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Foreign Assessment Center



Latin America Review

1 February 1979

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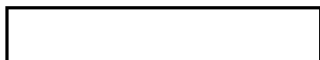
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LATIN AMERICA REVIEW



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The Mexicans, counting on the unprecedented bargaining leverage of their vast petroleum resources, hope that President Carter's mid-February visit will begin to dispel their long-felt self-image of inferiority, as symbolized by the stream of Mexican workers seeking economic betterment in the United States.

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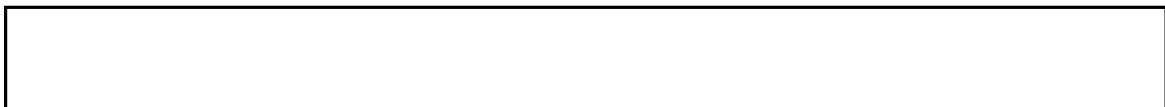
The government program announced on 19 January contains no radical departures but does call for some significant changes, suggesting that the President-elect hopes to achieve major economic and political objectives.

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Mexico: The Undocumented Worker Issue [REDACTED]

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Mexico and the United States face, in the undocumented worker question, a fundamental divergence of short-term interests that dims prospects for any significant bilateral understanding on immigration during President Carter's mid-February visit. The issue is an integral part of the historical complex of Mexican sensitivities regarding relations with the United States. The Mexicans, increasingly anxious to determine whether their vast petroleum resources have given them unprecedented bargaining leverage, hope that they can begin to dispel the pall of inferiority that has long shadowed their self-image and that is symbolized by the stream of Mexicans seeking economic betterment in the United States.

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[REDACTED]

Public and Political Sensitivities

Mexico's intense nationalism was stirred up several times last year by incidents related to undocumented aliens: the Ku Klux Klan's announcement that it would police the border to stem illegal immigration; plans by the US Immigration and Naturalization Service to extend and replace fencing in two border areas; and former CIA Director Colby's assertion that illegal Mexican immigration was a greater threat to the United States than was the Soviet Union.

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[REDACTED]

This public relations environment tends to dictate Lopez Portillo's statements, which he repeats with catechistic familiarity:

- The illegal alien problem requires more study and must be considered in the context of the whole package of bilateral issues.
- It can only be solved by long-term economic development policies, not by police measures.

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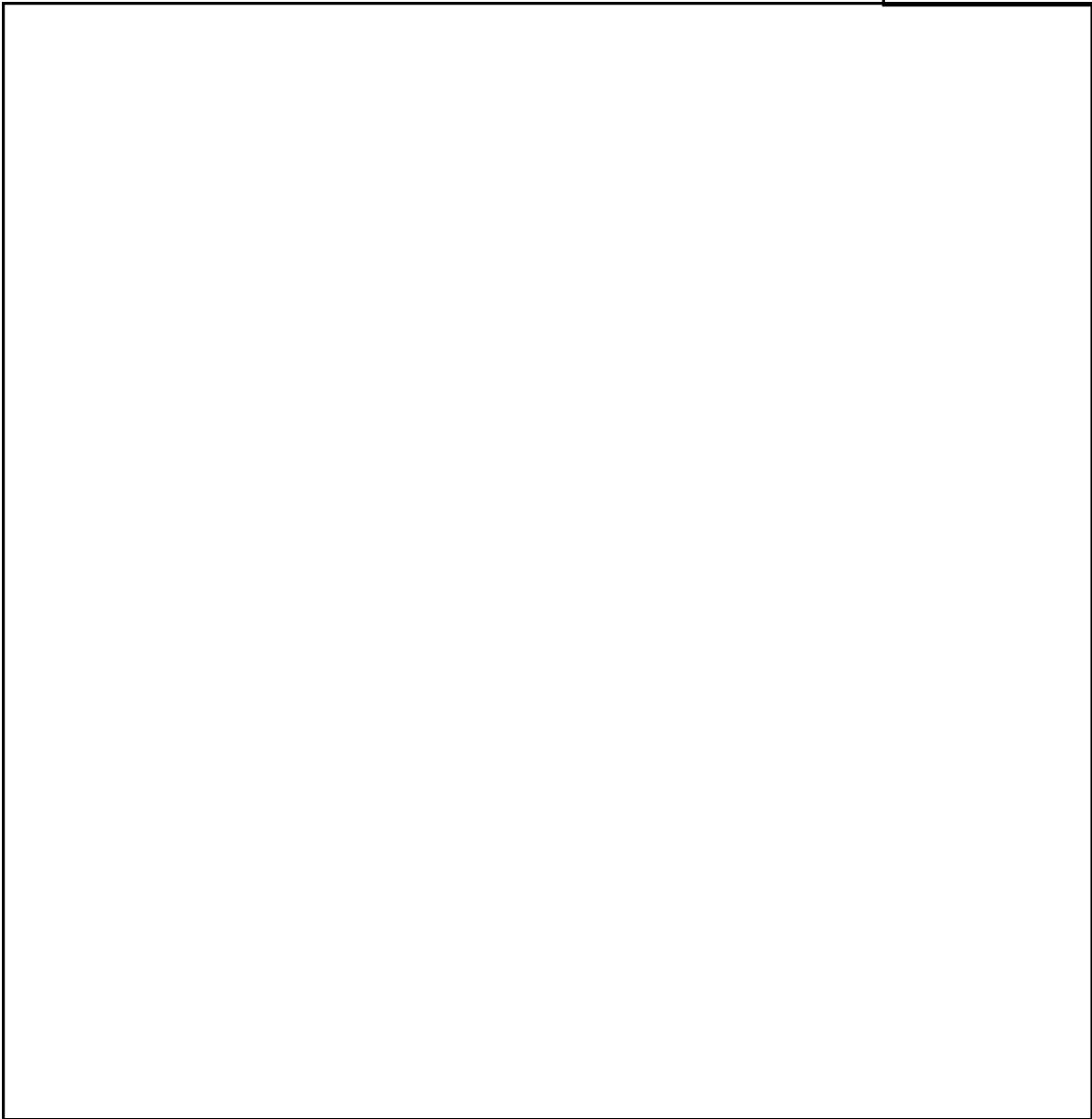
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- The United States should grant special trade concessions so that Mexico can "export products, not people."
- The immigrants respond to US demand for labor, they do not displace US workers or burden US social services, they make important contributions to the US economy, and in fact they represent a drain of talent from Mexico.

