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FM WASHINGTON 302322Z
TO IMMEDIATE FCO

TELEGRAM NUMBER 1441 OF 30 APRIL 1985

INFO IMMEDIATE SAN JOSE

PRIORITY TEGUCIGALPA, MEXICO CITY, BOGOTA, CARACAS, HAVANA,
MOSCOW, PANAMA CITY, BONN, PARIS, UKREP BRUSSELS.

US/CENTRAL AMERICA: ECONOMIC SANCTIONS AGAINST NICARAGUA

SUMMARY

1. US ON POINT OF ANNOUNCING ECONOMIC SANCTIONS AGAINST NICARAGUA. THESE ARE LIKELY TO INCLUDE BANS ON US IMPORTS FROM AND EXPORTS TO NICARAGUA AND SUSPENSION OF AIR LANDING RIGHTS AND PORT ACCESS. US/NICARAGUA TREATY ON COMMERCE AND NAVIGATION WILL BE DENOUNCED WITH 12 MONTH NOTICE. MOTLEY RESIGNS.

DETAIL

2. JOHNSTONE (DEPUTY ASSISTANT SECRETARY FOR CENTRAL AMERICA) CONFIRMED TO MINISTER ON 30 APRIL WHAT WE HAD ALREADY HEARD EARLIER IN THE DAY FROM OTHER STATE DEPARTMENT CONTACTS, THAT THE PRESIDENT WAS ABOUT TO TAKE A DECISION TO IMPOSE ECONOMIC SANCTIONS ON NICARAGUA. THE DECISION WOULD BE ANNOUNCED EITHER LATER TONIGHT OR TOMORROW.

3. JOHNSTONE SAID THAT THE MEASURES WHICH THE US WERE TAKING UNDER THE INTERNATIONAL ECONOMIC EMERGENCY POWERS ACT WERE:

I. A BAN ON US IMPORTS FROM THE EXPORTS TO NICARAGUA:

II. THE REQUIRED 12 MONTHS NOTICE OF THE SUSPENSION OF THE US/NICARAGUA TREATY OF COMMERCE AND NAVIGATION:

III. SUSPENSION OF NICARAGUAN LANDING RIGHTS IN THE US AND ACCESS TO US PORTS FOR NICARAGUAN VESSELS.

4. JOHNSTONE SAID THAT THESE MEASURES WERE NOT SO FAR-REACHING AS THOSE PREVIOUSLY TAKEN AGAINST CUBA (OR IRAN) IN THAT THERE WERE NO STEPS TO FREEZE FINANCIAL ASSETS AND TRANSACTIONS. THE ADMINISTRATION'S AIM WAS TO TAKE ONLY STEPS THAT COULD BE REVERSED IF PROGRESS WAS MADE TOWARDS US OBJECTIVES IN CENTRAL AMERICA. THE UNITED STATES WOULD BE INFORMING ITS ALLIES BUT IT WOULD NOT BE PRESSING THEM TO FOLLOW SUIT. THEY WOULD HOPE THAT COMMENTS BY ALLIES WOULD BE SUPPORTIVE OF US ACTION AND WOULD SHOW UNDERSTANDING FOR THE REASONS WHY IT HAD BEEN UNDERTAKEN. THEY ALSO HOPED THERE WOULD NOT BE UNDUE DIVERSION OF TRADE TOWARDS WESTERN EUROPE BUT ACCEPTED THAT EUROPEAN COUNTRIES WOULD BE IN NO POSITION TO TAKE GOVERNMENTAL ACTION TO THAT EFFECT.

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5. IN A SEPARATE CONVERSATION WITH WESTON, BURT SAID SHULTZ WAS VERY CONSCIOUS OF THE NEED TO MINIMISE EXTRA-TERRITORIAL IMPLICATIONS OF THE DECISION AND TO AVOID A CLASSIC INTRA-ALLIANCE ROW. HE HOPED THAT BY THE TIME THE PRESIDENT ARRIVED IN BONN, THE LAWYERS WOULD HAVE CRAFTED SOME TECHNICAL LANGUAGE REFLECTING THIS.

6. NILES AND STATE DEPARTMENT LEGAL ADVISERS CONFIRM THAT THE SANCTIONS AT 3(1) ABOVE WILL APPLY TO DIRECT EXPORTS AND IMPORTS AND TO US GOODS TRANSHIPPED THROUGH THIRD COUNTRIES WITHOUT SIGNIFICANT TRANSFORMATION. THEY WILL NOT APPLY TO FOREIGN TRADE WITH NICARAGUA UNDERTAKEN BY SUBSIDIARIES OF US COMPANIES OR PERSONS LOCATED OVERSEAS OR TO FOREIGN EXPORTS WHICH INCORPORATE US TECHNOLOGY OR COMPONENTS. THE INTENTION OF THE REGULATIONS, WE ARE ASSURED, IS TO DETER EROSION OF THE CONTROLS WITHOUT INFRINGING OTHER COUNTRIES' LAWS AND POLICIES. US IMPORTS FROM NICARAGUA IN 1984 WERE VALUED AT DLRS 68.9 MILLION AND US EXPORTS AT DLRS 111.5 MILLION.

