

ARTICLES.

■ TAINTED AIFLD MONEY

Duarte's
Secret Friends

FRANK SMYTH

José Napoleón Duarte has completed the first half of his five-year term as President of El Salvador, and his position has never been weaker. In the past year Duarte has seen a serious erosion of his formerly solid peasant and working-class support. Once the strongest in Central America, Salvadoran labor unions were decimated by state repression in the early 1980s. But they have steadily regrouped and now confront Duarte's U.S.-backed government with its fiercest political challenge yet.

Classified documents from the U.S. Embassy in San Salvador reveal that the Reagan Administration has responded by trying to divide and destroy the new independent labor movement. The Administration's main instrument has been the American Institute for Free Labor Development, a branch of the A.F.L.-C.I.O. Created in 1962, in the wake of the Cuban revolution, AIFLD receives more than 90 percent of its funding from the U.S. Agency for International Development. Its 1986 budget for operations in El Salvador was \$3.5 million, and documents obtained by *The Nation* show that some of that money was used to entice the Popular Democratic Union (U.P.D.), an important formerly pro-Duarte federation, away from an influential new grouping sympathetic to the guerrilla opposition. Reached for comment on March 2, AIFLD spokesman Jack Heberle denied that the organization has any role in the U.P.D.'s defection from the new coalition. He also denied AIFLD involvement in furthering any aspect of U.S. policy in El Salvador.

According to a memorandum dated November 22, 1986, classified "secret" and addressed from AMEMBASSY SAN SALVADOR to SECSTATE (Secretary of State George Shultz), U.S. officials were "overjoyed" by the success of their attack on the opposition labor movement and intend to continue to "pick off" further independent unions "one-by-one."

AIFLD claims that it is an independent labor organization created to promote the growth of democratic trade unions in Latin America. In fact, it regularly functions as a surreptitious tool of U.S. foreign policy. According to official sources, classified U.S. documents are routinely circulated to AIFLD's offices in both San Salvador and Wash-

ington, and AIFLD regularly reports on its activities to U.S. government officials in San Salvador.

For the past year AIFLD's country director for El Salvador, the Cuban-born Clemente Hernández, has collaborated with the U.S. labor attaché for El Salvador, Francis (Paco) Scanlan, to ruin the opposition trade union movement in El Salvador. Following a pattern that is typical of AIFLD tactics in Latin America, in November 1986 the organization lured U.P.D. Secretary General Ramón Mendoza away from the opposition camp with an initial payment of \$3,000 and the promise of more.

The trade union organizations that AIFLD successfully bought off last fall are particularly crucial to the Reagan Administration's plan. Although its membership has shrunk in recent years, the U.P.D. carries great symbolic weight, both inside the country and, crucially, in the international arena. The U.P.D. was originally a coalition of nine labor groups, five of which in 1983 signed a historic "social pact" with Duarte, then a presidential candidate. Drafted with the help and support of AIFLD, the social pact was considered a monumental step in the Reagan Administration's strategy of "nation building" for El Salvador.

In return for electoral support from the U.P.D. in the May 1984 elections, Duarte promised to implement a series of programs and reforms designed to benefit the working class. He pledged to pursue negotiations with the guerrillas of the Farabundo Martí National Liberation Front—Democratic Revolutionary Front (F.M.L.N.—F.D.R.) and seek a political solution to the war; to prosecute human rights violators and enact judicial reforms; to appoint U.P.D. labor officials to prominent positions in the government; and to expand El Salvador's political space to allow for the participation of opposition groups associated with the left.

According to Salvadoran labor activists, Duarte kept only one of those promises, naming several labor officials to government posts. The government has been unwilling to negotiate with the F.M.L.N.—F.D.R.; human rights violators have not been brought to trial; and parties to the left of Duarte's Christian Democratic Party remain excluded from effective political participation. In addition, opposition trade union leaders are still regularly detained and harassed by security forces. Because of Duarte's inability and unwillingness to make changes and pursue reform, the U.P.D. leadership grew disaffected with the President by mid-1985.

For most of El Salvador's trade union leaders, however, the turning point came in January 1986, when Duarte abandoned the populist rhetoric of his earlier presidential campaign and introduced *el paquetazo*, or "the package"—a severe and far-reaching program of economic austerity. He had long been under pressure from the Reagan Administration to do so.

The austerity plan deeply affected El Salvador's peasant and wage-earning class. Since Duarte came to office, the

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cost of living in El Salvador has more than doubled, and following the imposition of austerity measures, the cost of essential consumer services, such as bus transportation, went up 20 percent. Even more disturbing, the price of food staples almost tripled over the course of one year.

