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## HONDURAS' ROLE IN U.S. POLICY FOR CENTRAL AMERICA

### INTRODUCTION

Continuing troubles in Central America have raised new concerns about the fragile political and economic situation in Honduras. It is Central America's poorest country and is struggling with a severely depressed economy and regional instability. Both threaten its recent steps toward democracy. Honduras has growing concerns, moreover, about overall United States policy in the region, and fears particularly that a policy shift would leave Honduras standing alone against the Sandinista regime in Nicaragua and the embittered Nicaraguan freedom fighters.

Evolution of Honduras toward a prosperous and pluralistic future is vital to the regional peace process. As a recent phenomenon in Central America, democracy must be nurtured and protected from Sandinista-style totalitarianism. The success of democratic institutions and a rising standard of living based on a free market economy are important in the U.S. effort to convince Central Americans that the West offers them far more than the empty promises of Soviet-style socialism.

Honduras so far has escaped the large-scale guerrilla warfare suffered by El Salvador. Yet Honduras has been the target of terrorist attacks and subversion orchestrated by the Sandinistas and Cubans. Such assaults are designed to intimidate the Hondurans into loosening ties with the U.S. and to punish them for allowing democratic anti-Sandinista forces to operate from Honduran territory while denying Salvadoran leftist guerrillas a similar sanctuary.

Although the U.S. should not simply accede to the Honduran request for a quantum increase in economic aid, currently totalling \$134.9 million, American policymakers should consider seriously modernizing the outmoded Honduran Air Force and helping resolve the Salvadoran-Honduras border dispute.

A non-Communist Honduras is vital to long-term U.S. interests. As such, Washington must assure the Hondurans that the U.S. will defend its freedom. At the same time, U.S. policymakers must appreciate that U.S. relations with Honduras are best kept at low profile. Honduran concern about the anti-Sandinista rebels based in Honduras can be assuaged if Congress approves the \$14 million the Administration has requested to support them. Finally, the U.S. should assure Honduras of protection against cross-border aggression by Nicaragua. And the U.S. should continue its joint military exercises with Honduras, such as Big Pine III which began on February 11, 1985.

#### THE ROAD TO DEMOCRACY

Slightly larger than the state of Tennessee, and with a population of 4.3 million, Honduras lies between Guatemala and Nicaragua. The least developed country in Central America, its economy is centered on two export crops, bananas and coffee.

Like many of its neighbors during the 1960s and 1970s, Honduras was ruled by a series of military officers whose usual method of succession was a coup d'etat. Concern about the radicalization of Nicaragua and political strife in El Salvador prompted General Policarpio Páz Garcia to hold elections for a constituent assembly in April 1980. As a gesture of support for Honduras' return to the democratic process, the United States nearly doubled its economic aid and greatly increased its military assistance at that time.

The Honduran presidential election of November 1981 was won by the Liberal Party's candidate Roberto Suazo Cordova, a physician with little previous governmental experience. Apparently to appease a faction of the military that was reluctant to give civilians complete control of the country, President Suazo named Colonel Gustavo Alvarez Martinez to be chief of the Honduran armed forces. Promoted to general and given the Defense Minister's portfolio, Alvarez quickly established a good working relationship with U.S. Ambassador John Negroponte and began strengthening Honduras' counterinsurgency capabilities.

Although the military remains the strongest institution in Honduras, it has never earned the reputation as a repressive force maintaining the privileges of the elite. The military appears committed to democracy, although some older officers remain wary about the civilian government's ability to rule the country effectively at a time of growing economic and diplomatic turmoil. Nonetheless, in a remarkable break from tradition, the military voluntarily began turning over key government ministries to civilians in a transition period following the 1980 election of the constituent assembly. Today, the Defense Ministry and the telephone and telegraph agencies are the only major government bodies still controlled by the military.

The Honduran government confronts major problems that threaten its stability. While most observers agree that President Suazo has established a personal reputation for honesty, the persistence of incompetence, corruption and special privileges within the governmental bureaucracy have made the Liberal Party administration the target of mounting criticism.