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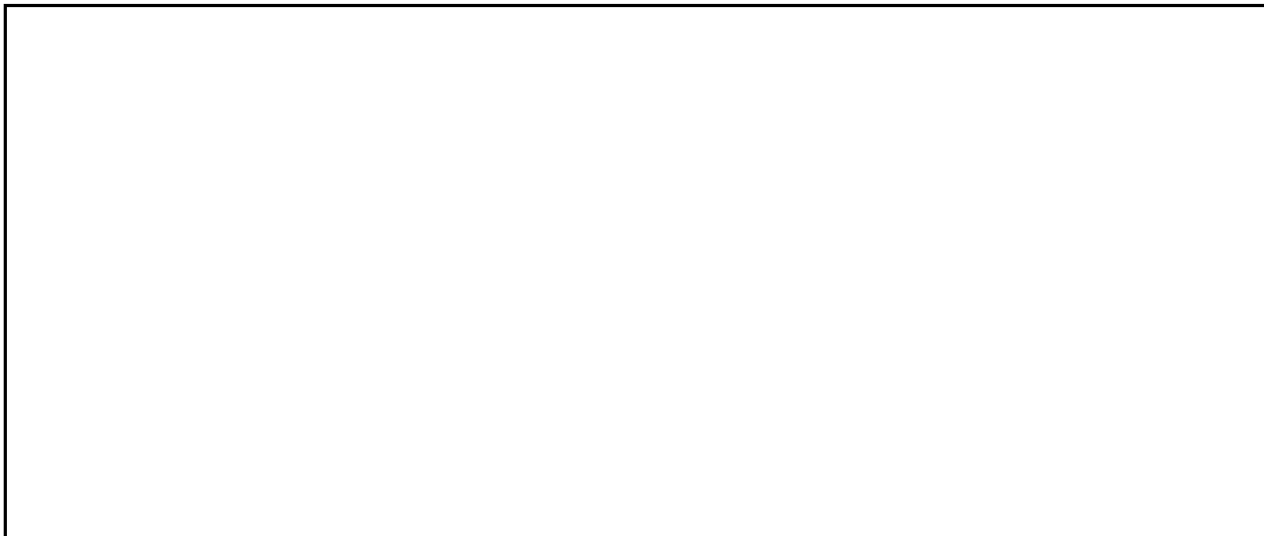
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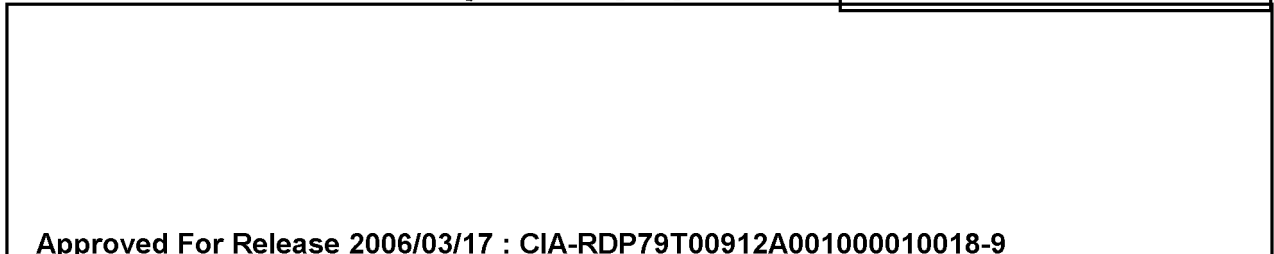


