 1988, could lead to an even bigger increase this year if refugees returning home after the nine-year Soviet occupation turn to opium as a cash crop.

#### Rebel Agriculture

Much of the opium poppy grows in areas controlled by the United States-supported Afghan guerrillas or on territory where they have influence, according to the report.

The collapse of order in various parts of the country after the Soviet troop withdrawal, favorable weather and the destruction of some traditional agriculture all make the cultivation of opium extremely attractive.

"As we see refugees moving back into a war-torn country where there is no central government, we see them turning to a fairly easy, quick, profitable means of supporting themselves," Ms. Wroblewski said. Perhaps the most dramatic shift in this year's report concerns Mexico, which was criticized last year for "endemic" corruption in the highest levels of government. Although this year's report expressed concern over continued government corruption, it emphasized a commitment by the newly elected President, Carlos Salinas de Gortari, to intensify anti-drug efforts.

As for the Bahamas, which has emerged as a major transit area for much of the cocaine and some of the marijuana entering the United States, the report says "drug-related corruption continues to be a problem, making the country attractive to drug smugglers." It also faults the Bahamas for stalling extradition requests in the courts.

#### Debate Expected

Congress, which has 45 days to rule on the Administration's decision on certification, is likely to challenge Mr. Bush's conclusions on Mexico and the Bahamas.

These were among the report's other conclusions:

- \* The demand for drugs outside the United States, particularly in countries involved in production and transportation like Pakistan and parts of South America, has contributed to increased production. In Pakistan, for example, there are now between 670,000 and one million addicts, who consume more opium than the country produces.

- \* In Panama, even though the United States no longer recognizes the leadership of Gen. Manuel Antonio Noriega, American law enforcement officials continue to work with the Panamanian military in fighting drugs.

- \* Officials in Laos are involved in opium and marijuana production, refining and smuggling. Although Laos won certification on grounds of American national

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interest last year because of its cooperation in helping to recover American remains from the Indochina war; corruption in the small Southeast Asian nation is so severe that it was decertified this year.

\* In Colombia, drug kingpins have so thoroughly corrupted the criminal justice system by threats and bribes that it is "virtually impossible" to arrest and convict them or to significantly damage their organizations.

The report was printed in a small quantity and will not be available to the public.

SUBJECT: DRUG TRAFFIC; MARIJUANA; COCA (PLANT); OPIUM; HASHISH; CIVIL WAR AND GUERRILLA WARFARE; POLITICS AND GOVERNMENT

NAME: SCIOLINO, ELAINE

GEOGRAPHIC: UNITED STATES; COLOMBIA; PERU; BURMA; PAKISTAN; AFGHANISTAN; UNITED STATES

9TH STORY of Level 1 printed in FULL format.

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April 12, 1989, Wednesday, AM cycle

SECTION: Domestic Money. Money Report.

LENGTH: 311 words

HEADLINE: ECUADOR TO RENEGOTIATE FOREIGN DEBT WITH BANKS

BYLINE: By Jorge Aguirre

DATELINE: QUITO, APRIL 12, REUTER

BODY:

Ecuadorean Finance Minister Jorge Gallardo said government officials were preparing to renegotiate debt payments owed to foreign banks following a decision to resume some interest payments.

"We are entering a process of renegotiation which has neither a starting date nor a deadline but will be a continuous process of negotiations," Gallardo told a news conference.

Gallardo, who returned on Sunday from conversations with creditor banks in New York, said government officials were preparing to renegotiate with the bankers 5.5 billion dlrs of principal and about one billion dlrs in interest arrears.

Ecuador's total foreign debt stands at more than 11 billion dlrs, central bank figures showed.

Gallardo said the renegotiation was part of a long-running process aimed at repaying the debt after the government announced in February it would make some payments on interest due this year.

Gallardo did not say when Ecuador would start the interest payments, ending a suspension of debt payments to foreign banks caused by tumbling oil revenues in force since January 1987.

President Rodrigo Borja has said the government decided to resume interest payments to enhance credit opportunities for Ecuador, the second poorest country in South America.

Separately, Gallardo said Ecuador had requested new credits of between 495 and 565 mln dlrs from the World Bank for the next two and a half years.

"We hope the World Bank will approve the credits that would finance telecommunications, drainage and flood-control programmes," he said.

He said the funds would also be used for export promotion, development of the oil sector, family health and nutrition.