Soon after the announcement of *el paquetazo*, most of the groups affiliated with the formerly pro-Duarte and AIFLD-supported U.P.D. allied themselves with El Salvador's more militant labor organizations to form the National Union of Salvadoran Workers (U.N.T.S.). It is the largest expression of aboveground dissent in El Salvador since 1980, and on February 21, 1986, it organized the biggest demonstration since the outbreak of the civil war, bringing thousands into the streets of San Salvador to demand peace, reforms and an end to *el paquetazo*. Another U.S. Embassy memorandum, this one dated December 31, 1985, also classified "secret," and signed by Ambassador Edwin Corr noted: "The worst in terms of labor unrest is probably still to come, and the developments on the labor front in the first quarter of 1986 could present the president with the most serious challenge to his power to date."

Most analysts agree that Duarte's political power waned significantly in the second year of his term and that the President has neither the will nor the power to pursue populist reforms. He is increasingly stymied by the Reagan Administration, which opposes a negotiated settlement of the seven-year civil war, and by a resurgent right, which controls the Supreme Court and has begun to boycott sessions of the National Assembly. In addition, most observers agree, Duarte is not willing to take the political risk entailed in seeking peace talks. Pressure from the labor movement to enact meaningful reforms, therefore, threatens to corner the already weakened President.

To preserve the rule of Duarte, whose continuation as President has so far been essential for annual Congressional approval of U.S. military aid, the Reagan Administration and AIFLD set out to undermine the threat represented by organized labor. In particular, they have aimed to separate Mendoza's moderate labor groups from the militant organizations allied in the U.N.T.S.

Membership in the U.P.D. had been reduced from a peak of 150,000 in 1984 to only 1,500 in 1986. In the spring of 1985 the organization split to support two rival labor federations, one pro-Duarte, the other anti-Duarte. Ramón Mendoza kept control of the U.P.D.'s headquarters and brought the organization's still important name to opposition labor, giving it considerable international prestige. "The vestiges of the U.P.D. (1,500 members) joined U.N.T.S.," the embassy noted, "in effect, giving the Left a democratic facade to manipulate international labor and opinion."

The uniting of centrist unions and radical ones sympathetic to the F.M.L.N.-F.D.R. alarmed Reagan Administration officials, who saw a revival of activities in urban areas as a key element of rebel strategy. Last September a secret C.I.A. report stated: "Even though their initial gains have fallen short of their objectives, the rebels have built a substantial foundation in the labor sector."

Just two months later, however, the secret embassy mem-

orandum to Secretary Shultz was hailing the U.P.D.'s withdrawal from the new coalition as a great U.S. success. The split was "especially timely," the embassy said, "as it comes on the eve of the November 22-23 CISPES-U.N.T.S. 'Conference for Peace' which over 100 Americans are expected to attend." The Committee in Solidarity with the People of El Salvador, which the embassy identifies as "a U.S. F.M.L.N. support group," says it had no role in organizing the event. The memorandum also complained that "strong support" from U.S. unions was helping to make U.N.T.S. "a threat to democratic labor," and acknowledged frankly that the Administration's goal was to "destroy" unions of the left:

U.N.T.S. unions have accused U.P.D. Secretary General Ramon Mendoza of "selling out," and have charged AIFLD, the Embassy, and the P.D.C. [Christian Democratic Party] with attempting to destroy U.N.T.S. (a charge we accept).

Sources in the embassy say that the U.P.D.'s departure came after months of secret negotiations between the U.P.D. and U.S. officials. In late 1985 and early 1986, before Mendoza helped found the opposition labor coalition, the disaffected U.P.D. leader had been quietly trying to cut a deal with the U.S. camp. On January 11, a month before the U.N.T.S. was established, Mendoza's personal representatives met with U.S. Ambassador Corr. A letter written to Corr by a close associate of Mendoza indicates that the U.P.D. was seeking to establish a rapprochement with AIFLD "in accordance with the Embassy's wishes."

Much to the U.S. Embassy's chagrin, however, relations between AIFLD and Mendoza turned sour. The U.P.D. leader played his trump card in February, when he allied himself with the militant anti-Duarte forces in the U.N.T.S.



In turn, AIFLD, and in particular its hard-line leadership in Washington, embarked on a full-scale propaganda campaign to discredit the U.P.D.'s dissident leadership. Published AIFLD "briefs" described the formerly "democratic" union as having been infiltrated by the Marxist-Leninists and having been steered away from the Duarte camp.

