

October 15, 1980

U.S. POLICY AND THE MARXIST THREAT TO CENTRAL AMERICA

INTRODUCTION

Although the Carter Administration was correct in believing that certain changes were necessary in Central America, a major mistake has been made in turning to the "passionate leftists" (as the U.S. ambassador to El Salvador calls them) for solutions. By the time the Administration realized that these "passionate leftists" were armed Marxist revolutionaries interested only in exploiting these problems, a Marxist government had been installed in Nicaragua, potentially mortal wounds had been inflicted on El Salvador, an insurgency had gained momentum in Guatemala, and terrorism had started in Honduras.

In the near future, the U.S. must revert to a more traditional view of Central America if the spread of Marxism is to be contained. The Carter Administration has projected an image of support to the left and hostility to the right, and this perception alone has generated many of this region's problems. One of the more potentially serious of these problems is that the Soviets may begin to believe that the U.S. would not react forcefully to their incursions in this area. The Soviets appear to have tested the water cautiously so far; thus, actions by the U.S. in the next six months must be taken to project the correct image to all parties in the conflict, including the Soviets, to preclude their attempting dangerous and perhaps irreversible maneuvers. The tempo of events now unfolding in Central America is so rapid that decisive policy alterations must be effected immediately. The expected economic low points in El Salvador and Nicaragua, with profound internal and regional security implications, will occur at the end of the harvest season in the spring of 1981.

Fundamental differences exist in the people and problems of these three countries. Communism is the common threat to all three, and as long as it exists in any great strength in any one

of them, the others will be in danger. Thus, although the Marxist government in Nicaragua might fall eventually of its own failures, the security of El Salvador requires the acceleration of the removal of the government in Managua. Significant weakening of the communist guerrillas in El Salvador would add to the pressures now building up against the Nicaraguan government. The guerrillas in Guatemala receive material and moral support from the communists elsewhere in the region, and any setbacks experienced by the enemy in El Salvador and Nicaragua would not only weaken the insurgents in Guatemala, but might also convince Mexico to reassess its current complacency towards communist guerrilla use of its territory in support of activities in Guatemala. The problems now in these nations are different but intertwined, and the solutions are the same.

This study briefly examines the current situation in each of these three countries and then suggests potential policies which can effectively promote the continued independence of the nations in the area and protect the vital interests of the U.S. as well.

NICARAGUA: ECONOMIC PROBLEMS

The Marxist Nicaraguan government (consisting of the Sandinista Directorate and its subordinate Junta), in power since July 1979, is losing popular support because of its inability to cope with serious economic problems and to deliver on its promises to the broad spectrum of Nicaraguan society which supported its revolution. Economic shortcomings will become more serious by December 1980 and might provoke at least limited civil unrest by the end of the current harvest season (May-June 1981), when the nation will have an acute shortage of money unless it receives massive amounts of foreign aid.

The Carter Administration advocates financial support to the Sandinista government in the belief that an economic crisis within the next two or three years would "radicalize" the revolution and make it more difficult for the relatively weak democratic forces to dislodge the Marxist Sandinista leadership. The financial aid given by the U.S. since the July 1979 revolution (approximately \$125 million disbursed or being disbursed), makes the U.S. the principal contributor to the Sandinistas.

NICARAGUAN AID

Development Assistance	\$ 18,062,000
Reconstruction Assistance	15,000,000
Title I	15,000,000
Title II	1,590,000
Economic Support Fund	75,000,000
	<u>\$124,652,000</u>

At a June 1980 party, the Soviet ambassador to Nicaragua commented that Nicaragua was an interesting experiment because it

may be the first socialist revolution aided by the local private sector and funded by the United States. For all of its aid, the U.S. has received little credit among the Nicaraguans. The U.S. Embassy in Nicaragua states that the Sandinista government tries to minimize publicity of U.S. funding, and leading private sector representatives believe that one of the many mistakes our government has made is to soft pedal our aid to Nicaragua; they say that the Nicaraguans hear more about the money the U.S. has not given than the money it has given. Private Nicaraguan economists believe that the level of foreign support has prevented the nation's population from feeling the true effect of the country's deteriorating economy.

