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**Latin America
Review**



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25 October 1985

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**Latin America
Review**

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25 October 1985

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The vote on 3 November for half of the seats in the lower house of the National Congress and many seats in provincial legislatures will largely be a referendum on President Alfonsin's popularity and on his economic austerity program.

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None of the candidates in the presidential election on 3 November have argued forcefully for reform and austerity measures necessary to forestall further economic decline.

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Although no national offices are at stake in mayoral elections on 15 November, the vote may help determine President Sarney's successor in 1988 and clarify the present chaotic political situation.

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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

**Argentina:
Election Preview**

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On 3 November, Argentina will hold its first elections since President Alfonsin took office in 1983. Half of the seats in the lower house of the National Congress and many in the provincial legislatures—which choose the national senators—will be contested. The vote, in our view, will largely be a referendum on President Alfonsin's popularity and on the economic austerity program he implemented in June. The ruling Radical Civic Union (UCR) hopes to retain its absolute majority in the lower house and do well enough on the provincial level to pave the way for acquiring working control of the Senate. Most important, the elections will help determine whether Alfonsin feels he has the political strength to press ahead with his bold economic reform package or begins to heed interest group pressure to dilute the program.

Alfonsin's Radicals: Flying High

During the first half of this year most knowledgeable observers were predicting an electoral drubbing for Alfonsin's centrist UCR. The President appeared to have no plan to battle an inflation rate of over 1,000 percent, the military was openly grumbling over the trials of top generals for human rights abuses, and political pressure from the opposition Peronist labor movement mounted daily. Polls showed that Argentines intended to cast protest votes for small parties of the right and the left and that the Radicals would be lucky to conserve the support of two-thirds of the 52 percent of voters who backed the UCR in 1983.

This picture changed dramatically in June, when Alfonsin turned to "shock treatment"—including wage and price controls, efforts to cut the budget deficit and restrict monetary expansion, and a new currency—to curb inflation. Notwithstanding its

recessive impact, the adjustment program was highly popular with the public, which, according to the US Embassy, felt that the President's firm leadership had saved Argentina from economic chaos. Nearly four-fifths of the populace supported the measures when they were announced, and relative price stability—inflation for September was only 2 percent—has since kept approval ratings in the 60-percent range. This positive attitude toward the government and Alfonsin has directly benefited the UCR. The President has campaigned extensively for Radical candidates and, in our view, has successfully linked his personal popularity to his party's electoral fortunes. The latest polls show the Radicals with a 2-to-1 lead over their closest rivals, the Peronists.

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Several other government initiatives have bolstered the political standing of both Alfonsin and the UCR:

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- The Beagle Channel treaty with Chile, which was overwhelmingly approved by a referendum last year, gave the regime a clear-cut foreign policy success that at least partially offset the lack of progress in resolving the Falklands dispute with Great Britain.
- The trials of the former junta members, after some initial military protests, have proceeded smoothly. The prosecutions have underscored Alfonsin's determination to consolidate democracy in Argentina, a goal, according to polling data, that is widely shared by the general public.
- The government's simultaneous trials of leftist terrorists have enhanced its reputation for evenhandedness and made clear that the military trials are not just a vendetta against the armed forces.

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President Alfonsín addresses a campaign rally. [redacted]

Tiempo Argentino ©



Peronism's top leaders: Herminio Iglesias (left) and Vicente Saadi (right) [redacted]

Somos ©

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The UCR, however, has not rested entirely on Alfonsín's laurels. The party itself has numerous positive qualities—especially when compared to the chaotic infighting that plagues Peronism. Radicalism, in our view, is the best organized and most dynamic political force in Argentina. It has an infrastructure in every province and an energetic youth sector that has been effectively mobilized during the campaign. While Alfonsín's leadership of the UCR is virtually unquestioned, the party has not stifled internal dissent. A relatively wide range of opinion, from the center-right to the moderate left, now finds a home within Radicalism, thereby helping the party expand beyond its traditional middle-class constituency. Polls show that today about 20 percent of Radical voters are blue-collar workers; a slightly higher proportion are upper middle class; and UCR support is divided almost equally among individuals with primary, secondary, and college educations. [redacted]

Peronism in Eclipse

Peronism has been adrift since the death of its founder, Gen. Juan Peron, in 1974. No charismatic leader has emerged capable of directing the disparate populist/nationalist movement, and the resulting leadership vacuum, in our view, has allowed a coterie of discredited political and labor bosses to seize control of the party. At a "unity" congress in July, two of the most controversial figures in Peronism—Vicente Saadi, a leftist with widely reported links to Montonero terrorists and the ultrarightwing Herminio Iglesias—temporarily defeated moderate

leaders seeking to reform and democratize the party. Saadi and Iglesias, along with trade union leader Saul Ubaldini, have launched a vituperative campaign against the government's "pitiless" austerity program and the "usury" of the IMF and the international banks. The electorate, however, appears unconvinced that the Peronists possess a viable alternative to Alfonsín's austerity package. Polls show that only about one-fifth of voters—down from 40 percent in 1983—intend to cast a ballot for the Peronists in November. [redacted]

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Part of this poor showing stems, in our view, from the intense infighting that continues to afflict the party and demolish the fragile unity achieved at the July congress. In August, Peronist moderates ousted party First Vice President Saadi from his post as leader of the Peronist bloc in the Senate, and in the Federal District of Buenos Aires a young reformist leader bested the official Peronist slate in internal party elections. The most potentially divisive conflict has occurred in populous Buenos Aires Province, a Peronist bastion long dominated by party Secretary General Iglesias. Reformist party members in the province have spurned Iglesias and are running an "independent" Peronist ticket in the elections. [redacted]

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We believe a more fundamental cause of Peronist decline is the party's decaying demographic base. Once a broad-based movement whose working-class

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core was complemented by significant support from the middle class and the intelligentsia, Peronism has become, according to one Argentine analyst, a party of the "old, the uneducated, and the poor." Polls show that Peronism is backed almost exclusively by urban industrial workers and peasants from the underdeveloped interior provinces—dwindling segments of the electorate. And in a country with perhaps the highest literacy and education rates in Latin America, one study reveals that only 2 percent of university-educated voters identify with Peronism. The US Embassy reports that Peronist reformers are aware of these problems and expect that defeat in November will finally discredit the party's old guard. Although these moderates believe they will then be able to take over the movement and rebuild it on firmer foundations, any such reconstruction will, in our view, be a long, arduous, and uncertain process.

[redacted]

Ferment on the Left

Peronism's monopoly of working-class support has, according to several academic studies, precluded the emergence of a strong socialist or Marxist current in Argentine politics. The movement's disarray in recent years, however, has given new impetus to the Argentine left, which hopes to lure disgruntled Peronists into its ranks. Although polls show that leftists are beginning to make such gains, they must overcome several obstacles before becoming a major political force:

- The workers' enduring allegiance to the Peronist labor movement remains an effective barrier to leftist influence. The trade unions, unlike the party, are well organized and fairly effective. Until leftists achieve prominence within organized labor, Peronist unions will, in our view, continue to deliver a large part of the worker vote to the Peronist party.
- The left is plagued by factionalism, byzantine ideological disputes, and personal quarrels. A welter of social democratic, socialist, Communist, nationalist-leftist, and Trotskyite parties are competing against one another in the November elections, thus splintering the already small leftist vote. [redacted]

Despite these difficulties, one leftist group—the Intransigent Party (PI)—has made impressive progress during the past two years. The PI has traditionally espoused an ill-defined mix of nationalism and populism. Originally an offshoot of the UCR, many members—including, in our view, party founder Oscar Alende—are middle-class socialists only dimly aware of the radical implications of their rhetoric. The US Embassy and the press report, however, that since 1983 the PI has attracted numerous hardcore Marxists, who have helped party radicals defeat moderates in recent internal elections. The PI has moved so far left that, according to one press report, a delegation of Spanish Communists visited Argentina last year to study it as an example of "Eurocommunism." [redacted]

[redacted]

Polls give the PI from 10 to 15 percent of the vote in greater Buenos Aires—which comprises over a third of the nation's electorate—but only minimal support in the interior provinces. We expect that its nationwide total will far exceed the 2.4 percent polled by Alende in the 1983 presidential race. The PI is aided by an active, youthful membership, and its aggressive campaign to repudiate the foreign debt and reactivate the economy is being well received by left-leaning working- and middle-class voters alienated by Peronist infighting. Although the PI probably will control no more than 20 seats in the next legislature, this will enhance the party's legitimacy and give it a platform from which to propagate its radical, quasi-Marxist ideology. [redacted]

The Right in Disarray

Prior to mid-June, the right expected to make significant gains in the November elections. The chief conservative party, Alvaro Alsogaray's Union of the

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Democratic Center (UCD), was attracting a middle-class following by prescribing free market economics and rigorous austerity to combat runaway inflation. Alsogaray's apparent willingness to take drastic economic measures helped compensate for his party's scant support outside greater Buenos Aires and his own association with numerous military governments since 1955. The prospect of a strong showing also instilled a spirit of cooperation among the traditionally fractious right, which saw the contest as a chance to recover from its 1983 debacle, when conservative parties polled under 5 percent of the vote.

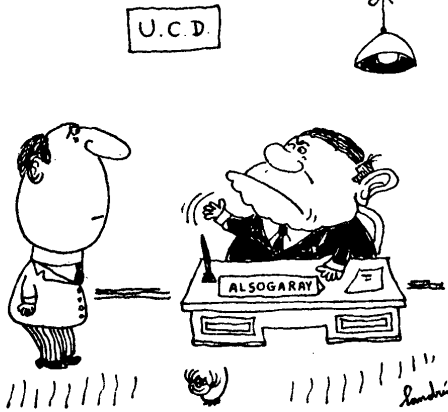
Alfonsin's economic adjustment program, in our view, effectively dashed these hopes. By seizing the banner of responsible economic management from the right, the President deprived the UCD and other conservative parties of their main electoral appeal. Although Alsogaray and other conservatives have quibbled with many aspects of the program, they have not offered a substantially different alternative. The UCD's standing in the polls has dropped in recent months and Argentina's conservatives have reverted to their customary disunity. Although the right probably will improve on its 1983 tally, we doubt that it will emerge as a major civilian political force over the next year.

Outlook for Economic and Political Stability

We expect the UCR to preserve its majority in the lower house and make substantial gains in the provincial legislatures. This would assure Radical control of the lower house through 1987 and allow the UCR eventually to improve its position in the Senate. Alfonsin would almost certainly interpret such a result as a vote of confidence for his economic policies. The President would then be more likely to tackle some of the vexing economic problems—the large budget deficit, inefficient public-sector companies, an antiquated industrial plant—that must be resolved if his program is to succeed in the long run. Although a Radical victory in November would by no means guarantee a vigorous assault on Argentina's economic ills, a severe electoral setback for the UCR would almost certainly jeopardize the progress made so far. Such a surprise defeat would boost the influence on Alfonsin of advisers who want to sacrifice austerity

EXTRAVIO

Por Landrú



— ¡No la encuentras! ¿Dónde está la plataforma del partido?
— ¿No se la habrá llevado Alfonsín?

—(Alsogaray): I can't find it! Where is our party's platform?—Hasn't Alfonsin carried it off? Clarín ©

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for job creation and pursue radical approaches to the repayment of Argentina's foreign debt. If implemented, these policies probably would reignite inflation, spur foreign creditors to withdraw new loans, and cause Buenos Aires's IMF agreement to unravel.

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The impact of the November elections on Argentina's political evolution will be more complex. We do not believe, for example, that a landslide UCR victory that leaves Peronism in shambles and converts the PI into the government's chief opposition would enhance overall political stability. This scenario would strengthen Alfonsin in the short term, while precluding the emergence of a revitalized Peronist party as a moderate democratic alternative to the UCR. The PI and the increasingly militant labor movement probably would then become rallying points for opposition to the government, giving

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ultraleftist forces considerable influence should Alfonsin incur serious political or economic difficulties.

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A less crushing Peronist defeat would, in our view, be more conducive to long-range political stability. This would be particularly true if Argentine voters castigate the party's discredited official candidates and reward the various "reformist" or "independent" Peronist slates. The moderate and democratic forces within Peronism might then be able to pick up the pieces of the shattered party, do a thorough housecleaning, and transform it into a working- and middle-class-oriented social democratic movement. Such a development probably would take years and would not immediately threaten the UCR's and Alfonsin's dominance of Argentine politics. It could lay the foundation, however, for an alternation of power between two democratic parties and minimize the influence of three of Argentina's traditional sources of political instability—the radical left, organized labor, and the military.