Gallardo, who met officials of the World Bank and Inter-American Development Bank in Washington last week, did not say when the World Bank was likely to respond to Ecuador's application.

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Los Angeles Times

April 2, 1989, Sunday, Home Edition

SECTION: Part 1; Page 1; Column 4; Foreign Desk

LENGTH: 898 words

HEADLINE: U.S., VENEZUELA OK STEPPED-UP EFFORT ON DEBT

BYLINE: By DOYLE McMANUS and ART PINE, Times Staff Writers

DATELINE: WASHINGTON

BODY:

President Bush and Venezuelan President Carlos Andres Perez agreed Saturday to begin intensive work on a plan to reduce Venezuela's \$33-billion foreign debt, making the country one of the first "test cases" of America's new Third World debt strategy.

U.S. officials said the meeting between the two leaders, which lasted for almost two hours, was designed both to provide new political impetus to the effort to help Venezuela with its debt problems and to coordinate the two leaders' policies on Central America.

Administration officials said top economic policy-makers from the two countries would begin intensive sessions this week to work out a concrete debt-reduction plan. The Venezuelans are here for a meeting of the 151-nation International Monetary Fund.

It was not immediately clear how much in actual debt relief Venezuela would be able to obtain. Secretary of the Treasury Nicholas F. Brady is to unveil the broader U.S. debt strategy at a special meeting today of finance ministers from seven major industrial nations.

Mixed Reaction to U.S. Plan

Initial reaction to the U.S. proposal, which Brady outlined broadly on March 10, has been mixed. U.S. officials say support from Perez, who is one of South America's elder statesmen, could have a major impact on how other Third World countries react to the plan.

"The focus (at the White House meeting) was on implementation (of the new debt relief ideas) -- let's get on with it," a U.S. official said. "Nobody has any question about the urgency of the economic situation in Venezuela."

Besides Bush and Brady, Secretary of State James A. Baker III also attended the White House meeting.

The new Brady debt plan essentially would offer to help debtor countries reduce the cost and size of their huge foreign debt by asking the IMF and the World Bank to serve as catalysts for schemes under which banks could write down their loans and swap them for guaranteed bonds.

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The proposal is designed to replace the previous debt strategy, outlined by Baker when he was Treasury secretary in 1985, which called on banks to provide new loans to help debtor countries finance economic reforms. (See related story in Business, Page 1.)

Venezuela, the oldest democracy in Latin America and a major oil producer, has been in a crunch since oil prices collapsed in the early 1980s. Perez, a moderate socialist, imposed economic reforms after his inauguration in January, touching off riots that claimed 300 lives.

Although Perez publicly has blamed the riots on the "intolerable and obscene" burden of repaying his country's foreign debt, U.S. officials said he struck a more conciliatory and pragmatic tone in his talks with Bush, promising to continue overhauling his economy.

"He made it clear that he understands that countries that don't reform and restructure their economies can't escape blame for their own problems," the official said.

U.S. and Venezuelan officials have already held preliminary talks to discuss a debt reduction strategy, but Bush and Perez directed their aides to accelerate the negotiations this week, several officials said.

Treasury officials have been hoping to move quickly to apply the new plan to two or three countries in hopes of blunting criticism that the proposal is ineffective and making it more credible to debtor countries, many of which are embroiled in political unrest and are facing leftist challenges.

Besides Venezuela, U.S. officials also have been considering Mexico as a candidate for quick action under the new proposal.

#### Investment Potential

"We discussed the potential for Venezuela as one of the first test cases (of the Brady plan)," the official said. "As an oil exporter, Venezuela can attract new capital flows better than some other countries."

Officials said it was too early to predict how soon a concrete plan for reducing Venezuela's debt might be ready, however.

The United States wants finance ministers of the seven largest non-Communist industrial nations to endorse the plan today and agree to refine it further between now and the seven-nation economic summit in Paris in July. Besides the United States, the group includes Japan, West Germany, Britain, France, Italy and Canada.

In their meeting Saturday, Bush and Perez also discussed the situation in Nicaragua, where the Administration has launched a new strategy to put diplomatic pressure on the ruling Sandinista regime for democratic reforms.

As part of its pressure, the Administration has won approval from congressional leaders for continued non-military aid to the Contras.

