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SUGGESTED BASE FOR REMARKS BY FAITH WHITTLESEY

Early last summer Mr. Frates Seeligson visited me here at my White House office. He told me at that time about the desire of a group of interested citizens in Texas to help our country regarding the situation in Central America. file

Since then I have been briefed regularly by Dan Kuykendall and my associate, Morton Blackwell, who recently attended a meeting of the Gulf and Caribbean Foundation in San Antonio.

I wish to commend and thank this group of highly motivated citizens in Texas who have taken an idea and brought it to reality, an idea I consider very essential to the security of our Nation.



ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA

1615 H St., N.W. / Washington, D.C. 20062 (202) 463-5485 COCUSA Telex: RCA 248302

September 29, 1983

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John T. Plunket

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Chairman
The National Bipartisan Commission
on Central America
2201 C Street, N.W.
Washington, D.C. 20520

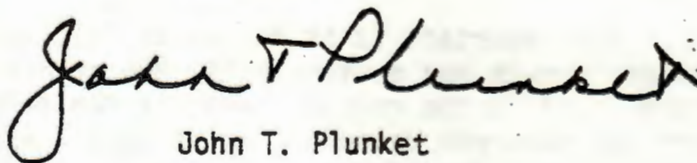
Dear Dr. Kissinger:

Enclosed are written responses to the questionnaire which you sent to me on September 1. They reflect input from representatives of the American Chambers of Commerce in the region with whom I met in Guatemala City on September 20.

Hopefully the insights of the businessmen who live and work in Central America will contribute to your Commission's goal of proposing long-term policies for promoting peace and prosperity and U.S. national interests in this troubled region. Should you have any additional questions please contact me through our secretariat in Washington.

On behalf of AACCLA I wish you much success in your important deliberations.

Sincerely,



John T. Plunket

Enclosure

cc: Presidents, American Chambers
of Commerce in Panama,
Nicaragua, Honduras, Guatemala,
El Salvador, and Costa Rica

AACCLA RESPONSE TO
QUESTIONS ON CENTRAL AMERICA

1. What do you conceive U.S. interests to be in Central America? Is the area important to our national security? How? Is it important to our economic interests? How so?

Answer:

The major U.S. stake in the Central American region is political. Outside of Panama, strategic interests are limited; U.S. foreign investment and exports are small, and products from the area are found in abundance elsewhere.

It is in the U.S. national interest to have the governments of Central America independent of communist control, moderate, and friendly. To achieve these policy goals, the United States must: 1) make the governments of the region understand that social reform and democratic political development ultimately provide the best defense against communism; 2) set achievable goals that realistically can meet and avoid the creation of rising expectations which can not be fulfilled; and, 3) change the thinking of those in the U.S. public and Western Europe who mistakenly believe that any change is better than maintaining the status quo, while failing to understand the political goals and consequences of communist and extreme leftist groups who seek power by force.

2. How important is it for the United States to help countries in the region eliminate hunger, malnutrition, illiteracy? What concrete measures should we take?

3. How important is it for us to help countries in the region with economic growth and development? How significant is economic development to future peace in the region? What is the appropriate U.S. role? What practical concrete measures can we take? Assistance to land reform? Rural cooperatives? Assistance in developing economic infrastructures? Intermediate credit institutions?

Answer:

Central America suffers from generations of poverty, social deprivation, and political instability. Such historical conditions have created outmoded and unresponsive societal and political institutions which have clashed with the rising expectations of the majority.

Exacerbating this festering situation since 1979 has been an economic crisis. Worldwide recession, reduced exports and falling prices, costly energy imports, high interest rates, inflation, loss of credit lines,

massive capital flight, and increased unemployment have created social tensions and political instability.

All of these conditions have proven to be fertile ground for the leftists to exploit. Preventing this from happening is not merely a matter of keeping Cuban expansionism contained and the Soviet Union at bay. Armed overthrow of friendly governments by Soviet-oriented and armed movements is certainly one way the United States could find itself surrounded by less than friendly regimes, but it is not the only way. In the absence of an effective U.S. response to the development challenge, democratic governments could fall victim to their own electorates' economic frustrations. Perceived failure of Western-style economic and political institutions to bring about progress or even survival could produce entirely home grown movements to give radical alternatives a try. Duly elected governments could come to power, however innocuous their ideology, that would reject U.S. leadership simply because they have concluded the United States is not a sincere or reliable friend in their time of need.

The U.S. government should organize a well-integrated, comprehensive bilateral and multilateral foreign assistance program. U.S. funding of international financial institutions--including the World Bank, the U.N. Development Program, the International Monetary Fund, and the Inter-American Development Bank--has been an effective and necessary part of U.S. assistance strategy.

From our experience as businessmen in Latin America we can state that no major development project will start without a certain degree of financing from the multilateral lending agencies. This has implications for the private as well as the public sector, both in the beneficiary country and in the United States. Large public infrastructure projects such as hydroelectric dams, road construction, and harbor development are often indispensable preconditions for the introduction of commercially viable industrial enterprises in an area. And U.S. manufacturers traditionally are major suppliers for such projects, particularly in the Western Hemisphere.

Moreover, the U.S. government has been a leader in recent years in getting the multilateral institutions to work directly with the private sector as a partner in the development process. Financing of private ventures and lending to private development finance companies for small loan repackaging are tools that have proven useful and should be expanded. The IDB is breaking important new ground in this area through a new facility designed to support medium-sized and smaller private enterprises through equity investment and working capital.

Bilateral assistance also is indispensable for many types of economic and social programs, including financing and technical assistance to private investment as well as infrastructure development.

The key concept is one of leverage. Development assistance policies must be designed in such a way that dedication of current resources serves to generate future resources.

First, engaging the private sector has to be at the center of the long-term development strategy. Economic take off can be expected to occur when numerous private sector transactions are spontaneously taking place within the developing society and between it and the industrialized world. For industrialized countries, the private sector is where the bulk of resources lie--the capital, technology, managerial experience, productive capacity, institutionalized relationships, and marketing networks.

In the developing countries, the role of the private sector is no less essential. In numerous countries the most urgent need is for jobs. Fuller employment, and employment with some promise of future and advancement, will not only generate individual income but a sounder foreign exchange posture.

Second, public sector programs can be developed so that they leverage greater amounts of private sector resources. A private sector development strategy does not leave development results to the random interaction of business forces. Public policy must actively shape the private sector environment by providing whatever incentives it can--trade concessions, tax concessions, investment incentives, and voluntary assistance programs. In order to strengthen the managerial, technical, and administrative capabilities of government bureaucrats, there must be bilateral and multilateral sponsored training programs.

At the same time, individual public assistance projects can be designed in light of the broader leveraging strategy. Programs addressing basic needs such as health and sanitation, or education, can be tied in with ultimately self-supporting activities such as organizing a farm cooperative or training prospective employees for labor and management positions in a newly attracted enterprise. Public programs, both from the donor country and host country, can directly fund campaigns to bring about desirable private sector responses--trade promotion, investment promotion, and start-up financing. Finally, infrastructure projects can both make possible, and be made possible by, the commercial undertakings to which they are related. An example would be an electric plant whose power capacity will attract industrial enterprises, and whose sales to the new enterprises will make possible the supplying of rural residential power as a public service.

Third, bilateral and other project-based aid programs should be structured to permit maximum flexibility to meet immediate human needs while leveraging new resources to meet future needs. While there is nothing improper about Congress indicating the particular needs it wants aid programs to adequately address, the categories should not be so rigid that the creative aid project is unable to find a statutory home. For instance, none of the specifically defined categories deal with basic economic development efforts outside rural areas; yet, in many instances, these represent what the country most needs. Examples might be concessional financing for small farmers and businessmen, supporting institutional development in networking institutions, or brokering a domino-string of business relationships between various types of producers, service

providers, and marketers--none of whom could have gotten a viable enterprise off the ground acting in isolation on their own initiative.

Among the agencies with which we in AACCLA deal in connection with developmental efforts affecting this hemisphere--AID, USTR, the IDB and other U.S. and multilateral institutions--we have found strong support and a growing trend in favor of this broad strategic approach. This is a trend that has been building for a number of years, and is not the product of any one administration. The Reagan Administration's receptiveness is exemplified, and will be given a good test case for practical performance, in the Caribbean Basin Initiative.

4. How significant is the international financial crisis for Central America? Ought the United States make proposals for special institutional arrangements to manage the financial difficulties of the Central American countries? Should the IMF and/or World Bank undertake emergency programs?

Answer:

Central America has felt the international crisis more so since 1980 because of the cut-off of traditional private credit and the flight of venture capital. Until a sense of confidence is restored and credit is returned, the area will depend very heavily upon multilateral finance institutions such as the IMF, World Bank, and IDB.

With the traditional commercial lines of credit now unavailable, it is imperative that there be both bilateral and multilateral balance-of-payment type programs for both business and government. Examples of the kinds of programs that are required if the private sector is to survive include: a \$350 million CBI supplemental last year which provided much needed hard currency to the region's private sector for importing raw materials and spare parts and a \$50 million IDB program for the private sector in El Salvador which also proved indispensable for allowing similar purchases.

In addition, Eximbank should expand its guarantee and insurance facilities to re-establish trade finance lines. It is my understanding that the administration recently proposed to Congress that there be such a program for Brazil and Mexico for \$1.5 billion and \$500 million respectively. An extension of the proposal for Central America would be extremely beneficial.

The Administration should consider the mixing of Eximbank and AID funds (i.e. mixed credits) as well as AID and private funds (i.e. co-financing). A mixed financing program is attractive in this current economic and political climate because it stimulates job-creating exports at a time of high unemployment, offers U.S. business a weapon against the predatory practices of foreign governments, may help to reduce a widening U.S. trade deficit, can multiply funds for development purposes at a time when the foreign aid budget is under severe constraint, and expands credit available to financially strapped developing nations, thereby helping to

reduce the risks that sovereign defaults could pose to the international financial system.