The most vocal critics of the Suazo government are educated and middle class Hondurans, including military officers and businessmen. The Liberal Party has few middle class supporters, drawing its electoral strength from a politically uninterested peasantry dominated by a strong party machine. The largest opposition group, the Nationalist Party, also has a traditional base among the peasantry plus some sectors of the middle class. The Nationalists, however, have been weakened by political defections and quarreling among intraparty factions.

Honduras offers democracy a more fertile soil than do many other Latin American nations. A landed oligarchy does not exist, and the peasants share in the political and the economic processes. The Honduran press is virtually unrestricted, offering a diverse range of ideological forums. Trade unions have functioned freely for more than 30 years and possess considerable political influence.

#### ECONOMIC MALAISE

The greatest threat to Honduran democracy is the dismal state of the economy. Suazo inherited an economy that was nearly bankrupt and the situation has worsened.

Honduras is the poorest nation in Central America, with a per capita income of only \$520 per annum compared to \$650 in El Salvador, \$1,430 in Costa Rica and \$1,140 in Guatemala. Honduran unemployment and underemployment each are approximately 45 percent. Honduras' external debt is close to \$2 billion and the value of exports is declining. The Honduran Gross Domestic Product (GDP) of \$2.8 billion began sliding in 1979, recording its lowest growth rate of 1.8 percent in 1982, the year in which the Suazo government imposed a harsh austerity budget. Despite such measures, at least 30 percent of the budget must come from international financial sources to keep Honduras afloat. In 1983, Honduras had to commit more than 18 percent of its budget just to service its existing debt of more than \$1.5 billion. The nation's official foreign borrowing for the same year amounted to \$283.9 million, a figure that excludes funding from such sources as the European Economic Community, private banks, and other governments.

Honduras' economic ills stem from a variety of sources. Its agriculture-based economy has never recovered from the last cycle of worldwide recession and is affected by declining productivity. In March 1983, 70 percent of the Honduran banana crop was destroyed by hurricane winds, losing millions of dollars in potential foreign exchange earnings and driving some small producers out of business.

Although the U.S. is Honduras' largest trading partner, buying more than half of all its exports and supplying 45 percent of its imports, U.S. agricultural import quotas have contributed to the Honduran economic problems. The U.S. sugar quota for 1982, for example, allowed Honduras to sell only 28,000 metric tons of sugar--one of its most important exports--to the U.S. at 22 cents per pound, the artificially high price caused by U.S. protection of its domestic sugar industry. This left Honduras with a sugar surplus of nearly 100,000 metric tons worth only 6 cents per pound on the world market. As this price was far below production costs, sugar output fell. The result has been that new Honduran sugar factories built with U.S. loans at high interest rates operate below capacity, driving up costs and forcing layoffs of Honduran workers. The country's 46,000 independent coffee growers also have suffered severely from the weakness in the international commodity markets.

Honduran businessmen, fearful that regional strife will engulf their country, have exacerbated the economic crisis by sending their money abroad--usually to Miami or New Orleans. This group has joined opposition political parties in blaming the Suazo government for the International Monetary Fund's September 1983 ruling that Honduras is out of compliance with its debt renegotiation agreement. The IMF, among other things, demanded currency devaluation and harsher austerity measures. To force the Hondurans to comply with such belt tightening measures, the U.S. is holding back \$72.5 million in assistance. The Suazo government, however, argues that compliance with these demands will damage seriously the country's progress toward democracy. Honduran business leaders worry that the large U.S. budget deficit will prompt cut-backs in American economic support.

#### HONDURAN VULNERABILITY

Honduras' economic and social problems make it increasingly vulnerable to subversion by the Left and attacks by a disaffected Right. The strife embroiling other Central American nations also infects Honduras, making it susceptible to political intimidation by the Soviet-backed Sandinistas in neighboring Nicaragua.

##### The Local Threat

Honduras and El Salvador both became targets of Marxist-Leninist guerrilla movements after the Sandinista takeover of Nicaragua in July 1979. Trained and supplied by Cuba and Nicaragua, Honduran leftists have grown in strength and audacity, leading to an increase in terrorist attacks within Honduras.