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**Guatemala:
Election Roundup** [redacted]

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As Guatemala's election campaign heads toward the vote on 3 November, the major presidential candidates are avoiding the issues in favor of more personalistic politics. Although the campaign has been conducted amid seriously declining economic prospects, none of the candidates have argued forcefully for reform and austerity measures that we believe are required to forestall further economic deterioration. Fourteen parties—representing a broad political spectrum—are participating, [redacted] Vinicio Cerezo Arevalo of the center-leftist Christian Democratic Party (DCG) and Jorge Carpio Nicolle of the National Centrist Union (UCN)—both pro-US moderates—are the front-runners. Neither, however, is likely to win a majority on the first ballot, necessitating a runoff between the two top votegetters on 8 December. Although prohibited under the electoral law from forming official coalitions after the first round, (sp) there already are signs of behind-the-scenes maneuvering to build nonofficial alliances in anticipation of the second round. [redacted]

Throughout the campaign, Cerezo has quietly courted the military by giving assurances that he does not plan to follow the example of President Alfonsin in Argentina and punish military officers for past abuses. Moreover, according to the US Embassy [redacted] he has tried to reassure the armed forces that he will not attempt to open a dialogue with leftist insurgents as has President Duarte, his Christian Democratic counterpart in El Salvador. In an effort to deflect criticism from Serrano and others that he is too closely associated with the military, Cerezo has taken a strong public stance against military interference in civilian government. [redacted]

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Cerezo's economic platform has relied heavily on his pledge to find postelection external financial support to reverse the country's economic slide. [redacted]

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Key Parties and Candidates

The Christian Democratic Party. The US Embassy reports that the DCG—representing the center-left—is run by a well-seasoned leadership that has attempted to portray its candidate as the only one capable of attracting foreign investment and reversing Guatemala's international isolation. Running on a slogan of "credibility and confidence," the party's support comes from mainstream lower middle class, campesinos, labor groups, youth and other reformist elements, including the Catholic Church. Cerezo's strategy appears predicated on the belief that he is unlikely to win a majority on the first ballot, and US Embassy reporting indicates that his advisers already have begun planning for a runoff. Diplomatic sources indicate party leaders currently believe that Cerezo would have a better chance of defeating Carpio of the centrist UCN than he would the center-left Democratic Party of National Cooperation/ Revolutionary Party (PDCN/PR) coalition ticket headed by Jorge Serrano Elias. [redacted]

[redacted] If elected, we expect he would focus on increasing government revenues by reforming tax collection procedures. Moreover, his public statements to date indicate he also would be likely to concentrate on integrating Guatemala's peasant farmers into the national economy by supporting cooperatives and providing financial credits, rather than embarking on politically risky land or tax reforms. [redacted]

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National Centrist Union. The UCN—the major party of the political center—has proved resilient in the face of defections by key coalition partners from the right and left. Throughout the campaign, the UCN has carried out an extensive public relations effort to keep party coffers solvent and its candidate in the political forefront. Nevertheless, Carpio's generally lackluster public showing reportedly has

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Guatemala: Election at a Glance

The Political Spectrum:

<u>Left</u>	<u>Center Left</u>	<u>Center</u>	<u>Center Right</u>	<u>Right</u>	<u>Extreme Right</u>
Social Democratic Party (PSD)	Christian Democratic Party (DCG)	National Centrist Union (UCN)	National Renewal Party (PNR)	National Authentic Center (CAN)	National Liberation Movement (MLN)
Civic Democratic Front (FCD-5)		Democratic Party of National Cooperation (PDCN)	Peoples Democratic Force (FDP)	Institutional Democratic Party (PID)	Anti-Communist Democratic Front (PUA)
		Revolutionary Party (PR)	Emerging Movement for Harmony (MEC)	National Unity Front (FUN)	

The Major Presidential Candidates

Vinicio CEREZO Arevalo, DCG
 Jorge CARPIO Nicolle, UCN
 Jorge SERRANO Elias, PDCN
 Mario SANDOVAL Alarcon, MLN

Key Dates

3 Nov 85 National elections
 8 Dec 85 Presidential runoff
 14 Jan 86 Presidential inauguration; Constituent Assembly dissolved and new Congress sworn in; new constitution enters into force.

Vital Statistics

Eligible voters—3.9 million (estimate)
 Registered voters—2.8 million (estimate)
 Registered parties—14
 Congressional seats—100
 Governorships—not applicable
 Mayoral/local races—329



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cost him some support and raised questions among seasoned political observers about his ability to lead a civilian government forcefully.

verbal offensives during the campaign often have put him in the political spotlight.

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Not unlike the platforms of his opponents, Carpio's economic program has been long on generalities and short on specifics. More recently, he has made his promise to provide some 250,000 new jobs in his first year in office the centerpiece of his economic program. The US Embassy, however, reports that he has been noticeably silent on details, including how he would pay for such an expansion.

Serrano's party draws a large measure of its support from evangelical Protestant groups, peasant cooperatives, and moderate members of the middle and upper classes. In our judgment, Serrano probably is correct in predicting that his coalition running mate's well-known election symbol—a map of Guatemala—will win him support from illiterate voters, but we also believe his chances have been hurt by his party's lack of organization and the questionable value of evangelical support in a largely Catholic country.

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The Democratic Party of National Cooperation. The US Embassy reports that the PDCN Serrano—running third in most polls—has the potential to play the role of spoiler and is likely to have considerable clout in a runoff between Cerezo and Carpio. Embassy reporting further indicates that Serrano remains one of Guatemala's most articulate, charismatic, and controversial politicians, whose

Serrano's campaign has focused largely on his allegations that the election is being rigged by the military. Convinced that he would win a fair contest, he appears prepared to charge fraud if he is not

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elected. [redacted]
[redacted]

have each tried to portray themselves as "the new face" in the political arena. Embassy reporting indicates, however, that not only have they failed to articulate a coherent platform, but also none have succeeded in projecting an image of statesmanship. Instead, most have resorted to personal attacks that impugn the honesty and competence of their opponents. A recent public debate, for example, quickly degenerated into an emotional exchange of insults, with Christian Democratic candidate Cerezo making particularly harsh attacks against his rivals. [redacted]

The National Liberation Movement. Historically the strongest and best organized of Guatemala's traditional parties, the National Liberation Movement (MLN) has been openly described by its longtime leader, Mario Sandoval Alarcon, as the party of "organized violence." As the party of the extreme right, support for the MLN traditionally has come from the most conservative large landowners and business-oriented segments of the middle class. More recently, we believe any chance the party had to win has been considerably dimmed by Sandoval's refusal to relinquish control to more moderate leaders, and the decision last summer of the more moderate right to pull out of coalition. [redacted]

We believe the emphasis by the major candidates on appealing to better educated urban voters has given a clear advantage to those with access to or control of Guatemala's major media outlets. Carpio and Serrano, for example, have made extensive use of two of Guatemala's major daily newspapers, *El Grafico*—owned by Carpio—and *La Hora*—directed by a PDCN stalwart. The US Embassy also reports that a candidate of a minor party has benefited from political exposure afforded by his popular television news program. [redacted]

Furthermore, although the US Embassy reports that Sandoval has attempted to convince voters that he has moderated his views, [redacted] he is having difficulty escaping his political past. The MLN has been blamed by some for inciting antigovernment riots during strikes and demonstrations over busfare hikes in late August. The US Embassy also reports that Cerezo has accused Sandoval of orchestrating an assassination attempt against him in June 1985. [redacted]

Despite vindictive personal attacks, all the candidates have attempted to avoid rhetoric that could incite civil unrest and provoke the military to delay or cancel the elections. Antigovernment riots in late August and early September, for example, led most candidates to back off from earlier criticism of the regime's economic policies. Most have avoided public discussions of politically sensitive civilian-military relations in the new government. [redacted]

Minor Parties. In our judgment, none of the minor parties contesting the election are likely to win a sizable share of the votes during the first round. We believe, however, that their significance will increase during a runoff as the major contenders scramble for support. Although US Embassy reporting suggests that most minor parties already have tipped their hand—at least privately—as to where they will throw their support in any runoff, we expect hard bargaining as they attempt to maximize their influence. [redacted]

Outlook
We believe the military remains committed to carrying out elections and that the current regime will be able to see the elections through to completion. [redacted]

Campaign Atmospherics

Overall, the campaign appears to have generated popular enthusiasm, and the US Embassy [redacted] [redacted] indicate that the major candidates

[redacted] a runoff between the two top votegetters—now set for 8 December—is likely. We agree with most local polls—whose findings are backed by nonpartisan political observers—that suggest that Cerezo and Carpio are the most likely candidates to face each other in the second round of balloting. [redacted]

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We expect the interim period between elections to be marked by increasingly intense maneuvering for support by first-round winners, while losers jockey for promises and advantages from political suitors. Campaign rhetoric is likely to continue to focus on personal attacks, with each candidate attempting to discredit the other.

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**Brazil:
Municipal Elections**

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President Sarney has remained largely aloof from the current mayoral campaigns and no national offices are at stake, but the elections scheduled for 15 November nevertheless will significantly affect the shape of Brazil's mutating political system. For example, the outcome in the cities of Sao Paulo and Rio de Janeiro may, in our view, help determine Sarney's successor in 1988. In the shorter term, the contests will clarify the presently chaotic political scene by wiping out many of the tiny political parties that have sprouted up since the country returned to democracy early this year. They may also give Sarney a political boost by weakening a party in the coalition government that has undercut many of his programs while strengthening political forces more closely allied with the President.

Election Trends

Brazilian elections—especially on the local level—traditionally revolve around candidates' personalities, the influence of local political bosses, and the control of patronage and campaign funds. Broader political issues and ideologies usually play a secondary role. Most political parties are loosely organized, plagued by infighting, and lack strong national leaders. Currently, the only party possessing a national organization is the Brazilian Democratic Movement Party (PMDB), the center-left force which was the principal opposition to the old military regime and is now the largest partner in Sarney's coalition government, although he is not a party member. Even the PMDB, however, has failed to present a united front during the current campaign.

The squabbling among PMDB leaders has boosted its rivals' chances in many cities. Foremost among these is President Sarney's centrist Liberal Front Party (PFL), which opposes the PMDB in many local races despite their alliance at the national level. Press reporting indicates that the PMDB may win little more than half of the city halls up for grabs in November, and that it may not run well in many politically important southern and central cities.

Nonetheless, the PMDB is capable of rallying its forces in the final stages of the campaign, and could reverse its downslide. The results in Rio de Janeiro and Sao Paulo—Brazil's major industrial centers—will be crucial to both the future of the PMDB and the fortunes of several politicians who hope to succeed Sarney.

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The most prominent contenders for the presidency are two leftist leaders—Senator Fernando Henrique Cardoso of the PMDB in Sao Paulo and Governor Leonel Brizola who heads the Rio de Janeiro-based Democratic Workers' Party. The death of President-elect Neves in April left the PMDB without an identifiable national leader to succeed Sarney. Many PMDB militants dislike and distrust the President and view him as a transitional figure. Several key moderate PMDB leaders believe that Cardoso is an attractive alternative to both Sarney and the demagogic and unpredictable Brizola, according to the US Embassy. Brizola has long advocated radical policies anathema to Brazil's political elite, and the military harbors longstanding hostility toward him stemming from his role in the civilian government that the armed forces overthrew in 1964.

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The Rio Election and Brizola's Future

Brizola, in our view, has virtually staked his political career on the Rio race. His party's mayoral candidate, Senator Saturnino Braga, is widely viewed as a stalking-horse for Brizola; the campaign is being fought over the Governor's personality and record in office, rather than over Braga's image or program. Brizola also is casting the campaign as a vote of confidence in the Democratic Workers' Party and hopes that a Braga victory will help him to expand the largely Rio-based party into other regions in time for next year's Congressional and gubernatorial elections. Polls show Braga running neck and neck with his opponents from the PMDB and the PFL.