While mismanaging the economy, the Sandinista government is building up its security, military, and police forces, although they are still weak because of lack of organization and low morale. The government is politically indoctrinating the nation's youth, starting at age four years, through a literacy campaign conducted by Sandinista and Cuban teachers. Local intelligence sources in Guatemala and El Salvador believe the Sandinistas are also providing logistical and moral support to insurgent forces in those two countries.

RISING DISCONTENT IN NICARAGUA

Despite their growing disenchantment with the Sandinista government, Nicaraguan workers continue to have an emotional attachment to the revolutionary movement. This attachment can be expected to weaken as the economy deteriorates. There are already signs of increasing worker loyalty to their private sector employers and decreasing loyalty to their government-sponsored unions. Although the Nicaraguans have just emerged from a bloody civil war which killed 2.5 percent of the population, there are some indications of growing broadly based support to take to arms to overthrow the Sandinista government, and this support could increase as further economic problems develop. There already have been locally-brewed, small-scale armed uprisings against the Sandinista government, and parts of the Nicaraguan countryside have become openly hostile to visiting government representatives.

There is no question these discontented Nicaraguans could be aided in an armed struggle against the Sandinistas by former national guardsmen now in exile, but these guardsmen have been associated in the minds of the people with former chief of state Somoza, who was unpopular with a wide spectrum of Nicaraguans. What effect Somoza's death will have on the acceptability of some of the guardsmen by Nicaraguans will depend on how well the guardsmen, without Somoza, are able to overcome their reputation for corruption and brutality. If the guardsmen should overestimate their degree of popular acceptability and enter the struggle, they could solidify support for the Sandinistas.

SANDINISTA DISUNITY

In addition to their other problems, the Sandinistas are also beginning to show signs of internal disunity. Initially, Tomas Borge, the Interior Minister, and Sergio Ramirez, Junta member, were the key leaders. They have been replaced in terms of power by the Minister of Defense, Humberto Ortega, and his brother, Daniel, a Junta member. Minister of Agricultural Development Jaime Wheelock's star is also rising, and one of the heroes of the revolution, Eden Pastora, has lost considerable influence.

Furthermore, the Sandinista army, initially rankless, has acquired a rank structure and the trappings of protocol, much to the dismay of the young revolutionaries who fought in the hills against Somoza and now believe they have been misled. However, any fight among the leaders and members of the Sandinistas, unless influenced by non-communist Nicaraguans, might well result in a replacement of one communist government by another one.

It will not be possible to dislodge the current communist government of Nicaragua, regardless of the degree of popular unhappiness, except through military action. Under the proper circumstances, the Nicaraguans themselves are prepared to initiate that action, and any U.S. military or parliamentary involvement would be unnecessary and counter-productive.

OPPOSITION FORCES

Democratic forces in Nicaragua are present and are viable. The Catholic Church is influential. There are many political parties, from moderate left to conservative right, united in their opposition to the Sandinistas. The Church and these political parties plan to protest the recent announcement by the Sandinista government that elections for a new government might be held in 1985 -- two or three years later than they had expected. There is one free newspaper in Nicaragua, La Prensa, influenced by a very brave young man, Pedro Joaquin Chamorro, son of its former owner.

Free labor unions are competing successfully for the loyalty of workers who are beginning to lose faith in the Sandinista-sponsored unions. The private sector is united under an umbrella organization, COSEP, which speaks authoritatively for it. Although the private sector must work within the parameters set by the Sandinistas, COSEP does have influence because of its economic expertise in a nation managed by a government without in-depth economic skill and because of increasing worker loyalty to it, rather than to the government.

HUMAN RIGHTS

Finally, among the free democratic forces in Nicaragua is the Permanent Commission on Human Rights, headed by Jose Esteban

Gonzalez. This man received considerable attention from the U.S. Embassy and the international press when he was reporting human rights violations under Somoza. Since the Sandinistas came into power, he has received little attention, despite the fact that the government's human rights record is miserable. Gonzalez receives daily 50 to 60 persons who are concerned about missing or imprisoned relatives. He has no money to support his work because his former benefactors have withdrawn their support (the U.S. Council of Churches, for example, stopped funding his office when the Sandinistas came into power because the Sandinistas promised to honor human rights). He is now so harassed by the Sandinistas that he must sleep in a different place each night.