One of the most active guerrilla groups is the Movement for Popular Liberation (MLP), nicknamed "Cinchoneros." The MLP is the military wing of the People's Revolutionary Union (URP) formed in 1978 as an offshoot of the Honduran Communist Party. Copying the insurgency tactics of the Sandinistas, the Cinchoneros

kidnapped an American oil company executive in April 1980, but were captured by Honduran authorities before issuing ransom demands.

Cinchoneros leader Antonio Reyes Mata was released as part of the amnesty declared by newly elected President Suazo and promptly fled to Cuba via Nicaragua. Reyes Mata returned to Honduras in July 1983 with a band of about 100 guerrillas, some of whom deserted and alerted Honduran authorities. Reyes Mata was tracked down and killed before he could establish a rural guerrilla base. The deserters reported that they had been lured to Nicaragua in October 1981 by promises of agricultural and mechanical training, but instead had been sent to Cuba for a nine-month guerrilla course by the Cuban Ministry of the Interior's Department of Special Operations. (This unit participated in the Marxist coup d'etat in Grenada in March 1979).

Shipped back to Nicaragua in September 1982, the Honduran guerrillas were quartered in a "safehouse" in Managua prior to their infiltration into Honduras. This group was the advance element of a larger force designed to operate in four Honduran provinces, using a network of logistical bases in the rural highlands which were to have been supplied by Nicaraguan airdrops.<sup>1</sup>

Earlier evidence of Cuban/Nicaraguan support for Honduran guerrillas was made public after a police raid in November 1981 on a safehouse used by the Morazan Front for the Liberation of Honduras (FMLH) in Tegucigalpa, the Honduran capital. The captured Marxist revolutionaries included a Honduran, several Nicaraguans and an Uruguayan. Among the documents found were classroom notebooks from a one-year guerrilla training course held in Cuba in 1980 and a letter revealing that guerrillas at another FMLH safehouse were responsible for transporting arms and ammunition into Honduras from the Nicaragua town of Esteli.

Numerous other terrorist incidents have occurred over the past four years. They include an aircraft hijacking and kidnapping incidents involving President Suazo's daughter and a leading Honduran banker. Such actions clearly parallel guerrilla tactics in Nicaragua and El Salvador. So did Havana's effort to prod the various Honduran guerrilla factions into a unified movement. This was achieved in March 1983, when the FMLH, the Cinchoneros and the Central American Worker's Revolutionary Party (PRTC) announced that they had merged into the National Unity Directorate of the Revolutionary Movement of Honduras (DNU-MRH). According to the most recent reports, infiltration from Nicaragua is continuing.

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<sup>1</sup> Background Paper: Nicaragua's Military Buildup and Support for Central American Subversion, U.S. Department of State and Department of Defense, July 18, 1984, p. 27.

### The Regional Threat

Aside from the subversive danger posed by Cuban and Nicaraguan support for indigenous Marxist-Leninist insurgents, Honduras faces a rapidly growing military threat from Nicaragua. The Sandinista military already dwarfs the armed forces of Honduras, and is augmented on almost a weekly basis by infusions of advanced Soviet military hardware. Although the Sandinistas have not yet received such high performance Soviet aircraft as the MiG-21s they have used to train their pilots, the former air superiority of the aging Honduran air force has been rendered nearly worthless by Nicaraguan acquisition of sophisticated mobile anti-aircraft missiles. Nicaragua has almost achieved the logistical and material capabilities needed to mount a conventional cross-border attack on Honduras. (See Table.)

#### THE HONDURAN/NICARAGUAN MILITARY BALANCE<sup>2</sup>

	<u>Honduras</u>	<u>Nicaragua</u>
Total Active Duty Military	15,200	48,800
Militia, Ready Reserve and Paramilitary Forces	4,500	75,000
Foreign Military (including reservists)*	<u>1,000</u>	<u>10,000</u>
Total	20,700	133,800
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Main Battle Tanks	0	120
Light Armored Vehicles	88	150
Attack Helicopters	0	12
Fighter Aircraft	12	0
Tactical Support Aircraft	14	14
Surface-to-Air Missiles	0	800
Anti-aircraft Artillery	0	130
Multiple Rocket Launchers	0	24

\*Honduras: 1,000 U.S. personnel; Nicaragua: 9,900 Cubans, 50 Soviets, 50 East Germans.

