

## THE CENTRAL AMERICAN CONCEPT

The five Central American republics of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica were, in Spanish colonial times, under the loose control of the Captaincy General of Guatemala. They adhered to Mexico when that country declared its independence from Spain in 1821, but this union lasted only two years. In 1824, a federal constitution was decreed for a Federation of Central America. Local factionalism, however, again triumphed and within fourteen years, the federation had dissolved.

A confederation of El Salvador, Honduras, and Nicaragua was attempted in 1848 but failed within two years because of strong opposition from Guatemala. In 1870, a Guatemalan strongman tried to unite the area, but failed. Persistent friction among these states led the United States and Mexico to sponsor a meeting of Central American leaders in Washington in 1907. This resulted in a treaty of peace and the establishment of a Central American Court of Justice to arbitrate local disputes. The court functioned until 1917. Further efforts to achieve integration met with little success although the ideal of Central American unity continued to be written into new constitutions of the states of the area.

### First Conference of Foreign Ministers of Central America

The present Organization of Central American States (ODECA) came into being as a result of a meeting of the foreign ministers of the Central American countries held at San Salvador on 8-14 October 1951. Chief among the accomplishments of the conference was the adoption of the "Charter of San Salvador." The charter makes clear that the Organization of Central American States is to operate strictly within the framework of the United Nations and the Organization of American States. The organization was to function mainly through a meeting of foreign ministers to take place every

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two years in the capital of each member state in turn. Provision was made in the charter for Panama to join when it so desired. A permanent secretariat, called the Central American Office, was established with headquarters in San Salvador. Provision was also made for the establishment of an Economic Council composed of delegations from the member states. The charter also provided for an eventual meeting of the Presidents of the Central American states.

#### Extraordinary Meeting of Central American Ministers

ODECA fell into a semidormant state soon after its foundation. It came to public notice again in 1953 when Guatemala withdrew from the organization in protest against a Salvadoran proposal at a meeting of foreign ministers to discuss means "to counteract the subversive action of international communism." The proposal was aimed at the Communist-dominated Arbenz regime in Guatemala. An extraordinary meeting of foreign ministers took place in Managua in July 1953. It reaffirmed democratic principles in Central America, condemned international communism, and set forth in general terms the means by which the latter would be combatted. No change was made in the structure of the organization, and it was decided that Guatemala would be allowed to re-enter when it so desired.

#### First Regular Meeting of ODECA

After the overthrow of the Arbenz regime, the Guatemalan government of Castillo Armas called a meeting at Antigua in August 1955. Guatemala atoned for having endangered the organization two years before by playing an active part in the proceedings, indicating its support of Central American unity and democratic ideals, and its concerted opposition to communism.

This conference broadened the functions of the Economic Council of ODECA, permitting it to seek joint solutions to common economic problems and to coordinate work and studies looking towards the integration of the economies of the Central American countries in such matters as tariffs, monetary and fiscal systems, communications, and statistics. The conference also added two subsidiary organs: the

Central American Commission of Jurists to study the problems of codification of the legislation of the Central American States, and the Cultural and Educational Council to coordinate and develop the educational systems, science, and culture in Central America.

First Meeting of Central American Armed Forces Chiefs of Staff

At the invitation of President Ydigoras of Guatemala, the first meeting of the Central American Armed Forces Chiefs of Staff and a representative from Panama was held in Guatemala City in September 1961 to counter the Castro-Communist threat. The resulting "Declaration of Guatemala" asserted that the armed forces of Central America "are obliged to unify and coordinate their efforts in defense of democratic interests...in the face of the totalitarian threat of Communism."

The Declaration recommended the creation of a permanent Central American Defense Council, comprising a naval committee to deal with the problems of coastal defense, security of navigation, and prevention of contraband, and a central intelligence service. The Council is still on paper only.

Central American Economic Integration

The movement toward economic integration began at Tegucigalpa in 1952 with the formation of an "Economic Cooperation Committee of the Central American Isthmus." The committee declared itself a part of the Economic Commission for Latin America (ECLA) of the UN. The signing of the General Treaty of Economic Integration in December 1960 by four of the nations launched the Central American Common Market. Costa Rica joined in 1962.

Ambassador Gonzalo Facio of Costa Rica has stated that while the Central American Common Market does not have political unification as an immediate objective, "economic integration will lead us to it." Among the accomplishments of the Common Market, Facio points out the elimination of trade barriers in half the goods traded between member countries, standardization of external tariffs on more than 80 percent

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of all commodities, the establishment of a regional bank, and the establishment of machinery to settle disputes arising among members.

The Economic Cooperation Committee now has under study various projects aimed at complete integration, among them the establishment of a customs union, economic ties with the Latin American Free Trade Area (LAFTA), and customs duty equalization.

#### Reorganization of ODECA

In November 1962, President Ydigoras of Guatemala threatened to pull out of the Organization of Central American States, expressing strong discontent with its functioning and charging its secretary general, Marco Tulio Zeledon, with incompetence. The threat to withdraw came a few days before a scheduled Central American foreign ministers' meeting in Panama which had been called to discuss the reorganization of ODECA. Panama postponed the meeting because Zeledon failed to transmit on time the documents necessary to hold the conference. Following the postponement, a special informal meeting of Central American foreign ministers was held in San Salvador on 15-17 November 1962. It proposed a revised charter for the organization.

The revised charter was signed at Panama on 12 December. It established an executive council, composed of the foreign ministers or their delegates, and a legislative council which consults on legislative matters and is studying the possibility of unifying Central American legislation. A Central American Court of Justice was proposed to deal with judicial matters. All other bodies dealing with Central American integration are to be brought directly under ODECA, including the Central American Economic Council, the Central American Cultural and Educational Council, and the Council for Defense of Central America.

#### Prospects for Unity

The Central American republics have made no headway towards political unity primarily because

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they lack foundations of representative government. They would be incapable of operating the relatively complex federal institutions that would be necessary to bind them together. Moreover, the divisive frictions and rivalries among them, which at times have approached open hostilities, show no signs of abating. The other four republics have long feared that Guatemala wants unification in order to establish its hegemony over them, and the Costa Ricans fear that closer association would jeopardize their superior standard of living. Economic cooperation, however, has increased despite these rivalries, and this is likely to continue.

## COSTA RICA

### CURRENT SITUATION

Since the 1948 revolution, Costa Rica has been comparatively stable. Possessing a large middle class and the highest literacy rate (80 percent) in Latin America, the country has been able to avoid many of the economic and political troubles which have plagued most other underdeveloped nations. Military influence in Costa Rican politics has not been great.

#### Political Situation

President Francisco Jose Orlich, elected in February 1962 for a four-year term, is a member of Costa Rica's most firmly unified political party, the National Liberation Party (PLN). Founded by the nation's best known politician and Orlich's close friend, ex-President Jose Figueres, the PLN has held a majority in the 57-member Legislative Assembly since 1953. However, its majority at present is only one seat. The PLN, like its opposition, rests more on personal than ideological loyalties, with President Orlich, party chairman Figueres, and Foreign Minister Daniel Oduber its principal leaders.

The PLN's main public support comes from the laboring classes, who are attracted by its policies of strong government intervention in the economy, Central American economic integration, and opposition to the conservative elements of the business community.

Principal legislative opposition to the PLN comes from the Republican Party, with 18 assembly members, and the National Union Party, with nine. Both vigorously oppose Orlich's policy of close government control over the economic life of Costa Rica, and there has been talk that the two might merge for the 1966 election. However, both are hampered by internal frictions.

#### Communist Strength

The Communist party of Costa Rica, the Popular Vanguard Party (PVP), has been illegal since 1948.

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## COSTA RICA

It has only about 370 hard-core members and fewer than 10,000 sympathizers. Its immediate potential as a political or subversive force is limited, largely because of the country's stable internal conditions. The party's pro-Communist ally, the Popular Democratic Action Party, which has about 3,000 members, managed in 1962 to elect one assembly member, who has since made frequent use of the assembly floor and mass media to promote extreme leftist, anti-US views. However, his efforts have been largely ignored by the public and ridiculed by assembly members of all other parties.

Until recently, the Communists had considerable influence in the Costa Rican labor movement because of their superior organization. However, the government has refused to recognize two recently organized Communist labor organizations. Membership in such organizations has also dropped sharply.

The Orlich administration cracked down on local Communists during the Cuban crisis in October 1962, but there is some question how well the government comprehends the nature and degree of the Communist threat in the area. Further, the country's only armed force, the quasi-military 2,500-man Civil Guard, probably would be incapable of quelling any large-scale violence instigated by the Communists, much less a planned guerrilla campaign. The Civil Guard has performed poorly in handling past minor incidents involving agitation against the government and US companies.

### Relations with the Communist Bloc

Costa Rican relations with the Sino-Soviet bloc are minimal, and the government is a strong supporter of US and OAS political and economic action against Cuba. Costa Rica maintains diplomatic relations with Poland, but their dealings are handled through a Polish representative resident in Mexico. All major political parties in the nation oppose both Communism and Castroism, an attitude which has public support. Trade with Bloc nations has been virtually nil.



## COSTA RICA

### Central American Integration

The Orlich administration has made Central American economic and political integration a key objective of its program. Ratification of Costa Rican entry into the Central American Common Market is expected soon.

Despite its announced desire for greater regional unity, the PLN has long been critical of certain of its neighbors, especially Nicaragua. It views the Nicaraguan government as dictatorial. There is strong protectionist sentiment among Costa Rican conservatives, which, together with the probable difficulties of implementing specific Common Market programs, may slow Costa Rica's approach to closer economic association with its neighbors.

### Economic Situation

Since his inauguration in May 1962, President Orlich has been preoccupied with an inherited financial crisis which has produced a current government deficit of about \$100 million. His administration is trying to meet its current obligations and at the same time initiate programs to deal with growing unemployment, a narrowly based agricultural economy, and a shortage of capital for industrial development. Orlich's frustrations have been increased by difficulty encountered in qualifying for a loan of \$10 million from the US. For technical reasons, the Costa Rican request has twice been returned by AID for redrafting.

Costa Rica's predominantly agricultural economy has been comparatively stable, but is heavily dependent on production of coffee and bananas, which together account for 90 percent of exports. Since 1954, world prices for these commodities have been declining, and Costa Rica's hitherto steady rate of economic growth has slowed. This is reflected in an increasing imbalance of trade, the shortage of local capital, a fall in real wages, and a growing government deficit. There were record trade and revenue deficits in 1962, and the paucity of local capital has discouraged new private foreign investment.

## COSTA RICA

Costa Rica shares with many other Latin American countries a shortage of trained managerial and technical personnel. This has handicapped the government's effort to diversify agriculture and promote new industry and services. The economy is closely linked with that of the US, Costa Rica's principal customer and source of imports. Concerns owned and operated by US interests are the country's main employers, and their operations have an immediate impact.

The factor of greatest long-term significance from the standpoint of increasing pressure on developed resources, however, is Costa Rica's high rate (4.5 percent) of population increase. This factor alone accounts for much of the severity of the government's present financial problems.

Recent estimates show that in order to maintain a minimal rate of economic growth during this decade, Costa Rica will need to provide not less than 1,000 new jobs monthly until 1965, and 1,400 monthly thereafter until 1970. Increases of this magnitude will require greatly increased volume, efficiency, and diversity of production. Such gains will in turn depend heavily on Costa Rica's participating fully in regional economic integration.

During its brief tenure to date, the Orlich administration has increased luxury taxes and taken other revenue producing measures, has established a planning office to coordinate the Alliance for Progress and other long range economic programs, and has secured some outside financial help to reduce the accumulated deficit. The 1963 budget of \$413 million is slightly below that for 1962.

Much of Costa Rica's more serious labor agitation in the past has been directed at the United Fruit Company subsidiary, the largest single employer in the country, and its principal competitor, the Standard Fruit Company. These concerns are easy targets for nationalist and Communist attacks. An effort to build a strong and responsible non-Communist labor organization for workers in these enterprises is being made by the International Federation

COSTA RICA

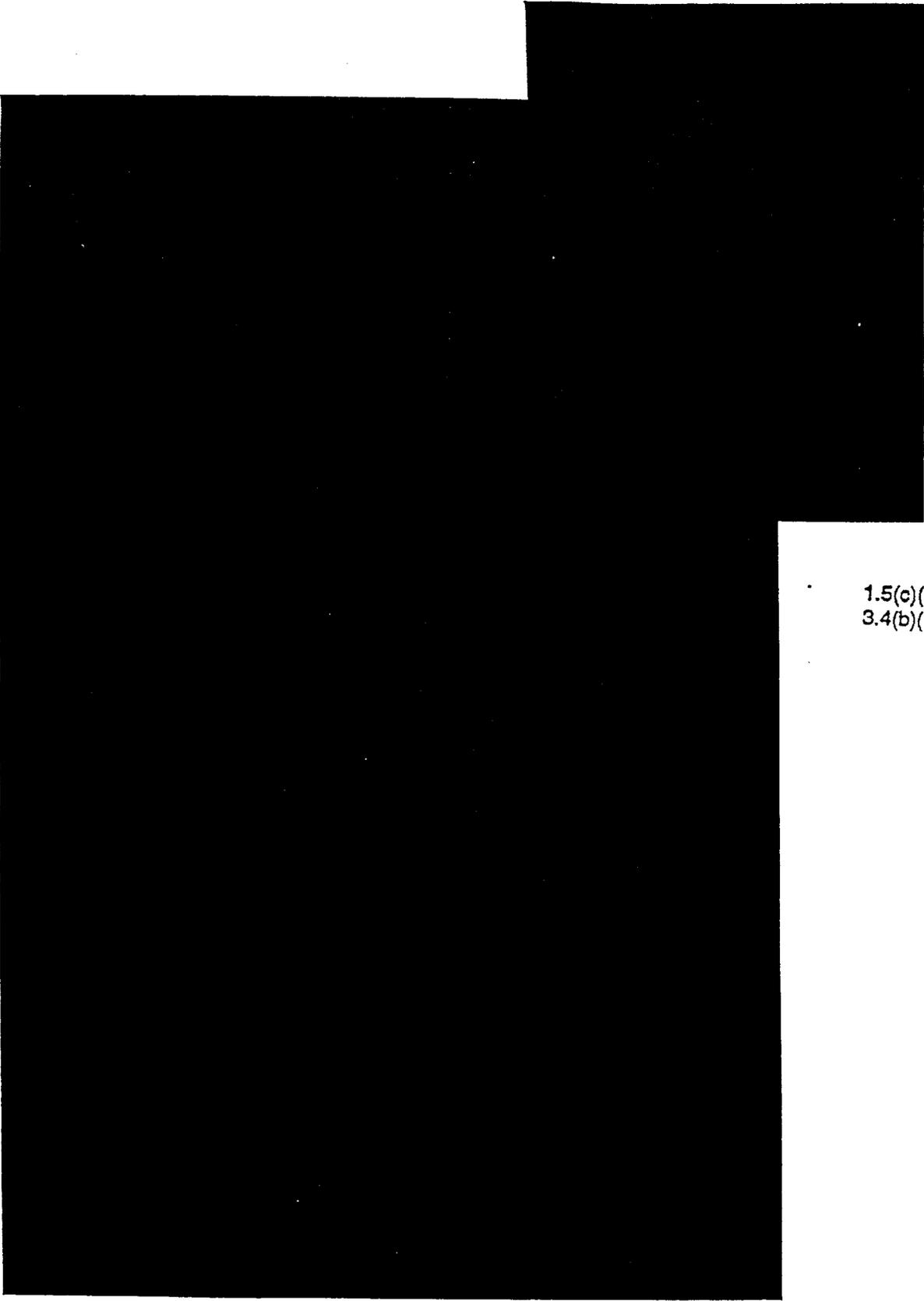
of Plantation, Agricultural, and Allied Workers. Unless and until this program begins to show results, the heavy US role in the Costa Rican economy is likely to be subject to increasing attack.

The Orlich government, however, is favorably disposed toward the US and has voiced genuine enthusiasm for the Alliance for Progress and other hemisphere efforts at self-help. It is sensitive, however, to the widespread feeling in the country that the US is preoccupied with communism in Cuba and is insincere in its professed desire to assist Latin American economic progress.

