

Part I
Feature Articles

El Salvador:
Challenges Facing the
ARENA Government

- Although the rightwing ARENA party won a sizable mandate in the presidential election in March—besting the Christian Democrats 54 to 36 percent—and now controls all three branches of the government, President Alfredo Cristiani realizes he must build a political consensus with opposition parties to govern effectively and to prevent the radical left from exploiting political divisions.
- The moderate Cristiani appears to be in control of the party, but the party's extremist faction, headed by party founder Roberto D'Aubuisson, will challenge him. D'Aubuisson probably will keep a low profile on most policy decisions; nevertheless, we expect him to weigh in heavily on security matters.
- Cristiani may have difficulty reconciling demands by conservative businessmen for market-oriented reforms, and a reduced role in the economy with his populist campaign promises to create new jobs and improve housing and education. Failure to meet expectations from an impoverished and war-weary populace could quickly undermine Cristiani's mandate and strengthen the hand of party hardliners.
- Cristiani—whom most of the officer corps supports—has stressed his commitment to human rights, but acts of vigilantism by rightwing extremists could increase. The new administration is not likely to alter significantly the strategy of the 10-year-old war against the Marxist insurgents, but plans to reinstate legislation restricting some civil liberties for suspected terrorists.
- For their part, the 6,000 to 7,000 guerrillas, who have suffered serious military setbacks since the failure of their pre-election offensive, are increasing urban terrorism and assassinations of elected officials. The guerrillas hope these tactics will provoke a backlash that would discredit Cristiani's administration and force the government into negotiations on their terms.



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New Political Dynamics

By improving its image and exploiting public disaffection with the performance of the Christian Democrats, ARENA has come to control all three branches of government. This total control, along with the absence of strong opposition parties, should allow ARENA to implement its conservative agenda and has increased fears that it will roll back populist programs. The centrist Christian Democrats, badly divided and lacking strong leaders and clear direction, now have only six of 60 seats in the Assembly and are unlikely to be effective rivals to ARENA. The coalition of three leftist parties, the Democratic Convergence, is also in disarray after winning less than 4 percent of the vote, and does not pose a significant political challenge. Although some political leaders hope to form a broad opposition to ARENA, prospects for a united front appear poor in the near term.

Despite the lack of a strong opposition, ARENA leaders apparently realize that, given political polarization in El Salvador over the war and economic



President Alfredo Cristiani consults with party leaders

issues, they cannot govern effectively without the cooperation of other political parties and interest groups. Cristiani has adopted a consensus style of problem solving that so far appears to be effective. For example, the new government is asking democratic labor leaders—who supported the Christian Democrats in the past two elections—to work with ARENA on solving economic and social problems.

Who Controls ARENA?

One of Cristiani's early goals is to destroy the impression—especially among international critics—that he is a mere front man for such ARENA hardliners as Roberto D'Aubuisson. The new president almost certainly will try to keep D'Aubuisson in the party—he admits the charismatic D'Aubuisson remains a key factor in the party's ability to retain popular support—while at the same time pushing him and other hardliners to the sidelines on key government appointments and policy issues. Cristiani already has shown a significant degree of independence, especially in the selection of his cabinet.

_____ indicates that, although Cristiani's appointments are largely party loyalists, they are also professional technocrats representative of the party's moderate outlook. In our view, the stock of party moderates has increased with the party's electoral successes and probably can be consolidated further as long as factional rivalries are minimized _____

The selection process was not entirely smooth, however, and maneuvering for some key posts highlighted intraparty tensions and underscored the difficulty Cristiani may have marginalizing the hardliners. Attempts by D'Aubuisson and other party hardliners to name Air Force chief Gen. Rafael Bustillo as Defense Minister rather than Army Chief of Staff Col. Emilio Ponce—Cristiani's choice—almost caused a crisis when the Air Force refused for several days to fly missions in support of Army operations. Cristiani's consensus style came to the fore when he named Army General and former Vice Defense Minister Larios as a compromise, but jockeying for position by different factions in the military and ARENA is likely to increase if, as expected, Larios steps down in three to six months _____

