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THE WHITE HOUSE

WASHINGTON

January 6, 1984

Dear Dr. Lowery:

This is in response to your recent mailgram to the President regarding the "kidnap" of Bishop Schlaefer from Nicaragua.

As you now have no doubt heard, the Sandinista government claim that the bishop had been kidnapped was totally false. After the first report of the "kidnapping," the Sandinistas claimed the freedom fighter contras had killed the bishop. This too was false.

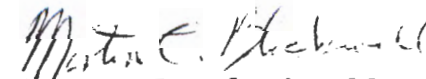
Our U. S. intelligence reports were accurate and timely. Our interest was high because of the importance of the situation, which you recognized.

As the news media have reported, Bishop Schlaefer promptly revealed the truth at a news conference when he reached safety in Honduras. He escaped without injury from the Sandinista bombs and mortar attacks on the fleeing Nicaraguans who broke out of mass imprisonment in Sandinista detention camps.

I am sure you will be pleased to learn that the President subsequently called Bishop Schlaefer to congratulate him on his courage in voluntarily accompanying the thousands who fled to freedom.

No doubt many Americans will gain a better understanding of the nature of the Sandinista government from this incident.

Sincerely,



Morton C. Blackwell
Special Assistant to the President
for Public Liaison

Dr. Joseph Lowery
President
Southern Christian Leadership
Conference
334 Auburn Avenue
Atlanta, Georgia 30312

SOUTHERN CHRISTIAN LEADERSHIP CO
334 AUBURN AVE
ATLANTA GA 30312 22AM

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PRESIDENT RONALD REAGAN
WHITE HOUSE DC 20500

M. Stackwell

IT HAS COME TO MY ATTENTION THAT ON TUESDAY 12-20 THE SMALL TOWN OF FRANCIA-SIRPI IN NORTHERN NICARAGUA WAS INVADDED BY THE COUNTER-REVOLUTIONARY FORCE AND MORE THAN 700 NICARAGUANS WERE KIDNAPPED, AMONG THIS GROUP WAS A NORTH AMERICAN BISHOP FATHER SALVADOR SCHLAEFER FROM CAMPBELL PORT WISCONSIN. THIS KIND OF ACTION CARRIED OUT BY A FORCE SUPPORTED WITH AMERICAN DOLLARS IS DEPLORABLE. WE ARE ASKING THAT THE US GOVERNMENT DO WHATEVER IS NECESSARY TO INSURE THE SAFETY AND RETURN OF THESE NICARAGUANS. THE US GOVERNMENT, HONDURAN GOVERNMENT AND THE CONTRAS WILL BE MORALLY RESPONSIBLE FOR ANY HARM THAT MAY BEFALL THESE VICTIMS I AM CONVINCED THAT THE PEOPLE OF NICARAGUA WANT A PEACEFUL SOLUTION TO THEIR CONFLICT, THIS KIND OF ACTION WORKS AGAINST PEACE AND I TRUST YOU WILL ADDRESS THIS MATTER IMMEDIATELY SINCERELY

DR JOSEPH LOWERY PRESIDENT SOUTHERN CHRISTIAN LEADERSHIP CONFERENCE

334 AUBURN AVE
ATLANTA GA 30312

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R. JOSEPH LOWERY

TITLE: PRESIDENT

ORGANIZATION: SOUTHERN CHRISTIAN LEADERSHIP CONFERENCE

STREET: 334 AUBURN AVENUE

CITY: ATLANTA

STATE: GA ZIP: 30312

COUNTRY:

SUBJECT: WRITES CONCERNING THE RECENT INVASION OF FRANCIA-SIRPI IN NORTHERN NICARAGUA BY THE COUNTER-REVOLUTIONARY FORCE

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THE WHITE HOUSE

WASHINGTON

January 16, 1984

Mr. Frank H. Bewick,
Publisher
TIMES-HERALD NEWSPAPERS
13730 Michigan Avenue
Dearborn, Michigan 48126


Dear Mr. Bewick:

It was a real pleasure to speak with you this afternoon.

It is obvious that Dr. Bundy has given you an insight on the situation that exists today in Central America which far too few have a chance to hear. Because your interest in Central America has been heightened by Dr. Bundy's remarks, I thought you would be interested in some additional items on Central America. I believe you will find Ambassador Vernon Walters' speech particularly interesting.

I shall look forward to hearing from you again and hope that you will be able to record Dr. Bundy's remarks so that you may share them with your readers.

Sincerely,



Joyce E. Thomann
Office of Public Liaison

Enclosures a/s

THE WHITE HOUSE

WASHINGTON

January 16, 1984

Mr. Arturo Roldan
President-elect
LATIN AMERICAN CHAMBER OF COMMERCE
Post Office Box 30240
New Orleans, Louisiana 70190

Dear Mr. Roldan:

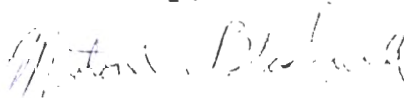
Thank you for your letter to the President regarding your support for his programs in Central America.

The Office of Public Liaison has been engaged in an extensive outreach effort to inform the public of the situation which exists in Central America. As part of this Outreach effort, we conduct weekly briefings on Central America where our audience is able to hear and question Administration spokesmen who are charged with implementing the President's Central American policies.

Ambassador John D. Negroponte, whom you mentioned in your sample letter to the invitees for your investment fact-finding mission, spoke to one of our Outreach meetings. I am enclosing a copy of Ambassador Negroponte's remarks because I am sure you will find them of interest.

I hope your investment fact-finding mission was very successful and applaud your efforts in that regard.

Sincerely,



Morton C. Blackwell
Special Assistant to the President
for Public Liaison

1 Enclosure a/s

THE WHITE HOUSE

WASHINGTON

January 19, 1984

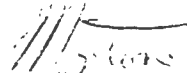
Dear Mr. Tonsmeire:

Thank you very much for the copy of "Caribbean Today." I found it very interesting, and I appreciate your praise of the President's policy in Central America.

Enclosed per your request is a list of attendees at our Wednesday briefings. I am sure that many of these people would greatly enjoy your offered copies.

Thank you for your help.

Cordially,



Morton C. Blackwell
Special Assistant to the
President for Public Liaison

Arthur Tonsmeire, Jr.
President and Chairman
1st Southern Federal Savings
First Southern Federal Tower
P.O. Box 16267
Mobile, Alabama 36616

1st Southern
Federal Savings
AND LOAN ASSOCIATION

FIRST SOUTHERN FEDERAL TOWER
P.O. BOX 16267, MOBILE, ALABAMA 36616, 205/473-0700

ARTHUR TONSMEIRE, JR.
President and Chairman

January 6, 1984

Mr. Morton Blackwell
Special Assistant to The President
Public Liaison
Suite 191, Old Executive Office Building
Washington, D. C. 20500

Dear Mr. Blackwell:

Attached is a copy of the CARIBBEAN TODAY, the new publication that I mentioned to you.

We would be glad to send a copy to each of the members of your committee if you will furnish me with their addresses.

Please note the article by Ramiro Gurdian.

Sincerely,

Arthur Tonsmeire, Jr.
Arthur Tonsmeire, Jr. /vlr

/vlr

Enclosure

CARIBBEAN TODAY

VOLUME 1, NUMBER 1

DECEMBER 1983

Also published in Spanish—EL CARIBE DE HOY



Nicaragua—A Private Sector View

*Ambassador William Brock—Caribbean
Basin Initiative*

Grenada after the Intervention

*Caricom—What it has Accomplished
in Ten Years*

*Articles on El Salvador, Jamaica, Venezuela
and Central America*

Statement from the Publisher

Arthur Tonsmeire

CARIBBEAN TODAY is being published to fill what we think is an important need: a closer relationship and a better understanding with a part of the western hemisphere that is growing in importance to the world and especially to the United States.

This publication, to appear bi-monthly in both English and Spanish, will deal objectively with issues of interest to businessmen and public officials of both the United States and the Caribbean countries.

Recognition of the importance of the Caribbean Basin is long overdue. Its increasing influence justifies special efforts, such as ours, to improve communications among the Caribbean Basin countries and their neighbors and trading partners to the north.

In the adaptation to his article on Central America that appears in this issue, Alan Riding says: "Nothing seems to work because there is no consensus on the nature of the problem: Central America searches at home for political solutions; Washington focuses on external forces (Moscow, Havana, Managua). There is similar confusion on the Left as to Cuba's goals, the kind of state the Sandinistas want, and the ideology of the guerilla groups in El Salvador and Guatemala. It is a region where all solutions have proven wanting." Under these circumstances, there must be a concerted effort to develop more active business relations so as to improve the quality of life in the Caribbean, to make possible a higher standard of living.

This is by no means a one-way street, and the resulting benefits to the United States could be numerous. But there will be no benefits to anyone unless the business communities in the respective countries learn to deal with one another in an objective and forthright manner. It is in this area that we hope to make a substantial contribution.

AMERICAS SOCIETY INC.

680 PARK AVENUE, NEW YORK, NEW YORK 10021 212/249-8950

DAVID ROCKEFELLER
CHAIRMAN

November 10, 1983

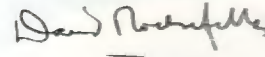
Dear Mr. Tonsmeire:

On behalf of the Americas Society and its affiliates, including the Caribbean/Central American Action, I am pleased to learn of the newly founded Caribbean International Foundation. This is a time when much international attention is focused on the countries of the Caribbean basin and when American leaders, both public and private, are taking a keen interest in developments in that area. As Chairman of the Caribbean/Central American Action, I welcome the institution of this Foundation, which has been formed to promote mutual understanding and increased trade between the United States and the Caribbean.

As I understand it, your Foundation plans to make its influence felt through seminars and international meetings and in particular, through the bimonthly publication *CARIBBEAN TODAY*, a magazine about issues and trends in the Caribbean and in the United States as related to the Caribbean.

I commend the work and goals of the Caribbean International Foundation and I encourage cooperation with you on the part of all who are interested in the Caribbean and in its development as a stable community of neighbors to the United States.

Sincerely,



David Rockefeller

Mr. Arthur Tonsmeire
Caribbean International Foundation
1601 Neshota Drive
Suite 81
Mobile, Alabama 36605

Caribbean Today and its publisher, the nonprofit Caribbean International Foundation, are receiving the support of many prominent businessmen and public officials, who see it as a timely vehicle of communication on political and economic issues facing the Caribbean region. The attached letter of endorsement is typical of the support we have been receiving as we begin this project.

CARIBBEAN TODAY

VOLUME 1, NUMBER 1

DECEMBER 1983



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Arthur Tonsmeire

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John W. Bloomer

MANAGING EDITOR

Gerald Darring

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Caribbean Today is published bimonthly in English and Spanish by the nonprofit Caribbean International Foundation, 1601 Neshota Drive, Suite 81, Mobile, Alabama 36605, USA.

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Nicaragua through the eyes of a private sector leader, PAGE 5

Venezuela struggles with its foreign debt, PAGE 24

Ambassador William Brock describes the Reagan Administration's Caribbean Basin Initiative, PAGE 14

Foreign investment possibilities in Venezuela, PAGE 26

How Jamaica views the CBI, PAGE 17

An optimistic assessment of El Salvador, PAGE 29

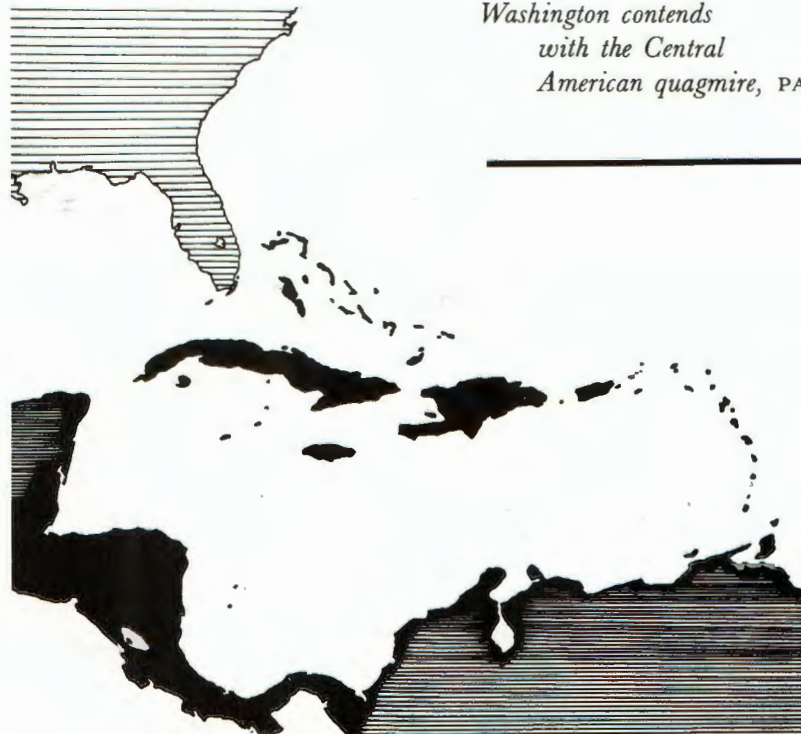
American firms and the CBI, PAGE 19

Leon Walcott of Guyana evaluates Caricom on its tenth anniversary, PAGE 32

Alister Hughes reports from Grenada, PAGE 21

An economic overview of the Caribbean Basin, PAGE 35

Washington contends with the Central American quagmire, PAGE 37



Letters to the Editor

Dear Editor:

Colombia has been a traditional friend of the United States, demonstrating its sincere friendship not only in the diplomatic arena. For example, we fought to the fullest extent of our capacity in the Korean war.

We have always conducted much import and export trade with the United States. In 1982 our trade deficit with the United States was \$1.2 billion, a figure which contrasts with the global U.S. deficit of \$42 billion.

The United States has reacted by imposing tariffs on our products (it has only recently supported the world coffee agreement, which for us is essential) as well as restrictions or very low quotas on merchandise such as sugar. In other words, U.S. treatment of Colombia has not been just, in my opinion.

I believe that it is fundamental to attempt an equalization of our trade balance and to give our exports treatment that is neither preferential nor discriminatory.

As for U.S. policy in Central America, I am a man of the right and as such I do not believe in the solutions being offered by the left in El Salvador and Nicaragua. I definitely feel that the United States should support the Salvadoran government, which demonstrated in the last elections that it has wide public support.

Luis Guillermo Soto G.
Bogotá, Colombia

Dear Editor:

I believe that events in Central America in recent days are confirming my opinion that we must increasingly rely on actions such as those taken by the Contadora Group. We must explore and then carry out formulas which are practical, evenhanded, and in the best interests of the countries involved as well as the entire hemisphere.

I hope that military pressure will not exceed the limit towards which it is approaching, as it would be terrible to fall into a 'Caribbean Vietnam.'

I believe that American policy in the Caribbean ought to be broader. This could come about if the United States could coordinate its action in the area with Mexico, Colombia, and Venezuela, leading to agreements, actions, and results which would be less conflicting and more beneficial to the entire area.

The onesidedness of the United States, supporting the government of El Salvador and the antisandinista 'contra' movement, would seem to be an extreme position that could lead to dangerous military, political, and social consequences in the Caribbean. I think that if the United States and the major Latin countries in the area were to arrive at a common policy aimed at the preservation of peace, economic and social development, and democratization within the countries, more appropriate and permanent results could be achieved.

Jesús Rafael Boada G.
Caracas, Venezuela

Nicaragua: A View from the Private Sector

An interview with
Ramiro Gurdian

Part 1: The Political Scene

Did you support the overthrow of Somoza?

Yes, and I welcomed the revolutionary government of Nicaragua.

Do you think that Nicaragua is better off or worse off than it was under Somoza?

I don't like to compare two evils. I will say that a dictatorship of the right tends to leave you alone as long as you stay out of politics, whereas a Marxist-Leninist dictatorship of the left tries to get involved in every aspect of your life. They tell you how to brush your teeth. But they are both bad systems, and I don't want either of them.

If there were elections and the Sandinistas were thrown out of office, would that make you unhappy?

It would make me very happy.

Who are the Sandinistas? What is the Sandinista Party?

The backbone of the party consists of the nine 'comandantes' and about four hundred Sandinista members of the assembly. In addition, the party has a labor union which you must belong to if you want to work for a business owned by the state. Also, the armed forces belong by law to the Sandinistas. But the flow of decision-making within the party is from the top down, which is the opposite of a democratic system.

Is the Sandinista Party a Communist party?

It is not supposed to be a Communist party, but the nine leaders of the Sandinista Party are all Marxist-Leninist Communists. There is no doubt about that. The Sandinista

Labor Union has signed an agreement with the Communist Party in the Soviet Union, so the Sandinistas evidently feel bound to the Communist Party. But not everyone in the party is Communist, and many people consider themselves Sandinistas in the nationalistic sense.

How does the Sandinista Party view its role in Nicaragua?

They feel that they represent the good of the people, so they can do whatever they please because they own the state, they *are* the state.

I believe the Sandinistas never intended having a democratic government in Nicaragua.