Meanwhile, the Sandinista government, recognizing the need to project a good human rights image, has established its own human rights office to present a white-washed account of its record, to diminish the influence of the Permanent Commission, and to serve as liaison with international organizations, such as Amnesty International and the OAS Human Rights Commission, which it has just invited to visit Nicaragua. This is human rights in practice, under the Carter formula.

NICARAGUA: POLICY RECOMMENDATIONS

The United States should aid the aspirations of the Nicaraguan people to achieve the free society they have long sought. With regional security uppermost in our minds, we should be less concerned about the precise nature of that society and its government than about the inclinations and ability of that government to serve as a continuing source of support for Marxist revolutionaries elsewhere in Central America. In a well orchestrated program targeted against the Marxist Sandinista government, we should use our limited resources to support the free labor unions, the Church, the private sector, the independent political parties, the free press, and those who truly defend human rights. We should discontinue subsidizing a bankrupt government which clearly is planning on remaining in power through its police and security forces and whose interests are inimical to those of its neighbors and the U.S. The longer that government remains in power, the stronger its security apparatus will become, and the more difficult it will be to dislodge it. We should not abandon the Nicaraguan people, but we must abandon the Sandinista government.

Subsidizing this government through U.S. financial aid which has little propagandistic impact on the Nicaraguan people makes no sense. The U.S. should terminate large-scale funding of the Sandinista government in order to send a clear signal to Central American revolutionaries that it does not plan to support leftist movements in the region. If the Soviets receive this message, they may realize that their unexpected opportunity to establish another communist country in this hemisphere has ended.

Sixty percent of the funds in the recently released \$75-million aid bill is slotted for the private sector. The private

sector doubts it will see all of this money, and whatever it does receive will have to be spent within parameters set by the Sandinistas. In any event, the remaining 40 percent will be used to help bail out the Sandinistas from their economic problems. Even to receive these funds under these restrictions, the private sector has advocated U.S. financial aid to the Sandinista government because the Carter Administration has not put forth any alternative formula of support for the private sector.

As long as private sector support has been linked by President Carter to Nicaraguan government support, the Carter Administration has assured its policy of private sector blessing -- which the Administration has attempted to portray as private sector endorsement of the Sandinista government. Appropriately channeled assistance to the democratic institutions in Nicaragua could be far more effective and far less expensive than our currently structured official U.S. aid program for the Sandinista government.

The Nicaraguans did not want Somoza, and they do not want the current Sandinista government. Despite its show of arms, that government is still weak and could be dislodged through a determined, coordinated, and targeted effort. But to assist the Nicaraguans in achieving that goal will require a much more realistic understanding about regional Marxist threats than the current administration has exhibited.

EL SALVADOR: CURRENT ECONOMIC SITUATION

The rapid deterioration of El Salvador's economy, if unchecked, could help the leftist guerrillas achieve the victory they have thus far been unable to obtain militarily or politically. As in Nicaragua, the crisis will begin at the end of 1980 and will become acute at the close of the harvests in the spring of 1981. Unemployment is officially acknowledged at 30 percent, but is probably higher. There is an acute shortage of working capital essential to the maintenance of agricultural production and to the reactivation of industry. The total amount immediately required to warrant the resumption of industrial activity is estimated at \$60 to \$80 million, and this does not include agriculture, commerce, or any part of the public sector's requirements. Foreign banks are unwilling to restore traditional lines of credit; letters of credit are now issued only against advance cash payments.

The government has prepared a National Emergency Plan for 1980 which involves a consolidated public sector deficit of \$541 million; internal financing is projected at \$343 million. If the Plan is actually carried out and this amount is financed through Central Bank credit, the result would be a substantial acceleration of inflationary pressures.