<sup>2</sup> Sources: International Institute for Strategic Studies; U.S. Department of State; U.S. Department of Defense. Cuban figures include civilian technicians who are members of the Territorial Troops Militia or Army reserve.

Nicaragua increasingly has been harassing Honduras. Last May, Honduras recalled its ambassador to Managua after Sandinista forces shot down a Honduran helicopter inside Honduras, killing all eight men aboard. This followed a similar incident in which a U.S. helicopter was destroyed after accidentally straying across the border from Honduras into Nicaragua. Nicaraguan naval vessels, meanwhile, have attacked Honduran fishing boats. Beginning in 1983, a powerful Nicaraguan-based radio transmitter began interfering with broadcasts from Honduras' main radio station, probably confirming suspicions that Moscow has given the Sandinistas sophisticated electronic equipment.

### A Base for Insurgencies

Honduras' strategic location has made it one of the most important routes for Cuban and Nicaraguan arms shipments to communist insurgents in El Salvador. In January 1981, for example, Honduran authorities captured six Salvadoran guerrillas unloading weapons from a truck en route to Nicaragua. Inside the truck were forged passports, M-16 rifles, ammunition that included mortar rounds, and other military equipment. By the end of 1981, the Salvadoran leftist ERP guerrillas had formed a joint command with Hondurans in the capital city of Tegucigalpa. On July 4, 1982, this group sabotaged the main power station in Tegucigalpa and the next month bombed various U.S. businesses there, including IBM and Air Florida. Salvadoran guerrillas also maintain clandestine bases inside Honduras, as evidenced by the August 1982 raid on an FMLN safehouse in Tegucigalpa which resulted in the capture of several high-level guerrilla leaders.<sup>3</sup>

## HONDURAS AND THE UNITED STATES

### Diplomatic Relations

Honduras became the closest U.S. ally in Central America after the 1981 elections that restored Honduran democracy. The Reagan Administration has been pursuing a policy of helping to maintain Honduras' national security while promoting political and economic reform. This is designed to provide a bulwark against the export of revolution from Nicaragua. The closest liaison between Honduras and the U.S. during the first two years of democratic rule was Defense Minister Gustavo Alvarez Martinez. Although much criticized for usurping an inordinate degree of executive power, Alvarez loyally supported the civilian government during President Suazo's bouts with illness. Alvarez also strengthened his country's defenses by arranging much greater military cooperation with the U.S. He was, moreover, a staunch supporter of the Nicaraguan Democratic Front (FDN), an anti-Sandinista rebel group.

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<sup>3</sup> Background Paper: Central America, U.S. Department of State and Department of Defense, May 27, 1983, p. 9. See also Richard Araujo, "Backing Honduras: Taking a Stand for Democracy," Heritage Foundation Backgrounder No. 264, May 3, 1983.

Alvarez and four other senior officers were arrested by their own soldiers on March 31, 1984, and exiled to Costa Rica. This was carried out by a group of young officers, supported by President Suazo, who apparently resented the Defense Minister's independent style of leadership and close relationship with U.S. officials.

Alvarez's departure inaugurated a markedly different phase in U.S./Honduran relations. The new military commander-in-chief, Air Force General Walter Lopez (a leader of the plot against his predecessor, and a close friend of President Suazo) has sought to redefine Honduras' relationship with Washington to gain a firmer U.S. security commitment and greater economic assistance.