5.- How important is it that democratic governments be established in the countries of Central America? Is democracy a precondition to peace and security in the region? If so, what can the U.S. do to help further the process?

Answer:

Democracy is, of course, desirable in any country. However, it is important to recognize and accept the fact that most of the people of Central America have never known democracy. They have never governed themselves, and the concept of self-government is virtually unknown. They are apolitical. They are not greatly concerned about who is running the country so long as their own economic situation is improving. Peace and security can not await the evolutionary development of a culture which understands the concepts, complexities, and responsibilities of democratic government. To make democracy a precondition to anything would be self-defeating.

6. What can the U.S. do to foster the establishment of free and democratic non-governmental institutions and organizations in the region?

Answer:

To the extent that business and labor can be made independent of government control, democracy will be promoted in Central America. At the same time, there is need for the development of a greater sense of social responsibility on the part of both business and labor in Latin America. This is a delicate subject and can best be addressed not by the U.S. government, but by American business organizations and labor unions working with their opposite numbers in the Central American countries. The role of the U.S. government should be to encourage and assist these contacts.

President Reagan's speech to the British Parliament last year is especially applicable to Central America. The Soviet Union and its surrogates are engaged in a well-funded global campaign to weaken the democratic institutions of our friends and allies and drive a wedge between them and the United States. Likewise, we need to confront with viable democratic alternative those regimes which have embarked on political and social experiments of state control and authoritarianism.

AACCLA, therefore, endorses the President's commitment to promote democracy abroad. The work ahead is long-range and challenging. The objectives transcend partisan politics; and inter-agency cooperation (i.e. State, AID, USIA, Labor, and Defense) and coordination are an essential prerequisite to success.

Presently, we are hopeful that Congress will soon pass legislation to create a National Endowment for Democracy. From the funding will be some

\$2.5 million for a Center for International Private Enterprise which will be affiliated with the U.S. Chamber of Commerce.

7.- Is it important for the U.S. to support more educational and cultural exchange with countries of the region? If so, how?

Answer:

It is important to support more educational and cultural exchange with the Central American countries, but some thought should be given to the sort of activities which are most productive. Visiting symphony orchestras or concert groups, traveling art exhibits and the like, are useful in confirming the standing of the United States as the leading nation in the field of fine arts, but they ordinarily reach only a small segment of the population--a segment which is already aware of the U.S. standing in this area. The primary effort should be to find ways in which U.S. efforts can reach and be appreciated by people whose only cultural or educational contact with the United States has been in seeing U.S. movies.

Scholarships are an excellent example of a way in which the United States can help the Central American countries and at the same time help itself. However, they must necessarily assume a certain level of education on the part of the recipient and are, per se, unavailable to the mass of the population.

The United States should actively seek to develop programs which will assist and be of interest to the lower income groups. There is a critical shortage of schools and teachers in almost all of the Central American countries. The Cubans have provided a large number of teachers to Nicaragua. It can safely be assumed that what they are teaching Nicaraguan children is not in the best interests of the United States. However, the United States has done little or nothing to fill this need in the countries in which Americans are still welcome.

8. Should the United States consider the establishment in Central America of totalitarian governments tied to the Soviet Union as a security threat? Or doesn't it matter much? Should all Marxist-Leninist governments be considered tied to the Soviet Union? If not, where is the dividing line?

Answer:

If the Soviet Union constitutes a security threat to the United States, then any totalitarian nation located near the United States and tied to the Soviet Union is a security threat. One has only to read the literature of the FSLN of Nicaragua, FMLN of El Salvador, and similar national liberation fronts in Honduras and Guatemala to understand their ideology and foreign polity objectives. These fronts have been formed in Cuba, and their stated goals are inimical to U.S. national security interests.

For those genuinely democratic groups in the Salvadoran, Guatemalan and Honduran fronts, I suggest they consider what happened to their counterparts after the Nicaraguan and Cuban revolutions. As the head of the Cuban Interest Section in Washington told us at a dinner we hosted for him, "Cuba has had a consistent foreign policy of supporting wars of liberation. We don't start them, but we support them when requested." He was quite proud of the consistency of their foreign policy and unequivocal in maintaining it.

9. What can be done to prevent indigenous revolutionary movements in the region from coming under the control of Marxist-Leninists?

Answer:

If there are indigenous revolutionary movements, it will be very difficult, if not impossible, to prevent Marxists-Leninists from gaining control of them. They have had a great deal of training and experience at this, and they do it very well.

However, it is not necessarily inevitable that such movements come into existence. Outside of Central America relatively few Latin American governments have been seriously troubled by indigenous revolutionary movements in recent years. The ways of avoiding them vary greatly. Mexican tactics of co-opting any leader who presents the possibility of such a development are not particularly admirable, but they are better than civil war.

If relative prosperity and a non-oppressive, reasonably honest government can be achieved, the reason for and certainly most popular support for such movements would cease to exist.

10. Do you believe the national independence and self determination of countries in Central American are threatened by Soviet/Cuban support for guerrilla wars?

Answer:

Yes.

11. What are the Soviet interests and designs in the region? How important do you think it is to the Soviets to prevent the defeat of the Salvadoran insurgents? And what means are appropriate?

Answer:

Soviet designs in the region are presumably to embarrass and worry the United States and to improve their own strategic position by gaining allies near the United States.

The value to the Soviets of their present relations with Cuba are self-evident. To the extent that they can acquire effective influence in

nations near the United States they can increase that value proportionately without fighting or even spending substantial sums of money for it.

It may not be tremendously important for the Soviets to prevent the defeat of the Salvadoran insurgents. If these people should be defeated, the Soviet-Cuban support could be transferred to Guatemala or Honduras. There are actual or potential insurgent groups in these countries which could be taken over or activated on relatively short notice with a minimum of expense and a sizable amount of work by agents who are in place. We can be sure that the defeat of the Salvadoran insurgents would not be the end of Soviet-Cuban activities in Central America.

Resolution of the conflict in El Salvador, however, will have significant repercussions in the rest of Central America. Consolidation of international and U.S. domestic support for the elections and defeat of the leftists would counteract further drift to the left in Nicaragua and calm leftist agitation in Guatemala and Honduras. To a lesser degree, Costa Rica would benefit from restoration of stability in the region and revitalization of the Central American Common Market could begin to take place.

12. Is it appropriate for the United States to provide military assistance to governments whose opponents are receiving military assistance from the Soviet bloc?

13. Are there any circumstances under which the United States should use military force in Central America? What are these circumstances?

Answer:

If a country is seriously threatened by another country which is receiving Soviet military assistance, then certainly there is no reason why the United States should not provide military assistance to the country which is threatened so that it may defend itself. There may even be cases in which the United States would be justified in using its own military force in accordance with the terms of the Rio Treaty.

However, there are non-military pressures which can be brought to bear. The foreign trade of the Central American countries has always been with the United States. The United States has provided their capital for development, both as loans and as direct investment, and their tourists have come from the United States.

The difficult situation in which the government of Nicaragua finds itself may be more the result of economic pressures than of the military activities of the Contras and Pastora forces. The Soviets are apparently not providing the Nicaraguans with the massive subsidies which the Cubans have always received. As a consequence, the Nicaraguans have not felt entitled to act as independently as the Cubans did in the early days of their revolution.

There has not been wholesale confiscation of foreign-owned assets in Nicaragua, and many foreign-owned companies continue to operate there. The Nicaraguan government has agreed to arbitrate the question of compensation for the two large mines which were seized within a few days after the Sandinistas gained power. The Nicaraguans are very much aware of the fact that confiscation of such assets without compensation could give rise to litigation which would be the basis for the seizure of Nicaraguan exports in U.S. or European ports; and, since they are apparently still heavily dependent on such exports and on trade with the United States and Western Europe, they are treading very cautiously.

One wonders if the United States has taken full advantage of this situation. Certainly a great deal of pressure could be exerted on Nicaragua--or any other Central American country--through trade and financial channels. Such pressures, especially if skillfully applied, are not so subject to criticism as are military activities.

14. Should arms aid to El Salvador be conditioned on progress on human rights? Do you accept the notion that in the event there was no progress on human rights we should terminate military assistance?

Answer:

Human rights are like democracy. They are highly desirable, and the United States should actively promote the concept of human rights. However, it is necessary to be realistic. Terminating military assistance to a government with an imperfect human rights record does not mean that record will improve. Furthermore, the fact that a government may not be able to control completely its own military and police forces in their treatment of the civilian population does not necessarily mean that government is unmindful of human rights.

The United States must stress in its military training the civic and moral responsibilities of the armed forces, and there must be efforts to strengthen the judicial system.

15. What role should our European allies play with regard to the region? Japan?

Answer:

Though Japan has not played a significant role in the region, our European allies have been very involved. In particular, the Socialist International has been an active supporter of the Sandanistas and the FDR..

The United States should work hard to convince European party leaders to play a more constructive role in solving both the political and economic problems. Clearly, the impact of international public opinion continues to influence U.S. Congressional and public opinion as well as the various factions in the region.

16. What of the Latin Americans? How useful a role can groups such as the Contadora Group play in the search for peace? For development? What about the OAS?

Answer:

It is highly desirable to encourage the other Latin American nations to take an interest in the search for peace in Latin America. To the extent that the other nations--particularly those with close geographic proximity--can appreciate the significance of a successful political solution to the region's problems to their own national security, it will be easier for the United States to play a constructive role.

There is a distinct advantage for the United States to have a multilateral approach versus a unilateral one. Even though building peace on a regional basis is complex, the efforts of the Contadora Group should be encouraged along with Ambassador Stone's work to bring the protagonists together.