COSTA RICA

GOVERNMENT  
(Capital: San José)

President	Francisco ORLICH Bolmarcich
First Vice President	Dr. Raul BLANCO Cervantes
Second Vice President	Dr. Carlos SAENZ Herrera
Minister of Foreign Affairs	Daniel ODUBER Quiros
Minister of Economy and Finance	Raul HESS Estrada
Minister of Government	Francisco URBINA Gonzalez
Minister of Education	Antonio VARGAS Bonella
Minister of Agriculture	Elias SOLEY Carrasco
Minister of Public Works	Fernando A. ROJAS Brenes
Minister of Labor and Social Welfare	Alfonso CARRO Zuniga
Minister of Public Health	Maximo TERAN Valls
Minister of Industry	Hernan GARRON Salazar
Minister of the Presidency (and Acting Minister of Public Security)	Mario QUIROS Sasso



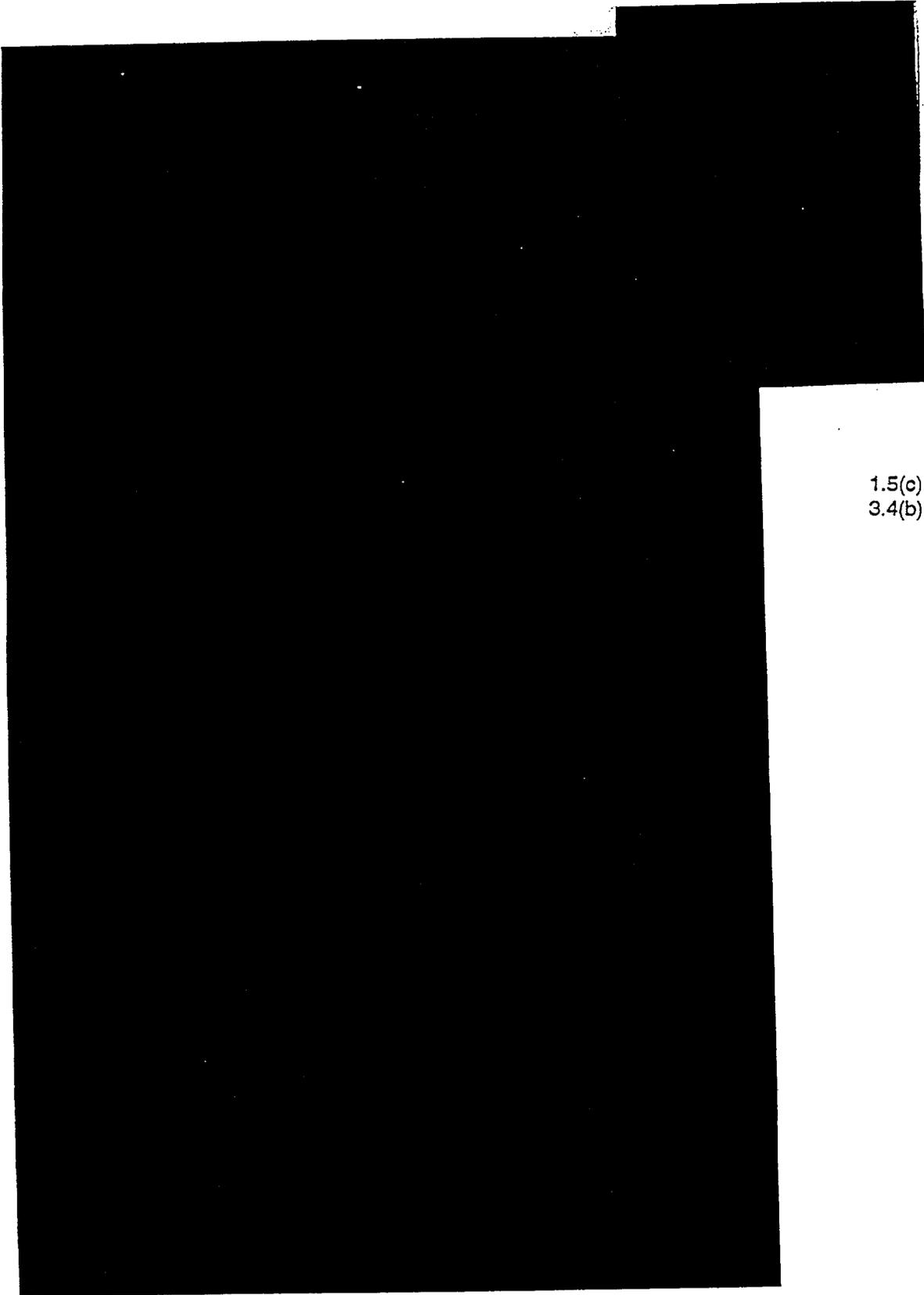
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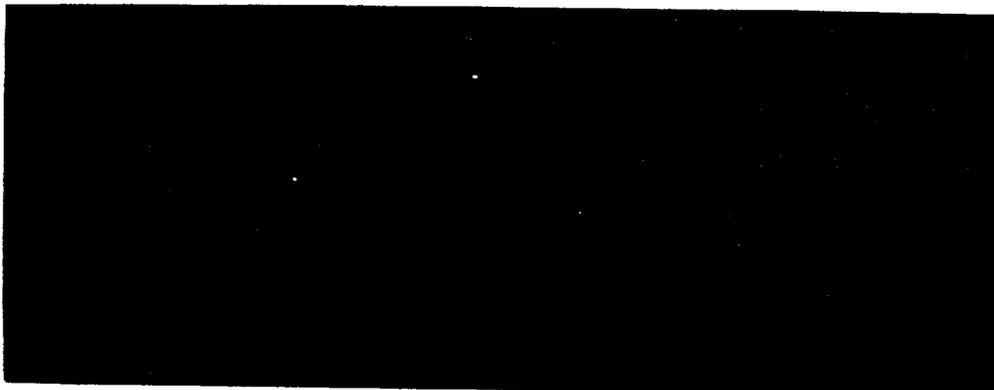
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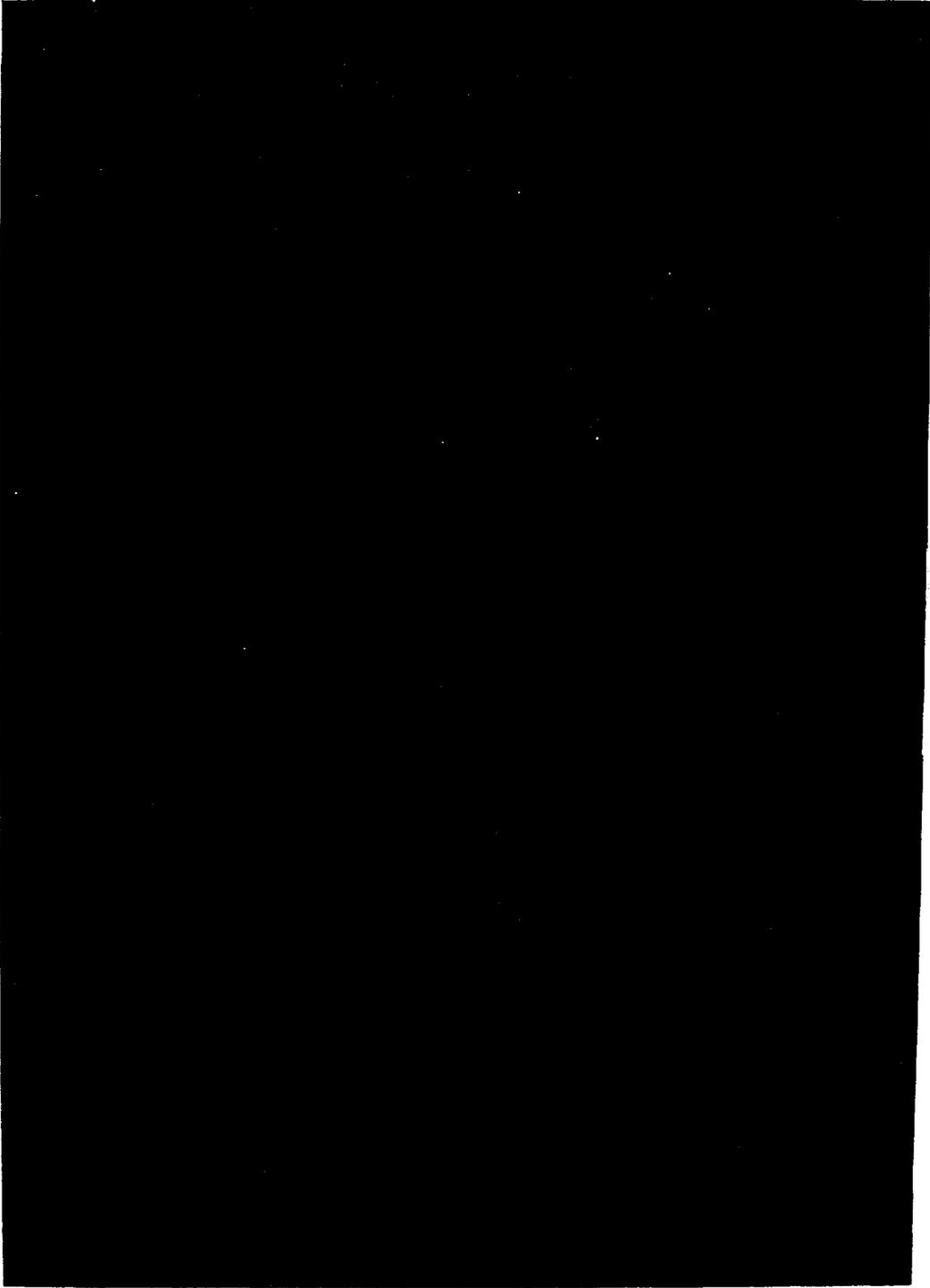
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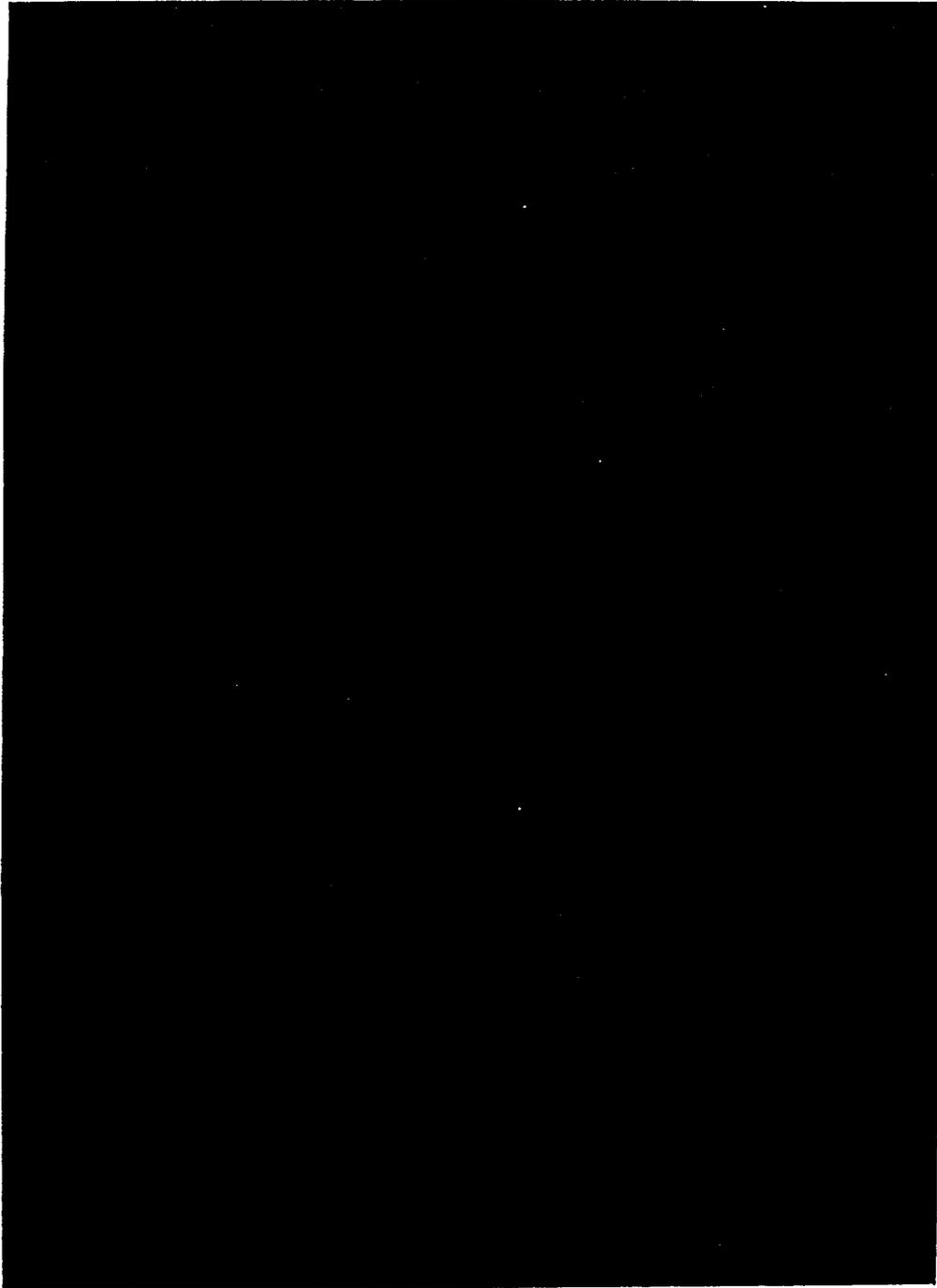
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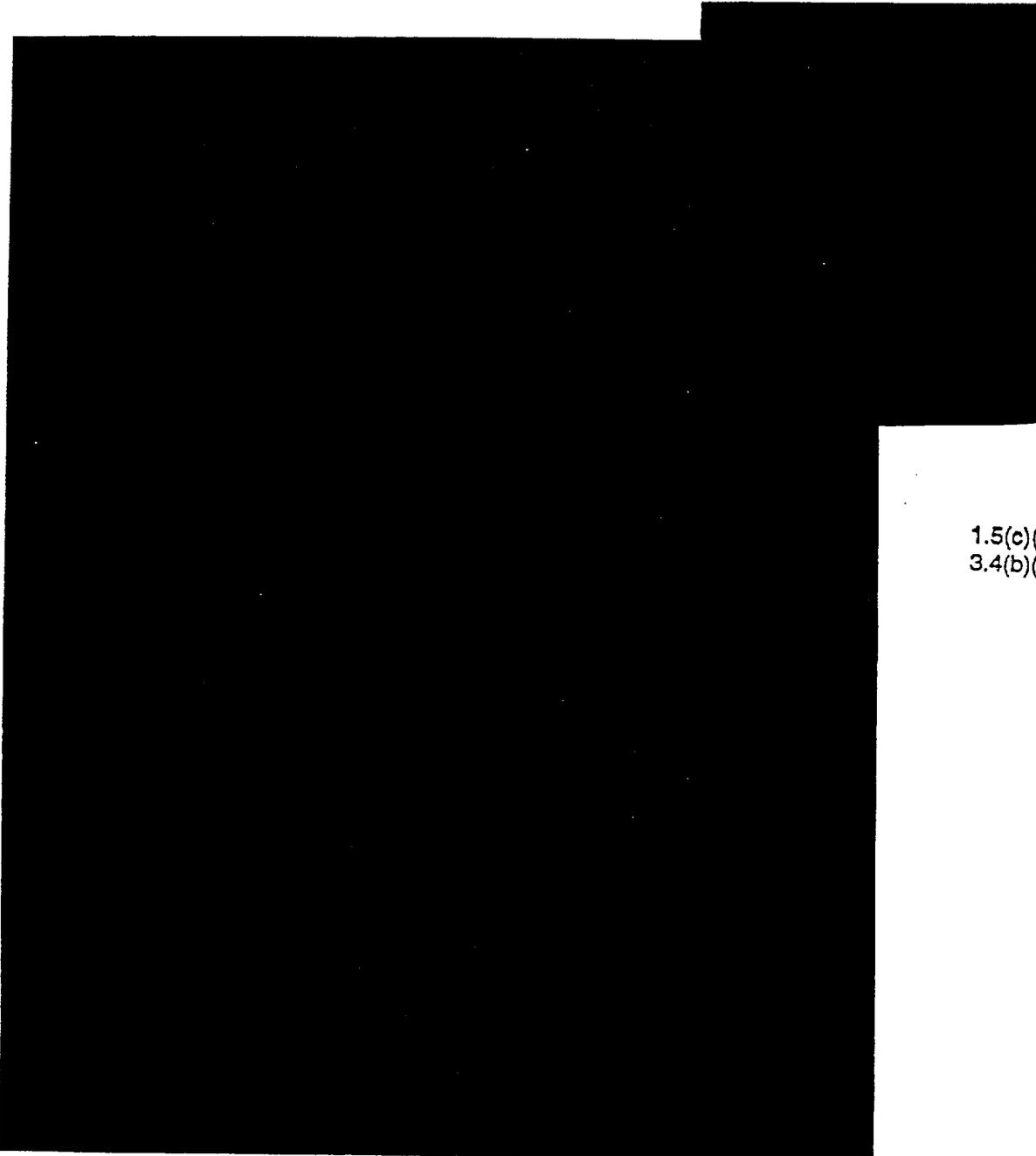


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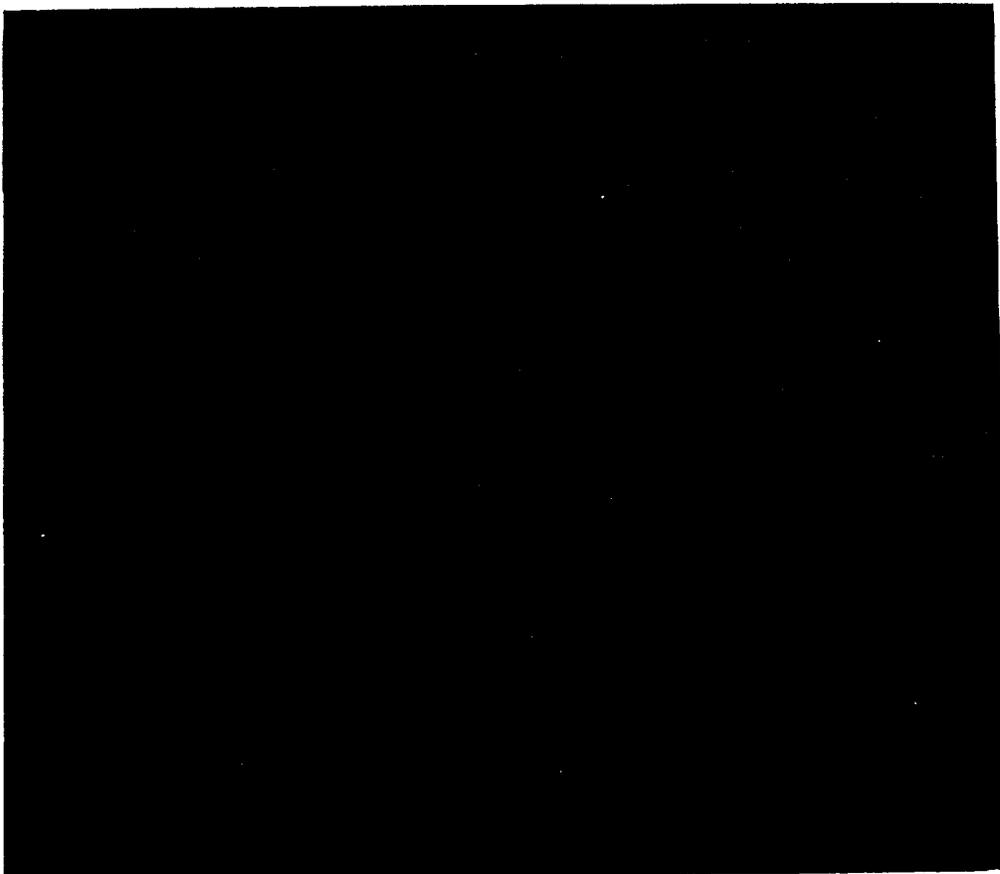


