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## Latin America Review

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31 August 1984

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**Latin America  
Review**

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31 August 1984

		Page	
<b>Articles</b>	<b>Brazil: The Presidential Contenders</b>	1	25X1
			25X1
	Candidates Paulo Maluf and Tancredo Neves face a close race to gain a majority of the 686-member electoral college that will choose the country's next president in January.		25X1
	<b>Mexico-Guatemala: Closer Ties</b>	5	25X1
			25X1
	The traditionally cool relations between the two countries have been warming gradually, motivated largely by mutual security concerns, Guatemala's need for Mexican oil, and Mexico City's desire for Guatemalan support in the Contadora negotiations.		25X1
	<b>Chile: Political Concerns Motivate Shifts in Economic Policy</b>	9	25X1
			25X1
	President Pinochet is seeking to reduce social and political pressures on his regime by granting economic concessions that include moving away from rigid free market principles and adopting more expansionary policies.		25X1
<b>Briefs</b>	<b>Nicaragua: More Strikes</b>	13	25X1
	<b>Japan-Cuba: Trade Insurance</b>	13	25X1
	<b>Cuba: Attempt To Join ICO</b>	15	25X1
	<b>Netherlands Antilles: Economic Problems</b>	15	25X1
	<b>Trinidad and Tobago: Resisting Austerity</b>	15	
	<b>Paraguay: Conflict in Ruling Party</b>	16	25X1
	<b>Cuba Chronology</b>	17	25X1
			25X1

*Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis,*

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## Articles

### Brazil: The Presidential Contenders

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Paulo Maluf and Tancredo Neves, chosen by large majorities at their parties' conventions earlier this month, face a close election race. Although the candidates have different personal styles and political constituencies, both are adept at manipulating members of the 686-member electoral college who will choose the country's next president in January. The nominees' proposals for policy changes sometimes differ in emphasis but are generally similar and moderate on key issues. While we believe Neves currently has the edge over Maluf, the real campaign has only just begun. The election could hinge on how well each candidate is able to hold together his own fractious political bloc while attracting votes from smaller groups.

#### A Fast Start

Paulo Maluf, a federal deputy and former governor of Sao Paulo state, beat his only challenger for the government's Democratic Social Party nomination—Interior Minister Andreazza—by 493 votes to 350, a wider margin than we and most other observers expected. Tancredo Neves, governor of Minas Gerais, won the nomination of the main opposition party—the Brazilian Democratic Movement Party—virtually by acclamation, receiving 656 votes out of 688.

The vice-presidential nominees are likely to add significant strength to their respective tickets. We believe Maluf's running mate, congressional leader Flavio Marcilio, could boost the government party's bid because most of the electoral college delegates also are congressmen. Press and other sources indicate that the opposition chose Senator Jose Sarney, a government party dissident, as its vice-presidential candidate to lure other defectors. Vice President Chaves already has bolted the government party, and some congressmen and state governors who previously



Government party nominee Paulo Maluf

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backed Andreazza may throw their support to Neves. Both Marcilio and Sarney are from the impoverished Northeast region and thus provide a geographic balance to the presidential nominees, who come from the economically developed Southeast.

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Opposition candidate Tancredo Neves  
(l) with Vice President Chaves.

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conciliator. Embassy sources also describe him as a methodical and conservative—but not doctrinaire—politician who relies on advice from prominent bankers and lawyers. The Embassy notes that his long political experience helps him project the image of an elder statesman, which enhances his ability to resolve conflicts.

#### Policy Proposals

The policy changes proposed by the candidates are generally similar, although Maluf's platform appears more conservative. Both advocate resumption of economic growth, improvements in social welfare, and tougher negotiations with Brazil's foreign creditors and trade partners. Both, however, have said they will continue to service Brazil's huge foreign debt. Unlike Neves, Maluf has proposed a greater economic role for the private sector.

Despite earlier differences on rules for the coming election, the candidates now generally agree on institutional changes needed to complete the political liberalization process. Each has promised direct elections to choose his successor—instead of the presently mandated indirect system—and a new constitution to replace the one imposed by the military in 1967. Neither candidate has indicated that he would significantly alter foreign policy, although Maluf has called for closer ties to the United States.