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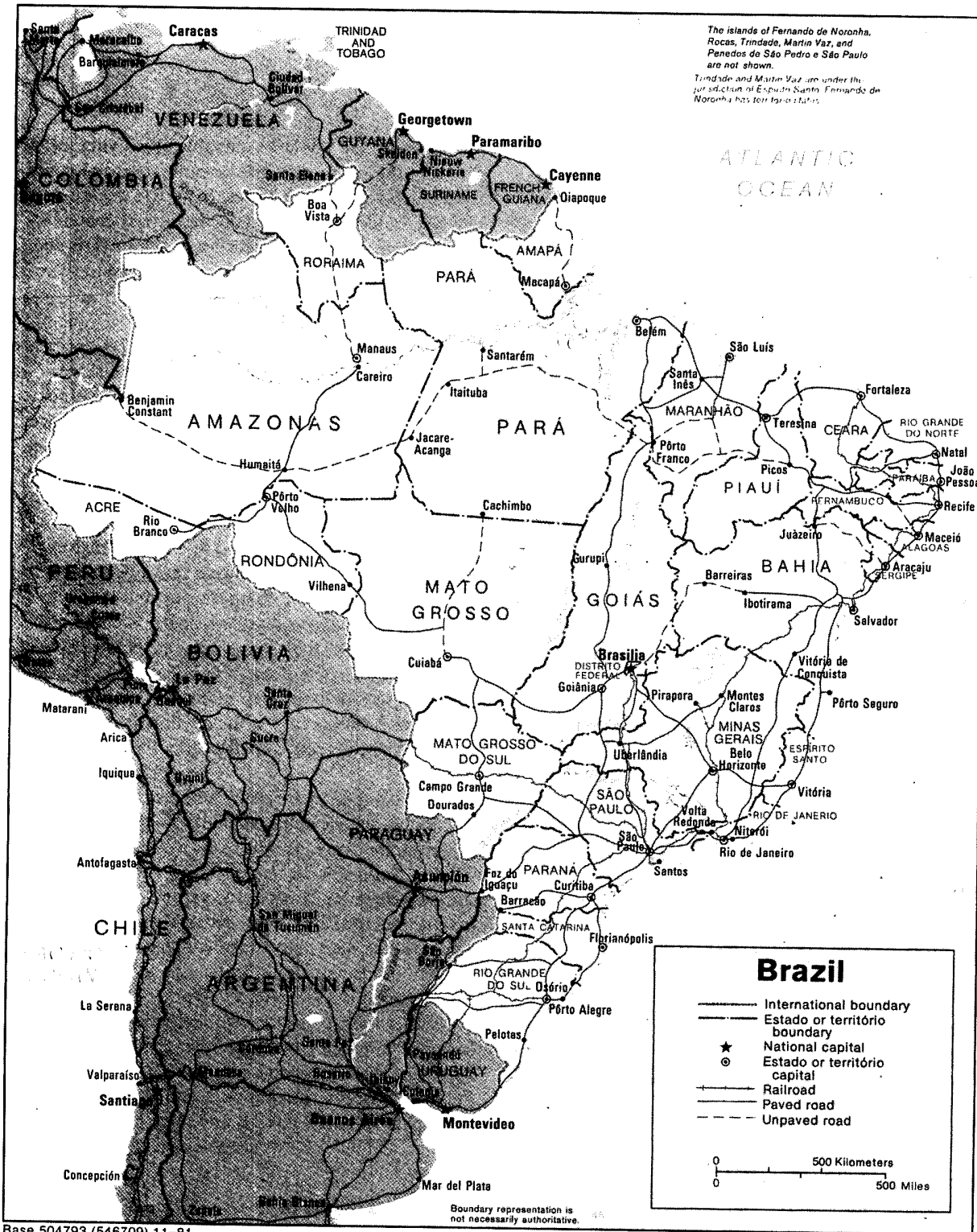
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Leonel Brizola

Leonel de Moura Brizola (63) . . . Governor of Rio de Janeiro State since March 1983 and founder-leader of the Democratic Workers' Party . . . charismatic and phenomenally successful campaigner given to populist rhetoric . . .

. . . has won widespread praise for his efforts to educate Rio's slum children . . . exiled to Uruguay by the military in 1964 as a dangerous radical . . . returned to Brazil in 1979 under general amnesty of Figueiredo regime . . . married to sister of leftist President Joao Goulart, overthrown by military in 1964.

[redacted] The US Consulate reports that a PMDB-PFL front is unlikely because of the strong personal animosities that divide Braga's opponents. We concur with the Consulate's view that the outcome of the election will hinge on the moves of 12 or so minor party mayoral candidates. Most of them are expected to withdraw from the race as election day nears and sell their support to one of the three main contenders—Braga, or his PMDB, or PFL opponents.

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The Sao Paulo Election and the PMDB's Future

Another race with national political implications is the mayoral contest in Sao Paulo. Polls show the voters are almost evenly divided between Cardoso, a PMDB leftwing intellectual, and Janio Quadros, an eccentric 68-year-old ex-President of Brazil, running on the ticket of the small rightwing Brazilian Labor Party.

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Cardoso leads the PMDB in the national Senate, and is popular among liberal middle- and upper-class Brazilians. He also has received significant financial backing from a group of Sao Paulo entrepreneurs, according to the US Embassy. These businessmen, including members of the media elite, probably see Quadros—whose checkered political career has created as many enemies as friends—as too unpredictable to support. More important, they consider Cardoso to be the top PMDB contender for governor of Sao Paulo next year and for the presidency after that, according to the Embassy. Although his leftwing views are hardly compatible with those of the conservative businessmen, they view Cardoso as the most electable alternative to the more radical Brizola.

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Nevertheless, the PMDB is not fully behind Cardoso's candidacy. Regional rivalries—especially between the States of Sao Paulo and Minas Gerais—have proved stronger than party loyalty. The US Embassy reports that many PMDB leaders outside of Sao Paulo fear that a Cardoso victory will further concentrate the party's power in Sao Paulo State. The Embassy also reports that Sarney's recent appointment of Dilson

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Fernando Cardoso



Fernando Henrique Cardoso (about 53) . . . PMDB standard bearer in the Sao Paulo mayoral race . . . senator from Sao Paulo State since 1983 . . . handpicked by the late President-elect Tancredo Neves to lead the governing coalition in the federal legislature . . . internationally known sociologist and author . . . onetime University of Sao Paulo professor who turned politician in middle age . . . moderate reformer and self-styled socialist who lost his political rights and his professorship in the late 1960s as a result of his opposition to military regime . . . founder and still head of Brazilian Center for Analysis and Planning, a prestigious academic think tank.

Janio Quadros



Janio da Silva Quadros (68) . . . Brazilian Labor Party candidate and current front-runner in Sao Paulo mayoral contest . . . volatile and given to rightwing populist rhetoric . . . still charismatic and colorful . . .

. . . resigned the presidency in 1961 after eight months in office, blaming "occult forces" conspiring against him . . . suffered a 10-year suspension of his political rights after the 1964 military takeover . . . was active in opposition politics during the remaining years of military rule.

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Funaro of Sao Paulo as Finance Minister completed what many in the PMDB resent as that state's domination of the President's economic team.



Quadros' flamboyant rightwing populism has won him a substantial working-class and lower-middle-class following. This is complemented by support from

many small and large businessmen and from about half the directors of the conservative Sao Paulo State business federation who, according to the US Embassy, find Quadros' volatility less threatening than Cardoso's leftwing politics. In addition, Sarney's Liberal Front has endorsed Quadros, thereby splitting the PFL from its coalition partner in Brasilia. In return for PFL support, Quadros is expected to assist Foreign Minister Setubal if he runs for governor of Sao Paulo on the Liberal Front ticket next year, according to press reports. The US Embassy believes that Quadros could again be a factor on the national political scene if he wins the Sao Paulo election.

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Outlook for Sarney

We believe major PMDB losses in southern and central Brazil would strengthen the President's hand in dealing with the PMDB-controlled Congress. Sarney's relationship with the PMDB congressional leadership has been uneasy; party leaders have stalled action on several of his initiatives, including a bill to elect a constitutional assembly and his proposed "national social pact"—a broad-based agreement designed to strengthen the President's meager political base. Moreover, any serious PMDB losses at the polls would make it easier for the President to reshuffle the PMDB-dominated Cabinet he inherited from the late President-elect Neves. The US Embassy reports that Sarney is likely to accept cabinet resignations by May 1986, when many ministers are legally required to leave the Cabinet if they want to campaign for congressional or gubernatorial office. An electoral setback for the PMDB would, in our view, permit Sarney to implement Cabinet changes even sooner, choosing fewer ministers from the PMDB and more from his own party and from political independents. [redacted]

Implications for Brazilian Politics

A victory by Braga in Rio de Janeiro would enable Brizola to extend his party organization beyond Rio and establish alliances with other leftwing politicians. Such an effort probably would enable Brizola's party to field candidates in next year's congressional elections and position him to make a presidential bid when Sarney's term expires in 1988. A Braga victory might also provide the glue to maintain Sarney's shaky coalition. We believe that fear of Brizola could keep the PMDB-PFL alliance functioning—at least on the national level—through the constitutional assembly slated for early 1987. The threat of a Brizola candidacy probably would spur moderates in both parties to collaborate closely in the assembly to enact electoral rules that would minimize the controversial Governor's chances of reaching the presidency. [redacted]

A loss by Braga, however, would diminish Brizola's presidential prospects, thereby reducing the incentive for the PMDB and the PFL to work together. Under such circumstances the bad blood between the parties on the local level might extend to national politics,

and they probably would become adversaries, running rival slates in coming congressional and gubernatorial elections. [redacted]

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The outcome in Sao Paulo also will affect the restructuring of the Brazilian party system and the succession to Sarney. We believe a Cardoso win—especially if combined with a Braga victory in Rio—would partially reduce the impact of PMDB losses elsewhere and keep the party relatively united. Although many PMDB leftists might defect to Brizola, in our view, Cardoso would have a chance of holding the broad-based movement together if he emerged as the major barrier to a Brizola presidency. Such a development would limit the growth of Sarney's PFL and help keep the governing coalition working in tandem over the coming year. [redacted]

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If Cardoso fails in his mayoral bid, the Brazilian party structure could become even more fluid. Recriminations over defeats in Sao Paulo and other key cities almost certainly would intensify the already considerable infighting in the PMDB and severely weaken the party. This scenario would be most likely if a Braga loss in Rio lessened the threat from Brizola and the concomitant need for Brazil's establishment politicians to hang together. Irrespective of Brizola's fortunes, however, the PMDB would be forced to streamline and consolidate its political base, acquire a popular leader, and repair at least some of its divisions. Without such reforms, either Sarney's PFL or perhaps a disparate coalition headed by a charismatic leader such as Quadros might eventually replace the PMDB as Brazil's major political force and provide the country's next president. [redacted]

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**Panama:
Strongman Noriega** [redacted]

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The forced resignation of President Barletta in late September underscores the central political role of Defense Chief Manuel Noriega and the continuing fragility of civilian government in Panama.

Noriega—[redacted]
[redacted] has constructed an impressive power base over the years, with close ties to all of Panama's important institutions. Although the Defense Forces' involvement in a murder scandal has fanned antimilitary sentiment and sparked some grumbling in the ranks, we believe Noriega's position remains secure. The Defense Chief will continue to exercise control over the civilian government and President Delvalle will dance to his tune. Like Barletta, Delvalle may be pushed aside at any time. [redacted]

Noriega has been a key figure in the military since 1970, when Gen. Omar Torrijos appointed him Assistant Chief of Staff for Intelligence as a reward for his loyalty during an attempted coup the previous year. During 12 years as Chief of Intelligence, Noriega developed a wide range of contacts and influence, often employing ruthless methods in attaining his objectives [redacted]. In 1983, Noriega was promoted to General and assumed command of the National Guard when the incumbent, General Paredes, retired to run for President. Noriega then executed a series of political maneuvers calculated to increase his authority, which included reorganization of the Guard into a conventional military organization—the Defense Forces of the Republic of Panama—to assume the defense of the Panama Canal when the United States cedes control in the year 2000. He also frustrated Paredes' bid for the Presidency and instead engineered the election of technocrat Nicolas Barletta last year [redacted].

