

TRP
 VZCZCTGI *
 RR RUEHSJ RUEHC RUESBG RUEHCV RUEHGT RUESMG
 RUEHME RUEHZP RUEHSN RUEHDT
 DE RUEHTG #1100/01 284 **
 ZNY SSSSS ZZH
 R 112228Z OCT 83
 FM AMEMBASSY TEGUCIGALPA
 TO RUEHSJ / AMEMBASSY SAN JOSE 8775
 INFO RUEHC / SECSTATE WASHDC 7679
 RUESBG / AMEMBASSY BOGOTA 1952
 RUEHCV / AMEMBASSY CARACAS 1558
 RUEHGT / AMEMBASSY GUATEMALA 1166
 RUESMG / AMEMBASSY MANAGUA 5420
 RUEHME / AMEMBASSY MEXICO 1895
 RUEHZP / AMEMBASSY PANAMA 8359
 RUEHSN / AMEMBASSY SAN SALVADOR 9648
 RUEHDT / USMISSION USUN NEW YORK 1383
 BT

Chris R

CLASS: SECRET
 CHRGE: PROG 10/11/83
 APPRV: AMB:JDNEGROPONTE
 DRFTD: AMB:JDNEGROPONTE:KJ
 CLEAR: 1.POL:RB
 2.AID:TC
 3. ECON:JL
 4.DAO:GY
 DISTR: AMB DCM POL
 AID ECON DAO

SECTION 01 OF * TEGUCIGALPA 11100

E.O. 12356: DECL: OADR
 TAGS: HO, XK
 SUBJECT: NBCCA VISIT - HONDURAS ISSUES

1. ENTIRE TEXT

2. PROBLEMS AND CHALLENGES FACING HONDURAS IN CONTEXT OF CURRENT REGIONAL SITUATION CAN BE REDUCED TO THREE DISTINCT BUT RELATED ISSUES. FIRST, THE THREAT POSED BY DEVELOPMENTS IN NEIGHBORING NICARAGUA AND EL SALVADOR. SECOND, THE DESPERATE ECONOMIC SITUATION CAUSED BY POOR COMMODITY PRICES, LACK OF CUSTOMARY FOREIGN CREDIT AND INVESTMENT AND REGIONAL INSTABILITY COMING ON TOP OF A SITUATION ALREADY CHARACTERIZED BY ENDEMIC POVERTY. AND, THIRD, THE CONSOLIDATION OF HONDURAS' CONSTITUTIONAL PROCESS WHICH WAS RESTORED BY CONSTITUENT ASSEMBLY ELECTIONS OF NOVEMBER 1981.

3. THE OVERALL PICTURE IS BLEAK BUT BY NO MEANS HOPELESS. STARTING WITH THE LAST ISSUE FIRST, THE CONSTITUTIONAL PROCESS IS FUNCTIONING SMOOTHLY HERE AND, APART FROM SOME CONCERN ABOUT DOCTOR SUAZO'S HEALTH, THERE ARE NO SERIOUS THREATS ON THE HORIZON. THERE IS FREEDOM OF EXPRESSION AND ASSEMBLY AND THE MILITARY ARE PUBLICLY COMMITTED TO HONDURAS' DEMOCRACY. THE NEXT GENERAL ELECTIONS, SCHEDULED FOR NOVEMBER 1985, CAN BE EXPECTED TO TAKE PLACE.

4. THE ECONOMIC SITUATION IS NOT SO PROMISING. THE GOOD NEWS IS THAT HONDURAS IS NOT AT WAR AND ITS ENTREPRENEURIAL CLASS HAS STAYED HERE RATHER THAN LEAVING THE COUNTRY. THERE IS A WILLING LABOR FORCE AND GOOD ACCESS TO U.S. MARKETS. THE BAD NEWS IS THAT THE PRICES FOR MOST OF THE EXPORTS OF THIS EXPORT-DEPENDENT ECONOMY ARE WEAK (COFFEE, SUGAR, MEAT, METALS); FOREIGN LINES OF CREDIT HAVE EVAPORATED; AND THERE HAS BEEN NO SIGNIFICANT NEW DOMESTIC OR FOREIGN INVESTMENT IN THE PAST FOUR YEARS. CONVERSELY, PRICES FOR MOST ESSENTIAL IMPORTS ARE STRONG. UNEMPLOYMENT IS ROUGHLY ESTIMATED

Dept. of State, RPS/IPS, Margaret P. Grafeld, Dir.
 () Release () Excise () Deny () Declassify
 Date 6/2/98 Exemption

UNCLASSIFIED

AT THIRTY PERCENT AND THE GROSS DOMESTIC PRODUCT WAS NEGATIVE FOR THE FIRST TIME IN 1982 AFTER ALMOST TWENTY YEARS OF SUSTAINED AND VERY RESPECTABLE GROWTH. THIS ECONOMIC PICTURE DOES NOT APPEAR LIKELY TO CHANGE IN THE NEAR FUTURE WITH PROSPECTS FOR CONTINUED GRADUAL SHRINKING OF THE ECONOMY.