7. IN REPLY TO A QUESTION, JOHNSTONE SAID THERE WAS NOTHING IN THIS PACKAGE OF DECISIONS ABOUT POSSIBLE RESUMPTION OF THE US/ NICARAGUA BILATERAL TALKS. THE PRESIDENT'S OFFER TO RESUME THESE HAD BEEN FROZEN AS A RESULT OF THE HOUSE'S REJECTION OF THE 'CONTRA' AID PACKAGE. NOR WAS THERE ANYTHING IN THE PRESENT DECISIONS ABOUT 'CONTRA' AID, THE DISCUSSION OF WHICH WOULD RESUME VERY SHORTLY WHEN THE TWO HOUSES OF CONGRESS TOOK UP THE ADMINISTRATION'S PROPOSALS FOR DLRS 28 MILLION WORTH OF AID IN FY 1986. IT WAS STILL NOT TOTALLY EXCLUDED THAT THE ADMINISTRATION WOULD RETURN TO THE CHARGE ON FINANCE FOR FY 1985, BUT NO DECISION HAD BEEN TAKEN TO DO SO.

8. THE DECISION TO GO FOR SANCTIONS COMES AS NO SURPRISE. THE PRESIDENT HELD OUT THE PROSPECT IN HIS LETTER TO SENATOR DOLE ON 23 APRIL, AND ON 26 APRIL THE PRESIDENT INITIATED A FULL-SCALE REVIEW OF THE OPTIONS OPEN TO THE US FOR MAINTAINING PRESSURE ON THE SANDINISTAS. ALTHOUGH THE PRESIDENT CONCEDED IN HIS 23 APRIL LETTER THAT SANCTIONS WERE UNLIKELY IN THEMSELVES TO PERSUADE THE SANDINISTAS TO MEET US OBJECTIVES, MANY HERE HAVE BEEN OPENLY ADVOCATING INCREASED ECONOMIC PRESSURE AS A MEANS OF DEMONSTRATING THAT US POLICY IS BASICALLY UNCHANGED DESPITE THE CONTRA DEFEAT, AND THAT THE US IS UNITED IN ITS DISLIKE OF THE SANDINISTA REGIME. THERE IS LITTLE PROSPECT OF CONGRESS TAKING SERIOUS EXCEPTION TO THE PRESIDENT'S DECISION (AND ANY POSSIBLE DOUBTS ON THIS SCORE ARE LIKELY TO HAVE BEEN ERASED BY ORTEGA'S MOSCOW VISIT).

9. IN WHAT OUR STATE DEPARTMENT CONTACTS (AND SHULTZ WHEN HE ANNOUNCED IT EARLIER IN THE DAY) ARE INSISTING WAS A TOTALLY UNRELATED DECISION, MOTLEY'S RESIGNATION AS ASSISTANT SECRETARY FOR INTER AMERICAN AFFAIRS HAS BEEN ANNOUNCED. WE HAVE BEEN TOLD THAT MOTLEY - WHO HAD ALREADY HAD AN UNUSUALLY LONG RUN IN THE JOB - DECIDED TOWARDS THE END OF LAST YEAR THAT HE WANTED TO LEAVE THE ADMINISTRATION PRINCIPALLY IN ORDER TO MAKE MONEY, BUT THAT

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HE WAS PERSUADED NOT TO ANNOUNCE HIS DEPARTURE IN THE EARLY MONTHS OF THE YEAR IN ORDER TO AVOID THE IMPRESSION OF POLICY DIFFERENCES. HE HAD BEEN PREPARED TO WAIT NO LONGER (BUT OF COURSE TODAY'S TIMING CERTAINLY CREATES THE IMPRESSION THE ADMINISTRATION WISHED TO AVOID). ANOTHER RUMOUR CIRCULATING IN THE STATE DEPARTMENT (BURT) IS THAT MOTLEY HAD HOPED TO BE CHOSEN BY SHULTZ AS REPLACEMENT FOR DAM AS DEPUTY SECRETARY. SHULTZ HAS ANNOUNCED THE APPOINTMENT OF ABRAMS (CURRENTLY ASSISTANT SECRETARY FOR HUMAN RIGHTS) TO REPLACE MOTLEY.

10. FCO PLEASE COPY TO HEALEY AND OWENS (DTI).

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