For a number of reasons, Honduras has been reassessing the effects of its ties with the U.S., although the Honduran government remains firmly opposed to Marxism-Leninism. For one thing, Honduras is concerned increasingly by the Sandinista threat. For another, it is very concerned by the U.S. House of Representatives' cut-off last June of aid to Nicaraguan Freedom Fighters, organized in the Nicaraguan Democratic Front. Honduras fears that this signals permanent abandonment of U.S. support for the Freedom Fighters, thus leaving responsibility for their welfare to Honduras and increasing the probability of a punitive attack by Nicaragua on Honduras. This worry was compounded by Secretary of State George Shultz's surprise visit to Managua in June 1984, which many Honduran military and political leaders suspect could lead to a U.S. accommodation with the Sandinistas that would leave Honduras exposed to Nicaraguan aggression. Such concern was a factor in the Hondurans' decision to withdraw much of their tacit support for the Nicaraguan Democratic Front.

In what now appears to have been a strategy designed to gain a stronger hand in diplomatic bargaining with Washington, the Hondurans initiated a series of moves to assert their independence and draw attention to their important role in regional security. Last May, for example, General Lopez told reporters, prior to informing the U.S. embassy, that Honduras wished to renegotiate the 1983 agreement with the U.S. governing the Regional Military Training Center (RMTC) established in Puerto Castilla. The RMTC, one of the most vital components of the U.S. counterinsurgency effort, disturbed many Hondurans because it has been used as a training school for soldiers from El Salvador. Honduras fought El Salvador in 1969 over still unresolved territorial disputes.

The Hondurans made it clear that they expect Washington to press El Salvador to re-open negotiations regarding the territory in return for the continued training of Salvadoran troops at the RMTC.

Lopez next asked the U.S. to scale down plans for subsequent military exercises in Honduras and reportedly threatened to cancel future maneuvers if the American military presence was not

reduced from its level of 1,700 in June 1984.<sup>4</sup> This was followed by a formal request for the Reagan Administration to appoint a high-level commission to discuss important changes in the Honduran/U.S. relationship.

Impatient with what they perceived as the slow U.S. response, the Hondurans halted the training of Salvadoran troops at the RMTC, saying the suspension would continue until new economic and security agreements had been negotiated with Washington. Honduran spokesmen indicated that their government was edging toward a nonaligned stance, which very seriously would upset U.S. policy for Central America. Colonel Efraim Gonzalez, Honduran armed forces joint chief of staff, said in October 1984 that although Honduras had no intention of banning of American troops from Honduras "for the moment," his government knew that "our friendship toward the United States is beneficial for both of us. For this reason, there must be a logical and fair compensation for our troubles."<sup>5</sup>

Feeling that their bargaining position had been strengthened even further by the large-scale deliveries of Soviet weaponry to Nicaragua during November 1984, the Hondurans sent a commission to Washington to begin negotiations on the future of their relations with the U.S. The talks are centering on increased U.S. aid and a proposed security pact with the U.S.

## U.S. AID PROGRAMS

### Military Assistance

Since taking office, the Reagan Administration has given more security assistance to Honduras than the military aid from all previous U.S. administrations combined. The FY 1982 military grant was increased from \$1 million to \$10 million, while the military sales credit was raised from \$9 million to \$19 million. Military aid rose to \$37.3 million in 1983 and more than doubled to an estimated \$77.5 million in 1984. For FY 1985, \$62.5 million has been allocated, not including an \$8 million grant for airfield reconstruction and a \$13 million appropriation for a new airbase which will greatly improve the U.S. ability to defend Honduras against Nicaraguan attack.

The U.S. military assistance program provides Honduras with basic tactical equipment and training, including use of the Regional Military Training Center, from which nearly 4,000 Honduran soldiers have graduated since 1983. Military equipment includes helicopters, transport and communications gear, naval equipment

<sup>4</sup> New York Times, June 7, 1984, p. A19.

<sup>5</sup> FBIS, October 16, 1984, P2; Panama City ACAN in Spanish (1709 GMT), October 13, 1984.

and patrol boats, vehicles, medical equipment, radar, communications gear, ammunition and spare parts. The ongoing series of joint U.S./Honduran military exercises is designed to improve the quality of the Honduran armed forces and to demonstrate American support for the Suazo government.

The Hondurans have made it clear that they consider the current level of U.S. military assistance inadequate. They seek a security pact with the U.S.--something without precedent in this hemisphere--and a sizable increase in military assistance. This includes sales of twelve F-5E fighter aircraft to the Honduran air force, which still flies some Korean War vintage aircraft. In all, the Hondurans are seeking \$100 million per year in military assistance over a four-year period.

