

THE WHITE HOUSE

WASHINGTON

May 8, 1986

Dear Mr. Arenas:

I was so pleased to receive, just before Nancy and I departed for the Far East, the copy of your book on Solidarity which you kindly inscribed for me. It's truly heartening to know that the Solidarista movement is spreading throughout Guatemala and other Central American countries. Thank you for sharing your new work with me and for your dedicated efforts toward providing workers with a stake in the free enterprise system.

with my deep appreciation, and with my best wishes to you and your colleagues for continued success in your vital work,

Sincerely,

A handwritten signature in cursive script that reads "Ronald Reagan". The signature is written in black ink and is positioned below the typed name "Ronald Reagan".

Mr. Ricardo Arenas
c/o Unj_ersidad Franc.isco Marroquin
Facultad de Derecho'
Guatemala City, Guatemala

Peasants Fight and Buy Stock to Save Beleaguered Plantation



JOSEPH RECINO

La Perla plantation militia boasts it has never lost a battle to guerrillas.

SUMMARY: After Marxist guerrillas killed the patriarch of a plantation, his sons struck back, selling stock to their workers and giving them a stake in the plantation's future. Now the Reagan administration wants to see if the rest of Latin America can profit from the idea.

In Guatemala, in the remote Ixil Triangle region of the nation's highlands, an 11,000-acre coffee bean plantation called La Perla (The Pearl) seems to be winning an economic, military and ideological war with Marxist guerrillas.

The idea that drives La Perla, the only plantation left in the Ixil area, is worker stock ownership. Since December 1984 the plantation has been 40 percent owned by its 500 mostly Ixchel Indian laborers.

It is no less than a competing model of economic and social justice for the region. It promotes the redistribution of wealth without seizing the property of the rich and without destroying the notion of private property. It is a vision in direct competition with the collectivist promises of the Marxists of Central America.

Social justice with private property rights intact? "Yes, yes, yes," says the head of La Perla, 37-year-old Enrique Arenas Menes. He has struggled since 1975 to save his family's plantation from being overrun by the Guerrilla Force of the Poor, Guatemala's largest antigovernment guerrilla army. According to Arenas, the peasant owners have kept the plantation going even though 25 to 30 of them have died in battles with the guerrillas since 1975.

President Reagan is one of the staunchest supporters of expanding workers' ownership of the firms that employ them. An owner, in the view of Reagan and others, has a sense of commitment that someone who is only an employee may lack. In impoverished areas of Central America, worker ownership may draw peasants away from subsistence farming into more economically productive ventures — and provide them with a stake in the economic system that will diminish the appeal of Marxist rhetoric.

A commission Reagan appointed a year ago to examine the potential of the idea for Central America, the Presidential Task Force on Project Economic Justice, will make its recommendations next month (see

box, Page 26). No less an unyielding critic of the administration's Central American policy than Rep. Michael D. Bames, a Maryland Democrat, says that the "La Perla project could produce a peaceful answer to the agrarian problems of Guatemala, and do so in a swift fashion."

For La Perla, the road to worker ownership has not been an easy one. Grave doubts about the future of the plantation began to emerge in 1975. A heavily armed band from the Guerrilla Force of the Poor came to La Perla and assassinated Enrique Arenas's father, Jose Luis Arenas Ban'era, a Ladino from Guatemala City who first opened the fertile jungles of Ixil to coffee bean cultivation in 1941. According to Enrique Arenas, the guerrillas, who had operated in the area since about 1970 without violence, were seeking to spark a peasant revolt. Guerrilla attacks on neighboring plantations increased thereafter.

Besides the violence, the guerrillas waged a war of promises. Arenas says they told the campesinos they could own the land and become rich. "Campesinos who joined the guerrilla forces were promised Mercedes," says Jose Orive, a spokesman for the Guatemalan government who has visited the plantation. The violence and promises had their effect. By 1980 La Perla, still in the hands of six Arenas brothers, was the only plantation operating in the area. It was also increasingly vulnerable.

