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U.S. ASSISTANCE TO GUATEMALA

A Letter from James G. Maddox

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When Castillo Armas, at the head of his Army of Liberation, marched into the capital city of his native Guatemala in June 1954, to end a period of exile in neighboring Honduras and take over the reins of government from the deposed President, Jacobo Arbenz Guzmán, he automatically created an important testing ground for U.S. foreign policy in Latin America. Arbenz' government had been strongly influenced, though probably not quite controlled, by communists. The extent of communist influence was a matter of debate, but most observers agree that it was stronger and more overt than in any other Latin American country. Guatemala appeared to be, and perhaps actually was, the Latin American country in which Moscow had a significant foothold.

To the United States, the leader in the cold war against Russia, the situation in Guatemala had symbolic overtones as well as strategic significance. The whole Caribbean area, with its proximity to the Panama Canal, is of military importance. But prestige was also at stake. If the United States couldn't prevent the development of communism in "its own backyard," in one of the little "banana republics" where its influence had always been strongly felt, where one of its large corporations, the United Fruit Company, had operated the most important business in the country for years, where it had started a technical assistance program as early as 1941, then by what token could it lead the free world in a global crusade against communist aggression? Clearly, the Arbenz government was more than a thorn in the side of the United States. It was a threat to U.S. policy and prestige throughout the free world.

One of the serious problems facing the U.S. State Department was that of achieving a clear line of demarcation in Latin American public opinion between the interest of the U.S. in stamping out communism, on the one hand, and the private affairs of the United Fruit Company on the other. This problem was made all the more difficult by the past history of U.S. intervention in the Caribbean and Central American area. The communists were adroit at characterizing U.S. policy as being dominated by a desire to protect the local interests of the Fruit Company, which was under

repeated fire from the Arbenz government. They could also remind other Latin American countries that it had not been many years since U.S. marines were in Haiti and Nicaragua, and imply that the United States was again bent on intervening in the internal policies of its neighbors.

A new and important opportunity for effective action on the part of the United States arose when Castillo Armas began his "invasion of liberation" from Honduras. The part, if any, which the U.S. Government played in staging this movement is shrouded in secrecy and befogged by gossip. The late John E. Peurifoy, then U.S. Ambassador to Guatemala, had a lion's share of the publicity. Press reports said that, after the "liberation invasion" had started from near the Honduran border and was moving toward Guatemala City, Peurifoy strapped an Army .45 around his waist and visited various army posts. A few days later, when it became obvious that the Guatemalan Army was not going to oppose effectively the Army of Liberation, it was reported that Peurifoy flew back and forth between Guatemala and Salvador in the company of the Archbishop of the former country, attempting to arrange peace terms and supervising the installation of Castillo Armas as the new anticommunist President of Guatemala.

Although I don't pretend to know who did what in the melee that brought Castillo Armas into power, at least four things seem evident. First, the U.S. Government did more than sit back with folded arms and nod approval. Second, press reports about U.S. actions aroused some of the old fears and feelings toward Yankee "imperialism" and "intervention." Even those Latin American governments that were glad to see the Arbenz regime ousted were not happy about the overtness with which the U.S. Ambassador was reported to have acted. There were a few demonstrations, mostly by college students, in several Latin American countries against the United States. However, the whole thing blew over rather quickly, and if the United States refrains from further wielding of the "big stick," perhaps no permanent damage has been done to U.S. relations with other Latin American countries. Third, the U.S. actions threw Castillo Armas into the outstretched arms of the United States. He automatically became, and still remains, the U.S. darling among the Central American Presidents. He "grinned down" the Russian bear in good Davy Crockett fashion, and if Walt Disney hasn't yet immortalized him, it may be merely because the Disney staff likes historical themes that are hoary with age. Fourth, the whole fracas turned the spotlight on U.S. policy in Guatemala. By the time the dust had settled, about the middle of July 1954, it was evident that the United States would have to step in and help the new government improve conditions of life among the poverty-stricken Indians and lower-class ladinos. To throw the communists out was not enough. They had a program, and the new government had to have a better one if it was to win the allegiance of the people. But the treasury was empty; the government lacked either plans or slogans. As a result, chaos or really strong-armed, bloody dictatorship were the alternatives to the United States stepping in to fill the gap. Because of this fact,

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Guatemala immediately became a showcase, for the whole world to see, of how the United States is able and willing to help one of its close neighbors combat communism. In Guatemala the issue was clearly posed between the communist way and the United States way, and there an important judgment will be rendered.