The OAS in particular has an important role to complete in view of promises made by the Sandanistas to the Seventeenth Meeting of Consultation of the Foreign Ministers of the OAS on June 23, 1979. The OAS has the right and obligation to hold the Sandanistas accountable regarding their as yet unfulfilled promises.

17. What multilateral institutional arrangements can promote economic advancement and social and economic progress in Central America?

Answer:

Answered in questions #2 and #3.

18. How effective do you find American policymaking machinery as it bears on Central America today? What is the appropriate role of the President? The Congress? The State Department? The National Security Council? The Defense Department? The Foreign Service? The Armed Services?

19. What are the possibilities for building a public consensus for policy in Central America?

20. What other practical, concrete efforts can and should the United States undertake to enhance an evolution of Central America compatible with democracy and the security of the hemisphere?

Answer:

Until the President's April 27 speech to the Joint Session of Congress, the Administration's Central American policy was defensive. There was almost no organized effort to establish Congressional support at both the member and staff levels.

In addition, there was no public diplomacy program to build constituencies for the policy within the mainstream of domestic political opinion. Without this type of broad-based initiative, the implementation of U.S. policy toward the region will be difficult in view of the grassroots organization and dedication of special interest groups that currently oppose Administration policies.

Though Central America has attracted considerable attention at home and abroad, what has been happening there has more often than not been described in overly simplistic terms. The misconceptions, misinformation and misunderstanding which characterized U.S. perceptions of the current situation in Central America should neither be ignored nor tolerated.

The complex situation in the region has been enormously aggravated by the relentless propaganda of liberal and leftist interest groups (e.g. Washington Office on Latin America, Council on Hemispheric Affairs, Center for International Policy, North American Congress on Latin America, Institute for Policy Studies, and Committee in Solidarity with the People of El Salvador) in the United States. The material disseminated by these groups is normally predicated on some factual foundation used as a basis to draw unwarranted and subjective conclusions which are presented as irrefutable truth. If the rationale of these groups is that the end justifies the means, it would be appropriate to examine their motivations and the nature of the "end" they envision.

Understanding events in this troubled area is further confused by the penchant of many media correspondents and editors to editorialize stories and their predilection for dramatic reporting. Unfortunately, since only the largest newspapers have Latin America bureaus (e.g. The Washington Post and The New York Times), their stories are picked up and republished by newspapers from Seattle to Mobile.

The Administration only recently has undertaken the formidable task of public diplomacy. Compared with last year at this time, there is a greater understanding of events in the region and an increased willingness to support White House foreign policy initiatives on a bipartisan basis. Notwithstanding, much more needs to be done and the findings and recommendations of the Kissinger Commission should provide a basis on which to forge a realistic, long-term strategy toward Central America, which is responsive to regional conditions, sustainable by the American public, and adequate to the political, economic and security requirements of this nation.

CHAIRMAN
DR. HENRY A. KISSINGER

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ON CENTRAL AMERICA

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REP. JAMES C. WRIGHT

September 1, 1983

Mr. John P. Plunket, President
Association of American Chambers of
Commerce in Latin America
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062

Dear Mr. Plunket:

The National Bipartisan Commission on Central America has just completed its second series of meetings. We are going to make a diligent effort to finish the work of the Commission on Central America by the end of the year. This implies a heavy work schedule. The Commission will be meeting in Washington and make one or more visits to the region. Following this, the Commission will have to buckle down to writing the report.

The Commission is emphatic that it will not insinuate itself into the diplomatic apparatus of the government. We will not attempt to manage the day-to-day activities of the United States in Central America. We are not in the business of negotiation. Our goals are to articulate policy guidelines for the longer term, based on a definition of this nation's interest in Central America and its future. We will seek to do so within the framework of partnership and cooperation and democratic evolution.

Can you give us a hand? We would very much like to have your insights as early in our tight schedule as possible. Attached is a list of issues we hope the Commission can address. Even a few brief written comments on one or all of them would be helpful -- or on any other aspect of the Commission's mandate.

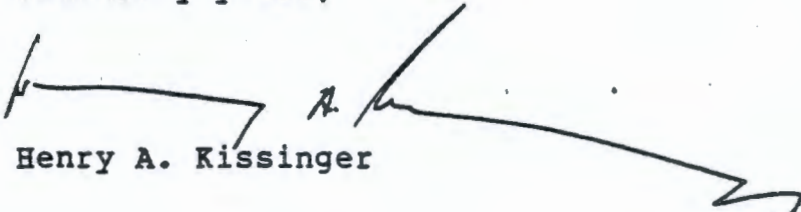
These questions are not, of course, intended to preclude your giving us your thoughts on other aspects of the Commission's mandate, which we may have neglected to include..

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We should add that we do not feel that we should focus narrowly on the five countries of what is technically called Central America. The United States has special historic relationships with both Mexico and Panama. They are important members of the Contadora group, thus influencing and being influenced by what happens in the Isthmus. Furthermore, there are common dimensions -- as well, of course, as distinct differences -- between Panama and Mexico on the one hand, and the five on the other. For these reasons, do not limit your responses to the five nations of Central America itself, but consider, to the extent the issues are common, the larger framework.

We are deeply grateful for your help. Can we have your views by September 30? I apologize for the tight deadline but we are under time constraints not of our own making.

Sincerely yours,



Henry A. Kissinger

Attachment: Questions on Central America

QUESTIONS ON CENTRAL AMERICA

1. What do you conceive U.S. interests to be in Central America? Is the area important to our national security? How? Is it important to our economic interests? How so?
2. How important is it for the United States to help countries in the region eliminate hunger, malnutrition, illiteracy? What concrete measures should we take?
3. How important is it for us to help countries in the region with economic growth and development? How significant is economic development to future peace in the region? What is the appropriate U.S. role? What practical concrete measures can we take? Assistance to land reform? Rural cooperatives? Assistance in developing economic infrastructures? Intermediate credit institutions?
4. How significant is the international financial crisis for Central America? Ought the United States make proposals for special institutional arrangements to manage the financial difficulties of the Central American countries? Should the IMF and/or the World Bank undertake emergency programs?
5. How important is it that democratic governments be established in the countries of Central America? Is democracy a precondition to peace and security in the region? If so, what can the U.S. do to help further the process?
6. What can the U.S. do to foster the establishment of free and democratic non-governmental institutions and organizations in the region?
7. Is it important for the U.S. to support more educational and cultural exchange with countries of the region. If so, how?
8. Should the United States consider the establishment in Central America of totalitarian governments tied to the Soviet Union as a security threat? Or doesn't it matter much? Should all Marxist-Leninist governments be considered tied to the Soviet Union? If not, where is the dividing line?
9. What can be done to prevent indigenous revolutionary movements in the region from coming under the control of Marxist-Leninists?
10. Do you believe the national independence and self determination of countries in Central America are threatened by Soviet/Cuban support for guerrilla wars?

QUESTIONS ON CENTRAL AMERICA (Continued)

11. What are the Soviet interests and designs in the region? How important do you think it is to the Soviets to prevent the defeat of the Salvadoran insurgents? And what means are appropriate?

12. Is it appropriate for the United States to provide military assistance to governments whose opponents are receiving military assistance from the Soviet bloc?

13. Are there any circumstances under which the U.S. should use military force in Central America? What are these circumstances?

14. Should arms aid to El Salvador be conditioned on progress on human rights? Do you accept the notion that in the event there was no progress on human rights we should terminate military assistance?

15. What role should our European allies play with regard to the region? Japan?

16. What of the Latin Americans? How useful a role can groups such as the Contadora Group play in the search for peace? For development? What about the OAS?

17. What multilateral institutional arrangements can promote economic advance and social and economic progress in Central America?

18. How effective do you find American policymaking machinery as it bears on Central America today? What is the appropriate role of the President? The Congress? The State Department? The National Security Council? The Defense Department? The Foreign Service? The Armed Services?

19. What are the possibilities for building a public consensus for policy in Central America?

20. What other practical, concrete efforts can and should the United States undertake to enhance an evolution of Central America compatible with democracy and the security of the hemisphere?

THE WHITE HOUSE

WASHINGTON

September 28, 1983

MEMORANDUM FOR FAITH RYAN WHITTLESEY

FROM: RIGGS 

In the event you did not earlier have an opportunity to review the brochure outlining the symposium on Central America which I am attending on Friday, September 30, 1983, I am enclosing a copy with the memorandum.

I was informed by Ed Kelly of MEBA II that he intends to publish in their union newspaper as much as possible of the contents of the White House Digests. (I had forwarded a copy to him not only of the Digest dealing with the labor movement in Nicaragua, but a copy of all the Digests that had been prepared.)

I have received comments from other union officials on the White House Digest. Other than the response of the union official from Iowa, the other comments are similar to those reflected in the attached letters from Messrs. Carlough and Locigno. In Florida, I will undoubtedly hear additional comments. With a methodical and low profile approach, I believe unions can be encouraged to take a more aggressive and visible role in articulating the communist threat to Central America.

**American Institute for
Free Labor Development (AFL-CIO)**

The American Institute for Free Labor Development was founded by the AFL-CIO in the 1960's. AIFLD's purpose is to assist in the development of free and democratic trade unions in the countries of Latin America and the Caribbean. The Institute does not operate in a country without the invitation of that nation's trade union center. A variety of training and educational programs are conducted that teach subjects such as collective bargaining, labor law and economics. In addition, AIFLD assists in instituting various development programs such as irrigation projects, clinics, and services to agricultural unions.

William C. Doherty, Jr.
Executive Director
(202) 659-6300

• • •

**Georgetown University
International Labor Program**

The main focus of the International Labor Program (ILP) is sponsoring educational programs for trade unionists, journalists and academics from the United States on labor and international affairs. The ILP also provides international affairs specialists from the U.S. and abroad with opportunities to obtain greater insight into labor's interests and activities in foreign affairs.