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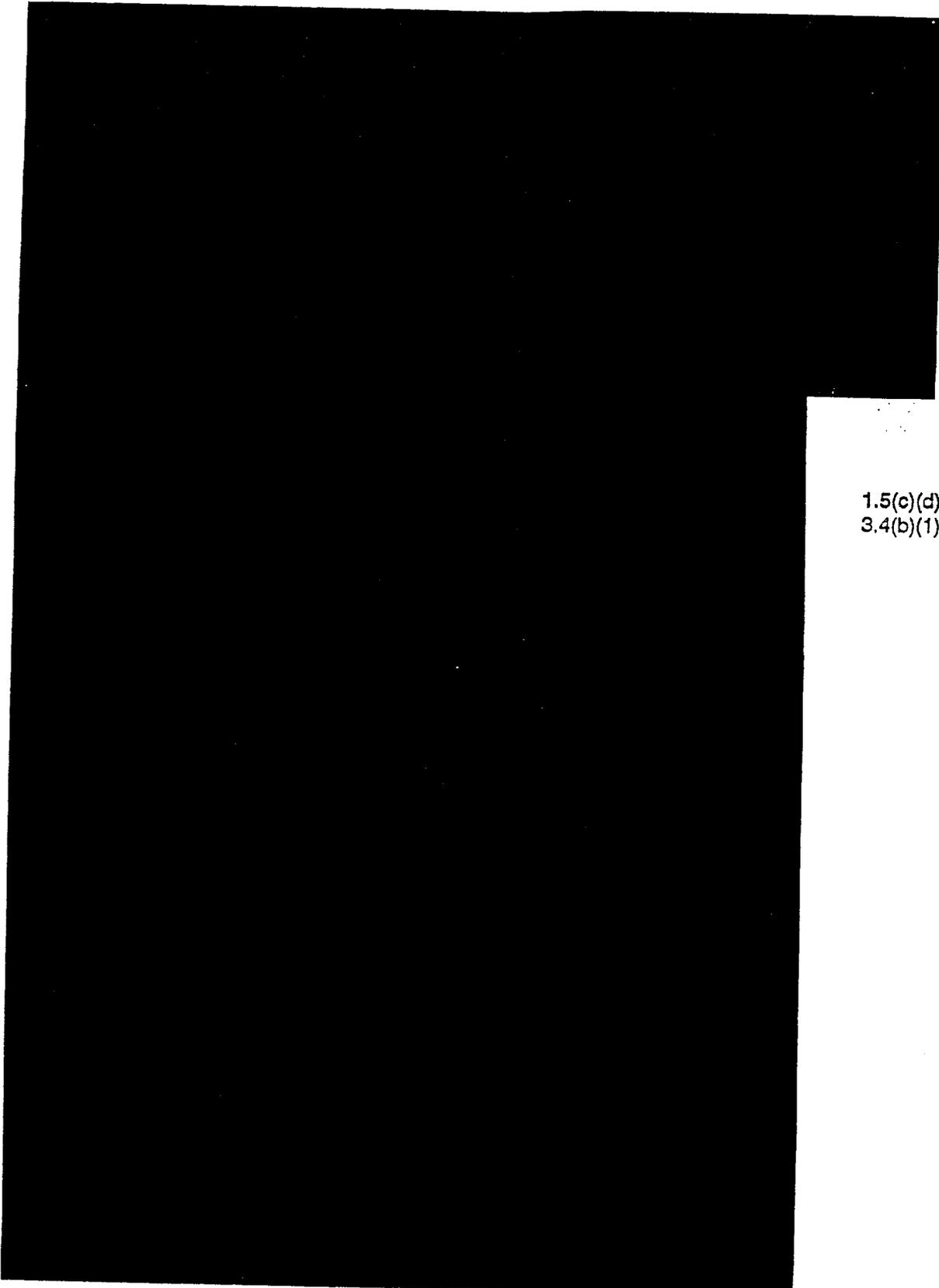


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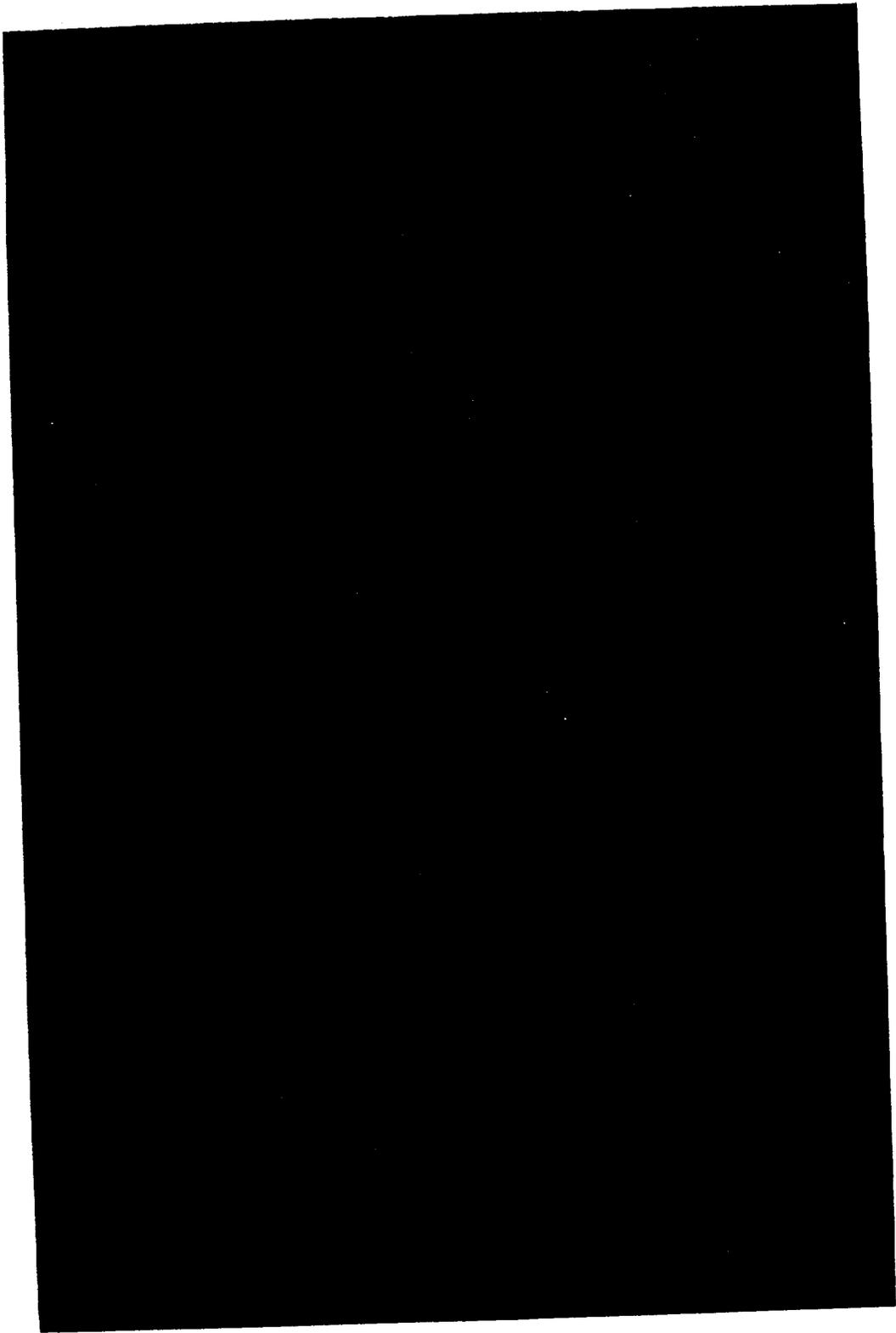


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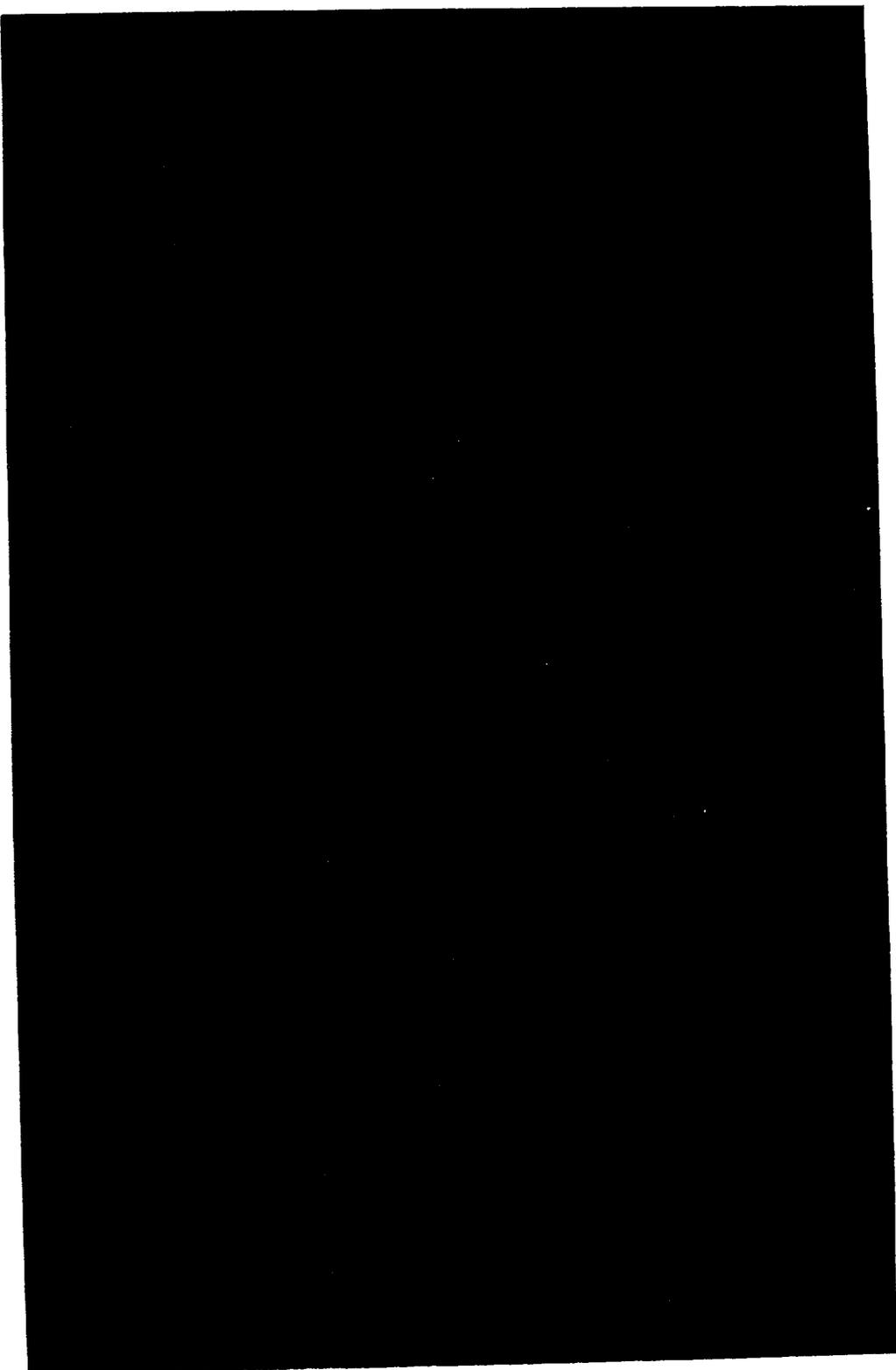
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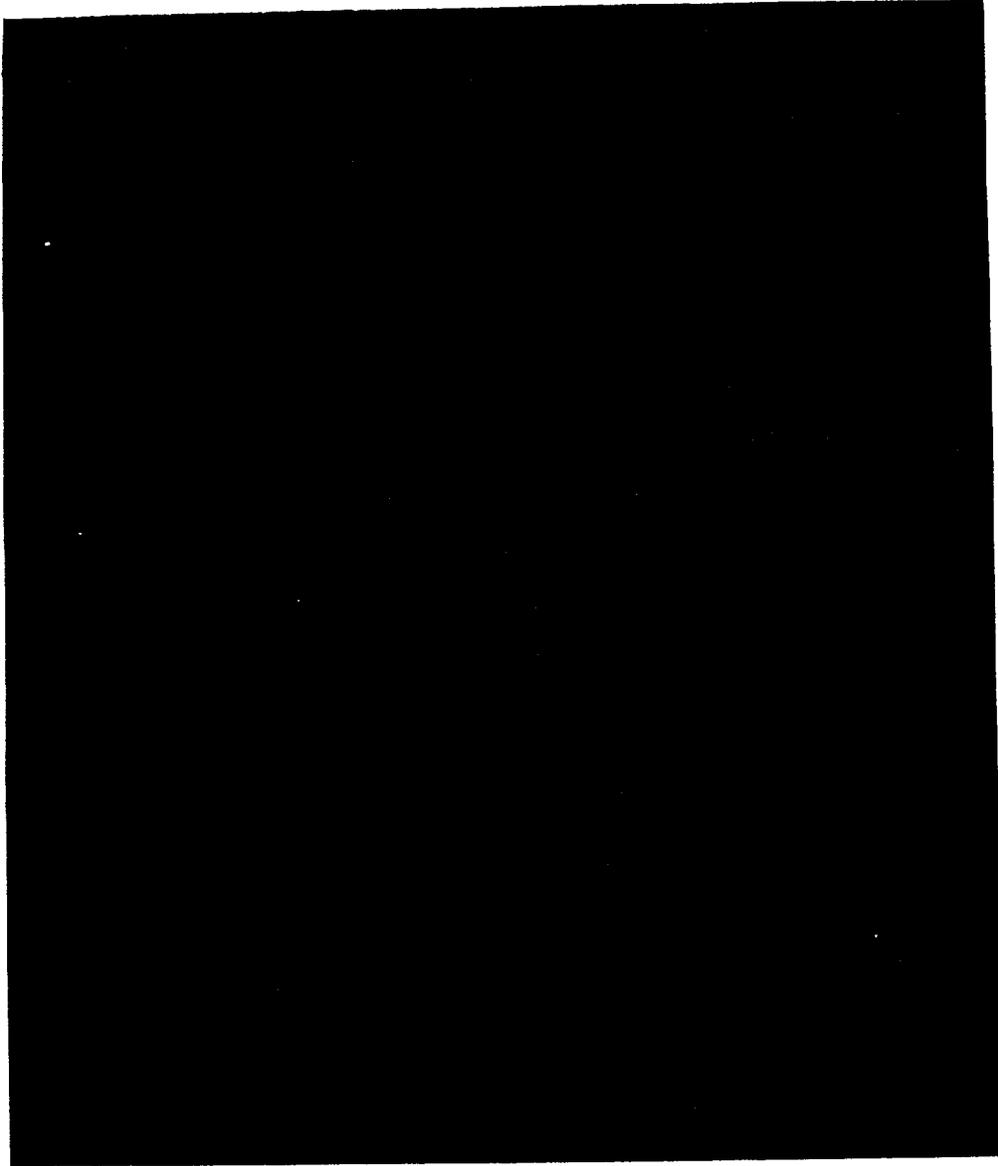
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EL SALVADOR

CURRENT SITUATION

With the inauguration of Lt. Col. Julio A. Rivera as President on 1 July 1962, constitutional government returned to El Salvador. The event followed a two-year period of acute political instability marked by two coups d'etat. For the first time in its history, the country has a government, backed by the military, pledged to social and economic reform.

El Salvador is the smallest of the Central American republics and has the highest population density in Latin America after Haiti. Most of the population lives at a bare subsistence level, and this majority is deeply conscious of the contrast between its condition and the conspicuous privileges of wealthy coffee planters who, with army backing, have hitherto run the country.

Rivera has committed his government to the Alliance for Progress and has made definite advances in school construction and public health. El Salvador's first labor code, adopted last month, contains benefits for industrial labor, but it does little to improve the lot of rural workers, who constitute the majority. Rivera is pressing legislation for tax reform in order to raise more revenue needed for further programs, but he has encountered opposition.

Political Situation

The short-term outlook for political stability in El Salvador appears to be good, but the long-term prospects depend on Rivera's ability to maintain the momentum of his reforms. Rivera has won the cooperation of the growing entrepreneurial class and has the support of the majority of organized labor. Except for a few die-hards, most members of the entrenched upper class appear to be adjusting to the new situation. There is no evidence of serious discontent on the part of any significant group among the military, which has traditionally furnished El Salvador's executives.

Thus far, however, the government has failed to win the support of students and intellectuals. Nor is there a grass-roots political organization which

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would back the government in any contest with pressure groups.

#### Communist Strength

The Communist Party of El Salvador is one of the oldest and best organized in Central America. Although it has been suppressed by the government, the party has shown remarkable recuperative powers in the past, and it retains some potential for causing trouble in the future. Its record of subversion goes back to 1932, when it fomented the first major Communist-inspired peasant uprising in Latin America, resulting in thousands of deaths. The strength and overt activity of the Communist Party have declined in recent months, primarily because of the enforcement of a strong antisubversive law passed in September 1962. However, the party is still strong in the University of El Salvador, where a known pro-Communist has just been elected rector. It also controls about 3,000 workers through a Communist-dominated labor federation.

#### Economic Situation

The economy is primarily agricultural and has been excessively dependent on one crop, coffee. Efforts to diversify crops have been made, and the value of cotton and other agricultural exports has been rising steadily in the past few years. In 1955, coffee accounted for 86 percent of the value of exports, but by 1961 it had declined to 56 percent as the value of cotton and other exports rose. Further diversification and more efficient agricultural methods are being encouraged by the government.

The flight of capital during 1960-1961 has been checked, and El Salvador's currency is stable. A number of new industries are being established. The country has several economic assets which set it ahead of its Central American neighbors. It has good roads, available power, a substantial accumulation of capital, a skilled business class, and an adequate, although still unskilled, labor force.