Will the United States be able to prove the effectiveness of the United States way? That's the big question. One thing is certain: the job will not be easy. Castillo Armas is neither a gem of creative imagination nor a heart-thrilling, ebullient leader of the common people, though some observers declare that his strongest support comes from the poorer classes. The indications are: that he is a hard worker; that he has recruited a staff of reasonably efficient bureaucrats; that he is dead set against anything smacking of communism, but is not willing to rule the country with the firing squad; and that he is quite willing to take advice from U.S. sources, on which he is heavily dependent for financial support to carry out his programs of reform and development. In short, he appears to be a pretty good, business-minded military man of limited experience who is saddled with a difficult political job. The country over which he rules has a large area of undeveloped land but very little industry and no proven reserves of minerals or oil that could be profitably developed at the present time. The population numbers a little over three million people, about 54 per cent of whom are Indians, and even a higher percentage of whom live in squalid poverty. Illiteracy is high (about 65 per cent) and death and disease common. Average life expectancy is around 37 years. A good share of the best land is covered by tropical jungle, and most of the population is crowded into the rugged highlands where farms are small and erosion is serious. Though Guatemala has the physical potentialities for a much higher level of living than the majority of its population has ever imagined, much less enjoyed, it is no garden of paradise idly waiting for the magic touch of modernization. It will afford a real test of ingenuity and enterprise.¹

I recently spent a week in Guatemala, on leave from my regular AUFS assignment in Mexico, as a consultant to one of the organizations that is helping carry forward a part of the U.S. technical assistance program. I sat for hours with U.S. technicians who were writing project proposals for Washington approval. I rode over some of the new roads that are being built with U.S. government money by U.S. engineering firms, and in bumpy contrast I also rode over some that were of strictly Guatemalan origin. I walked over jungle land that has been designated by U.S. technicians for colonization by landless families, and reviewed the development plans, estimates of costs, and maps of farm layouts. For 15 to 18 hours each day, for a solid seven days, I talked, ate,

¹ For a fuller discussion of Guatemala, see: Guatemala 1955: I--Problems of Administration, an AUFS letter from K. H. Silvert, August 6, 1955.

and drank technical assistance. I learned a lot. And, even though reviewing technical assistance projects in Latin America is not exactly new to me, there is still much that I didn't learn. However, I saw the main lines along which U.S. policy is being promulgated, and I think they will interest the readers of AUFS reports.

To understand what the U.S. is now doing in Guatemala, it is necessary to take a glance backward and see what had happened in the technical assistance field before the present government came to power. As early as 1941, the United States Department of Agriculture, through its Bureau of Plant Industry, had started a small rubber research program in Guatemala. This was one of the early World War II programs to develop supplies of natural rubber within the Western Hemisphere, and did not then have much connection with what later came to be known as "technical assistance." By 1943, however, the Institute of Inter-American Affairs, one of the early technical assistance agencies, inaugurated a health program in co-operation with the Guatemalan government, and at about the same time the U.S. Department of Agriculture entered into a formal agreement with an agency of the Guatemalan government to supply several U.S. technicians and some funds for research work in various fields of agriculture. In 1944, the Institute of Inter-American Affairs and the Guatemalan government started a joint program in rural elementary education. Thus, during the last half of the decade of the '40's, the United States was engaged in three types of technical assistance activities in Guatemala--agricultural research, health and sanitation, and rural elementary education. The programs, however, were small, rarely involving the expenditure of more than a half-million dollars per year by the United States. The peak number of U.S. technicians assigned to Guatemala was reached in 1949, when there were 20. Nevertheless, considerable progress was being made in rural education and in health, though the latter program was rather heavily concerned with building a 1,000-bed hospital, known as the Franklin Delano Roosevelt Hospital, in Guatemala City, which was an embarrassing white elephant to the United States but which was virtually demanded by the Guatemalan government in place of the 300-bed hospital which the U.S. technicians had planned and were willing to help finance.

