

THE WHITE HOUSE

WASHINGTON

February 22, 1993

PRESIDENTIAL REVIEW DIRECTIVE/NSC-15

MEMORANDUM FOR THE VICE PRESIDENT  
 THE SECRETARY OF STATE  
 THE SECRETARY OF THE TREASURY  
 THE SECRETARY OF DEFENSE  
 THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC  
 POLICY  
 DIRECTOR OF CENTRAL INTELLIGENCE  
 UNITED STATES TRADE REPRESENTATIVE  
 THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
 ADMINISTRATOR OF THE AGENCY FOR INTERNATIONAL  
 DEVELOPMENT

SUBJECT: U.S. Policy Toward Nicaragua (S)

The objective of this policy review is to define a strategy that will best contribute to achievement of our fundamental goals in Nicaragua: consolidation of democratic processes and institutions, self-sustaining economic recovery, and respect for human rights by all factions in the country. In addition, we seek an end to political violence, civilian control over a professionalized police and military, and resolution of existing property claims. (S)

BACKGROUND

The deteriorating political and security situation in Nicaragua has become the subject of increasing concern among our hemispheric neighbors and a source of controversy at home. We urgently need to identify a strategy that will work to halt further political and economic deterioration in Nicaragua and help get it back on the road toward political and economic recovery. (S)

The prospects for rapid progress on political and economic reform are not promising. The Chamorro government, dominated by Presidency Minister Lacayo, remains committed to accommodation with the Sandinistas, led by Army chief Ortega. Elections on January 9 in the National Assembly, boycotted by the anti-Sandinista UNO coalition, resulted in a new leadership group loyal to the Lacayo-Ortega alliance. Given the new leadership and Lacayo's one vote working majority in the Assembly, he is likely to move slowly on political and economic reforms as well as on the property rights issue. Ortega's veto authority over all aspects of police reform further diminishes prospects for increased civilian control over the police and military. UNO, the political coalition that supported President Chamorro...

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candidacy three years ago, has declared its opposition to the Chamorro administration, and is conducting a series of rallies nationwide, to culminate in a massive demonstration February 28 against the government. (C)

These developments have fueled growing unrest and political polarization. Violence has increased, and armed groups operate in areas outside major urban centers. The economy is stagnant, inflation is increasing rapidly, and Nicaragua has little hope for resumed growth absent stabilization of the political situation and significant inflows of outside resources. (C)

## I. ASSESSMENT

1. What are U.S. interests in Nicaragua? What are our priorities? Do these interests and our historical relationship with Nicaragua justify a major U.S. effort to strengthen democracy and economic recovery in Nicaragua? (State) (S)
2. Given the substantial political and financial support it has received from the United States and the international community, why has Nicaragua under Chamorro not been able to strengthen its democracy and move to a situation of real and sustained economic growth? What have been the obstacles? What are the lessons for the future? (State, CIA) (S)
3. What are the causes and sources of growing political violence in Nicaragua? What measures has the government undertaken to deal with political violence? To what degree have they been successful? What is the likelihood of a resurgence of organized civil conflict in Nicaragua? (State, CIA) (S)
4. What are the sources and degree of U.S. influence on the Nicaraguan government? Which political groups are likely to seek a close relationship with the United States government? (State) (S)
5. What other outside actors have influence in Nicaragua? Which institutions and governments? Which individuals and with whom? (State) (S)
6. Is the Sandinista-anti-Sandinista framework still the best for analyzing the Nicaragua political scene, or is a new dynamic developing? If so, who are the new power elites? Is Nicaragua reverting to its earlier political traditions? (State, CIA) (S)
7. What are the long-term objectives/prospects of Minister of the Presidency Lacayo? Of Army Chief Ortega? Cesar? Daniel Ortega? Is the Humberto Ortega-Lacayo alliance viable over the long-term, or will Ortega abandon Lacayo as the 1996 elections approach? What is the future of the UNO coalition? Why has President Chamorro surrendered Presidential powers to son-in-law Lacayo? (State, CIA) (S)

