

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Duane R. Clarridge
Chief, Latin America
Division

EXTENSION

NO.

DATE

10 June 1982

25X1

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1.

DCI

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Attached is an outgoing cable from the Department of State addressing Ambassador Negroponte's desire for additional economic assistance for Honduras above that earmarked for the country in the CBI package.

State Dept. review completed

CONFIDENTIAL

LA/CATF
INCOMING

17/ /

IMMEDIATE

FRP: .2. .4. . . .

STATE

ACTION: NONE INFO: OALA/HO-2, OALA/MC, OALA/MC/CA, OALA/MC/DC,
OALA/MC/R-2, OALA/MCMIL, OALA/POLA, ODPH-H, ODPN-N, ODPS-S, OGI/EC/IF,
OGI/EC/IT, OGI/I/IT, OGI/R-2, OGI/R/AT, ODE/EI/E, ODE/WE, OSA/SE/I,
PLANFAC-E (), RF, FILE, FR, LA/CATF-3, LA/RR, CR/WH, IAD/CAS-3,
NICAG/LA, NIO/LA, GER, STD/SSTB, (14/W)

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TO AMEMBASSY TEGUCIGALPA IMMEDIATE 8483
BT
C O N F I D E N T I A L STATE 155873



25X1

E.O. 12065: GDS 6/7/88 (PENFOLD, JOHN H.)
TAGS: EAID, EGEN, ETRD, HO
SUBJECT: PROSPECTS FOR ADDITIONAL ECONOMIC ASSISTANCE
TO HONDURAS



25X1

REFS: A) TEGUCIGALPA 4574; B) TEGUCIGALPA 4585

1. (CONFIDENTIAL - ENTIRE TEXT)
2. IN RESPONSE TO REFTEL B PARAGRAPHS 3,4 AND 5, DEPARTMENT HAS UNDERTAKEN A PRELIMINARY REVIEW OF POSSIBILITIES OF PROVIDING ADDITIONAL ASSISTANCE TO GOH. PENDING THE PASSAGE OF THE CBI THERE ARE NO IMMEDIATE POSSIBILITIES OF ADDITIONAL ASSISTANCE TO HONDURAS. THE COUNTRY'S DETERIORATING ECONOMIC SITUATION WILL, HOWEVER, PLACE IT IN A POSITION TO REQUEST ADDITIONAL ASSISTANCE SHOULD UNEARMARKED CBI FUNDS BE AVAILABLE. IN THE MEDIUM TERM WE ARE SEEKING INCREASED ASSISTANCE FOR CARIBBEAN SUGAR PRODUCERS AFFECTED BY THE RECENT QUOTAS.
3. A CAP ON ASSISTANCE TO EL SALVADOR UNDER THE CBI SUPPLEMENTAL WAS AGREED UPON IN THE HOUSE FOREIGN AFFAIRS COMMITTEE. IF A CAP IS MAINTAINED IN THE FINAL BILL, FUNDS ORIGINALLY PROGRAMMED FOR EL SALVADOR MAY BE AVAILABLE FOR REALLOCATION TO OTHER CBI BENEFICIARIES. ADDITIONAL ASSISTANCE TO HONDURAS WOULD BE REVIEWED CONCURRENTLY WITH AN ANALYSIS OF THE URGENT NEEDS AND REQUIREMENTS OF OTHER POTENTIAL CBI BENEFICIARIES.
4. THE PROGRAMMING OF AN ADDITIONAL 20-25 MILLION DOLS. IN 1982 ESF FUNDS TO HONDURAS IS NOT POSSIBLE AS THERE ARE NO UNEARMARKED FUNDS AVAILABLE.
5. THE DISTRIBUTION OF SUGAR QUOTAS WAS BASED ON A SIMPLE, IMPARTIAL FORMULA, CONSIDERING EACH COUNTRY'S AVERAGE LEVEL OF ANNUAL SUGAR EXPORTS TO THE U.S. OVER THE PERIOD 1975-81 (EXCLUDING ITS HIGHEST AND LOWEST PERFORMANCE YEARS). IT WAS DECIDED AT THE CABINET LEVEL THAT ONLY SUCH AN IMPARTIAL FORMULA IS DEFENSIBLE IN VIEW OF BOTH OUR FORMAL OBLIGATIONS IN THE GATT AND THE ADMINISTRATION'S GENERAL TRADE POLICY OBJECTIVES. SOME COUNTRIES, LIKE HONDURAS, WHICH HAVE ONLY RECENTLY INCREASED THEIR PRODUCTION AND EXPORTS ARE UNDENIABLY DISADVANTAGED BY THIS FORMULA.

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THE SIZE OF NICARAGUA'S QUOTA RELATIVE TO THAT OF HONDURAS IS ENTIRELY A REFLECTION OF NICARAGUA'S PAST LEVELS OF EXPORTS OVER THE SEVEN YEAR PERIOD. ADDITIONAL DETAILS ON SUGAR QUOTAS, TO BE ANNOUNCED SOON WILL, WE BELIEVE, EFFECTIVELY ADDRESS THE DIFFICULTIES THAT HONDURAS AND MANY OTHER EXPORTERS HAVE EXPERIENCED IN THE FIRST WEEKS OF THE QUOTA SYSTEM. PROSPECTS FOR HONDURAN SALES OF SUGAR TO THE U.S. MARKET IN THE SHORT TO MEDIUM TERM WILL NECESSARILY DEPEND ON FUTURE U.S. DEMAND FOR SUGAR, SINCE THIS WILL DETERMINE FUTURE GLOBAL QUOTA LEVELS. AS USDA IS ABLE TO RAISE THE GLOBAL QUOTA IN RESPONSE TO A RECOVERY IN U.S. DEMAND FOR IMPORTED SUGAR. ALL EXPORTERS WILL BENEFIT. OF COURSE, A SUFFICIENT INCREASE IN WORLD PRICE- WHICH REMAINS AN OBJECTIVE OF THE U.S. AS WELL AS OF SUGAR EXPORTING COUNTRIES-WOULD PERMIT US TO LIFT QUOTA IMPOSITION ALTOGETHER AND RETURN TO A FREE-MARKET APPROACH.

WE WOULD EXPECT HONDURAS TO BE ONE OF THE PRINCIPAL BENEFICIARIES OF INCREASED U.S. ASSISTANCE FOR CARIBBEAN BASIN SUGAR PRODUCERS THAT THE PRESIDENT MENTIONED IN HIS ANNOUNCEMENT OF SUGAR QUOTAS.

6. EMBASSY INQUIRIES REGARDING POSSIBILITIES OF ADDITIONAL FY82 PL 480 FUNDS WILL BE ADDRESSED SEPTEL, AS WILL BE OTHER SUGGESTIONS RAISED IN REFTEL B. STOESSEL
END OF MESSAGE

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