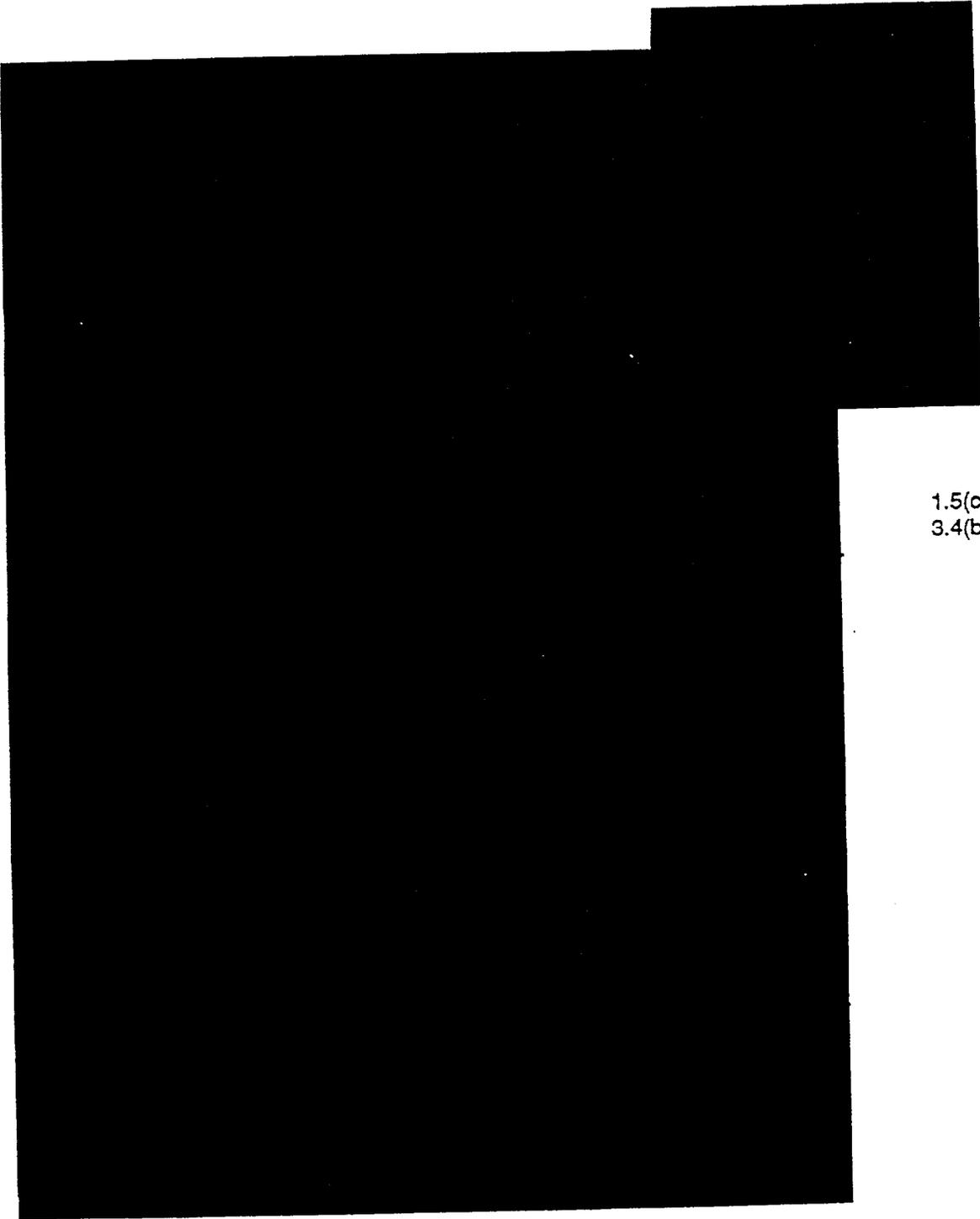
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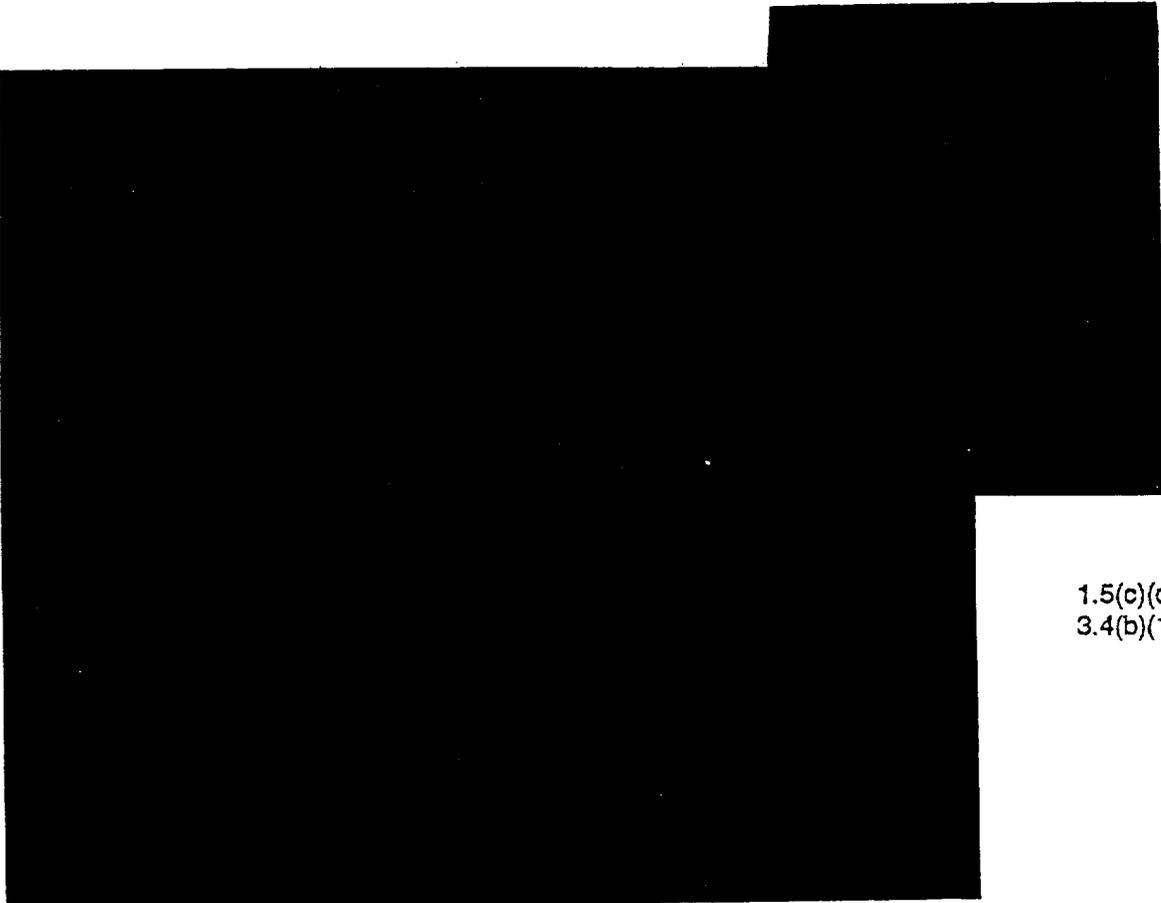
GOVERNMENT  
(Capital: San Salvador)

President	Julio Adalberto RIVERA
Vice President	Francisco R. LIMA
Minister of Defense	Colonel Mario ZACAPA
Minister of Economy	Jose Salvador JAUREGUI
Minister of Education	Ernesto REVELO Borja
Minister of Finance	Alvaro MARINO
Minister of Foreign Affairs	Hector ESCOBAR Serrano
Minister of Agriculture	Mario SOL
Minister of Interior	Colonel Fidel SANCHEZ Hernandez
Minister of Labor	Alberto ULLOA Castro
Minister of Justice	Humberto BERNAL H.
Minister of Health	Dr. Ernesto R. LIMA
Minister of Public Works	Julio NOLTENIUS

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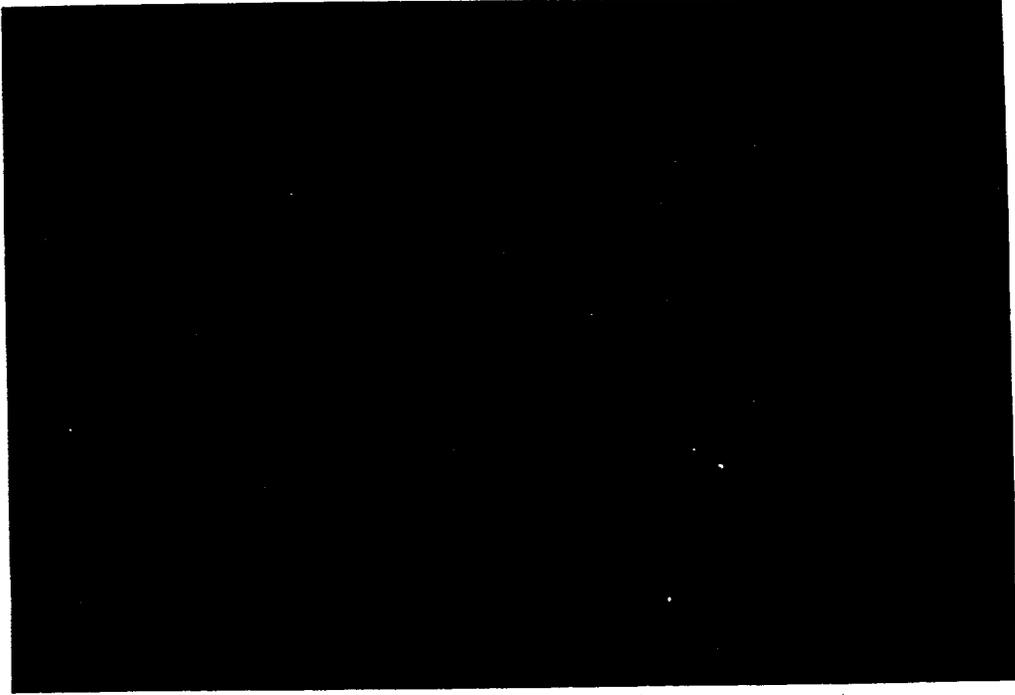
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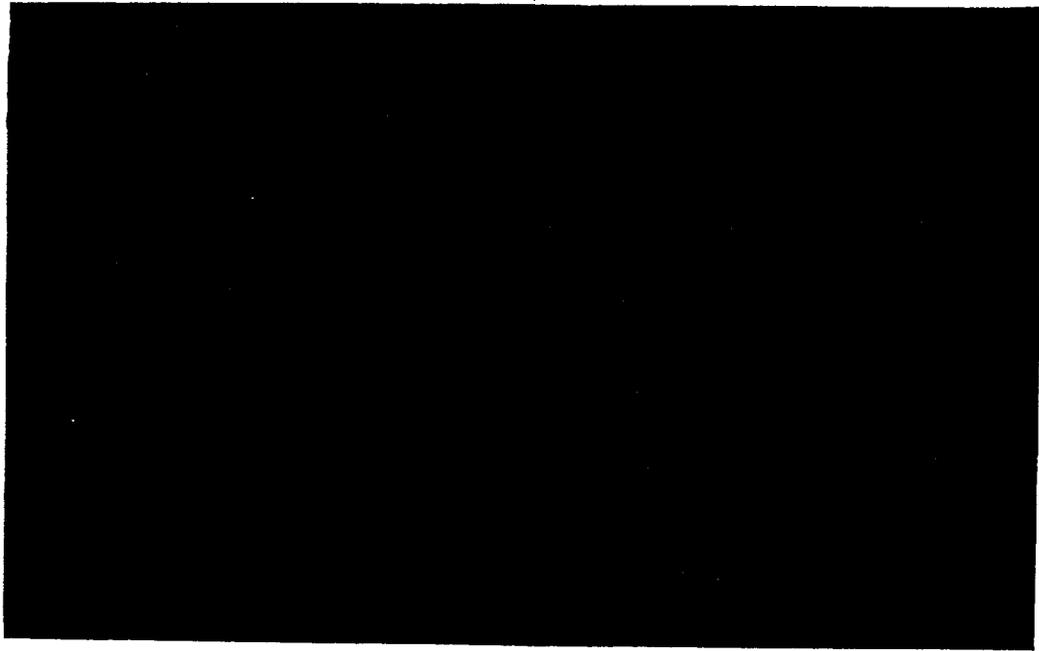
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CURRENT SITUATION

Guatemala has long been a leader of the movement for political and economic integration of Central America, possibly out of national pride in its heritage as the governing center for the area during Spanish colonial rule. However, its own slow development has impaired respect for its leadership elsewhere in the area. President Ydigoras' maneuvers to maintain himself in power have appeared particularly suspect to the other Central American countries. Guatemala's large Indian population, still economically and socially isolated, and the illiteracy of almost 70 percent of the population are serious obstacles to development.

Political Situation

The reform philosophy of the 1944 revolution has been lost or corrupted, and although many Guatemalans would like to recapture its positive spirit, they are not willing to pay the price in responsibility, hard work, or sacrifice. Instead, they want a strong leader who will do it for them. This may partially explain the appeal of ex-president Juan Jose Arevalo as a presidential candidate after five years of the pragmatic, but corrupt, "city boss" government of Ydigoras.

The reluctance of even educated Guatemalans to assume the responsibilities of democracy and their willingness to depend on US aid since the overthrow of the pro-Communist Arbenz government in 1954 have contributed to neglect of both political and economic reforms. Most Guatemalans do not object to Ydigoras' authoritarian rule or to the excesses committed under it unless they are personally affected. For his part, Ydigoras feels he can trust no one and devotes his energies to the political chicanery and payoffs necessary to stay in power.

The leading contender in the presidential elections scheduled to be held late this fall will be Arevalo. His contacts with Communists and aversion to the US are well known, but do not bother most Guatemalans. They tend to recall his 1945-51

## GUATEMALA

presidency as a period of reform and economic boom, forgetting its failures and leftist drift which paved the way for the Arbenz regime. The opposition to Arevalo, never cohesive, was further fragmented by the poor showing of organized political parties in the important elections for the mayor of Guatemala City last November. The ensuing scramble for new political alignments revealed little awareness of the need for cohesiveness and a progressive reform program to defeat Arevalo at the polls. Rightist military officers are determined to prevent Arevalo's return. Despite the failure of the revolt by the air force last November, some officers have continued to plot to oust Ydigoras in the belief that a military take-over is the only way to deny the presidency to Arevalo.

### Communist Strength

Communist influence in Guatemala continues strong in the universities in Guatemala City and Quezaltenango. Communists or Communist-supported candidates won all student elections there in 1962, and Communists drew further advantage from the bitter antigovernment riots last spring when several students were killed. The Communist party (PGT), with an estimated 1,250 members and 2,000 sympathizers, also had considerable success in the labor field in 1962, supporting the winning candidates in the important railway workers' union as well as consolidating control of the Communist-dominated labor federation. The PGT is not believed capable of mounting an all-out general strike or overthrowing the government by itself, but it nevertheless presents a serious threat to the stability of Guatemala because of its influence on other political interests and its encouragement of antigovernment activity.

### Economic Situation

The economy is heavily dependent on fluctuating world markets for coffee and bananas, and is almost stagnant. Per capita GNP, \$175 in 1961 and 1962, is not expected to rise above \$178 in 1963. Decreasing revenues have put the government in serious

financial straits. A recent decline in coffee earnings and reductions in the large US aid grants made since 1954 have not been matched by reduced or more efficient government spending. Administrative bungling and corruption continue, with emergency assistance providing only temporary relief. The ratio of population to resources is favorable and there are large areas of land not at present being utilized, but there is a shortage of managerial and technical talent.

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GOVERNMENT  
(Capital: Guatemala City)

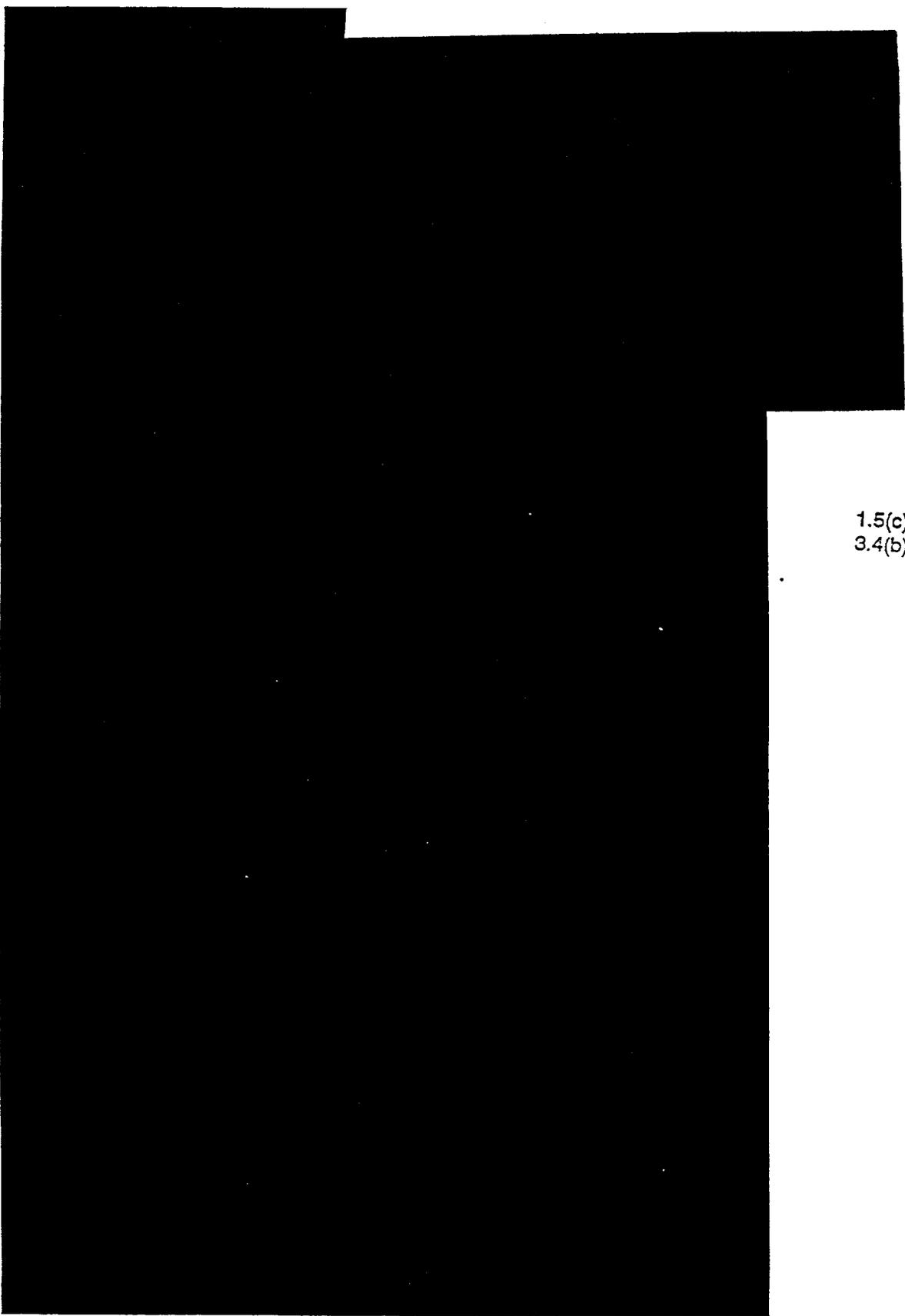
President Miguel YDIGORAS Fuentes

(There is no vice president. Three presidential designates or alternates are nominated by the President and approved by the Congress each year. Congress convened on 1 March and has not yet designated the new choices, but Ydigoras reportedly favors Defense Minister Peralta for First Designate)

