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DEPT OF JUSTICE WASHDC
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CLASSIFIED BY CHARGE D’AFFAIRES LINDA WATT. REASON 1.5(D).

SKIMMING THE CREAM

1. (C) POLITICAL ACTORS HERE CAN SENSE THE END OF THE ADMINISTRATION OF DOMINICAN PRESIDENT LEONEL FERNANDEZ REYNA JUST OVER THE NEAR HORIZON. HIS TERM OF OFFICE EXPIRES ON AUGUST 16, 2000. PEOPLE ARE THINKING ABOUT WHAT COMES NEXT, AND AN INCREASE CONFIDENTIAL

IN CORRUPTION SEEMS TO BE ONE UNFORTUNATE CONSEQUENCE OF SUCH FORESIGHT. WITH INCREASING FREQUENCY, WE HAVE BEEN HEARING CREDIBLE REPORTS OF EVER BOLDER GRAFT AND CORRUPTION BY SENIOR GOVERNMENT OFFICIALS. THE UNIFORMED SERVICES DISTINGUISH THEMSELVES IN THIS REGARD, BUT ARE IN NO WAY EXCEPTIONAL OR UNIQUE.

MILITARY ON THE DEFENSE

3. (SBU) THE JUDGE INVESTIGATING THE DISAPPEARANCE OF JOURNALIST NARCISO GONZALEZ IN 1994 ARRESTED A DOMINICAN AIR FORCE GENERAL TO PREVENT HIM FROM TAMPERING WITH EVIDENCE FROM THE CASE. GENERAL LEONARDO REYES BENCOSME, FORMER PILOT FOR EX-PRESIDENT JOAQUIN BALAGUER, IS ALSO A SUSPECT IN THE CASE. NARCISO GONZALEZ
DISAPPEARED IN MAY 1994 AFTER ACCUSING THE ARMED FORCES OF
CONFIDENTIAL DECONTROLLED/UNCLASSIFIED


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FERNANDEZ INVESTMENT SHOPS IN EUROPEAN CAPITALS
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4. (U) PRESIDENT LEONEL FERNANDEZ REYNA DEPARTED THIS WEEK FOR AN EIGHT DAY VISIT TO SPAIN, FRANCE AND ITALY. THE TRIP ALREADY APPEARS TO BE A SUCCESS IN GATHERING PROMISES OF INVESTMENT SUPPORT FOR FURTHER ECONOMIC PROJECTS OF THE PLD GOVERNMENT. IN SPAIN, FERNANDEZ AND SPANISH PRESIDENT OF GOVERNMENT JOSE MARIA AZNAR RATIFIED A FINANCIAL AGREEMENT TO PERMIT INVESTMENTS OF $128 MILLION IN VARIOUS SECTORS, INCLUDING THE MODERNIZATION OF THE ATTORNEY GENERAL'S OFFICE AND THE JUSTICE SECTOR. FERNANDEZ URGED

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INFO LOG-00 ACDA-08 ACDE-00 INLB-01 AID-00 CIAE-00 CTME-00
INL-01 DODE-00 SPFP-00 EB-00 EUR-01 EXIM-01 E-00
FRB-00 H-01 TEDE-00 INR-00 ITC-01 L-01 ADS-00
NSAE-00 NSCE-00 OMB-01 OPIC-01 PA-00 PM-00 PRS-00
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TOP SECRET

DEPARTMENT FOR WHA, WHA/CAR, INL, INR, AND L/LEI
DEA HQS PLEASE PASS DEA MIAMI FOR STATE/INL - G DEL PRADO
FBI HQS PLEASE PASS FBI SAN JUAN - SA J ESCRIBANO
JUSTICE FOR CRIM/OIA - D WARNER

TAGS: ECON, EFIN, SOCI, PGOV, PINR, PREL, DR
SUBJECT: DOMINICAN HIGHLIGHTS -- JANUARY 11 - 15, 1999

SPANISH COMPANIES TO PARTICIPATE IN THE PRIVATIZATION OF THE
DOMINICAN POWER SECTOR WHILE HIS TECHNICAL SECRETARY, TEMISTOCLES
MONTAS, ANNOUNCED THE APPROVAL OF CREDIT LINE OF $25 MILLION FOR
THE INSTALLATION OF ELECTRICAL TRANSMISSION LINES AND CONSTRUCTION
OF SEWER TREATMENT PLANTS IN SANTO DOMINGO.

5. (U) IN FRANCE, FERNANDEZ SIGNED AN AGREEMENT WITH PRIME
MINISTER LIONEL JOSPIN FOR THE FINANCING OF AN ELECTRIC COMMUTER
TRAIN (USD 146-175 MILLION) AND RECEIVED FIVE HELICOPTERS TO BE
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6. (U) FIVE CONSORTIA SUBMITTED BIDS ON JANUARY 12 FOR THE
RECONSTRUCTION AND LONG-TERM OPERATION OF THE INTERNATIONAL
AIRPORTS IN SANTO DOMINGO, PUERTO PLATA, SAMANA, AND BARAHONA.
AMONG THE STRONGEST CONTENDERS ARE MULTI-NATIONAL GROUPS LED BY
OGDEN AVIATION (US), AIRPORTS OF PARIS (FRANCE), AND CALMAQUIP
(US). ANOTHER US-LED GROUP FAILED TO FOLLOW THE TERMS OF REFERENCE
FOR SUBMISSION OF BIDS AND WAS DISQUALIFIED.