In 1950, as Guatemalan nationalism began to rise, as communist influence in the government grew stronger, and as the Korean War pointed up more clearly the basic antagonism between the United States and Russia, the Guatemalan government suddenly lost interest in receiving assistance from the United States. It indicated that it no longer wanted to co-operate in any part of the health program except completion of the large hospital. Likewise, the elementary education program was terminated at the request of the Guatemalan government, and the research work in agriculture was cut to a minimum. The U.S. technical assistance agencies found themselves in a position where their operations could not be effective, and yet they were not willing to pull out of Guatemala completely. The upshot was that a few agricultural research men were continued on the job, with almost no funds for

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doing research, and a little advisory assistance was given to the Guatemalan government in its continuing budgetary struggle to complete the large hospital. Since the rural elementary education program was beginning to reach a large number of people, it was rather generally thought by many U.S. nationals that the Guatemalan government was deliberately striking at the program which was most popular among the common people, and was willing to continue only those aspects of the technical assistance effort that would have little direct impact on the minds of the Guatemalan people.

There is, of course, always much discussion and little objective knowledge about such situations, including the motives that lie behind a government's action of this type. Fortunately, for our brief review of the technical assistance picture we can stick to the minimum relevant facts. They are as follows:

- (1) The United States had a modest, but reasonably effective, technical assistance program in Guatemala during the 1940's;
- (2) the major parts of this program were terminated in 1950 at the request of the Guatemalan government; (3) nothing remained but a holding operation, mainly in agricultural research, staffed by a handful of rather sad and disappointed U.S. technicians, when Castillo Armas assumed the reins of the presidency in mid-1954. It was necessary, therefore, for the United States to start almost from scratch in its efforts to aid the new government.

That the political activity of the U.S. government in helping to bring Castillo Armas into power was well ahead of the planning for technical assistance is suggested by the fact that it was October 1954--approximately four months after the Arbenz government fell--before the United States Government announced a program of aid totaling \$6,425,000 for Guatemala. Several more months elapsed before any sizable number of staff members were on the ground and at work. There was considerable press discussion and some congressional criticism in the United States about the slowness with which the Foreign Operations Administration was proceeding. Quite a few people, both in the United States and in Guatemala, felt that the U.S. was not making the most of its opportunity, and were somewhat critical of the administration for not speedily following up its political victory with significant economic aid to the new government. As one looks at that early period from the 18-months' perspective which we now have, there is no obvious explanation for the foot-dragging which seems to have characterized the Washington officials of the Foreign Operations Administration. Perhaps the change in government caught them by surprise. Perhaps they were too entangled in the red tape of their own bureaucracy to move quickly to capitalize on the situation in Guatemala.

The program that was announced in October 1954 included \$1,425,000 for the Inter-American Highway, a project that has been under way in Central America for an embarrassingly long time, and \$5 million for the total program to be administered by the Foreign Operations Administration. There was a minimum of planning as to how the \$5 million should be spent, but the exigencies of the

moment were obvious. Unemployment was serious. The Arbenz regime had started a sizable highway construction program, and to expand it would not only provide the country with a much-needed network of highways but it would also provide jobs for some of the unemployed. The 1,000-bed hospital was still incomplete, though work on it had been going on intermittently for almost a decade. It, too, offered an opportunity to provide employment and to finish a monumental project that the previous governments had been unable to complete. Then, there was the need for reinvigorating the agricultural research work, and for re-establishing a program in education. The former government had made much of land reform, had decreed a land reform law that was aimed at breaking up some of the holdings of the United Fruit Company and other large owners, and had encouraged landless families to move onto unused lands of private owners and claim them as their homesteads. Land reform was a hot subject: it had great appeal to the thousands of families who work for a pittance on the estates of the large coffee-growers. Something had to be done by the new government in this area, and help was needed from the United States. As in all agricultural countries, an agricultural extension service to help farmers improve their operations is a good thing; this offered another avenue of assistance. Likewise, teacher training was a problem. It was thought that too much communism had crept into the school system, and teachers therefore needed refurbishing along democratic lines. And of course public administration, a perennial problem in Latin America, was in a sad state of disrepair and offered another opportunity for U.S. assistance. Finally, a serious drought sharply curtailed the corn and bean crops in much of Central America and shot the prices of these staples up to exorbitant heights, thus giving the U.S. a ready-made opportunity to give some of its surplus corn to Guatemala.