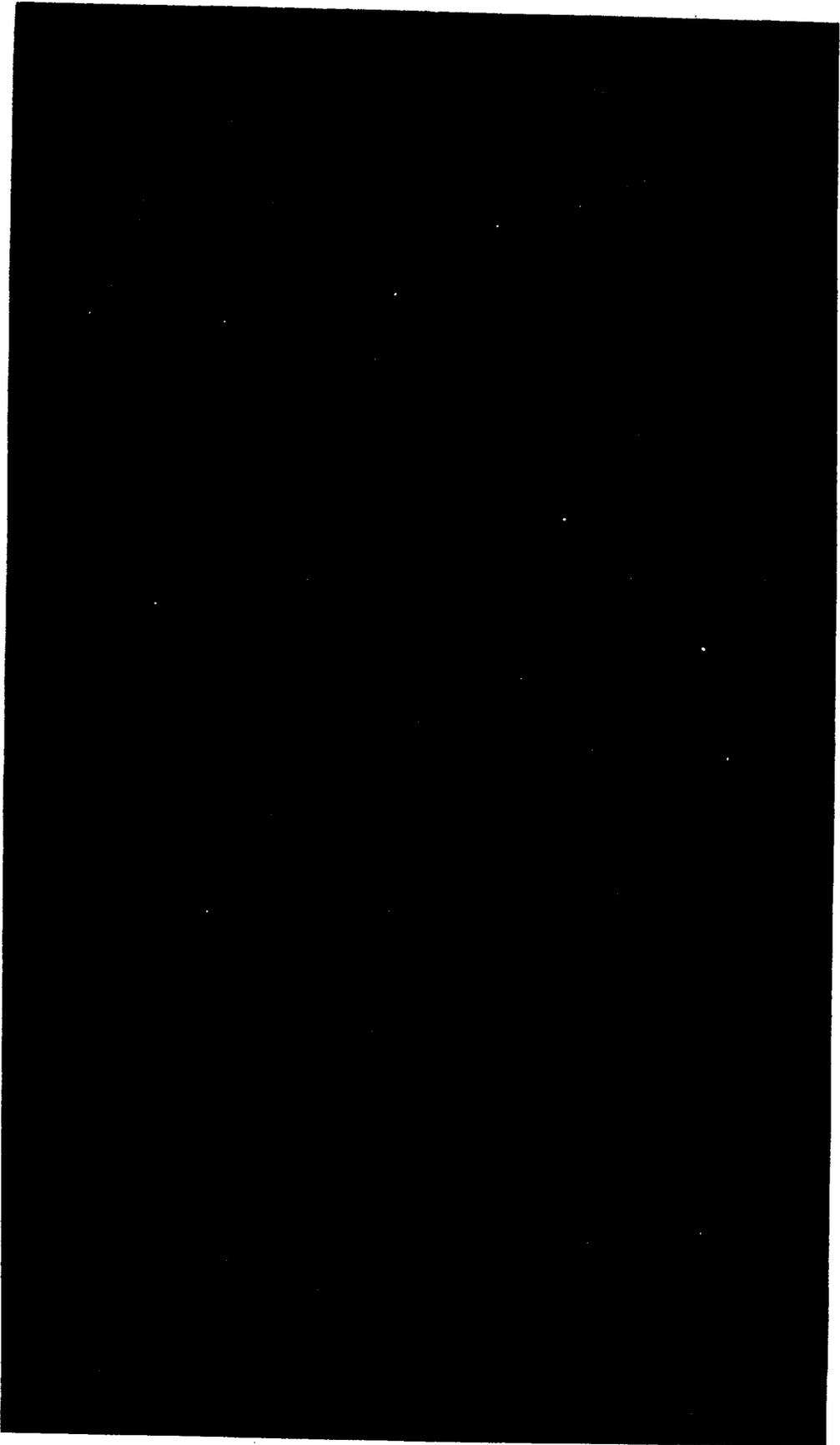
- Minister of Foreign Affairs Jesus UNDA Murillo
- Minister of Defense Col. Enrique PERALTA Azurdia
- Minister of Interior Col. Alfredo CASTANEDA Ordonez
- Minister of Economy Col. Raul REINA ROSAL
- Minister of Finance and Public Credit Lt. Col. Jorge Lucas CABALLEROS
- Minister of Communications and Transport Col. Gildardo MONZON PUELVE
- Minister of Education Col. Ricardo PORRAS
- Minister of Labor Col. Jose Luis AGUILAR de Leon
- Minister of Agriculture Col. Victor BOLANOS Cardona
- Minister of Public Health Maj. Roberto AZURDIA Paiz

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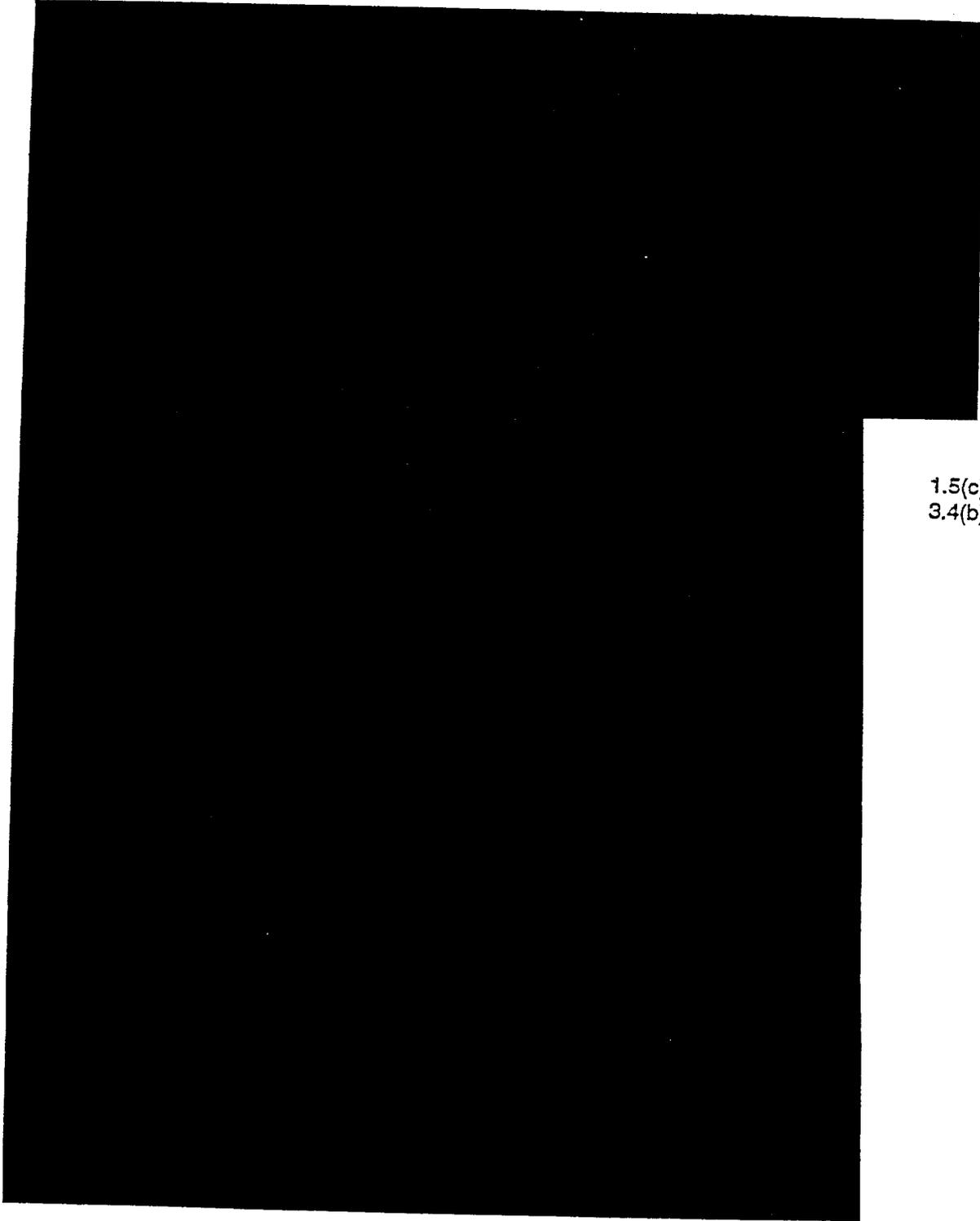


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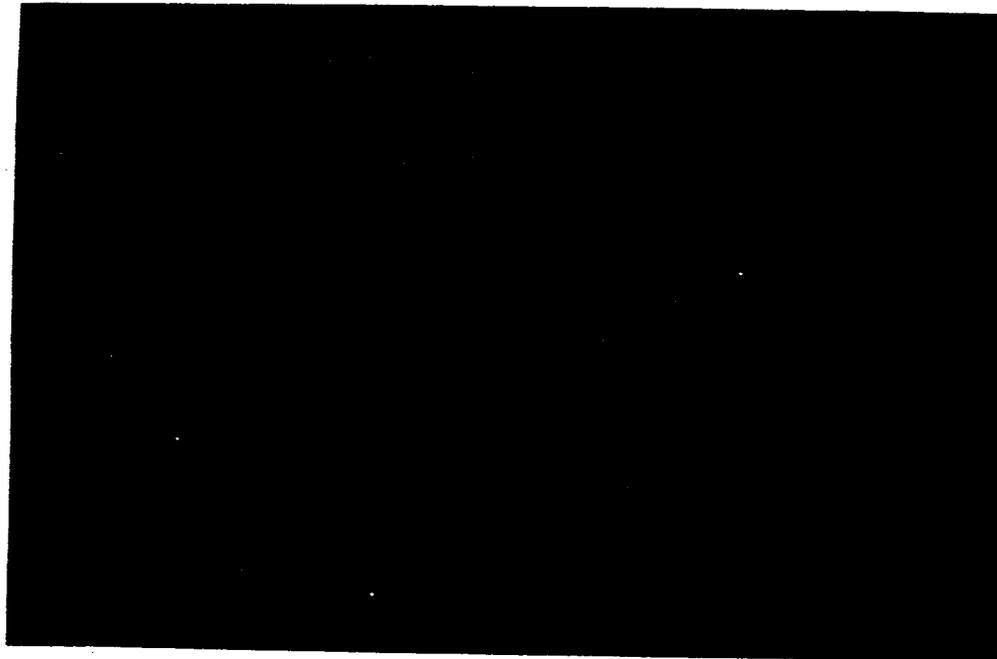


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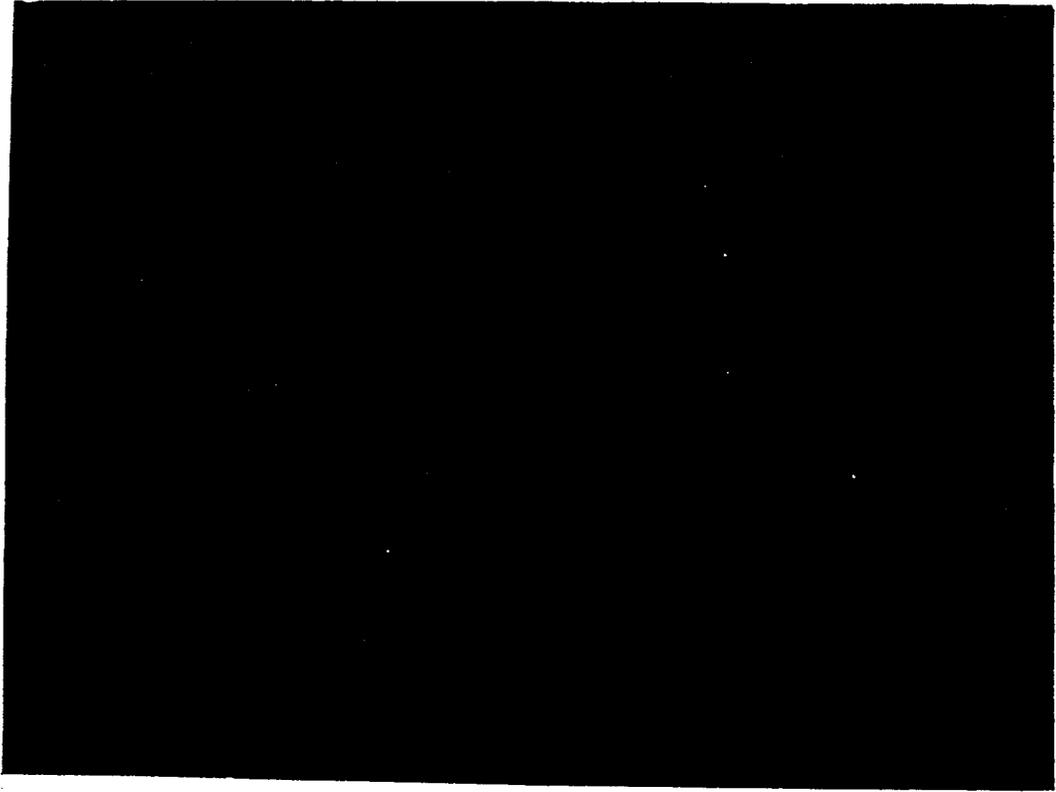


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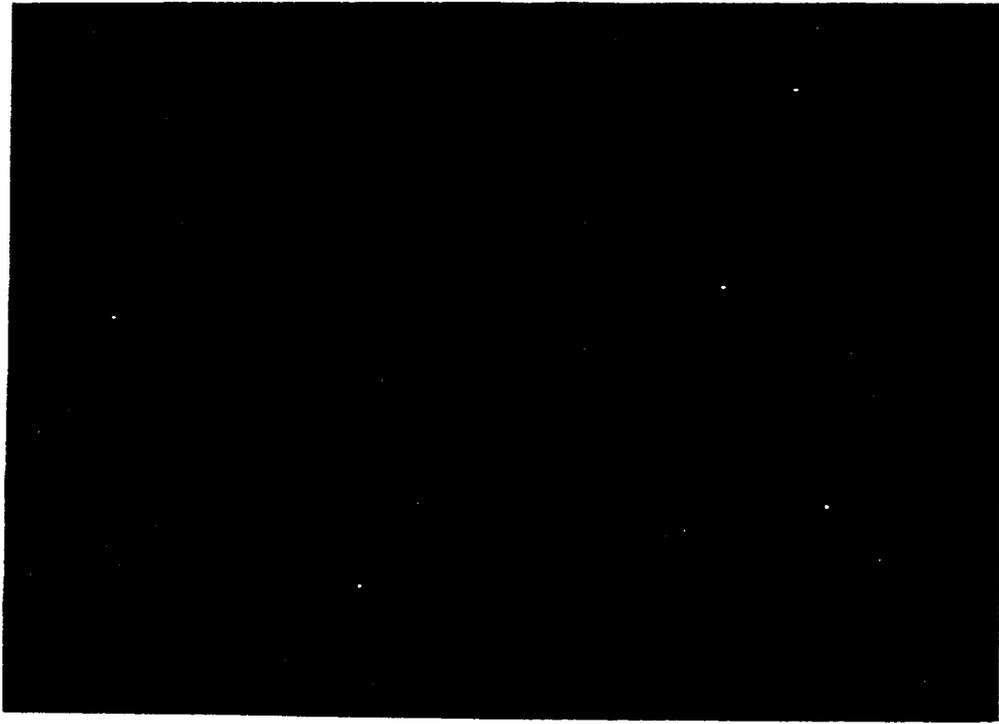
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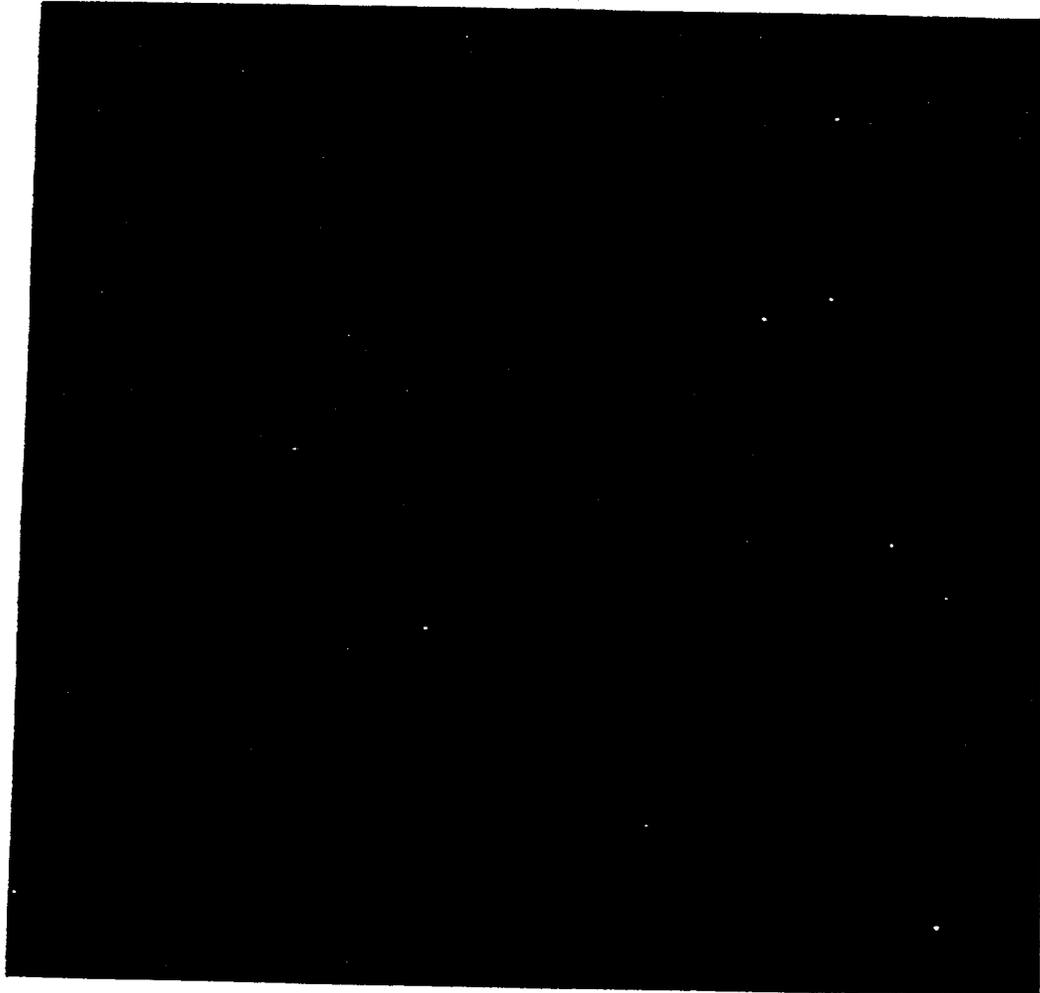
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## HONDURAS

### CURRENT SITUATION

Honduras has a long history of revolution and government by dictatorship. This pattern has shown signs of evolving into a semblance of constitutionality only since 1957. Honduras, a member of the Central American Common Market, is the least developed of the Central American countries. Its economy has stagnated in terms of per capita income since 1958.

Extreme poverty, growing unemployment, and inadequate public health protection are the norm in most sections of the country. The vast majority of the two million Hondurans lives at a bare subsistence level with little opportunity for improvement. Two-thirds of the population is illiterate.

#### Political Situation

A general election is scheduled for October 1963, and political maneuvering during the next few months is likely to be intense. The opposition Conservative Nationalist Party is split and has yet to nominate a presidential candidate. The choice of the ruling Liberal Party has narrowed to two major contenders: Andres Alvarado Puerto, former foreign secretary who has the support of President Ramon Villeda Morales, and Modesto Rodas Alvarado, president of the Honduran Congress. The pre-electoral period could bring violence if the Army, heretofore a supporter of Villeda as the constitutional President, were to attempt a coup or throw its support to a Nationalist candidate rather than remain neutral. There is a strong rivalry between the Army and the Civil Guard (in effect the military arm of the Liberal Party). The functions of the two forces are not clearly distinguished, and friction between them threatens the country's stability.

