

Melanne Verveer

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January 4, 1998

MEMORANDUM FOR THE PRESIDENT

CC: SECRETARY OF STATE MADELEINE ALBRIGHT
USAID ADMINISTRATOR BRIAN ATWOOD
NATIONAL SECURITY ADVISOR SANDY BERGER
OMB DIRECTOR JACK LEW
MARIA ECHAVESTE, CHAIR, CENTRAL AMERICA DISASTER TASK
FORCE

FROM: HILLARY RODHAM CLINTON *Hrc*

RE: TRIP TO CENTRAL AMERICA AND THE CARIBBEAN

I. Overview

My recent trip to Central America and the island of Hispaniola, from November 16-22, underscored the importance of those countries to US national interests, the array of family, economic, and cultural ties among us and the devastating impacts of Hurricanes Mitch and Georges on those fragile democracies.

El Salvador and Guatemala, two countries emerging from long and brutal pasts, are making progress in achieving peace and reconciliation through democracy. In Guatemala, that progress includes an historic decision to end the exclusion from national life of the nation's majority of indigenous people. In the Dominican Republic, President Fernandez is struggling to clear a path toward the construction of democratic institutions in a political environment still dominated by a defeated, but omnipresent, 91-year-old Joaquin Balaguer. For Honduras, Nicaragua, and Haiti, the hurricanes added another obstacle to the struggles of the majority of people who live in poverty. The tragedy is compounded for Hondurans and Nicaraguans who saw the hurricane reverse, in a few short days, the last decade's progress toward sustainable economic growth.

And in all of these countries, I saw the power, vitality and heart-rending determination of human beings with their first real hope for a better future after decades -- and, in the case of Haiti, centuries -- of conflict, repression and misery.

U.S. relief efforts, from the tireless engagement of our ambassadors and embassy staffs, to USAID shelter and water, to USDA food, to our military helicopters and engineering battalions, are seen as the core of the international response. The storm's four-day stall over Honduras blocked airports and helicopter flights after rendering unusable all of its major land

arteries, thereby delaying relief deliveries to numerous communities. Our response now is seen as unparalleled. No one doubts our full-scale engagement and my announcements were greeted with appreciation.

At the same time, the visit by Mrs. Gore and myself, as well as your radio address, have raised expectations, and the real test will be the reconstruction. Not surprisingly, the countries view our leadership as crucial to their recovery. They look to us to set the standard for an adequate international response, to assure debt relief, and to offer trade opportunities that will jump-start the rebuilding of their economies.

Failure to put these countries back on the path to economic recovery not only will exacerbate human misery but could place at risk democratic institutions. It could also produce massive new waves, not of "boat" but "feet" people fleeing toward the only land of opportunity available—the United States.

II. Impact of Hurricane Mitch

Mitch now is acknowledged as the most powerful and destructive hurricane in the hemisphere in this century. The confirmed loss of life is near 10,000 with as many missing and presumed dead. Displaced persons numbered in the tens of thousands in El Salvador and Guatemala, more than 400,000 in Nicaragua and more than a million in Honduras. Some 600,000 still remain in shelters in Honduras. In Nicaragua, President Aleman's daughter told me that the hurricane was worse than the 1972 earthquake and the civil war combined.

During my trip, each President reviewed with me, in some cases along with videos that graphically depicted the human toll, the impact of Mitch. The direct cost of Mitch's destruction of property and goods in Honduras and Nicaragua was equal to 40% of their GDPs, in El Salvador and Guatemala, about 10% of GDP. But for both Nicaragua and Honduras, among the poorest countries in the region, the long-term costs are even more troublesome.

The damage to future economic growth was estimated at \$4-5 billion in the Central American countries, approximately half that total affecting Honduras. Although estimates are tentative, it should be emphasized that the countries do not appear to be exaggerating their calculations. The first US government attempt to combine various agency estimates of costs of physical reconstruction was done by the US Army Corps of Engineers for four sectors--transportation; public utilities, including water and sanitation; social infrastructure, including health and education; and housing and shelter. The estimate exceeded \$8 billion.

II. Relief Efforts

With virtual unanimity, the Central American countries joined in identifying the highest priorities for relief as water, roads and bridges and housing. In all countries, the rising

concern for potential epidemics of cholera and other water-borne diseases was reflected in their request for medical help. In Honduras and Nicaragua, that concern was pushed downward on the priority list by the even greater fear of a massive outbreak of dengue fever and malaria.

IV. Rehabilitation, Reconstruction, Transformation

1. All recognized the enormous debt burden faced by Honduras and Nicaragua and urged not merely postponement of debt servicing, as we have done temporarily, but some form of liberal debt reduction. Guatemala, however, whose own external debt burden is very low, urged expanding the availability of subsidized IFI loans. Honduras and Nicaragua expressed appreciation for our announced deferral of debt servicing on our own relatively small bilateral debt, but requested that the deferral be extended to all others lenders through the recovery period and that the stock of debt be reduced substantially or forgiven.

2. They seek an international assistance response, bilateral grant aid and multilateral soft loans, for rehabilitation and reconstruction that would be as generous as our response for relief aid. The President of Honduras said that while in the 1980s, Honduras had not been the battlefield for the Central American conflicts, the destruction from Mitch rivaled the destruction from that decade of war in the other countries. He expressed the hope that the US and international response would be commensurate with the response to the post-conflict reconstruction efforts in those countries. In both Honduras and Nicaragua, there clearly was a hope that the hurricane might prompt a major increase in US assistance for their recovery -- a "Clinton" Plan to rival the Marshall Plan for recovery and reconstruction in Central America.

3. CBI enhancement was stressed by all, as a minimum, to permit the restoration of economic capacity in the agricultural and assembly sectors. The Central American nations hope for negotiation of a free trade area for Central America (the Dominican Republic and Haiti would be content with CBI). I emphasized again the Administration's commitment to CBI enhancement, while noting the need for Congressional approval. The Presidents expressed the hope that the emergency might generate a consensus which could overcome past political opposition, and they may be right. They believe that the past damage to their assembly industries from NAFTA benefits to Mexico would be far greater in the future. Plant owners might have chosen not to leave Central America to relocate in Mexico when they had a major investment already sunk into Honduras. But now if a new investment has to be made to repair the older facility, they almost certainly would look to Mexico. The result would be a further loss of jobs and opportunities in Honduras.

4. Immigration relief was high on everyone's agenda. Again, deferring deportations now was seen as positive but all wanted that relief extended during the period of recovery. In the case of Honduras, the President argued strongly for immediate action to bring his country's immigrants on a par with Nicaraguans who received the most generous treatment under the NACARA legislation of a year ago. In this area, care must also be taken to treat the Dominican Republic with sensitivity. It was hard hit by Hurricane Georges.

I want to emphasize that what is needed is not merely the repair and restoration to the ante-hurricane period but rather a transformation that would take these countries forward. Part of the reason for not merely reconstructing everything to pre-hurricane levels is that environmental threats from global warming are clearly growing. Thus either the President or a cabinet minister all cited "el Nino" last year as having produced a hundred-year drought and fires that burned off much of the underbrush and vegetation that could have helped stem erosion during the recent downpours. Reconstructing homes on the same sites or limiting the roads and bridges to the same standards is probably not sufficient.

The Central American countries have all undertaken reforms and taken steps into the future. This decade has seen those countries end ideologically-based civil conflicts and embrace constitutional government and democratic institutions. And they all had adopted open markets and open societies as part of their pledge to transform their societies. Positive economic growth and even some slight reductions in poverty statistics had been matched by a range of exciting democratic experiments. I saw and heard about indigenous legislators participating in Guatemala's Congress and ex-combatants from both sides sitting on El Salvador's legislative committees, local mayors guaranteeing weekly garbage pickups even in poverty communities, and parents trying to improve Nicaraguan schools.

My concern is that the possibility of governments in Honduras and Nicaragua being unable to cope with the reconstruction requirements after Mitch, could undermine democracy. In El Salvador and Guatemala, the storm's consequences add another burden to achieving the full promise of their peace agreements.

V. Recommendations for Aid, Assistance and Trade

Therefore, I strongly believe that you and the Vice President should quickly come together with the new Congressional leadership to pursue a common bipartisan US government response to the crisis. That response, if it is quickly approved, also could show that the new Congress is prepared to work on a bi-partisan basis with the Administration to advance US national interests. The emergency in Central America provides both of us an opportunity to start the Congress with an urgent consensus for action that would help Central America and help the United States. My sense is that key Congressional leaders on both sides of the aisle will be interested in such an approach.

I believe that action must encompass:

1. A strong FY1999 bilateral assistance request for USAID. There is some prospect, given the interest already expressed by Republican Senators such as Domenici and Lott, that such a request might actually be approved early in the session as a supplemental if it were a bi-partisan initiative. I also think it needs to include something for the victims of Hurricane Georges, since the physical and agricultural impact on the Dominican Republic was just about equal to the destruction in Nicaragua.