Perez, who has played a key role as a mediator between the Sandinistas and Nicaraguan opposition groups, assured Bush of his general support for the new

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U.S. approach and said he understood the rationale for the continued Contra aid, one official said.

But the Venezuelan disappointed some U.S. officials by ducking an opportunity to make his support public when he left the White House without pausing to talk with reporters.

Bush and Perez also discussed the situation in Panama, where the United States has mounted an abortive campaign to oust the military strongman, Gen. Manuel A. Noriega.

Along with Bush, Perez has been pressing Noriega to allow free elections in Panama next month, although U.S. and Venezuelan officials are privately pessimistic about the chances for an untainted vote.

SUBJECT: BRADY, NICHOLAS F; BUSH, GEORGE; PEREZ, CARLOS ANDRES; VENEZUELA -- ECONOMY; VENEZUELA -- FINANCES; FOREIGN DEBT; UNITED STATES -- FOREIGN RELATIONS -- VENEZUELA; UNITED STATES -- FOREIGN RELATIONS -- THIRD WORLD; UNITED STATES -- FOREIGN POLICY -- CENTRAL AMERICA; UNITED STATES -- FOREIGN AID -- NICARAGUA; NICARAGUA -- FOREIGN RELATIONS -- VENEZUELA; UNITED STATES -- FOREIGN RELATIONS -- PANAMA; PANAMA -- FOREIGN RELATIONS -- VENEZUELA; THIRD WORLD -- FINANCES

22ND STORY of Level 1 printed in FULL format.

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Japan Economic Journal

April 1, 1989

SECTION: Pg. 1

LENGTH: 1045 words

HEADLINE: Risky details in Brady plan worry bankers

BYLINE: By Konosuke Kuwabara, JAPAN ECONOMIC JOURNAL STAFF WRITER

BODY:

U.S. Treasury Secretary Nicholas Brady's Third World debt-relief proposal drew praise and the promise of financial support from Japan when it was disclosed earlier this month.

But, with its stress on concerted efforts by numerous banks, international agencies and debtor nations, the plan will need more than praise and promises to materialize.

Already, some misgivings have surfaced with the new strategy. And Japanese officials say they are likely to figure in the discussion of the Brady plan at upcoming meetings of the International Monetary Fund and the World Bank in Washington in early April.

The plan presents three major problems, sources say.

First, it is uncertain whether it will enjoy the full support of creditor banks. Private Japanese banks, whose help is essential because they are the largest loan providers, are concerned that the U.S. strategy will force them to shoulder an even heavier burden than at present.

Second, not all creditor nations share the same priorities in resolving the \$ 1.3 trillion Third World debt problem, a Ministry of Finance official said. The U.S., for instance, is said to be most interested in helping Mexico, while France is concerned about Africa. Other European nations associate debt relief chiefly with Eastern Europe's plight.

Third, debtor countries themselves may not be able to effectively carry out the economic reforms that are essential elements of the debt strategy.

"Now is not the time to resolve the details (of the Brady plan)," the ministry official said. Rather, the April meetings will indicate how receptive the creditor nations are to the U.S.'s ideas, he added.

Japan's stance on debt

The Brady plan shows the shift of the U.S. debt policy, from new loans -- under the so-called Baker plan, announced in 1985 by then U.S. Treasury Secretary James Baker -- to broad debt-reduction efforts.

Says the Finance Ministry official: "We do not need to add any ideas to the Brady plan because it reflects the so-called Miyazawa plan" (which was

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outlined last year by then Finance Minister Kiichi Miyazawa).

The two pillars of the Miyazawa plan were an emphasis on reduction of old debt and interest payments rather than on new lendings, and a larger role for international agencies in debt-relief programs. These points are incorporated in the new U.S. plan.

So, the U.S. policy shift was an important step in "ending friction between the new-money approach of the U.S. and the debt-reduction-oriented policy of Japan," said Motoo Kusakabe, special adviser to the president of Japan Center for International Finance (JCIF).

Japan, with an annual trade surplus of some \$ 90 billion, is being asked by the U.S. to share the debt-relief burden because Washington has been suffering from its own crunching deficits.

But Tokyo will likely face difficulty in making the domestic adjustments necessary for it to assume that international role, sources say.

#### Japanese banks' anxieties

Japanese banks, whose debt exposure to less-developed countries was about \$ 85 billion at the end of 1988, welcome the framework of the new U.S. strategy. But they don't necessarily welcome some of its specific points, which have yet been finalized.