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The US Embassy points out that Maluf, who is bold and not necessarily predictable, might switch to a different political line in response to a changing situation. An impasse in the renegotiation of Brazil's foreign commercial bank debt later this year, for example, could prompt him to assume a more nationalistic stance in an effort to appeal to opposition electors.

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#### Outlook Uncertain

It is too early to offer credible predictions on the outcome of the election, especially since the candidates appear to have offsetting assets and liabilities. The US Embassy reports that, although Neves currently is the front runner, Maluf has enough time to obtain additional support. President Figueiredo and other top officials who previously

In contrast to Maluf, Neves gained his party's nomination by rallying disparate opposition groups behind him through patient backroom negotiation and compromise. He held top posts in civilian governments that preceded the military takeover in 1964 and became an influential opponent of the military regime. According to the US Embassy, he has good relations with President Figueiredo as well as with radical leftists and is generally regarded as a

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opposed Maluf now have endorsed his candidacy. His prospects will improve further if the administration follows up its endorsement by threatening to cut economic assistance to states where officials are reluctant to support the government party candidate. We judge that Maluf, who is 52, may also impress the electors as being more dynamic and vigorous than the 74-year-old Neves. Because of Maluf's personal characteristics and prior government service, however, we believe that some voters may identify him with the authoritarianism and corruption of the military regime.

Neither candidate, in our view, will provoke strong reactions from the military.

acceptable despite reservations about his links to leftists.

Although public opinion will play no direct role in the electoral college, Neves's popularity could spark demonstrations on his behalf that would influence the delegates, most of whom will face reelection to their legislative posts in 1986. On the other hand, if these signs of support for Neves fail to materialize, we and the US Embassy believe that Maluf's proven skill at political maneuvering could wear down his opponent's edge in the electoral college.

For both candidates, the challenge will be to hold together their political blocs while attracting other votes that could decide the election. Maluf will have to win back at least 38 of the likely 55 to 60 government party defectors or entice an equal number of wavering opposition members. Neves must first retain the loyalty of his own party's left wing and most of the government party defectors in his coalition. In addition, he must persuade leftists from small parties to drop their threat of boycotting the electoral college.

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## Mexico-Guatemala: Closer Ties

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In the past year, the traditionally cool relations between Mexico and Guatemala have been gradually warming. Indicative of this trend are recent Mexican decisions to move more than 42,000 Guatemalan refugees in southern Mexico away from the border area and to take other steps to make it more difficult for Guatemalan insurgents to operate along the frontier. President de la Madrid's administration also is cracking down on Guatemalan dissidents in Mexico City and expanding modest intelligence contacts with Guatemala. Mexico City's actions appear aimed primarily at preventing a breakdown of order along its southern border and at eliminating a source of friction with Guatemala. Guatemala welcomes any Mexican assistance in helping it contain the rebel threat. Mutual security concerns, Guatemala's need for Mexican oil, and Mexico City's desire for Guatemalan support in the Contadora negotiations are likely to reinforce movement toward closer ties.

### Background

Animosities between Mexico and Guatemala, which share a 565-mile border, are longstanding. According to published reports, many Guatemalans still resent Mexico's annexation of the border state of Chiapas in 1824. In addition, Guatemala's leaders over the years generally have been far more conservative than Mexico's, a factor that has frequently led to political friction.

Nonetheless, in the past year leaders of the two countries have played down differences. Mexican officials have avoided criticizing Guatemala's internal policies, and both governments have sought to keep recurring border incidents from escalating into major diplomatic confrontations.

### The Refugee Issue

Large numbers of Guatemalans—mainly subsistence farmers of Mayan origin—first fled to Mexico in 1981 after the Guatemalan Army launched a major

counterinsurgency drive in Guatemala's western highlands. The refugees settled in border camps in the highlands of Chiapas state between Tapachula and Comitán and in the Lacondona rain forest east of Comitán.

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Mexican authorities were unprepared for the influx of mostly illiterate peasants. In July 1981, they forcibly deported more than 1,800. After learning of the bad treatment given the returned Guatemalans and in response to international pressures, however, the Mexican Government later in the year relented and decided to allow refugees to remain in the country. Mexico that year also concluded an agreement with the UN High Commissioner for Refugees (UNHCR) permitting international assistance to reach the refugees.