The U.S. assistance program to Guatemala was, therefore, compounded of a mixture of political and economic needs. Some of the activities, such as highway construction, had been originated by the previous government and were taken over on an expanded and reoriented basis by Castillo Armas. Others grew directly out of the earlier technical assistance efforts that had been reduced to a minimum during the Arbenz period, and were now to take on new life under Castillo Armas. The distribution of corn, which was the only one of the U.S.-financed activities that reached a large number of people with direct and understandable help, was a direct outgrowth of a serious drought. It was largely as a result of the latter, plus an added allocation of funds which Washington was able to make available toward the end of the fiscal year, that the total of U.S. funds allocated to the Guatemalan program was raised to a little over \$10 million for the first year of Castillo Armas' administration (Table 1). The corn, given by the U.S. government to the Guatemalan government, was sold by the latter in local markets at a price of 4 to $4\frac{1}{2}$ cents per pound, and thus created a fund of local currency (Quetzales) for use in development projects such as road-building.

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Table 1. Allocation of U.S. Assistance Funds to Guatemala
by Types of Activities, July 1954-June 1955

Economic Assistance:

1. Inter-American Highway.....	\$1,425,000
2. Pacific Slope Highway.....	3,675,000
3. Roosevelt Hospital.....	960,000
4. Emergency medical supplies....	30,000
5. Surplus corn program.....	<u>2,135,000</u>
Total.....	\$8,225,000

Technical Assistance:

1. Agricultural Servicio and re- lated costs of technicians to improve research and develop an extension program for farmers...	\$475,000
2. Technical advice and guidance to agencies of the Guatemalan government in land clearing, colonization, and administration of supervised credit to farmers..	400,000
3. Rural elementary education Servicio and related costs to improve teacher training schools for rural teachers.....	150,000
4. Grant to Boy Scouts in Guatemala to establish an urban youth pro- gram.....	15,000
5. Technician and general costs in connection with Roosevelt Hospital.....	100,000
6. Technical guidance in improving public administration.....	350,000
7. Scholarships for 100 teachers for nine weeks study in U.S.....	150,000
8. Miscellaneous (includes advice on industrialization, survey of tele- communications system, and scholar- ships for foreign study).....	<u>200,000</u>
Total.....	\$ 1,840,000
<u>Grand Total</u>	\$10,065,000

It is quite obvious from the data in Table 1 that the really big effort in the U.S. assistance program during the first year of Castillo Armas' government was in the field of highway construction.² Second to this was the distribution of corn. The technical assistance projects involved relatively small amounts of money and, as is usually the case with such activities, were slow in getting under way. The U.S. assistance program in Guatemala up to the end of June 1955 had been mainly one of building highways and giving away corn. Moreover, at the end of July 1955, the Guatemalan government received a loan commitment of \$18.2 million for highway construction from the International Bank for Reconstruction and Development, and substantial amounts of corn continued to be distributed after June 30, 1955, the cut-off date for figures shown in Table 1. Most of the other activities were just getting well under way, and some of them were not really "off the ground" at the time of my visit during the second week of January 1956.

The highway program which is envisaged by the Guatemalan government, the technicians of the World Bank, and the International Cooperation Administration, is a big and important one. If carried to completion, it will make a "new" country out of Guatemala. The present thinking is in terms of a highway network that will cost over \$100 million and will not be completed for another four or five years.³ At the present time, emphasis is being centered on the Inter-American Highway, the Pacific Slope Highway, and the Atlantic Highway. The first is often called "the Pan-American Highway," and is aimed at providing an all-weather route from the Mexican border through the highlands of Guatemala to connect with a paved road in El Salvador. When it is completed, it will be possible to drive on paved roads from the southern border of the United States through Mexico, Guatemala, El Salvador, and to San José, Costa Rica. The road will traverse the areas of greatest population in Guatemala, and will also be an important tourist route. The Pacific Slope Highway, about 154 miles in length, runs generally southeast from a point on the Mexican border near

² The data in Table 1 show the "allocation" of funds, and should not be confused with "expenditures." The amounts shown were "set aside" or "earmarked" for the purposes indicated, and are therefore an index of the relative emphasis placed on different types of activities. Amounts "expended" or "disbursed" usually lag behind "allocations," and represent actual payments made for goods and services purchased. The difference is significant for those studying the monetary effects of the assistance program. The "allocation" figures are the best index of the scope and purposes of the program.