Building a Power Base

Noriega, a crafty politician, has magnified his influence by cultivating bonds with a number of institutions. Of these, the military—the primary force

Milestones in Noriega's Military Career

<i>July 1962</i>	<i>Graduated from Peruvian Military Academy</i>	25X1 25X1
<i>September 1962</i>	<i>Commissioned Second Lieutenant in National Guard</i>	
<i>1968</i>	<i>Supported General Torrijos's bid for control of military government</i>	
<i>December 1969</i>	<i>Backed General Torrijos during counter coup</i>	25X1
<i>1970-81</i>	<i>Named Assistant Chief of Staff, Intelligence, with concurrent promotion to Lieutenant Colonel</i>	
<i>July 1981</i>	<i>Torrijos killed in air crash</i>	
<i>March 1982</i>	<i>Named Deputy Chief of Staff while continuing as Assistant Chief of Staff, Intelligence</i>	25X1 25X1
<i>April 1982</i>	<i>Promoted to Colonel</i>	
<i>December 1982</i>	<i>Named Chief of Staff</i>	
<i>August 1983</i>	<i>Promoted to Brigadier General</i>	
<i>September 1983</i>	<i>Reorganization of National Guard into Defense Forces of the Republic of Panama</i>	25X1
[redacted]	[redacted]	25X1

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in Panamanian politics for over 30 years—is the most important. He has placed loyal officers as heads of the military zone commands and most other significant units, including intelligence. [redacted]

[redacted] he uses his access to and control of intelligence to assert his authority. [redacted]

[redacted] the Defense Chief threatens opposition parties with repressive tactics and maintains close ties to the leadership of the government coalition. [redacted]

[redacted] Fear of military reprisal—even subtle—has contributed to the inability of opposition parties to unite and challenge the Defense Forces' dominance. The military's strong links to the ruling Democratic Revolutionary Party, which was established by Torrijos, allow the Defense Chief ample opportunities for manipulation, in our view. Furthermore, Noriega has garnered influence in another party controlled by his brother-in-law. [redacted]

Noriega's extensive financial empire adds to his power base. [redacted]

[redacted] organizations and is owner or co-owner of a variety of legitimate companies. His business interests include construction, air and bus transportation, and maritime services, as well as a newspaper holding company that, with the exception of the opposition paper *La Prensa*, virtually controls the major news media. We believe such dealings cement the Defense Chief's relationship with an important segment of the private sector. [redacted]

Holding the Reins

[redacted] Noriega—through behind-the-scenes manipulation of the Legislative Assembly and the ruling party—has an inside track in shaping domestic policy. [redacted]



Defense Chief Noriega

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To establish a formal role for the military in the civilian government, Noriega last October secured the creation of a National Security and Defense Council, which he made into a minicabinet to evaluate a full range of policy matters. [redacted]

[redacted] The council provides a vehicle for the imposition of unpopular decisions without directly associating the military with the measures [redacted]

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Noriega also has moved to gain prominence in the international arena, taking advantage of regional

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instability to enhance his domestic political role. We believe his recent visits to Costa Rica, Nicaragua, and Honduras to offer mediation services—as well as calls on Asian, South American, European, and US leaders—are intended to cast him as a statesman. Meanwhile, the General cultivates Panamanian leftist elements by maintaining contact with Cuban and Sandinista leaders and Latin American leftists, as well as Soviet and Eastern Bloc trade representatives.

[Redacted]

Intimidation keeps the Defense Chief's opponents off balance. Even though the brutal murder of one of Noriega's critics in September sparked widespread condemnation of the military, opposition groups were unable to organize a challenge to the Defense Chief because he made it clear he would not tolerate disturbances.

[Redacted]

Within the military, however, the murder case has caused discontent because the scandal has damaged military prestige. Noriega's longtime rival in the military hierarchy,

[Redacted]

If the scandal drags on, or if another political crisis occurs, some elements within the Defense Forces may conspire against Noriega again.

Outlook

Noriega's dominance, in our opinion, remains nearly absolute. Within the Defense Forces, he seems to hold most of the cards. In October, he used the military promotion cycle to shore up his position by advancing trusted officers. He seemingly is in a strong enough position to affect a facade of unity by retaining less reliable officers until they can be retired gracefully.

[Redacted]

The Defense Chief also is master of the political arena.

[Redacted] Delvalle said soon after taking office that he would support the Defense Forces on all political matters. He further strengthened the Defense Chief's hand by appointing new Cabinet members who answer to Noriega, according to the US Embassy. The President, who is in delicate health and lacks an independent political base, is unlikely to defy Noriega on any issue. Although pleased by Delvalle's subservience, Noriega probably would view him as a liability in a political crisis and may oust him within the next six months. In such an event, Noriega—who to date has demonstrated a preference for behind-the-scenes machinations—would be likely to install a civilian president or a junta until new elections could be held, rather than take power directly.

[Redacted]

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**Guyana:
Hoyte Taking Charge**

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We anticipate no major changes in Guyana's domestic or foreign policies in the near future despite the recent death of President Forbes Burnham, who had ruled the country for more than two decades. In accordance with Guyana's Constitution, Prime Minister Desmond Hoyte became President, and Deputy Prime Minister Hamilton Green was named Prime Minister in August. Hoyte has declared his intention to follow Burnham's socialist policies and says elections will be held by March 1986, as constitutionally required. For now he appears in control and gets high marks for his initial political moves. Nonetheless, faced with a battered economy and growing social discontent, Hoyte will be hard pressed to provide workable economic solutions while maintaining unity within the government and the ruling People's National Congress (PNC). After the elections, Hoyte may jettison some of Burnham's more radical advisers and rhetoric—less because of his ideological bent than as a prudent way to shore up his position.

socialist path over the near term, but the President is under increasing domestic pressure to reverse Guyana's economic deterioration. Last May, after four years of acrimonious relations with the Burnham government, the IMF declared Guyana ineligible for further credit, thereby ending urgently needed loan support from other Western sources. The Caribbean Development Bank, for example, subsequently reaffirmed its 1983 decision not to lend Guyana additional funds until it repaid \$7 million in arrears.

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Guyana's poor track record with the IMF and the \$19 million the country already owes the Fund make it unlikely that an accommodation will be reached soon.

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25X1**A Beleaguered Economy**

Burnham's dream of a "cooperative republic" with a state-controlled economy backed by economic self-reliance had become a severe financial burden by the time Hoyte took office. The country's economy is crumbling. Economic output in 1984 stood at only 75 percent of the peak 1976 level. Production of sugar and rice—key hard currency earners—are well below 1985 production targets, and lack of foreign exchange is prompting the government to seek more barter trade. Trinidad and Tobago, Guyana's only remaining major oil supplier, suspended its oil credit facility in September due to Guyana's inability to pay arrears of \$217 million; future purchases apparently will be made in cash. Guyana will repay its existing debt to Trinidad through monthly exports of 3,000 tons of rice, a Guyanese staple already in such short supply that Hoyte recently ordered troops to distribute it to prevent hoarding and maintain public order.

Aware of his potential vulnerability stemming from the flagging economy and his lack of a personal base of power, Hoyte is trying to consolidate business and labor support:

- In August, he appointed a 15-member committee composed of businessmen to advise him on private-sector matters, a move well received by the public.
- Since then, he has held discussions with business representatives to discuss greater private-sector involvement in the formation of economic policy.
- He recently was appointed honorary president of the ruling-party-affiliated Guyana Labor Union, replacing Burnham. Regular elections for the position are expected this month, providing Hoyte with an opportunity to turn his formal ties with the labor movement into political support.

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Hoyte, who has pledged never to denationalize state corporations, which control 85 percent of the economy, is unlikely to deviate much from Burnham's

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President Hoyte



is among party rank and file and the military—will continue to work to enhance his popularity with senior PNC and military officials with an eye toward eventually taking Hoyte's place. [redacted]

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Despite Hoyte's assurances, high-ranking radicals in the PNC anticipate difficulty in maintaining Burnham's leftward thrust. [redacted]

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[redacted] Neither Hoyte nor Green favors the radical left. As a result, party members expect that the influence of such PNC hardliners as Elvin McDavid and Richard Van West-Charles—political advisers to Burnham—will decrease as Hoyte, backed by party moderates, strengthens his control.

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- In meetings with officials of Guyana's influential Trade Union Congress (TUC), Hoyte's open and friendly manner, in contrast with Burnham's repressive approach, has favorably impressed TUC leaders, according to the Embassy.

Moreover, continuing disunity within the TUC—controlled by the PNC for 20 years until independent and opposition unions won control of the executive committee by one vote in September 1984—and the prolonged absence from Guyana of TUC President George Daniels suggest that progovernment unions will regain control of the TUC in the coming months, further strengthening Hoyte's position. [redacted]

McDavid's recent reappointment to the PNC executive committee, in our judgment, was in keeping with Hoyte's effort to keep peace with radical elements until elections are held. According to the Embassy, after the elections, some PNC members believe Hoyte will fire McDavid. We believe Hoyte is likely to appoint McDavid to a post abroad, thus removing him from the domestic political scene without alienating his radical supporters. [redacted]

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Fractious Domestic Politics

At the ruling party congress in August, where he was confirmed as party leader and presidential candidate, Hoyte underscored his intention to follow in Burnham's political footsteps. By pledging fidelity to his predecessor's governing philosophy, Hoyte will be able to attack adversaries as traitors to the party and to Burnham, its founder. Lacking Burnham's authority and charisma, Hoyte has no significant support among party rank and file and draws his main backing from the government and corporate sectors. Prime Minister Green—Hoyte's chief rival for the party leadership—recognizes that his political future depends on the continuing strength and unity of the PNC and has agreed to support Hoyte for now. [redacted]

A national election is not constitutionally required until next March, but most observers expect it will be held in mid-December. Last month, the Guyanese military—which is responsible for transporting ballot boxes from polling places to counting sites—held a mock election exercise at Guyana Defense Force headquarters, and PNC activists have held seminars on election procedures. Many observers believe the ruling party would lose a fair election, assuming ballots were cast along racial lines. Indo-Guyanese, who make up slightly over 50 percent of the population, traditionally have supported the opposition People's Progressive Party (PPP), while Afro-Guyanese—who comprise 43 percent—have backed the ruling party. We believe, however, that the PNC—as in the past—intends to rig the vote to ensure its continued control of the government. Hoyte has categorically refused to permit foreign observers to supervise the polling process, echoing one of Burnham's last public pronouncements. [redacted]

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[redacted] Green's wait-and-see attitude is based on his belief that he holds the real power in the party. As a result, we believe that Green—whose primary source of support

To keep the PPP off balance as election preparations go forward, Hoyte is continuing talks on formation of

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a coalition government. The negotiations—encouraged by Cuba and the Soviet Union—were initiated last year under Burnham, who probably was motivated by promises of Soviet Bloc trade and aid agreements. Publicly, Hoyte and Cheddi Jagan—Marxist leader of the PPP—are calling for cooperation between the parties, and two meetings have occurred between the leaders to discuss the merger. [redacted]

[redacted] Although we believe that, to keep the Cubans and Soviets at bay, the leaders will continue the talks, we doubt Hoyte would risk a split between the moderate and radical factions in the PNC by agreeing to a power-sharing arrangement. [redacted]

Under Burnham, the military was a key factor in the PNC's tenure in power. In return, the overwhelmingly Afro-Guyanese officer corps has owed its privileged position to the PNC. Hoyte has taken steps to ensure the continuation of mutual support. One of his first acts as president was the promotion of the two top officers in the Guyana Defense Force. Moreover, in meetings with senior military officials, Hoyte has emphasized his intention not to interfere in military affairs. [redacted] the military's lower ranks are grumbling that Hoyte—like Burnham—has ignored their interests while favoring the officer corps. Nevertheless, we believe Hoyte can count on the support of the military as long as he continues to protect its perquisites and there is no widespread civil unrest. [redacted]

Foreign Policy Shifts

We anticipate little change in Guyana's foreign policies at least through the election period. Nonetheless, we believe Hoyte's more pragmatic style and his narrowed options in dealing with the country's prolonged economic decline suggest that over the longer term he will pursue a more balanced foreign policy than his predecessor. Any changes are likely to be undertaken cautiously, however, to preserve party unity. [redacted]

[redacted] Hoyte has directed the ruling party to tone down anti-US rhetoric. In September, the Embassy commented that local press reporting was taking a more evenhanded approach to the United States. We believe Hoyte may hope to improve relations with

Washington, but we do not expect an early move in this direction, because his position is not yet sufficiently strong to risk alienating anti-US radicals in his party. [redacted]

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We believe that Guyana's relations with the Soviets will remain close in the near future at least. The purchase of three MI-8 helicopters, arranged by Burnham, has gone through as planned. On 16 October the helicopters arrived in Georgetown. [redacted]

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[redacted]