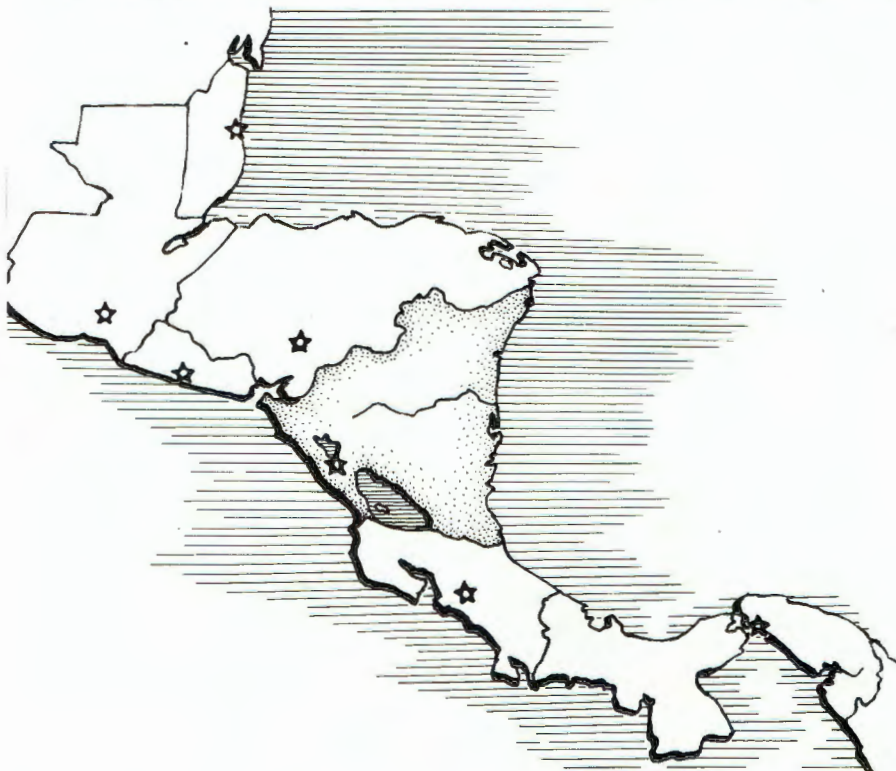
What keeps the Sandinista Party in power?

The army does, because the party does not have the support of the people. Two and a half years ago the newspaper *La Prensa* published a poll showing that only 30% were satisfied with the way the Sandinistas were running the country at that time. A law was promptly passed prohibiting polls, and now it is against the law to publish statistics. But I can tell you that the dissatisfaction has grown considerably.

Is there any chance that the Sandinistas will be able to maintain their position in Nicaragua?

The only way for the Sandinistas to remain in Nicaragua is for them to fulfill the original plan of government.

RAMIRO GURDIAN lives in Managua, Nicaragua. He is president of the Nicaraguan Union of Agricultural Production and vice president of the Supreme Council on Private Enterprise. He was an active opponent of the Somoza regime, and cooperated enthusiastically with the Sandinista government when it took over the country in 1979. Becoming gradually disillusioned with Sandinista Nicaragua, he began speaking out, and in May of this year, immediately after some of his anti-government views were published in the Nicaraguan press, his banana farm was confiscated. In spite of this Gurdian continues to speak out, and speaks with authority as a representative of the private sector.



If they did that, would you support them?

No, I will always support my own party. You see, if they fulfill the original plan, we will have a democratic system and I will have the right to support the party of my choice. I would never support the Sandinista Party.

But could you support the postrevolutionary government of Nicaragua, even if the Sandinistas won in free elections and fulfilled the original plan of government? Could you support that government, even if not the party in power?

Yes, I support one hundred percent the original plan of government.

What was that plan?

The original plan of government included these points: 1) An executive branch, a legislative branch, and a Supreme Court, each acting independently of the other; 2) A provisional government, and early elections; 3) Respect for human rights; 4) Freedom of the press; 5) Freedom of religion; 6) Political pluralism; 7) Non-alignment; 8) The dissolution of Somoza's power; 9) A mixed economy; 10) Agrarian reform; and 11) Social development.

What has happened to that plan?

Apart from the removal of Somoza, the Sandinistas have deviated from it totally.

Let's take the points one by one. How have they deviated from the plan to have a separation of power among three branches?

Everything is run by the executive branch, and there is no separation of power. The legislative Council of State was to have 33 seats, eleven of them filled by non-Sandinista members. We were satisfied with that, it gave us enough power. But just before the Council was to begin work in May 1980 the Sandinistas increased the number of seats from 33 to 47, and they reserved all the additional seats to themselves. This gave them about 80%, an overwhelming majority of the Council, and in November the eleven non-Sandinista members walked out of the Council in protest. The power of the Supreme Court has also been usurped by the executive branch, even though it was supposed to be completely independent. A new position of Secretary of Justice was created, within which trials are held

and people are condemned to 20 and 30 years in prison with no possibility of appeal to the Supreme Court. Agrarian tribunals are deciding all issues relative to agrarian reform in this predominantly agricultural country, and there is no appeal to the Supreme Court. So why have a Supreme Court if you cannot appeal to it any decision of the executive branch? Even within the executive branch, the original plan has not been fulfilled. Maximum power was supposed to be in the hands of the junta, but from the very beginning the nine 'comandantes' have ruled supreme. These nine appointed the members of the junta and ordered them to rule the country for five years, even though the situation was supposed to be the reverse and the junta was supposed to be the ultimate power.

What about the plan for having a provisional government?

To me a provisional government might last one or two years, but certainly not five.

Have human rights been respected?

There are today many violations of human rights. A human rights commission exists, the same one that operated under Somoza and defended the Sandinistas from the excesses of the Somoza regime. Now the Sandinistas are dissatisfied with that commission and they have created another one. The idea is to mislead the international community into believing that there are no human rights violations in Nicaragua. So the original commission is viewed as reactionary, although it continues to put out monthly reports on the human rights situation in Nicaragua.

Interior Minister Tomas Borge.



Doesn't it say something about the existence of freedom in Nicaragua that a human rights commission which the government does not like still functions and puts out reports?

Yes, but who can read their reports? I receive copies of them, but the information contained in them is not and cannot be published, for example, in newspapers, so that the ordinary citizen does not have access to this information and is not made aware of what is going on.

Are you saying that there is no freedom of the press?

Just two months after it took power, the Sandinista government passed two decrees, 511 and 512, restricting all publications. These decrees forbade speaking about any aspect of the general economic situation, and one of them even included an 'et cetera' clause. How can a law be based on an 'et cetera'? Obviously, anything you say can be censored. The two television channels, which were supposed to be owned and operated by the government, have been taken over by the Sandinista Party, so that they are not government channels but party channels. Most of the radio stations belong to the state, and the few private ones cannot do or say anything without the approval of the censors. The newspaper *La Prensa* cannot go to press until it has been gone over by the censors.

What kinds of things do they censor?

Last year we wanted to publish an invitation to the public to attend a Mass on the second anniversary of the death of Jorge Salazar (the former president of COSEP, slain in November 1980; see box), and they censored that. They censored the Pope's letter to the Nicaraguan bishops, although later on they yielded to pressure and let it through. They censor any negative information about the Soviet Union or Cuba. The censorship has nothing to do with the security of the country or the state.

What about freedom of religion?

This was included in the original plan, but we are having more and more problems every day with the Church. (See box.)

Political pluralism was another guarantee in the original plan of government. Has that promise been kept?

Political parties cannot hold rallies, and this was true even three

years ago when there was no fighting in the country. I believe that one of the reasons why Alfonso Robelo left the country with his leadership of his party, the Democratic Movement, was because they could find no way for their party to function. I remember several years ago a rally was to be held, and the rally's organizer had his house burned down by a mob that was protected by the police. How can you offices of the main political parties be stormed, painted over, and torn up by mobs protected by the state security forces? The only political party that can hold a rally in Nicaragua is the Sandinista Party, and to assist them they use the entire apparatus of the government such as construction crews from the Department of Highways, or trucks and drivers from the army. One member of the Council of State stood up and protested against this situation, so they confiscated his house, burned his furniture in the street, took his farm away, and they did all this to a man who is supposed to have legislative immunity. Can you imagine an American Congressman having his property burned and confiscated because he spoke out against Mr. Reagan? No, there is no political pluralism at all inside of Nicaragua, although we do have different political parties. Those parties cannot do anything, they are not allowed to speak out, they cannot have rallies, they are only allowed to exist so that the government can point to them and say that there is political pluralism in Nicaragua.

What about the promise of non-alignment? Is Nicaragua non-aligned?

We understood this promise to mean non-alignment with the United States or with anybody else. We wanted to establish our own identity and to feel free to side with or against any other country, as we wished. Unfortunately we have become so entangled with Cuba and the Soviet Union that it was unthinkable for us to have condemned the shooting down of the Korean airliner. We are not free to have diplomatic relations with China because Russia does not want us to. Our votes in international bodies are always in line with those of Russia and Cuba. Where is the non-alignment?

In the original plan of government Somoza's power bases — the army and the

government bureaucracy — were to be dissolved.

Well, they were not destroyed, and in fact they are bigger than ever. We have not done away with the army, we have built it up, and today more Nicaraguans than ever before are armed. As for the bureaucracy, it is incredible! The government owns discoteques, sugar mills, mines, coffee and cotton plantations, motels: it is involved in all sorts of enterprises. I can understand the government's expropriation of businesses from Somoza, but I cannot justify its continued operation of those businesses four years later. Moreover, many of these things have been taken over not for the government but for the party.

But the government doesn't own everything, does it? Is there not a mixed economy in Nicaragua?

A mixed economy can mean 1% private and 99% government, or 1% government and 99% private. We estimate that right now 55% of the gross national product is in the hands of the government, although the government claims that 60% is still in the private sector. Even if they are

right and we are wrong, the main issue is: How private is the private sector? Is there really private enterprise in Nicaragua? If you own a store in Nicaragua, the government can tell you what to sell, when to sell it, how much to sell it for, to whom to sell it, in what quantity to sell it: What is left for the private businessman to decide? In this agricultural sector the government tells you what to plant where, how much to invest in the land, how much you will be paid for your crops, to whom the crops must be sold: What is left for the farmer to decide? If you own a factory, you have no control over the purchase of raw materials, you cannot remove your profits from the factory, you cannot give raises or bonuses to your employees: Is this private enterprise?

How have the Sandinistas deviated from the plan for agrarian reform?

We understood agrarian reform to mean confiscation and redistribution of all the land belonging to the Somoza family. Since it included about 20% of the land under production, it was more than enough for those who wanted land. Keep in mind

The Catholic Church in Nicaragua

(Nicaragua is an overwhelmingly Catholic country. Here Ramiro Gurdian discusses the position of the Church in his country.)

Even though there is supposed to be freedom of religion, problems with the Church are increasing almost daily. Bishop Carballo was carried naked from his home by the police, in full view of the television cameras, and pictures of the scene were published the next day in the newspapers. I am sure you have heard how disrespectful they were to Pope John Paul II during his visit in March. Recent events include the expulsion of two priests from the country, the beating up of a bishop, and the burning of church interiors.

The Church was strongly in favor of the revolution. It had fought Somoza, who hated Archbishop Miguel Obando y Bravo of Managua. Archbishop Obando was the one who was called upon regularly to negotiate with the Somoza government the release of Sandinista hostages and prisoners. He was their big friend, and they used to call him

'Comandante Miguel.' Now he is their enemy, because he has stood up against this government. Indeed, the Church's record is clear in Nicaragua: it has opposed dictatorship in whatever form.

I do not see any way for the Church to come to terms with the Sandinista government because the Church stands for respect for human dignity, and the Sandinistas have no such respect. To counteract the Church they have found priests who agree with them and they say that there are two churches, the traditional church and the popular church. Their purpose is to confuse the people, and they are using priests who go along with them.

As for those members of the government who are priests, they may call themselves priests but we do not consider them priests any more. The Pope told them to give up their positions in the government, and when they did not, he removed their faculties. Apparently they feel more allegiance to the Sandinistas than they do to their priesthood.

What Happens when a Nicaraguan Speaks Out?

(We asked Ramiro Gurdian if businessmen are speaking out on conditions in their country, and if so, what happens to them as a result.)

Two years ago a letter was sent to Daniel Ortega, signed by the presidents of the six chambers of COSEP. We described the chaotic economic situation, and we predicted continued decline. We quoted the Minister of Defense, Humberto Ortigas, who had said in a public speech that if there were an intervention, the first people to be hung along the streets would be the Sandinista leaders. We stated that we anticipated an armed conflict and a generation of hatred, and we placed the blame for this squarely on the Sandinistas, since they had not fulfilled the original plan of government. We called their actions unjustified, and we protested against the Marxist-Leninist tendencies of the government. Their reply was to order all six of us to jail. I was lucky enough to have been out of the country at the time, but my colleagues were put in prison. Through international pressure they were released after four months, and I was able to return to Nicaragua after four months. I still had to report to court, however, and the judge sentenced me to a year of probation, during which time I could

not leave the country and I had to report to prison every two months.

Our crime, they said, was that our letter violated the state of emergency. Interestingly enough, Nicaragua is exactly at the point foretold two years ago in our letter.

So we have done what we could. But you have to understand that we are dealing with a government that cannot be considered rational, a government that killed the acting president of COSEP and that jailed all the presidents of the chambers of COSEP. So we must be patient, but they know that we will not give in.

I, personally, continue to speak out, and as a result they have taken everything away from me. In May of this year the newspapers printed my defense of the United States' cutting of the sugar quota. Two weeks later Dr. Sergio Ramirez, a member of the junta, was speaking at a political rally and he called me unpatriotic, accusing me of thinking and acting like a 'gringo,' and he suggested that I am one of Reagan's agents. My farm was promptly confiscated.

Yes, there are risks, but we feel that we have to take these risks. There is more than one person or group of persons involved: a whole country is at stake.



that Nicaragua does not have a land problem, it has a population problem. Nicaragua has about 17 people per square kilometer; El Salvador, for example, has something like 268 per square kilometer. We have 18 million manzanas (one manzana = 1.7 acre), and we say conservatively that about 30% is arable, or roughly 6 million manzanas. We plant less than one million, so there is no justification whatsoever for the expropriation of land. Yet they continue to take land away from people, and they have gone to such extremes as to use prisoners in invading and confiscating farms.

Why do they confiscate farms? To silence critics?

No, most of the farmers are pretty quiet people. They do it partly out of ignorance, and mostly for ideological reasons, because they think that everything should belong to the state. Several months ago Dr. Sergio Ramirez said that the Sandinistas will probably be satisfied when they own 80%, but I do not believe so.

There was one more point in the original plan of government: the provision for social development. How has it been handled?

An attempt was supposed to be made to provide justice and opportunity for the poor, and in general to improve the standard of living for everyone. Instead the Sandinistas have developed a Marxist system based on hatred, which is the foundation of all their propaganda. Already in the lower grades they teach pupils to count not one apple plus one apple but one dead man plus one dead man, or one rifle plus one rifle. They are not

out to teach social development but class hatred, but I thank God that they have not succeeded in this.

So there is no class hatred in Nicaragua?

No, anyone can go anywhere he wants in Nicaragua without fear, and businessmen, for example, have never had to carry guns. We are very proud that we have in Nicaragua an organization consisting of private sector businesses and the labor unions. Once or twice a week I sit in on meetings with the labor unions, and labor leaders come in my office to chat with me. The Sandinistas cannot understand why the labor unions do not hate us.

You have described for us how the Sandinistas have deviated from the entire original plan of government. Do you think that they intended all along to disregard the plan, or

did their attitude of disregard for the original plan develop with time?

I believe it was their idea from the start. They signed those papers knowing that they would break all the agreements. I believe the Sandinistas never intended having a democratic government in Nicaragua.

Why didn't you foresee this?

Many people told us that this was going to be another Cuba, but we did not think it could happen. We counted on the backing of the OAS, which had committed itself to the establishment of a democratic government in Nicaragua. And we were encouraged by the support of the United States in the overthrow of Somoza. When the junta arrived in Managua from Leon on July 19, 1979, there was Mr. Bauer, the Under Secretary of State

for Latin American Affairs, waiting in the plaza to greet them. Surely the United States was not going to let this become another Cuba!

So the United States supported the Nicaraguan revolution in its early days. Much has happened since then, however. What is the United States supposed to do now in regard to Nicaragua?

I believe that the United States should support all means leading to democracy, to freedom for all the people. I would not like to see a United States invasion of Nicaragua, but at the same time I wonder if Nicaragua has not already been invaded. Look at the number of Cubans, Czechs, Russians, Libyans, and Bulgars in Nicaragua! Are the Nicaraguan people deciding things for themselves? I know for a fact that the Cubans are running the country, and I can tell you stories about local Nicaraguan officials taking orders from Cubans. The evening they confiscated my farm in May I was at a party in the Argentine Embassy and I told the political secretary of the Cuban Embassy that my only satisfaction was that the farm was confiscated by Sergio Ramirez, a Nicaraguan, and not by a Cuban.

If the United States should not invade, what should it do?

I believe that the United States has a responsibility to do something to force the Sandinista government to fulfill the original plan of government. This was promised to the United States, which had intervened politically in the overthrow of Somoza. The United States put the Sandinista government in power and they are responsible for it. But I am becoming pessimistic and I see less and less hope of avoiding a military solution. I would love to find a formula that would prevent such a solution, but I cannot find it.

What mistakes could the United States make now in its dealings with Nicaragua and Central America? What policies could it take that would be wrong?

I believe that it would be wrong, for example, to make a trade-off between Nicaragua and El Salvador. I do not want either the United States, or the Contadora Group, or anyone else to make any deal which does not take into account the people living inside Nicaragua.

The leaders of COSEP, including yourself, met with the Kissinger Commis-

sion at the American Embassy in Managua. What is your opinion of that commission?

It is a large commission and seems representative of different interests. I believe they are trying to find a viable solution for Central America, and I think its results will be interesting and positive.

Then you accept a role for the United States in working out the problems of Central America?

Yes, and I am not the only one: the Sandinista government also received the Kissinger commission. Of course, each of us tried to influence the commission with our own point of view. Yes, I accept a role for the United States, as long as it is positive. I also accept the efforts of the Contadora Group.



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You have met with leaders of the Contadora countries. What do you think of their proposals for Central America?

I believe the Contadora Group died the minute it was born. They have a very nice package, including 21 points, based on the principle, which we agree with, that there must be democracy within a country to avoid a war. The problem is that the Sandinistas have signed the agreement, and what are the Contadora countries going to do when the Sandinistas do not abide by it? You see, the Sandinistas will sign anything, but they will not fulfill it. So Contadora is another attempt to give the Sandinistas a chance, but it will end up demonstrating to the world that they have no intention of having a democracy. I believe Contadora will find that out, but I hope that I am wrong.

Do you think that Latin America would be more comfortable with a democratic Nicaragua than with a Sandinista Nicaragua?

One hundred percent. And Central America would be better off with a democratic Guatemala. We want all of the countries of Central America to be democratic, not just Nicaragua, but Guatemala, Honduras, all of them. I believe that all of Central America has to be under one compatible system, and we cannot have one country Communist when the others are not.