³ Funds for a program of this scope, of course, are not now available or definitely in sight. However, during the present fiscal year funds for highway construction from the U.S. assistance program may run well over \$16 million, in addition to the World Bank loan of \$18 million, much of which will be disbursed during the same period.

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the Pacific Ocean to El Salvador. Most of it is in the lower piedmont, where the high central plateau breaks into the jungle-covered coastal plain along the Pacific. A large proportion of this highway is already completed, and tributary roads are being built into the tropical lowlands. The highway provides access to a large underdeveloped area of land, much of which is quite fertile, and is aimed at opening up the region of Guatemala which appears to have the greatest immediate potentialities for increased agricultural production. The Atlantic Highway is projected to run from Guatemala City to the Caribbean, and thus will connect the central highlands with Puerto Barrios and Puerto Santo Tomás. It will be about 180 miles long, is estimated to cost over \$100,000 per mile, and will more or less parallel the International Railways of Central America--a line controlled by the United Fruit Company. Puerto Barrios is also United Fruit Company property, and construction of the Atlantic Highway as well as the new national port of Santo Tomás, which is relatively close to Puerto Barrios, were a part of the program of the Arbenz government in its attempts to free the country from too much dependence on the Fruit Company. Indeed, significant parts of the highway network now under construction were planned by the Arbenz regime. There is a touch of irony in the fact that a large proportion of the U.S. funds are now being used to carry out a highway plan which was strongly sponsored by the anti-U.S. Arbenz group.

Likewise, one of the important technical assistance projects listed in Table 1, that pertaining to guidance in land clearing and colonization, is a direct outgrowth of the land reform activities inaugurated by Arbenz. Land reform to the Arbenz group was largely a political matter. It was not only the strongest appeal the government had with which to gain the support of the lower classes, but also it would have broken up the large estates and thus seriously weakened, if not destroyed, the economic and political power of the small upper class, which for decades has been the most potent influence in Guatemala. Land reform was, therefore, visualized as an important method for bringing about a fundamental change in the social and political structure of the country.

Although the land reform law of the Arbenz government provided only for the expropriation of "unused" land on the large estates and its subdivision among landless families after hearings and formal legal proceedings by a designated government agency, its administration apparently was carried out under strong communist influence, and landless families were encouraged to move onto idle acres wherever they found them and to stake out small holdings for their own use, in the hope that the slow-moving bureaucracy would finally get around to validating their claims. This feature of the reform effort not only was illegal, in the sense that it violated the land law itself, but also it struck at the very roots of social organization. The government was not taking the land. Neither was it establishing collectives, ejidos, co-operatives, or other organizations of producers,

to become the holders and administrators of the land. Nor was it actually moving in with legal machinery to validate the claims of the new squatters. It was simply allowing, and in some cases encouraging, one group of individuals to take over the use of another group's property. Just how much of the blame for this rather inane procedure should be laid to the government itself, and how much to political organizations of peasants that had been created by the government, is a moot question. It is certain that this activity represented only one part of the land reform movement. But the medicine was too strong for the patient. The land reform program came under heavy criticism. Some charged that it was illegal. Some said it was destroying the productive plant of the country. Reaction to the land reform program was a major factor in the overthrow of the Arbenz government.

Yet land reform is so obviously needed in Guatemala and has such strong support from the majority of the rural population that neither the U.S. assistance mission nor the Castillo Armas government can ignore the issue. What will finally be done is by no means clear, but some steps have already been taken. The Arbenz law was repealed, and as of the middle of January 1956 the proposed new land reform law had not yet been decreed. The government, however, had the help of two or three U.S. technicians in drafting the new law, and its enactment was being promised any day. In the meantime the government agency Dirección General de Asuntos Agrarios, which is in charge of public lands, has presumably been cleansed of communists, and is under the direction of an energetic young army officer who is apparently anxious to make a name for himself, as well as to do something toward resettling families from the overcrowded highlands onto the vast areas of public domain in the lowlands. A group of qualified and experienced U.S. technicians are drawing the land development and resettlement plans for Dirección General de Asuntos Agrarios, and there appears to be a good working relationship between the Guatemalans and the North Americans on this project. Also, large farm owners are being encouraged to donate to their workers small tracts of land--usually two to five acres per family--both as a means of helping the present government over a political hurdle and as a method by which the landowner can "stake down" his labor supply.