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The Embassy says that relations between Guyana and Cuba appear to have cooled temporarily as a result of the role the Cuban medical team played in Burnham's death, but we would not expect any lasting damage to the relationship. Havana apparently regards Guyana as the best available base of operations to restore the credibility and influence with regional leftists that Cuba lost in the aftermath of Grenada. As a result, Cuba is likely to continue to court the Guyanese Government by providing medical and agricultural advisers and offering scholarships and training for Guyanese. The Cubans maintain a relatively large presence in Guyana—65 people, including Embassy staff and families, doctors, and those assigned to work in various Guyanese Government ministries, [redacted]

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**Chile: Cardinal Fresno,
An Emerging Political Actor** [redacted]

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A widely respected church leader with a reputation for prudence and moderation, Cardinal Juan Francisco Fresno Larrain has emerged as a key political actor as the result of his recent success in brokering the national accord, a moderate proposal for a transition to civilian rule signed by 11 leading political parties. As a result of that role, Fresno has come to be viewed as a major antagonist by President Pinochet. By pressing ahead in coming months to persuade the armed forces to accept him as a mediator in the transition negotiating process, the Cardinal almost certainly will continue to occupy the political limelight and will also be viewed even more negatively by Pinochet. [redacted]

Initially, Fresno seemed to move deliberately down a middle path in regard to all of these sectors, an approach consistent with the low profile he adopted in the late 1983 dialogue sessions (a series of negotiations between former Interior Minister Jarpa and the leaders of the opposition front group, the Democratic Alliance). In those negotiations, Fresno, then newly appointed Archbishop of Santiago, served as a mediator and intermediary who facilitated the start of talks, but he was not an active proponent of one particular position. Thereafter, even though Fresno did not assume a high profile, he progressively moved farther away from the regime and after November 1984 (when a State of Siege was reimposed) embarked on a deliberate effort to bring the opposition together and to confront the regime. [redacted]

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In the process, Fresno has scored well with politicians and opposition leaders, who now look to him as a key ally in the struggle to promote a return to civilian rule, and also has evidently succeeded in quieting the unrest prevalent among activist priests—thereby strengthening his influence over the church hierarchy. Fresno's fruitful efforts on behalf of the national accord and his continual tweaking of Pinochet's beak should enable him to maintain the support of the politicians and avoid internal church dissidence. Should he let up, however, he risks losing support both from politicians and priests, and would become vulnerable to manipulation by the government. [redacted]

On assuming the senior position in the Chilean Catholic Church, Fresno privately accelerated his work—already begun in the months preceding his promotion—to bring the opposition together. The Embassy reports he met behind the scenes with a range of pivotal political, labor, and business leaders to try to discover areas of agreement and to stimulate the creation of a broad civic front that he hoped would in turn encourage movement toward negotiations by the government. [redacted]

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Architect of the National Accord

Last summer Fresno became the third cardinal in Chilean history. His appointment was well received in many segments of Chilean society and became a source of national pride. It also underscored the Pope's support for democratization in Chile—the Vatican hoped Fresno's red hat would give him greater authority and freedom to pursue his moderate course in political and church affairs, according to the US Embassy in Rome. [redacted]

[redacted] In July he followed up with a meeting of leaders of democratic left, right, and center parties. Moreover, he met several times with Interior Minister Garcia to emphasize that his goal was not to overthrow the government, but to reach an understanding with the administration, according to Embassy reporting. [redacted]

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Playing the role of coordinator with determination and enthusiasm, Fresno drew on his knowledge of each group's views on the transition and related

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[redacted] Fresno's appointment as Cardinal was greeted warmly by the President, but viewed with caution by the political opposition and within the church. [redacted]

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Cardinal Fresno



With his ruddy charm and easy manner, Fresno, 71, would be an impressive church leader in any country, according to US diplomats. Warm and effusive, he is able to convey hard truths without generating hostile reactions. Equally important, he has shown the patience to work steadily despite criticism from both inside and outside the church, temporary setbacks, and little cooperation from the administration. Thoughtful and pastoral, Fresno does not feel at home in the political arena, but believes he has an obligation to serve the Chilean people. [redacted]

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[redacted]

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Embassy officials say that those around him can sway him, but not beyond certain parameters. [redacted]

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Fresno was ordained as a priest in 1937. He subsequently studied at the Catholic University of Santiago and earned a degree in canonical law at the Gregorian Pontifical University in Rome. Prior to becoming Archbishop of Santiago, he had served for 16 years as bishop of La Serena, a provincial mining area 300 miles north of Santiago. [redacted]

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issues. He confronted the politicians with a surprising amount of common interests he had uncovered. He successfully urged them to cooperate with each other and to exclude the Communists and the radical left, who endorse the use of violence to gain power, according to the US Embassy. [redacted]

Fresno then asked three advisers to draft a set of transition guidelines for the political parties to follow. Under his guidance the document was drafted and debated and the politicians were able to compromise on their main differences. They overcame the major sticking point—whether to endorse Communist participation in the political process—by proposing that a new constitutional tribunal ban totalitarian parties. The carefully crafted accord is flexible and moderate, calling for legislation to establish direct presidential and congressional elections without specifying a timetable. It rules out putting military officers on trial for political crimes, a point included to win armed forces' backing for the document. [redacted]

Ally of the Politicians

Fresno's success in brokering the national accord assures him of a leading role in continued efforts to renew transition negotiations. The fragmented political parties look to him as their point man in pressing the government to respond to the increasingly popular accord. Indeed, in early September Fresno disturbed many political leaders when he briefly considered withdrawing from the national accord process and leaving future negotiations in the hands of the politicians, according to the US Embassy. Proponents have initiated a petition campaign at the grassroots level to show broad-based support for the accord, and they expect the Cardinal to attempt to open talks with the government. [redacted]

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Force in the Church

Fresno's defense of human rights and his condemnations of government repression, coupled with his firm stance against the use of violence by the

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opposition, strengthen his hand within the church. He has dealt effectively with activist priests at the lower levels, who had frequently accused him of being a government pawn and of ignoring the plight of the poor. He has publicly attacked ecclesiastics who have made polemical declarations on political issues. Furthermore, he suspended a priest who expressed support for a leftist terrorist group last year. [redacted]

We believe Fresno's efforts to rein in leftist priests probably stem from his belief that involvement in radical political activity will eventually hurt the church. [redacted]

Opponent of the President

The relationship between the Cardinal and the President is openly hostile as a result of Fresno's role in the national accord process and Pinochet's own intransigence on negotiations with the opposition.

[redacted]

[redacted] At a recent Independence Day mass, Pinochet's icy countenance was obvious as he exchanged at best, a perfunctory handshake with Fresno. In addition, the Embassy reports he delayed a broadcast of the Cardinal's sermon. [redacted]

This was in marked contrast to 1983, when Fresno was named Archbishop of Santiago. At that time the President attended Fresno's first mass, invited him to lunch, and sent the cleric a Bible for his birthday, according to press reports. [redacted]

[redacted]

In addition to putting Pinochet on the defensive, we believe Fresno's initiative threatens the President by revealing divisions within his administration—including the armed forces—over the transition. A

number of civilian and military officials have praised the accord as a possible starting point for negotiations, according to Chilean press and US Embassy reporting. [redacted]

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Outlook

Fresno's sudden prominence adds a vital new ingredient to the political game. Despite his success in brokering the accord we think his most difficult task—convincing the administration that the opposition's position is sincere and that it should agree to negotiations—still lies ahead. Fresno can probably remain in the background as long as the accord continues to gain adherents and moves ahead under its own steam, but when the bandwagon effect begins to diminish, he will have to step forward again. We believe Fresno will attempt to woo those officials sympathetic toward negotiations, a move likely to exacerbate the already chilly relations between the Cardinal and Pinochet. If Fresno can win support among military officials as a legitimate mediator, he may be able to bypass the intransigent President and successfully apply pressure for negotiations. [redacted]

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Should Fresno fail to gain support from within the armed forces, he will risk increasing opposition from other sectors, including pressure from the left to abandon dialogue and resort to violence, dissension from activist priests, and growing impatience among politicians who signed the accord. Such events may temporarily strengthen Pinochet's hand, but in the longer term Fresno's failure probably would increase polarization within the regime between the President's hardcore supporters and moderate elements disposed toward negotiations. Moreover, if Fresno discredits himself as a viable mediator, there is little likelihood in the next few months that anyone else could play a similar role. [redacted]

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**Mexico: Economic and Political
Impact of the Earthquakes** [redacted]

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The two earthquakes that struck Mexico last month claimed over 7,000 lives and caused approximately \$3 billion in damage. The disaster, however, did not irreparably harm the Mexican economy, although it will delay economic reform. Nonetheless, Mexico City has been able to gain a temporary respite from international creditors and probably has strengthened its case for additional international financial assistance. Domestic criticism of the government's handling of the relief effort is likely to mount in the weeks ahead but, in our judgment, will not result in major unrest. The assistance Washington and private US citizens have rendered Mexico City in the aftermath of the disaster, despite initial Mexican reservations about accepting such help, probably will modestly improve the overall climate of bilateral relations in the near future. [redacted]

are likely to cost \$500 million, the Embassy reports, and will not be completed for a month or more, leaving hundreds of thousands of residents of the capital of 17 million without running water. Millions of dollars will be required to rebuild government ministries in Mexico City or elsewhere, including those of Budget and Planning, Commerce, Communications and Transport, and the Navy. [redacted] 25X1

A Damage Assessment

The death toll from the quakes on 19 and 20 September is still rising. As of mid-October, 40,000 persons were known to have been injured—10,000 seriously—and at least 30,000 were homeless. Another 1,500 were believed still trapped in the rubble. Of the more than 400,000 US citizens in Mexico at the time of the quakes, 10 have been confirmed dead and 21 are missing. [redacted]

The quakes did little damage to the country's industrial and manufacturing infrastructure, although some textile plants in the downtown area of the capital were destroyed. The country's petroleum facilities, which are largely concentrated in southeastern Mexico, apparently were virtually untouched. Only minor damage was reported to the country's transportation system or agricultural sector. Although adequate food supplies were available in the capital, some distribution problems arose, and the government received hundreds of complaints of price gouging on basic commodities, such as bread, tortillas, beans, milk, and sugar, according to the Embassy. [redacted] 25X1

The Relief Effort

The Mexican Government initially sought to play down the severity of the tragedy, according to Embassy and press reports. Apparently out of nationalistic pride, it did not request foreign assistance. [redacted] 25X1

Less than 2 percent of Mexico City was destroyed. The Embassy estimates that of the approximately 1 million buildings in the capital, approximately 3,000 were damaged. Of these, just over one-third were demolished or are beyond repair. Areas outside the capital were less severely hit, although at least a half dozen central and western states sustained significant damage. [redacted]

[redacted] 25X1

Damage to the infrastructure was less severe than originally feared. Mexico's international telephone and telex systems were heavily damaged and could require up to \$1 billion of new equipment, most imported, to restore service, according to the Mexican Government. Repairs to Mexico City's water system

In the immediate aftermath of the quakes, the United States sent rescue and damage assessment teams to Mexico. Washington also has donated at least \$4 million in cash, relief supplies, and equipment. Assistance from other governments and private

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Mexico City after the quakes [redacted]

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organizations has been extensive, although falling short of Mexico's disaster-related needs. According to the Embassy, as of mid-October, 31 countries had contributed 1,088 tons of relief aid, and the government's National Reconstruction Fund had received over \$29 million in contributions, not including a \$50 million low-interest commodity loan from Japan. The IMF has announced that it is granting Mexico a \$300 million emergency loan for disaster relief; the World Bank is likely to provide a similar amount. According to the Embassy, insurance companies will pay about \$540 million for property destroyed nationwide, of which about two-thirds will go to the private sector. Eighty percent of claims will be paid in dollars or other foreign exchange. [redacted]

Short-Term Economic Impact

The direct effects on Mexico's economy—which is suffering from falling oil prices, sluggish nonoil exports, and excessive government spending—should be relatively slight and felt for perhaps only six to nine months. Nonetheless, despite significant international relief assistance, Mexico City still will have to redirect a portion of the already strained budget toward the relief effort. Although the inflow of earthquake-related funds will temporarily create jobs and spur economic activity over this short run, the positive impact of such activity will be neutralized by the jobs lost as a result of the earthquakes. The infusion of foreign exchange will provide a degree of relief to Mexico's immediate balance-of-payments squeeze, but price gouging and more rapid money supply growth are sure to contribute to rising inflation. We expect the psychological effects of the earthquake to

depress tourism receipts even though major tourist centers largely escaped damage. [redacted]

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As demonstrated by numerous public statements [redacted] the de la Madrid administration intends to use the disaster to strengthen its case for financial assistance and new lending. The country's immediate hurdle of meeting a \$950 million principal payment eased as bankers, realizing they had little choice, reluctantly agreed to Mexico's request for a six-month deferment.

