

CRS Issue Brief

Central America and U.S. Foreign Assistance: Congressional Action

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SUMMARY

The primary vehicle for assistance to Central America (defined as Panama and the five traditional Central American states -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) is the annual foreign aid appropriations measure, which covers Economic Support Funds (ESF), development and military assistance, and a Peace Corps program.

In 1994, Congress will consider the Clinton Administration's FY1995 request for foreign assistance, including \$234 million in assistance to Central America. The request continues the trend for declining assistance to the region and also introduces new categories of assistance that correlate to the Administration's foreign policy objectives. The request consists of \$69 million for El Salvador, \$57 million for Nicaragua, \$43 million for Guatemala, \$39 million for Honduras, \$8 million each for Costa Rica and Panama and \$10 million for regional Central American programs.

With regard to the new categories of assistance, the largest category is sustainable development with a request for \$169 million, including support for a Peace Corps program. The next largest category is for building democracy, with a request for \$45 million, with most of that for economic assistance for El Salvador and Nicaragua. The third largest category is providing humanitarian assistance, with a request for \$17 million in food assistance to Guatemala and Honduras. Finally, the category of promoting democracy consists of a request for \$2.6 million, with most consisting of antinarcotics assistance for Guatemala.

On Aug. 1, 1994, the conference report to H.R. 4426, the FY1995 foreign aid appropriations bill was filed in the House. The

bill, which was approved by the House on May 25 and by the Senate on July 15, includes several provisions on assistance to Central America, and the Appropriations Committee reports to the bill (H.Rept. 103-524 and S.Rept. 103-287) contain numerous policy provisions on U.S. assistance to the region. The appropriations in the bill were structured along the traditional accounts, such as development assistance and ESF, instead of the Administration's new categories of assistance.

In addition to appropriations legislation, another legislative vehicle for shaping U.S. policy toward Central America is foreign assistance authorization legislation, but Congress has not completed work on a regular annual foreign aid authorization bill since 1985. On June 16, 1993, the House approved a FY1994 foreign aid authorization bill, H.R. 2404, which contained several provisions on Central America. On Sept. 16, 1993, the Senate Foreign Relations Committee reported a foreign aid authorization bill, S. 1467 (S.Rept 103-144). No further action is expected on these two measures in 1994 as committees in both houses turn their attention to broader legislation (H.R. 3765 and S. 1856) proposed by the Administration to reform the Foreign Assistance Act of 1961.

Congressional concerns in Central America center on El Salvador, Guatemala, and Nicaragua, and these concerns are reflected in provisions in the appropriations legislation or in policy provisions in committee reports to the legislation.



MOST RECENT DEVELOPMENTS

Congress has almost completed action on the FY1995 foreign aid appropriations bill, H.R. 4426. On May 25, 1994, the House passed its version of H.R. 4426, by a vote of 337-87, and on July 15, 1994, the Senate approved its version of the bill by a vote of 84-9. The conference report to the bill (H.Rept. 103-633) was reported on Aug. 1, 1994.

The bill includes several provisions on assistance to Central America, and the House and Senate Appropriations Committees reports to the bill (H.Rept. 103-524 and S.Rept. 103-287) contains numerous policy provisions on U.S. assistance to the region. Most significantly, the bill would set forth conditions for the provision of assistance to Nicaragua. ESF assistance would be conditioned upon notification by the Secretary of State to the appropriate congressional committees that significant and tangible progress is being made by Nicaragua in six areas: 1) prosecution of those identified as part of a terrorist/kidnapping ring after the May 23 (1993) explosion in Managua, of weapons caches, false passports, identity papers and other documents; 2) resolution of expropriation claims and effective compensation of legitimate claims; 3) timely implementation of recommendations made by the Tripartite Commission as it undertakes to review and identify those responsible for gross human rights violations; 4) enactment of legislation to reform the Nicaraguan military and security forces in order to guarantee civilian control over the armed forces; 5) establishment of civilian control over the police and independence of the police from the military; and 6) effective reform of the Nicaraguan judicial system.

BACKGROUND AND ANALYSIS

Central America and U.S. Foreign Aid

U.S. Interest in Central America

Central America (defined in this issue brief as Panama and the five traditional Central American states -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) has been a region of critical concern to the U.S. Government for over a decade. Many observers believe that it remains so today because of overall U.S. interests in supporting democracy and economic development in the region. The January 1992 peace accord in El Salvador has shifted U.S. policy to one of reconstruction in the aftermath of a decade-long conflict. The December 1989 ouster of the Noriega regime in Panama and the February 1990 electoral defeat of the Sandinistas by Violeta Chamorro in Nicaragua has already commenced a new period in U.S. relations with these two countries, and shifted U.S. policy to support for democracy and economic recovery.

Political and social unrest in the region drew U.S. attention to the region during the Carter Administration. By the early 1980s, many policymakers viewed the political change and unrest in Central America as a potential threat to U.S. strategic interests in the hemisphere. Nicaragua had recently begun a significant military buildup with support from the Soviet Union. Nicaragua was also accused of exporting revolution to neighboring countries by providing support to leftist guerrilla movements in El Salvador and Guatemala. The guerrilla movement in El Salvador was very strong, while the movement in Guatemala appeared to be gaining strength. In addition, Central American countries were experiencing declines in national and per capita

income, mainly due to global economic decline and the region's own economic problems. As a result, U.S. aid to the region steadily increased through the mid-1980s and has remained at relatively high levels.