5. THE SITUATIONS IN NEIGHBORING NICARAGUA AND EL SALVADOR CAST A LONG SHADOW OVER ALL ASPECTS OF LIFE HERE. INITIALLY SYMPATHETIC, HONDURANS HAVE BECOME COMPLETELY DISILLUSIONED WITH THE SANDINISTA REVOLUTION. THEY SEE NICARAGUA AS THE PRINCIPAL LONG-TERM THREAT TO THE REGION AND THEY DO NOT BELIEVE ENDURING REGIONAL PEACE AND STABILITY IS POSSIBLE UNTIL NICARAGUAN GOVERNMENT ABANDONS MILITARY BUILD-UP, CEASES AGGRESSIVE REVOLUTIONARY POLICIES AND FOREGOES ALIGNMENT WITH HAVANA. ALTHOUGH WILLING TO GIVE IT A CHANCE, GOH IS SKEPTICAL OF CONTADORA PROCESS. IT IS SUSPICIOUS OF MEXICAN MOTIVES AND FEARS BEING PRESSURED INTO SOME ARRANGEMENT IT DOES NOT WANT. IT IS ESPECIALLY WARY OF PRESSURE TO AGREE TO A STEP-BY-STEP, PIECEMEAL NEGOTIATING APPROACH WHICH MIGHT SELECTIVELY RESOLVE ISSUES OF CONCERN TO NICARAGUA WITHOUT SIMULTANEOUSLY ADDRESSING ISSUES OF CONCERN TO HONDURAS.

6. HONDURANS DO NOT WANT EL SALVADOR TO FALL INTO COMMUNIST HANDS AND FOR THE MOST PART ARE CONVINCED THAT, IF IT DOES, HONDURAS WILL BE THE NEXT TARGET. THE FACT THAT MEMBERS OF THE SALVADORAN EXTREME LEFT HAVE BEEN DIRECTLY INVOLVED IN ORGANIZING SELECTED ACTS OF URBAN TERRORISM IN HONDURAS SERVES TO CONFIRM THESE FEARS. DESPITE THIS DEEP-SEATED CONCERN FOR THE ULTIMATE FATE OF EL SALVADOR, HONDURANS DO NOT CONCEAL THEIR DISMAY OVER RIGHT WING VIOLENCE THERE. THE GOH - INCLUDING ITS MILITARY - HOLDS CONSIDERABLE PRIVATE SYMPATHY FOR THE SALVADORAN CHRISTIAN DEMOCRATIC PARTY AND THERE IS NO AFFINITY WHATEVER FOR MR. D'AUBUISSON. IN PART BECAUSE OF REGIONAL TENSIONS AND THE COMMON THREAT FROM NICARAGUA, OFFICIAL HONDURAS/EL SALVADOR RELATIONS HAVE IMPROVED DRAMATICALLY SINCE THE SO-CALLED SOCCER WAR OF 1969. TODAY, THREE YEARS AFTER THE SIGNING OF A GENERAL PEACE TREATY, THERE IS SALVADORAN/HONDURAN COOPERATION IN ALL FIELDS, INCLUDING MILITARY.

THE REGIONAL THREAT AND HONDURAS' SENSE OF RELATIVE ISOLATION HAS ALSO BROUGHT IT MUCH CLOSER TO THE UNITED STATES.

7. THE PROMISING ASPECTS OF THE HONDURAS SCENE ARE ITS DEMOCRACY AND SOCIAL PEACE. THE SECURITY SITUATION IS MANAGEABLE BUT DIFFICULT. IT WOULD BE SEVERELY COMPLI-
 CATED IF EL SALVADOR WERE TO GO THE WAY OF NICARAGUA. THE ECONOMY IS GOING FROM BAD TO WORSE AND NEEDS A STRONG INJECTION TO BUY TIME FOR HONDURAN DEMOCRACY WHILE THE PROBLEMS OF REGIONAL POLITICAL INSTABILITY ARE SORTED OUT. THIS IS A HOLDING OPERATION AND HONDURAS IS MUDDLING THROUGH. BUT THERE ARE THOSE WHO ASK AT WHAT POINT THE LIMITS OF HONDURAN STOICISM MIGHT BE EXCEEDED AND PRESSURES DEVELOP FOR MORE DESPERATE SOLUTIONS. NEGROPONTE