

S E C R E T

## COUNTRY FACT SHEET

NAME: El Salvador

CAPITAL: San Salvador

POPULATION: c. 4.7 million (Jul 83) Population density 550 per square mile - one of greatest in the world; 2.7 growth rate - overpopulation increasing

AREA: 8,260 square miles

GDP: US \$3.5 billion (1981)

PER CAPITA INCOME: US \$700 (1979)

The situation in El Salvador continues to be one of crisis. The government is facing serious economic, security, political and social problems. Leftist insurgent forces launched a military and propaganda offensive on 10 January 1981 aimed at establishing a controlled territory which could be declared a liberated zone, for which international recognition could be sought. This offensive was largely quelled by government forces; however, the insurgents are being resupplied from abroad (primarily through Nicaragua) and continue to represent a serious long-term threat to government stability. Insurgency is the most immediate threat, not only in the military sense, but also because the violence makes it difficult to implement needed economic, political and social reforms. There are also underlying socioeconomic problems which are endemic and must be remedied.

The Salvadoran government is working to improve its image in Latin America and Europe with a campaign to explain its reform programs, amnesty, and efforts to reduce rightist violence as well as to point out the fact that Cuba, Nicaragua and other countries continue to actively support the insurgents. The strong showing by President Duarte's Christian Democratic Party in the March 1985 legislative assembly and mayoral elections is viewed as an increase in popular support for the government's programs and a repudiation of the extremists.

S E C R E T

DCI  
EXEC  
REG

1-388

## S E C R E T

BACKGROUND

Salvador's chronic problems -- overcrowding, inflation, vastly unequal distribution of wealth, and corrupt do-nothing rulers -- came to a head early in 1979 when political violence brought the country to the brink of anarchy. Fraudulent elections in 1972 and 1977 and repression of the opposition had disillusioned most Salvadorans about the political process. The leftist popular fronts grew and became bolder, prompting bloody confrontations with security forces which led to a 60-day state of siege beginning in May. Terrorism from both left and right continued. Both the economy and the government were nearly paralyzed by the time President Carlos Humberto Romero was forced out of office on 15 October 1979.

Junior and field-grade military officers who led the coup against Romero proclaimed their intention to restore order, create a climate for orderly honest elections, eliminate corruption, and institute basic social reforms. Colonels Jaime Abdul Gutierrez and Adolfo Majano, prime movers of the coup, formed a Junta consisting of themselves and three civilians, two of them moderate leftists.

The Junta soon found itself besieged on all sides by conflicting interest groups and unable to agree on reforms. Violence from the far left, which rejected the Junta from the outset, escalated to become a daily direct challenge to the Junta's authority. By late December 1979, the three civilians had left the Junta and the cabinet had resigned. The replacement Junta consisted of Colonel Gutierrez, Colonel Majano, two prominent Christian Democratic leaders, and an obscure independent. Its record of improving on its predecessor's performance was fair but worse regarding the restoration of order and the reduction of violence. With Cuban and Nicaraguan support, the principal leftist groups "officially" began the insurgency in January 1981 and continue fighting tenaciously to bring about the collapse of the government. In January 1981, the Junta was reconstituted again with Christian Democrat leader Jose Napoleon Duarte designated President of the Junta and Colonel Abdul Gutierrez as Vice President. In the March 1982 national elections a new constituent assembly was elected and Alvaro Magana was appointed President. In June 1984, Jose Napoleon Duarte was inaugurated as President after winning a run-off election against Roberto D'Aubuisson. President Duarte's party, the Christian Democratic Party, won major support for its policies with its victory in the March 1985 legislative assembly and mayoral elections.

S E C R E T

THE ECONOMY (Summary)

El Salvador's economy shows some signs of recovering (essentially in the construction industry) from five years of guerrilla war, but domestic violence and intense political infighting are seriously affecting new investment. With repayment prospects so uncertain, foreign and domestic banks are reluctant to expand credit to businessmen. Agricultural production is off as rural violence and the land reform program encourage a shift to food crops from export crops and disrupt normal marketing channels. Private consumption is down drastically because of reduced incomes and shortages of both domestic and imported goods. A severe shortage of foreign exchange -- reflecting falling export earnings, declining foreign capital inflows, and continuing capital flight -- is frustrating the government's attempt to end the economic decline.

For the foreseeable future, El Salvador will be in continuing need of substantial financial assistance. Five years of disinvestment and extensive damage means that considerable machinery and equipment must be put in place and cropland improved before increases in output can be sustained. Domestic resources are limited, and foreign investors will require a period of stability before returning to El Salvador on any significant scale. While reconstruction is underway, the economy will continue to be vulnerable to international economic shocks. Increases in oil prices, disruptions in export markets, and falling commodity prices could delay progress at any point.

S E C R E T

**Page Denied**

Next 4 Page(s) In Document Denied