A major component of El Salvador's financial requirements over the next four to five years is the financing of the agrarian

reform program; the USAID Mission estimates this financial requirement at over one billion dollars between 1980 and 1984. The balance of payments deficit in 1980 could fall within the range of \$150 to \$190 million if a reactivation plan gets underway immediately; an even larger balance of payments deficit may be expected in 1981 if the National Emergency Plan is fully implemented. If the government sold its gold stock, it could cover its 1980 deficit and possibly part of that for 1981, but such action would be tantamount to an admission of failure by the government and would further undermine popular confidence in it.

The U.S. Embassy in San Salvador has estimated that El Salvador would need a \$200 million FY 81 Economic Support Fund and/or program loan to provide balance of payments assistance.

AGRARIAN REFORM PROGRAM

This grim picture has occurred in a country which only a couple of years ago was economically viable and well respected in the international money markets. The economic deterioration has resulted from the nation's escalating violence as leftist guerrillas push the nation closer to civil war and their goal of a Marxist revolutionary government. It has also resulted from the Carter Administration's experimentation with El Salvador's principal means of livelihood: its heretofore efficiently run farms, which produced the primary cash crops of coffee, sugar, and cotton. This experimentation took the form of a three-phase agrarian reform program which was enacted in early March 1980. The first phase, which consisted of the nationalization of all farms over 500 hectares, went into effect immediately. (The former owners of these farms have, thus far, received no compensation.)

Production/efficiency estimates for Phase I properties vary between U.S. Embassy/Salvadorean government and private agriculturalists. Accurate figures will not be available until the spring 1981 harvest is completed. In general, the embassy, the Salvadorean government, and the agrarian reform program's chief U.S. architect, University of Washington Professor Roy Prosterman, believe coffee and sugar production will compare favorably with last year's yields, and cotton production will be reduced by about 20 percent; they expect cotton to recover in the following year. These sources base their figures on assessments from field surveys and from satellite photography. They also report that Phase I has improved the lives and morale of the campesinos who have formed the cooperatives under which the Phase I properties are now being run. (Although the campesinos have formed the cooperatives, the cooperatives are being managed by government technicians and bureaucrats.)

The private cotton producers' association believes the number of hectares planted with cotton seed this year has been about half of normal, and it does not want to speculate on yield

at this early date. It bases this estimate on the amount of seed sold, which the association has monitored. The private sugar association is estimating this year's yield at somewhat over half normal. The coffee crop should more or less equal last year's, according to private sector estimates, but most of El Salvador's coffee is grown on land which has not yet been nationalized.

It is impossible to measure how happy the campesinos are, but in conversations this observer had privately and individually with about a dozen of them in late August, not one felt as much job and personal security under the cooperative system as under the previously private management. Although some of their uneasiness may be attributed to the abrupt changes which the Phase I reforms brought to a style of life they had experienced since birth, each of them expressed the more pragmatic concern that their income would drop because they do not expect this year's crop yields to be as good as last year's. They say the local government managers do not know what they are doing, and as a result, the land is not being utilized properly.

Phase II properties (100 to 500 hectares) are still in private hands. These farms are even more important to the nation's economy than those nationalized in Phase I because the bulk of the nation's cash crops are grown on Phase II land. (For example, 92 percent of El Salvador's coffee is grown on farms under 500 hectares.) The present owners of these farms, however, anticipating nationalization of their land, are investing little money in them to fertilize the soil and to control the coffee rust disease (roya). They are also not beginning nursery seedlings necessary to insure future coffee trees, and they are cutting down shade trees to increase this year's harvest, but at the expense of future harvests. The result of these acts is that El Salvador's future coffee production may suffer.

The embassy, the Salvadorean government, Professor Prosterman, and private agriculturalists all agree that Phase II land should not be nationalized until proper management techniques can be devised, lest the country's primary foreign exchange source be seriously, perhaps fatally, damaged. Private agriculturalists would like to see Phase II cancelled altogether. Nevertheless, Napoleon Duarte, the leading Christian Democrat on the Junta, anticipates Phase II nationalization in the spring of 1981.

