

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY JL DATE 1/15/82

RDS  or XDS  EXT. DATE \_\_\_\_\_  
TS AUTH. \_\_\_\_\_ REASON(S) \_\_\_\_\_  
ENDORSE EXISTING MARKINGS   
DECLASSIFIED  RELEASABLE   
RELEASE DENIED   
PA or FOI EXEMPTIONS \_\_\_\_\_

**DAG**

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FM SECSTATE WASEDC  
TO AMEMBASSY OTTAWA IMMEDIATE 5428  
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C O N F I D E N T I A L STATE 003282

F.O. 12065: RDS-3, 1/6/82 (LLOYD, WINGATE)

TAGS: EAID, CA, NU, US

SUBJECT: US AID TO NICARAGUA

REF: OTTAWA 0090

1. (C) - ENTIRE TEXT.

2. US ECONOMIC ASSISTANCE TO THE GOVERNMENT OF NICARAGUA WAS FORMALLY SUSPENDED BY A PRESIDENTIAL DETERMINATION OF APRIL 1, 1981. PRESIDENT REAGAN ISSUED THIS DETERMINATION IN ACCORDANCE WITH SECTION 533 (F) OF THE INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1980 WHICH STATES IN PART THAT CUCHI THE PRESIDENT SHALL TERMINATE ASSISTANCE TO THE GOVERNMENT OF NICARAGUA...IF HE DETERMINES THAT THE GOVERNMENT OF NICARAGUA COOPERATES WITH OR HARBORS ANY INTERNATIONAL TERRORIST ORGANIZATION...END QUOTE. BY APRIL 1981 IRREFUTABLE EVIDENCE HAD BECOME AVAILABLE THAT THE GOVERNMENT OF NICARAGUA ASSISTED IN THE TRANSHIPMENT OF WEAPONS FROM CUBA TO INSURGENTS IN EL SALVADOR.

3. THE MAJOR PART OF THE FY 81 ECONOMIC ASSISTANCE PROGRAM TO NICARAGUA CONSISTED OF A 40 MILLION DOLLAR

PSF LOAN TO THE GOVERNMENT OF NICARAGUA, SIGNED IN OCTOBER 1980. THE LOAN AGREEMENT STIPULATED THAT AT LEAST 60 PERCENT OF THE FUNDS ARE TO BENEFIT THE PRIVATE SECTOR. EXPENDITURES UNDER THIS LOAN ARE CONTINUING SINCE THE PRESIDENTIAL DETERMINATION WAS INTERPRETED TO MEAN THAT NO NEW REPEAT NEW FUNDS TO THE GOVERNMENT WERE TO BE OBLIGATED AFTER APRIL 1, 1981. IN ADDITION, A MODEST ASSISTANCE PROGRAM CHANNELLING FUNDS DIRECTLY TO THE PRIVATE SECTOR AND PRIVATE VOLUNTARY ORGANIZATIONS HAS CONTINUED THROUGHOUT FY 81 AND AT PRESENT IS EXPECTED TO CONTINUE IN FY 82 AS WELL.

3. THE STATEMENT IN PAR 2 OF REFTEL THAT ALL ECONOMIC AID HA BEEN SUSPENDED IS INCORRECT. ONLY ASSISTANCE TO THE GOVERNMENT HAS BEEN SUSPENDED, AS POINTED OUT IN

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U.S. AID

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CONTINUE ASSISTANCE TO NICARAGUA'S PRIVATE SECTOR AND  
PRIVATE VOLUNTARY ORGANIZATIONS. HAIG

BT  
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NNN  
DRAFTED BY LAC/CEN:PKOLAR/EUR/CAN:GOGG:DB  
APPROVED BY EUR/CAN:WLOYD  
NNNN

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