2. A decision to re-submit CBI enhancement legislation but on an urgent basis requesting action before Easter -- as part of a combined leadership initiative. USTR and State should also examine whether there is merit in the request for some consideration of free trade negotiations with Central America within the larger FTAA negotiating process.

3. Forgiving the small U.S. bilateral debt for Nicaragua and Honduras, and bringing about the most generous reduction, rescheduling and interest payment deferral possible of their IFI obligations. This may require new legislative authority.

4. Immigration relief to prevent any deportation during the recovery period for all of the affected countries and legislative equality for Honduras with their neighbors.

VI. Trip Overview

In addition to our focus on the impact of Hurricanes Mitch and Georges, my recent trip gave me a chance to see how the United States is helping countries engaged in complex political, economic and social transitions. In El Salvador and Guatemala, our foreign policy and our foreign aid programs are working in tandem with those inside and outside government pursuing development, democracy and reconciliation. Progress in the Dominican Republic towards a more viable, transparent, participatory democracy is clear but uneven. In Haiti, much has changed since the de facto regime ruled Port-au-Prince's dusty streets with life and death power over all Haitians; but the current political stalemate burdens severely the poorest country of the region.

El Salvador

We arrived as the Calderon Sol administration entered its final six months with the major party presidential nominees selected and the campaign underway. Nevertheless, the distance El Salvador has traveled since the 1992 peace signing is evident every day. At a dinner for me at his home, President Calderon Sol included the opposing leftist FMLN presidential candidate, Facundo Guardado, a former guerrilla comandante; the FMLN mayor of San Salvador; and several others from an opposition that now accepts democratic rules which allow them to compete peacefully.

I saw the same signs of reconciliation during an extraordinary roundtable discussion with women political leaders; including women who had been tortured; others who had lost husbands and relatives, and some who represented the country's traditional conservative elite. Today, they are working together to achieve progress for their country, but they told me how difficult it was to come together from opposing positions. In the end, they realized that peace and reconciliation had to prevail over their differences. These women's example and experience can be a force for change in other places suffering from civil strife, from Colombia to Northern Ireland.

Many of the women legislators are part of the modernization effort in the national

Congress that USAID is supporting. El Salvador has one of the highest percentages of female parliamentarians in the region. That program, along with USAID support for local mayors, is part of our efforts to promote political pluralism, separation of powers and decentralization. Support for local government also helps reconciliation. There were six local communities in the ex-conflict region of Chalatenango, and USAID set aside a small amount of funds for each mayor to decide on the highest priority infrastructure project. After considerable debate, the six communities, whose mayors represent opposing parties, decided their highest priority was not for each to use its share but to use all of the money to extend the main road to the two most distant communities.

El Salvador achieved a 4% economic growth last year and is credited with having the most dynamic private sector in Central America, despite having to cope with the highest population density outside Haiti. They have managed to reduce poverty from 60% in 1990 to 49% in 1997. I also saw innovations in pre-school education generated by a USAID-funded NGO partnership with the former minister of education -- who by the way won the World Bank's international award for excellence. Finally, I saw perhaps one of the most impressive programs anywhere combating domestic violence. It included a disturbing example of why domestic violence has to be treated as a crime -- which El Salvador has done (with our help) in its new criminal code. Hanging from the wall were the actual weapons used against women and children. They included machetes, clubs and knives. These programs were made possible by the strong leadership of Mrs. Calderon Sol, the government of El Salvador and USAID, and they have exposed the brutality of domestic violence to public opinion and to legislative action.

Guatemala

Guatemala is truly one of our foreign policy successes that draws little attention because it is going better than anyone could have anticipated. Although the peace signing that concluded the 36 year-old civil conflict will celebrate its two-year anniversary on December 29, the history of repression is still very present. In a meeting with a diverse group of women leaders, including indigenous women, the recipient of the Nobel Peace Prize, a human rights advocate and sister of an anthropologist who was murdered by the military, a supreme court justice, the minister of education and the wife of the president, the demand for greater justice was high on everyone's agenda. They told me how the U.S. has been an invaluable ally in the negotiations which ended the conflict, in helping to finance the implementation of the peace accords, and as President Arzu said, as a continuing friend in helping the country move forward. USAID funding for the demobilization, land transfers and reinsertion of ex-combatants, particularly its early delivery, were crucial to the success of the peace agreements.

The structural changes written into the peace accords, including access to education and health care, are designed to end the "apartheid" of the Mayan majority and to guarantee their inclusion in every aspect of national life. The gap in social conditions is evident from the statistic that the average education attainment for indigenous women at the time of the accords was estimated to be less than one year of schooling.

In the ancient capital of Antigua, I announced and witnessed the signing of USAID grants to support three education programs: girls education scholarships, scholarships for college and graduate work for indigenous young people, and a literacy program that will bring reading and writing to 250,000 indigenous people over the next three years.

Only a massive literacy effort can break this "cycle of misery" for the current generation of out-of-school Mayan girls and women who give birth to more than 6 children; have half as much access to pre-natal care as the national average, twice as high rates of maternal mortality, twice as much infant mortality, and children with twice as much malnutrition. Unless women are able to read and write, the cycle will go on--even with the peace. At a health facility, I saw indigenous midwives who demonstrated how they have been trained through our aid to identify high risk pregnancies. The program is critical because safe-motherhood is a real problem: more women died in childbirth, needlessly, last year in Guatemala than from Hurricane Mitch.

I also visited the ruins of Tikal, which are one of the world's great cultural sites and one of Guatemala's greatest assets.

In a speech to the National Congress, I assured them, "People from all over the world who live in war-torn communities from Bosnia to Northern Ireland can look to Guatemala and know that, even after 36 years of war, you can let go of old hatreds. You can defy history and rewrite it. You can transform a nation -- from a culture of violence to a culture of peace. From authoritarian practice to democratic principle. From exclusion to inclusion." I experienced a special moment when the President of the Congress, joined by many of the women legislators, presented me with Guatemala's highest medal for a foreigner -- the Grand Cross of the Quetzal.

Dominican Republic

From Guatemala, we flew to the Dominican Republic, where we saw again the aftermath of nature's unleashed power. Hurricane Georges ripped through the island nation from its eastern tip right along the populous southern coast until it passed into Haiti. Although not as severely battered as Honduras, the damage from Georges probably was at least equivalent to that in Nicaragua, although with a much lower total number of deaths. I journeyed to San Pedro -- badly battered by Hurricane Georges -- where I was joined by the Dominican Republic's pride, Sammy Sosa. We participated in an event to mark the reconstruction of a hospital severely damaged by the hurricane. Volunteer firemen, police, and doctors from New York were critical to the rebuilding.

Again, we saw a nation struggling to throw off its past and look toward a more democratic and economically modern future. President Fernandez represents that new generation that hopefully can bring a semblance of good governance to the Dominican Republic. Its people clearly deserve that opportunity.

At a meeting of a group of USAID-funded civil society leaders, I heard from women and men working to reduce maternal mortality, and reduce HIV-AIDS, to engage communities in

grass roots development, and to bring about justice sector reform. It was clear from her presentation and the response of the audience that the lawyer speaking on the need for justice sector modernization was touching an issue that had enormous resonance. USAID's role in the construction of a civil society coalition in support of justice reform was lauded by the participants.

Haiti

The stalemate over the naming of a new prime minister and the handling of last year's controversial local and congressional election continues to challenge Haiti. It is causing visible national pain as well as additional human suffering. Haiti cannot endure its self-imposed denial of external lending at a time when every social indicator is the worst in the hemisphere. It also is clear that our aid programs are a shield against violent social disorder. The importance of those programs was evident at Pignon, where we saw the amazing work of a retired Haitian-American Air Force doctor. He has made the community a model showcase for development and also a demonstration of what is possible, if one dreams and if one works long, long hours to realize that dream. Dr. Guy Theodore has organized one of the best maternal and infant mortality programs in the region, including family planning. I was pleased to watch as the community shouted its approval of the beloved doctor, our visit and the USAID grants I announced for new microcredit programs linked to the health center. George Soros also announced a new \$1 million program to provide more physicians and community health practitioners for Pignon and the surrounding area.

Haiti also provided an opportunity for us to bring together a series of private foundations in a partnership with our assistance programs, the Haitian government and Haitian NGOs. George Soros, William Gates Sr., and Ellen Marshall of Ted Turner's UN Foundation and Vickie Sant of the Summit Foundation traveled with me and announced new grants for family planning, at risk youth and education that will bring immediately nearly \$6 million into critical development areas. Over time, I have little doubt that those programs will result in more than \$10 million in private US foundation help for Haiti.

Finally, in each of the countries I visited, I met with women who attended the hemispheric Vital Voices Conference co-sponsored by our government and held in Uruguay in October. The women who formed their countries' delegations to Vital Voices told me how the conference helped them in their efforts to ensure that women are full participants in the social and economic future of their countries. They, with the support of our embassies, have become involved in a process that will be critical to women's leadership, development and progress.