In addition to Phases I and II, a third phase, covered by Decree 207, calls for the deeding of land to the campesinos who have rented and tilled it. Although the amount of land involved in Decree 207 is small and is of marginal cash crop productivity, the number of campesinos who would benefit from the decree would be about 900,000, nearly one fifth of the nation's population. Therefore, this phase of the agrarian reform program does have high political impact, does carry minimal economic risks to the nation, and is favorably supported by private agriculturalists in El Salvador, as well as by the government and the U.S. Embassy.

El Salvador has an agriculturally based economy. With its population of five million expected to double by the year 2000, its long-term goal must be increased industrialization. All parties realize this. Thus, it is difficult to understand how those involved in the agrarian reform program believe the country can remain economically viable over the two or three decades needed to industrialize if its agricultural sector is badly mismanaged in the interim. The embassy, Prosterman, and Duarte all seem more concerned about the short-term political and social aspects of the agrarian reform program than about its economic costs.

The banking reform, enacted at the same time as the agrarian reform, appears to have the potential of achieving its purpose of extending bank credits to small and medium-sized businessmen, who traditionally have had difficulties in obtaining loans for expansion of their businesses. The objection raised by some private sector members now in exile is that these smaller businessmen are not credit-worthy and might default on their loans. However, Salvadoreans are industrious, imaginative, and hard-working people, and it seems unlikely that so many of these smaller businessmen would default on their loans as to endanger the integrity of the banking system. Furthermore, one of El Salvador's most respected private bankers has said that the nationalization of the banks was necessary at the time and, with certain modifications, should be continued for the present.

THE MILITARY SITUATION

An even more significant source of support for continuing the reforms enacted thus far comes from the strongly anti-communist leadership of the Salvadorean military. If El Salvador stays out of the hands of the communists, it will be primarily because of the efforts of these men in the military. One must, therefore, respect and honor their points of view. They contend that certain reforms have now become part of reality in El Salvador, and to dismantle them would run the risk of creating such civil and political unrest as to be unrealistic and, hence, unacceptable to them.

This is not to say that these military men favor these reforms or would have planned them as they now exist -- simply that the reforms already enacted are here to stay. What must be done, they agree, is to improve the management of Phase I of the agrarian reform program, continue with Decree 207 and the banking reform, and seriously consider modifying or even cancelling Phase II of the agrarian reform.

The current military and security trends in El Salvador are favorable. The leftist guerrillas and their front organizations have lost much popular support; observers believe the Junta's popularity has been broadened at the expense of the leftists. It is more likely that the leftists have lost popular support because

the population is fed up with violence, but this loss of support for the left does not necessarily translate into increased support for the Junta.

The Salvadorean military forces have a combined strength of about 15,000; the armed leftists total about 5,000. Salvadorean military leaders are optimistic that they can control and eventually eliminate the bulk of the leftists if the enemy remains at present levels of manpower and equipment. Should, however, enemy forces be augmented through large numbers of foreign "volunteers" and/or should the enemy receive more sophisticated equipment than it now has, the Salvadorean military, by all estimates, would be in serious trouble. For this reason, reports that Nicaragua has recently received large numbers of armored vehicles, long-range mortars and rockets, automatic and semi-automatic weapons, and certain aircraft -- all far in excess of Nicaragua's internal defense needs -- are particularly worrisome to El Salvador's military leaders.

U.S. military assistance in FY 80 has amounted to \$800,000 in the form of communication gear, tear gas grenades, gas masks, generators, and ambulances. More offensively-oriented equipment has been offered but with human rights-related strings which the Salvadorean military has found unrealistic. The military command and the Junta acknowledge that excessive force is used by low-ranking military units in the countryside. It is a failure of command and control, but the Salvadorean government does not believe that, under the circumstances, it should be blamed for the actions of its junior enlisted men in the field, who often are poorly educated, poorly trained, and lack officer supervision in their units. The government particularly doubts that needed arms and munitions should be withheld because of these human rights problems.