What has been the stand of the Organization of American States in regard to Nicaragua?

The OAS committed itself to the establishment of a democratic government in Nicaragua. It intervened, not

Ramiro Gurdian with Arthur Tonsmeire of the Caribbean International Foundation, publisher of Caribbean Today.

militarily but politically, in Nicaragua through its decision to become involved in the establishment of democracy after Somoza, in the guaranteeing of respect for human rights, freedom of the press, the holding of early elections. But the Sandinistas have not fulfilled these promises, and the OAS, I think, has an obligation to take an active interest in what is going on inside of Nicaragua.

Have you communicated this view to the OAS?

Yes, we spoke with Secretary General Alejandro Orfila, and his reply was that governments are not sure of when to act in support of all the people. I feel that they are dodging the responsibility they accepted in

1979 when they made promises to the Nicaraguan people, promises they have not been able to keep.

In the early days of the revolution there was much support for Nicaragua in Europe, and even when the United States was cutting off aid there were European countries channeling funds and support to Nicaragua. What is the relationship today between Sandinista Nicaragua and Europe?

I believe that right now the Sandinistas have lost all their credibility in Europe. You have to remember that it took six months after the revolution for the private sector within Nicaragua to begin to have doubts about the Sandinistas, and it did not form a clear picture until a year after that. So we could not expect others to get the message quickly. We have been travelling around, trying to explain what is going on and patiently spreading the word. Does Europe understand now? Well, Tomas Borge just came back from Europe and said that the West German government is the most uninformed government he had ever encountered. What had happened was that the Germans reminded him that the Sandinistas had not fulfilled their promises of a mixed economy, non-alignment, and political pluralism.

●
Culture Minister Fr. Ernesto Cardenal is shown welcoming the Sandinista revolution with then Deputy Minister of Defense Eden Pastora, who has since left Nicaragua to lead armed resistance to the Sandinista government.



So in your travels abroad and your visits with political leaders, do you find that they are losing respect for Sandinista Nicaragua?

Yes, I believe the romanticism of the revolution has passed. I think everyone is clear now on what is happening in Nicaragua, and I hope that they will start speaking up.

Costa Rica has been mentioned as a sort of democratic ideal. Can Nicaragua ever have a Costa Rican style system?

I don't think so, certainly not for a long time. We could have free elec-

tion, if the Nicaraguan people were mature enough to rid themselves of a dictator they were tired of after 40 years, then they are mature enough to choose their own form of government.

What has been the reaction of the Nicaraguan people to the intervention in Grenada?

Many were happy with it. Others asked: Why Grenada, why not Nicaragua? We, however, do not want to happen to Nicaragua what happened to Grenada. Nobody wants to have their country invaded, but, you know,

Nicaraguans have been able to watch how Cuba developed, and they have decided not to develop that way.

tions, but for a democracy you need more than that, you need a broad range of civic activity. For example, in the United States students elect representatives to the governing councils of the school, and what Americans do not realize is that they are teaching young people how to function in a democracy, how to participate in it. This is the democratic tradition that we do not have in Nicaragua.

But the Nicaraguan people would respond to the challenge of free elections?

Yes. The government is using the excuse that the people need more education before they can be asked to take part in elections. My answer to this

I do not believe that the principle of non-intervention should form the basis for all policy. I believe in non-intervention when there is a democratic system and respect for human rights, otherwise non-intervention means that a government is free to do whatever it wants with its people. What should you do if you see your next-door neighbor about to kill his wife on his front lawn? Do you respect his private property and stay away? Which is more important, respect for our neighbors and their rights, or respect for the principle of non-intervention? I believe that a government ought to earn the right to non-intervention through its behavior, and the international community has the right to be concerned about a government that is killing people. Did Hitler have the right to kill off all the Jews?

Part of the problem in Grenada was the role of Cuba. There are many who say that Nicaragua has become another Cuba. Is that a fair comparison?

No, even though there are many similarities, Nicaragua is not at all like Cuba. I would point to the following differences. 1) The Catholic Church in Nicaragua has been more vocal in standing up against all forms of dictatorship than the Church in Cuba ever was. 2) We have a press situation that the Cubans never had after their revolution. One of the heroes of our revolution was Dr. Pedro Juaquin Chamorro Cardenal, who owned *La Prensa*. He was killed, and now his family owns the paper and his son keeps it going in spite of many hardships. 3) We have independent labor

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unions with international ties, such as with the AFL-CIO. The president of the organization of labor unions was killed by Somoza, people remember that the unions fought against him, so they respect these unions in their struggle against the Sandinistas, whom they are now opposing. 4) We have a number of political parties which are harassed but which exist nonetheless. They go around the country expressing their views, and this gives people the courage to speak out on their own. I do not believe that this situation existed in Cuba four and a half years after their revolution. 5) Cuba and Nicaragua have different historical backgrounds. Cuba was developed, mainly around the sugar industry, by large international companies, which cultivated a disciplined labor force, workers who are accustomed to following instructions. Nicaragua has had little foreign investment, and its workers are not used to following orders. You order a Nicaraguan around and he will quit

The struggle that is taking place is not for a return to somocismo, but for a return to the original plan of government.

the job. It was easier to impose a totalitarian system in Cuba because there was a tradition of discipline; that tradition does not exist in Nicaragua. 6) By four years after their revolution, many Cubans had left their country. With all due respect for them, I believe they made a mistake. What would Cuba be like if they had remained? We have probably learned from Cuba, and although some have left Nicaragua, for the most part we have decided to stay. We risk our lives doing so, but this gives hope to many

others. It also gives some people the opportunity to work in the private sector and thereby to lead more independent private lives. 7) Cuba is an island, while Nicaragua is on the mainland of the continent, so that people can get in and out of the country through the various borders. This makes a big difference. 8) We have the example of Cuba; Cuba did not have the example of another Cuba. Nicaraguans have been able to watch how Cuba developed, and they have decided not to develop that way. 9) Nicaragua

COSEP

(Ramiro Gurdian is Vice President of COSEP, the Supreme Council of Private Enterprise. We asked him to describe for us this organization and its role in revolutionary Nicaragua.)

COSEP, the Supreme Council of Private Enterprise, represents the private sector in Nicaragua. It consists of six chambers: the Chamber of Commerce, the Chamber of Industry, the Chamber of Construction, the Chamber of Agriculture (of which I am the president), the Chamber of Professionals, and INDE, a nonprofit development foundation. The organization of each of these chambers is pyramidal. For example, an individual coffee grower belongs to his local cooperative; that cooperative belongs to the national association of coffee growers; the national association belongs to the Nicaraguan Union of Agricultural Production (UPANIC, which is my chamber); and UPANIC belongs to COSEP. We have elections every couple of years and run on a strictly democratic system. All of these organizations are nonprofit. We are not a political party looking for power, but we want to influence

whoever is in power to run Nicaragua properly. Our struggle is on behalf of the principle of free enterprise. I suppose right now the Catholic Church is the strongest organization in the country; COSEP is the next strongest. People respect us because we are staying in the country trying to insure that Nicaragua does not become another Cuba.

The private sector was actively involved in the overthrow of Somoza. We called three general strikes and paid all the laborers not to come to work. The involvement of businessmen was so strong that it was recognized by the Sandinista Front in the original plan of government. In this original plan the Council of State, or legislature, was to have 33 seats, of which COSEP would have six, one from each chamber. We felt that 18.8% of the votes in congress placed considerable power in our hands. The Sandinistas dragged their feet in convening the Council, which was finally activated in May 1980. But just before it began, the Sandinistas increased the number of seats from 33 to 47, and they reserved all the additional seats to themselves. This gave them control of about 80% of the Council of

State. It was at that point that Alfonso Robelo and Violetta Chamorro resigned from the government. We first decided not to participate in the Council, since the Sandinistas had broken the original pact. However, we negotiated with them an agreement to attend in exchange for a guarantee of all the freedoms promised in the original plan of government: freedom of the press, access to the Supreme Court, freedom of movement, and prompt elections. An election date was to be announced on July 19, 1980, the first anniversary of the revolution, to be attended by Fidel Castro of Cuba and Maurice Bishop of Grenada. But this promise, like all the others, was not kept, and on November 12 we walked out of the Council of State together with the labor unions and the non-Sandinista political parties. A total of eleven members walked out. Five days later the acting president of COSEP, Jorge Salazar, was killed by the state security. We think that our withdrawal from the Council of State was related to his death. They probably thought that by killing him they would scare us, and the private sector would disappear. The opposite has happened: three years later we are stronger than ever.

does not have a charismatic figure like Fidel Castro. We have the nine 'comandantes,' but there is no one person to rally around.

How is Nicaragua similar to or different from El Salvador?

Problems arose in Nicaragua not because of class hatred or ideology but because of the dictatorship of Somoza and his family. The problem in El Salvador was not a dictator but a system based on control by the armed forces. There was a national insurrection in Nicaragua, whereas in El Salvador there has been a clearly Marxist liberation movement. So in El Salvador the fight has been ideological, but it was not in Nicaragua. The original plan of government produced by our revolution has nothing in common with Communism. So they have a different problem in El Salvador, but I am encouraged by events there. Elections are being held and the people are beginning to value their vote, so this gives them a reason to keep fighting against the Marxists.

Yes, we hear about the fighting taking place in El Salvador. Is there fighting going on inside of Nicaragua?

There is a lot of fighting going on. The government estimates that nearly 10,000 are fighting inside the country — this does not include those who are making incursions from Honduras and Costa Rica. Some estimates place the figure closer to 15,000. At any rate, it's a lot of people who are fighting, unhappy with the government and committed to taking up arms. I do not agree with people taking up arms because I am a civilian and I believe in peaceful means of resolving problems. Still, I cannot condemn them because they tried to talk out the problem and they failed.

You mentioned the groups fighting from within Honduras and Costa Rica. What do you think of them?



Ramiro Gurdian

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Most of these people, like Eden Pastora, Alfonso Robelo, Adolfo Calero, were inside of Nicaragua until very recently, trying to make the system work under the terms of the original plan of government. But the Sandinistas have not fulfilled that plan, so they have left the country, they have decided to give up the struggle from within and to take up arms. I, too, am fighting for the original plan of government, so I cannot condemn them, but I also cannot approve what they do because my position, as a representative of a private enterprise organization, is totally civil and non-violent.

Are the Somozan military people using those groups to regain power in Nicaragua?

Where did you get that idea from?

We hear that some of these groups in Honduras are in reality National Guardsmen trying to make a comeback.

I don't believe so. Look at the arithmetic of it. It is common knowledge that under Somoza there were about 8,000 members of the National Guard. Some 4,000 of them are in jail now in Nicaragua, many of them were killed in the revolution, and others have left the country and established new lives elsewhere. Now, internationally published figures indicate that there are about 15,000 so-called 'contras,' so what percentage of them could be former guardsmen? I believe that there are more former Sandinistas than former guardsmen among the contras. The struggle that is taking place is not for a return to *somocismo*, but for a return to the original plan of government.

You have gone through an experience in which you overthrew a dictator, supported a revolution enthusiastically, and then became disillusioned with that revolution. Suppose I come to you from another country, I am preparing to help overthrow a dictator, I will throw my support behind a revolution, and I don't want to happen in my country what happened in Nicaragua. What do you tell me?

Try to rid yourself of the dictatorship without leaving the situation in total chaos. Ideally, force the dictator to step down without your having to overthrow him. When you overthrow him you leave a power vacuum, and the Communists are experts at taking advantage of power vacuums. ♦



Part 2 of this interview, covering the economic scene, will appear in the next issue of *Caribbean Today*.

The economies of the Caribbean Basin are in critical need of a catalyst that will promote recovery.

The Caribbean Basin Initiative

William E. Brock

THE CARIBBEAN Basin Initiative (CBI), signed into law by the President last August, is a comprehensive, twelve-year, economic development program designed to revitalize the sagging economies of the Caribbean and Central American nations. This bold, yet practical, program for restoring economic health to the countries that compose our third border will contribute to a peaceful democratic outcome to the region's struggles with nation-building.

The CBI is a multi-dimensional program, combining carefully crafted and focussed trade, aid, and investment-related measures. The program was designed so that these measures would be self-reinforcing. The CBI is comprehensive in that it addresses both long-term and short-term problems and contains the flexibility needed to respond to the development obstacles of individual countries. It is one element of a broader, regional program that can transform the Caribbean Basin from a region of despair and frustration into a region of peace and freedom.

The President's program for economic revitalization was developed in close consultation with the more than two dozen Caribbean nations which

are its potential beneficiaries. More than anything else, this program gives expression to the ideas of the people of the region, and speaks directly to their aspirations for the future they will build for themselves.

The title of the Act articulates in precise terms the urgent purpose to which the program is directed. The economies of the Caribbean Basin are in critical need of a catalyst that will promote recovery. In the United States today, we have become acutely aware of the difficult problems besetting virtually all the world's economies. The Caribbean, an area of small and fragile economies in the best of times, has been among the hardest hit by recent international economic developments.

None can deny the seriousness of the economic and social problems confronting the Basin. Declining rates-of-growth, rising inflation, and expanding debt-service ratios all afflict Basin nations. Malnutrition, high infant mortality rates, and alarming numbers of unemployed youth are among the social costs of the region's economic stagnation.

Thus, in our own hemisphere is a region which is adrift in the world economy. As the Basin economies have been battered by the oil price hikes and the fall of sugar and other commodity prices, internal tensions have mounted. Sadly, it is a setting conducive to violence and political radicalism. The Caribbean Basin

Initiative is a response to regional economic programs which must be addressed if we hope to live in a hemisphere free from suffering.

The people of the Caribbean are striving today, in the same way as are all the people of the Americas, to find their place within the evolving world economy of the 1980's. It is difficult



AMBASSADOR WILLIAM E. BROCK is the United States Trade Representative and a member of President Reagan's Cabinet. He is a former Congressman and Senator from Tennessee, and served as National Chairman of the Republican Party.

for nations such as Barbados or Jamaica to achieve this goal in the face of economic obstacles which are posing a serious challenge to nations many times their size and possessing far greater economic resources.

It is in the spirit of providing new opportunities for those willing to help themselves that the Administration has put forth the Caribbean Basin Initiative. The CBI aims to foster and support important structural adjustments in the economies of its beneficiaries. The majority of these countries realize that previous economic strategies of inward development—or 'import substitution'—have come up against the inevitable constraints of their small domestic and regional markets. The CBI contributes to these countries' own efforts to direct their economies toward more balanced, export-led development strategies. Still, structural adjustments of this nature are not easy. But there is general recognition among the nations of the region to embark on just such a course. The CBI will help to facilitate difficult decisions and make it worth the effort required to revise entrenched but often inefficient economic policies.

The nations of the Basin are all vitally dependent on trade. Without liberal access to regional and hemispheric markets, there is little incentive to new or expanded production. While a very high percentage of Caribbean products can now enter the

Ultimately private sector initiative and market forces will determine the success of our joint efforts.

U.S. free of duty under the Generalized System of Preferences, many potential Caribbean exports have never been included in this scheme. The twelve-year free trade arrangement contained in the legislation will create the opportunity for a far broader array of non-traditional exports. Such products are often 'non-traditional' precisely because U.S. duties have been too high to justify the expansion costs of what may otherwise be a viable productive investment. The Basin also suffers from its relative disadvantaged position in competing under the GSP scheme with the rapidly industrializing countries of the Far East and Latin America. Finally, where a Caribbean country is a successful exporter, the GSP's competitive need limitation may act as a disincentive to expanded production.

Under the CBI, the President was able to grant duty-free access for all Caribbean Basin imports, with the exception of textiles and apparel already covered by textile agreements. The extension of duty-free access to the Caribbean on products that have not previously been included in the GSP scheme should not pose a threat of injury to U.S. industry. However, should a threat develop, remedies to

safeguard U.S. industry from injury are available in the Trade Act of 1974.

Another pressing problem the Basin faces is the chronic shortage of investment capital due to a poor investment climate. This is a result of many factors ranging from political instability, to the global recession, to the lack of assured market access for potential new output. Many Basin nations responded to this problem by depending on public sector investment and management. This had led in most cases to massive foreign debt burdens and a progressive curtailment of private investment.

The Initiative's tax credit scheme will help to attract capital that might otherwise have been withheld from the region. The CBI gives a U.S. firm the same favorable tax treatment of fixed asset expenditures which is available in the U.S. under domestic investment tax credit. This simple and equitable mechanism will be extended to qualifying beneficiaries for five years.

The U.S. Department of Commerce and the Office of the U.S. Trade Representative have received a sizeable number of inquiries from potential U.S. investors. The Commerce Department has established a

Caribbean Basin Business Information Center to provide support services for companies interested in developing business opportunities in the Basin. It is worthy to note that many of the inquiries have been from small and medium-size firms.

*We seek to help
the people of the Basin
build for themselves
a better life.*

In the case of both trade and tax measures, a more amenable climate for commercial activity is being created. Ultimately, however, private sector initiative and market forces will determine the success of our joint efforts.

Congress has appropriated \$350 million in concessional aid in response to the urgent request for relief by several nations in the Basin. The potential beneficiaries have sought this aid because it is the most immediate practical solution to the balance of payments and debt problems. The prospects for many of these economically depressed nations would be much worse if there was insufficient credit to support even the most basic private sector borrowing needs. Today, the sums that are needed for this purpose are of manageable proportions. The cost that could be incurred from a failure to take remedial action now would be far greater than the provisions of these financial resources.

In addition to the aid given to the Caribbean nations, we will be establishing a relationship with Puerto Rico and the Virgin Islands that encourages these islands to play a dynamic role in the region. One important con-

sideration was the potential effect on their revenues of a duty reduction on rum. We proposed that all excise taxes on imported rum be rebated to Puerto Rico and the Virgin Islands. Of similar importance to those territories will be the granting of tax benefits which should eliminate any semblance of fiscal discrimination. Other steps proposed were the treatment of territorial goods under the trade arrangement rules-of-origin, which should be of mutual commercial benefit to our territories and to their neighbors in the Basin.