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[redacted] Mexican officials blamed their inability to pay on the earthquakes, but on the basis of our estimate of Mexico's foreign exchange reserves, we believe they planned to delay payment prior to the disaster. [redacted]

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International bankers apparently will pursue a nonconfrontational approach over the near term, recognizing the emotion surrounding the tragedy and growing charges by Latin debtors that creditors are making excessive demands. Lenders also are aware of growing pressures on de la Madrid to declare at least a temporary moratorium on debt payments. These more radical views have been endorsed not only by Mexico's leftist opposition parties, which have long taken such a stance, but also by the powerful President of the Confederation of Industrial Chambers, labor kingpin Fidel Velazquez, several large business organizations, academics, and at least one state legislature. [redacted]

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Nonetheless, de la Madrid has stated that Mexico will continue to honor its external debt obligations, while indicating further negotiations to obtain better terms may be necessary. The President's bottom line is that the economy must grow if Mexico is to meet its debt obligations. [redacted]

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Longer Term Economic Implications

Domestic Adjustments. By causing planned economic reforms to be postponed, the earthquakes will contribute indirectly to de la Madrid's economic adjustment problems. Much-needed investment in key areas, most notably the petroleum sector, will have to be sacrificed as government expenditures are

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redirected to the rebuilding effort. In addition, by delaying planned cuts in key subsidies until next year, Mexico City is postponing and worsening the eventual inflationary impact of price hikes. As the government's fight against inflation is stymied, there will be increased pressure on wages and domestic interest rates next year. As a result, de la Madrid is likely to be forced to renege again on his promise to end the slide in real wages. Perhaps more important, rising domestic interest rates will worsen the government's already onerous task of servicing its internal debt and will choke off much-needed private investment activity.

Debt and Foreign Borrowing. Mexico City has informed foreign lenders that as a result of the earthquakes its new money requirement has grown to nearly \$5 billion—far above the \$2.5-3 billion requested earlier.

[Redacted]

We believe that by linking the earthquakes to new money

[Redacted] Mexico City will receive much of the \$5 billion it originally sought after the disaster.

[Redacted]

Based on our assumptions of new lending, oil prices, nonoil export performance, and the eventual implementation of budget-cutting measures, we do not expect to see growth in the Mexican economy next year. Moreover, inflation will remain stubbornly high at about 50 percent. Although de la Madrid probably will use the earthquakes to explain this poor

performance, we believe a significant portion of the blame lies in the government's spending surge before midterm elections last July.

Political Fallout

[Redacted] the government's performance in the aftermath of the earthquakes has increased dissatisfaction with Mexico's leaders and the political system. The initial tendency of Mexicans to rally behind the government has given way to questioning of its handling of the crisis.

[Redacted] Other

criticism, most lodged by leftist opposition groups, has charged that the government indirectly contributed to the disaster by permitting shoddy construction in many of the buildings that collapsed; that disaster relief plans were inadequate or poorly implemented; and that some of the security forces looted the property they were assigned to protect.

Leftist parties have particularly called attention to the plight of the homeless and the fact that disaster victims have received little relief assistance. In early October, a recently formed group, the Popular Front for Solidarity and Reconstruction, headed by long-time Mexican human rights activist Rosario Ibarra, sponsored a peaceful march in the capital. According to the Embassy, approximately 15,000 Mexicans participated, protesting the government's handling of the disaster.

Despite these charges and protest activities, the left has been unable to capitalize on the situation, largely because their efforts are viewed by many as self-serving. According to the Embassy, in the aftermath of the earthquakes a number of self-help committees were formed in various neighborhoods of the capital and have been more effective in assisting those in need than either the government or leftist groups.

The government still could face political difficulties, however, if wide areas of the capital remain without water and other public services for an indefinite period. Similarly, problems would grow if the

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government proceeds with controversial plans to relocate some citizens rather than rebuild the neighborhoods most seriously damaged. Political protests may occur in the weeks ahead, but such unrest is unlikely to get out of hand because the military and other security forces appear to have the capability and will to put down any localized disturbances. [redacted]

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Although the assistance provided by Washington is almost certain to create a temporary reservoir of good will, it is likely to dissipate as Mexico attempts to cope with its mounting economic difficulties. The disaster and related reconstruction costs almost certainly will increase Mexico's financial difficulties in the short term, making Mexico City all the more dependent on Washington's help to obtain such external assistance. This could enhance prospects that the Mexicans will prove more cooperative on border, narcotics, and other issues of mutual concern in the near term. The positive attitude is likely to be reflected in discussions de la Madrid is tentatively scheduled to hold with President Reagan in early 1986. Nonetheless, we believe that the highly nationalistic sentiments of Mexico's leaders will limit significant policy shifts in the months ahead and that the earthquakes will have a negligible effect on the climate of bilateral relations over the longer term. [redacted]

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**Mexico: Growing
Activism Among Northern
Businessmen** [redacted]

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Mexico's private sector has enjoyed a symbiotic relationship with the government until recently, despite occasional rhetoric to the contrary. Private-sector support for the ruling Institutional Revolutionary Party (PRI) has been a product of government policies that have protected domestic firms from international competition, doled out lucrative contracts, and fostered high enough growth rates to ensure business profitability. Now, however, there are signs that some members of the business community are shifting their attitudes. In particular, key business leaders in economically critical northern Mexico are moving into a more openly confrontational stance with the government and ruling party over what they perceive to be antibusiness policies, according to US Embassy reporting. A few have even begun openly to criticize President de la Madrid and his leadership. They also have increased their support for the conservative National Action Party (PAN). De la Madrid, who is counting on cooperation from the private sector to spur recovery, is seeking to reverse this trend, but competing demands from other interest groups, especially labor, will limit his ability to mollify disaffected northern business leaders. [redacted]

President Lopez Portillo, to nationalize Mexican banks. Since then, the business leaders have complained they are consulted less under de la Madrid than they were under Lopez Portillo. At the same time, they are convinced that labor has significantly increased its influence in the past several years, according to the US Embassy. [redacted]

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Some members of Mexico's private sector are also disturbed by what they view as the antibusiness policies de la Madrid has undertaken. Mexico City's tight restrictions on credit, for example, have virtually dried up capital available for business investment, according to the US Embassy. Entrepreneurs also assert that the unpredictable exchange rates, in part a result of government actions, impede long-term planning, and that unnecessary bureaucratic regulations raise costs of doing business. [redacted] many northern businessmen believe the actions de la Madrid has taken in recent months to make the Mexican economy more competitive internationally do not go far enough. [redacted]

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Traditional Business Concerns

Businessmen in the north have long been among the most influential in the country because of the concentration of manufacturing firms in this region, particularly in the vicinity of Monterrey, Mexico's third-largest city. Moreover, the preponderance of Mexico's nonoil exports are generated by the private sector in this region. Northern businessmen have been more antagonistic toward the government than their counterparts elsewhere because they tend to be more export oriented and generally have benefited less from the government's protectionist policies. [redacted]

De la Madrid had his first falling out with northern businessmen shortly after coming to power in 1982, when he announced his commitment to state "rectorship" of the economy and indicated he would not reverse the decision of his immediate predecessor,

Expanding Political Role

Embassy reports note that the concerns of businessmen in the north have caused them to increase their political activities significantly in the past year. While Mexican officials probably dismiss a modicum of private-sector grumbling about government policies as normal, they apparently view the present political activities of some business leaders and their verbal assaults on the policies of the de la Madrid administration as alarming. For example, an unprecedented number of businessmen ran for office

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on the PAN ticket, openly endorsed PAN candidates, or helped to finance the opposition party's campaign in midterm elections last July, according to the US Embassy. In the northern industrial center of Monterrey, the Embassy reports, business associations for the first time organized get-out-the-vote campaigns indirectly aimed at bolstering the PAN vote. Following the elections, business leaders purchased newspaper advertisements denouncing the blatant fraud employed by the ruling party in its largely successful effort to sweep the congressional and gubernatorial contests. Despite de la Madrid's presence, top business groups boycotted the swearing-in of the new PRI governor of Nuevo Leon in Monterrey to demonstrate their displeasure with the conduct of the elections. [redacted]

other, more powerful interest groups such as labor are clamoring for a larger share of Mexico's dwindling resources. Moreover, many business leaders outside of the north continue to back the government's policies, undercutting the northerners' influence and the ability of the private sector to speak with a single voice. [redacted]

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The Government Response

The de la Madrid administration, for its part, clearly wants to maintain the support of northern and other business interests, since the confidence of the private sector is essential for economic recovery. At the same time, the government has demonstrated as recently as in the elections this summer that it will not tolerate meaningful opposition to its rule from any group. Consistent with this attitude, the government repeatedly has blamed the private sector for the capital flight Mexico is experiencing and for currency speculation that has sharply reduced the purchasing power of the peso. In addition, ruling party officials have publicly pointed to the association of some Mexican business leaders with US interests, accusing those involved of being unpatriotic. [redacted]

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Outlook

In the future, de la Madrid, who almost certainly appreciates the key role of the private sector in the economy, probably will try to maintain the support of the PRI's traditional business supporters while attempting to woo his new business critics back to the political fold. Incentives to cooperate with the ruling party will take various forms, ranging from large government contracts, on the one hand, to the threat of special tax audits, on the other. De la Madrid may win favor with some export-oriented entrepreneurs in the north if Mexico City proceeds with tentative plans to join GATT. Nonetheless, he is unlikely to be able to offer enough to satisfy business interests because

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**Mexico: Mounting Difficulties
for New Governor** [redacted]

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Mayoral elections in the northern border state of Nuevo Leon on 10 November will test Governor Jorge Trevino's political skills and could be a key indicator of the future success of his administration. In the wake of his predecessor's hardline domination of the government, Trevino—a member of the ruling Institutional Revolutionary Party (PRI)—has adopted an open style since his election in July that [redacted]

[redacted] has led to an increase in opposition demands. Although the new governor almost certainly will survive the elections politically, his position is likely to be weakened regardless of the outcome. [redacted]



Governor Trevino

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Trevino's difficulties began immediately after his election. His inauguration was marked by large rallies protesting election fraud and a petition with 100,000 signatures calling for his resignation. Rather than cracking down, Trevino publicly committed himself to fair elections in November. A broad-based coalition has seized on this issue, however, and has presented its own electoral reform package that would eliminate many of the tactics used by the ruling party to pad its vote totals. [redacted] 25X1

that result in significant victories by opposition candidates, he will antagonize his supporters within the PRI. On the other hand, ensuring PRI success will lead to additional charges of fraud, a continuation of protests, and a probable crackdown on his opponents. Either scenario creates difficulties, but Trevino almost certainly knows his long-term political prospects are best served by assuring solid PRI victories. [redacted]

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Trevino's credibility also is being challenged as local leaders pressure him to use his influence with President de la Madrid to reverse a Commerce Secretariat veto of a major foreign investment project in Monterrey. Trevino ran for governor under the tacit promise that his close friendship with de la Madrid would bring tangible results to the state. [redacted]