Kissinger Commission and the Establishment of Bipartisan U.S. Goals

Between FY1979 and FY1983, Congress approved -- with statutory reservations -- significant increases in the U.S. Central American aid program, but the increases often fell short of the Administration's requests. The result was an aid program whose goals, justification, and components often seemed to be shaped on an ad hoc basis. Policy discussion and aid levels that emerged from congressional-executive battles frequently pleased no one.

Because of the many controversies surrounding the U.S. aid program for Central America, President Reagan appointed the 12-member National Bipartisan Commission on Central America -- known as the Kissinger Commission -- to examine the focus and direction for future U.S. aid to the region. In January 1984, the Commission presented its report to President Reagan. It emphasized a dual approach for U.S. foreign assistance to the region: (1) addressing the root causes of civil strife and declining economic growth through economic assistance and economic reforms; and (2) dealing with insurgency and outside intervention, whose elimination was essential to any progress on the other fronts, by military assistance, political reforms, and support for regional peace initiatives. The most significant recommendation was a call for the United States to increase its foreign aid to the region to \$6 billion for the period FY1985 to FY1989, which would result in approximately \$1.2 billion in annual economic assistance to the region.

U.S. Foreign Aid to Central America, FY1985-FY1993

Congressional action on Central America reflected bipartisan support of the Kissinger Commission's recommendations. In early 1984, the Reagan Administration submitted to Congress the Central American Democracy, Peace and Development Initiative -- designed to accomplish most of the recommendations. The Reagan proposal called for \$6 billion in direct economic assistance to the region, \$1.2 billion per year, and \$2 billion in insurance and guarantee authority over the next 5 years. U.S. foreign assistance to the region had already been on the increase before the Commission recommendations, but U.S. aid increased significantly in FY1984 and FY1985. Total U.S. foreign aid to the region rose from \$828 million in FY1984 to \$1.41 billion in FY1985. The following year, assistance declined slightly to \$1.04 billion, but increased again in FY1987 to \$1.34 billion.

In March 1987, President Reagan called for a change in the Administration's foreign aid targets for Central America. The Administration recommended an extension of the Central American Initiative by 3 years to FY1992, with a \$500 million increase in total aid to the region. This move would reduce the average annual target to approximately \$860 million. The Administration recognized that extraordinary funding might increase the risk that Central American governments would fail to take necessary economic policy reforms, thereby reducing the effectiveness of the assistance and the prospects for sustained growth. From FY1987 through FY1989, the overall volume of U.S. aid to the region declined from the levels of the mid-1980s. In FY1988, aid to Central America totalled around \$929 million; whereas in FY1989, it amounted to around \$862 million.

Changes in Central America Prompt Increased U.S. Assistance for FY1990. In 1990, changes of government in Nicaragua and Panama shifted U.S. policy from conflict with those two nations to support and cooperation, and increased U.S. funding requirements for the region, well above what was envisioned by the Kissinger Commission. In January 1990, following the U.S. intervention in Panama, President Bush announced that he would seek \$500 million in supplemental assistance for Panama for FY1990 as well as \$42 million (including \$10 million in housing guarantees) in immediate emergency assistance. In March 1990, following the election of opposition candidate Violeta Chamorro in Nicaragua, President Bush announced that he would ask Congress for \$300 million in FY1990 supplemental assistance for Nicaragua. By February Congress had acted on the \$42 million in emergency ESF assistance for Panama (P.L. 101-243), and in May Congress appropriated \$720 million in ESF assistance for Panama and Nicaragua (P.L. 101-302). With this additional assistance, U.S. aid obligations to Central America for FY1990 amounted to \$1.4 billion, the second largest amount provided to Central America in a single year, and made Panama the largest aid recipient in the region for the fiscal year.

Declining Assistance Levels: FY1991-FY1994. Assistance to Central America declined precipitously from FY1991 through FY1994 (see Table 1). For FY1991 and FY1992, U.S. aid to the region amounted to \$937 million and \$589 million respectively, significantly lower than for FY1990. The FY1991 aid breakdown of U.S. obligations by country showed El Salvador receiving the largest portion of assistance, \$304 million, or 32%, with Nicaragua the second largest aid recipient, with \$264 million, or 28%. The FY1992 aid breakdown shows El Salvador with the largest share of the region's aid, \$291 million, or 49%, with Honduras receiving \$95 million, or 16% of the assistance, Nicaragua receiving \$73 million, or 12%, and Guatemala receiving \$67 million or 10%.

For FY1993, aid to the region amounted to \$564 million. Because a large portion of Nicaragua's FY1992 assistance was on hold until FY1993, that country accounted for about 28% of total assistance to the region in FY1993, while El Salvador -- still the largest aid recipient -- accounted for 41% of total U.S. aid to the region.

Continuing the trend of declining assistance levels, U.S. aid obligations to the region for FY1994 will amount to an estimated \$280 million, less than half of assistance levels for FY1993. This includes \$97 million, or almost 35% for El Salvador.

Military assistance to the region has declined significantly since FY1992. In FY1992, \$62 million in military assistance to El Salvador -- a little over two-thirds of the total amount requested for that country -- was transferred to a Demobilization and Transition Fund to help support the peace process, leaving almost \$23 million in military assistance. Another \$29 million in military assistance was transferred to the fund in FY1993, leaving \$11.3 million in military aid. For FY1994, only an estimated \$0.4 million in military assistance will be provided to El Salvador. Military assistance to Honduras has also declined significantly in recent years, with \$2.9 million provided in FY1993 and an estimated \$0.5 million for FY1994, down from \$34 million in FY1991.