The ILP cooperates with a large number of trade union organizations including the AFL-CIO Departments of Education and International Affairs. The ILP is sponsored by Georgetown University's School for Summer and Continuing Education and School of Foreign Service.

Roy Godson
Director
(202) 333-1342

**The Labor Desk of the
United States Youth Council**

The Labor Desk was founded to provide younger trade union leadership the opportunity to become involved in international educational activities. It is a program of the U.S. Youth Council, Inc. Since its founding, the Labor Desk has worked closely with the American labor movement in developing educational programs. The Labor Desk has an Advisory Committee composed of prominent officials from international unions, the AFL-CIO and labor related organizations. This body sets general policy and program direction. The Labor Desk conducts seminars on contemporary world affairs issues and organizes exchanges between younger American trade union leaders and their counterparts in other countries. The Labor Desk also cooperates closely with a number of educational institutions including the Georgetown University International Labor Program.

Larry Specht
Director
(202) 289-4138

• • •

Social Democrats, USA

Social Democrats, USA, an affiliate of the Socialist International, is a democratic political movement dedicated to the establishment and growth of democracy throughout the world.

Social Democrats are unalterably opposed to all forms of totalitarian government. A close working relationship is maintained with the American labor movement, for SDUSA believes that free and democratic unions are one of the most effective guarantees of democracy for all working people.

Rita Freedman
Executive Director
(212) 255-1390

**THREATS
TO
DEMOCRACY
IN
CENTRAL
AMERICA**

*Prominent Central American and United States
Trade Union and Social Democratic
Leaders and Academic
Specialists analyze one of the major
problems of our time*

Friday, September 30, 1983

Sponsored By:

**American Institute for Free
Labor Development (AFL-CIO)**

•

**Georgetown University
International Labor Program**

•

Labor Desk of the U.S. Youth Council

•

Social Democrats, USA

*Cafe Cristal Room
Diplomat Hotel
Hollywood, Florida*

THREATS TO DEMOCRACY IN CENTRAL AMERICA

With the participation of ...
(Partial Listing)

GUILLERMO SANDOVAL AGUILAR, Esq.
(Costa Rica)
Minister of Labor

JUAN FRANCISCO ALFARO (Guatemala)
Member, Executive Board
Unified Confederation of Workers

VICTOR ARTILES (Honduras)
General Secretary
Confederation of Honduran Workers

IRVING BROWN (U.S.A.)
Director
Department of International Affairs, AFL-CIO

SALVADOR CARAZO (El Salvador)
General Secretary
Construction, Transportation and Allied
Workers Union

NILS CASTRO (Panama)
Assistant to the President of the
Republic for International Affairs

TULIO CUEVAS
General Secretary
Inter-American Regional Organization of
Workers, International Confederation of
Free Trade Unions

WILLIAM C. DOHERTY, Jr. (U.S.A.)
Executive Director
American Institute for Free Labor
Development, (AFL-CIO)

JOSE ESPINOSA (Nicaragua)
Secretary for Political Affairs
Unified Confederation of Unions

JUAN ALBERTO FUENTES (Guatemala)
Secretary for International Relations
Social Democratic Party of Guatemala

PROGRAM

8:30 a.m.	Registration
9:00 a.m.	Welcome and Introduction
9:15 a.m.	<u>Democracy their Target:</u> <u>Threats From the</u> <u>Political Extremes</u>
12:30 p.m.	Lunch: (Les Ambassadeurs Room)
2:30 p.m.	<u>Democracy at Risk:</u> <u>Economic and Social</u> <u>Threats</u>
4:15 p.m.	Where Do We Go From Here? — A Discussion of Future Action
6:00 p.m.	Adjournment

THOMAS W. GLEASON (U.S.A.)
President
International Longshoreman's Association,
AFL-CIO
Chairman
International Affairs Committee, AFL-CIO

DR. ROY GODSON (U.S.A.)
Director
Georgetown University International
Labor Program

JOSE ESTEBAN GONZALES (Nicaragua)
Founder
Nicaraguan Human Rights Commission

ALVIN GUTHRIE (Nicaragua)
General Secretary
Unified Confederation of Unions

SAMUEL MALDONADO (El Salvador)
Secretary of Organization
Salvadorean Peasants Union

BRUCE McCOLM (U.S.A.)
Director
Caribbean Basin Project
Freedom House

DANIEL J. MILLER (U.S.A.)
President
Florida State AFL-CIO

RICARDO MONTERREY (Panama)
General Secretary
Confederation of Workers

JORGE LOUIS VILLANUEVO PADILLA, Esq.
(Costa Rica)
President
National Assembly

MANUEL PENALVER (Venezuela)
General Secretary
Democratic Action Party

BAYARD RUSTIN (U.S.A.)
Chairman
Social Democrats, USA

R. LARRY SPECHT (U.S.A.)
Director
Labor Desk of the
U.S. Youth Council

RAPPOREUR:
Dr. William Douglas
Associate Director
Georgetown University
International Labor Program

IOWA



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September 23, 1983

Douglas A. Riggs
Associate Director for the
Office of Public Liaison
The White House
Washington, D. C. 20006

Dear Mr. Riggs,

I am in receipt of your mailing of September 15, 1983,
dealing with the suppression of the free trade labor move-
ment in Nicaragua by the Sandinista Government.

I would be interested in receiving any information
that you have dealing with the suppression of the free
trade labor movement in the United States. Specifically
I am interested in any information or papers you may have
that deal with PATCO.

I am looking forward to your response.

Cordially,

Mark L. Smith
Secretary-Treasurer

MLS:smb
opeiu37aflcio



Edward J. Carlough
General President

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20006
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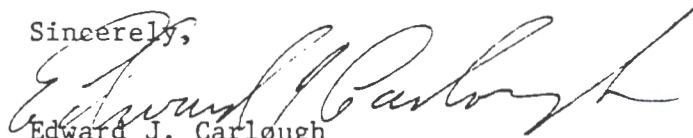
September 21, 1983

Douglas A. Riggs, Associate
Director for the Office
of Public Liaison
The White House
Washington, D.C.

Dear Doug:

Thank you for your thoughtfulness in sending me the September 15 White House paper on the suppression of the free trade labor movement in Nicaragua by the Sandinista Government.

Sincerely,

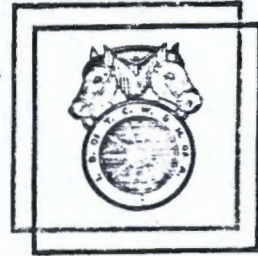

Edward J. Carlough
General President

EJC/med

CHAUFFEURS • WAREHOUSEMEN & HELPERS
OF AMERICA

25 LOUISIANA AVENUE, N.W. • WASHINGTON, D.C. 20001

OFFICE OF
GOVERNMENTAL AFFAIRS
• PAUL R. LOCIGNO •
DIRECTOR



September 22, 1983

Mr. Douglas A. Riggs
Associate Director for the Office
of Public Liaison
The White House
Washington, D. C. 20500

Dear Doug:

I would like to thank you for your letter of September 16, 1983, in which you enclosed a paper on the suppression of the free trade labor movement in Nicaragua by the Sandinista Government. I found it both informative and interesting.

I would greatly appreciate you forwarding to me any further materials you receive concerning matters on organized labor you feel would be of interest to me.

In the near future, I would like to discuss the above mentioned matter with you when your schedule permits.

Sincerely,

Paul R. Locigno
Director
Governmental Affairs

PRL:do



American Institute for Free Labor Development

1015 Twentieth Street, N.W., Washington, D.C. 20036 • (202) 659-6300

Cable Address: FREELAB

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September 22, 1983

Dr. Henry A. Kissinger
Chairman
The National Bipartisan Commission
on Central America
2201 C Street, N.W. - Room 1004
Washington, D.C. 20520

Dear Dr. Kissinger:

In response to your request at the conclusion of the AFL-CIO/AIFLD presentation of September 8, 1983, attached is an expansion of our proposal that a "U.S. Central American Fund for Economic and Social Development" be created and that the Fund be supervised by special U.S. and host country multi-sector commissions set up for that purpose.

Thank you again for the opportunity to present our views to the Commission.

Sincerely,

William C. Doherty, Jr.
Executive Director

cc:

Members of the National Bipartisan Commission on Central America:

Mr. Nicholas F. Brady
Mayor Henry G. Cisneros
Gov. William P. Clements, Jr.
Dr. Carlos F. Diaz-Alejandro
Mr. Wilson S. Johnson
Mr. Lane Kirkland

Mr. Richard M. Scammon
Dr. John Silber
Justice Potter Stewart
Amb. Robert S. Strauss
Dr. William B. Walsh
Amb. Harry W. Shlaudeman
Executive Director

**U.S. CENTRAL AMERICAN FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT:
A PROPOSAL**

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U.S. CENTRAL AMERICAN FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT: A PROPOSAL

"What kind of effort does Central America merit? It merits an effort of Marshall Plan proportions. I do not make this comparison lightly".

Senator Henry M. Jackson, in calling for creation of a National Bipartisan Commission for Central America

Introduction

Until the end of this century, Central America should be viewed from the perspective of U.S. foreign policy as an area where there will inevitably be conflictive and volatile change as long-standing political, social and economic problems are addressed. It will be a region of transition, where constructive solutions to these problems must be found while more democratic and stable societies are encouraged to emerge. A key task will be to support and sustain the development of popular centrist groups who are dedicated to the formation of open democratic societies and opposed to totalitarian solutions of either the extreme right or extreme left. We propose that a U.S. Central American Fund for Economic and Social Development of \$7.5 billion should be authorized and appropriated by the Congress for one five-year period to provide both grants and concessional loans, with repayments from the latter to form a rotating fund for ongoing development. The Fund should be supervised by new multi-sector commissions in both the U.S. and the Central American nations, composed of representatives from labor, business, and other groups, and government. The Fund would represent an all-out, one-time effort whose basic purpose would be to support the carrying out, on a massive scale, of those policies and programs needed to give reasonable assurance that democratic forces in the region will prevail.

