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Center**



Latin America Review

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LATIN AMERICA REVIEW

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Brazil: After the Congressional Elections

1, 2 With about 80 percent of the votes from this month's congressional elections counted, the government party appears certain to retain control of both houses, though by reduced margins. The impressive showing of the opposition party--it leads in total popular vote nationwide--is a further indication of popular discontent with military rule and seems likely to make the new Congress far bolder than any in recent years.

1, 2 Though final results may not be available for some time, especially from the more remote states, it is almost certain that the government will hold about 40 of the 67 Senate seats and about 220 in the 420-member Chamber of Deputies. This means that in the Senate the government will have lost four or five seats, and in the Chamber its margin will be halved.

1 Next March President-elect Figueiredo will begin what is certain to be a trying term of office without the added complication of a lower house controlled by the opposition, which had been considered a serious possibility before the voting. The government's restructuring of the party system--a virtual certainty in any case--is now likely to be less drastic than it would have been had the opposition won the lower house. Moreover, military opponents of plans by President Geisel and Figueiredo to liberalize the regime are now likely to feel more confident of the government's ability to control political developments.

2
3 Nevertheless, the election results constitute a hollow victory, which top progovernment party members have already publicly acknowledged. The opposition's impressive performance continues a trend that began several years ago and has grown stronger despite both government harassment and promises of liberalization. Indeed, the opposition's showing is all the more noteworthy, given the formidable obstacles the government has placed in its path. In the end, the regime protected

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itself by simply appointing one-third of the Senators and avoided popular participation in the selection of new state governors, all of whom were chosen indirectly.

1, 2 The new Congress will contain a sizable number of left-leaning nationalists who have not been afraid in the past to attack the government on a broad range of issues. Most of these critics come from the urbanized, economically advanced regions of Brazil, where the tendency to vote against the government has been by far most pronounced. Because of this, the military regime has become increasingly isolated from the most dynamic population centers and must rely for its support on relatively backward rural areas.

1, 2 The government has said repeatedly that it could more easily continue the liberalization effort begun by Geisel if it retained a majority in Congress. Although it has achieved that goal, the stage is clearly set for potentially troubling challenges from--if not outright confrontations with--an increasingly assertive congress.

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Argentina-Chile: Problems Continue in the Beagle Channel

1,3 The impasse in diplomatic negotiations between Argentina and Chile on the Beagle Channel dispute sustains our concern that Argentina will resort to military action in defense of its territorial claims in the area. The next two or three weeks have been identified by an important Argentine military commander as the outer limits of his nation's patience toward the Chileans.

1,2 On 24 November the Argentines accepted a Chilean proposal that a meeting between the two countries' Foreign Ministers take place to select an outside mediator. According to an official communique released this week, the meeting will be held in Buenos Aires on 12 December. Santiago appears to be in a more conciliatory mood, but neither side has indicated that it is ready to resolve basic differences.

1,3 Argentine President Videla has sought publicly to portray his country as the conciliatory party in the dispute, but he gave clear warning that his government will defend any threatened Argentine interests. At the same time, the Argentine media and various Argentine officials are expressing continuing frustration over Chile's inflexibility.

1,3 General Suarez Mason, commander of the principal Army units in Buenos Aires, presented one of the most definitive and hawkish assessments of the current situation to the US Ambassador. He said all corps commanders are scheduled to meet with the President and the junta on Tuesday to review the Beagle Channel matter. The general said that Argentina would not make a military move before then, but asserted that if Chile does not resume negotiations by mid-December, Argentina would take a military initiative.

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President Antonio Guzman visiting grandson at a local hospital