Clinton Administration's FY1995 Request

The Clinton Administration's request for foreign assistance to Central America in FY1995 continues the trend for declining assistance to the region and also introduces new categories of assistance that correlate to the Administration's foreign policy objectives. The request is for \$234 million in assistance, with \$69 million for El

Salvador, \$57 million for Nicaragua, \$43 million for Guatemala, \$39 million for Honduras, \$8 million each for Costa Rica and Panama and \$10 million for regional Central American programs.

With regard to the new categories of assistance, the largest category is sustainable development with a request for \$169 million, including support for a Peace Corps program. The next largest category is for building democracy, with a request for \$45 million, with most of that for economic assistance for El Salvador and Nicaragua. The third largest category is providing humanitarian assistance, with a request for \$17 million in food assistance to Guatemala and Honduras. Finally, the category of promoting democracy consists of a request for \$2.6 million, with most of that consisting of antinarcotics assistance for Guatemala.-

Table 1. U.S. Aid to Central America, FY1991-FY1995
(obligations in millions of \$)

Country	FY1991	FY1992	FY1993	FY1994 (est.)	FY1995 (req)
Cost Rica	53.4	26.7	23.7	13.4	8.3
El Salvador	303.6	291.3	228.9	97.3	69.1
Guatemala	91.0	61.1	67.2	54.1	42.3
Honduras	149.3	95.3	61.2	40.8	39.1
Nicaragua	263.8	72.7	155.7	56.7	56.6
Panama	58.2	29.1	10.0	10.8	8.0
ROCAP	17.8	12.4	17.0	6.9	10.4
TOTAL	937.1	588.6	563.7	280.0	234.1

ROCAP=Regional Office for Central America and Panama.-

Congressional Action

FY1995 Appropriations

On May 25, 1994, the House passed its version of H.R. 4426, the FY1995 foreign aid appropriations bill, by a vote of 337-87, and on July 15, 1994, the Senate approved its version of the measure by a vote of 84-9. The conference report to the bill (H.Rept. 103-633) was reported on Aug. 1, 1994.

As approved in conference, the measure includes several provisions on assistance to Central America. Section 520 of the bill -- identical to provision in current legislation for FY1994 -- includes a special notification requirement for El Salvador, Guatemala, and Nicaragua which requires that all assistance obligated or expended be provided only through the regular notification procedures of the Committees on Appropriations. The requirement, however, does not apply to development assistance for El Salvador and Nicaragua.

The reports of the House Appropriations Committee (H.Rept. 103-524) and the Senate Appropriations Committee (S.Rept. 103-287) contained numerous policy provisions on U.S. assistance to the region. Both Committees supported full funding of the Administration ESF request for Latin America, and noted that in FY1994 the region suffered disproportionate cuts in ESF and development assistance.

El Salvador. The House Appropriations Committee report urged "the Administration to allocate economic and development assistance funds for El Salvador as the level of the budget request, as a sign of our commitment to the peace process." The Committee urged U.S. support for the National Civilian Police, and believes that continued ESF disbursement should be contingent on the fulfillment of the Peace Accords' agreements related to the deployment of the National Police and the demobilization of the old National Police. It urged "the Administration to ensure that the new leadership of the National Civilian Police abides by the agreement to make the new force civilian, professional, and pluralistic." With regard to land transfer programs, the Committee called for AID to work closely with Salvadoran government agencies and with non-governmental organizations that work closely with the intended beneficiaries, to overcome political, technical and administration problems. The Committee also called for "AID to assist the Salvadoran government in advancing reforms of the judicial system." Looking ahead to the 1997 legislative elections, the Committee asserted that AID's support of the *Tribunal Supremo Electoral* would best be used by implementing reforms including a new voter registry, decentralized voting sites, a streamlined registration process, training for personnel, and involvement of non-governmental organizations in registration and education efforts.

The Senate Appropriations Committee expressed concern about the slow pace of the land transfer program, reports that a disproportionate number of members of the old security forces have been retained in the National Civilian Police, and the lack of reforms to ensure an independent judiciary. The Committee again recommended that any IMET funds for El Salvador be used for expanded IMET courses to promote civilian control over the military, an effective military justice system, and training of the military in the observance and protection of human rights.

Guatemala. As in previous years, the bill would prohibit foreign military financing for Guatemala. In its report to the bill, the House Appropriations Committee applauded the Jan. 10, 1994, framework agreement between the Guatemalan government and the Guatemalan National Revolutionary Unity (URNG) and the subsequent Mar. 29, 1994 human rights accord between the two parties. It recommended that "all suspended military assistance for Guatemala be transferred to a peace fund and be made available for purposes consistent with the peace accords." The report also urged that funds be made available for U.N. participation in the verification of the accords and subsequent agreements and that funds be provided for the demobilization of combatants and economic reconstruction.

In its report, the Senate Appropriations Committee concurred with the House Committee about assistance to Guatemala. The Senate Committee stated that it expects the Administration to be consulted in advance of any proposed sales of military equipment to Guatemala -- government of commercial -- or of any decision to release prior-year undelivered military aid funds. The Committee also stated that in considering any Administration notification to provide assistance, it would give weight to progress in several areas: implementing judicial reform legislation; dissolving the civil patrols (which have been implicated in numerous human rights abuses); and investigating and punishing those responsible for human rights abuses.

