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ACTION ARA-01

INFO	LOG-00	ACDA-08	ACDE-00	INLB-01	AGRE-00	AID-00	CA-02
	CEA-01	CIAE-00	COME-00	CTME-00	INL-01	DEAE-00	DINT-00
	DODE-00	DOEE-00	SRPP-00	DS-00	EB-00	OIGO-01	E-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	L-01	ADS-00
	NSAE-00	NSCE-00	OES-01	OIC-02	OMB-01	OPIC-01	PA-00
	PC-01	PM-00	PRS-00	P-00	SP-00	SSO-00	STR-00
	TRSE-00	T-00	USIE-00	VO-03	EPAE-00	PMB-00	DSCC-00
	PRM-01	DRL-04	G-00	NFAT-00	SAS-00	/031W	

-----4DCE86 261922Z /38

R 261909Z JUN 98

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 0674

INFO AMEMBASSY PORT AU PRINCE

USINT HAVANA

C O N F I D E N T I A L SECTION 01 OF 02 SANTO DOMINGO 003073

E.O. 12958: DECL: 06/1/2003

TAGS: PGOV, ENRG, CVIS, EAGR, SNAR, PHUM, DR

SUBJECT: DOMINICAN HIGHLIGHTS -- JUNE 20-26, 1998

CLASSIFIED BY LINDA E. WATT, CHARGE. REASON: 1.5(D).

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DOMINICAN REPUBLIC AND CUBA TO HOLD JOINT BUSINESS EXPO  
-----1. (U) THIS WEEK THE DOMINICAN CENTER OF EXPORT  
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PROMOTIONS (CEDOPEX) AND THE CUBAN CENTER OF EXPORT

PROMOTIONS ARE COLLABORATING IN A BUSINESS EXPOSITION IN CUBA'S SECOND LARGEST CITY, SANTIAGO. 30 DOMINICAN FIRMS ARE PARTICIPATING IN AN EFFORT TO EXPAND TRADE WITH CUBA.

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NARCISAZO SUSPECT RETURNS  
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2. (U) LAST WEEK WE REPORTED THAT CLAUDIO DE LOS SANTOS, A SUSPECT IN THE DISAPPEARANCE OF UNIVERSITY PROFESSOR NARCISO GONZALEZ (NARCIZASO) IN 1994, HAD LEFT THE COUNTRY DESPITE AN ORDER BARRING HIS DEPARTURE. AUTHORITIES ALLEGED THAT AN IMMIGRATION INSPECTOR HAD IGNORED THE ORDER. DE LOS SANTOS VOLUNTARILY RETURNED THIS WEEK, DECLARED HIS INNOCENCE, AND ACCUSED THE DOMINICAN GOVERNMENT OF TRYING TO MAKE HIM INTO A SCAPEGOAT. STAY TUNED.

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DNCD CLOSES DOWN BETTING FACILITIES  
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3. (C) THE NATIONAL DRUG CONTROL DIRECTORATE (DNCD) ON TUESDAY CLOSED DOWN OVER 90 SPORTS "BANKS" WHOSE CUSTOMERS BET ON SPORTING EVENTS, INCLUDING U.S. MAJOR LEAGUE GAMES. DNCD BELIEVES THE "BANKS," WHICH CONDUCT BUSINESS THROUGHOUT THE COUNTRY, ARE LAUNDERING DRUG TRAFFICKING PROCEEDS. ACCORDING TO DEA, THE "BANKS" ARE LINKED TO KNOWN TRAFFICKERS AND MONEY-LAUNDERERS JUAN AND GILBERTO MOYA, WHO ARE NOW AWAITING TRIAL IN SAN JUAN AND NEW YORK, RESPECTIVELY.

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CEA: NOT SO SWEET

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4. (U) THE DOMINICAN STATE SUGAR COUNCIL (CEA) IS HEADED TOWARDS YET ANOTHER CATASTROPHIC YEAR. THE OVER-STAFFED, INEFFICIENT OPERATOR OF 12 STATE-OWNED SUGAR MILLS FACES ONE OF THE WORST HARVESTS IN RECENT HISTORY AND REPORTEDLY WILL LOSE MORE THAN RD\$ 800 MILLION (USD 53 MILLION) THIS YEAR, BRINGING ITS ACCUMULATED DEBT TO RD\$ 4.6 BILLION (USD 303 MILLION).

5. (U) LOSSES ARE NOTHING NEW FOR CEA, WHICH HAS BEEN IN THE RED FOR 15 CONSECUTIVE YEARS. CEA INSIDERS ACKNOWLEDGE THAT THE ONLY SOLUTION FOR THE PARASTATAL'S CHRONIC WOES IS SOME FORM OF PRIVATIZATION AND PERHAPS A LIMITED SALE OF ASSETS. CEA CONTROLS EXTENSIVE PROPERTIES, MANY SUITABLE FOR TOURISM DEVELOPMENT, WORTH AN ESTIMATED USD 2 BILLION.

6. (U) IN STARK CONTRAST TO CEA ARE THE TWO PRIVATE SECTOR EXPORTERS, THE LOCALLY-OWNED VICINI GROUP AND U.S.-OWNED LA ROMANA, WHICH HAVE BEEN CONSISTENTLY PROFITABLE FOR AT LEAST THE LAST DECADE.