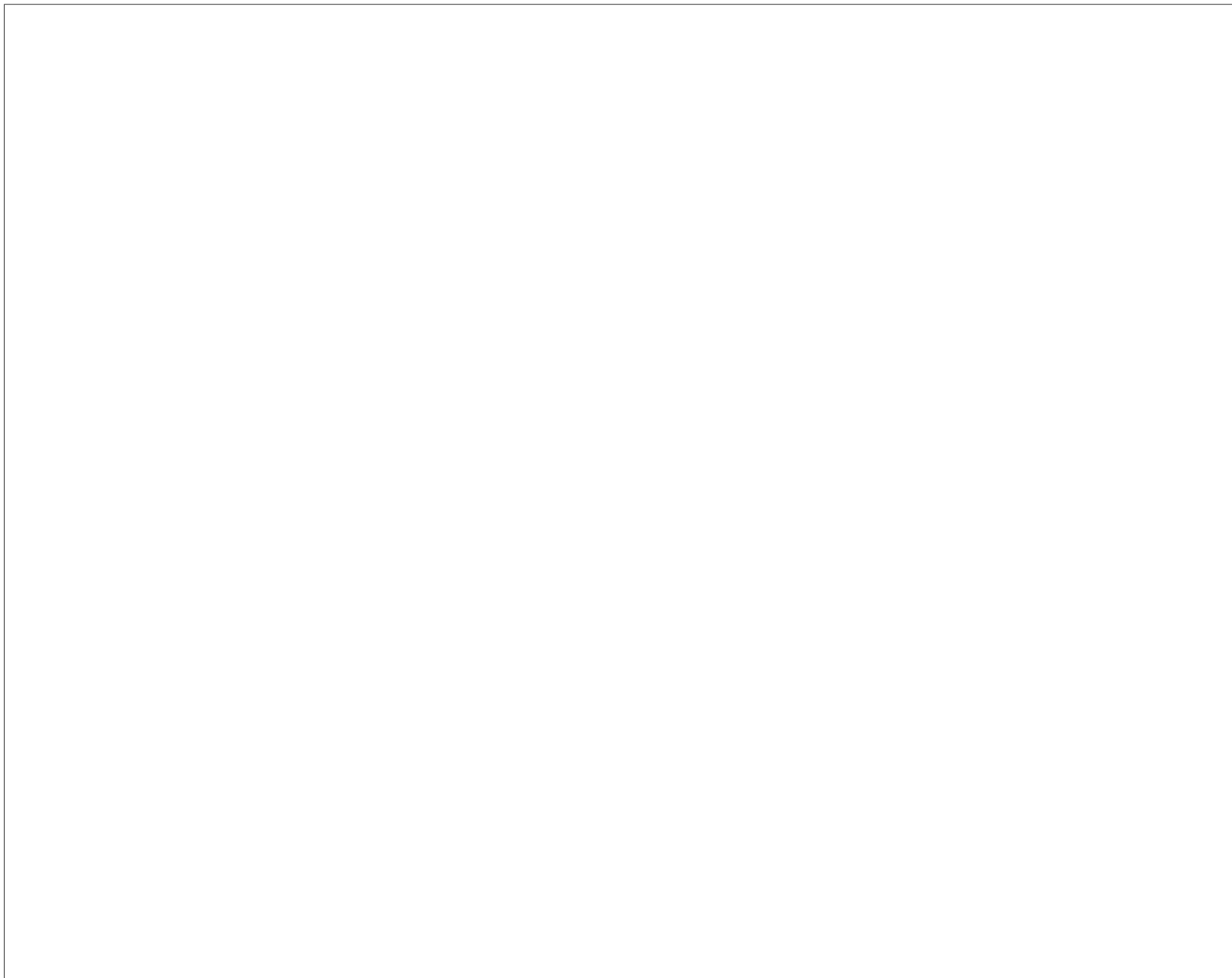
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Dominican Republic: Guzman's First Hundred Days

3,5 Since his inauguration on 16 August, Dominican President Antonio Guzman has strengthened his position by restraining growing ruling-party factionalism and by removing military leaders inclined toward intervention. Yet the widely respected President appears headed for trouble next year if he does not come to grips with the country's serious economic problems.



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Jacobo Majluta
Vice President



José Francisco Peña Gómez
PRD Chairman



Major General Pérez y Pérez
Recently retired military chieftain



Jorge Blanco
Senate minority leader and
PRD President

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5 On balance, Guzman is consolidating his position around moderate and conservative forces. He has surrounded himself with a cabinet of highly qualified technocrats and a band of close advisers drawn from his family, old-guard political loyalists, and members of the conservative Santiago business community. Although he has been charged with "cronyism" and nepotism--he has appointed at least eight close relatives to official positions--Guzman has formed a competent government that apparently has widespread public support.

The Military

1, 5 Guzman's swift removal of entrenched "political" flag officers has surprised experienced Dominican observers--mainly because he appears to have come out on top. Within hours of his inauguration the new President sidelined the generals who tried to overturn his election last May, and has since sent them into "golden exile" abroad. In early November he ordered the retirement of Major General Enrique Perez y Perez, long the head of a major military faction, after the general twice refused assignments abroad. The ousting of Perez y Perez, however, has been controversial because he was respected as a professional soldier in the military and business communities.