Statement of Purpose

The long range policy purpose of any new U.S.-supported Central American development program should be conceived essentially in terms of the positive relationships between political and economic goals, not in terms of economic development as an end in itself. Stated broadly, the purpose must relate to the development of pluralistic politico-social and economic structures and democratic governments. The challenge is the use, and conditioning the use, of resource transfers for economic and

social development objectives in ways which will also serve and complement these broader and longer term political purposes.

The balance of this century in Central America should be viewed from the perspective of transition: that is, how best to promote and secure structural social and economic changes that will deal constructively with the massive problems of underdevelopment and income maldistribution while at the same time assuring transition to more democratic and stable societies.

We emphasize that conflictive and volatile change is inevitable in the countries of Central America for the remaining years of the century; the central issue is the pace and quality of change which will occur in any case. If the government of the United States can contribute to the progressive development of popular social and economic organizations and groups committed to democratic practice and peaceful political accommodation -- in effect, the development of a "democratic center" -- we will be helping to build the foundations of orderly change and more equitable economic growth.

This is no mean task. However, the stakes are high. The character of the political and economic evolution of these close-by countries raises a vital, protracted issue for U.S. security: we must be interested in maintaining and extending in Central America an environment in which open societies can evolve, survive and prosper, as against the spread of doctrinaire, closed societies and the adoption of totalitarian solutions to the deeply rooted problems of poverty and oppression.

What we propose involves a long-term commitment by the United States to what in effect would be a peaceful democratic revolution dedicated to changing the political systems and overcoming the economic and social injustices that have plagued the masses of Central America for centuries.

Economic Rationale

The national economies of Central America are now in an extended period of depression and atrophy. The causes of this deterioration are readily apparent -- e.g., depressed prices for cash crop exports, low-productivity agriculture, war and attendant economic disruption, high energy costs and excessive population growth rates. Elaboration of these causes is not necessary here or now. We suggest, however, that the

important point to grasp is that it is difficult or impossible to husband and increase the domestic savings required for renewed economic growth when per capita incomes are very low and declining in relation to basic consumption requirements. The low income countries in Central America which find themselves in this situation are thus in varying measure dependent on external resources from bilateral donors and international financial institutions to generate new investment and increase growth rates. The exigent requirement for additive and concessionary financing from external sources is indeed clear.

However, we would hastily add that it is the pattern of economic growth which would be stimulated or made possible by new resource transfers from the United States and other donors that must be the primary concern. Our aim must be growth patterns through which the benefits of increased incomes and output are equitably distributed within the popular sectors of the society and economy. We must avoid at all costs the linking of any new U.S.-supported social and economic assistance programs to unbalanced and unjust development patterns, which have been traditionally characteristic of Central American countries, where low income groups do not benefit, or benefit only marginally, from whatever growth is being attained.

The economic rationale or premise for the proposal which we outline below would thus be liberal support for a long term "redistribution with growth" development strategy -- one which has both its demand and supply sides, e.g. meeting the demand for greater employment opportunities and access to productive resources, such as land and credit, for low income groups, while expanding the supply of goods and services requisite to meeting basic food, health, education and shelter needs.

Parameters for the Fund

We propose a \$7.5 billion fund additive to present levels of U.S. economic assistance to Central America. This sum would be authorized and appropriated at one time with the condition that it be obligated within a five year period, although actual disbursements and implementation of the programs and projects would continue beyond this period.

The Fund would be administered by a new U.S. Economic and Social Development Commission for Central America, composed of representatives from labor, business, other broad-based groups, and government. There would be counterpart commissions in the

recipient countries with similar group representation and responsibilities. The instruments of detailed planning and actual execution would include principally bilateral A.I.D.-host country programs, U.S. and host country private voluntary organizations (PVO's), and Central American regional institutions. The programs would, however, be subject to the oversight and direction of the U.S. and host country Commissions.

The resources would be provided as both grants and loans on concessional terms, with the latter to be repaid to a revolving local currency fund for reuse in future programs in the same country.

The Fund would be used to support programs and projects which fall within the redistribution with growth development strategy noted above. Some of the criteria needed to elaborate the policy and program framework of this broad strategy are developed below.

If they wish to benefit and if they meet the standards established for participation, the recipient countries would include Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, as well as Belize and Panama.

In establishing the Fund and in mounting programs under it, flexibility has to be built-in which will take account of the substantial differences between the countries of the Central American isthmus, inter alia, in stages of economic growth, social development and political institutions. Central America is not a homogeneous region. From almost any vantage point, Costa Rica and Guatemala, for example, bear little resemblance to each other. However, granting the need for program flexibility, a normative framework which would condition and define aid transfers under the Fund is clearly necessary.

For example, respect for human rights, guaranteeing trade union freedoms and those of other popular organizations, open and free elections -- or the commitment to such in a specified time period -- respect for the rule of law and functioning, even-handed judicial systems, and equitable economic and fiscal policies generally linked to reform and to income and employment generation in the popular sectors would need to be spelled out in the authorizing legislation. These standards, if not conditions precedent to aid, would at a minimum have to be clearly prescribed and rigorously used in determining aid allotments. They should be used for decisions on both the magnitude and sequencing of

aid to the different isthmian nations. In this regard, one of the premises of our proposal is that by making available resources of this magnitude, incentives for change by the governments of Central America would be built into the overall program from the beginning.

Similarly, monetary, fiscal and investment controls -- and incentives -- have to be incorporated within the resource allocation standards and procedures of the Fund in order to assure that the aid transfers are indeed incremental, and not replacements for, or fungible with, government budget expenditures and capital flight. Otherwise, the domestic investment and growth targets and the income distribution objectives of the long-range development models which are used in the individual countries will likely become "paper" policies, compromised early on and vehicles for reinforcing rather than changing the status quo. Further, effective policies which will be required to control any potential inflationary impact of the external resource transfers will need to be developed and enacted.

This point suggests a further vital one which relates to the role of the host government. The Central American governments obviously have to be fully consulted as the Fund takes shape and its purposes, policies and standards clarify. Our intentions should be made very clear as to human rights, popular participation, basic reform and honoring democratic rules of the game. Beyond that, the inevitably sticky issues of host country contributions to support the projects of the Fund, e.g., budget support and progressively picking up recurrent costs, can be worked out in the context of program development and planning.

Critical Assumptions

Assuming participation by all countries, including Nicaragua, the Central American region contains some 24.2 million people; given nearly six persons per household, a fund of \$7.5 billion would therefore represent approximately \$2,800, on average, for the programs and projects benefiting each of the roughly 2.7 million families which make up the lower income groups constituting two-thirds of all households in the region. If Nicaragua, for example, does not choose to participate -- reducing that number to roughly 2.4 million families -- the average amount available per-family-to-be-benefited would exceed \$3,000.

With so large a resource available -- the largest on a per capita basis that the U.S. would have made available to a multi-country region since the Marshall Plan -- the capability would exist to move forward dramatically in achieving the economic, social and political purposes described above. It is necessary to recognize, however, that Central America is a region very different from Western Europe after World War II: it is a region without prior comparable successes in development, without major successes in democratic self-government and the building of corresponding institutions (with Costa Rica the most notable exception), with extreme inequalities of wealth and status, and with fully half its population still engaged in subsistence agriculture -- on the whole, an unproductive agriculture, and one in which over half the agricultural families are landless.

Western Europe already had the preexisting institutions, including a tradition of democratic unions, egalitarian systems of land tenure conducive to high productivity, and a skilled and educated population on which one could rapidly build. Such institutional prerequisites have still largely to be created in Central America, and that should be one of the principal functions of the proposed Fund.

Thus, the program policies of the Fund, inter alia, would embrace (1) land reform to lay the base for increases above the low levels of productivity that prevail virtually throughout the region and to create a mass of yeoman farmers with a real stake in their society; (2) credit and other support to achieve over time the full potential of the reformed agricultural sectors; (3) support for grass roots labor and campesino organizations so that a plural democratic center would grow and thrive between the political extremes; (4) education, including adult education and vocational and manpower training, as well as labor-intensive job creation, so that the demands of newly productive campesinos and increasingly prosperous workers for goods and services can be met with a larger and more diversified range of products and skills.

The foregoing are the essential programs that involve the creation of the resources -- in the broadest sense, the agricultural, industrial, human and political capital -- on which a process of genuine democratic development can be based.

In implementing these programs, the Fund's resources should be used to insure that basic human and social needs are met in order that the population has the minimum physical well-being and possesses the supporting infrastructure, to make full use of productive resources. This should include outlays in the broad fields of health, housing, storage, roads, transport and other essential infrastructure.

Global experience has taught, moreover, that this combination of capital-creating and human-needs-meeting programs will make itself felt both in the sharp reduction of infant and child mortality rates and in the acceptance of family planning. In general, it has been found that the programs that lay the groundwork society-wide for avoiding one child death per year also lay the basis for averting over two births per year -- which is precisely the arithmetic by which the population growth rates of the West and Japan have come down dramatically. The proposed health sector outlays include support for this process in the form of voluntary family planning services.

Finally, it is appropriate that there be an expenditure for the development of regional institutions that can help create linkages and mechanisms of reinforcement for this entire process.

