

The state of the economy has tended to give hope and raise the expectations of the lower classes as El Salvador has entered the earliest phases of industrialization. In fact, this country is more highly industrialized than its other Central American neighbours. Manufacturing accounts for 17 per cent of GNP and 23 per cent of exports. The largest industry is textiles, followed by food processing. Some expansion has taken place in the cement, chemical and steel industries. But top priority has been given to small industries, with generous incentives being granted to export-oriented companies.

In 1979, the government of General Carlos Humberto Romero Mena was overthrown in a *cuartelazo* led by Colonels Adolfo Arnoldo Majano and Jaime Abdul Fuerte. The *golpe* was a last minute attempt by the military to present a fresh look to the government in the face of a groundswell of leftist opposition. Public resentment towards President Romero had become widespread because of his violations of human rights in the application of the infamous "Law for the Defence and Guarantee of the Public Order" (referred to as the Public Order Law). It is doubtful whether the present government can carry out the ambitious five-year plan (1978-82) initiated by Romero which called for a 7.5 per cent annual growth rate. The plan emphasized private sector investment, but also social development projects such as food provision, medical care, housing, education and transportation. The government promised to employ 20 per cent of the unemployed over the next five years, with the assistance of such projects as the free trade zone at San Bartolo, which is expected to generate 15,000 new jobs. Other proposed projects include the construction of 140,000 dwellings and the building of regional hospitals. With the help of international lending institutions, such as the Inter-American Development Bank (IDB), substantial funding has been flowing into El Salvador. The IDB funded the San Lorenzo hydroelectric project, which is expected to provide 80 per cent of El Salvador's energy needs by 1981.

All of these projections have given the economy a seemingly healthy impetus in the wake of a decline in revenues from coffee.

In fact, economic conditions generally appear to be hanging for the worse — notwithstanding expected improvements — increasing the probability of class conflict and political instability. The upward trend in the economy is artificial and may suddenly reverse. The real growth of the GNP did not reach 5 per cent for 1979, following a 6 per cent growth in 1978 and a 7 per cent growth the previous year. The inflation rate continues to be a serious problem and rose to 20 per cent in 1979. The International Labour Office (ILO) of the United Nations estimates that El Salvador has the highest rate of unemployment/underemployment in the continent — almost 50 per cent. This, coupled with escalating prices on all consumer goods, resulted in

economic conditions slipping drastically in the latter portion of 1979. Thus, a growing tide of labour and political unrest is expected to continue into 1980 as the aspirations of Salvadoreans for a better life rise more rapidly than does the capacity of the economy to satisfy them.

Opposing groups

Historically, violence and political turmoil have characterized executive government in El Salvador since independence in 1821. From the beginning, the problem of land use produced polarization between the government and the majority of peasants. Bloody peasant uprisings took place over this issue in 1872, 1875, 1898 and continued sporadically into the 1940s. Most of the uprisings were influenced by Marxist thought and organizational skills. What developed and persisted to the present from this revolutionary influence was an official fear of the "red scare", provoking a ruthless response from successive military governments. The Communist Party was organized in 1925 and became actively engaged in peasant reforms by 1930. President Maximiliano Hernandez Martinez, known as a sorcerer and necromantic strongman, launched a massive campaign to hunt down anyone remotely related to Communism. As a result an estimated 20,000 people, including innocent women and children, were executed by the military in 1931.

Since then the idea that the country must choose between communism and democracy has pervaded Salvadorean politics. Stiff anti-Communist legislation has existed since President Julio Rivera, in the early 1960s, tried to squash the militant leftist Revolutionary Party of April and May (PRAM). The Communist Party, PRAM, and a number of small leftist splinter groups have been prevented by law from competing with other political parties in the country. However, it is a mistake to underestimate the quality of Communist organization and leadership in spite of the fact that the rank and file do not appear to be numerous.

As long as barriers to upward social mobility remain for urban dwellers and acute injustices continue in the land tenure system and in the destitute *barrios*, leftist initiatives will gain momentum, like the Sandinistas in neighbouring Nicaragua. In the past two years leftist guerrilla groups such as Fuerzas Armadas de Resistencia Nacional (FARN) and Ejercito Revolucionario Popular (ERP) have increased terrorist activities against the government. FARN's militant tactics have been designed to attract international attention. They have collected an estimated \$40 million in ransoms and have claimed responsibility for the deaths of internationally known coffee exporter Ernesto Liebes and Japanese executive Fujio Matsumoto. These activities are defended as retaliation for government-related terrorism such as the 1972 military intervention at National University and the 1975 massacre of student demonstrators by the National Guard.