Although Cristiani will have a relatively free hand running the government, D'Aubuisson remains a powerful player, especially on security matters. We believe D'Aubuisson's public deference to Cristiani is largely cosmetic, calculated to put the best face on ARENA, and that he will not hesitate to use his seat in the Assembly to influence the legislative agenda. D'Aubuisson, however, fears that the guerrillas would exploit any perceived divisions and thus wants to maintain party unity. He will probably avoid public confrontations that could precipitate a crisis in the party. _____

First Moves on the Economic Front

Cristiani's first policy priority is to improve an economy devastated by war-related destruction, capital flight, mismanagement, and natural disasters. Although El Salvador is expected to register a seventh consecutive year of modest GDP growth—1.5 percent in 1988—economic advances are not likely to keep pace with the rapid population growth (currently at 2.6 percent annually). Even these modest growth rates remain highly dependent on revenue from external transfers. Salvadoran remittances from the United States totaled \$300-400 million last year, and US



ARENA founder and President
for Life, Roberto D. Aubisson

economic aid—\$395 million for FY 1989—is equivalent to about 50 percent of El Salvador's budget, much of which is used to offset the direct and indirect damage done by the war.

Given serious revenue shortages, Cristiani will have difficulty meeting both voter expectations for new jobs and improvements in housing, health, and education and business expectations for privatization of the economy and implementation of market-oriented reforms. Wary of the political risks in undoing past populist programs, Cristiani has said his government will not abolish agrarian reform or institute structural changes that would hurt the workers—almost 50 percent of whom are underemployed. Although ARENA is likely to enjoy a short honeymoon period, public perception that the new government favors the business class and landowners at the expense of unemployed workers—a common theme of government opponents—could play into the hands of the rebels who are trying to foment civil unrest through their political and labor front groups.

Trying To Improve the Human Rights Record

Cristiani realizes that, because of close international scrutiny and ARENA's poor human rights record in the past, his government must work hard to prevent a reversal of El Salvador's progress in this area. The President and other party officials have affirmed their commitment to human rights during numerous trips

abroad, and [redacted] plan to speed up reforms of the inefficient and corrupt judicial system, which remains an impediment to additional improvements in human rights. Cristiani is also seeking a consensus with other parties for approval of a tightening up of existing laws to control urban violence, [redacted]

Despite widespread charges—mostly from proguerilla groups—that rightwing death squads have been resurrected, we cannot confirm the formation of such groups [redacted]

[redacted] indicates that military leaders would not tolerate killings that could implicate the security forces in human rights abuses, jeopardize continued US assistance, and undermine the legitimacy of the new government. After the assassinations of the Attorney General and Cristiani's Chief of Staff, as well as attacks on other ARENA officials, Cristiani publicly vowed not to retaliate with violence, and thus far the government has kept its word [redacted]

[redacted] By calling for dialogue with the rebels even as they continue their campaign of terrorism in the capital, Cristiani probably hopes to maintain the moral high ground and undercut international sympathy for the guerrillas. Nonetheless, some government and military officials—many of whom continue to receive guerrilla death threats—are increasingly angry over the government's inability to prevent such attacks and may take matters into their own hands. [redacted]

Status of the War

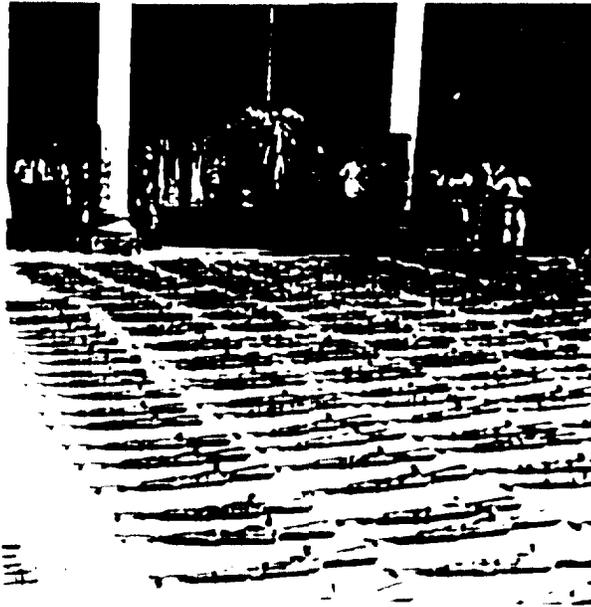
The 6,000 to 7,000 insurgents have gone on the political offensive to marshal opposition to the new government. Although they balked at Cristiani's formation of a multiparty commission to initiate a dialogue, we expect the insurgents will soon put forward proposals of their own. The guerrillas may offer cosmetic concessions, but [redacted] indicate they have no intention of adhering to any

agreement with the government and see dialogue largely as a means to gain domestic and international sympathy