I believe that this visit helped to advance the US agenda, spotlight excellent development programs, and offer new hope to the hurricane victims and those struggling in these new democracies.

Draft

December 2, 1998

Reels - integrate
both papers
send back to me
+ cc Melanne

MEMORANDUM FOR THE PRESIDENT

CC: SECRETARY MADELEINE ALBRIGHT
USAID ADMINISTRATOR BRIAN ATWOOD
NATIONAL SECURITY ADVISOR SANDY BERGER
OMB DIRECTOR JACK LEW
FROM: Maria Echaveste, Chair of (need name) Task Force (for Human
HILLARY RODHAM CLINTON policy)
RE: TRIP TO CENTRAL AMERICA AND THE CARIBBEAN

I. Summary

My recent trip to Central America and the island of Hispaniola underscored the importance of those countries to U.S. national interests and the vast and intricate array of family, economic, and cultural ties between our nations. It also demonstrated in dramatic terms the devastating impact of Hurricanes Mitch and Georges on those still extremely fragile democracies.

I saw tremendous progress in El Salvador and Guatemala, two countries emerging from long and brutal pasts, in achieving reconciliation through democracy. In Guatemala, it includes an historic decision to end the exclusion from national life of the nation's majority of indigenous people. I also saw a young President in the Dominican Republic who is struggling to find a path toward the construction of democratic institutions in a political environment still heavily influenced by a defeated, but omnipresent, 91-year-old Joaquin Balaguer. For Honduras, Nicaragua, and Haiti, the hurricanes added yet another obstacle to countries in which a majority of population lives in poverty. The tragedy is compounded for Hondurans and Nicaraguans who saw the hurricane reverse, in a few short days, the last decade's progress toward sustainable economic growth.

And in all of these countries, I saw the power, vitality and heart-rending determination of human beings with the first real hope for the future after decades, and, in the case of Haiti, centuries, of conflict, repression and misery.

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Pres. Jean Pierre

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~~Our~~ relief efforts, from the tireless engagement of our ambassadors and embassy staffs, ^{to} USAID shelter and water, to USDA food, ^{and the} helicopters and engineering battalions of ~~our~~ ^{still} military, are seen as the core of the international response. The storm's four-day presence over Honduras blocked airports and helicopter flights after rendering unusable all of its major land arteries, thereby delaying relief deliveries to numerous communities. Our response now is seen as unparalleled. No one doubts our full-scale engagement and my announcements were greeted with appreciation.

At the same time, the visit by Mrs. Gore and myself, as well as your radio address, have raised expectations, and the real test is ^{will be} ~~preparing the way for~~ the reconstruction. Not surprisingly, the countries view our leadership as crucial. They look to us to set the standard for an adequate international response, to assure debt relief, and to offer trade opportunities that will jump-start the rebuilding of their economies.

Failure to put these countries back on the path to economic recovery not only will exacerbate human misery but could place at risk democratic institutions. It could also produce massive new waves, not of "boat" but "feet" people fleeing toward the only land of opportunity available — the United States.

II. Impact of Hurricane Mitch

Mitch now is acknowledged as the most powerful and destructive hurricane in the hemisphere in this century. The confirmed loss of life is near 10,000, with as many missing and presumed dead. Displaced persons numbered in the tens of thousands in El Salvador and Guatemala, more than 400,000 in Nicaragua and more than a million in Honduras. Some 600,000 still remain in shelters in Honduras. ~~With respect to Honduras, beyond human suffering, the destruction of economic infrastructure and current and future agricultural production rivals the destructive force of the Central American conflicts of the 1980s. In Nicaragua, one woman told me that the hurricane was worse than the 1972 earthquake and the civil war combined.~~ ^{Pres. Lent Aleman's daughter}

During my trip, each President reviewed with me, in some cases along with videos ^{that} ~~which were at times almost overwhelming~~ in their graphic depiction of the human toll, the impact of Mitch. The direct cost of Mitch's destruction of property and goods in Honduras and Nicaragua was equal to 40% of their GDP; in El Salvador and Guatemala, about 10% of GDP. But for both Nicaragua and Honduras, among the poorest countries in the region, the long-term costs are even more worrisome. ^{troubling}.

The damage to future economic growth was estimated at \$4-5 billion in the Central American countries, approximately half that total affecting Honduras. Although estimates are tentative, it should be emphasized that the countries do not appear to be exaggerating their calculations. The first US government attempt to combine various agency estimates of costs of physical reconstruction ~~costs~~ was done by the US Army Corps of Engineers for four sectors—transportation; public utilities, including water and sanitation; social infrastructure, including

health and education; and housing and shelter. The estimate exceeded \$8 billion.

III. Relief Efforts

With virtual unanimity, the Central American countries joined in identifying the highest priorities for relief as water, roads and bridges, and housing. In all countries, the rising concern of potential epidemics of cholera and other water-borne diseases was reflected in their request for medical help. In Honduras and Nicaragua, that concern was pushed downward on the priority list by the even greater fear of a massive outbreak of dengue fever and malaria.

IV. Rehabilitation, Reconstruction, Transformation

1. All recognized the enormous debt burden faced by Honduras and Nicaragua and urged not merely postponement of debt servicing, as we have done temporarily, but some form of liberal debt reduction. Guatemala, however, whose own external debt burden is very low, would prefer to forgo debt relief in favor of expanding the availability of subsidized IFI loans. Honduras and Nicaragua expressed appreciation for our announced deferral of debt servicing on our own relatively small bilateral debt, but requested that the deferral be extended to all others lenders through the recovery period and that the stock of debt be reduced substantially or forgiven.

2. They seek an international assistance response, bilateral grant aid and multilateral soft loans, for rehabilitation and reconstruction that would be as generous as our response for relief aid. The President of Honduras said that while in the 1980s, Honduras had not been the battlefield for the Central American conflicts, the destruction from Mitch rivaled the destruction from the decade of war in the other countries. He expressed the hope that the US and international response would be commensurate with the response to the post-conflict reconstruction efforts in those countries (i.e., on the order of \$300-500). In both Honduras and Nicaragua, there clearly was a hope that the hurricane might prompt a major increase in US assistance for their recovery—a "Clinton" Plan to rival the Marshall Plan for recovery and reconstruction in Central America. million or billion?

3. CBI enhancement was stressed by all, as a minimum, to permit the restoration of economic capacity in the agricultural and assembly sectors. The Central American ^{regions} ~~ideally~~ would hope for negotiation of a free trade area for Central America (the Dominican Republic and Haiti would be content with CBI). I emphasized again the Administration's commitment to CBI enhancement, while noting the need for Congressional action. The Presidents expressed the hope that the emergency might generate a consensus which could overcome that past political opposition, and they may be right. They ^{believe} ~~felt~~ that the past damage to their assembly industries from NAFTA benefits to Mexico would be ~~far~~ far greater in the future. Plant owners might have chosen not to leave Central America to relocate in Mexico when they had a major investment, for example, already sunk into Honduras. But now if a new investment has to be made to repair the older facility ~~from Mitch~~, they almost certainly would look to Mexico. The result would be a further loss of jobs and opportunities in Honduras.

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4. Immigration relief was high on everyone's agenda. Again, deferring deportations now was seen as positive but all wanted that relief extended during the period of recovery. In the case of Honduras, the President argued strongly for immediate action to bring his country on a par with Nicaraguans who received the most generous treatment under the NACARA legislation of a year ago. In this area, care must be taken to treat the Dominican Republic with sensitivity. It was as hard hit by Hurricane Georges as ~~Nicaragua~~ ^{was by Mitch}.

I want to emphasize clearly that what is needed is not merely the repair and restoration to the ante-hurricane period but rather a transformation that would take these countries forward. Part of the reason for not merely reconstructing everything to pre-hurricane levels is that environmental threats from global warming are clearly growing. Thus, either the President or a cabinet minister all cited "El Nino" last year as having produced a hundred-year drought, and fires that burned off much of the underbrush and vegetation that could have helped stem erosion during the recent downpours. Reconstructing homes on the same sites or limiting the roads and bridges to the same standards is probably not sufficient.

The
and Traveling to Central America, it is apparent once again that these countries ^{have undertaken} all recently ^{reform} had taken steps looking to the future. This decade has seen those countries end ideologically-based civil conflicts and embrace constitutional government and democratic institutions. And they all had adopted open markets and open societies as part of their pledge to transform their societies. Positive economic growth and even some slight reductions in poverty statistics had been matched by a range of exciting democratic experiments. I saw and heard about indigenous legislators participating in Guatemala's Congress and ex-combatants from both sides sitting on El Salvador's legislative committees, local mayors guaranteeing weekly garbage pickups even in poverty communities, and parents trying to improve Nicaraguan schools.

My concern is that the possibility of governments in Honduras and Nicaragua being unable to cope with the reconstruction requirements after Mitch, could undermine democracy. In El Salvador and Guatemala, ^{the} ~~the~~ consequences simply add another burden to achieving the full promise of their peace agreements.