The immediate hopes for land reform, however, appear to be in the proposed program of developing government-owned land for resettlement projects. The program as planned is a big and expensive one. If put into effect, it will be of considerable significance to the productive capacity of the Guatemalan economy, as well as being of importance in developing a class of independent family farmers. The first phase of the plan envisages the resettlement of 5,000 families per year for five years. The U.S. technicians are strongly opposed to establishing families on the customary little farms of two to ten acres, and appear to have gained the government's support for setting up farms of 35 to 50 acres for most of the families. Thus the land requirements for the 25,000 families to be resettled during the first five

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years of the program total about one million acres. One-half of this appears to be available in a large tract given to the present government by the United Fruit Company (about 111,000 acres) and in 114 national farms which an earlier government took from German owners during World War II. Thus it is not expected that the government will have to resort to the use of its vast public domain for the first two or three years of the program.⁴

Nevertheless, the whole effort is going to be a complex and expensive one. Some idea of the task involved can be had from a review of the development program as planned for the 111,000-acre tract donated by the Fruit Company and four of the national farms that are located in the same general area. These five tracts of land contain about 148,000 acres, of which it is thought that 100,000 acres can be developed into farms averaging 50 acres each. Thus 2,000 families would be resettled in this area during the next five years. The funds involved, from both government and private sources, are now estimated as follows:

<u>Fiscal year</u>	<u>Government funds</u> (Thousand)	<u>Private capital</u> (Thousand)	<u>Total funds</u> (Thousand)
1955-56	\$2,400.0	\$ 627.0	\$3,027.0
1956-57	327.5	1,407.0	1,734.5
1957-58	327.5	2,447.0	2,774.5
1958-59	452.5	3,147.0	3,599.5
1959-60	577.5	4,540.0	5,117.5
Total	\$4,085.0	\$12,168.0	\$16,253.0

The cost per family would thus average a little over \$8,000, of which approximately three-fourths would come from private funds and one-fourth from government. The government subsidies will for the most part serve to defray costs arising from the following types of activities: constructing roads and trails through the project area; clearing five acres of land free of charge for each family; building schools and clinics for the families and administrative offices and machinery-repair centers for the personnel and equipment working on the project; drilling wells for potable water supplies on a community basis; and making some drainage and irrigation installations. Most of the private capital would come, in the first instance, from government lending agencies in the form of individual loans to the families selected for resettlement, and most of it would be used by the families

⁴ The tract given by the Fruit Company is on the Pacific Coast, southwest of Guatemala City, near the little town of Tiquisate. It was part of a general settlement between the Fruit Company and the Castillo Armas government of various claims and counterclaims that had been inherited from the Arbenz government, and involved the return of a substantial tract of land on the Atlantic coast to the company after expropriation proceedings had been virtually completed before Arbenz was overthrown.

for building houses, clearing land in addition to that which will be cleared by the government, and providing themselves with the necessary tools, equipment, and livestock for operating their new holdings.

Even for one well administered and experienced agency to do the work of road-building, land-clearing, laying out farms, selecting families, making and supervising loans, and providing the schools, clinics, and related public services, would be quite an undertaking. But according to present plans six different government agencies will be involved. The Ministry of Agriculture will have responsibility for making studies of the land and water resources, for providing a few small irrigation projects, and for assisting the farmers through an extension service. The Ministry of Health will have the task of providing the necessary clinics and related health services. The Ministry of Education will have to build the school buildings, equip them, and employ teachers. The National Agrarian Bank will have to make and service loans to a majority of the families. The Ministry of Public Works will be responsible for constructing roads, for erecting the necessary buildings for the service personnel and machinery, and for drilling wells for potable water. Finally, the agency in charge of public lands, Dirección General de Asuntos Agrarios, will be responsible for the land-clearing, farm-clearing, farm layout, and family selection.