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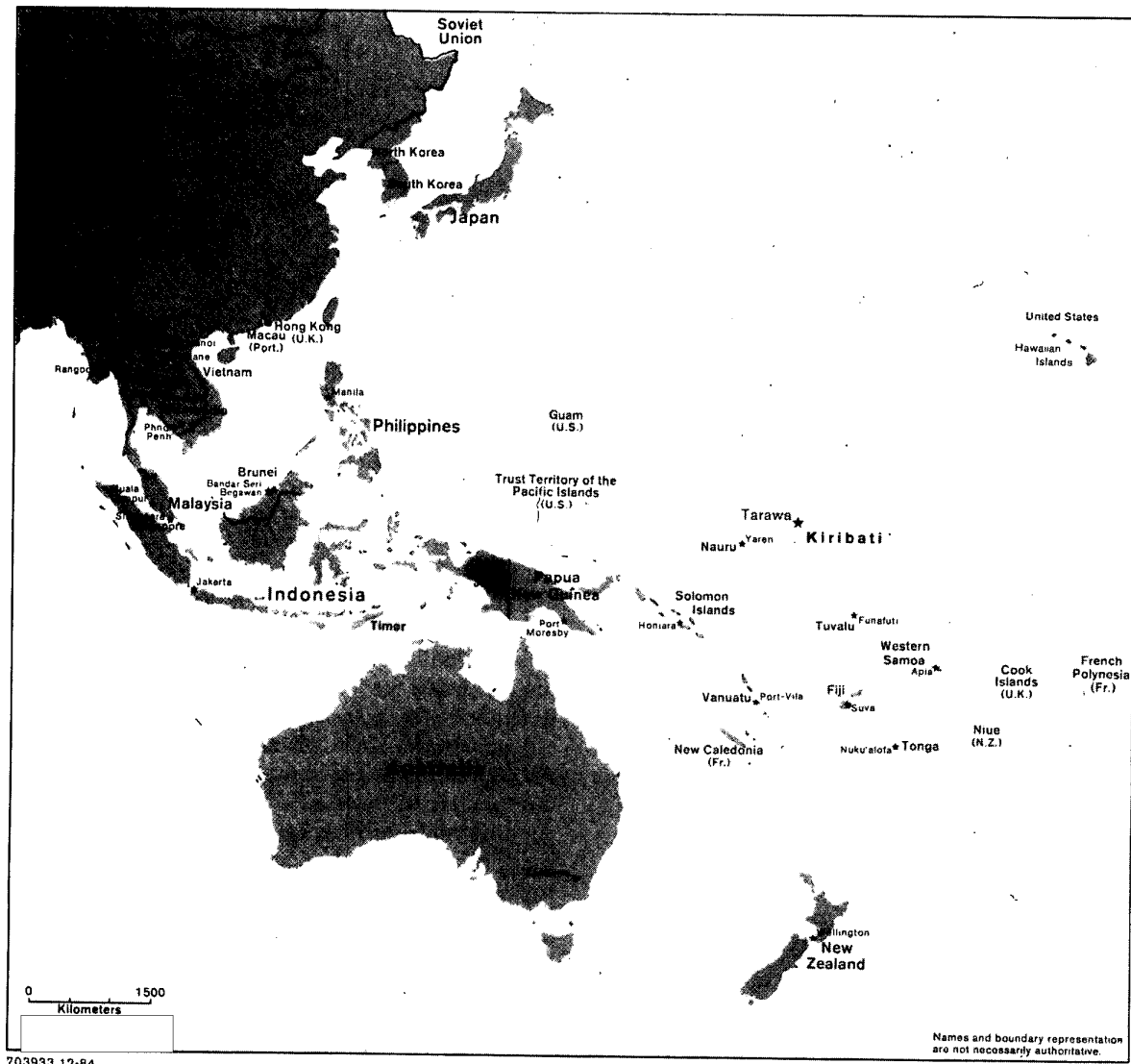
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The upcoming elections, however, remain Trevino's most immediate test and present a virtual no-win situation. If the governor conducts honest elections

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**Cuba: Involvement
in the South Pacific** []

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In the past few months, Cuba has attempted to establish diplomatic relations with Australia and New Zealand. [] the Australian Government was at first inclined to accept the Cuban request almost immediately. After the voicing of US Government concerns over the upgrading of relations, however, Canberra agreed to defer its decision for several months. Despite this apparent sensitivity toward US concerns, we believe that the labor governments of both Australia and New Zealand almost certainly will establish diplomatic relations with Cuba in the next few months. This will enhance Cuba's legitimacy in the region, thereby creating new opportunities for Havana to expand its influence in the South Pacific. The Castro regime is likely to continue supporting independence movements in the smaller island nations while expanding its political and economic presence in Australia and New Zealand. []

Havana provided the Fretilin with a broad range of support. In 1976, Cuba cosponsored an anti-Indonesian resolution on East Timor in the United Nations. Cuba apparently gave material aid to Fretilin as well. According to a press report, Fretilin leaders visited Cuba in 1976 to seek unspecified "backing" for their movement. During this period, a Fretilin official who was engaged in obtaining weapons for the insurgency was reported to be planning a trip to Cuba to discuss military matters and to meet with Fidel Castro. []

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Cuba apparently also offered training assistance to Fretilin. In 1976, Fretilin cadres were scheduled to receive engineering and military training in Cuba. Although we have no evidence that Fretilin has ever used such sophisticated weaponry, Cubans in Angola also trained Fretilin guerrillas in the operation of SAM-7 air defense missiles. []

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Early Cuban Involvement

Despite lacking the cultural and historical links it has with Latin America and Africa, Cuba has sporadically supported insurgent groups and independence movements in the South Pacific for more than a decade. The independence movement in East Timor provided Cuba with one of its first opportunities in the South Pacific. In 1974, Portugal and Indonesia announced that the former Portuguese territory would be granted self-determination. The leftwing Revolutionary Front for an Independent East Timor, or Fretilin, opposed annexation by Indonesia and demanded full independence. Indonesia proceeded to annex the territory in 1976, but Fretilin engaged in guerrilla activities against the new regime. The Indonesian Army has been unable since then to crush the low-level insurgency. []

How instrumental Cuban aid has been in the survival of the Fretilin insurgency is unclear. Little if any evidence is available of Cuban material support for Fretilin after the 1970s. In fact, Fretilin representatives complained in 1976 of the lack of support they were receiving from Cuba and the Soviet Bloc, as well as such countries as Libya and Mozambique. []

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The Cases of Vanuatu and Irian Jaya

The decolonization movement in the New Hebrides, a jointly administered French and British territory, gave Cuba another chance to establish itself among the smaller island nations of the South Pacific. Unlike the East Timorese case, the New Hebrides decolonization struggle did not involve an insurgency—the colonial powers had agreed to independence. During the mid- and late 1970s, Havana did its part in bringing about England and France's assent by championing the New Hebridean struggle in the Committee of 24, the UN committee that handles independence issues. []

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The Castro regime, having supported anticolonial movements against the Portuguese in Africa during the 1960s and 1970s, probably viewed the situation in East Timor as a low-risk, low-cost opportunity for its interventionist foreign policy. During the mid-1970s,

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In July 1980, the New Hebrides became the independent republic of Vanuatu and invited Fidel Castro to its independence celebrations. The Cuban Ambassador to Japan, however, came in Castro's place. In 1983, in what apparently was an expression of gratitude for Havana's assistance during pre-independence days, Vanuatu established diplomatic relations with Cuba. [redacted]

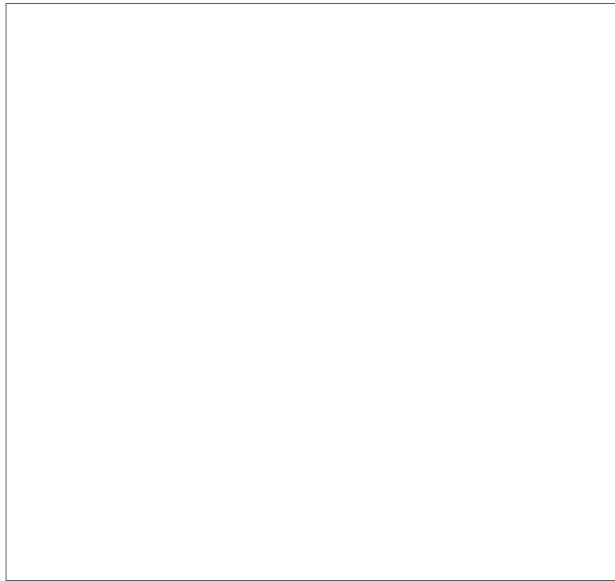
there. Cuban activities appear to be largely limited to efforts to influence the media and local labor groups. For example, Australian and New Zealand worker brigades have visited Cuba and returned with glowing reports of the glories of the Cuban Revolution. In May, the US Embassy in Wellington reported that Soviet and Cuban-aligned trade unionists planned to use a factfinding trip to Nicaragua as a way to influence New Zealand's voting in the United Nations on Central American issues. Activities of this type are likely to increase with the expanded political and labor contacts Cuba will derive from the upgrading of diplomatic relations with the two countries. [redacted]

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A larger and more permanent presence in Australia and New Zealand also will place Cuba in a better position to frustrate American interests in the region, and to spread anti-US propaganda. For example, recent Australian media reports about the use of US biological warfare in Nicaragua suggest Cuban influence. The establishment of diplomatic relations might logically lead to the opening of Prensa Latina offices and the mushrooming of such accounts in local media. In particular, Cuba can be expected to do its best to promote the Nuclear Free Zone Movement. [redacted]

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While Cuba's involvement in Irian Jaya, or West New Guinea, has not been as strong as that in East Timor or Vanuatu, there is some evidence suggesting that Havana is also supporting a radical independence movement there. Since West New Guinea, a former Dutch possession, was acquired by Indonesia in 1963, the Free Papua Organization (OPM) has opposed Indonesian rule. [redacted]

On the economic front, both Cuba and Australia stand to benefit from stronger ties. Havana could gain an additional source of advanced technology, allowing it to further skirt the US trade embargo and obtain more modern industrial equipment. [redacted]

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[redacted] according to a 1985 US Embassy report, a Papua New Guinean journalist has stated that West New Guineans might seek aid from Vietnam, Cuba, Libya, or China. [redacted]

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Continued Support for Independence Movements
Despite the conservative, pro-Western stance of the smaller South Pacific islands, we believe Cuba will continue to seek opportunities to politically back leftist-inclined labor groups and independence movements in the region. The next target of

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New Opportunities in Australia and New Zealand
Up to now, Cuban involvement in New Zealand and Australia has been fairly limited, partly because of the conservative nature of the previous governments

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opportunity probably will be the French territory of New Caledonia. As it did with Vanuatu and East Timor, Cuba has been defending the cause of New Caledonia in the United Nations since 1980, when Havana asked that a New Caledonian independence leader be allowed to present his case before the Committee of 24. Havana will probably restrict its efforts to political advice and propaganda support, given the absence of a viable insurgent movement and a desire by Cuba to avoid difficulties with France.



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**Latin America
Briefs**

Brazil **Guerrilla Spillover From Peru and Colombia** [redacted] 25X1

The Brazilian Army is increasingly concerned over alleged violations of its territory by Peruvian Sendero Luminoso and Colombia M-19 guerrillas. [redacted] 25X1

[redacted] reports that Army units stationed near the Peruvian border have been placed on alert. [redacted] 25X1

[redacted] 25X1

[redacted] are receiving supplies from sympathizers and drug traffickers in the country's poorly policed western provinces. [redacted]

[redacted] 25X1

Although we have no evidence of skirmishes between guerrillas and Brazilian forces, the chances of such encounters are increasing as Brasilia tightens control over its porous borders. President Sarney visited northwestern Brazil in mid-October, and Army officers almost certainly informed him of the potential guerrilla problem and pressed for the introduction of military helicopters under Army control into the region. Helicopters would probably increase the Army's ability to patrol effectively and possibly interdict guerrilla forces in the jungle terrain of northwestern Brazil, but budget constraints may mitigate against a quick decision to acquire them. [redacted]

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Cuba-Uruguay **Resumption of Relations** [redacted] 25X1

Uruguay restored diplomatic relations with Cuba this month after a 21-year hiatus. President Sanguinetti has decided to restrict the Cuban mission in Montevideo to an ambassador and three functionaries, according to the US Embassy. [redacted]

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[redacted] 25X1

[redacted] The US Embassy adds that Sanguinetti believes it will be easier to monitor Cuban activities now that Havana has official representation in

Montevideo. [redacted] 25X1

President Sanguinetti probably calculates that recognizing Havana will help alleviate some of the political pressure that leftist parties are exerting on his government. Moreover, Montevideo—interested in new export markets for its strapped economy—sent its first commercial mission to Cuba in 24 years last July, in an effort to sell beef, dairy products, and chemicals. We expect Uruguayan relations with Havana will remain low-key. Sanguinetti probably delayed formal recognition in part to appease the Uruguayan military, and a rapid growth in

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contacts with Havana would aggravate the President's relations with the armed forces. [redacted]

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Caribbean

Mixed Results for CBI [redacted]