Recent discussions on the CBI have focussed on whether and to what extent each country is satisfying criteria which the legislation states must be taken into account in the President's determination of country eligibility for CBI benefits.

Certain criteria, such as those relating to treatment of U.S. citizens' claims arising from expropriation or nationalization of U.S.-owned property, are mandatory. Others relate to a country's adherence to the internationally-accepted rules of international trade in goods and services. Because a fundamental objective of the CBI is to encourage countries to modify policies and practices which are disincentives to entrepreneurship, the President will also consider the extent to which self-help measures are being undertaken.

What we seek, in the final analysis, is to help the people of the Basin build for themselves a better life, not just economically, but across the full spectrum of human needs and aspirations. History, and particularly the history of this hemisphere, has demonstrated that a pluralistic society with strong and free private institutions is our best hope toward achieving this ultimate goal. In administering this economic program we intend to give

this institutional aspect particular emphasis by making the granting of beneficiary status dependent upon, among other things, the degree to which workers in each country enjoy reasonable workplace conditions and have the right to associate freely and bargain collectively. To achieve these goals, we proposed to increase by \$2 million our foreign assistance spending for the development of free labor movements through the Latin American Regional/American Institute for Free Labor Development.

The Caribbean Basin Initiative is a mutual commitment to reduce impediments to economic growth through a regional and hemispheric partnership. Self-help is the final key needed to unlock the door to economic opportunity over the next decade. Whether we are referring to treatment of new inward investment, or the reform of current trade distorting devices, the nations of the Basin must indicate a willingness to direct their economies in a manner conducive to entrepreneurial initiative. As long as the energy and spirit of the private sector is fully engaged, I have confidence that our program will enable economic revitalization that is intended. Revitalization is a goal that we seek together, and in so doing, establish the basis for lasting peace and prosperity throughout the region. ♦



Jamaica and the Caribbean Basin Initiative

Calvin Bowen



BRAD MARKEL — BLACK STAR

Prime Minister Edward Seaga of Jamaica at the White House with President Ronald Reagan and Vice President George Bush.

ENACTMENT BY the United States Congress of the Caribbean Basin Initiative, a trade-aid-and-investment package aimed at giving increased economic assistance to the region, has been welcomed by Jamaica, which stands to benefit from this latest gesture by the United States towards its own *mare nostrum*.

Jamaica's Prime Minister, Edward Seaga, who has been acknowledged by President Reagan as one of the progenitors of the Plan, is perhaps the best authority to quote on his country's reaction to the CBI and to the advantages and opportunities which it offers for improving the Jamaican economy.

Speaking as recently as October 2, at a symposium at the University of North Carolina, he referred to the need for 'a Marshall Plan' for the region, and said: "We are at last witnessing the introduction of this broad-based, multi-faceted development package, involving the triad of aid, trade, and investment with the recent enactment of the Caribbean Basin Initiative. . . . The CBI is not going to

solve all of the Caribbean's problems, but it will give us the opportunity to expand our productive base and to earn, through exports, the foreign exchange needed for development."

Mr. Seaga said the CBI's emphasis on trade and investment should place Caribbean countries in a position "to relate to the larger participant countries in the region as partners and not as either mendicants or dependents." In this sense, he said, it was "a constructive response to interdependence, because it builds on mutual values, mutual interests and compatible needs to reinforce and strengthen economically weaker members of a community."

No less supportive of the Plan has been the Deputy Prime Minister, Mr. Hugh Shearer, who is also Minister of Foreign Trade. Speaking at a forum on the CBI, sponsored by the Jamaica National Export Corporation, a government agency, he described the CBI as "a measure which will provide substantial additional opportunities for Jamaica to produce more goods, employ more people, export more goods, and earn more foreign exchange to be used for national development."

Mr. Shearer said the centerpiece of the CBI was the creation of a one-way free-trade area providing duty-free access to the U.S. market for twelve years. He noted that all products exported from the Caribbean Basin would be eligible for this duty-free entry, with the exception of textiles and apparel, canned tuna, petroleum and petroleum products, and certain leather products and footwear.

But he warned Jamaican exporters: "The CBI is neither a magic wand nor a talisman which will bring U.S. importers clamoring to your door. The new export market and earning opportunities under the CBI will depend on production, efficiency, quality, and marketing initiative," he stressed.

Geoffrey Messado, president of the Jamaica Exporters Association, the body which will be principally responsible for pushing the island's extended trade opportunities under the CBI, has spelled out some of the advantages which the Plan offers to Jamaica. Quoting from figures made available by the U.S. Embassy in Kingston, he said that the effect to Jamaica was that many agricultural, agro-industry,

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chemical, pharmaceutical, electrical and building products qualified for duty-free entry into the United States.

Messado made a comparison between Jamaica's export performance to the United States under the Generalized System of Preferences (GSP) and the opportunities for export under the CBI. While under the GSP only 3,000 items qualified for duty-free treatment, under the CBI all products, except those specifically restricted, could benefit.

This meant that Jamaican products such as beverages, tobacco, fish, dairy products, chemicals and electrical goods, would enter the U.S. free of duty.

"We cannot produce everything, but there are products in which, because of climate, distance or other factors, we have a comparative advantage, and it is on those products that we should concentrate," Messado said.

Rum, an important export product of Jamaica, has been given duty-free treatment under the new legislation. Sugar, another important Jamaican export commodity, will also receive duty-free treatment but subject to the quota limits which are currently in force in the U.S. to maintain the U.S. sugar price support program.

But trade is not the only area in which increased advantages are offered under the CBI. Jamaica can expect stepped-up foreign exchange support under the \$350 million Special Supplemental Appropriation which provides foreign exchange for the Caribbean Basin private sector.

Increased earnings from the tourist industry will also benefit. Another provision of the CBI is that Americans are allowed to deduct the expenses of attending conventions in the Caribbean Basin, and indications are that Jamaica is already benefitting

from this concession. Some 25,000 Americans attended conventions here last year, when Jamaica began to enjoy convention-deduction treatment.

Jamaica was the first country to be visited by a team of U.S. officials under the CBI to discuss the country's beneficiary status under the Plan. The team, headed by Gerald Rosen of the Department of State, came here in August — shortly after the passage of the Bill by Congress — to help Jamaica prepare to take advantage of the opportunities offered by the CBI.

The purpose of the visit, which was also being made to the other territories which come under the CBI, was to make recommendations to President Reagan so that he may formally designate which countries are to be beneficiaries under the Law.

According to local information, announcement of the first countries to be so designated will be made by November 1, a clear two months before the expected shipment to the U.S. of the first duty-free cargo under the CBI.

*The CBI holds hope
for Caribbean businessmen
and the region's inhabitants
in these frightening times.*

A forecast that the first shipment of Caribbean goods certified for duty-free eligibility under the CBI would go to the United States on January 1, 1984, was made here by Mr. Bennett Marsh, a trade specialist of the U.S. Department of Commerce. He was a member of the CBI designation team.

Acceptance of the CBI and appreciation of the benefits which will flow

from it have been expressed in other Caribbean territories. Kennedy Simmonds, Prime Minister of newly-independent St. Kitts-Nevis, welcomed approval of the package by the U.S. Congress; and Al Knight, president of the Barbados Chamber of Commerce, described the CBI as "holding hope for Caribbean businessmen and the region's inhabitants in these frightening times."

Puerto Rico's Governor, Carlos Romero Barcelo, while visiting Jamaica during May of this year, expressed support for the CBI. He said he had previously been criticized by some Puerto Ricans for supporting it, as they feared the competition which would come from those countries that would benefit from the Plan. But he was not afraid of competition, he said, and there was now "a vast number" of Puerto Ricans who saw the need to support the CBI.

Barcelo said, however, that he wished to see the CBI "geared more towards the giving of opportunities than the giving of money." Opportunities for trade, for infrastructure improvement, and for improving people capabilities would be of lasting benefit, he said.

Meanwhile, it has been announced that the U.S. has already spent nearly \$25 million on Eastern Caribbean bilateral assistance in the first quarter of this year, through CBI commitments to the region.

"Contrary to local perceptions that the entire CBI package is stalled in the U.S. Congress," an American Embassy spokesman in Barbados said in April, "U.S. bilateral CBI aid was fully approved last year and is now being spent at a rapid rate in the region. As evidence of the high priority that the U.S. gives the ties with its Caribbean neighbors, current spending levels have made the American assistance program for the Eastern

Caribbean the highest per capita U.S./A.I.D. program anywhere in the world.”

On March 15 Barbados signed an agreement for a \$7 million loan for the country's economic recovery program. The money will be used to generate employment opportunities in the private sector, with emphasis on boosting exports and foreign exchange earnings, as well as to promote the manufacturing sector.

CBI funds also went to Antigua, which on March 25 received a \$9.7 million combination loan/grant for major expansion and improvement of its water supply system. This project was described by the country's Prime Minister, Vere Bird, as its “highest development priority.”

St. Lucia received on March 28 an \$8 million grant to assist the government's program of agricultural growth and diversification.

In another area of assistance, more than 300 students in the Caribbean are expected to benefit from a \$4.4 million scholarship fund which the Organization of American States (OAS) will administer under the CBI.

*The CBI will give us
the opportunity to expand
our productive base.*

Altogether, the prospects look bright for great benefits to the area from the CBI, but the key word is production. The *Daily Gleaner*, Jamaica's most influential newspaper, said in an editorial on August 1, when passage of the CBI appeared assured: “The CBI now opens opportunities for us to take advantage of the 12-year one-way free-trade entry into the prosperous U.S. market for almost all our products. But can we meet the challenge? The challenge is one that has to be taken up by our managers, our supervisors, and our workers. For it is no use our getting another lucrative market, if we do not produce to make use of it. The sugar and banana quotas in the EEC continue to be too much for us. What the U.S. action on the CBI has done is to put us on our mettle. If we do not have the confidence to produce, and the will to work and succeed, the CBI will be a dead letter for us. Let us determine to grasp this new opportunity.” ♦

*Large segments of the American business community
know little about the benefits available to them
under the Reagan plan.*

Seizing the Initiative in the Caribbean Basin

Seth Cantor

WHEN BUSINESS people think of the nations of the Caribbean basin, “they usually think of helmets and rifles, or of suntan lotion and lying on the beach,” says a U.S. Commerce Department official.

But President Reagan's Caribbean Basin Initiative has opened a new perspective on the region. The CBI package, approved by Congress and signed into law two months ago, offers trade concessions to 27 small, non-Communist countries in the basin. (Larger countries, like Mexico and Venezuela, are excluded.) It also encourages American firms to go into business in the 27 countries, which often involves participating with Caribbean counterparts in partnerships, joint ventures, and product-sharing investments.

In effect, the CBI—built around allowing Caribbean countries and U.S. firms operating in them to export products to the United States duty-free for twelve years—has become a pilot program for free enterprise in an area where Communist agitators are at work.

Large segments of the American business community know little about the benefits available to them under the Reagan plan, but a number of government and private agencies are now providing advice about doing business in the basin.

The Commerce Department is holding a series of CBI seminars to explain the new law. They are being held in Washington this month, in Atlanta and Savannah next month, in Cincinnati and Indianapolis in Decem-

ber, and in Hartford and Boston in January.

Libby Roper, a desk officer at the Commerce Department, is coordinating the CBI Washington seminar, which is open to 200 participants. “We are covering topics,” she says, “that range from joint ventures in telecommunications and agribusiness to the supplying of items for novelty gift shops in hotels and airports.”

Minority small business opportunities are being stressed in the Washington seminar. However, as Stanley E. Taylor points out, the new CBI law is “particularly set up” for small and medium-sized firms of all ownerships.

Taylor is director of private sector initiatives for Caribbean/Central American Action, a nonprofit organization chaired by financier David Rockefeller and funded by contributions from the U.S. business community. C/CAA serves as a catalyst for economic development in the basin. Currently, Taylor is coordinating CBI investment and trade seminars and promotions with the U.S. Chamber of Commerce.

Last month he participated in a seminar for Dominican Republic businessmen, who paid their own way to meet in Newark, N.J., with 250 potential investors from four states and government officials.

President Reagan has been invited to give the keynote speech next month at C/CAA's annual Caribbean Basin Investment Exposition in Miami. Last year the speaker was Vice President George Bush.

C/CAA is using a computerized system called the Caribbean Basin Information Network, which lists American, Canadian, and basin businesses interested in trade and investment. The network also carries country-by-country information on incentives and regulations, and on technology, development projects, and consultants.

Taylor is coordinating phases of a project that, in an effort to stimulate trade, has paired 25 local chambers of commerce from New England to Texas with chambers throughout the basin. A delegation from the Mobile, Ala., chamber met with members of the San Pedro Sula chamber in Honduras, for instance, to make plans to give Alabama developers and manufacturers access to Honduran markets.

The St. Paul and Minneapolis chambers and the chamber in San Jose, Costa Rica, are planning to hold an agriculture and investment seminar in Minneapolis this fall, with Minnesota Gov. Rudy Perpich and Costa Rican President Luis Alberto Monge expected to preside.

Joel Stipanovich, research manager of the world trade department of the Minneapolis chamber, says that Minnesota investors want to expand Costa Rican exports of dairy products and beef throughout the world. "Cash crops would be developed there for importation by the United States," he says, "and so would freeze-dried flowers and other foliage to be used by interior decorators."

Freeze-dried flowers can be imported from the basin duty-free under the new law, but fresh flowers and plants are not eligible.

Other goods on which import duties are still being levied include tex-

●
U.S. and Honduran businessmen during a Chamber of Commerce conference in Honduras.



tiles subject to textile agreements, leather goods like shoes and handbags, tuna in airtight containers, petroleum, watches and watch parts, sugar, and beef products covered by certain sections of the U.S. tariff schedules.

These schedules give special benefits, under prior agreements, to other American trading partners — for example, Mexico (oil), the Philippines (sugar), and Australia (beef).

Minnesota investors want to expand Costa Rican exports of dairy products and beef throughout the world.

Despite such continuing restrictions, basin countries can ship most kinds of goods here duty-free for twelve years under the new law.

The Agency for International Development in the State Department commissioned a study to determine the total value of goods that could be imported from the basin. These are the top ten product categories and their declared value in 1982:

Wines and champagne, \$225 million; earthenware and china, \$210 million; glassware, \$177 million; clocks, \$153 million; dolls, \$137 million; tomato products, \$112 million; ceramic tile, \$105 million; bicycles and parts, \$98 million; plywood products, \$74 million; tobacco, \$69 million.

Regarding tomato products, Agriculture Department experts say most American consumers are now unable to get fresh, full-sized tomatoes from any source during January and February. Growers in the Caribbean region will thus benefit greatly during those months from the lifting of the duty on their tomatoes. First, however, they would have to meet U.S. standards on packaging and use of pesticides.

Some American manufacturers of bicycles have complained to the U.S. International Trade Commission that Korean and Taiwanese manufacturers have been dumping their products in this country at less than fair market value. The setting up of satellite production plants in the basin by American bicycle makers—for export to the United States at no duty—could put them back in control of what

once was a strictly domestic industry.

There are so many opportunities for so many industries in the region that the Commerce Department has prepared a "Caribbean Basin Business Information Starter Kit," a 30-page guide for exporters, importers, investors, and entrepreneurs. Single copies can be obtained without charge from the International Trade Administration, Room 3027, Commerce Department, Washington, D.C. 20230.

Programs related to the CBI are listed in the kit; among them is one conducted through AID by the Washington office of Coopers & Lybrand, certified public accountants.

Under a \$5.7 million, three-year government contract, Coopers & Lybrand offers a range of professional services without charge to companies that want to investigate opportunities or set up shop in a string of English-speaking islands in the eastern Caribbean or in Belize in Central America.

Robert E. Brown, director of international management consulting services at Coopers & Lybrand, says, "Some companies might feel more comfortable with us since we are in the business arena. It is easier than calling some foreign country's development office."

Coopers & Lybrand maintains its own representatives in Belize and on the islands and has specialized consultants in the United States.

One of the consultants is Robert N. Carlson, who until this year was president of Harowe Servo Controls, a small West Chester, Pa., company that makes high-tech aircraft parts and computer-related equipment parts to order.

In an effort to meet foreign competition by reducing its labor costs, Harowe subcontracted some assembly

work in Singapore in 1972. But the arrangement meant only new headaches for Harowe. Maintaining quality control halfway around the world was impossible, and after two years the company began looking for a better way.

It found what it needed in the eastern Caribbean, on the islands of St. Kitts and Nevis. Harowe, now a subsidiary of Bowmar Instrument

Corporation, has established its own subsidiary on the islands and since 1979 has built two new plants there.

William Cuff, Harowe's vice president for marketing, says the company employs about 150 people on the two small islands and plans to double operating capacity and hire at least another 100 workers.

Specialists and management-level employees are flown to West Chester

and trained at Harowe headquarters. "The training we provide sometimes turns out to be too good," Carlson says. "Two plant managers from St. Kitts, trained by us, have been pirated away by other companies. But we take it as a compliment." ♦

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The Intervention in Grenada

*An Interview with
Alister Hughes*

Was the intervention in Grenada necessary?

Absolutely necessary, without qualification. On the day that Maurice Bishop was rescued, when the Grenadian army drove up to Fort Rupert and opened fire on an unarmed group of people, resulting in a number of deaths that have still not been ascertained, we had moved away from government into anarchy and chaos, we were back in the jungle. If there had not been the American and combined Caribbean forces rescue mission here, I hesitate to think what this island would be like at this stage. Yes, I want to emphasize that it was absolutely essential, and it must be remembered that the Americans came here on invitation. Grenada is part of the Organization of East Caribbean States, of which at the moment the chairman is Eugenia Charles, the Prime Minister of Dominica. It was on her intervention that these two co-invitations were made and the troops came in here.

ALISTER HUGHES lives in St. George's, Grenada, and is a correspondent for the *London Sunday Times*, *Time*, *Caribbean Business News*, *Caribbean & West Indies Chronicle* as well as editor of the *Grenada Newsletter*. *Caribbean Today* interviewed him by telephone two weeks after American and East Caribbean forces landed on the island.

In what condition are the Grenadian people now?

You men mentally?

Mentally and physically. What has been the war's toll in human terms?

