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E.O. 12065: GDS 6/1/88 (NEGROPONTE, JOHN D.) OR-M
 TAGS: EAID, PEPR, HO, MILI, MASS
 SUBJ: HONDURAN AID NEEDS: CONVERSATION WITH MINISTER OF PRESIDENCY
 CARLOS FLORES, MAY 31, 1982

REFS: (A) TEGU 2187 (NOTAL); (B) TEGU 3958 (NOTEL);
 (C) TEGU 4221 (NOTAL)

1. CONFIDENTIAL - ENTIRE TEXT
2. SUMMARY: TOP HONDURAN CIVILIAN LEADERSHIP IS BECOMING INCREASINGLY FRUSTRATED OVER WHAT IT CONSIDERS TO BE ITS INABILITY TO MEET PRESSING ECONOMIC NEEDS OF COUNTRY. CONVERGENCE OF FACTORS, INCLUDING SLOW PROGRESS OF CBI THROUGH CONGRESS, ORTEGA VISIT TO SOVIET UNION AND FALKLANDS CRISIS ARE CAUSING A NUMBER OF THESE SAME LEADERS AND SIGNIFICANT ELEMENTS OF THE HONDURAN PRESS TO ASSIGN A GREATER THAN USUAL BLAME FOR HONDURAS' TROUBLES ON THE UNITED STATES. AS HONDURAN LEADERSHIP LOSES CONFIDENCE IN ITS OWN ABILITY TO DEAL WITH ITS PROBLEMS AND IN OUR WILLINGNESS TO HELP QUICKLY, THE GREATER THE INTERNAL PRESSURE HERE TO LESSEN THE PRO-U.S. ORIENTATION OF GOH POLICIES AND A GROWING TEMPTATION TO PLAY WITH "NON-ALIGNED" ALTERNATIVES. THERE ARE STILL REMEDIES; BUT WE HAVE LOST GROUND HERE SINCE AMBASSADOR'S SUBMISSION OF REFTEL A (ENTITLED "HONDURAN MALAISE") ON MARCH 17. MAY 31 CONVERSATION WITH MINISTER OF PRESIDENCY, CARLOS FLORES, REFLECTS THESE AND OTHER CONCERNS. END SUMMARY.
3. AMBASSADOR CALLED ON MINISTER OF PRESIDENCY, CARLOS FLORES, MAY 31 FOR A GENERAL TOUR D'HORIZON. CALL WAS PROMPTED BY AN EDITORIAL APPEARING JUST TWO DAYS EARLIER IN FLORES' NEWSPAPER LA TRIBUNA WHICH EXPRESSED EXASPERATION OVER UNCERTAINTIES SURROUNDING CBI AND RELATIVELY

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SMALL AMOUNTS PROMISED TO HONDURAS IN RELATION TO THE MAGNITUDE OF ITS PROBLEMS. TRIBUNA ARTICLE WAS JUST ONE OF MANY ARTICLES APPEARING IN RECENT DAYS EXPRESSING HONDURAN ECONOMIC DESPERATION AND MAKING INVIDIOUS COMPARISONS BETWEEN OUR SEEMING INABILITY TO PROVIDE ADDITIONAL HELP AND NICARAGUAN JUNTA MEMBER ORTEGA'S APPARENT SUCCESS IN ELICITING DOLS 168 MILLION IN CREDITS FROM THE SJIET UNION ON HIS RECENT TRIP TO MOSCOW.

4. AMBASSADOR OPENED CONVERSATION BY ASKING FLORES IF TRIBUNA ARTICLE REPRESENTED VIEWS OF GOH. FLORES PROFESSED TO NOT HAVING SEEN OR READ THE ARTICLE BUT THEN PROCEEDED TO OUTLINE PROBLEM IN OUR RELATIONSHIP IN MANNER VERY CONSISTENT WITH TENOR OF ARTICLE.

