NYT 11/14/66 New clip Latin America

Guatemala's Struggle

Effort for Reform, Sharply Contested, Tests Thesis of Alliance for Progress

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Special to The New York Times

GUATEMALA, Nov. 10—A crucial battle of the Alliance for Progress is taking place in Guatemala. Its outcome will be of importance going well beyond the borders of this little Central American state.

The Alliance was launched in 1961 by President Kennedy as a cooperative effort to which the United States pledged its financial resources to raise Latin America's political and social levels. But to be cooperative, each country has to help itself by introducing necessary structural reforms. The question is: Will Guatemala help herself?

News Analysis

Self-help is taking the form now of a bill before Congress that would increase property taxes in a modest way from the current rate of $3 for each $1,000 of assessed valuation. The increases would be progressive so that the biggest property owners would be the hardest hit.

At the same time, some income tax exemptions are being lowered. Farmers with $15,000 or less of gross income now not only do not pay taxes, they do not even have to file a return. The exemption is being lowered to $5,000.

The Government needs money badly. Its current revenues are barely enough to meet day-to-day expenditures. But it wants to do more than just live from day to day. It wants to attack the problem of the country's underdevelopment, and for that it has gone abroad for funds and will continue to do so.

In the next two years some $75-million is expected from the United States and international lending agencies. But to support its programs—roads water supply, electrification and others—Guatemala must do some spending, too, and it is expected of her by those lending her money.

In an interview today, President Julio César Méndez Montenegro said that the country needed to raise $50-million to $60-million in investment funds to meet the minimum Alliance goal of 2.5 per cent net growth a year. He said the country hopes to raise about $26-million within the country from private sources and expected about $30-million from abroad next year.

The tax measure would bring in perhaps $10-million more annually. But it has encountered tremendous opposition.

To a propertied class unaccustomed to assuming more than a minimal share of the direct-tax burden, the tax plan was not only an unwarranted imposition, but also further proof that there were Communistic tendencies in the regime.

Advertisements in newspapers quoted the Communist Manifesto in an effort to show a similarity between Karl Marx's document and the Government bill.

Others saw the hand of the United States and the Alliance for Progress in the tax bill. For many Marxism and the Alliance for Progress were really the same thing

The result is that although the Government controls a majority of Congress, passage of the bill is doubtful at least in its present form.

The Méndez Government, even before it took office in July, was thought by some to be Communistic. Hardly had it been elected, in March, when the threat of a coup arose, and it had to weather another such threat in September.

A modest agrarian reform bill handing over Government-held lands to those who work them has confirmed conservative suspicion about the regime. There has been a flight of capital from the country.

The country is faced with a serious Communist guerrilla effort. Mr. Méndez, after an initial period of conciliation efforts failed, is now trying to fight them with military force, but he is also trying to fight them with reforms. The field of action is vast.

According to a report of the National Economic Planning Council, 75 per cent of the people have no access to modern civilization and culture. Eighty per cent of rural children get little or no schooling. The illiteracy rate may be as high as 80 per cent.

The population is believed to be eating only about a third of what it should be getting in the way of proper diet. In 1960, the last time such a study was made, of the 68,000 Guatemalans who died, almost half were under 4 years of age, the victims of intestinal and other diseases.

From 1950 to 1964, while the gross national product, the sum of all the goods and services produced in the country, increased, the per-capita income of the rural population, which is at least 66 per cent of the country, dropped from $87 a year to $83. The gap between the rich and the poor has become larger.

The tax bill has thus become a question of fundamental principle for many people here. If it cannot be passed, or if it is emasculated, then it will mean that nothing really basic can be done in Guatemala—that those who have wealth will not yield something to those who have nothing. If it loses its fight, it is felt, the Government will be doomed to ineffectuality.