In June, official U.S. sources say, labor attaché Paco Scanlan initiated a new series of meetings, this time between Mendoza and AIFLD. According to these sources, Scanlan was personally committed to drawing Mendoza and his union away from the opposition camp and was supported in that endeavor by Hernández, AIFLD's El Salvador country director. The talks between Hernández and Mendoza bore fruit when the U.P.D. pulled out of the U.N.T.S., on November 16.

The classified U.S. Embassy memorandums show that there were sharp disagreements between U.S. officials in San Salvador and AIFLD's Washington headquarters. The December 1985 memorandum laid part of the blame for the U.P.D.'s declining numbers on AIFLD:

By the end of 1985, the U.P.D. had been reduced to an emaciated shadow of its former organization. Internal power struggles and personality clashes together with deliberate AIFLD policy to supplant the U.P.D. with a non-political labor central . . . were the main reasons for the U.P.D.'s decline.

The November 1986 memorandum reported that Scanlan had become irritated by the apparent vendetta being conducted against the U.P.D. by AIFLD's Washington office. It commented sharply:

AIFLD, which had great misgivings in Washington about the U.P.D. strategy, should direct its policy at holding our side together, while continuing to pick off U.N.T.S. member unions one-by-one.

The documents reveal that in exchange for his formal departure from the U.N.T.S., Mendoza received "initial assistance" of \$3,000 from AIFLD. The secret agreement stipulated that neither AIFLD nor the other Salvadoran labor groups that the institute supports would attempt to steal union members from the U.P.D. At the same time it left open the possibility that by working closely with AIFLD and El Salvador's ruling Christian Democratic Party, Mendoza might be able to poach on other member unions from the opposition labor camp.

AIFLD lavishes money on unions other than the U.P.D. in El Salvador. The largest recipient is the peasant-based Salvadoran Communal Union (U.C.S.), to which Mendoza himself once belonged. The U.C.S. receives \$30,000 a month from the institute, and its leaders have often been accused of pocketing AIFLD funds. According to reliable union sources, after Mendoza broke from the united opposition, he told other labor leaders that if they followed his lead in breaking from U.N.T.S. he could secure payments for their organizations equivalent to \$160 per member.

The embassy appears well-pleased by its efforts. "The bottom line of this process is that things are going our way," the memorandum to Shultz concluded:

In the past 12 months U.S. interests have been greatly served by the overall trends in Salvadoran labor. U.N.T.S. now stands denuded of its democratic facade and we have about as clean and neat a division between democratic and communist labor as we are ever likely to get in El Salvador. We have 250,000 . . . on our side, they have 55,000 or [sic] theirs.

The embassy documents make it clear that AIFLD and the U.S. labor attaché have now targeted other labor leaders to be lured away from the opposition camp. To protect President Duarte's eroding position and "U.S. interests," they appear ready to do whatever is necessary to rend El Salvador's organized labor movement. □

THE WORLD ACCORDING TO BOESKY

Money Managing In a Bell Jar

MICHAEL THOMAS

It should be evident to anyone who hasn't been living in a cave in Bhutan that the cornerstone of The World According to Boesky (T.W.A.B.) is the leveraged corporate takeover. No other form of financial manipulation offers so rich and quick a return on time and capital, nor provides such egregious rewards to financial middlemen; no other type of Wall Street "action" seems to be as satisfactory an outlet for the gladiatorial, thrill-seeking, war-making instincts of a white-collar generation deprived of the real thing. Indeed, it is the psychological side of takeover action that provides the real clue to why T.W.A.B. has turned out the way it has, and why so many of its eminent practitioners now stand arraigned before the Federal bench, with surely more to come.

The takeover game should be studied by psychologists, anthropologists and other social scientists, since, given the stakes, something more than wealth must be the objective. While I accept that indicted merger genius Martin Siegel was so impressed in 1982 by Ivan Boesky's pink Rolls-Royce that he sold his soul and his future for less than pottage in today's coin, I cannot but believe that there is a large element of *Übermenscheit* in all this.

That is not to say the financial whys and wherefores—especially the latter—of takeover mania don't need to be examined. I'm unimpressed with most of what's been written about the game so far, mainly because I think the underlying causes are simpler than has been generally recognized. For all their heavy load of moral and technical analyses, the media have written or broadcast very little that strikes me as being on the money.

There are any number of reasons for this. One is that Wall Street prefers to make its otherwise fairly simple business appear complicated to outsiders. In addition the financial press was no better prepared than the rest of

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