Basic Outline of the Fund

With so substantial a per-family external resource (\$2,800 or more) available in this one-time program, the Fund would be intended -- in combination with the requisite cooperation and commitment in each recipient country -- to provide irreversible momentum, and the wherewithal for full execution of the required programs, in a series of areas essential to broadly-based, sustainable, democratic development throughout the region: i.e., in the areas of land reform, small farmer credit and related support, health and sanitation, literacy, low-income housing, support for grass-roots organizations, including unions and service cooperatives, additional labor-intensive job creation, small business development in the private sector, essential infrastructure, and development of regional institutions. A brief draft outline of the proposed program, and its administration, appear in this section; a more detailed draft of the proposal appears in the Annex.

Agrarian Reform

Agrarian reform (excluding, for the moment, Nicaragua in this and the following) would be geared to provide ownership of land to 1 million landless families -- to the tenants and agricultural laborers who make up over half the region's agricultural population and more than one-quarter of

its total population. Beneficiaries would also include some 200,000 families with very small holdings insufficient to support them adequately. Affected landowners would receive reasonable compensation -- with incentives to reinvest it in productive enterprises in the society, as in Taiwan -- and beneficiaries would have full freedom to farm as individual owner-operators, which would be their usual choice. Land distribution would be complemented with basic credit, extension and other support, and can be expected to require external resources for both land and support averaging around \$1,500 per family benefited. It would thus absorb an estimated \$1.75 billion of the fund's resources, or about 23%. (This and the subsequent cost figures should be taken as "indicative", and subject to refinement.)

The combination of ownership and basic support could be expected to double or triple the very low yields that characterize most of the region's present farming.

In addition, existing small holders who have no access to production credit, extension or other support would receive benefits paralleling those of the land-reform beneficiaries, and both groups would have access to medium-term investment credit for even greater intensification and diversification of their farming -- irrigation, cattle breed-improvement, introduction of vegetable crops and so on. There would also be support for related storage, transport and marketing facilities. These programs would be expected to absorb about \$1.27 billion of the Fund's resources.

The Fund would be flexible with regard to the specific type or model of agrarian reform which proves to be the most appropriate or feasible for the varying conditions in the individual countries. However, whatever the model, each program must have as its major premise a progressive and fair redistribution of land to the large mass of landless and near-landless farmers in Central America.

Health and Sanitation

In this field, we also include nutrition and family-planning programs. Health would encompass both preventative and basic curative approaches;

e.g., maternal child care, immunization, safe water and sewerage, as well as a network of simple health clinics and expanded training programs for para-medical personnel, particularly for the rural areas. About \$1.06 billion of the Fund's resources would go to this field.

Education

Literacy and education outlays would include school construction, teacher training, adult education and vocational training, and would utilize about \$390 million of the Fund's resources.

Low Cost Housing

Expenditures in the housing area would be used for the construction of some 300,000 low-income housing units -- a very large program -- as well as for improvements of existing housing and community facilities, and would absorb some \$1.50 billion of the resources.

Support for Popular Social Organizations

This vital area would include training, development, and program support for a range of essential democratic institutions: unions, campesino organizations, service cooperatives, local PVO's, and related entities. While this sector includes a large share for training, and administrative and "human support", it also includes local-level projects. Many of the projects under other headings, such as credit, storage and marketing, and housing would also be expected to be administered in whole or part by these organizations. Allocations to this field can be estimated at about \$330 million of the Fund's resources.

Labor-Intensive Job Creation

An enormous amount of job creation could be expected from the other uses of the Fund's resources, ranging from direct job creation for construction of housing, sewerage and other infrastructure, to indirect job creation through the large increases in farm incomes and consequent demand for a wide range of goods and services. In addition, a specific jobs program is contemplated, which would include job training and creation of new workplaces (e.g., rural market facilities), and would absorb about \$360 million of the Fund's resources.

Other Categories

Residual categories of infrastructure, such as farm and market roads not covered under other headings, would absorb about \$520 million of the resources.

Finally, support for regional institutions, including measures to support the modernization and upgrading of judicial systems, can be estimated at about \$160 million.

The balance represents about \$50 million for administration of the Economic and Social Development Commissions in the United States and recipient countries, and a small amount for contingencies. The latter could also be met out of local repayments for credit, housing and so forth, which otherwise will recycle to the same program.

Summary Budget

	<u>Billions</u>
1. Land reform and related support	\$ 1.750
2. Other agricultural support	1.270
3. Health and sanitation	1.060
4. Literacy and education	0.390
5. Low-income housing	1.500
6. Popular social organizations	0.330
7. Job-creation	0.360
8. Essential infrastructure	0.520
9. Regional institutions	0.160
10. Operation of the Commissions and contingencies	<u>0.160</u>
TOTAL	\$ 7.500

Administration of the Fund

The proposed commission structure, drawn from both government and the private sector -- including organized labor and business -- in the United States and the recipient countries, contains elements of such previous aid-supporting or aid-guiding entities as the Marshall Committee headed by Henry Stimson and the enormously successful Sino-American Joint Commission on Rural Reconstruction (JCRR), which provided the administrative and program leadership for the dramatic rural development of Taiwan.

These Multi-Sector Commissions would have relatively small staffs (no more than 20 professionals attached to the U.S. Commission, for example), and would manage the overall utilization of the Fund. They would not be operating agencies, but would agree or contract with appropriate operating agencies -- including A.I.D., recipient governments, and U.S. and local PVO's -- to carry out programs and to supply essential technical assistance with the resources of the Fund. The U.S. Multi-Sector Commission, besides approving programs and proposed expenditures from the Fund as well as developing and approving conditions for the release of the Fund's resources, would in addition support research and evaluation. It would select implementing agencies for specific programs as well. Throughout this process, the U.S. Commission would work in close consultation with each counterpart commission composed of host country representatives in the government and private sector. The U.S. Commission would also have a threshold negotiating role as to the proposed composition of these parallel commissions -- to guard against the exclusion of broad popular constituencies.

The Commissions' central job would be to ensure the effective use of the \$7.5 billion Fund for the intended purposes of democratic development and essential reform, both through the integrity of their own oversight, and through mechanisms such as earmarking of resources for particular programs, "indicative" budgeting for the individual program areas and countries, and the use of funds for reimbursement following actual accomplishments, on a "progress payments" basis. The composition of both the U.S. and Central America Commissions should itself serve clear notice that the Fund's purposes would be rigorously served.

Resources not capable of being obligated in ways which meet the Fund's conditions and requirements for effective programs in particular countries of the region would go to other countries. Resources not capable of being thus obligated to any country during the five-year basic period of the Fund, would revert to the U.S. Treasury at the end of the five years.

ANNEX

U.S. CENTRAL AMERICAN FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT: DRAFT PROPOSAL CONCERNING PROGRAM AND ADMINISTRATION

I. Program and Costs

These program descriptions and cost calculations do not include Nicaragua, with 2.8 million people, at this time. Nicaraguan costs can be taken to be about 10% of the figures otherwise estimated here.

1. Land Reform. Altogether, the region has about 1.1 million landless tenant and agricultural labor families, representing over one-half the region's agricultural population and more than one-quarter of its total population. The total cost of supporting a comprehensive series of programs of land reform in the region would be calculated as follows:

Exclusive of Nicaragua, there are about 1,000,000 landless families, divided between approximately 300,000 families of tenant farmers (including sharecroppers, and colonos receiving land in return for services) and 700,000 families of hired agricultural laborers. Some of these families might receive land through resettlement or "colonization" of unutilized government-owned lands, or through credit assistance to voluntary land transfers, or by other means apart from the redistribution of privately owned land in classic "land reform" programs. But unsettled and usable public lands are scarce and generally require prior heavy investments in infrastructure, though it may sometimes be possible to trade such lands, suitable for future development, as part of the price paid to landowners for private lands that are to be presently redistributed in settled areas. Voluntary sales and other indirect methods have never proved able to reach substantial numbers of landless people. Thus, every program that has benefited large numbers of the landless in any society during this century -- including those in such countries as Japan, Taiwan, South Korea, Mexico, or El Salvador -- has involved as its principal measure the obligatory transfer of certain categories of private land to tenants and agricultural laborers.

There are, however, likely to be variations in the categories and overall proportions of private agricultural land that need to be affected from country to country, depending on the relative prevalence of tenancy and labor-for-hire, the degree of population pressure, the existence of large holdings with poorly utilized cropland or low intensity pastureland, and other factors. Financial planning based on a range of feasible measures for redistribution of land in the countries of the region, in land reform programs intended

to involve a substantial measure of compensation, comparable to that, say, in Taiwan or El Salvador, would take into account that the total principal value of land would vary from roughly \$1,300 to \$4,000 per family benefited, with the cash portion varying from under 10% to as much as 50% of this total.*

Outside subsidies to support land payments would be especially critical for the up-front cash portion and the first one or two years' payment on the deferred portion, and possibly for as much as one-quarter to one-half the deferred portion where, for example, an effort is to be made to permit "monetization" of part of the deferred portion through support of bank loans for productive investments where land reform bonds are used as collateral. The latter method has a major advantage over large cash payments by rewarding reinvestment of capital and discouraging capital flight.

As an overall estimate, \$1,000 per family benefited is probably a reasonable figure to use for external support of land costs; added to this would be about \$500 per family for credit, extension, and other agricultural support. (This and the subsequent cost figures should be taken as "indicative", and subject to refinement.)

Costs would therefore average about \$1,500 per family, and -- if we assume that this type of redistribution will represent the typical program, although efforts of other kinds may reach perhaps 5% to 10% of the landless or even slightly more, depending on the country -- would total some \$1.5 billion for a comprehensive series of programs to provide land ownership to 1,000,000 families.