From 1981 to 1983 guerrilla activity increased dramatically in the nation. The strength of the Marxist forces, supplied by Cuba and Nicaragua, peaked at 6,000 to 10,000. Why did the peasants of La Perla ignore the call to join the Marxist cause and stay at La Perla in the face of guerrilla attacks? "Because of the Arenas family's long history of good relations with the workers," says Orive. The assassination of the elder Arenas shocked and horrified the workers as well as the family. It provided an emotional bond that has driven Enrique and the peasants to keep La Perla open.

In 1982, La Perla decided it would have to close down if it did not begin to fight back — literally — against the guerrillas. The guerrillas had occupied parts of the plantation — including its two landing strips — burned a Cessna 185 aircraft and stolen the payroll for 300 workers. They had already blocked the primitive roads to the nearest villages, Nebaj, 25 miles away, and Chajul, 20 miles away, making air

travel the only way in and out of the plantation. That led Arenas to ask the army's chief commander, Benedicto Lucas, for permission to form a civil defense militia.

An integral part of government counterinsurgency efforts, which often were brutal in their own right, had been the establishment of civil patrols. Since they first began under the junta led by Efraín Ríos Montt, they have grown into a force of 800,000 out of a population of 8 million. The democratically elected, civilian government of Vinicio Cerezo, which took office in January, still supports them.

At first the army feared La Perla's peasants might join the guerrillas, but Arenas assured Lucas the "La Perla people were faithful to the government - if they had arms they would protect themselves without the army." The army reluctantly agreed.

Virtually shut off from the world, La Perla's workers bought their own weapons, which were delivered by air in December 1982. Arenas says they had only 18 guns the day the militia was formed. The very next day they were attacked: the civil defense militia drove the guerrillas back. "They have been very, very successful," says Arenas. The civil patrol has not lost a battle with the guerrillas since its formation, he claims. Today the civil patrol has 97 M-1 rifles and an assortment of 35 to 40 other guns. Two hundred La Perla workers are now members of the patrol.

Bringing a shaky peace and security to La Perla came too late, however, for a \$2 million loan that the brothers Arenas had



This year's coffee harvest may bring La Perla workers their first dividends.

sought from the Central American Bank for Economic Integration, a bank set up by the Organization of American States with U.S. support. The loan had been approved in 1983, but the bank was then waiting for new funding. By the time funding had arrived, the increased intensity of the communist insurgency had cooled the bank's enthusiasm. The loan was canceled.

The Arenas brothers were then in desperate need of cash to keep the plantation operating. They considered selling it to other landowners. But Guatemalan economist Joseph Recinos, who had studied in the United States in the late 1960s and had become an enthusiastic proponent of worker ownership, encouraged the owners of La Perla to try the idea themselves. The Arenas brothers agreed to sell a sizable block of stock to the workers.

The idea was one with something of a pedigree - in theory at least - in Central America. In the late 1940s in Costa Rica, Alberto Marten Chavarria started a movement to fight against the notion of class struggle through worker ownership and profit-sharing by management-labor organizations controlled by workers. They were to be called *solidaristas*. The associations, as Marten envisioned them, would elect their leaders democratically, buy stock and fund profit-sharing plans from donations from workers and management.

The idea waned in Costa Rica after Marten tried to form a political party based on it. But stripped of partisan politics, the movement was reborn in 1971, when the Rev. Claudio Solano, a young priest who became director of the (Pope) John XXIII Social Science School in Cun'dabat, Costa Rica, began to promote the idea vigorously. Today the country has 1,100 *solidaristas* with 130,000 worker members, says Honorato Gonzalez, president of the Solidarity Union of Costa Rica. Comprising 18 percent of the labor force, it is the largest labor organization in Costa Rica. According to

Arnoldo Nieto, a movement leader, it has reduced Marxist influence, which once threatened to eclipse the free labor unions to a mere 7 percent of the labor force.