A source at one of Japan's biggest banks said it would be "nonsense" if the Brady plan asks private banks to extend new loans to a debtor country at the same time the banks are completing a debt-reduction program for that country.

The source said the banks will want to wait and see if the debtor nation succeed in restructuring its economy before providing new money. And that could take years.

Yet, the combination of debt reduction and new money lending is crucial to the Brady plan. Unless debtor nations are provided with money for long-term economic growth, the plan will not work, said JCIF's Kusakabe.

Another banking source said he wants to ask the Ministry of Finance to carefully select the debtor nations to which the new program will be applied.

For instance, Japan and the U.S. are said to be thinking about applying the Brady plan to Mexico first.

But Mexico, the banker said, would be an unfavorable choice for banks. Taking into account Japanese banks' 10% share in the country's outstanding external debt, banks may be able to help reduce the nation's debt to some extent, but they will not readily extend new financial assistance, he said.

Finally, to participate in the Brady plan, some revision of Japan's tax and accounting regulations is essential, banking sources say. That will require long and intense work, a government source said.

IMF, World Bank meetings

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All these problems mean that a smooth launch of the Brady plan is unlikely at the upcoming IMF and the World Bank meetings, sources say. They say the competing interests among major industrialized countries could get in the way.

Even Mexico, Argentina and some other debtor nations are reportedly against the Brady plan's call for more debt-for-equity swaps, which assistant U.S. Treasury Secretary David Mulford calls "an integral part" of the new approach.

This is mainly because such swaps lead to a higher money supply, which could accelerate inflationary pressure in those countries.

A senior Bank of Japan official said the Brady plan is not all. Thus, the major creditor nations may begin seeking ways to put together the best aspects of various debt-relief ideas (based on the Brady plan) to satisfy all parties involved.

"Any debt-relief strategy requires a long time (to mature)," he said. "Thus, April is like a milepost in a long road, even for a proposal as anticipated as this one."

Outstanding balance of Japanese  
financial institution' loans  
(in millions of dollars; end of March 1987)

Region	Balance	Change (%) *
Asia	27,211	+17.8
Central & South America	39,759	+ 9.1
Middle East	897	+ 1.3
Africa	6,187	+ 4.3
Soviet, Eastern Europe	12,859	+16.1
OECD members	79,973	+28.3
Int'l organizations	14,469	+11.5
Total	181,356	+18.7

Note: \* Change from Sept. 1986. Yen-denominated loans are calculated at a rate of 145.0 to the dollar at the end of March 1987, and 153.6 at the end of Sept. 1986.

Source: Ministry of Finance

1ST STORY of Level 1 printed in FULL format.

The Associated Press

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April 26, 1989, Wednesday, PM cycle

SECTION: Washington Dateline

LENGTH: 469 words

HEADLINE: U.S., Anti-Sandinistas Say Election Being Rigged

BYLINE: By GEORGE GEDDA, Associated Press Writer

DATELINE: WASHINGTON

KEYWORD: Nicaraguan Opposition

## BODY:

The State Department is joining a delegation of Nicaraguan opposition leaders in accusing Sandinista authorities of trying to rig national elections set for next February.

The opposition leaders, ranging from an anti-Sandinista communist to U.S.-backed Contra rebels, said Tuesday that Nicaraguan officials are attempting to ensure victory by stacking the all-powerful Supreme Electoral Council in their favor and by denying the opposition equal access to media outlets.

The State Department leveled similar charges and appealed to the Sandinistas to meet opposition demands for a more equitable process.

At issue is legislation approved by recently by the Sandinista-dominated legislature setting forth ground rules for the elections.

Tuesday was the deadline, established at a Central American summit meeting last February in El Salvador, for setting in motion an electoral process that will culminate in national elections 10 months from now.

Nicaraguan Embassy spokeswoman Cecilia Lopez said the new laws were approved with the participation of the political parties represented in the legislature and are in compliance with the terms of the Central American summit.

In a telephone interview, she said the law allows opposition parties more air time for campaign purposes than they would have received under their original request.

In addition, she said, the Sandinistas, consistent with another pledge made at the summit, have released about 1,700 National Guardsmen who served the rightist regime which was ousted by the Sandinistas a decade ago.

Twelve opposition leaders outlined their criticisms at a news conference after discussing the issue with United Nations and Organization of American States officials.