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New waves of Guatemalans arrived in Mexico in 1982 and 1983 after Efraín Ríos Montt overthrew the government of Gen. Romeo Lucas García and stepped up Guatemala's counterinsurgency effort. By last May, more than 42,000 refugees were living along the border in 80 to 90 settlements in a 180-mile zone within Chiapas. Many were in areas accessible to outsiders only by air or river transport.

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According to the US Embassy, Mexican officials were concerned that the refugees would:

- Remain in Mexico indefinitely, competing with Mexicans for land and jobs.
- Pose an economic burden, despite the provision of UNHCR and other assistance.
- Include persons sympathetic to the Guatemalan rebels, prompting Guatemalan authorities to order raids into the camps.

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As a result, the government in May announced plans to resettle all the refugees in areas well away from the border to sites in Campeche and neighboring states.

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The US Embassy in Mexico City reports that 11,500 refugees had been moved as of mid-August. The UNHCR is bearing the cost of the relocation program. [ ]

One of the government's aims is to place the refugees in an area where they will be less exposed to the rebel presence and Guatemalan reprisals. More important, Mexico City probably believes that resettling them will improve the ability of its military to police the border and will lessen tensions with Guatemala. [ ]

Most refugees apparently are unhappy about having to resettle far from the border and their homeland. According to the US Embassy in Mexico City, more than 3,000 from one large camp fled into the jungle to avoid being transferred. The Embassy reports that Mexican authorities have in some cases used force to move those who have refused relocation. [ ]

Meanwhile, the Guatemalan Government is pressing ahead with its effort to encourage the refugees to return home voluntarily. In the past year, Chief of State Mejia's government has constructed a series of "model" villages just inside Guatemala designed to encourage refugees to return home. Most refugees, however, are unlikely to go back until the political situation improves in Guatemala. [ ]

#### **Cracking Down on Guatemalan Insurgents**

In addition to greater cooperation on refugee matters, there are other signs that relations between Mexico and Guatemala are improving. The de la Madrid administration is taking stronger measures to deny Guatemalan rebels safehaven in Mexico. Since at least late 1982, the government has gradually strengthened Army, Navy, and Marine forces in the southern states of Chiapas, Quintano Roo, Tabasco, and Campeche. In addition, the Interior Ministry has increased the number of Federal Security Police and immigration officials assigned to the area and stepped up patrolling along the border. [ ]

Although Guatemala is pleased with Mexico City's efforts to tighten security, neither government can close the entire border to insurgent activities. Guatemalan guerrillas use the dense jungle and mountainous areas of the frontier to hide and to move supplies and personnel freely from one country to the other. [ ]

[ ] state that, despite the increased activity by Mexican security forces, Guatemalan insurgents receive supplies through Mexico and maintain safehouses in Chiapas. In addition, Embassy reports note that many of the refugees are sympathetic to the insurgents and that the rebels probably come to the camps when they are wounded, chased across the border, or in need of rest. We have no firm indications that the insurgents use the refugee facilities as operational bases. [ ]

Mexican authorities also have begun cracking down on Guatemalan opposition fronts in Mexico City.

[ ] officials in June arrested members of a faction of the Guatemalan Communist Party in Mexico City and uncovered several of the group's safehouses. [ ]

#### **Other Cooperation**

Cooperation also appears to be growing in other areas. Press reports indicate that Guatemalan Foreign Minister Andrade explored ways to strengthen energy and trade relations during his visit to Mexico City in July. [ ]

Under terms of the San Jose accords, which were renewed in August, Mexico and Venezuela provide oil to a number of Caribbean and Central American countries, including Guatemala, on favorable terms. In the past year, Mexico has supplied Guatemala with up to 8,500 barrels of oil per day. Mexican and Guatemalan officials are also considering a proposal to link the countries' electric power grids. [ ]

The balance of trade between the two currently favors Mexico by approximately \$40 million a year. Guatemalan authorities are seeking to rectify this imbalance by gaining more direct access to Mexican markets for Guatemalan sugar, citrus fruits, and meat. The countries also have considered establishing a common policy on coffee sales. [ ]

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Foreign policy and, in particular, Central American issues also have figured prominently in the expanding dialogue between officials of the two countries.