The unity of the Salvadorean military is a critical issue. Most observers believe that it is divided into two camps: one, pro-left, constitutes about 30-40 percent of the forces, and the other, pro-right, about 60-70 percent. The degree of commitment that the pro-leftists have to their cause is a subject of speculation; most local Salvadorean observers believe that this segment's greater loyalty is to the military as an institution and that it would not split away from the rightists if such a split threatened the survival of the armed forces.

These local observers further believe that the leftists and their leader, Junta member Colonel Majano, have drawn much of their support from the U.S. Embassy in San Salvador, and that if this support of Majano ended, the leftist problem within the military ranks would be reduced. If embassy support continues, however, Majano's ability to split the military could increase. These observers state that the Junta cannot be allowed to shift more to the left or to incorporate more leftist elements into it, as they believe our embassy wants. In fact, the majority of the Junta has shifted more to the right over the past few months and

thereby has further isolated the leftist minority. The Junta has also started to cooperate with the private sector in certain areas of common interest. Thus, the Junta, supported by the non-communist military leadership, has come to serve a useful role as a workable institution.

Any attempt to displace the Junta now or in the near future would generate unnecessary political turmoil and disrupt continuity of the government at a time when continuity is needed. All responsible elements within the private sector residing in El Salvador and within the military now appear content to let the Junta remain in power until elections are held sometime in 1982 or 1983; these elements believe that any attempted rightist coup would fail and would yield major benefits to the leftist guerrillas. The neutralizing of Colonel Majano's influence is a delicate matter and is best left to the Salvadorean military leadership to handle, in order to avoid splitting the military forces.

BUSINESS AND CHURCH GROUPS

For the first time in recent memory, the Salvadorean private sector is united, and its spokesman is an umbrella organization called the Productive Alliance. It is a workable and essential organization, and it has the respect and cooperation of significant members of the private sector. Without such a broadly based organization representing diverse segments of the private sector, rather than just an elitist element, the private sector in El Salvador could not become a potent force in the reconstruction of the country.

The Catholic Church appears to have become less of a divisive factor in El Salvador's political equation following the assassination of its controversial leader, Archbishop Romero. Although Romero received international publicity as archbishop, his strident criticism of the government and of the right was representative of only the minority of his bishops. His replacement, who has not yet been confirmed as archbishop, is less vocal, more moderate, and more representative of the Church than was Romero.

EL SALVADOR: POLICY RECOMMENDATIONS

Under present U.S. policy, massive government loans and grants will be needed for El Salvador for at least the next three or four years. This aid could be reduced and greater efficiency injected into the management of the nation's economy if the role of the Salvadorean government were reduced and that nation's private sector allowed to rebuild and expand its activities. With key members of the private sector now united and determined to move ahead with plans beneficial to the nation as a whole, the private sector in El Salvador has become a viable force in the reconstruction of that country. EX-IM Bank financing and international private sector loans, as well as U.S. private sector loans

with OPIC support, should be explored as possible ways of channeling funds into the Salvadorean private sector for maximum benefit.

The agrarian reform program cannot be dismantled without risking political turmoil and the anger of even the strongest anti-communist elements within the Salvadorean military. The program, however, can be better managed and attenuated. Phase I management should be turned over to the private sector, preferably to those with agricultural experience, but, at the very least, to persons who understand efficient business practices, who would work together with the campesinos and eventually train them or their sons in certain managerial techniques. Decree 207 land reform should be allowed to progress because of its major political impact and minimal economic significance.

Phase II properties, given their importance to the nation's economy, should not be confiscated by the government. Instead, Phase II should be cancelled so that the present land owners will resume proper care of the land and its crops before further deterioration occurs. However, since more abuses of campesinos have taken place on these smaller farms than on the land covered in Phase I, Phase II owners should be required to: pay their workers certain minimum wages; explore some form of profit sharing; provide adequate housing, health care and education; pay just taxes to the government; and maintain an acceptable standard of production. These modifications of Phase II would be supported by key Salvadorean military leaders.

Fair compensation should be paid to the owners of Phase I land over a realistic period of time in order to maintain the credibility of the government and to recruit these owners to put their skills and talents to work for El Salvador. Phase I land owners represent a valuable talent pool which the country cannot afford to lose, but it will be lost unless the government makes a genuine effort to begin resolving this dispute.