In addition, there are a further roughly 200,000 families who have very small tracts of land. Assuming transfer to them of an average of one-half as much land as to those in the landless category, external support of land costs would be \$500 per family. If we add credit and other agricultural support similar to that received by the formerly landless of

*For example, in El Salvador's land-to-the-tiller or "Phase III" program, the average ex-tenant family receives 1.58 hectares of land valued at \$1,331 - or \$841 per hectare -- of which one-half must be paid by the government in cash under the law; the average value of idle or unused land in Guatemala is between \$250 and \$500 per hectare, indicating that an average 5 hectare tract of such land would cost \$2,500 or less, and probably an average of around \$2,000 per family benefited; in Costa Rica, pastureland generally on level or near-level land in areas of typically good soils costs about \$250 per hectare, indicating a 5-hectare tract would average around \$1,250; however, a 4-hectare tract of Class A land in Guatemala, at \$1,000 per hectare, might cost \$4,000, and even with the accommodation of a further equal number of families on large "Phase I" estates in El Salvador, the cost of land would be about \$4,300 per family benefited -- though less than 10% of this is paid immediately in cash.

about \$500 each, covering both their new and old lands, a further \$1,000 per family for 200,000 families, or \$200 million, would be needed.

In addition, a range of administrative costs would be incurred, including U.S. technical assistance, support for special local administrative costs, support and training for campesino organizations assisting in the program, and others, which might total at the outside \$50 million.

Costs for land reform and related support, benefiting some 1.2 million families, would therefore be around \$1.75 billion out of the \$7.5 billion total fund.

2. Other Agricultural Support. Depending on individual country needs, a range of additional programs would be appropriate: a number of agricultural families not included among the landless would nevertheless require a program to formalize and memorialize their title to the land they cultivate; the smaller holders among the approximately 500,000 owner-operator families who would not receive benefits as near-landless families under land reform would nevertheless need credit and extension support; both titling and credit would be required by some 100,000 additional families (notably in Panama) classified as squatters or precaristas; in addition, mid-term credit for more diversified farming improvements (for example, introduction of vegetable crops, fencing, cattle breed-improvements, introduction of poultry, small-scale appropriate machinery) would be needed and utilized by perhaps one-half of both the land reform beneficiaries and the beneficiaries described in this section; service cooperatives formed by small farmers and other support mechanisms for storage, transport and marketing of increased production would also require some outside support.

Overall, we might make the following rough estimates for these additional needs of the agricultural sector:

Formal titling for up to 400,000 families either having customary land rights, or squatting on government lands or with prescriptive titles from long-term use, at \$50 per completed and recorded title: \$20 million.

Credit and extension for 200,000 smallholder and 100,000 squatter families not covered by land reform, at \$500 each: \$150 million.

Medium-term credit for agricultural improvements for one-half of the 1,200,000 families covered under land reform, and for one-half of the 300,000 additional smallholder and squatter families covered by short-term credit here, a total of 750,000 families, at \$1,000 each: \$750 million.

Support for storage, transport and marketing facilities via service cooperatives and other mechanisms for 1,500,000 families at an average investment of \$200 each: \$300 million.

The sum of the foregoing is \$1.22 billion.

Again, there would be associated administrative costs incurred, which we will roughly estimate at up to \$50 million for this complex of agricultural support undertakings, making total costs \$1.27 billion

3. Health and Sanitation. Apart from Costa Rica, and to a lesser extent Panama, basic health programs would be needed throughout the region, including vaccination of children against major childhood diseases, oral rehydration and other simple "curative" services; paramedic training and the establishment of accessible basic health and voluntary family planning clinics; very simple programs for growth-monitoring of children and essential nutritional supplementation; and introduction of safe water and minimum adequate sanitation and waste disposal facilities.

Estimates can be based on an assumed need of such programs for about two-thirds of the families in the region except for Costa Rica, where we will assume a need for supplemental facilities for one-third of the families, and Panama, where we will assume a need for full facilities for one-third of the families. This would require support for full facilities for some 2 million families in the region, and supplemental facilities for perhaps 130,000 more, estimated as follows:

For some 2 million families, vaccination, oral rehydration programs, necessary training and establishment of basic clinics, growth-monitoring and nutrition supplementation, altogether would cost an estimated \$200 per family benefited, including initial salaries of grass roots health and family planning personnel.

The salary item would be the largest out of this total, assuming one health/family planning worker per 100 families, at \$150 per month for the first 60 months, pending establishment of internal funding. This equals \$90 per family benefited. We estimate family planning costs over five years averaging around \$40 per family,* clinic facilities at around \$30 per family, vaccination at around \$20 per family, and other items making up the \$20 per family balance.

*This assumes an average cost of about \$125 for the voluntary family planning effort that averts one birth, and at \$80 million regionally over 5 years is equivalent to assuming avoidance of 640,000 births, or a decline of about 20% in the births that would otherwise occur for the entire population.

The \$200 per-family total, for 2 million families, equals \$400 million.

In addition, safe water and sanitation facilities using least-cost effective technologies might be estimated at an average of \$250 per family benefited for the approximately 60% of these families located in rural areas, and \$750 per family benefited for the approximately 40% living in urban areas, where more costly central water-distribution and sewerage collection networks must generally be established. We exclude here, however, some 300,000 urban families and some 300,000 rural families who will receive safe water and sanitation facilities under item 5, below. Total cost for these facilities would therefore be, for rural families, around 900,000 families (1,200,000 minus 300,000) times \$250, and for urban families, 500,000 (800,000 minus 300,000) times \$750, or \$600 million.

Finally, for some 130,000 families in Costa Rica, we estimate lesser needs for supplemental health services and sanitation facilities at roughly one-half the per-family costs just calculated, or a further \$40 million.

Altogether, health and sanitation, including nutrition supplementation, and family planning services, would thus require about \$1.04 billion. We will use an estimate of around \$20 million in associated administrative costs incurred, making total costs \$1.06 billion.

4. Literacy and Education. Pending further data on availability of school facilities and teachers, we will assume a need on the part of the same 2 million families that are principally addressed in item 3, for school facilities and teacher support roughly equal in cost to the clinic construction and health worker salaries calculated in that item, or about \$90 per family. We also assume a program to provide literacy and practical skills training to the nearly one-half the population aged 15 to 64, excluding Costa Rica and Panama, which is illiterate. This program would then need to reach some 4 million individuals, at an average cost we would estimate at \$50 per person reached.

Preliminary estimate of costs here is thus \$180 million plus \$200 million, or \$380 million. We assume further administrative costs of \$10 million, for a total of \$390 million.

5. Low Income Housing and Community Development. Housing and home improvement are not only socially and politically important, but economically stimulating. New homes mean more jobs in housing, material production, home equipment production, sales and loan administration. Such jobs in turn make a market to which a market economy can sell.

Recent experience in Central America indicates very decent housing can be constructed for about \$3,000 to \$3,500 for a 300-350 square-foot house, including associated sanitary and water facilities, plus land and land preparation. In addition there is an overwhelming need for "community improvements" which include sewage, electricity, and other facets of urbanization. The latter elements have been included under the health and sanitation and infrastructure headings.

In addition, substandard housing, endemic to the area, can be brought up to standard, including sanitary and water facilities, through home improvement loans of \$1,000-\$2,000.

Allocation of \$1.50 billion could build 300,000 houses at \$1.0 billion, improve 300,000 existing homes at around \$450 million, and provide \$50 million for administration. This would affect more than one-sixth of all the families in the region. Repayments on long-term mortgages could be as low as \$15 per month for houses and \$5 for home improvements.

6. Support for Grass Roots Organizations. Under this heading, we include training and institutional development, support for democratic unions, campesino organizations, service cooperatives, local PVO's, and related grass-roots entities, as well as assistance for local-level projects, such as cooperative stores, credit unions, and day care centers, that such organizations are especially capable of carrying out. In addition to the resources allocated under this item, it is anticipated that such entities will also play a significant role in administering some of the programs and resources described under other items.

Based on past experience, and assuming full-scale development of this range of grass-roots, democratic organizations, it seems reasonable to estimate training and institutional development needs averaging about \$20 million a year over five years, plus local-level project support (apart from resources allocated under other items) at roughly twice that level annually, altogether approximately \$300 million. Since this area is highly

"administration intensive", we assume further administrative costs -- beyond what is directly allocated above for such functions as training -- of around \$30 million, for a total of \$330 million.

7. Job Creation. Many of the investments already described, such as those for land reform and agricultural support, and those for a range of construction projects including sewerage and low-income housing, can be expected to create very substantial additional employment opportunities. Experience suggests, for example, that newly-motivated, land-receiving small farmers will not only increase their purchases and investments in the agricultural area concomitant with their increases in production, but will also make felt a strong new demand for a basic range of local goods and services in areas such as housing improvement, clothing, and simple consumer goods. Here we include possible additional employment generation, through training and creation of labor-intensive workplaces.

If we assume that, for the approximately one-half of the region's economically active population which is non-agricultural, roughly one-half in turn could currently benefit either from some specialized vocational training or the creation of a new workplace, we can make the following rough estimates: of some 1.8 million economically active persons from some 900,000 families thus identified, we assume fully two-thirds will be indirectly accommodated via the job-generating results of the other programs described here or will, especially among the young, gain broader skills using the educational facilities described under item 4. Of the remaining 600,000 people, we assume the large majority, some 500,000, will benefit substantially from specialized job-training, which will carry a cost of about \$200 per person. The remaining 100,000, representing around 3% of the current economically active population outside of agriculture will, for one reason or another, need further assistance through the creation of an actual workplace. Assuming that such workplaces are intended to generate an average monthly income of \$150 year-round, and that the initial capital investment in such a workplace -- using appropriate labor-intensive technologies, and as a broad average -- will be about 2 times the annual wage to be produced, the cost-per-workplace should be around \$3,600. We assume the Fund will put up an average of two-thirds of the amount needed, or \$2,400, through programs focusing on small enterprises in the private sector.