#### Communist Strength

The Communist Party of Honduras (PCH) is illegal and comparatively ineffective because of factionalism and a shortage of funds. However, its 1,500 members and few thousand sympathizers appear to exert considerable influence in the ministries of justice and

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## HONDURAS

education, a few local governments on the North Coast, and the Standard Fruit Company union. Although President Villeda seems to understand the dangers of the international Communist movement, he evidently does not associate local Communists with whom he has had contact for several years with this movement. From time to time he has acted to curb Communist activities when forced to do so by national or international pressures, but measures taken have been superficial. Villeda regards the Nationalist Party as a greater threat than the PCH.

### Economic Situation

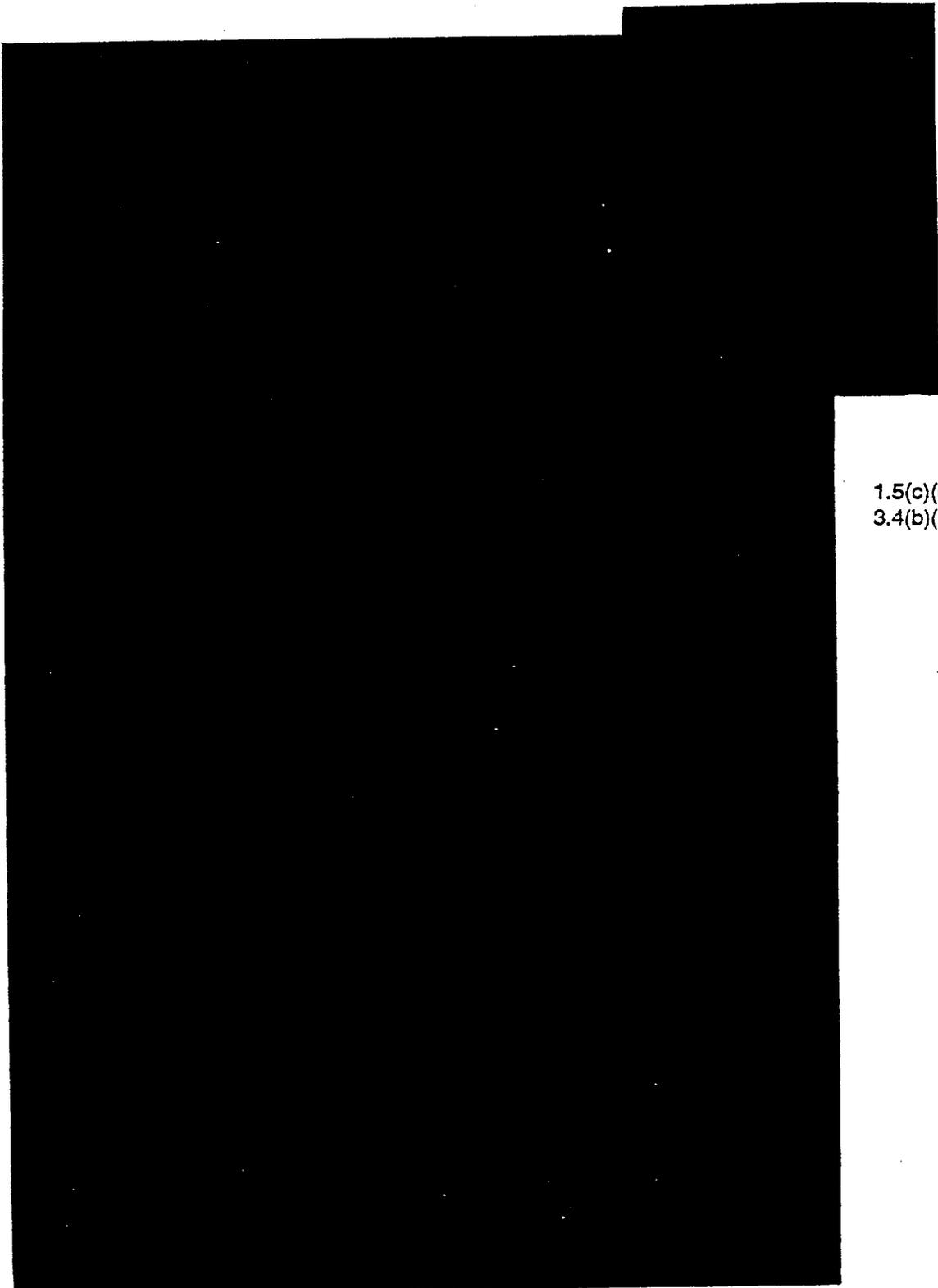
The economy of Honduras is primarily agricultural and dependent on two crops--bananas, which account for 50 percent of the value of exports, and coffee. A recent agrarian reform law allows the government to expropriate unused agricultural land--a provision which the United Fruit Company finds objectionable unless legal recourse is guaranteed. The company has threatened to cancel its \$15-\$20 million investment program in Honduras unless this is granted. President Villeda has promised to amend the law in the near future.

Economic growth has been inhibited by factors which are not likely to change in the near future. The absence of a transportation net, of a developed internal market system, of a productive labor force, and of political stability all tend to discourage private investment. The rule of law is practically unknown in Honduras, and institutions normally associated with economic development are desperately inadequate.

HONDURAS

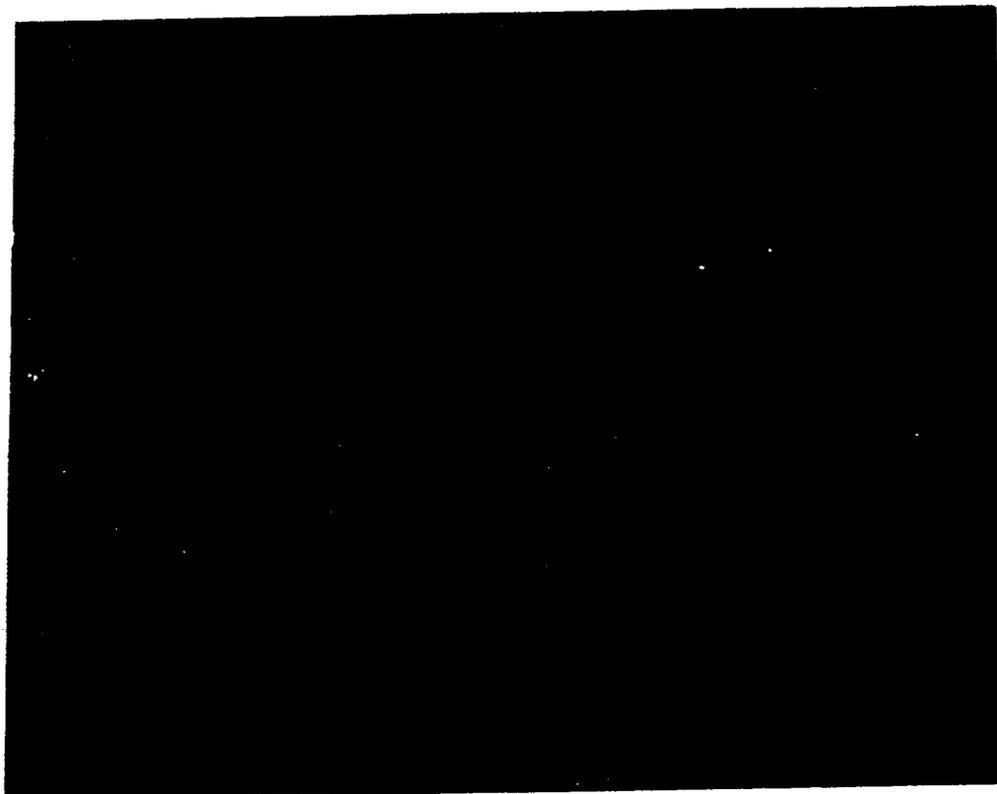
GOVERNMENT  
(Capital: Tegucigalpa)

President	Jose Ramon VILLEDA Morales
Presidential Designates	Juan Miguel MEJIA Jose MEJIA Arellano Francisco MILLA Bermudez
Secretary of Defense	Col. Roberto ZEPEDA Turcios
Secretary of Economy and Finance	Jorge BUESO Arias
Secretary of Education	Dr. Jose MARTINEZ Ordonez
Secretary of Foreign Affairs	Dr. Roberto PERDOMO Paredes
Secretary of Government, Justice, and Public Security	Ramon VALLADARES Soto
Secretary of Health and Social Welfare	Dr. Rafael MARTINEZ V.
Secretary of Labor and Social Security	Amado H. NUNEZ
Secretary of Natural Resources	Rafael PENA Guillen
Secretary of Public Works and Communications	Ricardo ALDUVIN



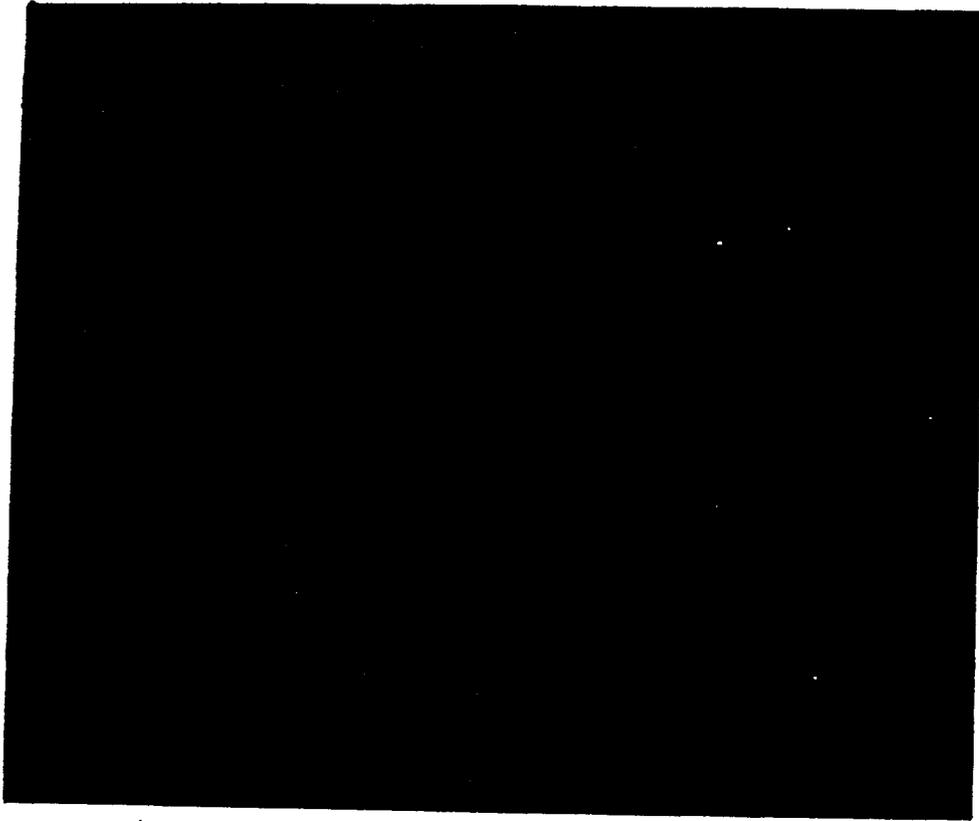
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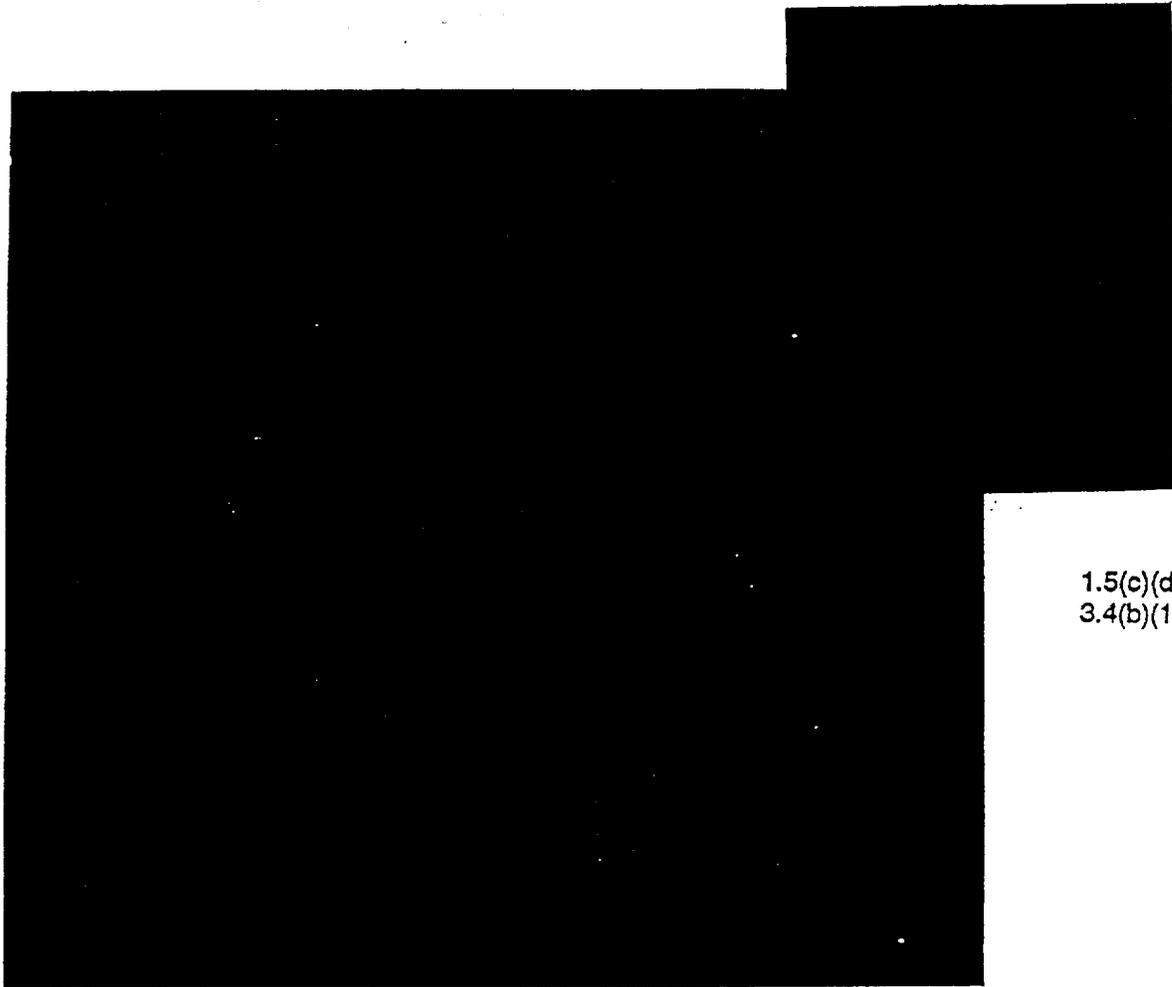


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## NICARAGUA

### CURRENT SITUATION

The events of the next year will determine whether Nicaragua will continue on the path toward a "transition to democracy" or whether it will revert to the strong rule of the Somoza family, long dominant in Nicaraguan affairs. General Anastasio Somoza, Sr., either held the presidency or controlled the man who held it from 1937 until his assassination in 1956. The sons of the dictator took over the reins of power after their father's death, Luis as President, and Anastasio, Jr., as director of the National Guard. Luis has characterized his government as a "transition to democracy" and will turn the presidency over on 1 May 1963 to Rene Schick Gutierrez, a member of the Somoza-led National Liberal Party (PLN), but not related to the Somozas.

#### Political Situation

During the past six years the Somozas have relaxed the rigid controls of their father's dictatorship. Members of the Traditionalist Conservative Party (PCT), the principal opposition group, are allowed to hold political meetings and rallies. There is almost complete freedom of the press. The newspaper with the largest circulation in Managua is controlled by the PCT and publishes strong attacks against the government. The secret ballot was used for the first time during the election held on 3 February 1963. President Luis Somoza had promised a free and democratic election of his successor. He negotiated for several months with Fernando Aguero Rocha, presidential candidate of the PCT, and other PCT members in an attempt to bring about their participation in the election and to provide a relatively effective opposition to Schick. An impasse was reached over the question of electoral guarantees. The PCT decided to abstain from the election, making Schick the virtual winner two months before the actual balloting.

Schick is a former minister of education and former foreign minister who has had extensive experience in the Nicaraguan government. Although

## NICARAGUA

he was nominated as the PLN presidential candidate with strong support from President Somoza, he is not regarded by nonpartisan observers as a puppet of the Somoza family. Schick conducted an aggressive campaign for several months, visiting every province. An honest man with no financial resources except his salary, he is respected by members of the opposition.

The Somozas will continue to wield strong influence in Nicaragua even though no member of their family will hold the presidency. They own about 10 percent of the cultivated land, control the nation's only airline and shipping line, and have extensive cattle interests and substantial investment in several industries. Luis will become a senator in the new National Congress, and Anastasio, Jr., will retain control of the National Guard, the country's sole armed force and police unit. The National Guard also operates the communications network, including radio and television, the National Meteorological Institute, and the bureaus of customs and immigration.

Political opposition to the Somozas is fragmented. There are two Conservative parties--the larger, more organized PCT and the splinter Nicaraguan Conservative Party. There are also a dissident Liberal group, a Social Christian Party, and a number of smaller parties. The PCT, the most effective of these groups, is itself divided, the rich and conservative landowning members having lost control to a younger, more progressive, and more active group. During the recent campaign, the old guard tended to accept Schick's election while the younger group, led by Aguero, resorted to violence and abstention. There is increasing evidence that Aguero in his frustration is turning more to the left and cooperating with Communists.

### Communist Strength

The membership of the Communist party of Nicaragua, known as the Nicaraguan Socialist Party

NICARAGUA

(PSN), is small, with a hard core of only about 250-300 members. Although the PSN is illegal, it operates politically through a front group called the Mobilizacion Republicana (MR) which has an active following of between 1,000 and 2,000 sympathizers. Communists are strong in the labor movement, in certain government ministries, and in the National University. Four Communists or Communist sympathizers will be members of the National Congress after 1 May. The Somozas have the typical Latin belief that they can control the Communist movement and at the same time use it for their own purposes.

Communists have infiltrated exiled anti-Somoza groups, and Communist-led guerrilla groups are active on the Nicaraguan borders with Honduras and Costa Rica. These groups reportedly receive aid from Cuba in the form of training, money, and arms. They will probably continue their attempts to infiltrate armed men across both borders and to provoke violent incidents inside Nicaragua. However, the well-trained National Guard is capable of containing any outbreaks.

Economic Situation

The largest of the Central American countries, Nicaragua has an economy based on agriculture. Cotton and coffee are the leading exports, but sugar is becoming increasingly important, and Nicaraguan cattle growers raise the best beef in Central America. The country is relatively underpopulated, has fertile soil, large unexploited forests, and unexploited mineral deposits. Although there is an uneven distribution of income, there is a relatively high degree of social mobility and the extremes between wealth and poverty in Nicaragua are not so pronounced as in other Latin American countries. Negative factors include a poor system of taxation and fiscal administration, a high rate of illiteracy, a lack of effective national planning, and a need for further rural development.