5 Guzman has kept the highly conditional support of the military establishment, but he has done little to change the political nature of the Dominican armed forces. Middle-level officers are pleased with the increased headroom for promotions, and most military personnel probably approve the departure of corrupt generals who had grown rich from rake-offs and other illegal business practices. Nevertheless, Guzman has placed his own politically ambitious generals in key positions, and the typical flag officer remains a wealthy businessman with considerable influence in the civilian world.

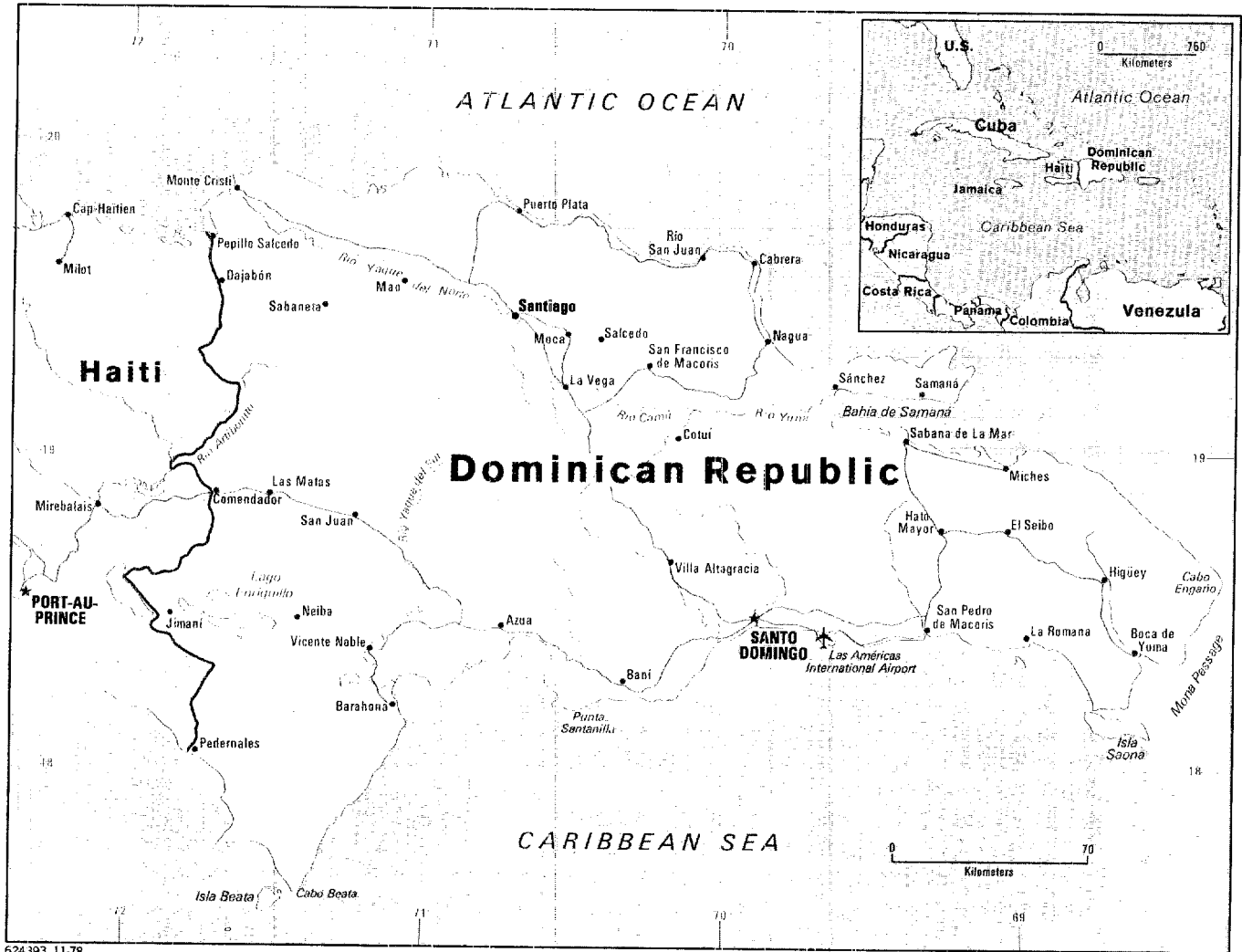
Labor and the Left

5 Guzman's government has relaxed the antilabor policy that prevailed during the 12-year rule of former President Joaquin Balaguer, launching an intense competition for recruits between rival labor confederations. Although

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Guzman is determined to keep labor in check, the unions have shown little inclination to cooperate with the government.