Vocational training costs should then be around \$100 million, and direct job-creation costs around \$240 million. To this we will add estimated administrative support of around \$20 million, for a total of \$360 million.

8. Essential Infrastructure. This is in many ways a residual category, encompassing only what is still required after taking account of irrigation, storage and other improvements funded with medium term credit under Item 2, and sewerage and water facilities funded under Items 3 and 5. We will broadly estimate the remaining need here for roads, public transport, community improvements, and electrification for essential purposes as equivalent to an average of about \$250 per family for around 2 million families in the region, or some \$500 million, plus \$20 million in support for administration, or a total of \$520 million.

9. Regional Institutions. Under this heading would fall those resources needed to revive and further develop a series of regional institutions or programs, including the Central American common market, the monetary clearing house, regional seminars, the regional nutrition program, and similar undertakings. Depending on their function, some regional programs might thrive even before general economic revival (for example, the nutrition program), others might facilitate aspects of that revival (such as the monetary clearing house), while still others, like the common market, might be gradually restored as the other measures supported by the Fund -- such as those stimulating large increases in agricultural productivity and rural demand for goods and services -- revived, this time on a firm and widely-shared base, the overall trade, consumer demand and general economy of the region.

We will estimate needs here at about \$100 million over a five-year period.

In addition, the regional framework may be a desirable one within which to provide assistance to the substandard or moribund judicial systems of individual countries. Basic political will within such countries is, of course, the key prerequisite; but it may be complemented and even to some extent called forth with judicial training programs, salary support, corruption investigation, and other measures which could readily be carried out from a regional base. We would utilize \$50 million in resources to establish and initially fund a regional center for judiciary training and support.

Adding administrative costs of \$10 million, the total under this heading would be \$160 million.

Summary of Estimated Costs:

Reviewing the foregoing, we then have:

	<u>Billions:</u>
1. Land reform and related support	\$ 1.750
2. Other agricultural support	1.270
3. Health and sanitation	1.060
4. Literacy and education	0.390
5. Low-income housing	1.500
6. Grass-roots organizations	0.330
7. Job-creation	0.360
8. Essential infrastructure	0.520
9. Regional institutions	0.160
10. Operation of the Commissions and contingencies	<u>0.160</u>
TOTAL	\$ 7.500

The final \$160 million would represent approximately \$50 million of support for the direct costs of the Economic and Social Development Commissions in the United States and recipient countries, which would be the overall administering organs of the program, and a small fund for contingencies.

It should be noted that substantial additional leeway for contingencies is built in, by virtue of the repayment expected under a number of individual programs such as credit and housing -- beginning almost immediately after they are initially undertaken -- and available to be recycled through the Fund.

II. The Proposed Administrative Mechanism

The proposal is for creation of a special Economic and Social Development Commission in the United States as prime administrator of the fund with counterpart Commissions in each recipient country. These Commissions would combine private sector and government, and would act as overall authorities for allocation and release of Fund resources, approval of programs to be financed, and evaluation of performance. The commissions as such, however, would not be operating agencies directly carrying out

programs financed by the Fund in the field -- although many of the entities represented on the Commissions, such as A.I.D., organized labor, the "co-op" movement, or business (in the case of the U.S. Commission, with parallels in recipient countries) would individually play a significant role as operating agencies in the field.

In the case of the U.S. Commission, it is contemplated that it would be roughly the size of the present Bipartisan Commission, intended also to be bipartisan and to represent various relevant sectors, with its members nominated by the President and subject to Senate confirmation, serving for an initial period of five years. It is proposed that the entire \$7.5 billion fund would be authorized and appropriated by Congress at the beginning, with the U.S. Economic and Social Development Commission then chosen and confirmed as the agent for administering and allocating the fund within the framework laid down in the establishing legislation. The Commission would appoint an executive director, and would have a very small staff (with probably no more than 20 professional members -- that is, small enough to function as a unified body), its expenses defrayed out of the Fund; it would be contemplated, however, that the Commission itself would play a very direct role in establishment and oversight of the program, especially in the early years, meeting frequently (though members might be represented by a designated alternate member) and keeping closely informed as the Fund's undertakings gathered momentum.

The Commission's powers, in addition to selection and dismissal of the executive director and staff, would include negotiation as to the proposed composition of the parallel Commissions in recipient countries, approval of specific programs and proposed expenditures from the Fund and conditions for the release of Fund resources, funding of research relating to the design of specific programs and the selection of agencies (public or private) for assistance in project implementation and oversight, funding of performance or evaluation studies, and other undertakings needed to ensure that Fund resources were effectively spent on programs that had the desired elements and grass roots impact.

The Commissions in recipient countries would have a similar make-up, and would be expected to reflect fair representation of democratic forces and intended beneficiary sectors in the recipient country. Both in this way, and through the standards and requirements set in the establishing legislation, it would be made clear from the beginning

that "gestures" and palliatives were not sufficient, and that the Fund's resources would be available only to be spent in ways which would deal, sweepingly and effectively, with the historic economic and social problems of the region. Thus, countries not willing to meet the basic prerequisites for Fund support -- in terms of the establishment of satisfactory commissions and the proposal of programs of the kind the Fund was established to support -- would not receive such support until the prerequisites were met. Even with the basic prerequisites met, continuing allocation of Fund resources would turn on actual accomplishment.

The U.S. Commission would maintain close liaison with the parallel commissions in recipient countries. Through its staff, or such representatives as it chose to designate (members of the Commission itself, or outside consultants) it would consult with the recipient country Commissions concerning costs, plans, and prospects for design and implementation of programs in the areas of the Fund's mandate. Such discussions would often be further pursued, with the continued involvement of the local Commission, with the recipient government and of the U.S. Government, insofar as legislative and administrative action by the former and support of implementation by the latter would frequently be crucial to the larger-scale undertakings. As a practical matter, this would mean that the U.S. Commission, the local Commission, high officials of the local government, including those who sat on the local Commission, and officials of A.I.D., one or more of whom also sat on the U.S. Commission, would often engage in various permutations of four-way discussions over the size, shape, conditions, and level of financing of particular programs. The nature of the discussion could also be expected to reflect the fact that, for the first time, programs in many vital areas would have become "live options" for the local government because of the availability of large-scale resources through the Fund as administered by the U.S. Commission in consultation with its local counterpart.

III. Conditions

Through the establishing legislation, and through the operation of the U.S. Commission and its local counterparts, a series of requirements would be laid down that were intended to ensure that, when the \$7.5 billion had been expended, its intended

purposes had been substantially achieved. Apart from macro-conditions which might be applied in areas such as human rights, trade union freedoms and policies of reform and of income and employment generation in the popular sector -- referred to in the memo-in-chief above -- the principle reassurances would be in the areas of earmarking of resources, reimbursement financing, and representation on the commissions.

First, there should be requirements laid down that would make it clear that certain portions of the Fund could only be utilized for specific purposes: to put an extreme example, the recipient countries could not decide that they wished to spend the entire \$7.5 billion on a network of superhighways, so that at the end of the undertaking, \$7.5 billion had indeed been "spent," but there were still one million landless families, farmers without credit, children without health facilities or schools, and so forth.

One straightforward way of earmarking resources for the intended purposes would be for Congress or the U.S. Commission to specify that the allocation of resources reflected under the nine program headings was, with small room for variance, final; that those or whatever variations on them might finally be adopted were the nine categories of Fund-supported programs and their respective resource allocations, and that any excess of more than, say, 10% above the budgeted totals for any category would either not be allowed at all or would have to be approved by Congress or by a special greater-than-simple-majority vote of the U.S. Commission. Thus, for example, if not enough countries in the region were interested in establishing health and sanitation programs, the unused portion of the funds in that category would not be transferable to other use categories but would, at the end of the 5-year period for making initial obligations, revert to the U.S. Treasury.

Rather than provide for such detailed accounting by category, it may be that only the funds for the land reform category should be earmarked, since that area is likely to involve the most politically difficult decisions and would be the most prone to efforts by recipients to divert the funds to "superhighways" or other categories. Thus the \$1.75 billion indicated under that category would be available only for land reform support as indicated, probably using a standard such as \$1,500 per-family-benefited (\$1,000 for land costs and \$500 for support); any portion not obligated during the 5-year period would revert to the Treasury. Other funds, however, could be shifted between categories to a

substantial degree, relying on the good judgment of the U.S. Commission and its compliance with the general standard of promoting effective, grass roots development that will permanently benefit the less-well-off majority of the region's population. Perhaps a residual requirement could be established that proportionate obligations out of the Fund, under any category at a given time, including land reform, should not be more than, say, one-third below or one-third above those which would preserve the relative program sizes by category that are contained in the indicative budget. The latter standard would keep any program from falling too far behind, or getting too far ahead, of other program obligations.

Besides "earmarking" limits, reimbursement financing could be used for a major part of the programs supported to ensure that resources would not be released without corresponding accomplishment. For example, beyond small amounts of initial working capital to support particular programs in specific countries, release of land reform funds would require the making of payment (cash and bonds) to the former owner and the issuance of definitive titles -- although subject to repayment and other obligations -- to the beneficiaries. Then, and only then, would resources up to some agreed standard, such as \$1,000 per beneficiary family -- depending, of course, on the actual compensation paid -- be released; further resources would be released upon the actual granting of credit, again using a per-family standard. Indeed, most of the sub-programs suggested would permit use of this kind of after-the-fact or "progress payments" release of resources -- whether in a form generating corresponding local currency, or in-kind to permit like inputs or resources to be given to program beneficiaries and then replaced.

And finally, the composition of the local Commissions would itself serve notice that broad democratic constituencies in the recipient countries would be strongly represented and would clearly be heard. While exact rules would be hard to formulate, it should be clear from the start that programs largely ignoring the landless, the poor, and the working people would have no serious chance of receiving funding.