Honduras. In its report, the House Appropriations Committee stated that it "recognizes recent steps taken in Honduras to bring the military under civilian control and encourages further progress." It encouraged the Honduran government to bring the Public Security Forces (FUSEP) under civilian control. The Committee also called "upon the U.S. government to declassify and make available to the public all documents requested by the Honduran Human Rights Commissioner that relate to the issue of the disappeared in Honduras." The Senate Appropriation Committee concurred with the House regarding the release of U.S. public documents relating to disappearances in Honduras. It also expressed satisfaction that Honduran President Reina has pledged that his government would pay the damages (with interest and adjusted to restore the full value of the judgments) in a judgement of the Inter-American Court of Human Rights involving the disappearances of Angel Manfredo Velasquez and Saul Godina Cruz in the early 1980s.

Nicaragua. Section 557 of the bill sets forth conditions for the provision of U.S. assistance. ESF assistance would be conditioned upon notification by the Secretary of State to the appropriate congressional committees that significant and tangible progress is being made by Nicaragua in six areas: 1) prosecution of any individual identified as part of a terrorist/kidnapping ring by the investigation of issues raised by the discovery, after the May 23, 1993 explosion in Managua, of weapons caches, false passports, identity papers and other documents; 2) resolution of expropriation claims and effective compensation of legitimate claims; 3) timely implementation of recommendations made by the Tripartite Commission as it undertakes to review and identify those responsible for gross human rights violations; 4) enactment of legislation to reform the Nicaraguan military and security forces in order to guarantee civilian control over the armed forces; 5) establishment of civilian control over the police and independence of the police from the military; and 6) effective reform of the Nicaraguan judicial system. Section 512 would also continue a waiver for Nicaragua for the provision prohibiting assistance to any country that is in default for any U.S. Government loan for more than one year.

In its report, the House Appropriations Committee urged Nicaragua "to take stronger steps to protect human rights and investigate and prosecute those responsible for abuses." It also called for U.S. assistance "to target the poorest, including ex-combatants on both sides and citizens in areas most devastated by the war." The Committee further recommended "that 4-year accredited university programs in Nicaragua and in other countries be considered for AID funding." In anticipation of the 1996 presidential election, the Committee stated that AID's support to the *Consejo Supremo de Elecciones* would best be used in training personnel, providing for the involvement of non-governmental organizations in registration and education, and updating the voter registry. The Committee also called for a State Department report regarding an assessment of the military tribunals adjudicating crimes and/or human rights violations by members of the military against civilians.

The Senate Appropriations Committee stated in its report that "too little assistance has gone to support programs to provide credit and technical assistance for small-and medium-sized farmer, cooperatives, and urban entrepreneurs; to reduce unemployment particularly among ex-combatants from both sides; to improve health and education; and for environmental conservation."

Panama. Section 549 of the bill would continue to provide funding for police assistance to Panama. Up to \$3 million may be made available, subject to the regular notification process of the Appropriations Committees, for the objective of creating a professional civilian police force for Panama, and for programs to improve penal

institutions and the rehabilitation of offenders in Panama. Not more than \$1 million of the assistance may be provided for non-lethal law enforcement equipment.

FY1994 Appropriations

On September 30, the FY1994 foreign aid appropriations bill, H.R. 2295, was signed into law (P.L. 103-87). The House approved the measure on June 17 (309-111) and the Senate approved it on September 23 (88-10). Both houses agreed to the conference report in late September.

Most significantly, congressional action on the FY1994 foreign aid appropriations measure reduced the President's worldwide request for FY1994 foreign assistance by about \$1.4 billion to \$13 billion and as a result even further reduced the amount available for assistance to Central America, particularly in the ESF and development assistance categories. For example, while the Clinton Administration had originally requested \$132.5 million in ESF assistance, only an estimated \$59 million will be provided (see appendix for table on assistance to Central America). In the category of development assistance, an estimated \$119 million will be provided, compared to the \$151 million originally requested.

As signed into law, the measure contains several provisions on Central America, although it includes few earmarks for countries in the region as in earlier years. As in the FY1993 legislation, the law prohibits foreign military financing for Guatemala, and in Section 512, provides a waiver for Nicaragua for the provision prohibiting assistance to any country that is in default for any U.S. Government loan for more than one year (including a waiver for the Brooke Amendment, or section 620(q) of the Foreign Assistance Act). With regard to special notification requirements for certain countries (which requires that all assistance obligated or expended is to be provided only through the regular notification procedures of the Committees on Appropriations), Section 520 continues a requirement for Guatemala and adds El Salvador and Nicaragua to the list of countries requiring notification. However, development assistance to both El Salvador and Nicaragua are exempted from this provision.

Section 551 provides for up to \$6 million for Panama, with not more than \$3 million for the procurement of non-lethal law enforcement equipment for the objective of "creating a professional civilian police force" and "for programs to improve penal institutions and the rehabilitation of offenders in Panama."

Section 562 sets forth conditions on ESF assistance to Nicaragua. No ESF may be made available until the Secretary of State determines and reports in writing to the appropriate committees that: 1) there has been a full and independent investigation relating to issues raised by the May 23 explosion in Managua (which involved the discovery of weapons caches, false passports, identity papers, and other documents that suggested the existence of a terrorist/kidnapping ring); and 2) any individuals identified by the investigation as part of the terrorist/kidnapping ring are being prosecuted. The law also requires that ESF be made available only after the Secretary of State notifies the appropriate committees in writing that significant and tangible progress is being made regarding property claims, human rights, civilian control of the armed forces, the establishment of a civilian police force, and judicial reform.