The negotiating commission is also demanding a complete revamping of the 1954 military assistance agreement with the U.S., which is based on the 1947 Inter-American Treaty of Reciprocal Assistance, generally known as the Rio Pact. The Hondurans insist that the Rio Pact is inadequate in view of their current risks in cooperating with the U.S. during an escalating regional security crisis. A separate security pact is sought which will commit the U.S. formally to defend Honduras regardless of future U.S. "accommodations" with Nicaragua.

To date, the U.S. military presence in Honduras has been low-key, with only a few minor incidents to mar an otherwise harmonious relationship with citizens of the host country. A continuing American military presence would bolster the Suazo administration by deterring the Sandinistas from attacking, and would discourage leftist influence in El Salvador, Guatemala, and Honduras itself.

#### Economic Assistance

The Reagan Administration's economic assistance to Honduras also has been generous, totaling \$102.7 million in 1983 and nearly \$170 million for 1984--or more than double the amount of military aid. Some \$138 million has been requested for FY 1985. The book value of U.S. private investment in Honduras exceeds \$200 million and a new hydroelectric dam built with American loans will soon be in service, greatly alleviating Honduras' dependence on imported oil.

U.S. economic aid aims at nurturing Honduran democracy. A large portion of U.S. financial assistance provides badly needed foreign exchange to increase the availability of domestic credit as well as to foster private sector participation in the development process. The U.S. Agency for International Development (AID) has funded an \$11 million agrarian reform program that has given land titles to 4,000 peasant families. AID has built more than a thousand new schoolrooms and is currently spending \$7 million to provide low-cost housing for the poor. Health facilities and roads are also being improved.

Although President Suazo expressed gratitude for these and other projects during his January 1983 address to the Honduran Congress,<sup>6</sup> Honduras is requesting a total of \$1.3 billion in economic aid over the next four years, averaging \$325 million per annum.

## POLICY RECOMMENDATIONS

### The U.S. Ambassador

Honduran assertion of its independence is understandable in light of its dilemma as a strong U.S. ally and host to Freedom Fighters, while bordering a hostile Nicaragua. Similarly, the Honduran government's shrewd mobilization of its strategic assets to press Washington displays admirable diplomatic and political skills. U.S. Ambassador to Honduras John Negroponte, who is being replaced, played an important role in assuaging Honduran concerns. His successor must demonstrate similar knowledge of the region, sensitivity to Honduran interests, and unswerving loyalty to the Reagan Administration's policy.

### Security Assistance

U.S. officials have opposed a mutual security pact with Honduras, fearing that it would set a potentially dangerous precedent for U.S. policy toward Latin America. By singling out Honduras, it is felt, a pact would devalue security commitments to other Latin American nations. Yet there are advantages to a pact. A formal security agreement with Honduras, for example, would send a clear message to other Latin American countries and Moscow that the U.S. is renewing and strengthening a permanent commitment to the security of this Hemisphere.

The Honduran government already has indicated its willingness to support U.S. policy in the region. Foreign Minister Paz Barnica took the lead in proposing important revisions in the Contadora Treaty being drafted by several Latin American nations. His proposals include guidelines to verify treaty compliance and allow U.S. military exercises in the region during the course of arms talks among the Contadora nations. These two points are of major concern to Washington.

Although the Honduran request for a near doubling of its U.S. military aid is unrealistic, increased assistance would serve U.S. security interests as well as cementing relations with Honduras. This would be in keeping with the recommendations of the National Bipartisan Commission on Central America (the Kissinger Commission), which stated that "increased U.S. military assistance in Honduras is needed for training and equipment in order to build a credible deterrent and to meet renewed efforts at an insurgency."<sup>7</sup>

<sup>6</sup> Central American Report, Vol. X, #6, February 11, 1983, p. 43.

<sup>7</sup> Report of the National Bipartisan Commission on Central America, January 1984, p. 102.