Well, we don't know what the toll is yet. I really don't know how many people died at Fort Rupert. The official figure of 17 was ridiculous; the estimate goes well over 100. Some of

How have the foreign forces been received by the Grenadian people?

The welcome that the American forces have had is overwhelming, and it continues. There is a great sense of camaraderie with the soldiers. This coming Sunday (November 13) has been declared a day of prayer of thanksgiving, and in the town of Grenville, on the eastern side of the island,

*Over the last four and a half years
we had become an arsenal,
and now we are suffering from the fact
that we went in this direction.*

the people leapt over a 50-foot wall when the bullets started to fly. There were Grenadians fighting, but the impression has been given that they ran away, and we have been hearing more about Cuban resistance. So we don't know how many people lost their lives in the actual fighting. The cost in Grenadian civilian lives has not been tallied. Mentally, the Grenadian people are coming out of a shock. We have a small, peaceful, friendly island, whose atmosphere is quite foreign to bombs and machine guns. Over the last four and a half years we had become an arsenal. Now we are suffering from the fact that we went in this direction, and it will take us a few months to come out of it.

the parish of St. Andrew's has asked each family in the parish to prepare their Sunday meal for two extra people so that in each home there will be two soldiers having lunch with the parishioners of that church.

Now that the United States has intervened, what should its policy be towards Grenada?

At the moment what they are doing is making sure that we have a secure country, and I think that U.S. forces should remain here in sufficient force until the island has been secured. When that has been done they should leave, and the Caribbean forces should remain on for a while to make sure that we have that security maintained,



WIDE WORLD PHOTO

and then they too should leave. As far as aid is concerned, I think that we would be very grateful to have some assistance from the United States, but it must be done judiciously.

What will be the long-range effect of this event on Grenada's relations with the other islands that participated in the intervention?

I think that what you need to ask me is: What will be the long-range effect on Grenada's relations with those that did not participate. You see, those that took part were welcomed, and we are grateful to them. Other Caribbean countries, however, like Trinidad and Guyana, objected to anything being done as far as any rescue mission is concerned, and I would imagine that relations with them are going to be cool for a little while. But it must be remembered that the Caribbean islands, while they are separate islands and separate countries, are not regarded by each other as being foreign. I would regard the United States, Canada, Martinique, Guadeloupe, and Haiti as foreign places, but Trinidad and Tobago is not a foreign place to a Grenadian, nor is Barbados or any of the ex-British colonies. So while there will be a coolness for a while, it is a coolness within a family and it will pass.

Why had Grenada turned left politically in 1979?

It was not a sudden left turn; it began as a gradual curve in about 1972. We had at that time the government of Eric Gairy, which had been getting continually and progressively more oppressive. There had to be, I think, some sort of conflict with this, and indeed it started to take shape in 1972-73 when some young intellectuals came back, among them Maurice Bishop, Unison Whiteman, and Kendrick Radix. These, together with some local people who had not left the country, started their movements. Bishop started the Movement for the Assemblies of the People, and Whiteman started the Jewel Movement. They then merged and became the New Jewel Movement, and this, as a counter to the Gairy oppression, seemed the sort of thing that Grenada had been looking for. They did not put themselves forward as a leftist party or as socialists. They were just people who wanted to see a better Grenada. They were quite popular, but they were very much mistreated by Gairy. In 1973 Maurice Bishop and five of his associates were beaten up by Gairy's Mongoose Gang, a gang of thugs who were actually criminals that did his bidding against his opponents. This made them even more popular, and the whole

island rose up in protest, with demonstrations and the closing down of businesses. What resulted finally was the death of Maurice Bishop's father on January 21, 1974, when Gairy sent 500 of his Mongoose Gang to attack a peaceful demonstration. It increased the shares of these people quite a bit because they were seen to be martyrs for the cause. They entered the elections in 1976 in conjunction with two other political parties, and they won some seats. Then they seemed to have gotten impatient because the revolution took place in 1979. So it was not a complete turn left.

At this point in time would you say that there is a leftist tendency, weak or strong, within Grenada?

There is a residue of the leftist tendency because there is still a remnant of the New Jewel Movement around. But in the demonstrations which freed Maurice Bishop there was a definite anti-Communist touch, with signs which read 'America, we love you' and 'C for Coard a C for Communism.' (Bernard Coard, Bishop's Deputy Prime Minister, led the revolt against Bishop.) So in the rescue of Bishop there was, I think, a rejection to a large extent of the left. But there is a residue of it because there are certain people around here who still hold to the New Jewel principles.

Was there broad public support for Bishop's international policies?

No, I don't think so. It was hard to tell exactly how much support he had publically because freedom of speech was not something that we enjoyed, and if one spoke openly one risked being put in jail. There was a detention law which allowed the minis-

If the aid comes in in such a way as to push us into the role of being some sort of satellite of the United States, that will be a problem.



ter to put you in jail if he thought you were doing something that might be, in his view, counterrevolutionary. But I think that recently there had been a growing dissatisfaction with the direction in which the New Jewel Movement was taking the island. I think that this was based principally on the fact that our economy had taken a sharp beating from the world recession, which was not the fault of the government. But I find that the electorate (if we can speak of an electorate in Grenada at that time) generally tends to find fault with the government when money starts to get short.

What sort of public support will Sir Paul Scoon get as he tries to set up an interim government and arrange for elections?

I think he will have overwhelming support. Under the old constitution he was a figurehead. Now he is the only person who could take any action, and he has appointed an advisory council which I think is going to have very wide popular support. I think he will be riding on a high wave of approval in what he is doing now.

Would you say that Grenada's major problems for the future are political or economic?

I think that they divide the stage between them. There are definite political problems because we are heading for general elections within a year. Eric Gairy is coming back to run, and he was someone who had been rejected wholeheartedly when the revolution took place. So even though

there was great joy when he was ousted, he is coming back, and there are already signs appearing around St. George's: 'Vote Gairy, Russia No.' (Once again, a rejection of the left.) Then there are the other parties which were there before, like the Grenada National Party, and these will need to regroup. The problems will depend principally, I think, on how soon we have those elections. If we have them within the next six months, Gairy will quite probably win because Grenadians are now seeing the choice as being between Gairy and the New Jewel Movement. Many of them are selecting Gairy as preferable to the New Jewel Movement, with whom are associated the massacre of the fort and all the confusion of the last week or so. However, if we wait a little while longer for other parties to form or regroup, they will have a better chance. That is the problem as far as the politics are concerned. On the side of the economics, our main crops—cocoa, nutmeg, bananas—have been taking a bad beating because of the world recession. Undoubtedly the United States is going to give us some assistance, and I am sure that we will have our roads fixed and there will be

money flowing. The great risk is that this wave will not come in a judicious manner, and if the aid comes in in such a way as to push us into the role of being some sort of satellite of the United States, that will be a problem.

What are the long-range economic prospects for Grenada?

That depends on what develops over the next year or two. We depend on the world market for the sale of our nutmeg, bananas, and cocoa, and if the recession is bottoming out, as it appears to be, we have something favorable to look forward to in that direction. As far as tourism is concerned, I think it will be a little while before we establish ourselves as a place where people should come to visit. After all, when there have been bullets flying around and military people paratrooping into the place, people who live far away are unlikely to want to spend their money in a hurry in a place like that. But with the right kind of publicity campaign we can overcome that. Then again, it's going to depend on what kind of aid we are going to get from the United States of America. If we can move into one or two small industries which perhaps make things of agricultural products, and I'm not thinking of the screwdriver type that comes in and we just finish it, then I think we can look forward not to a brilliant future but a future which will certainly be bright. ♦

Mr. Hughes will update the situation in Grenada in a future issue of *Caribbean Today*.

Venezuela's Foreign Debt

Bernardo Fischer

An oil refinery in Venezuela.



FLIP SCHULKE — BLACK STAR

THE DELAY in the negotiations on the refinancing of its foreign debt places Venezuela in an extremely difficult economic position for 1984.

Venezuela has requested of 450 creditor banks that they refinance \$16.5 billion out of a total foreign debt of \$35 billion. It has not, however, reached an understanding with international banking representatives and has had to arrange three moratoriums in the payment of principal on debts coming due this year.

The Bank Assessing Committee, presided over by the Chase Manhattan Bank, has demanded three basic conditions which must be met if they are to agree to the refinancing of the public foreign debt: 1) Arrival at an agreement with the International Monetary Fund (IMF) over an adjustment program that guarantees the cancellation of the debt; 2) Punctual payment of the interest on the public debt; 3) High priority given to handling the foreign private debt.

In spite of the promises made by Treasury Secretary Arturo Sosa to the bank representatives, Venezuela has been unable to comply with any of these three requirements, and this is prolonging the negotiations for the government that will take power after the December 4 elections.

As for an agreement with the IMF, the Venezuelan government

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*1984 will be a year of severe readjustments
in the area of fiscal revenues.*

claims that the demands or recommendations made by the Fund are extremely hard and can cause social unrest within the country.

The IMF suggests, among other points, the adoption of a series of measures such as the linear devaluation of the national currency, the bolivar; the elimination of protectionist barriers; the freeing of prices to conform with supply and demand; and the reduction of bureaucratic personnel working at an official level.

The strategy of the Treasury Department is centered around increasing currency reserves, and since February 18 there has been in place an exchange control system which has sharply curtailed Venezuelan imports. In 1982 Venezuela purchased from abroad merchandise valued at \$13.5 billion. As of September of this year purchases from abroad had barely passed the \$3 billion mark.

This radical change has made it possible for currency reserves to increase from \$7 billion in February to \$10.5 in September. Based on these figures, Sosa has argued that it is unnecessary to solicit additional resources from the IMF and even more unnecessary to submit to a program of economic adjustment.

For its part, the IMF has given up completely on reaching an agreement with the Venezuelan government, since internal politics, principally the upcoming elections, stand in the way of the adoption of measures considered unpopular. Nevertheless, the international banking community insists on a prior agreement with the IMF before it will go along with refinancing the foreign debt.

Other points of conflict are the recurring delays in interest payments by state-owned enterprises. There are at least eighty official organizations that have foreign debts coming due at different times, and the payment on these debts has not been handled in

an orderly fashion. The result is that the Bank Assessing Committee has made repeated complaints about the lack of punctuality in making interest payments.

Of the \$35 billion of public foreign debt, 30.1% was contracted with the central government, 29.6% with state-owned enterprises, 22.6% with government banks, 19.5% with Regional Development Corporations, 6.2% with Autonomous Institutes, and 1.4% with Development Funds.

Venezuela's great capacity for accruing debts in the last decade, due to its prestige as an oil producer, has made it very difficult to establish an order of priorities in the payment of principal and interest.



**Foreign Private Debt:
The Unknown**

On the matter of giving priority to handling the foreign private debt, the debate has been prolonged because the Central Bank of Venezuela, especially its president Leopoldo Diaz Bruzual, is opposed to favoring private enterprise with a measure of this type. Diaz Bruzual, supported by the IMF, has insisted that the private foreign debt is no more than \$3 billion, while private sources are certain that it is \$10 billion.

Treasury Secretary Arturo Sosa contends that this type of debt must be treated with priority so as to avoid the massive collapse of firms which cannot absorb a devaluation in loans contracted prior to February 18, which is when the control system went into effect.

President Luis Herrera Campins has been silent on this matter, thus adding fuel to the fire since his silence has encouraged a seven-month confrontation between the Central Bank and the Treasury Department. At

long last, on the morning of September 26 a decree was approved acknowledging through the month of December the financial debt of private banks and manufacturing firms.

The affected businessmen have initiated different forms of protest against this decision, and even in cities like Maracaibo, 950 kilometers from the capital, and Ciudad Guayana, 700 kilometers to the south of Caracas, activities have been paralyzed as a protest against the government.

This complicated situation leaves it up to the next government to make a series of fundamental decisions: 1) It must negotiate with the IMF an adjustment program as demanded by the international banking community, which means that it will have to take measures strongly affecting the populace, especially in the areas of salaries and inflation; 2) It must define the future of the private foreign debt, since many firms are being paralyzed by a decision of the government and are refusing to open new businesses until the new government takes over; 3) It must begin to cancel part of the principal of the public debt and to drastically reduce government spending, particularly by letting go many of the 1.2 million public employees; 4) It must implement an emergency plan to reactivate the economy after four years of stagnation. The Gross National Product has hardly changed since 1978, in spite of enormous input from petroleum.

In any case, 1984 will be a year of severe readjustments in the area of fiscal revenues which will reduce the economic participation of the state.

At the same time, strong protectionist measures have developed a process of substituting Venezuelan goods for imports and are even providing the first steps, after twenty years, towards exporting products other than oil, aluminum, iron ore, and coffee. ♦

Venezuela and Foreign Investment

Henrik Blohm

THERE IS a long tradition of foreign investments in Venezuela, going back to the earliest days of Independence. In the nineteenth century foreign investments contributed a great deal to national development, capturing international markets for Venezuelan products and supplying the local market with products not manufactured within the country. Foreign investments contributed in the last century to the establishment of rail systems that made possible the development of certain areas of Venezuela.

In this century large foreign investments, primarily from the United States and Europe, were made after World War I for the purpose of developing the oil industry. After World War II foreign investments were aimed at other activities as well, in manufacture as well as in commerce and the services.

Since Venezuela is a relatively small country, many Venezuelans feel that their country cannot be self-sufficient. As work becomes more and more specialized, countries ought to complement each other, each one taking advantage of what it has to offer because of its climate, population, natural resources, and economic level.

When Venezuela entered into the Andean Pact in 1973, foreign investments were regulated in accordance with that pact. An attempt was made to establish rules allowing foreign investors to obtain benefits without

negatively affecting the country's development. Venezuela tried to achieve these advantages: to obtain financial resources from outside the country, to develop industries that did not exist within the national territory, to develop new technologies, to make use of human resources, and to foment new exports. At the same time an attempt was made to avoid the negative aspects of indiscriminate foreign investment: strategic economic activities being dominated by foreign interests; well functioning national firms falling into foreign hands; financial resources entering the country becoming too expensive; and foreign interests becoming involved in local politics.

In 1975 the oil and iron mining industries were nationalized in accordance with the constitutional requirement that basic industries be in the hands of the Venezuelan state. The nationalization of the oil industry has been recognized as an example of the right way to proceed in nationalizing: just compensation was made and good relations have been maintained with the former owners as purchasers of Venezuelan crude and as suppliers of technology. Almost all of the managers, employees, and workers of those companies, more than 90% of which had been Venezuelan, are today part of the operating firms of *Petróleos de Venezuela (PDVSA)*. After the nationalization of the oil industry Venezuela remained a safe and reliable supplier of hydrocarbons to its traditional clientele.

The tripling of the state's income in 1973-74 and its continued growth through 1981 exerted enormous

pressure on both public and private administrative structures. The result was often dislocation, corruption, and underutilization of the immense financial resources which were available and were awakening immeasurable expectations among the people. State agencies grew huge, the state intervened far more intensely, and high fiscal deficits were created, resulting in an exaggerated public indebtedness.

Efforts are now being exerted by representative institutions of the private sector to simplify the bureaucratic process so as to encourage private domestic and foreign investment. The government has become more flexible in implementing the Andean Pact, allowing, for example, certain foreign companies involved in commerce and service to take longer in converting to national ownership. A law is about to be passed allowing the construction of road works with allocations to both domestic and foreign firms.

The two candidates most likely to win the elections on December 4 of this year have both expressed an openness to foreign investment.

Dr. Rafael Caldera, candidate of the *Partido Social Cristiano (COPEI)*, said on July 14, 1983 before the annual assembly of *Fedecámaras*, the largest business organization in the country: "A law is apparently going to be approved allowing the construction of these works through a system of grants, and in this way domestic and foreign capital will be invested, stimulating the economy without placing additional burdens on available fiscal sources." He also said: "But tourism demands investment. It is not

HENRIK BLOHM is the President of the Caracas Chamber of Commerce. His article appears in a translation from the Spanish original.

Foreign investment in Venezuela can only be worthwhile to the extent that it produces benefits for everyone involved.

enough to offer beautiful beaches, a pleasant climate, pretty mountains, and nice people. Wherever tourism has been a source of income, large investments have been made. In this area I think that foreign capital could have a place if it fits into our plans for national development."

Before the same assembly of *Fedecámaras*, Dr. Jaime Lusinchi, candidate of *Acción Democrática* (AD), the social democratic party, said on July 15: "We will treat without prejudice all foreign investment which is beneficial because it means an intake of capital, an opening of markets, and the introduction of new technologies. Excluded will be the basic industries reserved to the state by the constitution and those activities efficiently covered by Venezuelan capital." On August 19 he said: "Transfer will be made to the individuals of those firms which, by their nature and goals, can be run more efficiently under private administration. Moreover, a clear definition will be made of the areas of activities in which private investors, both Venezuelan and foreign, will hopefully participate and within those areas forms of association will be encouraged in line with the national interest."

Venezuela now has, as of February 18, 1983, an exchange control system, which has changed the economic functioning of the nation. We will have to wait for the results of the elections to know for certain what policies will be pursued with greater priority by the new authorities. The private sector is pushing for the establishment of clear rules governing economic activities and for the parties

most likely to gain power to commit themselves in advance to follow those rules, regardless of who wins the elections. It is obvious that for the investor, both foreign and domestic, the uncertainty and the changes soon to be made in economic policies create a lack of confidence and put the brakes on investment.

After 1974 Decision 24 of the Cartagena Accord (the Andean Pact) was interpreted without flexibility by the Office of the Superintendent of Foreign Investments (SIEX) in the area of the purchase of stocks through the stock exchange by nonresident

foreign investors. As of that year they were not given the opportunity to purchase stocks unless they were bought from another foreign investor. Sales could be made to both foreign and national investors. Foreign investors living in the country could invest in stocks as long as they declared before SIEX that the money being invested had been earned in Venezuela and that they would not export either the capital or the dividends.

•
Venezuelan workers laying an oil pipeline for Standard Oil of California.



TED SPIEGEL — BLACK STAR

1978 saw the passage of a new Law of Tax on Rent which allowed the retention of dividends, including those from stocks, collected by nonresident foreign investors, up to an equivalent of 20%.