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The Associated Press, April 26, 1989

The delegates included Eli Altamirano of the Nicaraguan Communist Party and three members of the U.S.-supported Contra rebels.

At the State Department, spokeswoman Margaret Tutwiler said the administration shares the criticisms of the opposition leaders.

The electoral law approved last week "is not the result of good faith bargaining between the government of Nicaragua and the internal opposition groups, and was unilaterally imposed after being passed by the Sandinista-dominated legislature," she said.

She said the law includes a provision requiring that the election council which the Sandinistas control receive one-half of any foreign political contributions.

The law, she said, ignores proposals made by the internal opposition for absentee balloting and procedures for ensuring unlimited access for international election observers.

A new law governing press conduct, she added, includes penalties for disseminating information which the Interior Ministry determines to be a violation of national integrity and allows officials to order closures of up to four days.

2ND STORY of Level 1 printed in FULL format.

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April 26, 1989, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A23

LENGTH: 643 words

HEADLINE: Nicaragua's Electoral Reform Faulted;  
U.S. Warns That Military Aid to Contras Can Be Resumed

BYLINE: John M. Goshko, Washington Post Staff Writer

BODY:

The Bush administration, in a pointed reminder that its agreement not to seek new military aid for the Nicaraguan contras is linked to free elections in that country next February, charged yesterday that reforms made by the Marxist-led Sandinista government are insufficient to prevent rigged balloting.

State Department spokesman Margaret Tutwiler began her daily press briefing with a statement that described the electoral laws enacted by the Sandinistas last week as "troubling" and "not the result of good-faith bargaining" with its domestic opposition. She concluded with a warning that dialogue and compromise are necessary to "create conditions of trust in which free elections can go forward."

Administration officials said the statement was meant to remind Nicaraguan President Daniel Ortega that President Bush can ask Congress next year to resume funding of the contra guerrilla war against the Sandinistas if the elections are a sham.

The officials, noting that Ortega is touring Western Europe seeking economic aid from the European Community, said the statement also was intended to draw the attention of West European leaders to what the United States contends is lagging progress toward democracy in Nicaragua.

The officials said privately they felt Ortega was given what one called "an uncritically warm reception" by French President Francois Mitterrand. Ortega also will be meeting for the first time with such U.S. allies as British Prime Minister Margaret Thatcher and West German Chancellor Helmut Kohl, and, as one U.S. official said, "We want to remind them that they shouldn't accept his avowals of commitment to democracy at face value."

The bipartisan accord reached last month by Secretary of State James A. Baker III and congressional leaders calls for Bush not to seek arms for the contras until after the February elections. In the meantime, Baker has said, the United States will use moral suasion and various "carrots and sticks" to prod the Sandinistas toward fair elections.

Administration officials said Tutwiler's statement was in line with this approach and was timed to coincide with Ortega's promise to have satisfactory electoral reforms in place by yesterday. He set that deadline at a Feb. 14 meeting in El Salvador with the presidents of the four neighboring countries that joined with Nicaragua in the 1987 Central America peace plan.

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The new laws adopted by Nicaragua's Sandinista-dominated legislature have been attacked by opposition political parties as enabling the government to manipulate voter registration and balloting and retain unfair control over television and other media.

"Both the substance of these laws and the manner in which they have been put into effect is troubling," Tutwiler said. "The electoral law was not the result of good-faith bargaining and was unilaterally imposed. . . It is still not too late for dialogue and for the necessary compromises by all sides, which alone can create conditions of trust in which free elections can go forward."

Similar charges were repeated at a news conference here yesterday by a delegation of 12 Nicaraguan opposition figures representing the contras and political parties ranging from the far right to the Nicaraguan Communist Party. In addition, a group of House members -- including several Democrats who have been key swing voters in past battles over contra military aid -- sent a telegram to Ortega urging him to address charges that the new laws are "biased and unfair."

Paul Reichler, a Washington attorney who represents the Sandinista government here, said, "The State Department is hardly a disinterested party." He charged that Tutwiler's statement contained inaccuracies and distorted characterizations of Nicaraguan laws, which he asserted are comparable to the electoral laws used by many Latin American democracies.

TYPE: FOREIGN NEWS

SUBJECT: NICARAGUA; POLITICS; GOVERNMENT AID TO FOREIGN NATIONS

ORGANIZATION: CONTRAS