On the military front, the insurgents are concentrating on assassinations, urban terrorism, economic sabotage, and harassment of military targets, to provoke a violent extrajudicial backlash by the military and, at the same time, erode the government's public standing and force it to enter into negotiations on terms favorable to the guerrillas. Although their attacks have little chance of altering the strategic balance of the war, the guerrillas hope to project an image of strength through highly visible actions in the capital. Moreover, rebel attacks on the economic infrastructure—which have resulted in about \$2 billion worth of damage since 1979—continue to hinder the government's efforts to attract new foreign investment.

The Armed Forces retain the strategic upper hand and have dealt a series of battlefield blows to the rebels. [redacted] indicates the military is successfully pressing an offensive in guerrilla strongholds in the northern and eastern areas of the country. We believe the guerrillas' recent switch to East Bloc weapons for their front-line operatives reflects the rebels' increasing difficulty in capturing US-made arms from the Salvadoran military and their confidence in continued Cuban and Nicaraguan support. Nevertheless, introduction of these weapons is unlikely to affect the balance of the war. The seizure in May of a large guerrilla cache of new East Bloc weapons and explosives—the largest store of insurgent arms found to date—will possibly cause a temporary reduction in guerrilla urban operations.

Meanwhile, personnel changes in the Armed Forces bode well for Cristiani and the course of the war. Most newly promoted officers are members of the military class of 1966, known as the Tandoná, which has generally supported El Salvador's transition to democracy and has been a driving force behind the current counterinsurgency strategy of avoiding indiscriminate bloodshed and improving human rights. Chief of Staff Ponce, who heads the Tandoná and is



Large guerrilla cache of East Bloc weapons captured by the Salvadoran Armed Forces 30 May 1989

likely to be named Defense Minister in three to six months, espouses moderate political views and appears to be Cristiani's chief ally in the military. Ponce [redacted] is planning to give local commanders more responsibility in order to prosecute the war more effectively.

Key Indicators To Watch

Most Likely Scenario: Cristiani is able to consolidate his control over the party and the government; his gradual approach to policy implementation bolsters the new government's international legitimacy and dampens charges that he will roll back past reforms and unleash a bloody crackdown on the left; Cristiani also wins points for his peace initiatives, while the guerrillas continue to lose domestic and international sympathy; US and other vital foreign assistance continues.

- D'Aubuisson continues to maintain a low profile; no serious party divisions occur

- Cristiani moves slowly to implement conservative economic policies and private sector confidence increases, these moves buy time for ARENA to bring about modest economic improvements. No serious, uncontrollable, economic-related civil disorder erupts.
- Although no meaningful government/insurgent dialogue takes place, Cristiani keeps the peace initiative alive. No significant rise occurs in the number of suspicious killings, and the civilian government retains the support of the military.
- The rebels' terrorist acts cost them domestic and international support. [REDACTED]

Alternative Scenario: A major political crisis occurs—Cristiani's announcement of an extremely unpopular economic policy or even his assassination by

the guerrillas—precipitating a power struggle that puts ARENA hardliners in control, economic conditions deteriorate and the government fails to control resultant domestic violence, the country becomes almost ungovernable.

- Coffee earnings fall even faster than they have in recent months; a foreign exchange shortage forces the President to reduce imports, which causes the business sector to slow investments.
- Guerrilla terrorism increases; guerrillas successfully mobilize their front groups to foment violent domestic protests, sparking a backlash by extremists in the military and ARENA.
- A resurgence of rightwing death squad activity increases support for the insurgents and undermines the legitimacy of the government, which leads ultimately to a suspension in US and other foreign assistance.
- Opposition parties overcome divisions and form a united front. [REDACTED]