Mexico City's policy of cooperating more closely with Guatemala on refugee and border matters may in part be intended to elicit Guatemalan support for Mexican initiatives in the Contadora process. Earlier this year, according to the US Embassy in Guatemala City, General Mejia publicly stated that his government would not sign a Central American peace treaty unless Guatemalan refugees living in Mexico were repatriated or moved farther away from the border.

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#### **Outlook**

The future course of bilateral relations will largely depend on whether the two countries can work out satisfactory security arrangements along the frontier. The task will not be easy, for even under the best of circumstances, it will take time for Mexican and Guatemalan leaders to overcome their past differences and establish a climate of mutual trust.

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Nonetheless, the Mejia government almost certainly would welcome additional Mexican initiatives to help it suppress the rebels and bolster Guatemala's sagging economy. The de la Madrid administration, for its part, would be uneasy about any breakdown of order on its southern border because Mexico's leaders know that instability in Guatemala could indirectly threaten their own country's internal security. Were large-scale fighting to spread to the Mexican side of the border—a possibility that now appears remote—it could result in sabotage of vulnerable petroleum and hydroelectric facilities in southern Mexico. Viewed in this context, prospects for continued Mexican-Guatemalan cooperation appear relatively good.

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## Chile: Political Concerns Motivate Shifts in Economic Policy [ ]

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During the past year, President Pinochet has sought to reduce social and political pressures on his regime by reorienting Chile's economic policies away from rigid free market principles. We judge that his expansionary policies and economic concessions have bolstered his political standing, but they also are threatening to bring the regime into conflict with its foreign creditors, which will limit Pinochet's ability to pursue this strategy in the coming months. His dilemma is eased by the probability that domestic protests will remain slack through yearend. If a new financial crisis triggers another economic slide, however, we believe the President may opt for even more nationalistic policies aimed at preventing a resurgence of unrest. [ ]

### Gradual Changes in Market Policies

Pinochet's public statements indicate his sincere belief in the effectiveness of free market policies. US Embassy [ ] sources indicated he resisted urging by the business community, the civilian right, and many of his fellow military officers to return to more government-directed economic policies following the economic plunge in 1982. This nosedive—real growth plummeted 14 percent and unemployment rocketed from 11 percent to 25 percent—fired public discontent, which in turn stirred dormant political opposition. Anti-Pinochet rallies grew in size and scope, especially in the poorer neighborhoods, until early 1983 when the President abandoned his reluctance to tinker with the free market model. [ ]

He was apparently convinced that his main political goal—retaining power until his term expires in 1989—could only be achieved by more pragmatic economic policies. In April 1983, the Finance Minister was dismissed, and in June the currency was devalued. Santiago began providing relief from foreign competition for business and agriculture from foreign competition by doubling the general tariff level from 10 to 20 percent and applying further surcharges for industries claiming damage from

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### Economic Strategy: The Early Years

*The Pinochet government, to cope with the economic chaos of President Allende's socialist revolution, turned to a group of orthodox economists headed by Finance Minister de Castro. The new economic authorities, known locally as the Chicago Boys, implemented thoroughgoing reforms along free market lines. They revitalized private markets by eliminating controls on prices, interest, and foreign exchange. They slashed state subsidies, cut spending and borrowing, and sold most nationalized firms to private investors. They also dismantled barriers to foreign investment, reduced tariffs, and eliminated trade controls.* [ ]

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unfair trade practices. Additionally, the government provided tax relief for new investments and increased loans through the state development agency. Public works programs grew to absorb 10 percent of the labor force—mostly shantytown dwellers—at a subsistence wage. According to US Embassy reports, however, economic stimulants were meted out cautiously to avert difficulties with foreign creditors. [ ]

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### The Transformations This Year

Pinochet's policy adjustments contributed to some economic recovery and lower unemployment by early 1984, but he faced continuing opposition demands for greater government intervention to stimulate more rapid recovery. Within the government as well, pressure was building for more expansionist measures. [ ] Interior Minister Jarpa pressed Pinochet for more growth-oriented policies to ease grievances and reduce the level of protests. After a large antiregime demonstration in March, Pinochet

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Typical Chilean slum district.