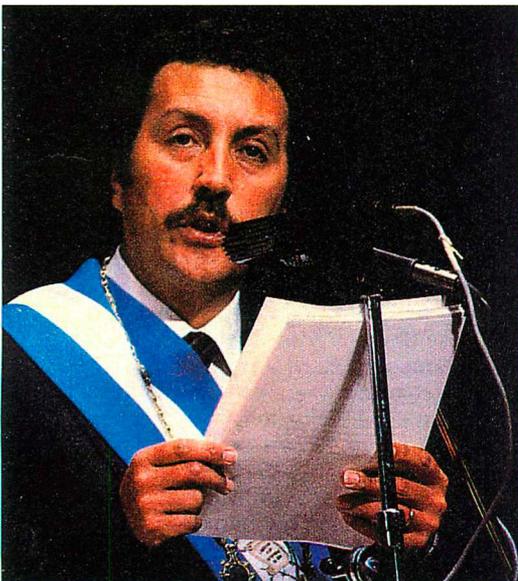
Recinos saw in Costa Rica a model for *solidarismo* in Guatemala and elsewhere in Latin America. It was particularly important, in his view, to demonstrate that the solidarity idea could be transplanted from an educated, middle-class nation like Costa Rica to the largely illiterate peasant masses of an impoverished nation like Guatemala.

La Perla is now one of some 50 *solidaristas* formed in Guatemala since 1983. They represent 10,000 workers in such industries as bananas, cement, shoes, hotels, grocery chains and banks.

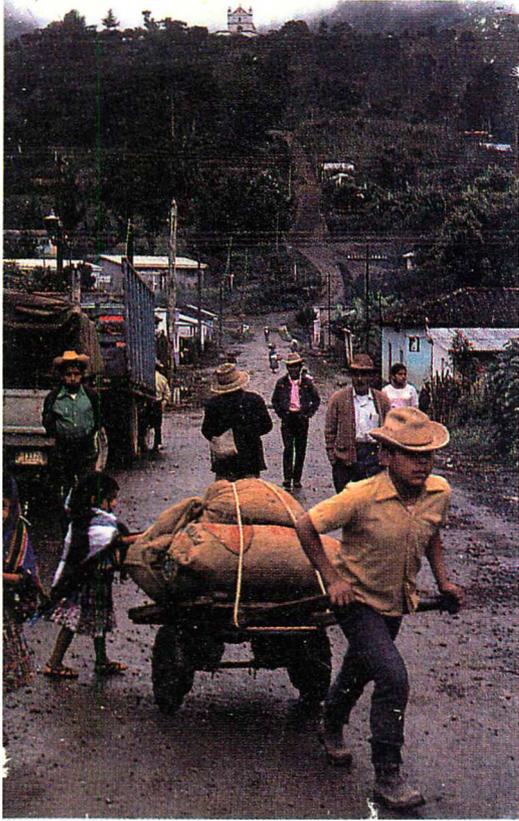
The civil patrol has provided the security and worker ownership the motivation for La Perla to struggle to rebuild. The plantation had not had a profitable harvest since the day the elder Arenas was killed. In 1984 it managed to produce a meager 500,000 pounds of coffee beans. Last year, the first since employees gained their shares, production nearly doubled to 970,000 pounds, according to Emique Arenas. This year he believes the plantation can produce 1.32 million pounds "if you Americans keep drinking coffee and the price of coffee stays up." This could produce the first profits and dividends for the workers. Arenas sees next year as an even better opportunity. If the plantation reaches its full capacity, 3.3 million pounds, it could be highly profitable.

Plantation workers eat slightly more than the average \$1,200 per capita income in Guatemala. In addition, Guatemalan law requires plantation owners to provide housing and small plots for the workers to grow their own food. Some peasants earn more money by selling food from their plots.

At La Perla, the *solidarista*, headed by Avelino Soto, owns outright a general store that sells food and clothes on the plantation. The association also has exclusive rights



President Cerezo backs civil patrols.



ANTOINETTE JONGEN - BLACK STAR

Guatemala: An agrarian economy

over about one-tenth of the plantation, where its members can grow whatever crops they wish and pocket the profits. The workers are paying for their shares in La Perla S.A. over a 10-year period through payroll deductions. They enjoy full voting rights and occupy nine of the 10 seats on the board that manages the plantation.