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3 The Lopez Portillo government hopes that President Carter's legislative package on aliens will be held in abeyance at least until the US Congress Select Commission on Immigration issues its report in late 1980. Earlier action would distress the Mexicans, who fear that the US Congressional process would move more quickly to strengthen and implement enforcement provisions while delaying or deleting other portions more favorable to Mexico. [redacted] 25X1

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4 Although he argues that all bilateral issues are inextricably interrelated, Lopez Portillo probably has no specific linkages or tradeoffs in mind. In a general sense, he believes his country merits reciprocity because of its unparalleled cooperation in narcotics eradication. He would, moreover, like to convince the United States that a natural gas sale and a long-term oil export agreement, both on Mexico's terms, would still constitute a Mexican concession deserving of a quid pro quo on alien legislation. [redacted] 25X1

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3 The Mexican strategy, nevertheless, remains longer term, including low-key lobbying in Washington, press campaigns citing violations of immigrants' human rights, and courting favor with leading Mexican-American organizations in the United States. Over the past year, Lopez Portillo has consulted in Mexico City with several groups of Chicano leaders, ostensibly to strengthen cultural ties, but in part to reinforce Mexican-American opposition to President Carter's immigration proposals. [redacted] 25X1



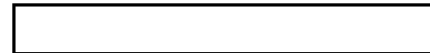
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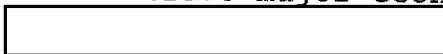
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Brazil: Figueiredo Outlines Program



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The government program that President-elect Figueiredo announced on 19 January contains no radical departures from past practices, but it does call for significant changes. Filling the major cabinet posts will be a group of highly capable men, two of whom--Mario Henrique Simon- sen and Antonio Delfim Netto--could become serious rivals. Figueiredo's program and its formal unveiling reflect a good deal of skillful staff work and represent a serious intention to achieve major economic and political objec- tives.



1,2
Figueiredo, talkative and peripatetic throughout the preelectoral period, continued to perform like a popu- larly elected politician, delivering a highly optimistic address that offered something for virtually everyone. For the politically hopeful, he reiterated his pledge to "make Brazil a democracy." For the disadvantaged and their advocates, he sounded the themes of income distri- bution, regional disparities, and inadequate social serv- ices. He appealed to workers with ideas on how to en- courage upward mobility, and to businessmen with criticism of government red tape. Figueiredo's performance was in sharp contrast to the style of the tight-lipped President Geisel.

Economic Goals

The main theme of Figueiredo's remarks was economic. The President-elect listed several areas that are to re- ceive special attention:

- 1,2
-- He vowed to work toward reducing inflation, now running at 41 percent annually, to roughly 30 percent by "substantially" cutting govern- ment spending.

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- He said balance of payments and foreign debt problems would be dealt with by a concerted effort to increase domestic savings in both the private and public sectors. Though not ignoring the role of foreign capital, Figueiredo stressed the need to finance Brazilian development primarily through resources generated at home.
- He proposed changes in the tax structure, along with other fiscal and credit devices, to "significantly" reduce income disparities among people and regions.
- Figueiredo also proposed to return to the private sector those public sector companies and services in which "state ownership is not necessary to correct market imperfections or to protect national security."
- Figueiredo promised measures to revitalize agriculture, to bring down or at least stabilize food prices, and to produce exportable surpluses. His plans include increased credits, price supports, regulatory stocks, and improved technology and transportation. This effort at least potentially could be at odds with his promises to cut spending and lower the government's profile in the economy.

