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ACTION INL-01

INFO  LOG-00  ACDA-08  ACDE-00  INLB-01  AID-00  ARA-01  ACQ-01
  CIAE-00  CIP-00  QASY-00  DINT-00  DOE-00  DOEEO-00  SRPP-00
  DS-00  EAP-01  EB-00  OIGO-01  FAAE-00  FCC-01  H-01
  TEDE-00  INR-00  IO-00  JUSE-00  LAB-01  L-01  ADS-00
  M-00  NSAE-00  NSCE-00  OIC-02  OMB-01  OPIC-01  PA-00
  PC-01  PM-00  PRS-00  P-00  CIAO-00  SP-00  STR-00
  TRSE-00  T-00  USIE-00  PMB-00  DSCC-00  PRM-10  PRME-01
  DRL-04  G-00  /038W

------------------E6D6F2  212018Z /38
R  211902Z SEP 97
FM AMEMBASSY SANTO DOMINGO
TO DEA HQS WASHDC
CINCSOUTH QUARRY HEIGHTS PM//SCCC//
FAA MIAMI FL
USDOC WASHDC 0375
USINT HAVANA
USDOT WASHDC
AMEMBASSY PORT AU PRINCE
SECSTATE WASHDC 7051
AMEMBASSY BEIJING
AMEMBASSY KINGSTON

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FAA MIAMI PASS TO CASLO AND JOAQUIN ARCHILLA
DEA PLEASE PASS DEA MIAMI FOR STATE/INL G DEL PRADO

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SMITH ENRON

1. (SBU) REPRESENTATIVES OF SMITH-ENRON CALLED ON THE AMBASSADOR SEPTEMBER 18, TELLING HER THE COMPANY IS CLOSE TO A SETTLEMENT WITH THE DOMINICAN STATE-OWNED ELECTRICITY COMPANY (CDE). THE PARTIES ALREADY HAVE A DRAFT SETTLEMENT WHICH WILL BE NEGOTIATED BETWEEN SMITH-ENRON PRINCIPALS AND CDE ON SEPTEMBER 19. SMITH-ENRON HOPES ARBITRATION CAN BE POSTPONED -- AND ULTIMATELY AVOIDED -- IF A SETTLEMENT IS ADOPTED SEPTEMBER 19. SMITH-ENRON CREDITED RECENT PRESS CRITICISM TO CDE'S ENEMIES. "CDE IS UNDER ATTACK, SO WE ARE UNDER ATTACK," THEY TOLD THE AMBASSADOR. THEY GRANTED THAT RECENT PROBLEMS WHICH TOOK THEIR PLANTS OFF-LINE FOR NEARLY A WEEK COULD NOT HAVE COME AT A WORSE TIME. THEY EXPECT ANY SETTLEMENT TO GO BEFORE CONGRESS FOR APPROVAL AND EXPECT A TOUGH FIGHT. AFTER A LONG PERIOD OF DISAGREEMENTS, THIS WILL PUT SMITH-ENRON AND THE GOVERNMENT ON THE SAME SIDE OF THE FENCE. THE GOVERNMENT MAY BE LOOKING AT THE EVENTUAL SMITH-ENRON DEAL AS A MODEL FOR FUTURE SETTLEMENTS.

LIZ CLAIBORNE CEO WANTS EXPANSION IN DR

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2. (SBU) IN MEETINGS WITH PRESIDENT LEONEL FERNANDEZ AND AT LOCAL PLANTS DURING A THREE DAY STAY IN THE DOMINICAN REPUBLIC, LIZ CLAIBORNE CEO PAUL CHARRON EXHORTED DOMINICANS TO PRODUCE HIGHER QUALITY APPAREL. CHARRON SAID CLAIBORNE WOULD LIKE TO EXPAND OPERATIONS IN THE DOMINICAN REPUBLIC, CURRENTLY THEIR SECOND LARGEST SOURCE OF GARMENTS AFTER THE PEOPLE'S REPUBLIC OF CHINA, BUT THE INABILITY OF DOMINICAN PLANTS TO MANUFACTURE MORE
DECONTROLLED/UNCLASSIFIED

EXPENSIVE, HIGH NEEDLE CONTENT CLOTHES PRECLUDE SUCH EFFORTS. CLAIBORNE PLANS TO LEAD A DELEGATION OF DOMINICAN PRODUCERS TO CHINA THIS FALL, HOPING THAT DOMINICANS CAN EMULATE THE HIGH-NEEDLE OPERATIONS OF THEIR CHINESE COMPETITORS.