5,6
Pena Gomez tried early on to form a PRD-backed national confederation, but he ran into bitter opposition from independent unions. He will now apparently attempt to bring the unions together in a series of smaller scale efforts. Pena's perseverance has so far been overshadowed, however, by the militancy of independent labor leaders who are fast becoming a serious problem for Guzman.

3,6
Guzman, in sharp contrast to his approach to labor, is taking no chances with the radical left. He tried unsuccessfully to turn back a PRD-sponsored bill granting amnesty to political prisoners, because he wanted a closer official scrutiny of those to be released. He allowed the police to halt a public demonstration--encouraged by Pena Gomez--in support of anti-Somoza forces in Nicaragua. He has made clear in his public statements that he will not tolerate violations of law and order from any quarter--including the 200 recently released political prisoners. His stock with radical groups, which has always been low, has plummeted at the outset of his administration.

Political Prospects Hinge on the Economy

6
Guzman's dominant political position and his delicate truce with the military will probably not last without discernible improvement in the sliding economy. The government has apparently been searching for a "master plan" to tackle serious problems resulting from Balaguer's mismanagement, but many respected Dominicans have called it inaction. Guzman's troubles will almost certainly increase because he is faced with deep-seated economic difficulties on the one hand, and his supporters' unreasonably high expectations on the other.

6
Since 1975, the Dominican economy--which showed an 11 percent annual growth rate during the previous five years--has declined rapidly following a drastic hike in oil prices and a precipitous decline in the world price of sugar, which accounts for about 60 percent of the country's foreign exchange earnings. The growth rate last year was just over 3 percent, the inflation rate about 16 percent, and the unemployment rate over 20 percent of the labor force.

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6
Guzman has halted public work projects, tightened monetary policy, and started to pay off long overdue foreign debts that have hurt the country's chances for additional aid. He apparently hopes that his early record of strict fiscal responsibility will strengthen his hand with international financial institutions and pay off in long-term improvement.

6
The Dominicans who elected the PRD, however, clearly expect a more dramatic government performance and quicker results than Guzman has been able to deliver. The labor movement has already challenged the PRD's established position as the "voice of the people," and it probably represents the most serious short-term problem for the new government. Military and business leaders are worried about increased labor activities, and their allegiance to Guzman could easily slip. In the coming months, therefore, the PRD government will have to demonstrate a clear-cut and convincing economic policy or the present broad support for Guzman will almost certainly give way to political unrest.

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Cuba: Ties Strengthened With Sao Tome - Principe

President Manuel Pinto da Costa of Sao Tome - Principe completed a 10-day official trip to Cuba on 17 November and remained over a week longer on a private visit. His small, moderately leftist island nation already receives significant assistance from the Cubans, and his visit is likely to lead to even greater cooperation. President da Costa brought with him a wide-ranging entourage of high-level officials--including five cabinet ministers--reflecting the various technical, scientific, and military exchanges between the two countries. Da Costa divided his time between substantive talks with Cuban Government officials, including President Fidel Castro, and touring agricultural, educational, and cultural facilities on the island.

The Cubans reportedly have been on the scene since before Sao Tome received its independence from the Portuguese in 1975. After diplomatic relations were established in April 1976, Cuba became one of only three countries to have a resident representative along with the Soviets and the Portuguese. Since then, there have been a series of contacts: a delegation accompanying Angolan President Neto to Sao Tome in April 1976 included several Cubans; a Cuban delegation visited the island in September 1976 at the same time as Sao Tome Prime Minister Trovoada was in Cuba; a Cuban delegation from the State Committee for Economic Cooperation signed a scientific and technical agreement in Sao Tome in November 1977; and the Sao Tome Minister of Agriculture, Labor, and Social Security paid an official visit to Cuba in February of this year.

Between 150 and 300 Cubans are now in Sao Tome, of which 50 to 100 may be military advisers. Cuban specialists provide technical assistance in the fields of construction, public health, animal husbandry, foreign trade, agriculture, fishing, sports, and education; Havana has also made a gift of two fishing vessels. In addition, Sao Tomean students are among the contingent of African youths studying in Cuba.