V *Recommendations for Aid, Assistance and Trade*

Therefore, I strongly believe that the Administration should move quickly, together with the new Congressional leadership, to pursue a common bipartisan US government response to the crisis. That response, if it is quickly approved, also could show that the new Congress is prepared to work on a bi-partisan basis with the Administration to advance US national interests. The emergency in Central America provides an opportunity to start the next Congress with an urgent consensus for action that would help Central America and help the United States. My sense is that key Congressional leaders on both sides of the aisle will be interested in such an approach.

I believe that action should encompass:

1. A strong FY 1999 supplemental bilateral assistance request for USAID, that could be announced at the December 10-11 IDB-sponsored consultative group on Central American

as a supplemental

Reconstruction. There is some prospect, given the interest already expressed by Republican Senators such as Domenici and Lott, and by the new Speaker, that such a request might actually be approved early in the session if it were a bi-partisan initiative (and if presented unencumbered by other requests). I also think it needs to include something for the victims of Hurricane Georges, since the ~~destructive~~ *physical & agricultural* impact on the Dominican Republic was just about equal to ~~that~~ in Nicaragua. *the destruction*

~~The most dramatic evidence of our commitment to the recovery would be for you to appear at the Consultative Group to make the announcement yourself. It would add to the force of our request for an unprecedented international response.~~

2. A decision to re-submit CBI enhancement legislation but on an urgent basis ^{*request*} ~~action~~ before Easter ~~again~~ as part of a combined leadership initiative. USTR and State should also examine whether there is merit in the request for some consideration of free trade negotiations with Central America within the larger FTAA negotiating process.

3. ~~Our~~ ^{*U.S.*} forgiving the small bilateral debt for Nicaragua and Honduras, and bringing about the most generous reduction, rescheduling and interest payment deferral possible of their IFI obligations. This may require new legislative authority.

4. Immigration relief to prevent any deportation during the recovery period for all of the affected countries – the DR and Haiti included – and legislative equality for Honduras with their neighbors.

5. ~~Inclusion of the DR and Haiti and the Eastern Caribbean in the IDB-sponsored donors conference on December 10-11.~~

DRAFT

MEMORANDUM FOR THE PRESIDENT

FROM: The First Lady

VII. Trip Overview

In addition to our focus on the impact of Hurricanes Mitch and Georges, my recent trip gave me a chance to see how the United States is helping countries engaged in complex political, economic and social transitions. In El Salvador and Guatemala, our foreign policy and our foreign aid programs are working in tandem with those inside and outside government pursuing development, democracy and reconciliation. Progress in the Dominican Republic towards a more viable, transparent, participatory democracy is clear but uneven. In Haiti, much has changed since the de facto regime ruled Port-au-Prince's dusty streets with life and death power over all Haitians; but the current political stalemate burdens severely the poorest country of the region.

El Salvador

We arrived as the Calderon Sol administration entered its final six months with the major party presidential nominees selected and the campaign underway. Nevertheless, the distance El Salvador has traveled since the 1992 peace signing is evident every day. At a dinner for me at his home, President Calderon Sol included the opposing leftist FMLN presidential candidate, Facundo Guardado, a former guerrilla comandante; the FMLN mayor of San Salvador; and several others from an opposition that now accepts democratic rules which allow them to compete peacefully.

I saw the same signs of reconciliation during an extraordinary roundtable discussion with women political leaders; including women who had been tortured; others who had lost husbands and relatives, and some who represented the country's traditional conservative elite. Today, they are working together to achieve progress for their country, but they told me how difficult it was to come together from opposing positions. In the end, they realized that peace and reconciliation had to prevail over their differences. These women's example and experience can be a force for change in other places suffering from civil strife, from Colombia to Northern Ireland.

Many of the ~~largely~~ women legislators are part of the modernization effort in the national congress that USAID is supporting. El Salvador has one of the highest percentage of female parliamentarians in the region. That program, along with the support for local mayors, is part of the effort to promote political pluralism, separation of powers and decentralization. Support for

local government also helps reconciliation. There were six local communities in the ex-conflict region of Chalatenango, and USAID ~~had~~ set aside a small amount of funds for each mayor to decide on the highest priority infrastructure project. After considerable debate, the six communities, whose mayors represent opposing parties, decided their highest priority was not for each to use its share but to use all of the money to extend the main road to the two most distant communities.

El Salvador achieved a 4% economic growth last year and is credited with having the most dynamic private sector in Central America, despite have to cope with the highest population density outside Haiti. They have managed to reduce poverty from 60% in 1990 to 49% in 1997. I also saw innovations in pre-school education generated by a USAID-funded NGO partnership with the former minister of education -- who by the way won the World Bank's international award for excellence. Finally, I saw perhaps one of the most impressive programs anywhere combating domestic violence. It included a disturbing example of why domestic violence has to be treated as a crime -- which El Salvador has done (with our help) in its new criminal code. Hanging from the wall were the actual weapons used against women and children. They included machetes, clubs and knives. These programs were made possible by the strong leadership of Mrs. Calderon Sol, the government of El Salvador and USAID, and they have exposed the brutality of domestic violence to public opinion and to legislative action.

Guatemala

Guatemala is truly one of our foreign policy successes that draws little attention because it is going better than anyone could have anticipated. Although the peace signing that concluded the 36 year-old civil conflict will celebrate its two-year anniversary on December 29, the history of repression is still very present. In a meeting with a diverse group of women leaders, including indigenous women, the recipient of the Nobel Peace Prize, a human rights advocate and sister of an anthropologist who was murdered by the military, a supreme court justice, the minister of education and the wife of the president, the demand for greater justice was high on everyone's agenda. They told me how the U.S. has been an invaluable ally in the negotiations which ended the conflict, in helping to finance the implementation of the peace accords, and as President Arzu said, as a continuing friend in helping the country move forward. USAID funding for the demobilization, land transfers and reinsertion of ex-combatants, particularly its early delivery, were crucial to the success of the peace agreements.

The structural changes written into the peace accords, including access to education and health care, are designed to end the "apartheid" of the Mayan majority and to guarantee their inclusion in every aspect of national life. The gap in social conditions is evident from the statistic that the average education attainment for indigenous women at the time of the accords was estimated to be less than one year of schooling.

In the ancient capital of Antigua, I announced and witnessed the signing of USAID grants to support three education programs: girls education scholarships, scholarships for college and graduate work for indigenous young people, and a literacy program that will bring reading and writing to 250,000 indigenous people over the next three years.

Only a massive literacy effort can break this "cycle of misery" for the current generation of out-of-school Mayan girls and women who give birth to more than 6 children; have half as much access to pre-natal care as the national average, twice as high rates of maternal mortality, twice as much infant mortality, and children with twice as much malnutrition. Unless women are able to read and write, the cycle will go on--even with the peace. At a health facility, I saw indigenous midwives who demonstrated how they have been trained through our aid to identify high risk pregnancies. The program is critical because safe-motherhood is a real problem: more women died in childbirth, needlessly, last year in Guatemala than from Hurricane Mitch.

I also visited the ruins of Tikal, which are one of the world's great cultural sites and one of Guatemala's great assets. In a speech to the National Congress, I assured them, "People from all over the world who live in war-torn communities from Bosnia to Northern Ireland can look to Guatemala and know that, even after 36 years of war, you can let go of old hatreds. You can defy history and rewrite it. You can transform a nation -- from a culture of violence to a culture of peace. From authoritarian practice to democratic principle. From exclusion to inclusion." I experienced a special moment when ~~all~~ of the women legislators ~~jointly~~ presented me with Guatemala's highest medal for a foreigner -- the Grand Cross of the Quetzal.

The President, the Congress, joined by many

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From Guatemala, we flew to the Dominican Republic, where we saw again the aftermath of nature's unleashed power. Hurricane Georges ripped through the island nation from its eastern tip right along the populous southern coast until it passed into Haiti. Although not as severely battered as Honduras, the damage from Georges probably was at least equivalent to that in Nicaragua, although with a much lower total number of deaths. I journeyed to San Pedro -- badly battered by Hurricane Georges -- where I was joined by the Dominican Republic's pride, Sammy Sosa. We participated in an event to mark the reconstruction of a hospital severely damaged by the hurricane. Volunteers firemen and doctors from New York were critical to the rebuilding.

Again, we saw a nation struggling to throw off its past and look toward a more democratic and economically modern future. President Fernandez represents that new generation that hopefully can bring a semblance of good governance to the Dominican Republic. Its people clearly deserve that opportunity.

At a meeting of a group of USAID-funded civil society leaders, I heard from women and men working to reduce maternal mortality, ~~and~~ to reduce HIV-AIDS, to engage communities in grass roots development, and to bring about justice sector reform. It was clear from her presentation and the response of the audience that the lawyer speaking on the need for justice sector modernization was touching ~~the~~ issue that had enormous resonance. USAID's role in the construction of a civil society coalition in support of justice reform was lauded by the participants.