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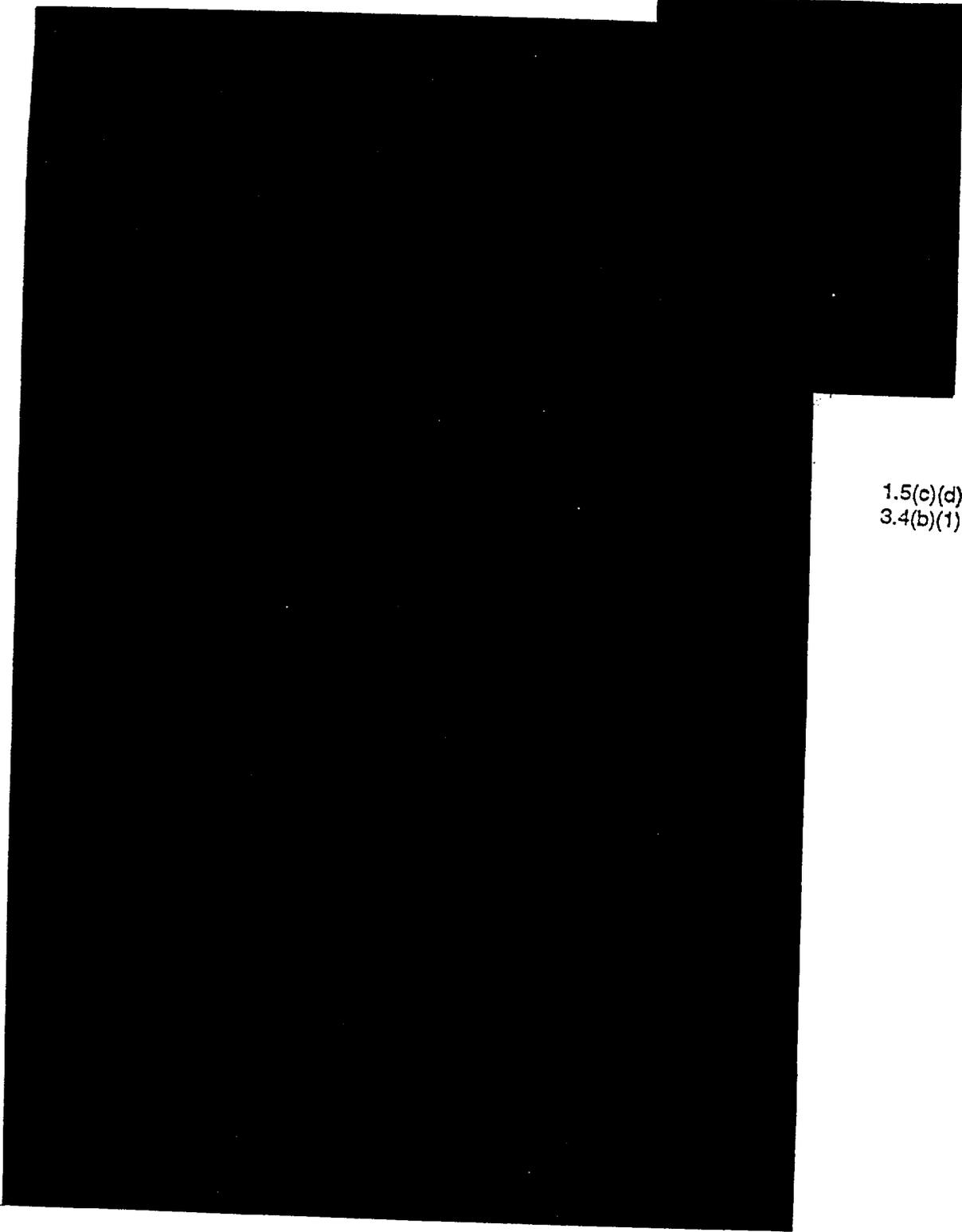
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NICARAGUA

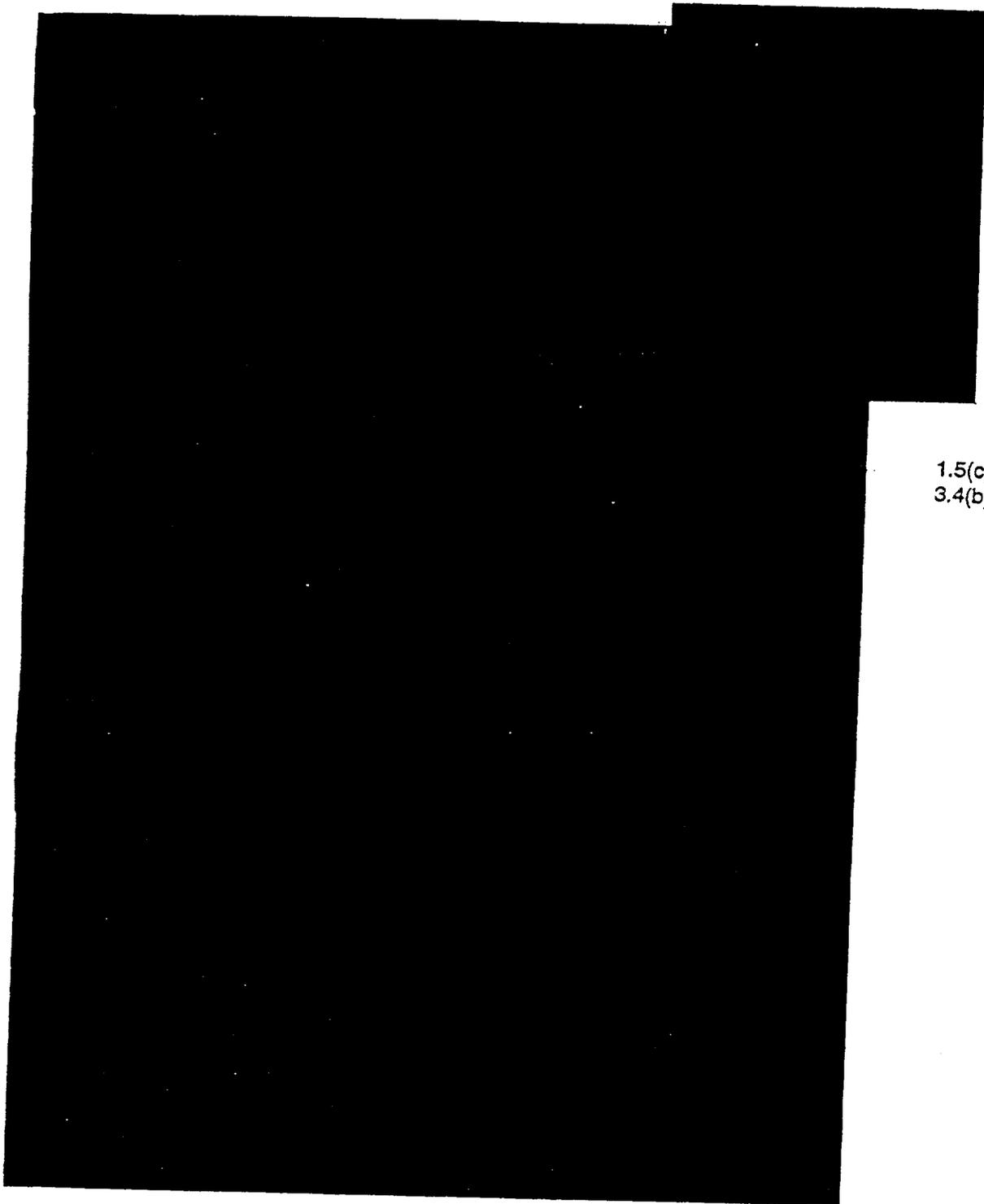
GOVERNMENT  
(Capital: Managua)

President	Luis A. SOMOZA Debayle
President-elect	Rene SCHICK Gutierrez
Minister of Foreign Affairs	Alfonso ORTEGA Urbina
Minister of Interior	Ignacio ROMAN Pacheco
Minister of Economy	Gustavo GUERRERO
Minister of Finance	Carlos HUECK
Minister of Education	Eliodora MONTES Gonzalez
Minister of Development and Public Works	Manuel AMAYA Leclair
Minister of War, Navy, and Air Force	Col. Alfonso MEJIA Chamorro
Minister of Agriculture	Enrique CHAMORRO
Minister of Public Health	Francisco URCUYO Malianos
Minister of Labor	J. Antonio TIJERINO Medrano
Secretary of the Presidency	Orlando BUITRAGO Mendez

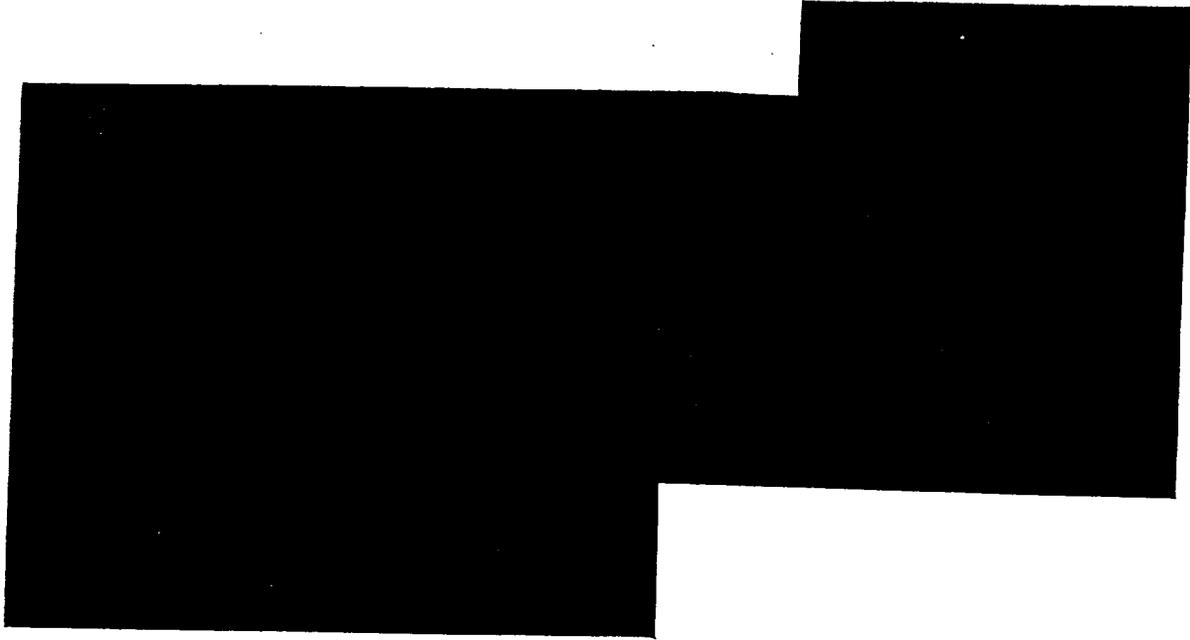
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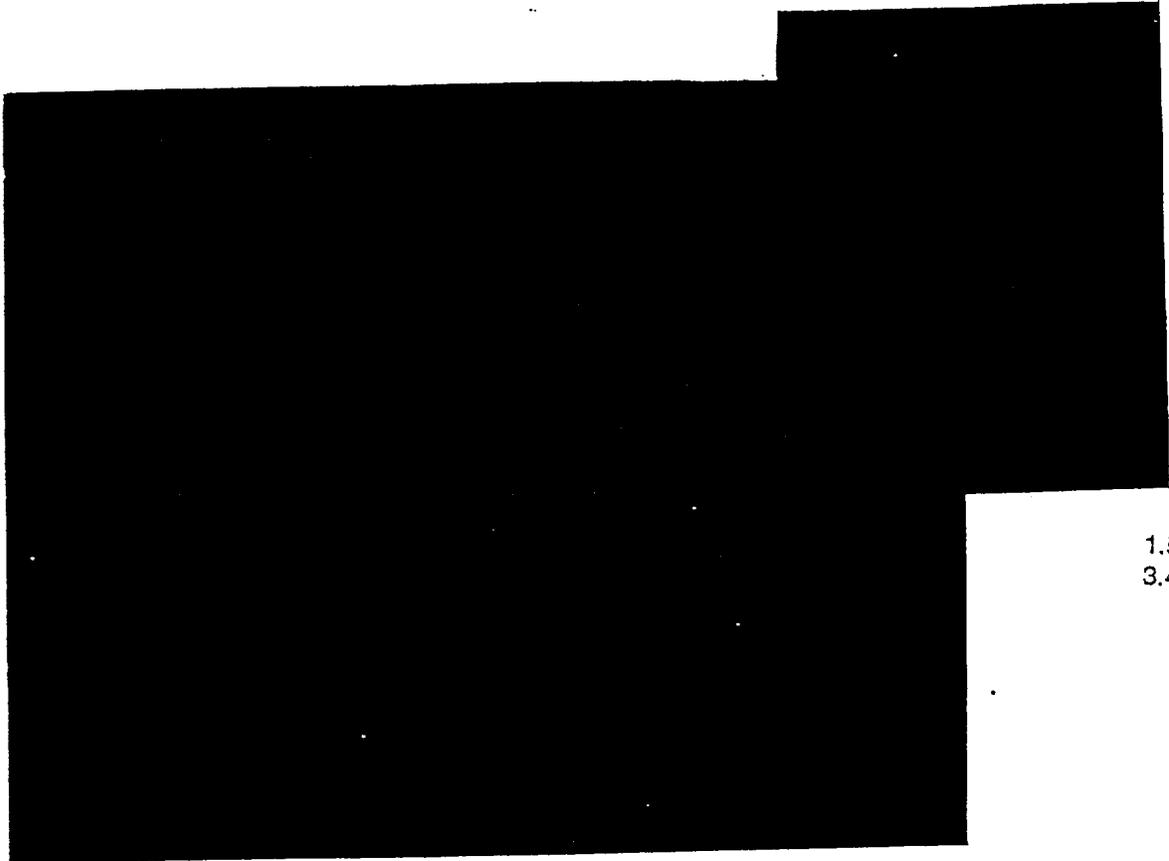
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## PANAMA

### CURRENT SITUATION

Panamanians are obsessed with what they consider unfair arrangements regarding sovereignty in the Canal Zone and income from the Canal. The anti-US sentiment this generates influences government policy, foreign and domestic. It also serves as a convenient cloak for demagogues and a cover-up for corruption and ineptitude.

Dissatisfaction with the last round of talks with the US is still fresh in mind, and the prospects are for another outburst of nationalistic fervor in which the US will be the whipping boy. Foreign Minister Solis has asserted that Panama would oppose US use of nuclear devices to dig a new sea-level canal across Panamanian territory and has said that a new treaty would in any case have to be concluded before 1970. There is a good chance that former foreign minister Aquilino Boyd, now Panama's delegate to the UN, will raise these questions in New York. He has already asked for UN technical advice on the use of nuclear devices for a sea-level canal.

### Political Situation

Political power in Panama is concentrated in the hands of a few wealthy families who oppose most political or economic reforms. Their maneuvering for dominance has produced chronically unstable politics. The present coalition regime has continued only because President Chiari has not interfered with the division of spoils by those holding high office. National elections are more than a year away, but spirited jockeying for political advantage is already underway, with no less than fifteen political parties maneuvering to form a winning combination. The popular US-baiting demagogue, Arnulfo Arias, who has twice served as president, is expected to get in the act soon.

### Communist Strength

The Panamanian Communist party (PDP) is small and disorganized. Communists, however, have considerable influence among students, who traditionally

## PANAMA

have played a leading role in street demonstrations, and are increasingly active among peasants and the unemployed. Pro-Communists control the student organizations in Panama's only university together with those in several large secondary schools,

More active in the pursuit of Communist objectives than the Communist party is the Vanguard of Revolutionary Action (VAN), whose leaders receive support and training from Cuba. While there is bitter rivalry between PDP and VAN and both groups are weakened by factionalism, their joint effort to infiltrate and manipulate non-Communist parties of the left constitutes an increasing danger.

Economic Situation

Economically, Panama has recently maintained a fairly steady rate of growth. Its per capita income now stands at \$422 per year, but this figure is less favorable than it appears because income is distributed unevenly and Panama's cost of living is comparatively high for Latin America.

Panama, moreover, is plagued with unemployment; one out of five workers in Panama City and in Colon (terminal cities at either end of the canal) is out of work. The situation is aggravated by widespread under-employment due to generally low levels of labor training, technical know-how, and organization.

The interior regions contribute little to the country's economy. Agricultural production has remained stagnant, thanks in large part to lack of roads and to the concentration of arable land in the hands of a wealthy few who have permitted large tracts of potentially productive land to lie fallow. Farmers, mostly tenants relying on antiquated methods of cultivation and using primitive equipment, produce little more than is required for their own needs. The lack of roads discourages attempts to grow truck vegetables, fruit and other crops for domestic sale. Consequently, Panama has come to depend on expensive processed food imports, despite a natural potential for production of foodstuffs which could be consumed domestically and even exported.