5. STARTING WITH THE BEGINNING, FLORES WENT BACK TO LAST YEAR'S ELECTION CAMPAIGN AND THE TRANSITION TO FULL CONSTITUTIONAL RULE. HE ASSERTED THAT IN DEALINGS WITH USG OFFICIALS DURING THAT TIME, THERE WAS THE REPEATED IMPLICATION IN CONVERSATIONS THAT A SUCCESSFUL TRANSMISSION TO DEMOCRACY WOULD RESULT IN GREATER ECONOMIC AID. FLORES SAID HE, DOCTOR SUAZO AND OTHERS HAD PICKED THIS UP NOT ONLY IN CONVERSATIONS WITH OUR EMBASSY HERE BUT ALSO FROM OFFICIAL WASHINGTON VISITORS AND ON DOCTOR SUAZO'S OWN VISIT TO WASHINGTON LAST JULY. THEN THE ELECTIONS CAME AND, TO MAKE A LONG STORY SHORT, IN THE SIX MONTHS SINCE THAT TIME UNITED STATES ASSISTANCE HAS REMAINED VERY MUCH AT THE SAME LEVELS AND THE CBI HAS BECOME BOGGED DOWN IN CONGRESZ. MEANWHILE, THE ONLY CONCRETE ECONOMIC STEP WE HAVE TAKEN IS TO SLAP SUGAR QUOTAS ON HONDURAS. AS HE HAS SO OFTEN DONE IN THE PAST, FLORES EXPRESSED ALARM OVER WHAT CONGRESS SEEMS TO BE DOING TO OUR VARIOUS PROGRAMS FOR SALVADOR. HE WAS INCENSED THAT A COUNTRY IN SUCH DEEP TROUBLE AND SO RELIANT ON THE UNITED STATES SHOULD BE PUSHED AROUND BECAUSE OF THE LAND REFORM QUESTION, EVEN THOUGH HE DIDN'T AGREE WITH THE REPEAL OR SUSPENSION OF ANY OF THE REFORMS.

6. TURNING TO HONDURAS' NEEDS, FLORES WENT THROUGH THE BY NOW FAMILIARY LITANY. THE NEXT FEW MONTHS ARE CRITICAL. THERE IS ALMOST TWENTY PERCENT UNEMPLOYMENT, PERHAPS AS MUCH AS SIXTY PERCENT UNDEREMPLOYMENT. IN ORDER TO SHOW FISCAL RESPONSIBILITY, SATISFY THE IMF AND SO FORTH, GOH HAS BEEN ADDING TO THE RANKS OF UNEMPLOYED BY FIRING GOVERNMENT OFFICIALS. THEY WOULD ALSO RELUCTANTLY GO ALONG WITH RAISING SOME TAXES EVEN FURTHER, ALTHOUGH FLORES HAD GRAVE PERSONAL MISGIVINGS ABOUT WISDOM OF IMF PRESCRIPTIONS. WHAT HONDURAS REALLY NEEDED NOW, FLORES SAID, WAS AN INCREASE IN PRODUCTIVITY AND A STIMULUS TO THE ECONOMY. ALSO, GOH NEEDED SOME BREATHING SPACE. IT COULDN'T BE EXPECTED TO CLOSE THE BUDGETARY GAP OVERNIGHT AFTER YEARS OF IRRESPONSIBILITY AND, INDEED, CORRUPTION. SO, WHAT GOH HAD BEEN HOPING FOR FROM US ALL ALONG WAS A QUICK INJECTION IN ORDER TO HELP NEW GOVERNMENT SHOW EARLY, POSITIVE RESULTS.

7. NOW, FLORES CONTINUED, GOH IS CONFRONTED WITH STAGNANT IF WORSENING ECONOMIC SITUATION AND BEGINNING OF SERIOUS DOMESTIC DISAFFECTION. THE TEACHERS, ONE OF THE COUNTRY'S LARGEST PRESSURE GROUPS, ARE STIRRING AND THE UNIONS ARE RESTIVE. THE SOCIAL PEACE OF HONDURAS IS INDEED TOO FRAGILE TO ALLOW THESE COMPLAINTS AND FRUSTRATIONS GO UNATTENDED INDEFINITELY. IF THEY PROVOKE SOME SORT OF VIOLENCE, THEN THE GOVERNMENT'S ABILITY TO SATISFACTORILY MANAGE THE SITUATION BECOMES PROBLEMATIC.