Haiti

The stalemate over the naming of a new prime minister and the handling of last year's controversial local and congressional election continues to challenge Haiti. It is causing visible national pain as well as additional human suffering. Haiti cannot endure its self-imposed denial of external lending at a time when every social indicator is the worst in the hemisphere. It also is clear that our aid programs are a shield against violent social disorder. The importance of those programs was evident at Pignon, where we saw the amazing work of a retired Haitian-American Air Force doctor. He has made the community a model showcase for development and also a demonstration of what is possible, if one dreams and if one works long, long hours to realize that dream. Dr. Guy Theodore has organized one of the best maternal and infant mortality programs in the region, including family planning. I was pleased to watch as the community shouted its approval of the beloved doctor, our visit and the USAID grants I announced for new microcredit programs linked to the health center. George Soros also announced a new \$1 million program to provide more physicians and community health practitioners for Pignon and the surrounding area.

Haiti also provided an opportunity for us to bring together a series of private foundations in a partnership with our assistance programs, Haitian government and Haitian NGOs. George Soros, William Gates Sr., and Ellen Marshall of Ted Turner's UN Foundation and Vickie Sant of the Summit Foundation traveled with me and announced new grants for family planning, at risk youth and education that will bring immediately nearly \$6 million into critical development areas. Over time, I have little doubt that those programs will result in more than \$10 million in private US foundation help for Haiti.

Finally, in each of the countries I visited, I met with women who attended the hemispheric Vital Voices Conference co-sponsored by our government and held in Uruguay in October. The women who formed their countries' delegations to Vital Voices told me how the conference helped them in their efforts to ensure that women are full participants in the social and economic future of their countries. They, with the support of our embassies, have become involved in a process that will be critical to women's leadership, development and progress.

I believe that this visit helped to advance the US agenda, spotlight excellent development programs, and offer new hope to the hurricane victims and those struggling in these new democracies.

THE WHITE HOUSE

WASHINGTON

January 4, 1999

MEMORANDUM FOR THE PRESIDENT

CC: SECRETARY OF STATE MADELEINE ALBRIGHT
USAID ADMINISTRATOR BRIAN ATWOOD
NATIONAL SECURITY ADVISOR SANDY BERGER
OMB DIRECTOR JACK LEW
MARIA ECHAVESTE, CHAIR, CENTRAL AMERICA DISASTER TASK
FORCE

FROM: HILLARY RODHAM CLINTON *HRC*

RE: TRIP TO CENTRAL AMERICA AND THE CARIBBEAN

I. Overview

My recent trip to Central America and the island of Hispaniola, from November 16-22, underscored the importance of those countries to US national interests, the array of family, economic, and cultural ties among us and the devastating impacts of Hurricanes Mitch and Georges on those fragile democracies.

El Salvador and Guatemala, two countries emerging from long and brutal pasts, are making progress in achieving peace and reconciliation through democracy. In Guatemala, that progress includes an historic decision to end the exclusion from national life of the nation's majority of indigenous people. In the Dominican Republic, President Fernandez is struggling to clear a path toward the construction of democratic institutions in a political environment still dominated by a defeated, but omnipresent, 91-year-old Joaquin Balaguer. For Honduras, Nicaragua, and Haiti, the hurricanes added another obstacle to the struggles of the majority of people who live in poverty. The tragedy is compounded for Hondurans and Nicaraguans who saw the hurricane reverse, in a few short days, the last decade's progress toward sustainable economic growth.

And in all of these countries, I saw the power, vitality and heart-rending determination of human beings with their first real hope for a better future after decades -- and, in the case of Haiti, centuries -- of conflict, repression and misery.

U.S. relief efforts, from the tireless engagement of our ambassadors and embassy

staffs, to USAID shelter and water, to USDA food, to our military helicopters and engineering battalions, are seen as the core of the international response. The storm's four-day stall over Honduras blocked airports and helicopter flights after rendering unusable all of its major land arteries, thereby delaying relief deliveries to numerous communities. Our response now is seen as unparalleled. No one doubts our full-scale engagement and my announcements were greeted with appreciation.

At the same time, the visit by Mrs. Gore and myself, as well as your radio address, have raised expectations, and the real test will be the reconstruction. Not surprisingly, the countries view our leadership as crucial to their recovery. They look to us to set the standard for an adequate international response, to assure debt relief, and to offer trade opportunities that will jump-start the rebuilding of their economies.

Failure to put these countries back on the path to economic recovery not only will exacerbate human misery but could place at risk democratic institutions. It could also produce massive new waves, not of "boat" but "feet" people fleeing toward the only land of opportunity available—the United States.

II. Impact of Hurricane Mitch

Mitch now is acknowledged as the most powerful and destructive hurricane in the hemisphere in this century. The confirmed loss of life is near 10,000 with as many missing and presumed dead. Displaced persons numbered in the tens of thousands in El Salvador and Guatemala, more than 400,000 in Nicaragua and more than a million in Honduras. Some 600,000 still remain in shelters in Honduras. In Nicaragua, President Aleman's daughter told me that the hurricane was worse than the 1972 earthquake and the civil war combined.

During my trip, each President reviewed with me, in some cases along with videos that graphically depicted the human toll, the impact of Mitch. The direct cost of Mitch's destruction of property and goods in Honduras and Nicaragua was equal to 40% of their GDPs, in El Salvador and Guatemala, about 10% of GDP. But for both Nicaragua and Honduras, among the poorest countries in the region, the long-term costs are even more troublesome.

The damage to future economic growth was estimated at \$4-5 billion in the Central American countries, approximately half that total affecting Honduras. Although estimates are tentative, it should be emphasized that the countries do not appear to be exaggerating their calculations. The first US government attempt to combine various agency estimates of costs of physical reconstruction was done by the US Army Corps of Engineers for four sectors--transportation; public utilities, including water and sanitation; social infrastructure, including health and education; and housing and shelter. The estimate exceeded \$8 billion.

II. Relief Efforts

With virtual unanimity, the Central American countries joined in identifying the highest priorities for relief as water, roads and bridges and housing. In all countries, the rising concern for potential epidemics of cholera and other water-borne diseases was reflected in their request for medical help. In Honduras and Nicaragua, that concern was pushed downward on the priority list by the even greater fear of a massive outbreak of dengue fever and malaria.

IV. Rehabilitation, Reconstruction, Transformation

1. All recognized the enormous debt burden faced by Honduras and Nicaragua and urged not merely postponement of debt servicing, as we have done temporarily, but some form of liberal debt reduction. Guatemala, however, whose own external debt burden is very low, urged expanding the availability of subsidized IFI loans. Honduras and Nicaragua expressed appreciation for our announced deferral of debt servicing on our own relatively small bilateral debt, but requested that the deferral be extended to all others lenders through the recovery period and that the stock of debt be reduced substantially or forgiven.

2. They seek an international assistance response, bilateral grant aid and multilateral soft loans, for rehabilitation and reconstruction that would be as generous as our response for relief aid. The President of Honduras said that while in the 1980s, Honduras had not been the battlefield for the Central American conflicts, the destruction from Mitch rivaled the destruction from that decade of war in the other countries. He expressed the hope that the US and international response would be commensurate with the response to the post-conflict reconstruction efforts in those countries. In both Honduras and Nicaragua, there clearly was a hope that the hurricane might prompt a major increase in US assistance for their recovery -- a "Clinton" Plan to rival the Marshall Plan for recovery and reconstruction in Central America.

3. CBI enhancement was stressed by all, as a minimum, to permit the restoration of economic capacity in the agricultural and assembly sectors. The Central American nations hope for negotiation of a free trade area for Central America (the Dominican Republic and Haiti would be content with CBI). I emphasized again the Administration's commitment to CBI enhancement, while noting the need for Congressional approval. The Presidents expressed the hope that the emergency might generate a consensus which could overcome past political opposition, and they may be right. They believe that the past damage to their assembly industries from NAFTA benefits to Mexico would be far greater in the future. Plant owners might have chosen not to leave Central America to relocate in Mexico when they had a major investment already sunk into Honduras. But now if a new investment has to be made to repair the older facility, they almost certainly would look to Mexico. The result would be a further loss of jobs and opportunities in Honduras.

4. Immigration relief was high on everyone's agenda. Again, deferring deportations now was seen as positive but all wanted that relief extended during the period of recovery. In the case of Honduras, the President argued strongly for immediate action to bring his country's immigrants on a par with Nicaraguans who received the most generous treatment under the NACARA legislation of a year ago. In this area, care must also be taken to treat the Dominican Republic with sensitivity. It was hard hit by Hurricane Georges.

I want to emphasize that what is needed is not merely the repair and restoration to the ante-hurricane period but rather a transformation that would take these countries forward. Part of the reason for not merely reconstructing everything to pre-hurricane levels is that environmental threats from global warming are clearly growing. Thus either the President or a cabinet minister all cited "el Nino" last year as having produced a hundred-year drought and fires that burned off much of the underbrush and vegetation that could have helped stem erosion during the recent downpours. Reconstructing homes on the same sites or limiting the roads and bridges to the same standards is probably not sufficient.