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PORK REMAINS-AN UPDATE  
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7. (U) LAST NOVEMBER WE REPORTED ON THE CASE OF FRANKIE, THE PET VIETNAMESE PIG, WHO WAS SHOT AND KILLED BY A NEIGHBOR, FORMER DOMINICAN CONTROLLER, NOTED HISTORIAN, AND SOCIAL CHRISTIAN REFORM PARTY (PRSC) MEMBER VICTOR GRIMALDI. (FRANKIE'S PARTY AFFILIATION, IF ANY, IS

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UNKNOWN). FRANKIE'S DISCONSOLATE OWNER INSTITUTED LEGAL PROCEEDINGS. THIS WEEK A SANTO DOMINGO JUDGE RULED THAT FRANKIE WAS NOT A "DOMESTIC" ANIMAL UNDER THE LAW AND THAT GRIMALDI ACTED IN SELF DEFENSE AGAINST AN IMMINENT THREAT TO HIS PERSON. CASE CLOSED.

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FALCONBRIDGE SHUTDOWN ANNOUNCED  
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8. (U) CANADIAN-OWNED FALCONBRIDGE DOMINICANA HAS ANNOUNCED THAT IT WILL SHUT DOWN ITS LOCAL NICKEL MINING AND SMELTING OPERATIONS FROM SEPTEMBER THROUGH DECEMBER DUE TO LOW WORLD NICKEL PRICES. THIS IS NOT GOOD NEWS FOR THE GODR SINCE FALCONBRIDGE IS THE COUNTRY'S SINGLE LARGEST EXPORTER (MORE THAN USD 200 MILLION IN 1997) AND TAXPAYER.

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POLITICAL GAMESMANSHIP  
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9. (U) LAST WEEK, THE DOMINICAN REVOLUTIONARY PARTY (PRD) ELECTED WINSTON ARNAUD AS ITS LEADER IN THE CAMARA DE DIPUTADOS. ARNAUD DEFEATED RAFAEL PEGUERO MENDEZ, THE CURRENT PRESIDENT OF THE CAMARA. WITH THE PRD HOLDING A STRONG MAJORITY IN THE CAMARA (83 DEPUTIES TO 49 FOR THE DOMINICAN LIBERATION PARTY (PLD) AND 17 FOR THE SOCIAL

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C O N F I D E N T I A L SECTION 02 OF 02 SANTO DOMINGO 003073

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CHRISTIAN REFORM PARTY (PRSC), POLITICAL OBSERVERS,  
INCLUDING OUR INTREPID DOMINICAN HIGHLIGHTS STAFF,  
ASSUMED ARNAUD WAS A LOCK TO BE ELECTED PRESIDENT OF THE  
CAMARA.

10. (U) THIS WEEK SPECULATION BEGAN TO FLY THAT PEGUERO  
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MENDEZ WOULD BECOME A CANDIDATE FOR THE CAMARA  
PRESIDENCY. THE PRSC BLOCK IN THE LOWER HOUSE SAID IT  
WOULD SUPPORT SUCH A CANDIDACY. PLD DEPUTIES SAID THEY  
WOULD CONSIDER SUPPORTING PEGUERO. THE PRD PARTY  
LEADERSHIP WARNED THE PLD NOT TO TRY TO DIVIDE THE PRD.  
PRD SENATOR DARIO GOMEZ EXPRESSED CONFIDENCE THAT PEGUERO  
GOMEZ WOULD NOT BECOME A CANDIDATE AND RISK EXPULSION  
FROM THE PRD. PEGUERO MENDEZ HIMSELF WAS PUBLICLY  
AMBIGUOUS ABOUT HIS INTENTIONS.

11. (C) PEGUERO MENDEZ TOLD US HE HAS ALL BUT DECIDED TO  
BECOME A CANDIDATE. HE CLAIMS TO COUNT ON SUPPORT OF AT  
LEAST 20 DEPUTIES FROM HIS OWN PARTY. WITH SUPPORT FROM  
THE PLD AND PRSC BLOCKS, PEGUERO MENDEZ WOULD HAVE THE  
VOTES. HE SAID HE WOULD WAIT UNTIL AUGUST 15, ONE DAY  
BEFORE THE START OF THE NEW CONGRESS, TO ANNOUNCE HIS  
DECISION.

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CDE GETS TOUGH  
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12. (U) THE FAMOUSLY TROUBLED STATE ELECTRIC UTILITY,  
CDE, HAS GIVEN ITS CLIENTS A JUNE 30 DEADLINE TO PAY  
THEIR OVERDUE BILLS OR FACE PROSECUTION. COMMENT: FOR AT  
LEAST THE LAST 20 YEARS, CDE HAS DONE NOTHING TO ADDRESS  
THE THEFT, BY RICH AND POOR ALIKE, OF 40 PERCENT OF ITS  
OUTPUT. WE WOULD NOT BE AT ALL SURPRISED TO SEE THIS  
LATEST "GET TOUGH" MEASURE FAIL AS A RESULT OF POLITICAL  
PRESSURE ON THE GODR AND THE RESISTANCE OF THE INTERNAL

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MANY INDUSTRIAL AND RESIDENTIAL USERS WHO HAVE FOR YEARS  
ENJOYED FREE OR LOW COST ELECTRICITY.

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TOWERING AUDACITY-AN UPDATE  
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13. (U) LAST WEEK WE REPORTED ON PUBLIC WORKS SECRETARY  
DIANDINO PENA'S PLAN TO BUILD GOVERNMENT SUBSIDIZED  
HOUSING FOR MIDDLE AND UPPER CLASS GOVERNMENT WORKERS ON  
THE SITE OF YET TO BE FINISHED HEALTH CENTER BEGUN UNDER  
EX-PRESIDENT JOAQUIN BALAGUER. AFTER A WEEK OF BEING  
BATTERED IN THE LOCAL PRESS, THE FERNANDEZ  
ADMINISTRATION, THROUGH PRESIDENTIAL SECRETARY DANILO  
MEDINA, BACKED DOWN AND ANNOUNCED IT HAS NO CONSTRUCTION  
PLANS.    WATT

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