8. FLORES THEN BROUGHT UP NICARAGUAN JUNTA LEADER ORTEGA'S VISIT TO MOSCOW. CONTRAST THE RESULTS, HE SAID, OF THE CBI SO FAR WITH THE MORE THAN DOLS 150 MILLION IN CREDITS

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ORTEGA WAS ABLE TO RECEIVE ON HIS VISIT TO MOSCOW. MORE-
OVER, MEXICO IS STANDING AS THE GUARANTOR FOR MANY
NICARAGUAN LOANS. DON'T MISUNDERSTAND, HE ADDED, HONDURAS
DOESN'T WANT TO ALIGN ITSELF WITH THE SOVIETS BUT WHAT
DOES GOH SAY TO ITS PEOPLE WHEN ORTEGA DELIVERS PROMPT
SOVIET HELP TO NICARAGUA AND NEW GOH IS SEEN TO BE STILL
EMPTYHANDED VIS-A-VIS HONDURAS? OR WHAT DO WE SAY WHEN
CUBA DELIVERS ALL SORTS OF ARMAMENTS TO NICARAGUA. THERE
IS AN ASYMMETRY BETWEEN WHAT USG PROVIDES EACH OF ITS
FRIENDS IN THE REGION AND WHAT CUBA AND THE SOVIETS ARE
DOING FOR NICARAGUA. NEVER RELUCTANT TO OFFER US ADVICE,
FLORES SAID, "WHAT YOU REALLY NEED IS TO MAKE A POLICY
DECISION THAT YOU WISH TO HELP CENTRAL AMERICA AND THEN
CARRY IT OUT". FLORES WONDERED OPENLY ABOUT THE
RELIABILITY OF OUR FRIENDSHIP.

9. AMBASSADOR, NEEDLESS TO SAY, MADE THE OBVIOUS ARGUMENTS.
RETURNS AREN'T IN ON CBI; MOSCOW'S LOAN TO NICARAGUA WAS
FOR IMPORTATION OF SOVIET EQUIPMENT AND HYDROELECTRIC
FEASIBILITY STUDY; GOH HAD TO SHOW GREATER UNDERSTANDING
FOR OUR DECISION-MAKING PROCESS, ETCETERA. AMBASSADOR
ALSO POINTED OUT WHERE WE HAD BEEN ABLE TO HELP IN MILITARY
AREA, THOUGH ACKNOWLEDGING THAT WE HAD FALLEN SHORT OF
MEETING ALL HONDURAN REQUESTS.

10. CONVERSATION ENDED WITH A BRIEF DISCUSSION OF THE
FALKLANDS SITUATION, A SUBJECT ON WHICH FLORES IS CAPABLE
OF RELATIVE OBJECTIVITY AND ON WHICH HE DOES NOT GET AS
EXERCISED AS GENERAL ALVAREZ. ALTHOUGH DOWNBEAT ABOUT
THE IMPLICATIONS OF THE FALKLANDS CRISIS FOR US/LATIN
RELATIONS, FLORES MADE CLEAR THAT MATTER WAS PRETTY FAR
DOWN ON HIS LIST OF PREOCCUPATIONS.

11. COMMENT: ALTHOUGH IT OCCASIONALLY TEMPTING TO THINK
THAT FLORES IS JUST SPEAKING FOR HIMSELF, EMBASSY IS
CERTAIN THAT ON SUBJECT OF ADEQUACY US AID HE SPEAKS FOR
PRESIDENT SUAZO AND ECONOMIC CABINET. SEE FOR EXAMPLE
REFTEL C WHERE DOCTOR SUAZO MADE SAME POINT TO PIEDRA AND
CARBAUGH. AND, IN FAIRNESS, GOH INSISTENCE ON URGENT NEED
FOR AID HAS BEEN FAIRLY CONSISTENT REFRAIN SINCE JANUARY 27
INAUGURATION. THE LEVEL OF FRUSTRATION IS HIGHER NOW.
THE AFTERTASTE OF THE IMF TALKS COMBINED WITH GROWING
SIGNS OF IMPATIENCE FROM VARIOUS TRADITIONAL LIBERAL PARTY
CONSTITUENCIES HAVE CREATED GREATER FEAR BY DOCTOR SUAZO
THAT HE WILL BE "CRUCIFIED" BY HIS ELECTORATE. (THE
PRESIDENT HAS USED HIS PHRASE WITH SEVERAL RECENT AMERICAN
VISITORS.) AND HONDURANS SEEM TO FEEL A SIGNIFICANT
DIFFERENCE BETWEEN THE WAY WE ARE TREATING THEM AND
SOVIETS ARE HELPING NICARAGUA.

12. SUGGESTIONS AS TO HOW WE MIGHT ALLEVIATE THIS
TRICKY SITUATION SUBMITTED SEPTTEL.
NEGROPONTE

END OF MESSAGE

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