The Central American countries have all undertaken reforms and taken steps into the future. This decade has seen those countries end ideologically-based civil conflicts and embrace constitutional government and democratic institutions. And they all had adopted open markets and open societies as part of their pledge to transform their societies. Positive economic growth and even some slight reductions in poverty statistics had been matched by a range of exciting democratic experiments. I saw and heard about indigenous legislators participating in Guatemala's Congress and ex-combatants from both sides sitting on El Salvador's legislative committees, local mayors guaranteeing weekly garbage pickups even in poverty communities, and parents trying to improve Nicaraguan schools.

My concern is that the possibility of governments in Honduras and Nicaragua being unable to cope with the reconstruction requirements after Mitch, could undermine democracy. In El Salvador and Guatemala, the storm's consequences add another burden to achieving the full promise of their peace agreements.

V. *Recommendations for Aid, Assistance and Trade*

Therefore, I strongly believe that you and the Vice President should quickly come together with the new Congressional leadership to pursue a common bipartisan US government response to the crisis. That response, if it is quickly approved, also could show that the new Congress is prepared to work on a bi-partisan basis with the Administration to advance US national interests. The emergency in Central America provides both of us an opportunity to start the Congress with an urgent consensus for action that would help Central America and help the United States. My sense is that key Congressional leaders on both sides of the aisle will be interested in such an approach.

I believe that action must encompass:

1. A strong FY1999 bilateral assistance request for USAID. There is some prospect, given the interest already expressed by Republican Senators such as Domenici and Lott, that such a request might actually be approved early in the session as a supplemental if it were a bipartisan initiative. I also think it needs to include something for the victims of Hurricane Georges, since the physical and agricultural impact on the Dominican Republic was just about equal to the destruction in Nicaragua.

2. A decision to re-submit CBI enhancement legislation but on an urgent basis requesting action before Easter -- as part of a combined leadership initiative. USTR and State should also examine whether there is merit in the request for some consideration of free trade negotiations with Central America within the larger FTAA negotiating process.

3. Forgiving the small U.S. bilateral debt for Nicaragua and Honduras, and bringing about the most generous reduction, rescheduling and interest payment deferral possible of their IFI obligations. This may require new legislative authority.

4. Immigration relief to prevent any deportation during the recovery period for all of the affected countries and legislative equality for Honduras with their neighbors.

VI. Trip Overview

In addition to our focus on the impact of Hurricanes Mitch and Georges, my recent trip gave me a chance to see how the United States is helping countries engaged in complex political, economic and social transitions. In El Salvador and Guatemala, our foreign policy and our foreign aid programs are working in tandem with those inside and outside government pursuing development, democracy and reconciliation. Progress in the Dominican Republic towards a more viable, transparent, participatory democracy is clear but uneven. In Haiti, much has changed since the de facto regime ruled Port-au-Prince's dusty streets with life and death power over all Haitians; but the current political stalemate burdens severely the poorest country of the region.

El Salvador

We arrived as the Calderon Sol administration entered its final six months with the major party presidential nominees selected and the campaign underway. Nevertheless, the distance El Salvador has traveled since the 1992 peace signing is evident every day. At a dinner for me at

his home, President Calderon Sol included the opposing leftist FMLN presidential candidate, Facundo Guardado, a former guerrilla comandante; the FMLN mayor of San Salvador; and several others from an opposition that now accepts democratic rules which allow them to compete peacefully.

I saw the same signs of reconciliation during an extraordinary roundtable discussion with women political leaders; including women who had been tortured; others who had lost husbands and relatives, and some who represented the country's traditional conservative elite. Today, they are working together to achieve progress for their country, but they told me how difficult it was to come together from opposing positions. In the end, they realized that peace and reconciliation had to prevail over their differences. These women's example and experience can be a force for change in other places suffering from civil strife, from Colombia to Northern Ireland.

Many of the women legislators are part of the modernization effort in the national congress that USAID is supporting. El Salvador has one of the highest percentages of female parliamentarians in the region. That program, along with USAID support for local mayors, is part of our efforts to promote political pluralism, separation of powers and decentralization. Support for local government also helps reconciliation. There were six local communities in the ex-conflict region of Chalatenango, and USAID set aside a small amount of funds for each mayor to decide on the highest priority infrastructure project. After considerable debate, the six communities, whose mayors represent opposing parties, decided their highest priority was not for each to use its share but to use all of the money to extend the main road to the two most distant communities.

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Attachments:

- Letter from President Fernandez (Dominican Republic)
- Letter from President Calderon Sol (El Salvador)



Leonel Fernández
PRESIDENTE DE LA REPUBLICA DOMINICANA

November 20th., 1998

Mrs. Hillary Rodham Clinton
First Lady of
The United States of America
Santo Domingo, D.R.

My Dear Mrs. Clinton:

As you are aware, on September 22 of the present year the Dominican Republic was seriously affected by the passage of Hurricane Georges. This phenomenon not only affected our country in human terms, but also caused great damage to its productive structure, compelling us to declare the situation a national tragedy, and to declare the country in state of national emergency.

Upon observing the destruction and serious damages inflicted on the country by the storm, the Dominican Government immediately decided to initiate the reconstruction of our national productive structure, a task which can not take place without the assistance of our international friends.

Accordingly, on October 15, 1998, the Dominican Government presented a proposal to the Paris Club expressing its interest in postponing debt payments maturing between the end of September, 1998, and March 31, 1999, so that their maturity periods begin to run, once the original payment schedule of each loan has ended, under terms and conditions similar to the contracts in which they originated. The term of each loan would therefore be increased at the end of its maturity by at least six months, depending on the number of quotas deferred. It is understood that the interest quotas would be capitalized.

The Dominican Republic undertakes the commitment of honoring the current maturities which occur after March 1999.

Of the total debt subject to deferral, US\$63.75 million is owed to the United States. This amount derives from several creditors, as follows:

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CENTRAL AMERICA'S RECONSTRUCTION AND ECONOMIC RECOVERY INITIATIVE

BACKGROUND

Hurricane Mitch recently hit the Central American region and left behind an aftermath of human losses, suffering and material damages. Even though the extent of the damages is yet to be assessed, the severity of the losses caused by Hurricane Mitch has been widely recognized by the U.S. Government and the International Community. The U.S. Agency for International Development (AID) already refers to this catastrophe as the "worst disaster" that AID has seen in this hemisphere's history.

Preliminary data estimates that approximately 25,000 persons are missing, have died or are presumed dead. Millions of people are homeless, most crops in the region have been destroyed or are severely damaged. Additionally, epidemics and diseases threat to magnify damages. The infrastructure has been completely destroyed or seriously crippled, resulting in economic losses that are estimated in billions of dollars.

Devastating damages left by Hurricane Mitch in the region have produced disruption of living conditions in Central America and demand immediate response from the U.S. and the International Community. Since the U.S. is the main political ally and trade partner for the region, it is necessary that the U.S. support and complement the medium and long-term efforts being carried out by Central American Governments for the reconstruction and economic recovery of the region.

For that reason, Central American Presidents recently met in San Salvador and expressed the need for a strong standing commitment from the U.S. Government to approve a comprehensive reconstruction and economic recovery program for Central America. This program should be reflected in a legislative initiative from U.S. Congress, with sufficient bipartisan support, which should be complemented and reinforced by other supporting administrative actions only requiring executive approval.

Central America's Reconstruction and Economic Recovery Initiative should comprise three fundamental pillars: Immigration, Trade and Investment and Reconstruction Fund.

I. IMMIGRATION

The U.S. Immigration and Naturalization Service (INS) has temporarily suspended deportations of Guatemalans, Hondurans, Nicaraguans and Salvadorans, recognizing that such deportations impose an additional burden to our governments' efforts to recover from the state of emergency caused by Hurricane Mitch. Nonetheless, this humanitarian measure is temporary and not sufficient to contribute to the arduous and long-term endeavor of reconstruction and economic recovery that awaits our countries. Therefore, it is of utmost importance to implement a permanent immigration relief for our fellow citizens residing in the U.S. by providing a comprehensive and final solution to their migratory status.

Such immigration relief for Central Americans would minimize the influx of deportations to the region. This is a critical factor for Central America's reconstruction and economic recovery, because in current conditions, our countries do not have the capacity to offer appropriate services and opportunities to satisfy the basic needs of people returning from the U.S.

Additionally, an immigration relief would contribute to maintain the inflows of family remittances that have been a fundamental pillar to sustain the economies of the region, particularly during our most difficult times, such as the current crisis.

Under Central America's current circumstances, remittances will not only help to maintain a stable macroeconomic environment, but will represent in some cases the only source of income for many Central Americans affected by the tragedy. In Central America's reconstruction and economic recovery phase, the loss of family remittances could have harmful effects. Before remittances were an additional source of income for recipient families, now, after the tragedy, for many of them they would become the only source of income that could keep them afloat.