Both measures contributed to increasing the offering of stocks and simultaneously restricting their demand, and this had an adverse effect on stock prices. Qualified per-

foreign country, free convertibility of currency so as to be able to repatriate his profits and perhaps even his original investment. Likewise, each investor hopes to be treated correctly, with clear rules and without arbitrariness on the part of successive functionaries.

At the same time, investors, both local and foreign, should ideally adjust their activities to national strategies

Caracas Chamber of Commerce. Likewise, Venezuelan, foreign, and mixed firms have been associated with binational chambers, of which there are eleven in the country.

Since Venezuela is a country that depends so much on a single product, oil, and since it follows a strategy of diversifying its economy in order to reduce that dependency, there exist good opportunities for investors, especially foreign investors, who can bring in new technologies, contribute toward the creation of sources of labor, and collaborate in the formation of a capable technical, administrative, and managerial workforce that is Venezuelan.

When all is said and done, as in all human relations, foreign investment in Venezuela can only be worthwhile to the extent that it produces benefits for everyone involved, benefits that are not only short term but also medium and long term. In an ever more interdependent world, foreign investments are indispensable. Venezuela, from the time of its independence, has always been receptive to a greater or lesser flow of immigration and has made use of foreign investments. It is aware of their importance to ensure a healthy national growth for the benefit of present and future generations. ♦

*Countries ought to complement each other,
each one taking advantage of what it has to offer.*

sons within the two leading political parties have declared themselves in favor of making more flexible many of those measures so as to attract foreign capital, which is in the national interest.

Great possibilities are opening up now for foreign investors, in spite of restrictive measures. In practice, the participation of foreign capital cannot exceed 49% except in cases approved by the government. Nevertheless, it would obviously suit the government to be more flexible in the implementation of the legal regulations. On the other hand, it must be remembered that these regulations have a multinational character which constitutes a guarantee for foreign investors, since none of the member countries of the Andean Pact can unilaterally make basic changes unless it renounces the Pact.

Every investor wants to have security for his investment, for the return on his investment, and in a

and thus contribute to the achievement of collectively set goals.

For this reason it is always good for the foreign investor to become aware of local laws, regulations, and customs, and to help in this Venezuela has lawyers and specialized firms and institutions which can serve to pass on this information. Moreover, it is always good to seek association with local investors and to operate with strong contingents of managers, technicians, and ordinary workers who are citizens of the host nation. This is how many foreign firms, among them some of the most important in the world, have operated in Venezuela. The great majority of them have been 'good corporate citizens,' contributing to the national development and creating a proper environment for foreign investment in the country. Some of them form part of the representative institutions of the country, so that many foreign and partially foreign companies are members of the



El Salvador: An Optimistic Assessment

Mario Rosenthal

EL SALVADOR has been sorely tried during the past five years. Unprepared by history, temperament, and conditioning, and handicapped by limited territory, lack of natural resources, and overpopulation, this small nation has had to defend itself against a guerilla offensive waged by an extremist minority intent on imposing a Castro-style government subject to Moscow.

At the same time, the nation has had to accept and adjust to a radical economic and agricultural reform. Following the military coup d'etat of October 15, 1979, the Revolutionary Junta that emerged decreed a program of changes in land ownership which affected, directly or indirectly, practically every inch of arable land in the country. To provide financial support for the takeover, every private bank in the country was nationalized, including savings and loans associations. In addition, a total government monopoly of foreign exports was established.

World prices for the country's main export crops fell; inflation pushed up the cost of manufactured imports; petroleum prices doubled and tripled; and there was political turmoil. As a result, El Salvador has experienced four consecutive years of significant decline in the gross domestic product, which represents a cumulative decline in real output of 25%.

Guerilla harassment obliged thousands of campesinos to flee their homes and small farms. It is estimated

that the displaced population of El Salvador could be as high as half a million. Deaths from violence since 1979 are said to be in the area of 30,000.

What is most disturbing about the economic decline that began with the 1979 military coup d'etat is that it reversed what had been a steady growth in the gross domestic product which had averaged five percent over

and hospitals were built. Social security and minimum wage commensurate with the cost of living and standards the nation could afford were decreed. Low cost housing projects provided tens of thousands of new dwellings.

Despite the natural opposition of businessmen, labor laws calling for annual vacations, annual bonuses, paid holidays, a 44-hour week, double pay for overtime, and generous indem-

*I have faith in my country
because we are five million Salvadorans and we are still alive.*

the past twenty years. This growth had created a burgeoning middle class as El Salvador made social and economic progress in proportion to its limited resources. It became the world's third largest producer of coffee, after Brazil and Colombia. It became self-sufficient in the traditional basic staples of rice, beans, and corn. Dairy products and beef production multiplied. Aviculture, which had previously meant a few hens scratching around a yard, became a modern industry.

Light industry grew significantly. Many American companies, including Texas Instruments, Maidenform, and others had successful operations here. The Japanese became partners in textile mills and Germans in the chemical and pharmaceutical lines. The nation developed a hydroelectric and geothermal capacity that filled the industrial and domestic energy needs. Petroleum was imported only for transportation. Roads, dams, bridges,

nities for unjustified dismissal were decreed. Stiff taxes were imposed. Today the cumulative tax on payrolls to cover all benefits, excluding vacations and bonuses, is more than 17%.

It is difficult to gauge the size of the middle class which emerged, but one indicator is that the CIF value of imported passenger cars rose from \$200,000 in 1945 to \$17.7 million in 1978. These cars were not bought by a handful of oligarchs.

In the 1960's El Salvador was hailed as a model of progress. It was a leader in the founding of the Central American Common Market, which, in the opinion of some experts, was not correctly structured. The market was soon saturated and the nations began to compete with each other in exports of food, clothes, and light industry all based on imported raw materials. The strategy of substitution of imports by domestic production protected by high tariffs did not work.

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The leftists implemented a strategy aimed at undermining the economy.

Then came the 100-hour war between Honduras and Nicaragua. In 1977 Jimmy Carter became President of the United States and he chose Central America as the foundation on which he built his ill-fated human rights policy. Rising expectations, dissatisfaction, Marxist studies, liberation theology, and the inability of El Salvador to meet the needs of its rising population were all used by impassioned idealists for their own purposes. These rebels, euphoric with the overthrow of Somoza in 1978 and the leftist victory in Nicaragua, mounted an all-out military campaign.

The first result of this military activity was a massive flight of capital from the country. This, together with the inevitable drying up of foreign commercial credit, reduced El Salvador's net dollar reserves from an adequate plus \$586 million in 1978 to a minus \$263.6 million in 1982. Nevertheless, through an austere control of foreign exchange expenditures, fulfillment of foreign obligations, and conversion of onerous short term obligations to medium term, the negative net foreign reserve figure was reduced by almost two-thirds and as of March 1983 stood at minus \$96 million.

Grave damage to the economy has resulted from the guerilla activity, falling world prices, mistaken government policies immediately after the coup, corruption, and the cost of fighting the war. Planning Minister Manuel Robles, in his report to the National Assembly in August 1983, estimated that the nation had suffered damage to its industrial and agricultural installations to the extent of \$600 million. An appraisal by the Economics Section of the United States Embassy confirms the figure of \$600 million for direct costs attributed to violence and sabotage, but it adds that the indirect costs are "incalculable and may run into the billions."

It must be mentioned that there was an equally violent reaction from those opposing the leftist takeover. The denunciation of 'right wing death squads' is not unfounded, and Salvadorans of all classes have been the victims of aggression from both sides.

Are there positive factors in this dreary picture? How can the Caribbean Basin Initiative or any other international program salvage El Salvador?

"I have faith in my country," declared Mr. Rafael Alvarez Zaldivar, vice president of the Central Reserve Bank, "because we are five million Salvadorans and we are still alive."

High school students walking home from school in San Salvador, the capital of El Salvador.



THE EL SALVADOR NEWS-GAZETTE

By 1980 El Salvador was facing an economic crisis. United States non-military aid rose from \$9.6 million in 1979 to \$72.5 million in 1980. The country received \$358.3 million in grants and loans from the United States in 1981 and \$281.2 million is projected for 1983. El Salvador had never before needed non-military aid, and the nearly \$600 million it received from the United States between 1980 and 1983 probably exceeds the sum total of aid from all sources during its entire previous history. If that money had not been forthcoming, the economy of El Salvador would probably have collapsed.

The immediate cause of El Salvador's woes, stemming from the historic roots outlined above, was the support given the leftists by the nations sympathetic to Soviet aims, such as Cuba, Nicaragua, Vietnam, and Libya in the form of training, war materiel, and direction. The leftists implemented a strategy of terrorism, sabotage, assassination, kidnapping, plundering, destruction of the means of production, destruction of crops, and harassment of the campesino population aimed at undermining the economy rather than achieving a military victory.

Now that the tide of the war has turned in favor of the government through improved military tactics and greater control of abuses, efforts are being made to reactivate agriculture and industry, to create employment, and to build a working democracy to better the lot of the people.

One important factor leading towards recuperation has been the utilization of a \$50 million fund from the Inter-American Development Bank made available to manufacturers who export at least ten percent of their production. In a mere three months over \$40 million was given in loans to industrialists not reluctant to show their faith in El Salvador. Another \$50

million is now being negotiated with the IADB for the same purpose. This injection of dollars has had the effect of raising the percentage of utilization of the nation's industrial capacity from an estimated low of 40%.

A commission from the World Bank visited El Salvador recently and there are prospects that it will make some short term credits available because of the nation's good performance in meeting its obligations. El Salvador, with Colombia, has the best record in Latin America for payments, in contrast to such nations as Mexico, Costa Rica, and Brazil, which have come close to defaulting.

According to the Central Reserve Bank, the amount of outstanding commercial debts (non-government obligations by importers) to foreign banks and suppliers has been reduced by 60% in recent months.

President Alvaro Magaña, on his recent visit to the United States, found bankers in Washington, Miami, and New York more receptive than they had been in the past. A similar mission is planned to Europe, where the possibility of commercial and government credits will be explored.

Both the administration and the financial sector admit that recuperation depends largely on pacification of the country, stability, and a clear definition of where El Salvador is going politically. It is noteworthy that as the armed forces secured the rich areas of San Vicente and Usulután provinces, abandoned as a result of guerrilla activity, the campesinos have followed on their heels, rebuilding and planting in an active civic-military campaign that has AID and government support.

Credits have been made available to finance the importation of raw materials. The government has approved a refinancing plan to bail out enterprises driven to virtual bankruptcy by the situation. Interest rates

have fallen from 17% and 20% to 10% and 12% on medium and short term loans. A program to reopen factories that have been closed down is under study. The traditional trade associations have undertaken studies and implemented programs to promote recuperation and reactivation.

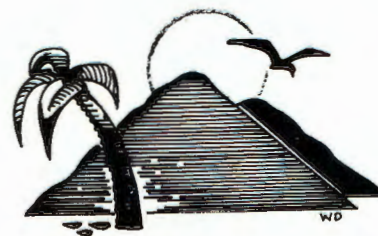
*El Salvador
is a nation of people
who want to
work, produce, and consume.*

El Salvador has always had a conservative and sound monetary policy that has maintained the official exchange rate at colones 2.50 to the dollar for 40 years. Despite the shortage of dollars and a black market, the dollar can still be bought for colones 2.50 when authorized for imports of raw materials, intermediate goods, medicines, food products, and a few other lines. The government has authorized a 'parallel market' that allows legal purchase of dollars on a free market basis, but even here the exchange has not risen above colones 4.80 to the dollar, in sharp contrast to Mexico's peso, which fell to 150 to the dollar, and Costa Rica, whose currency fell from 8 to the dollar to 68.

Imports of nonessentials have been so strict that no further restrictions can be placed on the sale of dollars. "We are now importing only raw materials," a bank official said. "From now on we must increase our exports if we are to improve our dollar position."

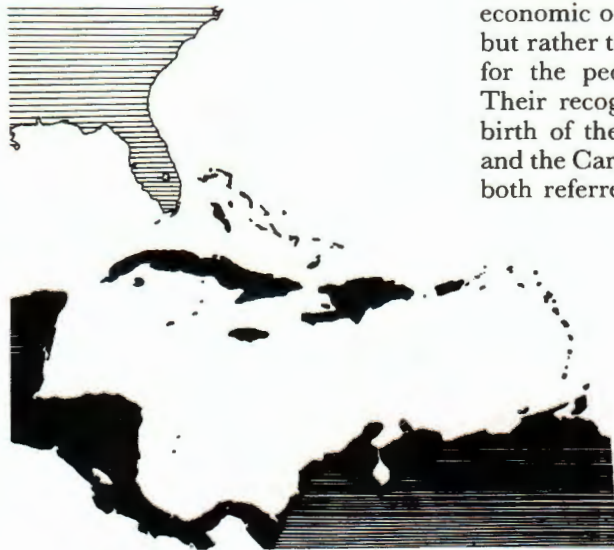
El Salvador has an enormous hidden economy which economic indicators and statistics are unable to measure. The laws of the nation do not require that small businesses, capitalized under ₡10,000, keep books. Consequently, hundreds of millions of colones in commercial transactions go unreported. A former Minister of the Treasury illustrated this when he told of an experience with an employee in his Ministry. "Every month she ran up an account in a cooperative that amounted to her entire salary. She was in a delicate job, handling funds, and we wondered how she fed her children and paid her rent, since she was the head of her household. An investigation revealed that she had a thriving business selling cosmetics to her fellow workers. You see," he concluded, "every Salvadoran is a businessman."

That precisely is why faith in El Salvador is justified: it is a nation of people who want to work, produce, and consume. ♦



Caricom after Ten Years

Leon Walcott



THE COUNTRIES of the Caribbean have learned that the attainment of political self-rule is one thing and the achievement of economic independence is quite another. They have found that the present world economic order does not favor them but rather tends to make life difficult for the peoples of the Caribbean. Their recognition of this led to the birth of the Caribbean Community and the Caribbean Common Market, both referred to as Caricom.

CARICOM. The forerunner of Caricom was Carifta (Caribbean Free Trade Area), formed in 1969 to promote intra-regional trade. In 1973 the Treaty of Chaguaramas was signed in Trinidad and Tobago, creating Caricom. Twelve states signed the treaty: Antigua/Barbuda, Barbados, Dominica, Belize, Grenada, Guyana, Jamaica, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines, Montserrat, and Trinidad and Tobago. This year the Bahamas became the thirteenth member of the community.

The world recession of 1974-75 hit just as Caricom was getting started, and the combination of that recession and the one of 1980-82 has dealt a severe blow to the economies of the region. Since the Caricom states are so dependent on the importation

of raw materials needed for the manufacture of their products, it was inevitable that economic recessions in the industrialized countries would affect them adversely.

The process has been a chain reaction: the recessions resulted in the closing of a number of key industries, which in turn caused drastic declines in foreign currency earnings, and without sufficient foreign earnings capital investment was cut back, and thus the whole economic development process was slowed down.

So if Caricom has failed at all, it is not because the treaty had built-in shortcomings but rather because external forces created unfavorable conditions for economic development.

ECONOMIC BASES. The only non-agricultural exports from the region are bauxite from Guyana and Jamaica and petroleum from Trinidad and Tobago. At the time of their independence, therefore, these three countries were considered ripe for rapid economic growth. As it turned out, only Trinidad and Tobago was able to survive the economic shocks, since it benefitted from the sharp increases in oil prices. Last year Trinidad and Tobago's foreign reserves were estimated at \$1.8 billion. But it has been a mixed blessing for that country, which became preoccupied with its oil wealth and neglected other sectors of the economy such as agriculture and manufacturing.

Tourism survived, but barely. The Caricom countries, with the exception of Guyana, Belize, and Trinidad and Tobago, are overly dependent on tourism, which is unre-

LEON WALCOTT is a correspondent with the Guyana News Agency.

*Free trade within the region
remains a goal rather than an accomplished fact.*

liable and in bad times drags down all the industries geared to meet the needs of tourists.

Agriculture is an economic mainstay of the islands. The history of agricultural activities in the Caricom region reflects the production patterns of the British plantation owners, who practiced a form of inter-island specialization. Thus, Grenada and several other small islands can produce nutmegs, cotton, bananas, and edible oil more economically than, say, Jamaica or Guyana. On the other hand, Guyana, Barbados, Trinidad and Tobago, and Jamaica practiced sugar cane cultivation on a large scale as colonies, so that they have the edge with this crop.

However, because of their relatively small sizes, it is difficult for the countries of the Caribbean, except for Guyana, Jamaica, Belize, and Trinidad and Tobago, to be self-sufficient in food. And even among these countries, only Guyana, because of its large-scale production of rice, is regarded by the United Nations Food and Agricultural Organization as a net exporter of food. The region's food import bill for 1982 has been estimated at \$1.5 billion.

INTRA-REGIONAL TRADE.

The heads of government who attended the meeting in Chaguaramas in 1970 recognized that only by increased intra-regional trade can the economies of member states be strengthened. And indeed during the past ten years intra-regional trade has increased as a result of trade liberalization and better market protection from outside competition. The rate of growth of

intra-regional trade began to decline in the mid-seventies, however, due to imported inflation which forced member states to adopt measures to protect their fragile economies.

Free trade within the region remains a goal rather than an accomplished fact, and it was the recognition of the need for strong regional integration which prompted the commissioning of a study of Caricom by a group of experts called the 'regional wisemen.' Headed by the president of the Caribbean Development Bank, this group identified three main weaknesses threatening the integration movement: 1) many items, such as canned apple juice, undergo minimal local or regional processing, the adding on of finishing touches to imported materials; 2) many goods traded intra-regionally are in high demand in times of economic growth but are vulnerable in periods of stagnation, during which they are given low priority in order to conserve foreign exchange; 3) duplication in the manufacture of certain goods.

These conditions have brought several territories to the brink of trade wars. Some governments have imposed trade restrictions in response to economic forces, but their actions are not taken kindly by members of the regional community. Thus, there was considerable criticism of Guyana and Jamaica when they imposed trade restrictions on goods from Caricom countries, claiming that they needed to seek cheaper sources of products to help them solve their severe economic problems.