Authorization Legislation

Congress has not completed work on a regular foreign aid authorization bill since 1985. In 1991, both Houses considered legislation, H.R. 2508, to authorize foreign assistance for FY1992 and FY1993, but ultimately the conference report was rejected by the House. Several foreign aid authorization bills were introduced in 1992 that were similar, although not identical, to H.R. 2508. Among other provisions on Central America, these bills would have set forth guidelines on U.S. policy toward the region, including the implementation of the recommendations of the International Commission on Central American Recovery and Development (the Sanford Commission), support for refugees and displaced persons, and support for effective regional and multilateral cooperation (a partnership for democracy and development).

In 1993, the House approved an authorization bill, H.R. 2404, while the Senate Foreign Relations Committee reported S. 1467. No further action is expected on these two measures in 1994 as committees in both houses turn their attention to broader legislation (H.R. 3765 and S. 1856) proposed by the Administration to reform the Foreign Assistance Act of 1961. The broader foreign aid reform measure would organize foreign aid around the objectives of: sustainable development; providing humanitarian assistance; building democracy; promoting peace; and promoting economic growth through trade and investment.

Key Issues

Assistance to El Salvador

In light of the January 1992 peace agreement in El Salvador, U.S. aid efforts have centered on reconstruction assistance. The Salvadoran government has indicated that it will need \$2 billion in international assistance over the next several years in order to implement a national reconstruction plan that includes the rebuilding of infrastructure, improving economic and social conditions, and assistance to create employment for combatants on both sides of the conflict. U.S. officials have suggested that the United States will provide significant assistance to help support the nation's recovery and reconstruction efforts, including the measures cited above as well as backing land reform programs and the training of a new National Civil Police.

In mid-March 1993, the Clinton Administration suspended \$11 million in FY1993 military aid because Salvador President Alfredo Cristiani delayed the purge of the military that had recommended by the Ad Hoc Commission designated under the peace accord. Cristiani subsequently pledged to complete the purge by June 30, 1993, and in fact on July 1, 1993, top officers of the Salvadoran military, including Minister of Defense General Rene Emilio Ponce, retired. As a result of these actions, in early August 1993, the Administration announced that it was going forward with the obligation of the \$11 million in military assistance.

For FY1994, cuts in the worldwide foreign aid budget will reduce U.S. assistance to El Salvador significantly. An estimated \$97 million in assistance will be provided to El Salvador during FY1994 consisting of \$31 million in development assistance, \$45 million in ESF, \$0.4 million in military assistance (IMET), \$20 million in food aid, and \$0.7 million for a Peace Corps program. The Clinton Administration requested \$2.7 million in foreign military financing (FMF) for El Salvador, but because of congressional cuts in military assistance worldwide, no FMF will be provided. ESF

assistance for FY1994 was cut in half from the Administration's request, and development assistance was cut by \$11 million from the request. The FY1994 foreign aid appropriations measure (P.L. 103-87) required that assistance be made available (except for development assistance) only through the regular notification process of the Appropriations Committees.

For FY1995, the Administration is requesting \$69 million in assistance with almost \$39 million for the objective sustainable development and \$30.4 million for building democracy. Salvadoran President Alfredo Cristiani in March 1994 stated that sharp reductions in U.S. assistance to Central America could lead to renewed instability in the region, and expressed disappointment about the U.S. decision to cut assistance levels to El Salvador. (For further information, see CRS Issue Brief 92034, *El Salvador under Cristiani: U.S. Foreign Assistance Decisions.*)

Assistance to Guatemala

In response to the May 25, 1993 actions of President Jorge Serrano suspending constitutional rule and dissolving the Congress and the Supreme Court, the Clinton Administration announced on May 27 that it was suspending assistance to Guatemala and considering suspending Guatemala's benefits under the Generalized System of Preferences. By June 6, however, after Guatemala's civilian sectors united in opposing Serrano's actions and the Guatemalan Congress selected a new president -- Ramiro de Leon Carpio (Guatemala's highly respected Human Rights Ombudsman) -- the United States resumed its foreign aid program to Guatemala.

Concern in Congress about the human rights situation in Guatemala continued in 1993. A June 1993 report of the House Committee on Appropriations (H.Rept. 103-125) stated that the Committee agreed with the Department of State's assessment in its human rights report for 1992 that "although there were some improvements in the human rights situation, serious human rights abuses occurred frequently." The Committee expressed concern about ongoing attacks by the armed forces, security forces, and civil patrols against Guatemalan and international human rights monitoring organizations, and noted that justice has not yet been served in the cases of Sister Dianna Ortiz, Michael Devine, and Myrna Mack.

Over the last several years, Congress has taken action to express its concern over the human rights situation. In the FY1991 foreign aid appropriations measure (P.L. 101-513), Congress cut the Administration's military assistance request by more than one-half, limiting the assistance to \$2.887 million, and required that the assistance be made available only through the regular notification process of the Committees on Appropriations. In the FY1993 foreign aid bill approved in October 1992 (P.L. 102-391), Congress took stronger action because of the dismal human rights situation. In the measure, Congress prohibited foreign military financing to Guatemala, and again required that all assistance be provided through the regular notification process. The measure also required that development and ESF funds be used only by civilian agencies and non-governmental organizations, and be used only for certain programs. Most significantly, the measure also linked the provision of economic assistance to progress by the Guatemalan government in the human rights situation. Specifically, it stated that before the Administration obligates assistance, the President shall take into account progress of the Guatemalan government toward eliminating human rights violations and in investigating and bringing to trial those responsible for the Dianna Ortiz, Michael Devine, and Myrna Mack cases.