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Managing Policy

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Figueiredo will have a strong Cabinet to advise him and to implement his policies. Several of those chosen are proven performers from previous cabinets. Of those who have not held cabinet posts, most have excellent credentials as specialists or as administrators. The economic area will be especially strong. Current Finance Minister Simonsen will remain in the government but will move to the Planning Secretariat, which will have authority over fiscal and monetary policy. Moving into the Finance Ministry will be the well-regarded chief of the Bank of Brazil, Karlos Richsbieter. Rejoining the Cabinet will be one of Brazil's top economists, Antonio Delfim Netto, who as Finance Minister almost a decade ago was credited with overseeing Brazil's so-called economic miracle. This time, Delfim will head a vastly expanded Ministry of Agriculture.

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3
Under the bureaucratic arrangement Figueiredo envisions, Simonsen will have greater responsibilities and have the lion's share of control over the shape of economic policy. But the inclusion of the able and ambitious Delfim raises the prospect of eventual rivalry between the two. Delfim doubtless relished his earlier role as virtual economic "czar" and may try to interpret his new mandate in the broadest possible terms. Whether Delfim and Simonsen can coexist indefinitely in the same cabinet is questionable. Delfim may have some reason to expect that he will eventually take charge of overall economic policy. Until recently, Simonsen gave every indication of wanting to leave government after five tiring years, and he may have agreed to stay on only for a relatively brief time. Delfim, on the other hand, may have agreed to what amounts to a subordinate role with the assurance that at some point--perhaps in a year or so--he would move to center stage. [REDACTED]

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3
By naming his chief aides and listing major policy priorities, Figueiredo has now established the administrative and substantive character of his government-to-be. He has also distanced himself somewhat from the Geisel administration, not only with his more open personal style but in substantive ways as well. Though Brazil is clearly not backing away from its outward-looking developmental strategy, the new team will be looking for innovative ways to deal with problems that have persisted and in some cases worsened during the Geisel years. [REDACTED]

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Figueiredo set an overall tone that is at once upbeat--it "promises" democracy and vigorous economic policy--and yet vague enough to allow room and time for maneuver. Because of this lack of specifics, and because he also paid sufficient homage to the concept of national security, Figueiredo avoided alarming or angering those military officers who still feel uncomfortable with the prospect of broadened civilian participation in decision-making. [REDACTED]

3
Having formally presented his approach to the broad range of national problems, Figueiredo can now be billed as a statesman. His presentation, praised by a major daily often critical of the regime, will add to his prestige. He now seems to have consolidated a "presidential"

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image that could last at least until he commits some egregious error. In calling for action in such controversial areas as income distribution, Figueiredo has taken the initiative from civilian opposition groups. In a sense, he has gotten out in front on the same issues frequently used in the past to berate the military regime. He has also demonstrated an apparent sensitivity to the need for change and, in effect, has placed a formidable set of issues before the new Congress that will soon assemble. [REDACTED]

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3
In stressing that he will need the assistance of all Brazilians to make his policies work, Figueiredo may have been seeking to underscore his professed commitment to liberalization of the political system. But he may also have been seeking to pave the way toward blaming civilian discord in the event any of his programs founder. Moreover, his words may have been intended to warn newly elected, activist congressmen as well as others who might be tempted to press the new government for too much, too soon. [REDACTED]

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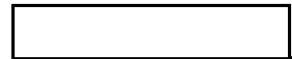
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Chile: New Stage in Struggle Over Labor Policy



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A new, potentially decisive stage in the struggle over a new Chilean labor policy was reached last month when the scheduled boycott of Chilean commerce by the Inter-American Regional Labor Organization (ORIT) was temporarily suspended by a partial, short-term compromise worked out by the Chilean Government, opposition Chilean labor leaders, and some elements of ORIT, principally the AFL-CIO. The agreement evidently exacted from the Pinochet regime, in addition to a promise to enact a dues checkoff for union federations, a firm commitment to deliver on its previously made promise that Chilean workers would be granted the right of assembly.