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replaced his free market economic ministers with advisers more in favor of state-directed economic reactivation.

The new economic team, headed by Finance Minister Luis Escobar, immediately proposed bolder government actions to buoy recovery. They asked the IMF to allow an increase in the budget deficit to support reactivation, but the Fund has resisted. The government directed state corporations to increase labor-intensive investments to spur employment for both skilled and unskilled labor. Moreover, Santiago began selectively imposing tariffs to sustain domestic manufacturing. The new team also responded to domestic debt problems by easing repayment terms for small businesses and the middle class.

We agree with the Embassy's judgment that these measures, together with continuing disunity among the opposition and selective repression of the radical left, have caused the anti-Pinochet protest movement to wane this year. The appointment of a former Christian Democrat as Economic Minister is also taking much of the wind out of the moderate opposition's sails because he has pledged to implement many of their economic proposals. In addition to such economic concessions as debt relief, Chile's middle class has also been influenced by shrewd official propaganda that reminds it of the chaos of the Allende period.

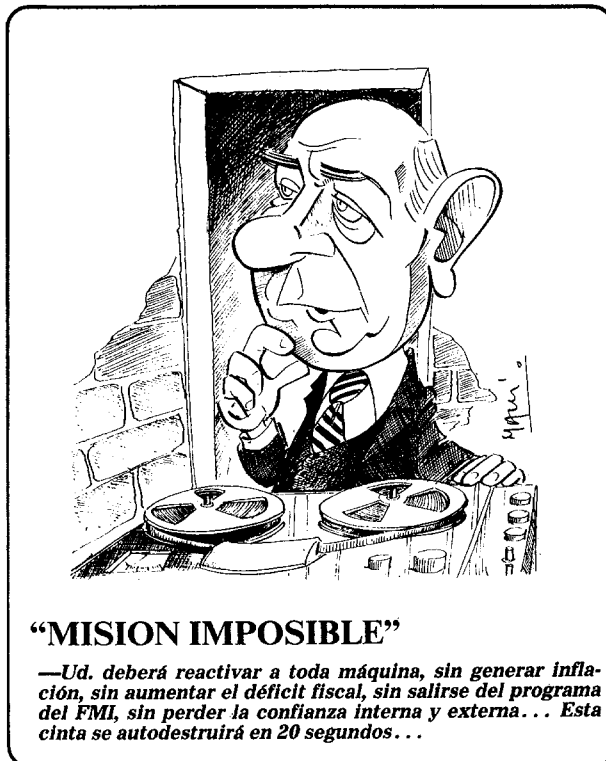
#### Pinochet's Economic Anxieties

Pinochet's recent statements to US diplomats show that he continues to believe that another economic crisis—generated presumably by falling copper prices and rising world interest rates—could trigger renewed political disorder. He especially fears, in our view, that the radical left—fundamentally the Communists—would be able to rally the poor, the unemployed, and the unions against his regime, but he also is concerned about middle- and upper-class attitudes.

we believe that government leaders still view the *poblaciones* (slums) that surround Santiago and other cities as political tinderboxes. They generally assume that the Communist Party is exploiting unemployment (in some areas as high as 50 percent), poverty, substandard housing, and police repression to convert the slumdwellers into leftist sympathizers and anti-Pinochet diehards. Although we believe conditions in the *poblaciones* are far more complex,  the Communists' ultimate goal is to force Pinochet from power via an insurrectionary general strike.

Although pro- and anti-government forces generally agree that conditions are not currently ripe for such a

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strike, [redacted] the Communists are attempting to organize hunger marches, land seizures, and other protests to augment their influence in the shantytowns. The land seizures in some cases have given rise to new shantytowns in which the Communist Party may be able to manipulate renewed economic distress to its advantage. When Communist organizing efforts have been overtly political, however, they have achieved little. The many Communist-sponsored hunger marches and anti-Pinochet rallies of recent months frequently have been ignored by the inhabitants of the *poblaciones*.