While the economic and military successes against the guerrillas have so far been considerable, the struggle is by no means over. Although the Guerrilla Force of the Poor's numbers have dropped below 2,000, according to the U.S. State Department, a powerful contingent remains camped across the Xaclbal River from La Perla. They have stepped up the frequency and strength of attacks on La Perla for more than a year.

With so much of the area in ruins, the guerrillas have focused more and more on attacking the comparative prosperity of La Perla. On Feb. 20, after the civil patrol burned the corn of the guerrillas in retaliation for an attack on coffee bean stores at the plantation, the guerrillas mounted what Arenas calls their biggest assault to date. In a half-day gun battle that began at 6 a.m., the civil patrol pushed back and de-

feated some 120 guerrillas who had surrounded them. Six of the workers in the militia and about 20 guerrillas died, according to the civil patrol.

Arenas expects another attack soon. The plantation is expanding the area it has under cultivation - planting corn in a far reach of its property - and the guerrillas will perceive that as a threat. "We're developing areas that used to be occupied by guerrillas," says Arenas. "They won't like it. They will attack."

The corn is being planted to feed 5,000 refugees who have flooded into the plantation over the past few years. Arenas says more than 600 former guerrillas and another 900 guerrilla sympathizers, along with their families, have taken up residence at La Perla. On May 24 a band of 83 refugees from guerrilla-held areas asked for refuge, the largest number in a single day.

As news of the struggle at La Perla has spread, support for the embattled worker-capitalists has begun to pour in. The Guatemalan government and a U.S. Christian organization, the Acts of Faith, are assisting in building a hospital there - the first in the zone's history. Payments made by the workers for their stock are helping to build the plantation's infrastructure. A road now connects two ends of the plantation, and two pickup trucks and a jeep have improved communications and defense.

Other landowners in Guatemala say they are watching La Perla closely. But they are unlikely to try worker ownership until they see favorable financial results. Says government spokesman Orive: "They have unpleasant memories of radical land reform that was tried in the early 1950s."

Do the workers fully understand the nature of their ownership? "About two-thirds of the 500 worker-owners really realize that one day their participation will give them enough money to change their lives completely," Arenas says. "With the first profits all the people will finally be totally convinced of the goodness of this plan."

Enthusiastic supporters of the worker ownership movement plan to export the idea to Mexico and the rest of Central America, then to all of Latin America. The former U.S. ambassador to Costa Rica, Curtin Winsor Jr., says, "It may be the single most original and significant ideological contribution from Latin America" to the world.

Arenas, too, is hopeful about the future but realistic. "We have some hard years ahead. We are willing. We are not alone. The workers are with us."

- Robert Eng/and

Innovative Plan to Spread Wealth

The La Perla plantation, a showcase for worker stock ownership in Central America, served as a catalyst in the creation of the Presidential Task Force on Project Economic Justice. Headed by J. William Middendorf II, the group will present recommendations to President Reagan next month for spreading the wealth in Central America and the Caribbean.

According to an advance copy of the report obtained by Insight, the recommendations will include some sweeping and innovative approaches to the region's economies - changes Middendorf calls "the second revolution of the Americas."

The most daring proposal is to establish a "free market of the Americas" - the United States, Central America and the Caribbean, for the moment. Those countries that drop all trade barriers would have unimpeded access to U.S. markets. So would all employee-owned companies based in the region (excluding those in Cuba and Nicaragua), regardless of trade barriers their countries impose. The hope is that this would lure outside investment into these troubled economies.

The region's heavily nationalized economies will be encouraged to privatize through the sale of state-owned companies to their employees. State companies that are substantially employee-owned would also gain free access to U.S. markets.

In a two-edged stab at Latin American debts and what it sees as bloated state enterprises, the task force proposes that loans be swapped for equity in state-owned businesses, in two steps: A bank holding debts in Mexico, Central America and the Caribbean would trade the loan contracts for a share of the state-owned enterprises, then sell its equity to the workers via an employee stock ownership plan. Success would hinge on the ability of employee groups to make the enterprises profitable.

Employee stock ownership would be promoted vigorously in all the countries of the region. Each would set up its own Project Economic Justice. Finally, a two-tiered credit system would provide favorable lending rates for investments aimed at improving productivity. •