INTERAMERICAN COMMISSION TO HEAR NARCISO CASE

3. (C) THE INTERAMERICAN COMMISSION ON HUMAN RIGHTS (ICHR) WILL HEAR TESTIMONY ON THE NARCISO GONZALEZ CASE IN WASHINGTON ON MONDAY, OCTOBER 6. GONZALEZ DISAPPEARED IN 1994 AFTER WRITING AN ARTICLE CRITICAL OF THE GOVERNMENT OF FORMER PRESIDENT JOAQUIN BALAGUER. FIVE MEMBERS OF THE TRUTH COMMISSION AS WELL AS A REPRESENTATIVE OF THE FERNANDEZ ADMINISTRATION WILL TRAVEL TO WASHINGTON TO TESTIFY. CLAUDIO GROSSMAN, DEAN OF AMERICAN UNIVERSITY LAW SCHOOL AND AN ICHR MEMBER, ESTIMATES THAT THE INTERAMERICAN COMMISSION WILL TAKE UP TO A YEAR TO RULE ON THE NARCISO CASE. LUZ RAMIREZ, WIFE OF PROFESSOR GONZALEZ, TOLD US THIS WEEK THAT THE TRUTH COMMISSION NOW BELIEVES THAT 10 TO 15 PERSONS -- INCLUDING CONFIDENTIAL

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BALAGUER -- HAVE KNOWLEDGE OF THE DISAPPEARANCE.

NEW BUS FLEET STALLED BY CORRUPTION CHARGES

4. (U) SIX COMPETITORS FILED SUIT AGAINST THE VIAMAR COMPANY, WHICH IS PROVIDING 300 BUSES TO THE GODR. THE COMPANIES CLAIM THAT VIAMAR WAS AWARDED THE CONTRACT THROUGH FAVORITISM, A VIOLATION OF ARTICLE 8 OF THE CONSTITUTION. THE BUSES ALLEGEDLY SPORT FEWER FEATURES THAN THE CONTRACT CALLED FOR, SUCH AS MANUAL INSTEAD OF AUTOMATIC TRANSMISSION AND TOO LITTLE HORSEPOWER.

LOTTERY SCANDAL

5. (U) DOMINICAN PROSECUTORS AND JUDICIAL OFFICIALS ARE INVESTIGATING THE FRAUDULENT CONVERSION OF US$6.5 MILLION
PRISON REFORM?

6. (U) RECENT PRISON RIOTS HAVE FOCUSED ATTENTION ON DOMINICAN PRISON CONDITIONS. CURRENTLY, THERE ARE OVER 11,800 PRISONERS IN THIRTY PRISONS WHICH HAVE A CAPACITY OF 6,600. EIGHT-FIVE OF PRISONERS ARE IN PRE-TRIAL STATUS WHILE ONLY 15 ARE SERVING SENTENCES. LACK OF ACCESS TO THE JUSTICE SYSTEM AND INADEQUATE FOOD AND HEALTH SERVICES COMBINED WITH DEFICIENT PRISON SECURITY HAVE CREATED A VOLATILE SITUATION THROUGHOUT THE PRISON SYSTEM. PRESIDENT FERNANDEZ HAS PLEDGED U.S. 7 MILLION FOR THE CONSTRUCTION OF NEW PRISONS. LISTIN DIARIO, SANTO DOMINGO’S LEADING NEWSPAPER, WILL SPONSOR A CONFERENCE IN OCTOBER ON DOMINICAN PRISON PROBLEMS AND SOLUTIONS.

ELECTORAL REFORM

7. (U) IT APPEARS THE DOMINICAN CONGRESS WILL SOON VOTE ON THE ELECTORAL REFORM BILL ORIGINALLY PUT FORWARD BY THE CENTRAL ELECTORAL BOARD (JCE). CURRENT AND FORMER JCE MEMBERS AND KEY CONGRESSIONAL CONTACTS HAVE SAID PUBLICLY OR TOLD US IN PRIVATE THE BILL SHOULD PASS WITH
FEW CHANGES, BUT THAT IT WILL NOT TAKE EFFECT UNTIL AFTER THE 1998 CONGRESSIONAL AND MUNICIPAL ELECTIONS.