Another concern of the Pinochet regime is the danger of resurgent labor unrest. The unions played a key role in initiating the protest movement during 1983,

role in initiating the protest movement during 1983, but this year they have been much less effective. The modest economic recovery has, in our view, contributed to the quelling of labor's militancy, as has the memory of last year's general strike, which was easily broken by the authorities. Nevertheless, union leaders have vowed to organize another general strike this fall. Because political rivalries are weakening and dividing the unions, collaboration among all sectors of labor—essential for a successful strike—will be even more difficult to attain. [redacted]

With the political transition moving slowly, Pinochet also recognizes that renewed economic stress could erode his support among Chile's elites. Despite economic concessions, many commercial farmers and businesses—never enthusiastic supporters of free market economics—have stepped up their demands for protectionist measures, greater allocations of government credit, more extensive debt relief, and, in some cases, partial repudiation of the foreign debt. The press reports that segments of the armed forces—long a bastion of economic nationalism—also have exerted discreet pressure to deviate from the strict free market model. [redacted]

Strong middle-class participation in last year's protest movement awoke Pinochet to the danger that the middle and lower classes might unite against him. We believe the President's granting of economic concessions continues to be aimed at mollifying some of the grievances of the middle class, which had opposed the government's free market line. According to the press, middle-class participation in the most recent day of protest against the regime was minimal. [redacted]

#### Near-Term Outlook

We believe that continued recovery and government economic concessions—both of which we foresee—will help prevent a resurgence of domestic political discontent. To sustain economic recovery, we believe that Pinochet will intensify his efforts to increase the budget deficit above current IMF limits and will press commercial creditors for easier repayment terms and new money in negotiations commencing next month. In those talks, Finance Minister Escobar will probably argue that increased economic growth is

necessary to generate funds to pay the foreign debt, especially at a time when world demand for copper remains depressed. [redacted]

While not fully satisfying Pinochet's domestic critics, this strategy will probably placate the elites and complicate Communist attempts to mobilize the urban poor. As long as the government avoids serious political gaffes, the unions and the middle class are likely to provide only lukewarm support for future anti-Pinochet protests so as not to jeopardize their recently won concessions. Industrial and agricultural pressure groups will also hesitate to antagonize the regime because they want to retain government subsidies and trade relief. [redacted]

#### **Longer Run Dangers**

In our opinion, however, worsening external payments problems will be the major threat to Pinochet's economic maneuvering room by next year. The US Embassy is already indicating that increased imports, higher interest rates, lower copper prices, and a drop in direct foreign investment are heightening stresses on Chile's payments accounts. The middle classes—fearing a devaluation and price hikes on imports—will begin to make matters worse by increasing purchases of luxury goods and, perhaps, by resorting again to capital flight. According to the US Embassy, the chances of Chile's borrowing more money this year are slight and it will probably obtain only a fraction of the new lending it needs for reactivation next year.

We judge that these external stresses will undermine Pinochet's ability to redress popular discontent. Another payments crisis could again precipitate an economic slide resulting in increasing business failures and rising unemployment. These conditions could help Chile's disparate political factions unite in protest against the government. [redacted]

In our view, Pinochet would respond with various policy adjustments. To shore up external accounts, he would probably increase tariff protection, devalue the peso, and suspend interest payments on the foreign debt. To counter the domestic economic slide, we judge that he would support increased public spending, as well as new credit and consumer subsidies, financed in part by an expansion of the money supply. He would also consider tightening the new foreign investment law to placate economic nationalists. We believe such a departure from market principles would, in the extreme, probably lead to economic stagnation, rapid inflation, and persistent payment constraints. [redacted]

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## Latin America Briefs

### Nicaragua

#### More Strikes

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Since the Sandinistas restored the right to strike one month ago, several unions have walked off the job and additional labor unrest seems likely. In mid-August, workers in a state-owned brewery struck for four days. Shortly afterward, employees of a sugar mill and several banks also went on strike, according to US Embassy reporting. The brewers went back to work only after the Minister of Labor threatened to declare the strike illegal and said the government would not agree to any settlement until the strike ended. Negotiations between the government and the strikers are now under way. [ ]