The best signal that the U.S. government could send to the Salvadorean military would be to supply it with the military equipment it needs for offensive warfare without human rights and other strings. The military needs helicopters, arms and munitions, communications equipment, armored vehicles, and an upgrading of its military medical facilities and intelligence capabilities. Much of this needed assistance is currently blocked because of legislation, but a strong executive so disposed could influence the Congress and, in other ways, explore avenues of assistance to the Salvadorean military.

With the Junta at long last moving in the proper direction, our embassy in San Salvador should withdraw its backing of Colonel Majano and allow the moderate anti-communist tendencies within the military leadership to continue their correcting influence on past government initiatives. As long as these favorable trends continue, the Junta should continue to enjoy the support of the U.S. government until elections can be held in the next two or

three years. One of these favorable trends which should be encouraged is the emerging cooperation between the private sector and the Junta; the country cannot make progress unless representative members of the private sector assume key responsibilities within the government.

Regardless of the outcome of our November elections, the Salvadoreans should be encouraged to form alliances with their neighboring countries of Guatemala and Honduras and also with other nations in the hemisphere that have economic and military strength and the inclination to use their resources to prevent the spread of communism within Latin America. Having seen the results of our aberrant foreign policy in Central America over the past three years, we should find such alliances to be in our own long-term security interests as well as in the security interests of other nations in the region.

GUATEMALA: CURRENT SITUATION

Carter Administration criticism of Guatemala's human rights record has severely strained relations between the two countries. It has prevented Guatemala from receiving military equipment at affordable prices. It has been falsely blamed by Guatemalan meat exporters for the recently imposed U.S. restrictions on the importation of Guatemalan meat into the U.S. (The real reason is the high concentration of DDT in the meat.) It has prompted the Guatemalan government to ignore the nomination of a new U.S. ambassador. (The previous ambassador, a popular man in Guatemala City, was pulled out prematurely because Washington considered him too soft on the human rights issue.) It has prompted serious and responsible Guatemalan leaders to speculate about the possibility of severing diplomatic relations with the U.S., should President Carter win in November, to prevent the U.S. Embassy from serving as a seat of subversion in Guatemala, much as a Soviet embassy might.

On the other hand, it has done nothing to improve Guatemala's human rights record, a policy failure acknowledged even by Guatemalan Christian Democratic leaders and some State Department officials, who now have judged the policy to have been counterproductive. The shrill attention to human rights has obscured the very real progress the Guatemalan government has made in its social, educational, health, agricultural, and labor programs for its citizens, particularly the 60 percent of them who are Indian. The fine quality of this progress has been recognized by the State Department -- but in a very low key.

Guatemala is still a nation almost at peace. Its economy has not undergone the wrenching dislocations that have afflicted El Salvador and Nicaragua. Its insurgency, although gaining momentum, is still containable by its military and security forces. The armed guerrillas number about 1,500 and are assisted, in the opinion of key Guatemalan military leaders, by Cubans,

Sandinistas, and Argentine Montoneros. The Guatemalans are certain that the guerrillas use training and logistical support bases located across the Mexican border which are staffed by Cubans and Sandinistas. Over the past year, the Guatemalan military command has noted an improvement in the quality of guerrilla arms: they now have G-3s and automatic weapons, whereas a year ago they did not.

Despite the still favorable military picture in Guatemala, the Guatemalan leaders have seen what has happened to El Salvador and Nicaragua under current U.S. policies and are determined to avoid being the next Central American country to fall. Accordingly, they have instituted social and economic improvements needed to defuse certain of the leftist claims while, at the same time, they have instituted necessary security measures to protect themselves. They realize the current battle has to be won in El Salvador, lest it be extended to Guatemalan soil, and they are prepared to form mutual protective alliances with El Salvador and Honduras. They appear realistic about the need to extend these alliances to include other nations in the hemisphere which could contribute to their security needs.