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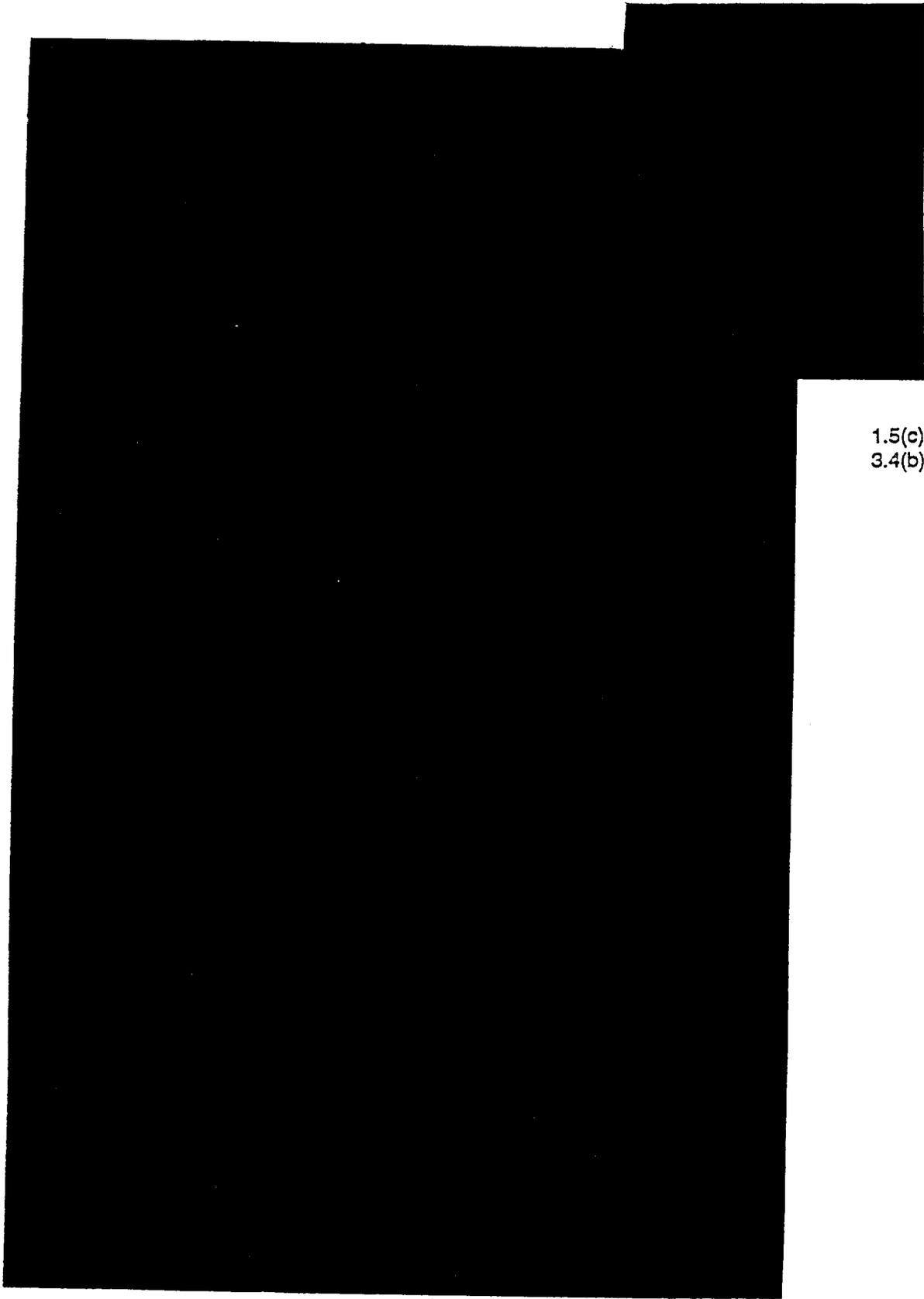
## PANAMA

Panama so far has been reluctant to participate in efforts to promote Central American integration or to join the Latin American Free Trade Association. This is due to the Panamanians' view that their country has unique problems and status arising out of the US presence in the Canal Zone; they are, thus, not bashful about approaching Washington for special economic privileges. Panamanian officials are also constantly soliciting support for their claims against the US, particularly among Latin American countries, although they usually follow the US lead in international affairs.

PANAMA

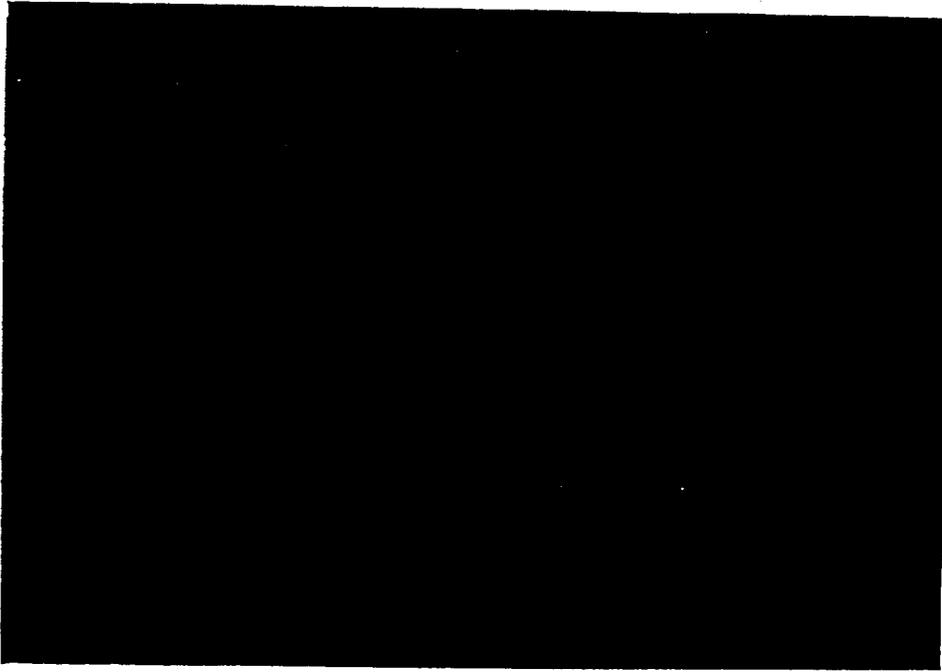
GOVERNMENT  
(Capital: Panama City)

President	Roberto CHIARI
First Vice President and Minister of Health, Labor and Social Welfare	Dr. Bernardo GONZALEZ RUIZ
Second Vice President and Director of Colon Free Zone	Jose Dominado BAZAN
Minister of Foreign Affairs	Galileo SOLIS
Minister of Agriculture, Commerce, and Industries	Felipe Juan ESCOBAR
Minister of Government and Justice and Acting Minis- ter of Finance	Marcos ROBLES
Minister of Education	Alfredo RAMIREZ
Minister of Public Works	Max DEL VALLE
Minister of the Presidency	Gonzalo TAPIA

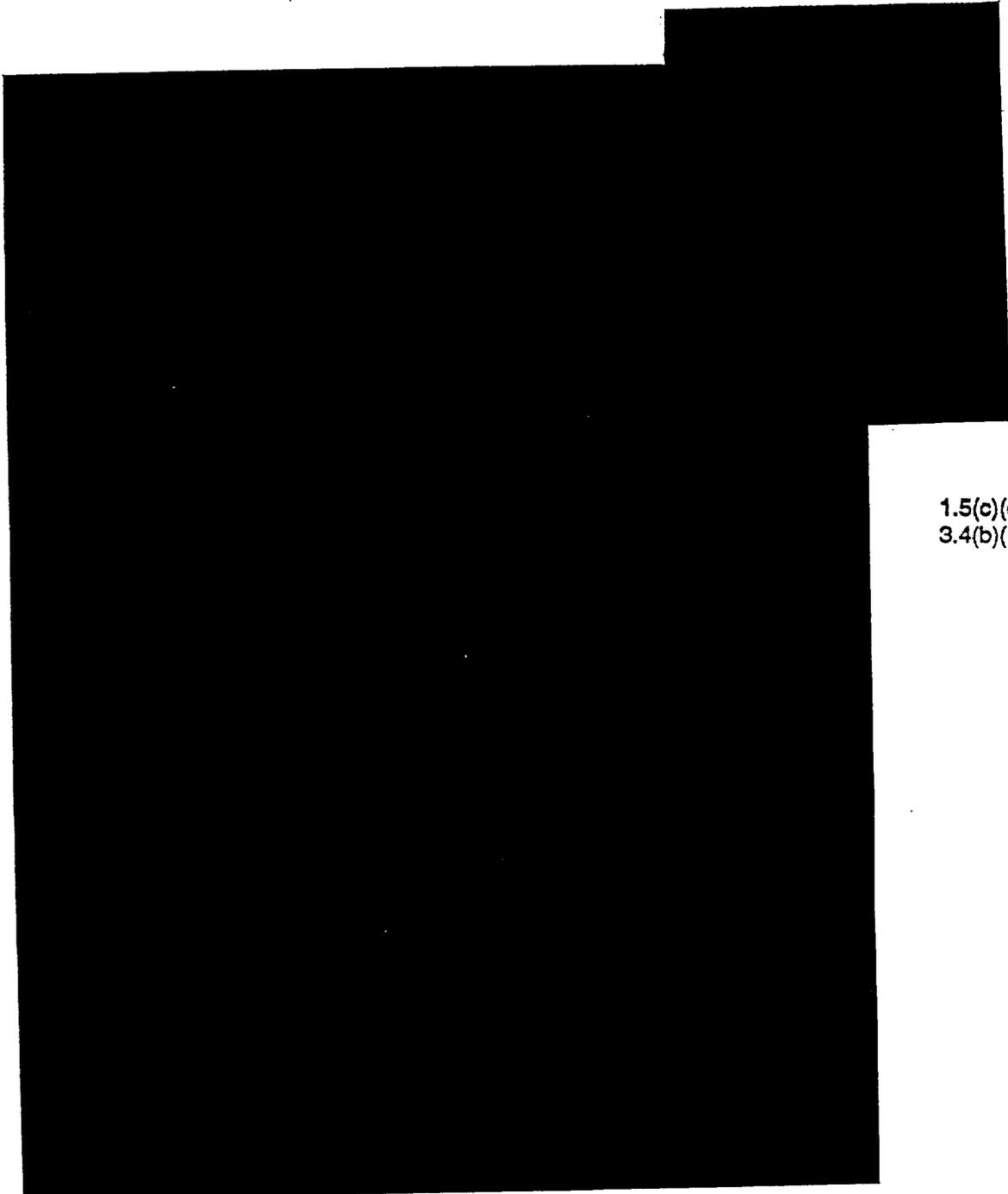


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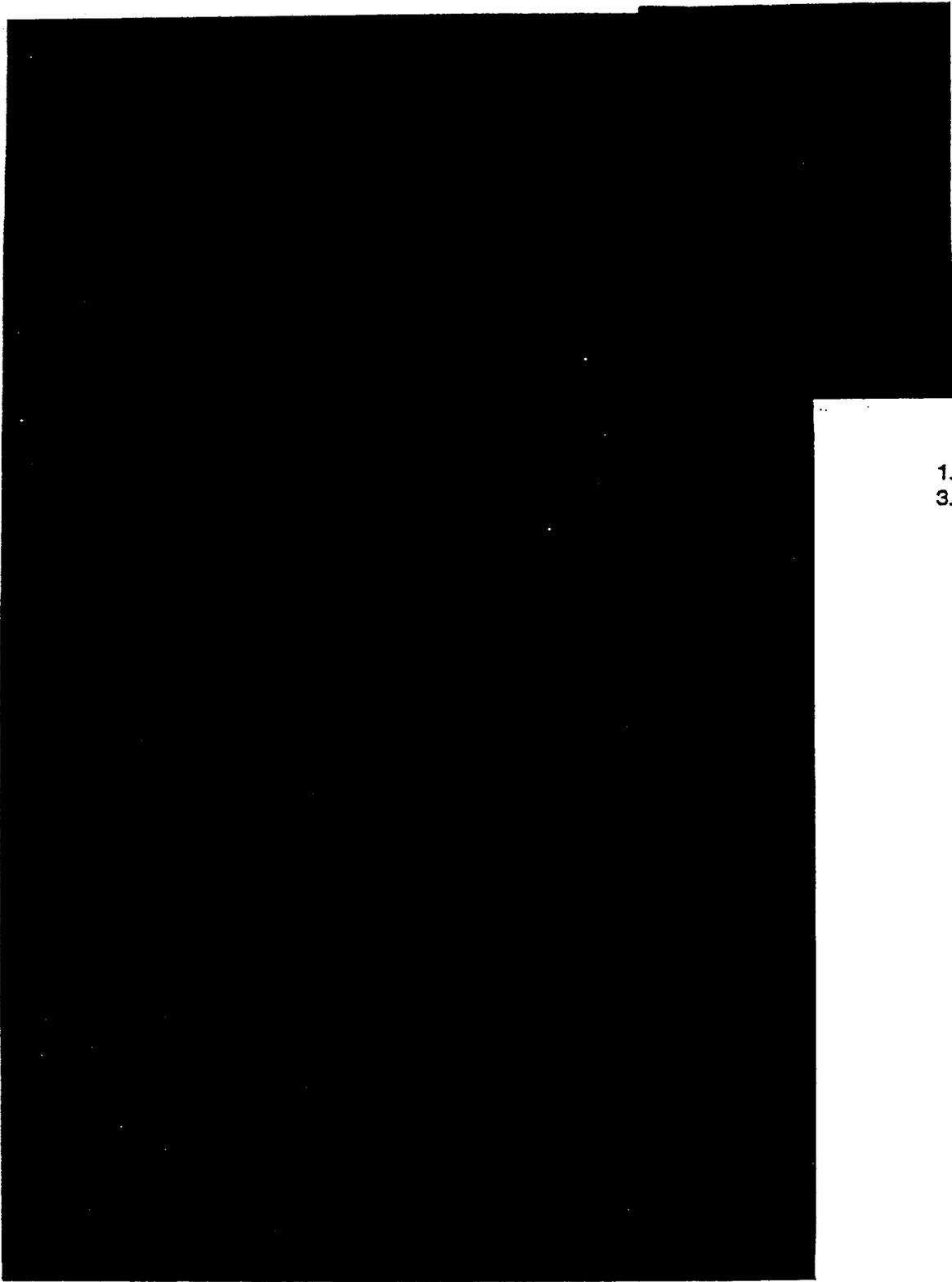


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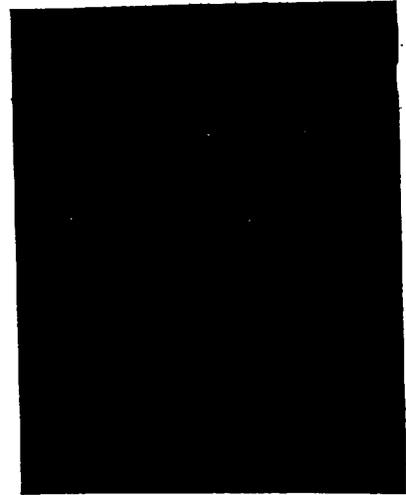
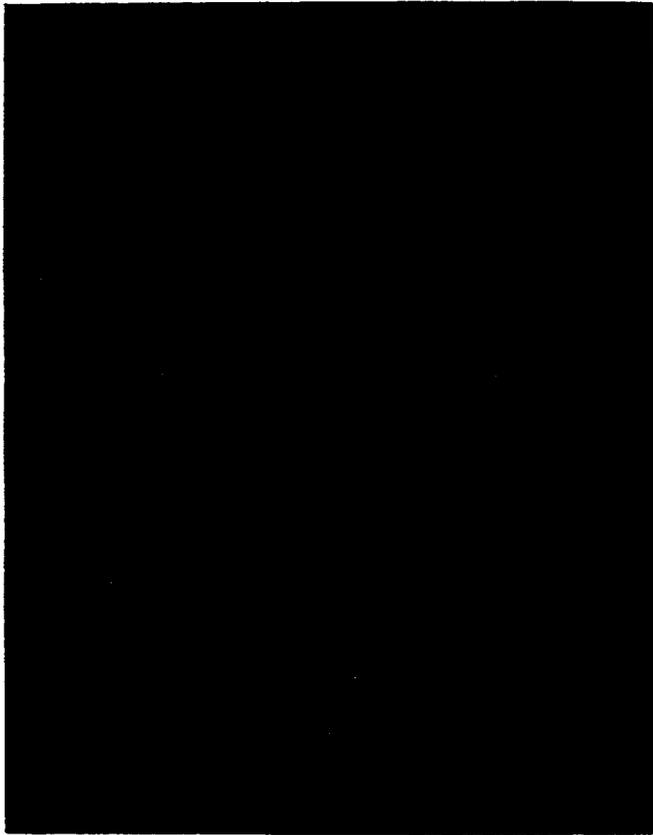


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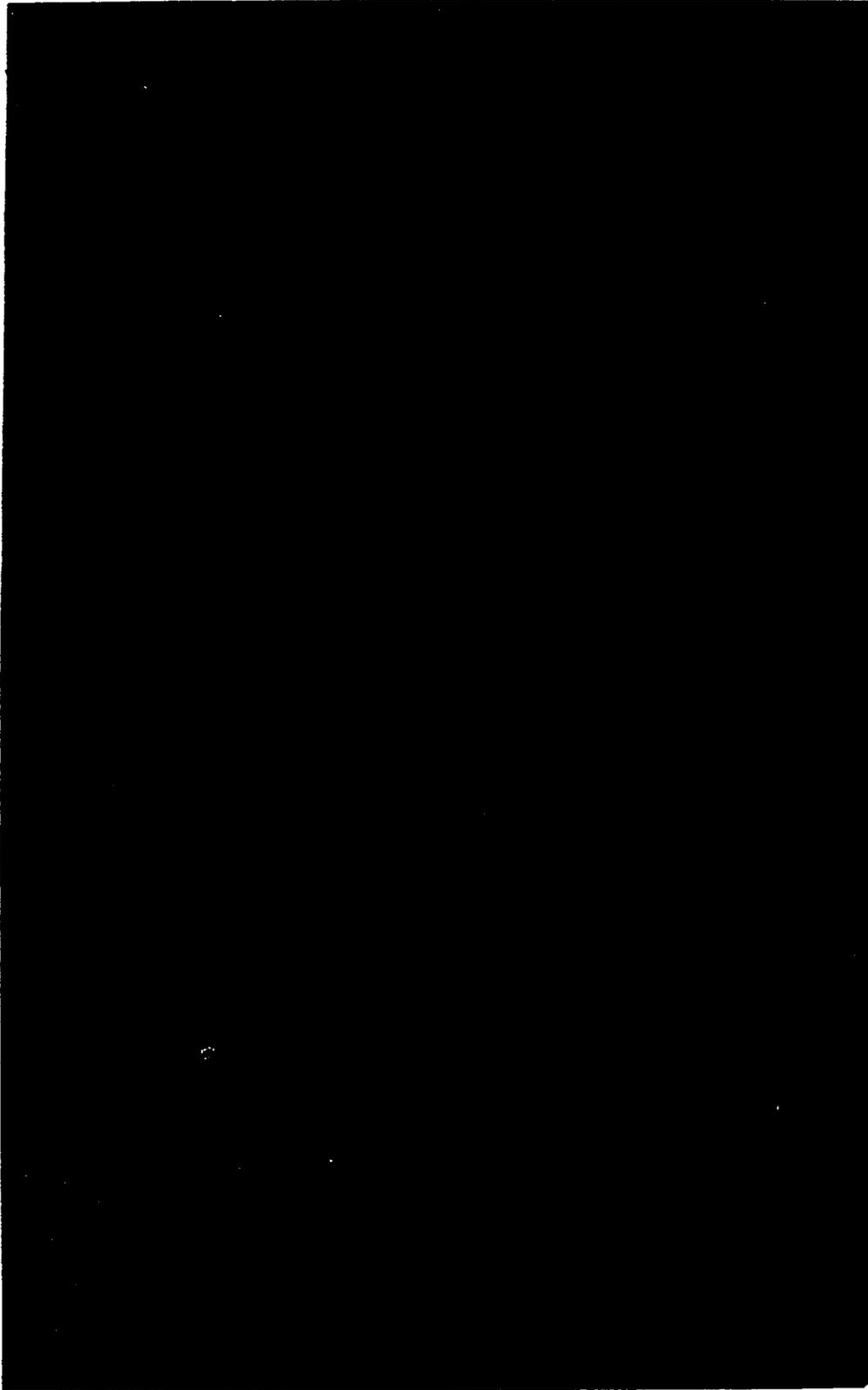
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