Other difficulties involving intra-regional trade have appeared. Early this year, for example, trade between Jamaica and the other Caricom states almost ground to a halt following that

country's imposition of a two-tiered currency exchange system. A minor setback occurred when the Caricom Multilateral Clearing Facility had to be suspended after the \$100 million credit was surpassed.

Nevertheless, in spite of these difficulties, and in spite of the world economic crisis and ever-increasing oil bills, intra-regional trade grew between 1973 and 1983 by some 60% as trade in goods and services topped the \$3 billion mark.

EXPORT TRADE. The main factors in trade with countries outside the region have been inflation, export marketing, and the balance of payments situation.

Worldwide inflation, including massive increases in the prices of oil, raw materials, and manufactured goods, continues to work against the region's trade terms. International inflation has contributed to domestic inflation and has cut deeply into real income.

There has been a failure to develop markets for crops produced and sold in the region, some of which could be exported as exotic products. The extra-regional marketing of the main export crops, such as sugar and bananas, is reasonably well organized, but it requires coordination and monitoring to ensure that the exports are conducted under the best possible terms.

Collective efforts with other regions, such as the African Caribbean and Pacific group, could improve trading conditions for individual Caricom states and could benefit specific areas of the economy, such as the banana and citrus industries.

Fears have been expressed that the establishment of state trade enterprises in such countries as Guyana and Jamaica would foster imports from third countries at the expense of intra-regional trade. The guilty parties in this respect turned out to be private trading firms in search of increased turnovers. Two examples, both of which caused much concern: the importation and subsequent relabeling of garments from Taiwan by manufacturers in St. Lucia and Barbados, and Jamaica's decision to purchase rice from the United States rather than from Caricom member Guyana.

BALANCE OF PAYMENTS.

Regional balance of payments problems have resulted in the development of an unofficial 'parallel trade,' accounting for an estimated \$100 million in business. It is sometimes called suitcase trade since the traders convey most of their wares in suitcases. Guyana, for example, is suffering from the illegal smuggling of about \$10 million of gold a month to Barbados, with the proceeds used in part to finance imports of consumer durables

and machinery spare parts, both of which are in short supply because of foreign exchange shortages. Through the barter system they have institu-

tionalized, these traders have attained a level of regional cooperation which Caricom governments have been unable to reach.

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FOREIGN INVESTMENT.

Foreign investment is made relatively easy by the open and dependent nature of the region's economies. Prospects for investment are excellent since labor costs are relatively low. However, the combined population of Caricom countries is only around five million, and this makes the region a poor market for regional industries which need large markets in order to be profitable.

Caricom governments are encouraging foreign investments, providing incentives such as tax holidays. Ultimately, however, trade and investment opportunities existing in the Caribbean area depend to a large extent on the existence of an international economic system that is both equitable and open.

The Caricom trade agreement, after ten years of existence, still has a long way to go before it can be regarded as fully serving the needs of the entire community. ♦

The Caribbean: An Economic Overview

Miles Hodges



THE CARIBBEAN finds itself today in deep crisis. The hopes of the 1970's have faded into disillusionment as the Caribbean economies sour, the ranks of the unemployed expand, and public authorities lose some of their grip on the situation. The Caribbean countries find themselves saddled with foreign debt burdens which eat up their meager export earnings. A review of some of these countries reveals the seriousness of the situation.

DR. MILES H. HODGES, Director of the International Studies Program at the University of South Alabama, is on a one-year leave of absence with Page and Jones, Inc., in Mobile.

HONDURAS. The population of Honduras is increasing an alarming 3.5% per year, helping to keep the per capita income down to slightly over \$600. With coffee, meat, and metal production down, unemployment has been running over 20% and the country is experiencing substantial labor unrest. Meanwhile the public debt continues to mount. Last winter, after agonizing talks, the IMF okayed a 130 million lempira maximum deficit as a condition to its lending facility; but already by this summer the budget was showing a deficit of over 350 million lempira. The United States is pouring aid into the country, particularly through its new military camps designed to stiffen the defense forces of friendly Caribbean nations. This infusion of dollars may stimulate some influx of private investment monies into the Honduran economy.

BELIZE. Belize is rapidly accumulating a massive foreign debt (at \$60 million now over a third of the \$150 million GNP). Foreign financial assistance has gone towards the revitalization of the sugar and banana industries and the development of a new citrus industry. Unfortunately, a rather large trade deficit of approximately \$40 million has persisted in each of the past three years. Investor interest is still fairly strong in Belize, and the British defense force adds about \$10 million to the economy annually. Receipts from overseas Belizans also help keep the economy moving.

COSTA RICA. Costa Rica's economic crisis has not spilled over into the political sphere, where a tradition of moderation helps keep the country from following the path of violence. Nonetheless, an unusual strain exists. The annual rate of inflation has been hovering around 100%, and the GNP, at about \$5 billion, fell about 4% last year. Unemployment, which had been a rather low 8-10%, is starting to increase as the government changes some of its make-work policies. Imports have been cut way back so that, even though export earnings dropped, the country showed a trade surplus of nearly \$80 million. Still, nearly a third of the Costa Rican debt had to be rescheduled this year, including even interest payments. The Costa Rican situation is eased by the low 1.1% population growth, and a relatively high per capita income of over \$2,000. Costa Rican patience may wear thin as coffee prices remain low and a massive debt hangs over the country.

PANAMA. Until last year Panama's GNP was able to keep ahead of the 3.1% population growth rate. Inflation, at 7%, is not bad, and unemployment, at 14-16%, is by comparison with most of the rest of the region also not bad. But Panama is like the others in its heavy foreign indebtedness, approximately \$2.4 billion. The balance of payments deficit, growing rapidly each year due to a drop in export earnings and canal revenues, may reach \$1.4 billion by the end of 1983. Massive industrial development projects, though of great benefit to the country, have been very

costly to its health. Politically the country seems stable under its civilian government, but the National Guard is a restless, powerful organization that could give the government trouble over its conservative economic policies, instituted under IMF pressure.

GUATEMALA. President Rios Montt had come to power with the promise that he would bring some discipline back to the country economically and politically. Inflation fell to perhaps the lowest rate in the Caribbean (officially 2%), and sugar production increased, perhaps reaching a record level this year. Nonetheless, the GNP fell 3.5% in 1982 while the population grew another 2.9%, sharply reducing per capita income. Worsening economic conditions, complaints about continuing corruption, and worldwide revulsion over human rights abuses led Defense Minister Oscar Mejia to take over. There is little reason, however, to expect an improvement in the economic or political situation.

DOMINICAN REPUBLIC. The Dominican Republic's foreign debt of \$1.75 billion is large, but its relationship to GNP is better than in other Caribbean countries. Exports fell from \$1.19 billion in 1981 to \$768 million in 1982. Imports have also fallen, from \$1.45 billion in 1981 to \$1.25 billion in 1982. Inflation has remained around 7-8% in recent years, thanks largely to a restrictive monetary policy. Government revenues dropped as the economy became depressed, resulting in a deficit increase from \$262 million in 1981 to \$482 million in 1982. High unemployment is a constant sore point and the one possible source of serious trouble. Unrest will be avoided only if the country gets its economy moving again.

HAITI. Haiti continues to be a tragedy. Poor soil, lack of natural resources, overpopulation, drought, and the disastrous hurricane of 1979 have left this country impoverished. With an annual per capita income of only \$270, Haitians are among the poorest people in the world. Unemployment in the capital is running at about 50%. With the GNP over \$2 billion, the \$363 million foreign public debt is not as bad as in other countries. Haiti has no industrial infrastructure and there are no plans for developing one in the near future. Apathy plagues the country, and flight abroad seems to be the most characteristic response of Haitians to their plight.

*Per Capita Income
in the
Caribbean Region*

Haiti	270
Grenada	630
El Salvador	650
Guyana	715
Nicaragua	804
Belize	1,000
Guatemala	1,083
Dominican Republic	1,221
Colombia	1,269
Jamaica	1,340
Panama	1,350
Costa Rica	2,238
Barbados	3,040
Venezuela	3,639
Trinidad & Tobago	4,800

All figures in US dollars. Source: US State Department latest available figures.

COLOMBIA. Colombia is doing fairly well. The GNP continues to register a growth rate of 2-3% annually. Although the country owes over \$6 billion in public foreign debt, its \$5 + billion in foreign reserves provides an excellent cover for these borrowings. Unemployment seems to be remaining below the 10% mark. The rural economy seems healthy, due in no small measure to the unrecorded marijuana industry. The country seems to

be moving towards energy self-sufficiency by the mid-1980's, and building remains active despite high interest rates. On the negative side is a rapidly mounting budget deficit (\$1 billion in 1981, \$2 billion in 1982). Guerilla action in the countryside continues despite the 1982 amnesty measure, and right-wing terror groups make the situation worse.

The international investment and banking community, which exercises enormous influence in the shaping of things, has been unable to come up with a solution for the problems faced by these countries. For lack of proper economic incentives and because of the political risks involved, foreign investors are staying away, depriving the Caribbean Basin of valuable balance of payments assistance. World bankers are in the meantime looking for interest and principal payments on their rather massive loans to these countries, knowing full well that they cannot pay. Rather than call default, they are willing to 'assist' by rescheduling the principal and even the interest payments. The IMF is requiring these countries to trim their budgets and take other austerity measures as a sign that they are seriously trying to get their economic houses in order. This pacifies the international creditors but threatens the regimes.

Indeed, the Caribbean Basin is on the point of upsetting the broader international political structure. Social agitation, which endangers the familiar social order, has tended to make the United States uneasy and somewhat trigger-happy. Indeed, military assistance may be needed for some time to bring restraints on agitators and insurrectionists. But in the long run hope for peace in the region lies with a reversal of the depressing economic conditions and with a renewed conviction among the peoples of the Caribbean that their political and economic systems can work.

The Central American Quagmire

Alan Riding

CENTRAL AMERICA has changed from being a problem that seemed capable of solution in a matter of months to one that will plague the United States for years to come. The Reagan Administration shows few signs of adjusting its perceptions to this change.

The new Administration had at first responded militaristically to what it saw as a military problem, but the guerilla movements flourished. Then it proposed the Caribbean Basin Initiative as a way of recruiting Mexico, Venezuela and Canada to help economically, but these partners soon went their own ways. Reagan's push for democracy in his swing through Central America in December 1982 gave transparent support to army-dominated governments.

Nothing seems to work because there is no consensus on the nature of the problem: Central America searches at home for political solutions; Washington focuses on external forces (Moscow, Havana, Managua). There is similar confusion on the Left as to Cuba's goals, the kind of state the Sandinistas want, and the ideology of the guerilla groups in El Salvador and Guatemala.

It is a region where all solutions have proved wanting.

ALAN RIDING is Mexico Bureau Chief for *The New York Times*. Adapted by permission of *Foreign Affairs*, America and the World, 1982. Copyright 1983 by the Council on Foreign Relations, Inc.

El Salvador has brought only frustration to the United States. The elections in March 1982 brought out a large number of Salvadorans to vote peacefully, and from that point of view the elections were a success. But the outcome was not. Instead of a legitimization of the two-year-old 'centrist' alliance, El Salvador ended up with the more conservative parties in charge, with a President who had no power base of his own, and with a President of the Assembly who had long been identified with rightist death squads. To make headway in the confusion that has followed, the Reagan Administration has had to work almost exclusively through the armed forces.

Washington's freedom of action has also been limited by the requirement to certify, twice yearly, that El Salvador is advancing toward democracy and respect for human rights. The Administration has done this when required, forcing it to dedicate enormous energy to the human rights question.

Its preferred obsession is the fight against the FMLN, but this too has been fraught with frustration. The guerillas not only survived but probably improved their own military capacity. In the actual fighting, the guerillas have not been defeated, but they have also not advanced significantly. Politically, the guerillas no longer have the support of the powerful student-worker-peasant coalitions of the late 1970's, which have been largely dismantled. So they have given priority to mobilizing international support for a negotiated settlement, but they are not united in this effort, which spotlights the differences between the five FMLN groups and the two FDR parties.

The FMLN-FDR alliance issued a new call for an unconditional dialogue with the powers that be, but the offer was received no better than

earlier initiatives. A Commission for Peace was talked about but was not formed, and in the end both Washington and El Salvador's leaders dismissed the opposition's new peace offer.



Honduras has come to play a crucial role in what seems to be the Reagan Administration's unwavering objective: the cleansing of leftists from Central America. Washington had tried to use Honduras previously, but its efforts were largely fruitless. Then in 1982 the United States at last got an efficient ally in its crusade in the person of General Gustavo Alvarez Martínez, who assumed responsibility not only for internal security in Honduras but also indirectly for expelling the leftists from both El Salvador and Nicaragua.

General Alvarez acted in coordination with El Salvador's armed forces to squeeze in Salvadoran rebels, but in the process he occupied disputed territory that had been demilitarized pending a settlement. His action resolved a short-term problem for El Salvador but sowed the seeds for a new dispute in the future.

General Alvarez focused his attention almost obsessively on the Sandinistas, happily allowing Honduras to be used as the springboard for a counterrevolution. For this he was rewarded with military aid from the United States, which also sought to organize a military force in Honduras ostensibly to intercept the flow of arms to Salvadoran rebels but with the real objective of destabilizing and perhaps eventually overthrowing the revolutionary regime.

Financial support from Washington and training by the Argentine army resulted in the rapid escalation of incursions and border clashes. Congress, however, formally barred the Reagan Administration from supporting military operations aimed at overthrowing the Sandinista government, and Argentina seemed to retreat from its involvement in a bid for support for its claim to the Falklands.

Meanwhile, Honduras, a poor country which has long lived at peace with itself, has witnessed a polarization of political positions, and a new feeling of fear appeared in the air.



Nicaragua is facing a genuine threat from abroad. Some 5,000 'contras,' armed and trained by the CIA, are operating out of Honduras, and they enjoy some support within Nicaragua. This external threat has become the justification for tighter internal control, especially among the Miskito Indians.

In March 1982 a state of emergency was declared, resulting in wide powers of arrest, suspension of political activities, and censorship. The Sandinistas still promise political pluralism, but they dominate all aspects of the nation's life.

The Sandinistas have moved farther and faster to the Left than many Nicaraguans hoped, and have concentrated power completely in their own hands. Not surprisingly, many Nicaraguans who supported the revolution are disillusioned, feeling that there is both less prosperity and less freedom than anticipated.

Non-Somocista opposition to the Sandinistas has begun to grow. Former junta member Alfonso Robelo Callejas, Edén Pastora Gómez, the renowned Commander Zero of the revolution, the Miskito leader Brooklyn Rivera, and the long-time anti-Somoza fighter Fernando Chamorro Rappaccioli formed the Revolutionary Democratic Alliance (ARDE) in Costa Rica, which threatened them with expulsion if they went beyond political activities. Ignored by the Sandinistas, ARDE can either open up a military front or gamble that internal problems will create an opportunity for action.

Costa Rica is unwilling to serve as a military springboard against the Sandinistas, even though most Costa Ricans are strongly anti-Sandinista. Having expected Nicaragua to become a democracy like itself, Costa Rica has now built its foreign policy around vocal opposition towards Managua. The resulting verbal warfare has

spread tensions, but neither this situation nor the country's economic crisis have put a serious strain on Costa Rica's democratic system.

Guatemala, possibly the most important country in the region, has lived its most recent cycle of bloody political instability in dark isolation. The four-year regime of General Romeo Lucas García saw hundreds of non-violent opposition leaders murdered or exiled. This squeezing of the reformists stimulated the revolutionary movement, so that as repression in the countryside grew, so did guerilla strength. General Lucas was ousted in the March 1982 coup, and General Efraín Ríos Montt was installed in his place. Ríos Montt's approach was methodical and politically sophisticated, albeit no less brutal. In a matter of six months, between 3,000 and 5,000 Indians were killed, some 250,000 were displaced from their homes, 30,000 fled into Mexico, 80,000 peasants were pressganged into civil patrols—and the guerillas' popular base was largely destroyed. Thus, without U.S. weaponry or advisors, Guatemala proved infinitely more effective in dealing with its guerillas than El Salvador.

After two decades of steady economic growth, the five republics of Central America are experiencing economic crises caused by political convulsions, high oil prices, a slump in commodity export prices, increased foreign borrowing at high interest rates, and the flight of capital.

Among the numerous extra-regional players in the Central American drama, only Mexico and Venezuela have recognized the importance of economic viability to political tranquility, and they have offered help with no strings attached. The U.S. approved \$350 million in aid as part of the Caribbean Basin Initiative, but the U.S. program was politically selective, excluding Cuba, Nicaragua, and Grenada. Moreover, it was built largely on the premise that private enterprise could lift the region out of its slump, even though businessmen

are unlikely to invest in countries with sinking economies and political unrest. And while the U.S. was offering \$350 million as its contribution to progress in the region, the five countries calculated that, together, they needed \$5 billion in emergency aid and another \$20 billion through 1990.

The Reagan Administration dedicated much of its time and energy blocking the more conciliatory efforts of Mexico, Venezuela, Panama, France, and the Socialist International. Mexico's was the most ambitious initiative, but it made little headway until it was able to launch a joint political initiative with Venezuela. They offered to act as hosts for a summit between Honduras and Nicaragua, but Washington, seeming to resent this 'interference' in its sphere of influence, responded by organizing a Forum for Peace and Democracy in Costa Rica. This Forum issued its own peace plan, which seemed directed entirely at isolating the Sandinistas. Honduras proceeded to turn down the Mexican-Venezuelan proposal.

Washington could choose to involve itself just enough in Central America to contain leftist expansionism but to risk neither economic nor political capital on a more fundamental approach. It could also choose to go all out to reverse the 'loss' of Nicaragua by trying to topple the Sandinista regime, although there is reason to hope that cooler heads would avoid creating a situation in which Nicaragua would appeal for Cuban help and Washington would then decide to send U.S. combat troops to support Honduras.