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The Caribbean Basin Initiative (CBI) so far has been unable to stem the region's decline in export earnings, but has made a promising start in diversifying the production and export bases of the 21 CBI-designated countries. State Department reporting indicates that during 1984, the first year of the program, 268 export-oriented investments worth about \$200 million and more than 31,000 jobs were created. The region's larger economies—the Dominican Republic, El Salvador, Jamaica, Honduras, and Panama—reaped the most benefits. US imports from CBI beneficiaries increased 6 percent during this period. Nevertheless, total US imports from these countries dropped 18 percent during the first half of 1985, largely because the region's exports remain dominated by such traditional products as petroleum, sugar, coffee, and bauxite/alumina, which have experienced sluggish world demand and low prices. The poor market outlook for these commodities, particularly petroleum and bauxite/alumina, has caused sizable US disinvestment in the region since early 1984. [redacted]

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Largely because of the precipitous drop in exports, a number of Caribbean and South American leaders have openly criticized progress under the CBI. Leaders of the Caribbean Community, during their annual summit meeting this summer, complained that the CBI is insufficient to meet the needs of the region, especially the smallest islands. According to State Department reporting, Jamaica's Prime Minister Seaga has stated privately that he cannot continue to support the Initiative publicly unless faster progress is made soon. The secretary general of the Latin American Economic System also complained recently that the CBI has failed to promote development and has set too many military and political preconditions for designation as a beneficiary. [redacted]

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Mexico

National Defense Commission Formed [redacted]

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The de la Madrid administration has taken a modest first step toward the creation of a formal national security organization. According to recent press reporting, a Commission on National Defense has been formed within the Federal Chamber of Deputies, part of Mexico's bicameral legislature. The commission, with 23 of its 31 members from the ruling Institutional Revolutionary Party, will provide a national-level forum for debate and discussion of defense issues. A retired general, now serving as a deputy from Chihuahua, will be its president. [redacted]

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The new body probably will help placate those in the military who desire the institutionalization of a national security apparatus. To date, [redacted] [redacted] has been handled by cabinet-level ad hoc working groups, whose recommendations are subject to presidential approval. President de la Madrid, intent on maintaining executive dominance and probably leery of creating a unified Army/Navy power base, has resisted formalizing this structure. The new commission, within the relatively powerless Chamber of Deputies, allows the President to reward the military's support for him by granting it greater institutional prestige without drastically upsetting the existing decisionmaking process within the executive branch. Moreover, ruling party domination of the commission lessens the chances of its activities embarrassing the President. [redacted]

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Cuba Chronology

September 1985

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- 2 September** At the 24th Inter-Parliamentary Union conference in Ottawa, Cuban Central Committee member Severo Aguirre and his delegation discuss the foreign debt.
- The Bulgarian People's Agrarian Union and the National Association of Small Farmers sign a cooperation protocol in Havana. Carlos Rafael Rodriguez attends the ceremony.
- 3 September** Rene Capote Anillo, Executive Secretary General of Afro-Asian-Latin American People's Solidarity Organization, meets in Hanoi with Hoang Tung, Secretary of the Vietnamese Communist Party to discuss Vietnam's interest in AALAPSO's work.
- 4 September** Prensa Latina reports that a large fire broke out in a munitions storage warehouse in the Jaruco-San Jose Zone of Havana Province. The fire claimed nine victims.
- 5 September** West German Vice Foreign Minister Wolfgang Mollermann says his country wants to intensify its political dialogue and increase its cooperation in various fields with Cuba.
- Minister of the Sugar Industry Antonio Rodriguez Maurell says that sugar production during the first six months of this year was 103 percent greater than the same period in 1984.
- Melba Hernandez, Director of the Cuban Center for Research on Asia and the Pacific, meets with Pham Van Dong, Chairman of the Vietnamese Council of Ministers in Hanoi.
- 6 September** At a meeting of the American Lawyers Association in Buenos Aires, the Cuban delegation presents a paper on legal aspects of the foreign debt problem.
- Foreign Minister Isidoro Malmierca, at the Nonaligned Ministerial Conference in Luanda, talks about the economic situation of the underdeveloped countries characterized by unpayable foreign debt.
- Malmierca also reiterates the importance Cuba concedes to the struggle for South African independence and Cuba's position favoring that the Olympic games should be shared by all of Korea.

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- 7 September** At the NAM conference in Luanda, it is agreed that the next NAM summit meeting will be held in Zimbabwe.
- Vietnam's Minister of Justice, Phan Hien, visits the Cuban-Soviet Friendship Cooperative in Melena del Sur, Havana Province. He shows interest in the incorporation of women into the new production process.
- 8 September** *Excelsior* quotes Isidoro Malmierca during an interview in Luanda as saying Cuba's position on its military presence in Angola is that it should not be eternal but should last as long as necessary.
- 9 September** In statements to Havana Radio, Isidoro Malmierca says that the Latin American and Caribbean situation, particularly Central America, received special attention at the Nonaligned meeting in Luanda.
- PCC member Raul Vivo Valdes arrives in Laos. He meets with Phoumi Vongvichit, member of the LPRP Central Committee Political Bureau to discuss bilateral issues.
- Three Catholic priests and a church official depart Havana for the United States to attend a meeting of the American Episcopal Conference. This is the first time that Cuban clergy have visited the United States in 26 years of Communist rule.
- Laotian Minister of Foreign Affairs, Phoun Sipaseut arrives in Havana and is greeted at the airport by First Vice Minister of Foreign Relations Jose Raul Viera Linares.
- 10 September** Cuban official Ernesto Melendez says that the document approved at the Nonaligned ministerial conference in Luanda represents a victory to establish a new international economic order.
- Carlos Rafael Rodriguez receives the credentials of Manuel Orestes Nieto de Casa as the new Ambassador of Panama. Jose Raul Viera Linares also participates in the ceremony.
- Delegations from nine socialist countries participate in CEMA's 54th meeting on electricity in Havana. They discuss Cuban thermoelectrical plants and the use of domestic oil to produce electricity.
- 11 September** Uruguayan Vice Foreign Minister Mario Vernandez releases a statement to the press saying that Uruguay will soon reestablish diplomatic relations with Cuba.
- Division General Senen Casas Regueiro arrives in Mexico City to attend festivities commemorating the 175th anniversary of Mexican independence.

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12 September

Isidoro Malmierca and Phoun Sipaseut exchange views on the recently concluded ministerial conference in Luanda, the situation in Southeast Asia, and bilateral relations.

Three Cuban Catholic priests meet with US officials Robert McFarlane and Elliott Abrams. They say the United States is ready to assist them in obtaining the release of Cuban political prisoners.

The Latin American Youth and Student Conference on foreign debt opens in Havana. Fidel Castro attends the opening session.

Vice Minister of Foreign Trade Jose de la Fuente arrives in Prague with Minister of Foreign Trade Bohumil Urban to discuss trade for 1986-90.

More than 150 journalists from 19 Latin American countries confirm their participation in a forum on the regional debt crisis to be held in Havana on 17 September.

Overseas Construction Minister Levi Farah visits Algeria at the invitation of the head of hydraulics, environment, and forestry, Mohamed Rouighi.

13 September

Foreign Trade Minister Ricardo Cabrizas arrives in Aden and meets with Haydar Abu Bakr al-'Attas, Chairman of South Yemen's Council of Ministers.

14 September

Algeria Prime Minister Abdelhamid Brahimi and Levi Farah discuss prospects for strengthening bilateral economic and commercial relations.

Cabrizas and Ahmad' Ubayd al-Fadli, South Yemen Minister of Trade, discuss bolstering trade relations in all fields.

15 September

In an interview in *El Nacional*, Senen Casas says that Cuba has withdrawn its military advisers from Nicaragua and will comply with the Contadora Group's peace plan for Central America.

Fidel Castro sends a message of congratulations to Daniel Ortega on the occasion of the 164th anniversary of Nicaraguan independence.

16 September

Cuba says it is willing to free more than 70 political prisoners on humanitarian grounds following an appeal to Fidel Castro by visiting American Catholic leaders in January 1985.

Cuba signs an agreement with bank creditors to reschedule some \$90 million of medium-term debt due for payment this year. The payments will be spread over 10 years with a six-year grace period.

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The second meeting of the Cuban-Ethiopian joint trade commission begins in Addis Ababa. Foreign Trade Minister Ricardo Cabrizas and his Ethiopian counterpart Wollie Checkol preside.

A Dutch agro-industrial delegation representing 18 commercial firms visits Cuba to meet with over 150 Cuban export and import enterprises.

The delegation says that the Netherlands sees Cuba as a viable trade partner.

18 September

China's Ambassador to Cuba, Wang Jin, hosts a reception marking the 25th anniversary of the establishment of diplomatic relations with Cuba.

Diplomatic sources in Havana report that the United Kingdom has rejected the appointment of Francisco Ramos as Cuba's new ambassador to London.

Prensa Latina cites official Cuban sources as saying that Venezuela has been sending oil to Cuba since 1978 as part of a trilateral swap agreement with the USSR.

Congolese Foreign Minister Antoine Ndinga-Oba arrives in Havana to preside over the activities of the sixth joint commission for bilateral economic and scientific-technical cooperation.

19 September

Prensa Latina reports that Fidel Castro is considering a visit to "the stinking entrails of imperialism" to address the UN General Assembly in New York for the first time since 1979.

In an interview in Warsaw for Prensa Latina, Polish leader Wojciech Jaruzelski says that Poland and Cuba share true friendship, common ideals, and goals.

At the Latin American Press Forum on foreign debt, Fidel Castro calls for suspension of Mexico's debt due to the earthquake and modestly offers to cooperate in any way needed.

Fidel Castro visits the Mexican Embassy in Havana and expresses the Cuban people's sorrow for the victims of the earthquake.

20 September

Poland's Chairman of the Council of National Defense Wojciech Jaruzelski arrives in Havana en route to the United Nations. He is greeted at the airport by Fidel and Raul Castro.

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- 21 September** Jaruzelski, Fidel and Raul Castro, Carlos Rafael Rodriguez, Jesus Montane, and other Cuban officials discuss international issues and bilateral economic cooperation.
- 23 September** Foreign Minister Isidoro Malmierca departs for the United States to participate in the 40th UN General Assembly meeting. Topics he plans to discuss include solidarity with South Africa and foreign debt.
- Customs Director Oscar Carreno, speaking at the 26th Conference of Customs Directors in Havana, says that drugs are neither produced nor consumed in Cuba, nor is there any trafficking.
- Foreign Trade Minister Cabrizas meets in New Delhi with Indian Finance and Commerce Minister Vishwanath Pratap Singh to discuss trade links between the two countries and participation in joint ventures.
- 24 September** Cuba is elected to one of the eight vice-presidencies at the general conference of the International Atomic Energy Organization during its 29th annual meeting in Vienna.
- Rolando Diaz, a top trainer with the Cuban track team, defects in Puerto Rico and seeks political asylum in the United States, according to Puerto Rican immigration authorities.
- Foreign Trade Minister Ricardo Cabrizas arrives in Bucharest to explore trade possibilities between Cuba and Romania. Romanian Foreign Minister Ion Stanciu greets him at the airport.
- Fidel Castro and Wojciech Jaruzelski sign a program for development of economic and scientific-technical cooperation between Cuba and Poland through the year 2000.
- 26 September** At the UNGA, Isidoro Malmierca warns of the possibility that South Africa may provoke a major armed confrontation with Angola with unforeseeable consequences.
- Malmierca condemns all attempts to militarize space, praises the high-level talks between the USSR and the United States.
- Malmierca speaks of Cuba's support of the Contadora process and his country's solidarity with the Palestinians.
- Malmierca reiterates that the foreign debt of the developing countries is unpayable and adds that proclaiming this was not resorting to "hyperbole or propaganda."

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Fidel Castro receives Congolese Foreign Minister Ndinga-Oba shortly before Ndinga-Oba concludes his visit to Cuba.

Havana press reports that Ndinga-Oba met with Carlos Rafael Rodriguez, Jorge Risquet, and Jesus Montane, and visited industrial centers and places of historical interest during his 10-day stay in Cuba.

29 September

Fidel Castro speaks at the 25th anniversary celebrations of the founding of the Committees for the Defense of the Revolution. He says Cuba's sugar crop could fall by 1 million tons next year.

Tanzania's President Julius Nyerere arrives in Havana from New York and is greeted at the airport by Fidel Castro.

30 September

Nyerere and Tanzanian Foreign Minister Benjamin Mkapa begin official talks with Fidel Castro and Carlos Rafael Rodriguez.



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