Another area of congressional concern has been supporting efforts to bring about a negotiated settlement to Guatemala's decades old civil conflict. In the FY1993 foreign aid bill, Congress provided that assistance could be used for the costs of retraining, relocating, and reemploying former combatants and noncombatants affected by the conflict and for the costs of monitoring activities associated with a peace agreement between the government and the Guatemalan National Revolutionary Unity (URNG).

In FY1994 legislation (P.L. 103-87), Congress again prohibited foreign military financing for Guatemala and required that all assistance be provided through the regular notification process of the Appropriations Committees. Both Appropriations Committees, in their reports to the bill, as well as the House Committee on Foreign Affairs, in its report on a foreign aid authorization measure, recommended that any prior-year military aid be transferred to a peace fund to assist in the implementation of a peace accord. For FY1994, an estimated \$54 million will be provided to Guatemala, consisting of \$19 million in development assistance, \$30 million in food aid, \$0.1 million for IMET, and \$3.3 million for a Peace Corps program.

For FY1995, the Administration is requesting almost \$43 million in assistance, with \$27.3 million for sustainable development (including support for a Peace Corp presence), \$10.5 million for providing humanitarian assistance (food aid), \$2.2 million for building democracy, and \$2.5 million for promoting peace (largely antinarcotics assistance).

Assistance to Nicaragua

Since the electoral defeat of the Sandinistas, Nicaragua has become a significant U.S. foreign aid recipient. However, controversy over the Nicaragua aid program arose in 1992 involving unresolved property claims and Sandinista control of the military and police. In 1993, the explosion of a Managua arms cache in May led to allegations of the Sandinistas' links to international terrorism, and in August a hostage crisis between rearmed former contras and former Sandinista combatants illustrated the difficulties facing the Chamorro government in bringing about national reconciliation after a decade of civil conflict.

In May 1992 several Members of Congress voiced their concerns to the Administration about two policy issues which resulted in the Bush Administration putting \$104 million in FY1992 assistance on hold. One issue involved thousands of unresolved property claims from the Sandinista era, including claims by U.S. citizens. A second issue involved the Sandinistas' continued power in the military and national police. On May 12, 1992, 24 Republican House Members sent a letter to Nicaragua's Minister of the Presidency expressing concern about the property claims issue and about "the continued lack of meaningful reform in the national police and in the leadership of the Armed Forces." On May 27, 1992, Senator Jesse Helms wrote to AID Administrator Ronald Roskins expressing his opposition to obligation of the \$100 million in U.S. assistance because of the property claims issue and because of what he termed the Sandinistas continued control "of every security, military intelligence, and law enforcement agency in the country." In August 1992, the Republican staff of the Senate Foreign Relations Committee issued a report that was strongly critical of the Nicaraguan government, claiming that President Violeta Chamorro is "today no more than the titular head of state" and that "all real power remains with the Sandinistas."

In the October 1992 conference report (H.Rept. 102-1011) to the FY1993 foreign aid measure (P.L. 102-391), the conferees expressed their belief that FY1992 assistance

for Nicaragua should be obligated. They also set forth four conditions that should apply to FY1993 economic assistance: a code of conduct on human rights should be formulated and implemented for military and police forces; judicial reform is needed; while noting progress toward return or compensation of private property confiscated prior to the Chamorro government, the conferees expect expeditious resolution of bona fide property claims with periodic reports provided to the Committees on Appropriations; and the AID Inspector General and the GAO shall continue to monitor and audit expenditure of all U.S. assistance to ensure that it is not being misused or subject to corruption.

The blocked FY1992 assistance was ultimately released in two stages. On Dec. 2, 1992, the Bush Administration announced that it would release \$54 million of the \$104 million in blocked FY1992 U.S. assistance. On Apr. 2, 1993, the Clinton Administration announced the release of the remaining \$50 million in assistance, and stated that the Chamorro government was taking a number of steps, at the urging of the United States, to address issues that are vital to the consolidation of democracy and to Nicaragua's ability to attract aid and private investment. It noted the success of the Chamorro government in cutting the size of the army.

According to press reports, the Clinton Administration expressed concern about reforms in Nicaragua in a July 12, 1993 meeting between Assistant Secretary of State Alexander Watson and Minister of the Presidency Antonio Lacayo. Reportedly the Administration wanted an early deadline set for the retirement of Humberto Ortega as army chief as well as progress in the investigation of the murder cases of Jean-Paul Genie, Enrique Bermudez, and Arges Sequeira.

In mid and late July 1993, the U.S. Senate took action on two legislative measures that would have curtailed U.S. assistance to the Nicaraguan government because of concern over the prospects of Sandinista involvement with international terrorism, including the February 1993 World Trade Center bombing (see Legislation). This set the stage for language strongly conditioning ESF assistance to Nicaragua to be included in the FY1994 foreign aid appropriations legislation (P.L. 103-87) approved in September (see **FY1994 Appropriations**).

