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CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

20 November 1980

MEMORANDUM

Jamaica: Under Prime Minister Seaga [redacted]

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Summary

Prime Minister Edward Seaga, whose Jamaica Labor Party just won its largest victory since the party was founded in 1943, is a strong nationalist who enjoys the trust of the private sector. The party captured 52 of 60 seats in Parliament and won a clear mandate from a broad spectrum of Jamaican society, including organized labor, small farmers, the professional and business classes, and the security forces. Seaga's financially strapped government, however, will have difficulty meeting unusually high popular expectations and will face a long uphill struggle in attracting the assistance that appears essential for economic reconstruction and the restoration of political stability. [redacted]

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Seaga's Background

The 50-year-old Seaga--Boston-born, Harvard-educated, and of Lebanese extraction--earned respect as an economic planner and manager from his service as finance minister during the 1960s. In contrast to the charisma of former Prime Minister Manley, Seaga is a more private and reserved individual. Nevertheless, the new Prime Minister's strongest base of support is in one of the poorest black constituencies on the island and he commands a broad and loyal following. Married to a former Miss Jamaica, Seaga has been an enthusiastic promoter of Jamaica's African cultural heritage. He has an adopted Rastafarian son. [redacted]

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This memorandum was written by [redacted] Latin America Division, Office of Political Analysis, in response to a request from Vice President-elect Bush. It was coordinated with the Office of Economic Research, the Office of Central Reference, and the National Intelligence Officer for Latin America. Comments and questions are welcome and should be directed to Chief, Latin America Division, OPA [redacted]

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Seaga has a conservative image today, but he led the party's left wing during the early 1960s. Although he was never a radical, he prodded conservative colleagues toward nationalistic economic policies then considered "leftist." As a government minister, he pushed through measures to tax the upper income brackets heavily, backed the country's first program to redistribute unused agricultural lands, and advocated increased levies on US and Canadian bauxite companies. Seaga, who is assuming power with more experience in government than any previous Jamaican Prime Minister, has altered many of his earlier socialist views. His cabinet, although partisan, is drawn largely from a core of technocrats with parliamentary experience and good managerial potential.

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Seaga's Problems and Prospects

Former Prime Minister Manley's economic policies have been so discredited that Seaga is likely to have wide latitude initially in taking a fresh approach. Although Manley's mismanagement was responsible for much of the decline, many of the root causes predate his administration or derive from external economic influences largely beyond Jamaica's control--such as skyrocketing oil prices. At the insistence of radicals in his party, Manley terminated an aid program by the International Monetary Fund in March 1980, which had required unpopular austerity measures.

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Faced with an empty treasury, the Seaga government is moving quickly to avert further economic and political deterioration. Seaga's election has improved prospects for Jamaica's recovery across the board, but success will depend heavily on large-scale external assistance. The short-term outlook for meeting essential needs appears favorable, although the government may be forced further into arrears on its foreign debt--now totalling about \$1.4 billion. Seaga recognizes that a new IMF arrangement is the first critical step in securing additional aid.

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Talks between Jamaican and IMF officials this week in Washington will concentrate on a three-year economic recovery package that would allow Jamaica to draw about \$190 million annually from the IMF and to benefit from World Bank assistance of as much as \$60 million in the coming year. Jamaica also has negotiated a \$100 million credit from a consortium of US and Canadian commercial banks that is tied to the IMF negotiations. The Fund hopes that Washington can be persuaded to contribute \$50

million to \$60 million in quickly disbursed aid in the next year. Seaga estimates that Jamaica will need about \$250 million in additional aid in 1981. [redacted]

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The government, particularly concerned about shortfalls over the next two months, appears to have a good chance of bridging the gap. Alternative sources provide Seaga a buffer. He expects to receive \$48 million in credits from the Venezuelan-Mexican oil supply arrangement almost immediately. He also has available a \$25 million loan from Iraq, which he intends to keep in reserve unless Caracas fails to honor its pledges. The Prime Minister hopes that bilateral aid from Western countries will enable him to save the Iraqi funds and to avoid requesting early payment of Jamaica's levy--about \$55 million due on 15 January--on North American bauxite companies. [redacted]

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In talks with the IMF, Seaga will try hard to ease some of the austerity requirements that weakened Manley's political position. But like Manley before him, Seaga will have to count on bilateral and multilateral aid from largely Western sources for a desperately needed bailout. [redacted]

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Finally, Seaga expects US assistance in upgrading the ill-equipped and overworked security forces to enable the government to cope with street violence and possible radical-inspired terrorism. [redacted]

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The Longer Term

Seaga's success in convincing Washington and other Western donors to increase assistance both in the near and long term will be important for the stability of his government. Despite their current euphoria, Seaga's supporters will give him only a short "honeymoon;" they have high expectations of "deliverance" from the eight years of negative economic growth under the Manley government. His first crisis will be precipitated by powerful unions resisting further cuts in real wages under a new IMF program. Any strains in Seaga's government eventually will benefit the pro-Cuban left, which is certain to regain its political influence if Seaga's moderate course does not lead visibly to economic improvement. [redacted]

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SUBJECT: Jamaica: Under Prime Minister Seaga

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