

Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

13 February 1984

JAMAICA: Seaga's Prospects

Summary

*Prime Minister Seaga's hope of serving out the full five-year term won in a snap election last December has been undercut by a series of economic reverses--the latest being a threat by the International Monetary Fund's managing director to break off negotiations on a crucial standby loan agreement. Growing political tensions and worsening economic conditions had already increased Seaga's vulnerability to opposition attack and weakened his control of the tempo and direction of events. Seaga has once again threatened to resign, but even this would not relieve pressure to return to a two-party government after the electoral reform measures are implemented in May or June. Failure to produce some signs of economic recovery by then will fuel demands for a new general election a contest that Michael Manley could win.*

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The rise in Seaga's popularity immediately following the Grenada intervention has been eroded by popular dissatisfaction with the uncontested December election and the country's growing financial difficulties. Business support for Seaga's austerity program is faltering as a result of tight monetary policies--which are pinching the private sector through high interest rates

*This memorandum was requested by Secretary of State George Shultz. It was prepared by [Redacted] Office of African and Latin American Analysis. Comments and queries are welcome and should be addressed to Chief, Cuba-Caribbean Branch, Middle America-Caribbean Division [Redacted]*

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and stringent credit--and the government's continuing difficulty reaching an agreement with the IMF for a \$167 million standby loan. Meanwhile, labor unions are calling for higher wages to counter steep price rises resulting from the 56 percent devaluation of the Jamaican dollar last year. [redacted]

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Investor and voter confidence probably will continue to slacken in the coming months. IMF demands--including a free-floating exchange rate and sharp budget cuts--would increase prices, further reduce critical imports, and raise unemployment. The country's foreign financial bind has become so severe that we expect Kingston to launch an appeal soon to the Paris Club for the rescheduling of its officially held debt. Moreover, a break with the IMF and Seaga's threatened moratorium on debt servicing to private lenders would preclude any substantial new foreign loans from public and private sources in the coming months. [redacted]

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### Seaga's Strategy

While in Washington this week, Seaga will try to keep IMF negotiations going and to obtain additional financial support from Washington and other World Bank members. Seaga's threat to resign probably is a result of his frustration as well as a ploy to gain additional concessions from the IMF and Washington. According to the US Embassy, he will probably argue for the suspension of some of the tougher IMF demands until after local elections, required by law to be held by June. Foreign funding will be necessary to maintain access to critical imports and to support government expenditures on employment-generating rural projects before the local elections. [redacted]

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Seaga has threatened to resign in the past, and we doubt that he will do so now. If he does resign, Deputy Prime Minister Hugh Shearer would be the most likely successor. Although more popular than Seaga, Shearer would face the same economic dilemma. Moreover, the circumstances of his taking power would in themselves add weight to the argument for a new mandate. [redacted]

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### Manley's Strategy

[redacted] Manley is unwilling to wait five years to be reelected Prime Minister. He reportedly believes that he has widespread popular support for his boycott of the election last December and that Seaga's inability to solve the country's economic problems over the next few months will

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shift voter support to his People's National Party. He is convinced, [redacted] that Seaga will be forced to call a general election before the end of 1984 and has personally taken charge of all party affairs to ready it for the challenge. [redacted]

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Manley has also given tactical priority to repairing the party's reputation, tarnished by past anti-US rhetoric and close association with Havana and Moscow. Manley is adopting more moderate positions and underscoring his support for foreign investment and the US-sponsored Caribbean Basin Initiative. The party's leftwing faction--at least for the moment--has been pushed into the background. [redacted]

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### Outlook

Continued economic troubles in the coming months could result in the ruling party losing local elections if they are held by June. According to US Embassy sources, Seaga may seek legislation to postpone these elections until fall, expecting an upswing in bauxite production and tourism that will draw public support back to his camp. [redacted]

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Whether such a turnaround will occur is uncertain. The expected recovery in bauxite and tourism earnings is predicated on a steady improvement in the world economy and could be undercut by recently proposed taxes on these industries. Moreover, a failure by Kingston to reach agreement with the IMF and a compromise with its international lenders would eliminate any prospects for new essential foreign investment. The potential for labor unrest will grow as inflationary pressures worsen. [redacted]

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Demands for a new general election are likely to become more strident as June approaches and will not be calmed by holding elections for local offices. Manley has publicly disavowed violence as a tactic, [redacted] People's National Party will actively encourage demonstrations and strikes. If violence breaks out, neither Seaga or Manley will be able to control the activities of the criminal gangs associated with their parties. [redacted]

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To impose his own timetable for elections, Seaga must persuade Jamaicans that there is a better chance for economic recovery under his leadership than under Manley's. If unsuccessful, Seaga could be faced with the choice of risking

political defeat by acceding to demands for a general election, regardless of when local elections are held, or jeopardizing essential private investment by resorting to repressive measures to maintain order.

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Chronology of Events

Early November Grenada events propel Seaga to lead in polls.

23 November Seaga announces failure to meet IMF targets, devaluation.

25 November Seaga calls general election.

28 November Opposition announces boycott, charges violation of solemn undertaking not to hold new general elections without updated voter lists, new procedures.

29 November Nominations close; opposition boycott holds in all 60 constituencies.

Early December Polls show 70 percent want new elections based on updated lists and indicate a 55-percent margin for Manley in such an election.

15 December Jamaica's first one-party parliament elected.

30 December More austerity measures, gasoline and electricity price rises announced.

15 January Rise in antigovernment sentiment seen in last minute surge in voter registration.

Mid-February Seaga makes trip to US to break IMF impasse.

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