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Cuba has given formal on-island military training to about a dozen members of the Sao Tome armed forces, including the commander in chief. The Cubans have also used Sao Tome as a rest and recreation facility for some of their military personnel stationed in Angola.

The joint communique issued at the end of da Costa's visit calls for an expansion and strengthening of political and economic ties between the two countries. A Cuban aid assessment team was in Sao Tome at the same time, probably to explore areas for increased assistance. As Havana prepares to host the 1979 nonaligned summit, da Costa's visit has served to underscore Cuba's image as a stalwart friend of "progressive" African nations, and also emphasizes Cuban interest in forging relations in the Third World based not only on direct military support--as in Angola and Ethiopia--but also on long-term civilian assistance programs.

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El Salvador: Status of Dialogue With the Moderate
Opposition

4, 1
Leaders of the opposition Christian Democratic Party are once again promoting the idea of a "political opening" in El Salvador. Despite past disappointments, the rising tide of terrorism that threatens both the "legitimate" opposition and the entrenched government elites has helped motivate the Christian Democrats anew and has made them guardedly optimistic that the oligarchy and military may be amenable to at least some reforms. If not, the Christian Democrats, who have been losing followers to more leftist groups that have experienced spectacular growth over the last year or two, will be faced with the prospect of losing even more of their membership.

1, 2
Discussions on political liberalization between the opposition led by the Christian Democrats and a series of military-dominated governments have a sad history. As has been the case with the on-again, off-again talks with the 16-month-old administration of President Romero, even when discussions have gotten off the ground, there has been little meaningful followup.

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4, 5
The Christian Democrats have now settled on an indirect approach to the government and believe their initial efforts to be promising. They have contacted--and allegedly won the support of--the powerful National Association of Private Enterprise (ANEP) for a four-point program of reform measures. ANEP represents the conservative business establishment in El Salvador, but the spate of kidnappings of the wealthy as well as the perceived corruption of military personnel in the government have reportedly led some of its members to conclude that a "political opening" of some sort is necessary. In a return concession, the Christian Democrats have agreed to seek only modifications rather than abrogation

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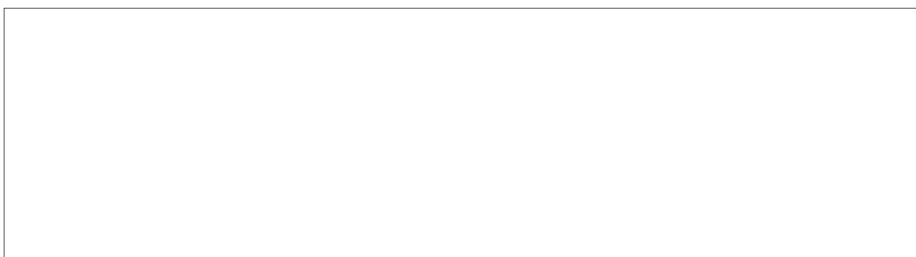
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of the Law for the Defense of Public Order, which has given the government wide latitude in detaining and trying dissidents.

3
4
/ A key element in determining the outcome will be the position taken by the Catholic Church. Archbishop Oscar Romero has been a consistent critic of the regime during his nearly two years in office, and Salvadoran Foreign Minister Rodriguez Porth was scheduled to confer with Pope John Paul II at the Vatican on 30 November. Next week, church officials in El Salvador are to meet with Christian Democratic and ANEP leaders to review the four-point program to be offered by the moderate opposition. That meeting had been postponed from mid-November, possibly to permit a domestic assessment of the discussions at the Vatican. If Archbishop Romero believes developments are headed in a positive direction, he would support activity that could broaden political participation.



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Mexico:* Mushrooming population growth is straining the structure of Mexico's society and economy and is beginning to put pressure on the political system. The population will nearly double by the year 2000; the labor force will more than double; the number of unemployed will increase substantially; and Mexico City will have become by a wide margin the world's largest mass of urbanized humanity. Although government measures, including the judicious spending of new oil wealth, can do much to alleviate the situation, the severity of the problem will also be influenced by the ways in which the economic and social systems themselves adjust to changing population pressures. This adjustment process--which cannot be mapped out with much precision--will no doubt affect the pattern of population growth as well as such key variables as the path of economic growth and the relationship of economic growth to job creation.

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