The Guatemalan private sector has not been subjected to the bitter class warfare experienced by their associates in El Salvador. The private sector in Guatemala is united among itself and is also united with the military government. This unity with the government has been strained by various decrees and tax laws and by charges of corruption within the military, but the private sector leaders are determined to let nothing come between them and the military while the country is experiencing guerrilla warfare. They recognize what happened in El Salvador and in Nicaragua when the government lost the support of the private sector, and they do not plan to let that happen in Guatemala. Nevertheless, there is a strong feeling within the private sector that a civilian president will have to replace the current military president in the 1982 Guatemalan elections.

The integrity of the Guatemalan government was not weakened by the recent resignation of its vice president, Francisco Villagran Kramer, an opposition politician who was brought onto the ticket with President Lucas Garcia in an attempt to obtain inter-party unity. The vice president's duties were limited and minor. He had been at odds with the president and many members of the Congress since taking office and had little following within the country. He received publicity primarily from his frequent threats to resign, and when he finally did quit, he obtained the attention he had long sought, particularly from the international press. He has faded from the scene, and his absence has not been missed in the government.

The Catholic Church continues to be divided in Guatemala, but its leader in Guatemala is conservative and speaks strongly on behalf of the Church. The National University of San Carlos, a seat of leftist activity (generated by only a small number of

students and professors), put out feelers to the government and the private sector in early August about beginning a "healing dialogue" to return the university to the business of education. Over the past few months, the university lost its rector, who decided to reside outside of Guatemala, and several militant leftist leaders at the university have been killed.

The petroleum picture in Guatemala has significantly improved in the past four months, thanks to a saner government policy towards the private oil companies -- especially towards the one private company now exporting crude. Crude export production by December 1980 is expected to be 15,000 barrels per day (or 5.5 million per year), with the government getting 55 percent of the sale price. Guatemala currently uses about 12 million barrels per year. The bulk comes from Venezuela, with finished products from Aruba, Curacao, and the Bahamas. The Guatemalans have no desire to buy from Mexico, regardless of so-called favorable terms as part of the recently signed Mexican-Venezuelan agreement to share the supply of oil to the Central American countries. As one Guatemalan put it, "Terrible oil, terrible prices, terrible politics."

GUATEMALA: POLICY RECOMMENDATIONS

Whether Guatemala becomes simply a good friend of the U.S. or the centerpiece of American foreign policy in Central America, its protection is essential to regional security. Human rights criticisms have to be muted in order to give responsible leaders in that country a chance to work out their own problems according to their own ground rules and outside of the glare of a U.S.-focused spotlight.

Technical help should be given to assist the Guatemalan military in blocking infiltration routes of enemy supplies and personnel from Mexico, Honduras, and El Salvador. Technical advisors are also needed in rural development civic action programs, the literacy program, and community health programs. The Guatemalans also need arms and ammunition at reasonable prices, helicopters for defense and for the civic action program, spare parts for helicopters and other equipment, and trucks. The Guatemalans also seek relaxed trade restrictions so that their export markets to the U.S. can be expanded. A serious effort should be made to meet these requests promptly, given the important security role Guatemala plays in Central America.

CONCLUSION

The Carter Administration has prided itself as being a champion of human rights, but it is truly depressing to see the degree of human misery that its policies have brought to all of the people of these countries -- from campesinos and laborers to oligarchs -- who want to live their lives with some measure of

physical and economic security and without communism. Restoring a semblance of order to these people's lives and bringing greater security to this region should be the objective of a reconstructed foreign policy for Central America.

Imaginative leaders in the public and private sectors of Nicaragua, El Salvador, and Guatemala have, over the past five or six months, analyzed their nations' economic and security problems and have become determined to beat them both rather than to flee to safe havens abroad. What they all say they need for their nations' survival is forceful U.S. government leadership. With it, they might make it.

Written at the request of
The Heritage Foundation
by C. Di Giovanni, Jr.

(The author is currently vice president of the International Consulting Group in Washington. He is a former senior CIA officer with extensive experience in South America and in recent years worked as a private business consultant in El Salvador and Guatemala. This particular study is based upon extensive research and personal interviews conducted in Central America in August 1980.)