A third option does exist. Washington could embark on an open-minded endeavor to develop political stability and economic viability in the region. To do this it must first switch its focus away from Cuba as the problem and toward Mexico and Venezuela as the solution. These latter two countries have concluded that a Caribbean Basin dominated by either Washington or Havana will be constantly unstable, so they are both investing heavily in the stability of the region. And, as Latin Americans, their political intervention in Central America is much more acceptable than that of the United States.

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THE WHITE HOUSE

WASHINGTON

January 18, 1984

Dear Mr. Cuthbertson:

I am pleased to extend an invitation for you to brief the White House Outreach Working Group on Central America regarding some of your experiences in conjunction with your work in Central America.

Enclosed is an article which appeared in the Washington Post, June 17, 1983. It will give you an understanding as to the purpose of the Working Group.

The date I have in mind for you to speak is Wednesday, February 22, 1984. The briefing will take place in the President's Briefing Room, 450 Old Executive Office Building, beginning at 2:30 p.m.

If you find that you can fit this event into your schedule, please include a biographical sketch with your acceptance. It will be helpful in preparing an introduction for you.

I look forward to hearing from you in the very near future.

Sincerely,

Faith Ryan Whittlesey
Assistant to the President
for Public Liaison

Mr. Bruce Cuthbertson
Vice President, Association of
American Chambers of Commerce
in Latin America
1451 South Miami Avenue
Miami, Florida 33131

Enclosure

FRW;MCB-bjb

Public Relations Campaign U.S. Promoting Latin Policy

By Lou Cannon
Washington Post Staff Writer

The White House has launched a coordinated government public relations campaign to persuade special-interest groups and other Americans that President Reagan's efforts to counter communism in Central America are vital to U.S. security.

"The judgment of history on this president will probably be based on what happens in Central America," said Faith Ryan Whittlesey, director of the White House office of public liaison, whose Central American Policy Outreach Group is coordinating the campaign. She argued that the United States faces "the Eastern Europeanization of its southern border"

and the prospect of Soviet-backed regimes throughout the region.

"Every businessman who asks me about natural gas or consumer product safety, I ask to help us on Central America," Whittlesey said. "The president has made a commitment, and we intend to follow through and mobilize public opinion."

She said anti-communist appeals are being made to ethnic groups, and Jewish organizations are being told that forces most hostile to Israel—including the Palestine Liberation Organization, Libya and Eastern European nations—are supporting leftists in Central America.

Whittlesey's group meets each

Monday with mid-level government officials involved in Central America policy development and each Wednesday with other administration officials and invited representatives of special-interest groups. Administration officials are urged to sell Reagan's Central America policy in all speeches and public appearances, regardless of the audience or primary subject matter.

The groups have been lectured on the rationale of Reagan's policy of increasing military aid to friendly forces in Central America by White House national security affairs adviser William P. Clark, presidential counselor Edwin Meese III and specialists from the State and Defense departments.

Two members of the U.S.-supported guerrillas fighting the leftist Sandinista government in Nicaragua also spoke at one meeting, denouncing the Sandinistas for "betraying the revolution" and talking optimistically about the anti-Sandinista military movement.

According to White House officials, the group has decided on these basic arguments for strong U.S. action to stop the spread of communist influence in Central America:

- The region is vital to U.S. security because of its proximity and because other nations in the region would be threatened if leftist guerrillas overthrew the U.S.-backed government in El Salvador. "If El Salvador falls, Honduras and Costa Rica wouldn't be far behind," said former Republican congressman John H. Rousselot, White House liaison with the business community.

"The national security of all Americans is at stake in Central America," says the White House Digest, a new publication to be distributed to voter groups. "If we cannot defend ourselves there, we cannot expect to prevail elsewhere. Our credibility would collapse, our alliances would crumble, and the safety of our homeland would be put in jeopardy."

- What happens in Central America is also vital to the U.S. economy, because considerable U.S. shipping passes through the Caribbean, and American businessmen have interests in the region that could be jeopardized. "How many Hei-hey hats do U.S. businessmen sell in Cuba?" asked Rousselot rhetorically.

- There also are "moral and humanitarian issues at stake in Central America," according to Whittlesey, who talked of the potential of 10 million refugees fleeing here from Central America if communist influence spreads.

Administration officials have emphasized this specter of a flood of refugees. Reagan asked in his April 27 speech to Congress: "Must we wait while Central Americans are driven from their homes like the more than a million who have sought refuge out of Afghanistan, or the 1½ million who have fled Indochina, or the more than a million Cubans who have fled Castro's Cuban utopia . . . ?"

Whittlesey acknowledged that public opinion polls, including those made for the White House, show widespread public opposition to Reagan's policies in Central America. But, adding that the polls also show "most Americans don't know where El Salvador is, let alone the policy implications of what we're doing," she contended that public opinion can be changed.

"As a politician, I like to turn political minuses into political pluses," she said. "I believe that, when people understand what the stakes for the United States are in Central America, this issue has the potential of becoming a political plus for the administration."

Not everyone in the Reagan administration agrees with this, however. "We risk the danger that we're going to be sending the wrong signal," said one official. "We risk making people fearful of U.S. troop involvement when there is no grounds for fear."

Whittlesey responded that ignoring the issue at the White House level would risk making Central America "seem less important than it is" and undermine the president's policy.

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
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Date Correspondence received (YY/MM/DD) 83105120

NAME OF CORRESPONDENT: J. William Middendorf

PL Mail Report User Codes: (A) _____ (B) _____ (C) _____

SUBJECT: Info on Latin America

ROUTE TO:	ACTION	Tracking Date	Type of Response	Disposition Code	Completion Date
Office/Agency (Staff Name)	Action Code	YY/MM/DD			YY/MM/DD
<u>PL MORE</u>	ORIGINATOR	<u>83105120</u>	<u>phone</u>		<u>1 1</u>
<u>PL WHIT</u>	Referral Note: <u>A</u>	<u>83105120</u>	<u>phone</u>	<u>cl</u>	<u>83107129</u>
	Referral Note:	<u>1 1</u>			<u>1 1</u>
	Referral Note:	<u>1 1</u>			<u>1 1</u>
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ACTION CODES: A - Appropriate Action C - Comment/Recommendation D - Draft Response F - Furnish Fact Sheet to be I - Info Copy Only/No Action Necessary R - Direct Reply w/Copy S - For Signature X - Interim Reply	DISPOSITION CODES: A - Answered B - Non-Special Referral C - Completed S - Suspended
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FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

COMMENTS: Handled by telephone and personal mtg. No Response Necessary. - MCB /ks



United States Department of State

United States Permanent Mission to the
Organization of American States

Washington, D. C. 20520

May 17, 1983

Honorable Faith Ryan Whittlesey
Assistant to the President
for Public Liaison
The White House
Washington, D.C. 20500

Dear Faith:

You asked me to supply material on a number of subjects dealing with the issues of subversion vs. democracy in this hemisphere. Working closely from your list with the Latin American Bureau's Office of Central American Affairs, my staff has pulled this material together and, as you will see from the attached package, much more--all intended to bolster this important outreach effort. I hope this contribution will be useful.

also, I also enclose a copy of a preliminary draft report we have prepared on liberation theology as a Marxist tool in Central America which Morton Blackwell asked me to send along to you.

With warm personal regards.

Sincerely,

Bill

J. William Middendorf, II
Ambassador
Permanent Representative

Enclosures: a/s

P.S. Your initiative is first rate, and we will do anything you ask. Tomorrow I'm off to Guatemala, Bolivia, Peru, et al, but will be back in 10 days. Meanwhile my staff is on full availability for anything you ask. R

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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Date Correspondence received (YY/MM/DD) 83107106

NAME OF CORRESPONDENT: Clyde White

PL Mail Report User Codes: (A) _____ (B) _____ (C) _____

SUBJECT: Central American Issue

ROUTE TO:	ACTION	DISPOSITION			
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>PL MORE</u>	ORIGINATOR	<u>83107106</u>			<u>1 1</u>
<u>PL BLAC</u>	Referral Note	<u>C 83107106</u>		<u>J 83107121</u>	
	Referral Note				<u>1 1</u>
	Referral Note:				<u>1 1</u>
	Referral Note:				<u>1 1</u>

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FOR OUTGOING CORRESPONDENCE: Type of Response = Initials of Signer Code = "A" Completion Date = Date of Outgoing		

COMMENTS: OK - JTB

153113

Sun Company, Inc.
Suite 113
1400 K Street, N.W.
Washington, DC 20004
202 291 3331

July 5, 1983

Ms. Faith Whittlesey
Assistant to the President for
Public Liaison
2/WW
The White House
Washington, DC 20500

Dear Faith:

As you indicated last week, the Central American situation has become a key Administration issue. This Administration, as well as all previous administrations, has had difficulty in communicating the full ramifications of this Central American situation. Other big issues have always come along and crowded it out.

Perhaps the impact would come across if you present the full story in a structured and concentrated time span and in a way that will tell the story of what the Administration is trying to accomplish in Central America. Also I think it must be in a somewhat dramatic way, or I'm fearful you won't get the attention of the American people.

I would like to suggest the following for consideration:

1. Designate a "Central America Month", during which a carefully-orchestrated series of activities can take the President's message to the American people.
2. Structure a group of truth squads (patterned after the old GOP truth squads of the '50s and '60s) that would explain the Central American story. These truth squads should consist of at least three people, including experts from the Administration and volunteers from the private sector. There should be an expert on the military and political situation, one on the economic situation and one on the social situation. Of course, the term "truth squad" should not be used, but some other appropriate name could describe their efforts.


Ms. Faith Whittlesey
Page Two
July 5, 1983

3. Have the President hold summit meetings with appropriate Administration officials at locations such as Miami, Houston, Dallas and Phoenix.
4. During this Central America month, have cabinet officers address platforms including state legislatures in key states. The President also should address legislatures in some of the key states.
5. Devise special blitz efforts for the 10 or 12 largest cities and media areas where mayors and local people could be involved.
6. Have the President write an open letter to readers of weekly and daily newspapers.

I hope some of these ideas may prove useful to you and others in the Administration working on the problem of Central America. If I can be of further help, please let me know.

Best wishes.

Sincerely,



Clyde A. Wheeler, Jr.

CAW:cbb

THE WHITE HOUSE
WASHINGTON

Date: 7/27

TO: Sally Kelley

FROM: Jonathan Vipond, III

Recommended Action

Review & Comment

Information

Other

I think it's too late - but at
least some blatant acknowledgment
should occur.

JV

DATE: 7/13

FOR: Public Liaison

OMB seems to feel that a response at this time would do more harm than good. If you think it still should be answered you might send it back to them. Otherwise, it can go to the files.

FROM: Sally Kelley
Agency Liaison
Room ~~33~~ 91
Extension 7486

83/07/12

OFFICE OF MANAGEMENT AND BUDGET
CORRESPONDENCE CONTROL

OMB CONTROL NO: 16229
CORRESPONDENT : PRES HARLEY SNYDER
ORGANIZATION : NATL ASSOC REALTORS
DATE OF CORR. : 83/05/19

FOR ACTION : BRD

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Ger Pat - please
call the WH corresp.
and tell them that
a response at this
point would do more
harm than good.

- Take necessary action
- Approval or signature
- Comment
- Prepare reply
- Discuss with me
- For your information
- See remarks below

AIRS SIGNATURE,
VAL INCOMING CORRESPONDENCE
. PUT THE WHITE HOUSE AND
ES.

RS OFFICE *

FROM Pat Ger

DATE 7-12-83

REMARKS

We can prepare an answer to this letter, but there is no way that it can be anything other than embarrassing to the Administration.

The letter was received by the White House on May 20 and referred to OMB on July 12, today. Is there someone at the White House who can make a considered judgment about whether it really is in the administration's best interest to answer the letter 2 months

CLEARED	CLEARED

THE WHITE HOUSE OFFICE

REFERRAL

JULY 12, 1983

12 JUL 12 10:59

TO: OFFICE OF MANAGEMENT AND BUDGET

ACTION REQUESTED:

DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 143851

MEDIA: LETTER, DATED MAY 19, 1983

TO: PRESIDENT REAGAN

FROM: MR. HARLEY SNYDER
PRESIDENT
NATIONAL ASSOCIATION OF REALTORS
777 14TH STREET, NW
WASHINGTON DC 20005

SUBJECT: LETTER TO PRESIDENT REGARDING BUDGET
RESOLUTION

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
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AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

7/13

Sally,

Per Pete Modlin and David Gerson, this letter is
2 months old. A reply now would do more harm than good.

P. Sobol room 249

16729

**OFFICE HOUSE
E TRACKING WORKSHEET**

5120

reley Snyder

User Codes: (A)

Pres re: budget Resolution

(Name)

EE

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MB

Public Liaison

ACTION	Tracking Date YY/MM/DD	DISPOSITION	Completion Date YY/MM/DD
Action Code	83105120 WS	Type of Response C	83105120 WS
ORIGINATOR	83105120 WS	Code	8310708 WS
Referral Note: A	83107112 WS		8307112 WS
Referral Note: R			
Referral Note: A			

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- DISPOSITION CODES:**
- A - Answered
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16229
5/83



NATIONAL ASSOCIATION OF REALTORS

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Jack Carlson, Executive Vice President

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Gil Thurm, Vice President & Legislative Counsel, Government Affairs

Government Affairs Division
777 14th Street, N.W., Washington, D.C. 20005
Telephone 202 383 1000

May 19, 1983

MAY 20 1983

The President
The White House
Washington, D. C. 20500

143851

Dear Mr. President:

The NATIONAL ASSOCIATION OF REALTORS® urges you to continue your efforts to control the growth of deficits through use of the Congressional budget process. For the last two years we have been supportive of your actions which have succeeded in establishing a thrust to reduce the growth of Federal spending. We have experienced the positive results of lowered interest rates, which dropped only after Congress passed and you signed into law two Reconciliation bills last summer, and the Federal Reserve Board adjusted their money and credit policy.

We believe that the projected deficits of near \$200 billion for the foreseeable future require action now or the economy will not regain health. The National Association is extremely concerned this year with the failure to adopt adequate spending constraint, especially reform of cost of living adjustments (COLAs), and what we see as an apparent willingness to forego a First Budget Resolution. Without such a Budget Resolution it is true that appropriated funds for fiscal 1984 could be initially controlled through your use of the Presidential veto. However, you and the Congress will have to come to agreement by October 1, by Resolution, Reconciliation and Appropriation, or no efforts would be made toward changing laws to allow a decline in future deficits.

We would urge you not to let the current evidence of economic recovery obscure the fact that the level of real long-term interest rates, the level of rates above the inflation rate, remain at double their average level of the past 20 years and are keeping this recovery modest and fragile in comparison to past recoveries.

The primary factor behind these high real rates is the prospect of federal budget deficits in excess of \$200 billion per year for the foreseeable future. Borrowing to finance the deficit is placing and will continue to place upward pressure on interest rates and is "crowding out" the demands for credit by consumers and businesses. Further, credit markets continue to expect a resurgence of inflation since the Federal Reserve Board is under immense political pressure to lower interest rates by continued high growth of the supply of money and credit much faster than its stated target growth rates so far this year.

As a result of the concern of the NATIONAL ASSOCIATION OF REALTORS® and its Board of Directors, the following Resolution was adopted at our recent Mid-Year Meeting on May 9th:

16229

WHEREAS, today's long-term interest rates, at about 12 percent, remain 7 to 8 percent higher than inflation rather than dropping to their normal and historic levels of 3 percent above inflation,

WHEREAS, interest rates are of crucial concern to housing and the general economic recovery,

WHEREAS, we believe interest rates will remain at historically high levels, endangering the continuation of economic recovery beyond 1983, as a result of the projection of \$200 billion deficits for years to come--until the problem is solved,

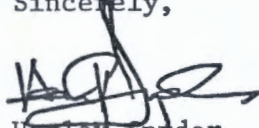
WHEREAS, we see no action being taken by Congress or the President to reduce those deficits,

BE IT HEREBY RESOLVED: The NATIONAL ASSOCIATION OF REALTORS® urges Congress and the President to take meaningful actions this year to cause budget deficits to decline from the \$200 billion today down toward a balance, through:

- Keeping domestic discretionary programs the same as 1983 or lower after allowing for inflation.
- Permitting defense spending to grow no more than 5 to 7 percent per year after allowing for inflation.
- Curbing the growth of entitlement programs by legislative changes limiting the cost of living adjustments (COLAs), perhaps to the Consumer Price Index (CPI) minus 2 percent rather than continuing to allow a full CPI increase.
- Compromising on modest tax increases, but only if needed to further reduce the deficit and only if linked to significant spending reductions.
- If necessary to promote agreement, tax increases must emphasize consumption and not deprive the economy of growth promoting (savings and investment) incentives.

We urge you to encourage Congress to adopt a First Budget Resolution patterned after the above principles, which in our judgement are parallel with your own. We realize a Budget Resolution this year will not include all of the elements we believe essential to long term deficit reduction. This will make even more crucial strong proposals in your 1985 Budget. The importance to the country of extending and strengthening the current economic recovery past 1983 depends on these actions.

Sincerely,


Harley Snyder
President

16229

THE WHITE HOUSE

WASHINGTON

July 21, 1983

Mr. Clyde A. Wheeler, Jr.
Vice President - Government Relations
SUN COMPANY, INC.
Suite #820
1800 K Street, N.W.
Washington, D.C. 20006

Dear Clyde:

Thank you for your very helpful letter of July 5th with suggestions for actions in support of the President's policy in Central America.

I am glad you were able to attend our briefing for business leaders on July 13th in the Indian Treaty Room.

We are already working on meetings with State Legislators. We are also targeting border states and community leaders in key media areas for special attention by White House briefings and by providing Administration speakers for key leader's meetings in these areas.

We are not now budgeted for "truth squads," but I understand that a coalition of conservatives, the Central American Freedom Alliance is, with Richard Viguerie's help, planning to fund a "flying truth squad."

Attached are copies of the four White House Digest papers which have been issued through our Outreach Working Group on Central America.

If there are any other topics which you think should be covered in this series, please let me know.

Again, thanks.

Cordially,



FAITH RYAN WHITTLESEY
Assistant to the President
for Public Liaison

Thanks for coming to the meeting.
Enclosures