In August 1993, world attention became focussed on Nicaragua because of dueling hostage situations. On Aug. 19, 1993, rearmed former contras took a government delegation hostage in northern Nicaragua that included two Sandinista legislators. In retaliation, former Sandinista combatants took hostage conservative members of the Nicaragua government in Managua, including Vice President Virgilio Godoy. Former contras, known as the re-contras, protested continued Sandinista influence in the government and called for President Chamorro to dismiss Sandinista army chief Humberto Ortega as well as Minister of the Presidency Antonio Lacayo, who they believe promotes Sandinista influence in the government. The crisis ended by Aug. 25, with Sandinista ex-President Daniel Ortega mediating with the former Sandinista combatants and Cardinal Miguel Obando y Bravo mediating with the re-contras. The crisis reflected the intense political conflict within Nicaragua and the difficulties that the Chamorro government is having with national reconciliation.

In late November 1993, the Clinton Administration announced that it was releasing \$40 million in FY1993 assistance to Nicaragua. According to President Clinton, the aid was released "because of the significant progress made in Nicaragua in asserting civilian control over the military and in trying to resolve some American property claims and on a number of other issues there." For FY1994, assistance to

Nicaragua will amount to an estimated \$57 million, with \$30 million for development assistance, \$10 million in ESF, \$16 million in food aid, and \$1 million for a Peace Corps program.

For FY1995, the Administration is requesting almost \$57 million in aid, with \$44.5 million for sustainable development and \$12.1 million for building democracy.

LEGISLATION

P.L. 103-87, H.R. 2295

Foreign Operations, Export Financing, and Related Programs Appropriations Bill, 1994. Introduced May 27, 1993; reported by House Appropriations Committee June 10 (H.Rept. 103-125). Passed House June 17 (309-111). Reported by Senate Committee on Appropriations Sept. 14 (S.Rept. 103-142). Passed Senate, amended, Sept. 23 (81-10). Conference report (H.Rept. 103-267) filed in House Sept. 27. House agreed to conference report Sept. 29 (321-108). Senate agreed to conference report Sept. 30 (88-11). Signed into law Sept. 30, 1993.

P.L. 103-94, H.R. 20

Federal Employees Political Activities Act of 1993. Introduced Jan. 5, 1993. Passed House (333-86) Mar. 3, 1993. Passed Senate (68-31), amended (substituting the language of S. 185), July 20, 1993. House agreed to Senate the amendment Sept. 21. Signed into law Oct. 6, 1993. As signed into law, contains a provision (McCain amendment approved by voice vote in Senate floor action on July 15, 1993) expressing the sense of the Senate that no further assistance should be provided to Nicaragua pending an investigation by an appropriate international body into the relationship of the Sandinista National Liberation Front to acts of terrorism.

P.L. 103-121, H.R. 2519

Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations, FY1994. Introduced June 24, 1993. Passed House, amended (327-98) July 20, 1993. Passed Senate (87-13) July 29, 1993. Conference report (House Rept. 103-293) filed in House Oct. 14. Senate agreed to conference report Oct. 21. House agreed to conference report Oct. 19. Signed into law Oct. 27, 1993. As approved by the Senate on July 29, included a provision (Helms amendment approved July 28 by a vote of 77-23) that would prohibit U.S. assistance to the Nicaraguan government unless the President certified that certain conditions were met relating to an investigation of Sandinista support for international terrorism. This Nicaragua provision was deleted in the conference report to the bill because Congress had already taken action on Nicaragua in H.R. 2295 (P.L. 103-87).

H.R. 2404 (Hamilton)

Foreign Assistance Authorization Act, 1993. Introduced June 14, 1993; on June 8, 1993, an identical version was introduced as part of H.R. 2333 (which also authorized appropriations for the State Department, USIA, and related agencies) and reported by the House Committee on Foreign Affairs (H.R. Rept. 103-126) on June 11, 1993. H.R. 2404 passed House June 16 (voice vote).

H.R. 4426 (Obey)

Foreign Operations, Export Financing, and Related Programs Appropriations Bill, 1995. Introduced May 16, 1994; reported by House Committee on Appropriations May 23 (H.Rept. 103-524). Passed House, amended, May 25, 1994 (337-87). Reported by

Senate Appropriations Committee (S.Rept. 103-287) June 16, 1994. Passed Senate, amended, July 15, 1994 (84-9). Conference report filed Aug. 1, 1994.

S. 1467 (Pell)

Foreign Assistance Act of 1993. Introduced Sept. 16, 1993. Reported by Committee on Foreign Relations Sept. 16, 1993 (Rpt. 103-144).

FOR ADDITIONAL READING

Sanford, Jonathan E. U.S. Foreign Assistance to Central America: Policy and Programs, FY1980-1993, pp. 239-272 in: U.S. Congress. Joint Economic Committee. The Caribbean Basin: Economic and Security Issues. 102nd Cong., 2nd Sess. Washington, GPO, January 1993. 399 p. S.Print 102-110.

U.S. Library of Congress. Congressional Research Service. El Salvador under Cristiani: U.S. foreign assistance decisions, by K. Larry Storrs. [Washington] (Updated regularly)

CRS Issue Brief 92034

----- Foreign Aid: Clinton Administration Policy and Budget Reform Proposals for FY1994, by Larry Q. Nowels. (Updated regularly)

CRS Issue Brief 93060

----- Foreign Policy Budget for FY1994, by Larry Q. Nowels and Ellen C. Collier [Washington] (Updated regularly)

CRS Issue Brief 93073

----- Nicaragua: Background and U.S. Policy Concerns, by K. Larry Storrs and Maureen Taft-Morales. [Washington] May 23, 1994.