In the medium and long term, reduction or loss of this source of income would force recipients to seek economic opportunities outside the Central American region.

In 1997, Central American Presidents urged the President of the U.S. to grant a permanent immigration relief for Central Americans, this would prevent deportations of fellow citizens, for migratory inflow of returning persons could bring instability to the region.

The aftermath of destruction and damages caused by Hurricane Mitch requires a positive response to the request for an immigration relief. Development conditions in Central America have gone back in some cases up to more than twenty years, and have created additional problems, challenges and needs that did not exist before, and pose a threat to the consolidation of political, economic and social reforms that Governments of Central America are implementing. The requested immigration relief would contribute to minimize these threats and would enable reconstruction and economic recovery in the region to take place.

Specific Characteristics of the Immigration Relief

The eligible class of beneficiaries for the immigration relief would include all Guatemalans, Hondurans, Nicaraguans, and Salvadorans present in the U.S. until November 6, 1998, and who have not committed a serious crime. On such date the INS suspended deportations of all Central Americans, as a humanitarian measure to mitigate the situation of disaster in the region caused by Hurricane Mitch.

The immigration relief should be extended regardless of the current migratory status or the migratory status at the time of entry of the eligible class. Additionally, it should be formulated in the most extensive and generous fashion and it should:

- include family dependants of those covered by the legislation;
- be extensive to persons holding valid orders of deportation or removal; and
- allow for the possibility of waivers for those persons who have committed misdemeanors or minor crimes.

II. TRADE AND INVESTMENT

Central America can not aspire for development in the midst of a generalized human tragedy and with its economies destroyed. For this reason, in order to attain reconstruction and rapid and sustainable economic recovery in the region, trade and investment opportunities with the U.S. should be expanded.

This component would be based on the rapid enhancement of Caribbean Basin Initiative (CBI) benefits, granting the most favorable treatment to products currently excluded from CBI. Such action should be accompanied by the political commitment to establish a free trade area between Central America and the U.S., through trade liberalization agreements based on reciprocal concessions.

The reestablishment and expansion of economic opportunities in our countries would become an incentive to prevent Central Americans from emigrating outside the region, seeking jobs and better living conditions.

For Central American reconstruction and economic recovery to take place, it is necessary to improve and increase the region's economic and trade relations with its main trade partner.

In the last years, U.S. exports to the region have surpassed those to other countries and regions, such as Spain, Israel, Eastern Europe or Egypt, and have been matched with exports to larger countries, such as Russia and India combined. Furthermore, U.S. imports of Central American products are greater than those from Argentina, Chile and South Africa.

Last month, U.S. Trade Representative, Charlene Barshefsky, in a presentation at Georgetown University, stated that U.S. exports to CBI countries, among which exports to Central America are predominant, have more than doubled since 1989. U.S. exports to the region increased from 9 billion to 18.5 billion dollars in 1997, creating approximately 360,000 direct jobs in the U.S. For 1997, U.S. exports to China were only 13 billion dollars, that is 5.5 billion dollars less than U.S. exports to the CBI region for the same year.

The U.S. should make all possible efforts to achieve enhancement of trade and investment opportunities for the region, on the one hand, to avoid the deterioration of existing trade flows; and on the other hand, to enable faster reconstruction and economic recovery of Central America, since strong trade and investment are essential for this endeavor.

Central America is committed to promote, host and secure investments and capitals from U.S. companies that decide to establish themselves in the region; and is genuinely available to commit on all possible matters in order to strengthen economic ties between our countries. Thus, we aspire to transform Central America and the U.S. in genuine partners for development, laying the grounds for enduring peace and democracy in the region and improving social conditions that would enable economic growth to transform into social peace.

III. RECONSTRUCTION FUND

Central America's reconstruction and economic recovery demand availability of fresh financial resources that the region currently lacks. For this reason, it is necessary that the U.S. establish a special fund for Central America's reconstruction and economic recovery with non-reimbursable funds and concessional credit lines, which would finance programs in the following areas:

1. Education
2. Health
3. Road Infrastructure
4. Environment
5. Basic Services
6. Flood and Alluvion Prevention
7. Agricultural Reactivation
8. Housing

Central American countries would bilaterally select with the U.S. specific projects in the aforementioned areas that would be eligible for financing with the U.S.-established Reconstruction Fund.

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December 2, 1998

MEMORANDUM FOR THE PRESIDENT

CC: SECRETARY MADELEINE ALBRIGHT
USAID ADMINISTRATOR BRIAN ATWOOD
NATIONAL SECURITY ADVISOR SANDY BERGER
OMB DIRECTOR JACK LEW

FROM: HILLARY RODHAM CLINTON

RE: TRIP TO CENTRAL AMERICA AND THE CARIBBEAN

I. Summary

My trip to Central America and the island of Hispaniola underscored the importance of those countries to U.S. national interests and the vast and intricate array of family, economic, and cultural ties between our nations. It also demonstrated in dramatic terms the devastating impact of Hurricanes Mitch and Georges on those still extremely fragile democracies.

I saw tremendous progress in El Salvador and Guatemala, two countries emerging from long and brutal pasts, in achieving reconciliation through democracy. In Guatemala, it includes an historic decision to end the exclusion from national life of the nation's majority of indigenous people. I also saw a young President in the Dominican Republic who is struggling to find a path toward the construction of democratic institutions in a political environment still heavily influenced by a defeated but omnipresent 91-year-old Joaquin Balaguer. For Honduras, Nicaragua, and Haiti, the hurricanes added yet another obstacle to countries in which a majority of population lives in poverty. The tragedy is compounded for Hondurans and Nicaraguans who saw the hurricane reverse, in a few short days, the last decade's progress toward sustainable economic growth.

And in all of these countries, I saw the power, vitality and heart-rending determination of human beings with the first real hope for the future after decades, and, in the case of Haiti, centuries of conflict, repression and misery.

Our relief efforts, from the tireless engagement of our ambassadors and embassy staffs, USAID shelter and water to USDA food and the helicopters and engineering battalions of our military, are seen as the core of the international response. The storm's four-day presence over Honduras blocked airports and helicopter flights after rendering unusable all of its major land arteries, thereby delaying relief deliveries to numerous communities. Our response now is seen as unparalleled. No one doubts our full-scale engagement and my announcements were greeted with appreciation.

At the same time, the visit by Mrs. Gore and myself, as well as your radio address, have raised expectations, and the real test is preparing the way for the reconstruction. Not surprisingly, the countries view our leadership as crucial. They look to us to set the standard for an adequate international response, to assure debt relief, and to offer trade opportunities that will jump-start the rebuilding of their economies.

Failure to put these countries back on the path to economic recovery not only will exacerbate human misery but could place at risk democratic institutions. It could also produce massive new waves, not of "boat" but "feet" people fleeing toward the only land of opportunity available — the United States.

II. Impact of Hurricane Mitch

Mitch now is acknowledged as the most powerful and destructive hurricane in the hemisphere in this century. The confirmed loss of life is near 10,000, with as many missing and presumed dead. Displaced persons numbered in the tens of thousands in El Salvador and Guatemala, more than 400,000 in Nicaragua and more than a million in Honduras. Some 600,000 still remain in shelters in Honduras. With respect to Honduras, beyond human suffering, the destruction of economic infrastructure and current and future agricultural production rivals the destructive force of the Central American conflicts of the 1980s. In Nicaragua, one woman told me that the hurricane was worse than the 1972 earthquake and the civil war combined.

During my trip, each President reviewed with me, in some cases along with videos which were at times almost overwhelming in their graphic depiction of the human toll, the impact of Mitch. The direct cost of Mitch's destruction of property and goods in Honduras and Nicaragua was equal to 40% of their GDP, in El Salvador and Guatemala, about 10% of GDP. But for both Nicaragua and Honduras, among the poorest countries in the region, the long-term costs are even more worrisome.

The damage to future economic growth was estimated at \$4-5 billion in the Central American countries, approximately half that total affecting Honduras. Although estimates are tentative, it should be emphasized that the countries do not appear to be exaggerating their calculations. The first US government attempt to combine various agency estimates of costs of physical reconstruction costs was done by the US Army Corps of Engineers for four sectors-- transportation; public utilities, including water and sanitation; social infrastructure, including

health and education; and housing and shelter. The estimate exceeded \$8 billion.

III. Relief Efforts

With virtual unanimity, the Central American countries joined in identifying the highest priorities for relief as water, roads and bridges and housing. In all countries, the rising concern of potential epidemics of cholera and other water-borne diseases was reflected in their request for medical help. In Honduras and Nicaragua, that concern was pushed downward on the priority list by the even greater fear of a massive outbreak of dengue fever and malaria.