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Despite the Sandinistas' hard line, additional labor unrest seems likely this fall, as any government wage concessions will be wiped out quickly by inflation that is likely to exceed 70 percent in 1984. The government, moreover, probably will be reluctant to crack down harshly on strikers until after the November election is over and international scrutiny has lessened. [ ]

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### Japan-Cuba

#### Trade Insurance

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Cuba has achieved some minor successes in commercial dealings with Japan, but trade is likely to remain low until sugar prices rise. [ ]

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[ ] Cuba recently purchased construction equipment from two Japanese firms with favorable credit terms of more than two years. This transaction follows Tokyo's decision in June to renew export credit insurance for Japanese companies selling goods to Cuba. [ ]

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[ ] the insurance—suspended after Havana requested debt rescheduling two years ago—is being offered again, although with higher premiums and lower coverage. [ ]

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The US Embassy in Tokyo does not foresee any expansion of Cuban-Japanese trade in the near term, but a number of Japanese businesses will likely continue to export to Cuba. [ ] some Japanese firms believe Cuba could prove to be a solid trading partner because of its dependence on Japan for some manufactured products, and that continuing trade is the best way to ensure payment of Havana's debts. [ ]

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**Cuba****Attempt To Join ICO** 

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Havana is lobbying to join the International Coffee Organization, apparently in an attempt to retain access to the hard currency markets of Western Europe and Japan. The Cubans probably are concerned by proposals now before the organization that could cut nonmember exports to these markets—the destination of the bulk of Cuban coffee. At the same time, membership would provide Cuba with greater opportunities to forge ties with other coffee-producing countries as well as with Western consumers.

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The Cubans, however, would receive only limited financial gains from membership. Despite Havana's claims of an intensive drive to boost its coffee output, industry analysts expect only a gradual expansion of production at best. Consequently, Cuba will have to continue importing lower quality coffee for domestic consumption in order to fill its desired 300,000-bag quota for next year—about 15 percent above anticipated 1984 exports.

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**Netherlands Antilles****Economic Problems** 

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Economic conditions in the six-island federation are steadily deteriorating, mainly because of low world demand for the country's refined petroleum products, which contribute 97 percent of export earnings. Shell Oil Company already has slashed refining operations to about half of capacity, and the Exxon-operated, Netherlands Antilles-owned Lago refinery may close  In addition, new US tax laws are expected to slice government revenues from offshore companies by 30 percent over the next few years. On top of these woes, the steep drop in receipts from tourism and ship repair are unlikely to recover any time soon because of growing international competition.

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Only generous Dutch aid will allow the Netherlands Antilles' economy to grow slightly this year, but unemployment nevertheless is rising. In Curacao alone it is already reportedly approaching 40 percent. Large budget deficits have been avoided only by Aruba's subsidization of the other islands. Although popular discontent is likely to increase, we see no serious destabilization threats at this time from Cuba or local leftists. Havana regards the Antilles' economic problems as an opportunity, however, and apparently is trying to get a foot in the door by increasing business ties and promoting educational exchanges.

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**Trinidad and Tobago****Resisting Austerity** 

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Trinidad and Tobago's foreign payments position is likely to continue deteriorating rapidly as the government resists implementing harsher austerity measures. The economy has been hard hit since 1981 by declines in domestic oil production—the mainstay of the economy—and in world oil prices. Moreover, foreign investment in the oil industry is off sharply, and some companies are trying to divest their refinery operations altogether. As a result, Trinidad's balance-of-payments deficit

this year is likely to approach \$1 billion, further draining the country's foreign exchange holdings. Reserves in June stood at \$1.5 billion, less than half the 1981 level. Nevertheless, Prime Minister Chambers, with elections looming in 1986, is unlikely to take the unpopular steps—devaluation in particular—that are necessary to put the country's finances in order and win badly needed help from the IMF.

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**Paraguay****Conflict in Ruling Party** 

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President Stroessner has moved quickly to suppress a rare public fight in the ruling Colorado Party, but the incident reflects deeper intraparty differences that are likely to surface again. The US Embassy reports that the recent clash resulted from the regime's heavyhanded attempt to promote a close presidential associate to a high-level party post prior to the Colorado congress in September. According to the Embassy, the President has ordered both party factions—the moderates who advocate a more open political system and the hardliners who endorse Stroessner's tough personalist brand of politics—to stop publicizing their disagreement over the appointment. Many moderate leaders believe they may be facing their last chance to prevent the hardliners from gaining complete control of the party. Both groups judge that Stroessner's seventh term will be his last, and the faction controlling the ruling party can significantly influence the future political transition.