When one visualizes the physical size of the job involved in resettling in a five-year period 25,000 families, many of them on lands which are now in jungle, and thinks of the money that will be necessary and the complicated task of co-ordinating the many different government agencies that will be involved, the whole scene becomes a bit breath-taking. It is well to remember that the program is as yet mainly on paper, though some work has already started in the Tiquisate area; and it is safe to make at least two predictions: (1) the program will not be carried out on schedule; and (2) the percentage of government subsidy will eventually be higher than now estimated. Nevertheless, this program is an excellent illustration of the type of problem that several Latin American countries face in trying to relieve the population pressure in their highland areas and bring their tropical lowlands into efficient use. This is what might well be called "the rational and scientific approach to the land reform problem." It is not easy, cheap, or rapid. It lacks a certain amount of political appeal, largely because it doesn't provide a "devil," either real or symbolic, against which the people can vent their wrath; and of course it runs the risk of creating the feeling among those who do not get farms that the government is handing the settlers a ready-made farm on a silver platter. As a matter of fact, if the government holds to its plan of clearing only about five acres for each family, and leaves further land-clearing as well as house construction to be paid for by the settlers, "the selected ones" are not going to have an easy time of it. There is a good chance that some of them will fall behind in

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their loan payments and the government will be faced with a demand to scale down their debts. If, however, land reform is to be anything more than simply a dividing up of already overpopulated large farms into small uneconomic units, thus satisfying the psychological urges of the peasants and temporarily meeting a political problem, it is likely to have to travel about the same route as that now being charted in Guatemala.

Although the highway construction and agrarian reform programs which have been discussed in some detail in the preceding paragraphs are extremely important, and represent a large share of the funds which the U.S. government is putting into Guatemala, they are by no means the only elements in the program. Unfortunately, during the short time I was in Guatemala I was unable to get a complete picture of everything that is being done in connection with each of the technical assistance projects listed in Table 1, plus a few new activities that are being started in the present fiscal year. I do know, however, that the agricultural research work is being strengthened; the agricultural extension service is being organized, though as yet I don't believe many farmers are being aided by it; a supervised credit program is under way, with about 17 Guatemalan field men who have been trained by U.S. technicians, making and supervising loans to small farmers; a small home-economics school has just been opened; and some progress is being made toward laying a base for improving the rural schools. Also, the public administration group which is advising the Guatemalan government has made recommendations for some revisions in the tax system as well as improved budgetary control procedures.

The U.S. assistance program is obviously operating on a wide front. The total U.S. aid earmarked for Guatemala during the present fiscal year, not including loan funds from the World Bank and similar sources, will probably be in the neighborhood of \$24.5 million.⁵ Of this amount, about four-fifths will probably be earmarked for highway construction--about \$4 million to be administered by the U.S. Bureau of Public Roads, in connection with the Inter-American Highway, and approximately \$15 million to be administered by the International Cooperation Administration (ICA). Most of the remaining ICA funds will be used for a continuation of the technical assistance activities shown in Table 1; for the government subsidy that will go into the land development and colonization activities; for finishing the big hospital; for some

⁵ The insistence of the Washington office of the International Cooperation Administration (the successor to the Foreign Operations Administration) on approving individual projects and on forcing some of the major activities to be broken down into numerous project proposals, is not only slowing down the allocation of funds, thus making it difficult to foresee the final figure for this fiscal year, but it is also handicapping field operations to the extent that some phases of the program are seriously behind schedule.

assistance to a proposed new self-help housing project; and for a series of agricultural projects, such as equipment pools, small silos, insecticides, and fertilizers.

Because expenditures ordinarily lag behind allocations, because project proposals are slow in receiving Washington approval, and because some money allocated for use last fiscal year was carried forward and will be expended this year, it is difficult to estimate the total amount of U.S. funds that will actually be put to work in Guatemala during the present fiscal year. It is likely, however, to range between \$15 and \$20 million, which is about \$5 to \$6 per person in Guatemala. Although this is not a huge sum (and as much as a fifth of it may be in the form of local currency arising from the sale of surplus farm products that will be given to the Guatemalan government), it is sufficiently large to show that the U.S. is taking its responsibilities in Guatemala seriously. Moreover, since it is being funneled largely into capital improvements, it may be about as much as the country can absorb without suffering serious inflationary effects. At the same time, we should not overlook the fact that most of it is going into crucially needed activities.

Is too much going for highway construction and not enough for activities aimed at improving the human resources of the country? On the basis of my observations, I am not at this time convinced that either Castillo Armas or the U.S. assistance program is close enough to the hearts and the homes of the common people to assure the complete success of this demonstration of the U.S. way. I hope I am wrong, and I hope that those who read this will be guided by the facts of the future rather than by my opinions of the present.

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