8. Who among the various political factions in Nicaragua are likely to support political and economic reform measures? What is their strength? What other indigenous institutions can be enlisted in promoting human rights, economic reform and democratic institutions in Nicaragua? (State, CIA) ~~(S)~~
9. How effective have the various elements of U.S. policy been? In particular:
  - a. What level of U.S. aid has been provided to the Chamorro government? Of what kind? Under what political and economic conditionality? How effectively has it been used?
  - b. Has withholding U.S. assistance increased prospects for the changes we want? Why or why not? How has withholding aid affected internal political dynamics? Is there a way to condition aid without it becoming a factor in internal Nicaraguan political struggles? (State, CIA) ~~(S)~~
  - c. How do the various political factions view U.S. policy? What do they believe we stand for? (State, CIA) ~~(C)~~
  - d. What would the likely consequences be of a policy of more active engagement of the FSLN? (State) ~~(S)~~
10. What is the current economic situation and outlook for Nicaragua? The assessment should include:
  - a. Results of the stabilization program; balance of payments; trade; GNP; per capita income; inflation; foreign reserves; investment; privatization. (State, CIA, NEC) ~~(C)~~
  - b. The causes of Nicaragua's rapid economic downturn. (State, CIA) ~~(C)~~
  - c. State of relations with the IMF and other international financial institutions; with bilateral donors; extent to which Nicaragua has benefitted from GSP and CBI; effect of the NAFTA on Nicaragua; external developments affecting exports of bananas, coffee, other key exports. (State, Treasury, CIA) ~~(C)~~
  - d. Sources of potential U.S. assistance funding; the extent to which the PDD has channeled resources to Nicaragua; the likelihood that Hickenlooper and Gonzalez Amendments might have to be invoked against Nicaragua. (State, Treasury) ~~(C)~~
  - e. The level of outside assistance that would be needed to assure recovery. (State, CIA) ~~(S)~~
11. What are the effects of continuing instability in Nicaragua on Nicaragua's Central American neighbors?

II. POLICY OPTIONS

1. What policy options are available to the United States to strengthen democracy and promote economic recovery in Nicaragua? What would be the nature/degree of Congressional support/opposition to such options? How can we engage the OAS, the UN and Nicaragua's neighbors, including the G-3 nations (Colombia, Mexico, Venezuela) to support democracy and reform in Nicaragua? How can we encourage the MDBs to be more supportive? Other sources of bilateral assistance? (State, AID) ~~(S)~~
2. Under what conditions should we release the \$50 million currently being withheld? (State, AID) ~~(S)~~
3. What conditions should be applied to future U.S. assistance to Nicaragua? ~~(S)~~
4. What steps can be taken by the United States to assure that Nicaragua benefits fully from such trade initiatives as the GSP and CBI? Under what conditions should those steps be taken? What steps can be taken by Nicaragua? How can we help assure adequate markets in the EC and elsewhere for major export products, including bananas and coffee? (State, NEC, USTR) ~~(S)~~
5. The President has said we need to do more to support those struggling to establish grassroots democracy. How can this be applied to Nicaragua? (State) ~~(S)~~ In particular:
  - a. What measures can the United States take to help bring political violence under control and improve the human rights situation in Nicaragua? (State) ~~(S)~~
  - b. How can we reinforce the national political infrastructure? (State) ~~(S)~~
  - c. What can the United States do to help resolve the land tenure issue? (State) ~~(S)~~

III. TASKING

1. The Assistant Secretary of State for Inter-American Affairs should convene an Interagency Working Group to review these issues and assign specific drafting and other responsibilities. ~~(C)~~
2. Identify a recommended policy option in each case. Should there be differences of opinion among relevant agencies that cannot be resolved at the IWG level, they should be clearly and concisely stated in the final papers. ~~(C)~~
3. Pros and Cons for each policy option should be clearly laid out in options papers. ~~(C)~~

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4. After review by the IWG, assessment and options papers should be submitted to the NSC for final review and to serve as a basis for decision making. Assessment and options papers are due March 1. (C)



Anthony Lake  
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