7. (SBU) A DECISION IS EXPECTED WITHIN SIXTY DAYS, AND THE
DOMINICAN GOVERNMENT INSISTS THAT THE SELECTION PROCESS WILL BE
ABSOLUTELY TRANSPARENT AND OBJECTIVE. MANY OBSERVERS DISAGREE,
Saying THAT THE APPEARANCE OF TRANSPARENCY IS A SHAM AND THAT THE
WINNER WILL BE DETERMINED BY POLITICS AND GREED.

8. (C) DOMINICAN REVOLUTIONARY PARTY (PRD) LEADERS ARE
INCREASINGLY CONCERNED THAT AN ALLIANCE BETWEEN FORMER PRESIDENT
JOAQUIN BALAGUER'S SOCIAL CHRISTIAN REFORM PARTY (PRSC) AND
PRESIDENT LEONEL FERNANDEZ REYNA'S DOMINICAN LIBERATION PARTY (PLD)
WILL WREST CONTROL OF THE DOMINICAN MUNICIPAL LEAGUE (LMD) -- A KEY
SOURCE OF POLITICAL PATRONAGE -- FROM THEM IN THE JANUARY 26
ELECTIONS. THE PLD AND PRSC, WITH AMPLE USE OF PUBLIC RESOURCES,
HAVE IMPLEMENTED A CAMPAIGN TO BUY OFF OR INTIMIDATE TEN OR MORE
PRD CITY COUNCILMEN FROM VARIOUS MUNICIPALITIES TO REVERSE THE
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SIGNIFICANT MAJORITY EARNED BY THE PRD IN THE MAY 1998 MUNICIPAL
ELECTIONS. SEVERAL PRD LEADERS HAVE TOLD US THAT THE "THEFT" OF
THE LEAGUE WILL MEAN TO END OF ANY HOPE OF COOPERATION BETWEEN THE
PRD-DOMINATED SENATE AND THE FERNANDEZ ADMINISTRATION, AND THEY
IMPLIED THAT THEY MIGHT NOT BE ABLE TO CONTROL THE POSSIBLY VIOLENT
REACTION OF THE PRD RANK-AND-FILE. THE FIGHT FOR THE LMD WILL BE
COVERED IN DETAIL IN SEPTEL.

BALAGUER FAILING?

9. (SBU) THERE HAVE BEEN SEVERAL RECENT INDICATIONS THAT 92 YEAR-
OLD FORMER PRESIDENT AND PRSC PARTY LEADER JOAQUIN BALAGUER IS IN
POOR HEALTH. ACCORDING TO CLOSE ASSOCIATES WHO HAVE SEEN HIM
LATELY, BALAGUER HAS SUFFERED FROM A SERIES OF NAGGING AILMENTS AND
IS NEARLY IMMOBILE PHYSICALLY. THE FORMER CAUDILLO'S INNER CIRCLE,
HOWEVER, DENIES REPORTS THAT HE WILL BE FLOWN TO MIAMI SOON FOR
MEDICAL TREATMENT. THEY SAY THAT HE INSISTS ON REMAINING IN SANTO
DOMINGO TO MASTERMIND THE PRSC'S ROLE IN THE FIGHT FOR THE LMD.

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CDE'S HOLLOW THREAT

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ACTION WHA-01

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FRB-00  H-01  TEDE-00  INR-00  ITC-01  L-01  ADS-00
NSAE-00  NSCE-00  OMB-01  OPIC-01  PA-00  PM-00  PRS-00
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10. (SBU) THE ADMINISTRATOR OF THE DOMINICAN ELECTRIC CORPORATION (CDE) HAS ANNOUNCED THAT CDE WILL BEGIN AT ONCE TO BILL DOMINICAN GOVERNMENT AGENCIES FOR POWER USE. FEW IF ANY OF THESE AGENCIES HAVE EVER PAID CDE DIRECTLY, IT BEING ASSUMED THAT DOMINICAN GOVERNMENT POWER USAGE WAS COVERED BY THE MONTHLY SUBSIDY TO CDE OF AROUND $15 MILLION. HOWEVER, THE DOMINICAN GOVERNMENT HAS APPARENTLY REDUCED TRANSFERS TO CDE BY MORE THAN FIFTY PERCENT RECENTLY, EXACERBATING THE UTILITY'S ALREADY DISMAL PAYMENTS RECORD TO PRIVATE SUPPLIERS. WHILE WE ACTUALLY HAVE SOME SYMPATHY FOR CDE IN THIS INSTANCE, WE WOULD ASSESS ITS CHANCES OF ACTUALLY COLLECTING ANYTHING AT ZERO. CONFIDENTIAL

11. (U) ACCORDING TO PRESS REPORTS, DOMINICAN OFFICIALS HOPE TO LURE THE MONTREAL EXPOS AND THE NEW YORK METS TO SANTO DOMINGO'S QUISQUEYA STADIUM TO PLAY TWO PRE-SEASON EXHIBITION GAMES. THE GAMES, WHICH WOULD TAKE PLACE MARCH 5 AND 6, WOULD BE THE FIRST SUCH MATCH-UPS PLAYED IN THE DOMINICAN REPUBLIC SINCE 1984.

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