CRS Report 94-440 F

----- Panama-U.S. relations: Continuing policy concerns, by Mark P. Sullivan. [Washington] (Updated regularly)

CRS Issue Brief 92088

Table 2. U.S. AID TO CENTRAL AMERICA, FISCAL YEARS 1990-94^a
(By country and aid category, in millions of \$)

Country	FY1990 ^b	FY1991	FY1992	FY1993	FY1994
Program	Obligated	Obligated	Obligated	Oblig.	Est. Oblig.
Costa Rica					
Development	11.3	11.7	12.5	5.5	5.3
ESF	63.5	25.0	11.9	0.5	0.0
Military	0.2	0.3	0.2	0.2	0.1
Food Aid	0.2	15.0	0.1	15.3	6.0
Peace Corps	2.2	1.4	1.9	2.3	2.0
TOTAL^c	77.4	53.4	26.7	23.7	13.4
El Salvador					
Development	61.8	55.9	46.9	45.7	31.2
ESF	136.4	126.3	125.5	95.7	44.6
Military	81.2	67.0	22.6	11.3	0.4
Food Aid	47.0	41.4	34.3	41.2	20.0
Peace Corps	0.0	0.0	0.0	0.4	0.7
Demobilization & Transition Fund	0.0	13.0	62.0	34.8	0.0
TOTAL^c	326.4	303.6	291.3	228.9	97.3

^a Does not include Inter-American Foundation program assistance, disaster assistance, or foreign military financing loans (concessional or market rate). Figures for food aid exclude transportation costs and U.S. share of World Food program aid. Figures for each country exclude aid provided through the regional program.

^b Includes FY1990 supplemental assistance.

^c Figures in totals may not be the same as the sum of figures for individual countries due to rounding.

Table 2. U.S. AID TO CENTRAL AMERICA, FISCAL YEARS 1990-94*
(By country and aid category, in millions of \$)

Country	FY1990 ^b	FY1991	FY1992	FY1993	FY1994
Program	Obligated	Obligated	Obligated	Oblig.	Est. Oblig.
Guatemala					
Development	29.5	29.4	25.3	23.4	19.1
ESF	56.5	30.5	8.4	9.0	0.0
Military	3.4	0.4	0.2	0.3	0.1
Food Aid	26.5	28.9	22.6	28.7	29.5
Peace Corps	2.6	1.8	2.6	3.2	3.3
TOTAL^c	118.5	91.0	61.1^d	67.2^e	54.1^d
Honduras					
Development	34.6	38.3	35.2	26.7	20.9
ESF	130.0	60.9	30.0	5.9	0.0
Military	21.2	33.5	6.4	2.9	0.5
Food Aid	21.6	16.4	20.9	22.2	16.5
Peace Corps	4.0	0.2	2.8	3.4	3.0
TOTAL^c	211.4	149.3	95.3	61.2	40.8
Nicaragua					
Development	1.4	11.0	7.1	37.9	29.6
ESF	242.9	226.8	36.0	97.4	10.0
Military	0.0	0.0	0.0	0.0	0.0
Food Aid	17.9	25.7	28.9	19.5	16.1
Peace Corps	0.0	0.3	0.7	0.9	1.0
TOTAL^c	262.2	263.8	72.7	155.7	56.7

* Does not include Inter-American Foundation program assistance, disaster assistance, or foreign military financing loans (concessional or market rate). Figures for food aid exclude transportation costs and U.S. share of World Food program aid. Figures for each country exclude aid provided through the regional program.

^b Includes FY 1990 supplemental assistance.

^c Figures in totals may not be the same as the sum of figures for individual countries due to rounding.

^d Includes \$2 million in narcotics assistance for Guatemala.

^e Includes \$2.5 million in narcotics assistance for Guatemala.

Table 2. U.S. AID TO CENTRAL AMERICA, FISCAL YEARS 1990-94^a
(By country and aid category, in millions of \$)

Country	FY1990 ^b	FY1991	FY1992	FY1993	FY1994
Program	Obligated	Obligated	Obligated	Oblig.	Est. Oblig.
Panama					
Development	0.0	0.0	14.5	6.3	5.5
ESF	394.5	44.4	9.7	2.3	4.0
Military	0.0	0.0	0.0	0.0	0.0
Food Aid	0.2	13.4	4.3	0.3	0.1
Peace Corps	0.0	0.4	0.7	1.0	1.2
TOTAL^c	394.7	58.2	29.1	10.0	10.8
Regional Office of Central America Programs (ROCAP)					
Development	26.7	17.3	11.9	14.8	6.9
ESF	0.1	0.5	0.5	2.3	0.0
TOTAL	26.8	17.8	12.4	17.0	6.9
Program Total					
Development	165.3	163.6	153.4	160.3	118.5
ESF	1,023.9	514.4	222.0	213.1	58.6
Military	106.0	101.2	29.4	14.7	1.1
Food Aid	113.4	140.8	111.1	127.2	88.2
Peace Corps	8.8	4.1	8.7	11.2	11.2
Demobilization & Transition Fund (El Salvador)	0.0	13.0	62.0	34.8	0.0
TOTAL^c	1,417.4	937.1	588.6^d	563.7^e	280.0^d

^a Does not include Inter-American Foundation program assistance, disaster assistance, or foreign military financing loans (concessional or market rate). Figures for food aid exclude transportation costs and U.S. share of World Food program aid. Figures for each country exclude aid provided through the regional program.

^b Includes FY1990 supplemental assistance.

^c Figures in totals may not be the same as the sum of figures for individual countries due to rounding.

^d Includes \$2 million in narcotics assistance for Guatemala.

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