The out-dated Honduran air force needs to be modernized to counter Nicaragua's dangerous military buildup. Washington seriously should consider the Honduran request for F-5E fighter aircraft. The U.S. regards these as surplus aircraft and they are being supplied to Turkey. Given Nicaragua's growing ground forces, Honduran air force must be strengthened.

Increasing U.S. military aid to Honduras must be reciprocated. The Hondurans should overcome their enmity toward El Salvador and begin coordinating counterinsurgency operations with it. Salvadoran leftist forces using Honduras as a refuge and an arms conduit must be recognized as a threat to Honduras as well as El Salvador. Washington, therefore, should encourage a negotiated resolution of the Honduran/Salvadoran dispute. Also in return for increased U.S. aid, Honduras should permit the U.S. to establish a permanent or semi-permanent military base in Honduras as part of a regional anti-Sandinista strategy and as a replacement for U.S.-run training facilities in Panama which were closed in September 1984.

U.S. policy must take into account Honduran sensitivities and concerns regarding the U.S. and the anti-Sandinista Freedom Fighters. U.S. military presence in Honduras must remain unobtrusive. Washington, meanwhile, should encourage the Freedom Fighters to maintain their bases in Nicaragua rather than Honduras. In seeking further aid for the Freedom Fighters, the Administration should emphasize to the Congress that ending such assistance could jeopardize U.S. relations with Honduras.

#### Economic Assistance

The United States cannot afford to accede to the Honduran request for \$325 million per annum in economic assistance over the next four years. The Reagan Administration's proposed \$142 million of direct economic aid to Honduras in the next four years is satisfactory. Free market means should be used to alleviate the country's economic malaise. Honduras, for instance, is a beneficiary under the Caribbean Basin Economic Recovery Act of 1983. As such, Honduras should be exempted from sugar import quotas imposed by the U.S. Honduras should be encouraged to divest itself of its mismanaged, problem-ridden government-owned utilities. This would bring much-needed foreign capital into the country and deflect a large measure of public dissatisfaction over the poor quality of electrical, telephone and other services. In the long term, the U.S. can best help Honduras economically by lowering trade barriers to Honduran exports while working to encourage a more diversified economy. Resources of the Inter-American Foundation should be targeted on Honduran private sector development.

#### Political Relationship

U.S. policy in the region cannot succeed unless Hondurans are convinced that the U.S. will not abandon them or undercut their front-line struggle with Sandinista Nicaragua. To achieve

this, the U.S. should: 1) affirm clearly to Honduras that it will be protected against overt Nicaraguan aggression; 2) advise Honduras that Washington will work to assure that the anti-Sandinista forces pose no threat to Honduras; 3) provide renewed assistance to the Freedom Fighters seeking change in Nicaragua; and 4) refuse to conclude a pact with Nicaragua which would undermine Honduran will to resist the Sandinistas.

#### CONCLUSION

Honduras is a microcosm of Central America, combining the endemic problems of this vital area and the aspirations of all sectors of its society for a just and democratic future. The fate of Honduras is inextricably linked to that of the United States. From their position on the front line of the growing conflict in Central America, the people of Honduras are well aware of the threat posed to this hemisphere by communist subversion. In September 1983, a Costa Rican affiliate of the Gallup polling organization asked 700 Honduran adults with at least one year of secondary school what country, if any, was a threat or a help to Honduras. Of the respondents, 80 percent named Nicaragua as a military threat to Honduras, while 93 percent identified the U.S. as helping Honduras to solve its problems.

Critics of Reagan Administration policy have said that U.S. military aid tips the Honduran domestic power balance away from politicians in favor of the armed forces and creates friction between American personnel and the local populace. Both charges are largely unfounded. The Honduran military amply has demonstrated its commitment to democracy by voluntarily returning the country to civilian rule and supporting President Suazo in his power struggle with General Alvarez--even at a time when the U.S. military role had greatly increased.

Washington should reaffirm U.S. friendship and support for the government and people of Honduras. U.S. security may depend on its ability to assure the Hondurans of U.S. commitment to the survival of their struggling democracy and its determination to turn back the communist threat to them and the Western Hemisphere.

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