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**Cuba Chronology**

July 1984

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- 2 July** Vice Minister of Foreign Relations Oscar Oramas says that Cuba has withdrawn troops from Ethiopia but he does not specify numbers or dates of the withdrawal.
- 3 July** Radio Havana blasts President Reagan for refusing to meet with Jesse Jackson, saying Reagan wants to control the Caribbean "with fists and gunfire" and is "a gunman retired from a Hollywood set."
- 10 July** The Cuban Foreign Ministry categorically denies that it has received 10 Soviet MIGs for Nicaragua, as reported in the US press.
- Granma* blames Australia for the failure of the UN conference on sugar to reach an international agreement controlling the depressed sugar market and fixing equitable prices.
- 12 July** Deputy Foreign Minister Ricardo Alarcon heads the Cuban delegation to talks with the United States in New York on the return to Cuba of about 1,000 undesirable refugees and other immigration issues.
- 13 July** Brig. Gen. Vicente Gomez Lopez speaks to the first fighter pilots to graduate after training in Cuba rather than only in the USSR, as had been required previously.
- 15 July** Havana press reports that Cuba will accept the return of "undesirable" Cuban refugees only if Washington agrees to issue visas to thousands of Cubans wanting to emigrate.
- 18 July** In an anniversary message, Fidel Castro praises Nicaragua and accuses the United States of "rapidly preparing the conditions for direct military intervention in Central America."
- 20 July** Raul Leon Torras, president of the National Bank of Cuba, signs a rescheduling agreement in Paris under which Cuba's 1984 debts will be repaid over four years after a five-year grace period.
- Dissident poet and writer Jorge Valls Arango says Cuba has 200 to 250 political prisoners in jail subject to physical and psychological torture.
- 21 July** Barbados press reports that Cuba's 1983-84 sugar harvest, which ended last month, produced more than 8 million tons; Cuba's Deputy Sugar Minister Blanco claims it was Cuba's third-largest harvest.

Secret

ALA LAR 84-016  
31 August 1984

**Secret**

- 22 July** In statements to *El Dia*, Isidoro Malmierca says that Cuba is willing to contribute to a negotiated political solution to the Central American crisis and denounces US intervention in that area.
- 24 July** Flight Lt. Jerry Rawlings, Chairman of Ghana's Provisional National Defense Council, is greeted by Fidel Castro at Jose Marti Airport; Rawlings will attend ceremonies marking the 31st anniversary of the attack on Moncada barracks.
- Guyana press announces that Prime Minister Ptolemy Reid has been in Cuba for medical treatment since 16 July.
- 25 July** The Soviet Union sends a message to Fidel Castro on the 31st anniversary of the assault on Moncada stressing solidarity with Cuba's struggle for liberty, independence, and peace.
- 26 July** Fidel Castro, speaking at the Moncada barracks anniversary celebrations, repeatedly stresses Havana's willingness to negotiate but warns that Cuba is prepared to defend itself.
- 27 July** The Department of State rules out comprehensive talks with Cuba until Havana demonstrates a willingness to make fundamental changes in its foreign policy, according to Deputy Spokesman Romberg.
- TASS reports that, in his 26 July speech, Fidel Castro said that Cuba's relations with socialist countries are unbreakable.
- 29 July** During a reception given by Fidel Castro in Havana, Ghanaian leader Jerry Rawlings says "there are no Cuban troops in Ghana . . . but they are welcome."
- Juventud Rebelde* reports that the opening ceremonies for the Los Angeles Olympics bored the 90,000 spectators.
- Fidel Castro offers to grant amnesty to the Cuban asylees at the Peruvian Embassy in Havana so that they can begin to negotiate their departure.
- 31 July** A US State Department spokesman says the United States and Cuba have resumed talks in New York City to discuss problems of mutual interest.



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