IV. Rehabilitation, Reconstruction, Transformation

1. All recognized the enormous debt burden faced by Honduras and Nicaragua and urged not merely postponement of debt servicing, as we have done temporarily, but some form of liberal debt reduction. Guatemala, however, whose own external debt burden is very low, would prefer to forgo debt relief in favor of expanding the availability of subsidized IFI loans. Honduras and Nicaragua expressed appreciation for our announced deferral of debt servicing on our own relatively small bilateral debt, but requested that the deferral be extended to all others lenders through the recovery period and that the stock of debt be reduced substantially or forgiven.

2. They seek an international assistance response, bilateral grant aid and multilateral soft loans, for rehabilitation and reconstruction that would be as generous as our response for relief aid. The President of Honduras said that while in the 1980s, Honduras had not been the battlefield for the Central American conflicts, the destruction from Mitch rivaled the destruction from the decade of war in the other countries. He expressed the hope that the US and international response would be commensurate with the response to the post-conflict reconstruction efforts in those countries (i.e., on the order of \$300-500). In both Honduras and Nicaragua, there clearly was a hope that the hurricane might prompt a major increase in US assistance for their recovery--a "Clinton" Plan to rival the Marshall Plan for recovery and reconstruction in Central America.

3. CBI enhancement was stressed by all, as a minimum, to permit the restoration of economic capacity in the agricultural and assembly sectors. The Central American ideally would hope for negotiation of a free trade area for Central America (the Dominican Republic and Haiti would be content with CBI). I emphasized again the Administration's commitment to CBI enhancement, while noting the need for Congressional action. The Presidents expressed the hope that the emergency might generate a consensus which could overcome that past political opposition, and they may be right. They felt that the past damage to their assembly industries from NAFTA benefits to Mexico would be far, far greater in the future. Plant owners might have chosen not to leave Central America to relocate in Mexico when they had a major investment, for example, already sunk into Honduras. But now if a new investment has to be made to repair the older facility from Mitch, they almost certainly would look to Mexico. The result would be a further loss of jobs and opportunities in Honduras.

4. Immigration relief was high on everyone's agenda. Again, deferring deportations now was seen as positive but all wanted that relief extended during the period of recovery. In the case of Honduras, the President argued strongly for immediate action to bring his country on a par with Nicaraguans who received the most generous treatment under the NACARA legislation of a year ago. In this area, care must be taken to treat the Dominican Republic with sensitivity. It was as hard hit by Hurricane Georges as Nicaragua was by Mitch.

I want to emphasize clearly that what is needed is not merely the repair and restoration to the ante-hurricane period but rather a transformation that would take these countries forward. Part of the reason for not merely reconstructing everything to pre-hurricane levels is that environmental threats from global warming are clearly growing. Thus, either the President or a cabinet minister all cited "El Nino" last year as having produced a hundred-year drought and fires that burned off much of the underbrush and vegetation that could have helped stem erosion during the recent downpours. Reconstructing homes on the same sites or limiting the roads and bridges to the same standards is probably not sufficient.

Traveling to Central America, it is apparent once again that those countries all recently had taken steps looking to the future. This decade has seen those countries end ideologically-based civil conflicts and embrace constitutional government and democratic institutions. And they all had adopted open markets and open societies as part of their pledge to transform their societies. Positive economic growth and even some slight reductions in poverty statistics had been matched by a range of exciting democratic experiments. I saw and heard about indigenous legislators participating in Guatemala's Congress and ex-combatants from both sides sitting on El Salvador's legislative committees, local mayors guaranteeing weekly garbage pickups even in poverty communities, and parents trying to improve Nicaraguan schools.

My concern is that the possibility of governments in Honduras and Nicaragua being unable to cope with the reconstruction requirements after Mitch, could undermine democracy. In El Salvador and Guatemala, its consequences simply add another burden to achieving the full promise of their peace agreements.

Therefore, I strongly believe that the Administration should move quickly, together with the new Congressional leadership, to pursue a common bipartisan US government response to the crisis. That response, if it is quickly approved, also could show that the new Congress is prepared to work on a bi-partisan basis with the Administration to advance US national interests. The emergency in Central America provides an opportunity to start the next Congress with an urgent consensus for action that would help Central America and help the United States. My sense is that key Congressional leaders on both sides of the aisle will be interested in such an approach.

I believe that action should encompass:

1. A strong FY 1999 supplemental bilateral assistance request for USAID that could be announced at the December 10-11 IDB-sponsored consultative group on Central American

Reconstruction. There is some prospect, given the interest already expressed by Republican Senators such as Domenici and Lott, and by the new Speaker, that such a request might actually be approved early in the session if it were a bi-partisan initiative (and if presented unencumbered by other requests). I also think it needs to include something for the victims of Hurricane Georges, since the destructive impact on the Dominican Republic was just about equal to that in Nicaragua.

The most dramatic evidence of our commitment to the recovery would be for you to appear at the Consultative Group to make the announcement yourself. It would add to the force of our request for an unprecedented international response.

2. A decision to re-submit CBI enhancement legislation but on an urgent basis--action before Easter--again as part of a combined leadership initiative. USTR and State should also examine whether there is merit in the request for some consideration of free trade negotiations with Central America within the larger FTAA negotiating process.

3. Our forgiving the small bilateral debt for Nicaragua and Honduras, and bringing about the most generous reduction, rescheduling and interest payment deferral possible of their IFI obligations. This may require new legislative authority.

4. Immigration relief to prevent any deportation during the recovery period for all of the affected countries -- the DR and Haiti included -- and legislative equality for Honduras with their neighbors.

5. Inclusion of the DR and Haiti and the Eastern Caribbean in the IDB-sponsored donors conference on December 10-11.

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE

Phone: (202)
Fax: (202)

Sent
Of

TO: Melanne Ver

PHONE: 212-355-30

FAX: 716-779-707

FROM: Katy Button

COMMENTS: Updated draft of memo.

Memo to: The President
From: The First Lady

My trip to Central America and the island of Hispaniola underscored the importance of those countries to US national interests and the vast and intricate array of family, economic, and cultural ties ^{among} between our nations. It also demonstrated in dramatic terms the devastating impact of Hurricanes Mitch and Georges on those still extremely fragile democracies.

I saw tremendous ^{yet} progress in El Salvador and Guatemala, ^{achieving} two countries emerging from long and brutal pasts, in ^{heavily influenced} combining reconciliation through democracy. In Guatemala, it includes an historic decision to end the exclusion from national life of the nation's majority of indigenous people. I also saw a young President in the Dominican Republic who is struggling to find a path toward the construction of democratic institutions in a political environment still dominated by a defeated but omnipresent 91-year-old Joaquin Balaguer. For Honduras, Nicaragua, and Haiti, the hurricanes added another obstacle to countries in which a majority of population lives in poverty. The tragedy is compounded for Hondurans and Nicaraguans who saw the hurricane reverse, in a few short days, the last decade's progress, ^{toward} which finally had achieved signs of sustainable economic growth.

And in all of these countries, I saw the power, vitality and heart-rending determination of human beings with the first real hope for the future after decades, and, in the case of Haiti, centuries of conflict, repression and misery.

Our relief efforts, from ^{the tireless engagement of our ambassadors and embassy staff,} USAID shelter and water to USDA food to the helicopters and engineering battalions of our military, are seen as the core of the international response. The storm's four-day presence over Honduras blocked airports and helicopter flights after rendering unusable all of its major land arteries, thereby delaying relief deliveries to numerous communities. Our response now is seen as unparalleled. No one doubts our full-scale engagement and my announcements were greeted with appreciation.

^{At the same time, the visits by Tippec and me and your radio address have raised} But the real test is preparing the way for the reconstruction. Not surprisingly, the ^{expectations and} countries view our leadership as crucial, ^{to their recovery}. They look to us to set the standard for an adequate international response, to assure debt relief, and to offer trade opportunities that will jump-start the rebuilding of their economies.

I am concerned that a ^{put} failure to assist those countries back on the path to economic recovery not only will exacerbate human misery but could place at risk democratic institutions. ^{It could also} Clearly that failure could, as the Presidents of both Honduras and Nicaragua warned, produce new waves, not of "boat" but "feet" people fleeing toward the only land of opportunity available—the United States.

^{massive} IMPACT OF MITCH: Mitch now is acknowledged as the most powerful and

destructive hurricane in the hemisphere in this century. The confirmed loss of life is near 10,000, with as many missing and presumed dead. Displaced persons numbered in the tens of thousands in El Salvador and Guatemala, more than 400,000 in Nicaragua and more than a million in Honduras. Some 600,000 still remain in shelters in Honduras. With respect to Honduras, beyond human suffering, the destruction of economic infrastructure and current and future agricultural production rivals the destructive force of the Central American conflicts of the 1980s. ~~In Nicaragua, one woman told me that the hurricane was worse than the 1972 earthquake and the civil war combined.~~ *STC7* *keep* *too subjective* *memo to JFF* *Director*

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REHABILITATION, RECONSTRUCTION, TRANSFORMATION:

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