



**Director of
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CUBA-SPAIN: Seeking Closer Relations

Havana expects that the recent expansion of relations with Madrid will result in a trip to Cuba by King Juan Carlos and a return visit by President Castro to Spain, possibly by the end of the year. [Redacted]

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Cuban Foreign Minister Malmierca's recent visit to extend a formal invitation to the King to visit Cuba is the latest of numerous high-level contacts since January. Havana Radio reports Juan Carlos has accepted, although no date has been set. [Redacted]

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Earlier this month the Cuban Culture Minister visited Spain to arrange a broad exchange program under an agreement made in 1982. Other recent Cuban visitors have included Vice President Rodriguez, Havana's mayor, and the head of the National Assembly.

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Comment: [Redacted]

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[Redacted] Havana's chief motive in seeking better ties is political. Its immediate objective is to nail down Castro's long-awaited trip to Spain, which has been pending since 1978. Cuban officials hope it will lead to invitations from Paris, Stockholm, and other West European capitals. [Redacted]

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Havana also is trying to encourage Madrid's initiatives in support of negotiations in Central America and wants to undercut Washington's effort to influence Spanish attitudes toward armed conflicts in the region. In addition, Cuba would like to capitalize on Spain's plans to expand its presence in Latin America. [Redacted]

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FRANCE: Focus on Economic Problems

The reorganized and streamlined cabinet is preparing to implement the tough economic measures announced on Friday.

[Redacted]

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The full cabinet is about the same size as the previous one and includes the same Communists. The unwieldy number of ministers, however, has been reduced from 25 to 15 and reorganized into a two-tiered system. Junior members of the cabinet will report to one of the 15 senior ministers and will be excluded from cabinet meetings unless invited to discuss their area of responsibility. [Redacted]

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The position of moderates in the new cabinet who are loyal to Mitterrand has been strengthened. This team already is being tested, however, as it faces a surge of protests against the austerity measures from unions, businessmen, and the public. [Redacted]

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The economic package, which follows the third devaluation since President Mitterrand took office in 1981, is aimed at eliminating the trade deficit before the end of 1984 and lowering inflation. The program includes reductions in government spending, increases in taxes and public utilities charges, limits on tourist expenditures abroad, and an obligatory "loan" to the state of 10 percent of taxes paid on incomes for 1982. [Redacted]

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Comment: The new program is much tougher than the one put into effect last June after the second devaluation. If it is rigorously carried out, it is likely to produce the desired slowdown in consumer spending, especially for imports. Several of the measures will have temporary inflationary side effects, and the program will depress economic activity. [Redacted]

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The government hopes its program will put the economy in a position to take advantage of an expected worldwide recovery. If its actions result in increased unemployment, however, there will be new pressures to ease up before the measures have had their full effect.

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USSR: Military Promotions

The military newspaper *Red Star* announced on Saturday the first promotions of top military leaders since Brezhnev's death last November. No changes in assignments were included. Deputy Minister of Defense for Rear Services Kurkotkin, Deputy Minister of Defense for Ground Forces Petrov, and First Deputy Chief of the General Staff Akhromeyev are the first officers since 1978 to become Marshals of the Soviet Union. Deputy Minister of Defense for Strategic Rocket Forces Tolubko was made a Chief Marshal of Artillery.

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Comment: Akhromeyev's promotion marks him for a new post at the level of a Deputy Minister of Defense. With his background in staff positions, he could become a candidate to succeed Chief of the General Staff Ogarkov if a wider reshuffle occurs. The four promotions show the leadership's general approval of the military in contrast to civilian personnel changes and the media's criticism of other ministries.

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HUNGARY: Easing Up on Dissidence

US Embassy sources report the regime has at least temporarily ended its harassment of the small dissident community, causing many of its members to believe their activities will be tolerated. The dissidents' most active forum in Budapest has operated without interference since being forced to move to a less accessible location in January. The deputy chief prosecutor reportedly has suggested no legal actions are planned against the editors of the best known underground periodical, the latest edition of which appeared a few days ago. The government, moreover, reportedly consulted former Prime Minister Hegedus—a prominent dissident—before making a recent statement on ideological policy.

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Comment: The regime evidently is relying on threats and cajolery to keep dissidence within bounds at a time of potential consumer discontent. A crackdown could draw attention to the dissidents and damage the government's "liberal" reputation, thereby jeopardizing Budapest's current efforts to improve trade and financial relations with the West.

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ECUADOR: Labor Strike Suspended

President Hurtado's tough stance has forced major labor leaders to suspend the general strike for three weeks to reassess strategy. The US Embassy reports the decision of the transport workers' federation and other key labor and business groups to return to work on Friday broke the strike's momentum. [Redacted]

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Comment: Hurtado's refusal to grant concessions probably reflects his belief that the factionalized labor groups, some of which were not in favor of an extended strike, can be played off against each other. He cannot rescind austerity measures without ruining the government's credibility with the international financial community, whose help he has to have in the next few weeks. The postponement of the strike temporarily deprives military coup plotters of a pretext to move against the government. [Redacted]

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ARGENTINA: General Strike

Moderate Peronist labor leaders called the work stoppage yesterday more to strengthen their hand against radical unionists than to extract economic concessions from the regime. The US Embassy reports nearly 95 percent of the workers in Buenos Aires—and slightly less elsewhere—supported the job action, ostensibly to gain additional wage and benefit hikes. The Embassy says the organizers earlier had rejected generous offers because they wanted to use the strike to attract support in their contest with leftist Peronists for control of locals. These leftists, although they backed the strike, also have called for a demonstration tomorrow in Buenos Aires. [Redacted]

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Comment: Labor militancy, for reasons often unrelated to government policies, will probably increase as labor movement factions, and their political counterparts, vie for support in coming internal party elections and the later candidate selection process. The regime, frustrated by its failure to avert yesterday's strike, may take a tough stand against demonstrators tomorrow. [Redacted]

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