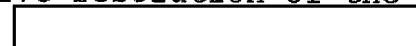


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On 15 February, ORIT will decide whether the promises are being kept. If not, the boycott presumably will be implemented. If, as is more probable, the answer is affirmative, then the contending parties will move on to the deeper issues that still remain to be settled.



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In an earlier response to a boycott threat, the Chilean Government had promised to formulate a complete labor policy for a "democratic" trade union movement by 30 June. The substance of this overall policy is still to be decided--by negotiation and political pressure. Given the disagreements between the regime and its labor opponents, and the political resources each side commands in the moderately free Chilean context, the outcome of the conflict is uncertain. It seems clear, however, that the freedom of assembly acquired by Chilean workers after five years of rigorous suppression has put in motion forces that will compel some definitive resolution of the problem within the next six months.



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The ORIT Decision

ORIT, whose boycott threats have previously forced concessions from the Chilean Government, did not easily decide to postpone the boycott it had voted in November

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1978. Insiders report a sharp division between those-- led by Venezuela--who wanted the boycott, and those--led by the AFL-CIO--who wanted to postpone it. The severity of the split was shown when the ORIT meeting ended with the statement that each member union was free to apply or ignore the boycott as it saw fit. [REDACTED]

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4
The reasons for postponing the boycott were probably varied and complex. According to press reports, some ORIT members felt a delay was necessary to prepare an effective operation against the three targeted nations-- Chile, Cuba, and Nicaragua. Others believed that any boycott attempt would be ineffective and that it would only bring a permanent loss of leverage. Another important factor in the final decision was the presence of a confidential intermediary who carried promises from the Chilean Government to enact the dues checkoff and restore the right of labor assembly. Many in ORIT believe that these two concessions will put Chilean workers on the road to recovery of union freedom and power. As the 15 February deadline indicates, however, skeptical members of ORIT will continue to monitor the situation. [REDACTED]

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The Labor Opposition

3
A key factor behind ORIT's boycott threat has been the strong link between the AFL-CIO and the organization of Chilean democratic labor leaders called the Group of Ten. Although the Group was dissatisfied with the regime's latest effort to enunciate a labor policy, it did not insist that the boycott be carried out. Instead, at the ORIT meeting in Washington in mid-January, the three Chilean representatives were among those who argued for postponement, suggesting that an agreement had been reached with the government. [REDACTED]

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3
A further indication of this came when the three representatives returned to Santiago and were publicly praised by the Labor Minister for their help in getting the boycott postponed. He also promised to consult with the Group of Ten on the formulation of a new overall labor policy. Moreover, vitriolic regime attacks on the Group of Ten have greatly diminished, indicating that the quid pro quo probably involves an end to name calling as well as the agreement to negotiate. Another part of the accord could have been revealed when, after the postponement

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of the boycott, the Group of Ten announced the creation of a new organization, the Council of Democratic Trade Unions, which includes the leadership of about 50 unions.

[REDACTED]

3 Although this new body will be the strongest single civilian pressure group trying to influence the substance of a new labor policy, there are two other large sectors of Chilean workers: those who previously belonged to unions dominated by the Communists and Socialists, and those who belong to organizations that support the Chilean Government. With the labor situation now obviously fluid, there will be a great deal of maneuvering by each of the three sectors to gain the maximum worker support.

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Unresolved Issues and Prospects

2 The Chilean Government, obviously relieved that the boycott was avoided, has once again demonstrated its flexibility and its willingness to pay a price to gain a desired end. Nevertheless, regime spokesmen have been careful to emphasize the distinction between tactical concessions and strategic surrenders. The government has not sacrificed its fundamental labor policy goals and still intends to enact them into law.

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Although the questions of dues checkoffs and workers' freedom of assembly appear to have been settled, at least for the time being, other contentious issues remain, including:

- 4
- The right to strike.
 - Collective bargaining.
 - "De-politicization" of the labor movement.
 - The right of Communists and Socialists to hold union office.

4 These issues and others must be resolved by the new comprehensive labor law the government has promised by 30 June. To achieve its labor goals, the regime will try to create as broad a consensus as possible, an effort likely to be opposed by the newly formed Council of Democratic Trade Unions. The regime's labor policy may not succeed

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without the approval of the Council, yet it is difficult to envisage the Council approving the labor policy the regime says it intends to enact. Meanwhile, Chilean workers are meeting freely for the first time in five years to discuss the basic issues, while ORIT waits watchfully in the wings. The preliminaries are now over, but the decisive conflict has just begun.

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