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**Latin America  
Review** 

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6 July 1984

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ALA LAR 84-013  
6 July 1984

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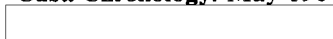


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*Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, *

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## Cuba: Investors Shun Overtures

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More than two years after the passage of a law that permits direct foreign investment in Cuba, Havana is still waiting for its first investor. The legislation—fairly radical for a country that has spurned capitalism—was enacted in hope of increasing Cuba's hard currency earnings, particularly from tourism. Havana has promoted the law's alleged opportunities extensively, especially with the Japanese.

Cuba provides some incentives to foreign investors:

- Political stability.
- Relatively well-educated and obeisant workers—strikes are nonexistent.
- Low wages, although foreign employers must pay them to the state in hard currency.
- Under the joint venture law, relatively favorable tax provisions and transfer of dividends and net profits in convertible currency.

So far, however, investors apparently have decided that the disadvantages outweigh the benefits:

- Cuban management or comanagement is required, with the Cubans receiving the same salary as foreign personnel.
- Foreign partners are limited to 49-percent ownership and control.
- Foreign investors must guarantee markets for the products of the enterprise.
- Cuban Government enterprises are given first option on supplying such items as fuel, raw materials, tools and equipment, as well as on shipping and marine insurance.
- Hiring and firing must go through a Cuban state entity.

- The joint companies must pay the Cuban Government for labor and materials in convertible currency at the official rate of exchange, which grossly overvalues the peso.

- Any disputes between the joint venture and Cuban state enterprises must be submitted to the Cuban state arbitration system for settlement, making Havana both the arbitrator and a party to the dispute.

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- The US economic embargo prohibits exporting US-produced goods to Cuba and excludes the United States as a market.

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The timing of the joint venture law probably also has played a part in its failure. A few months after it was passed, Havana requested rescheduling of its convertible currency debt, raising doubts about Cuba's economic future. In addition, the worldwide economic recession of 1982-83 discouraged businessmen from embarking on risky capital ventures.

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If Havana continues to meet the requirements of its debt rescheduling agreements and the world economy continues to recover, Cuba may eventually attract a small amount of foreign capital. Given President Castro's often stated antipathy toward economic liberalization, however, we doubt Havana will loosen the legislation sufficiently to attract substantial investment. Castro's sentiments toward the West also will keep alive uncertainties about the safety of investment in Cuba.

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**Chile: Prospects for  
the Communist Party** [redacted]

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The Chilean Communist Party (PCCh) is the largest and most influential in South America. Although driven underground and persecuted by the military government that seized power in 1973, the party has retained most of its cohesion, discipline, and spirit. Unlike the Socialists—who splintered into dozens of factions—the Communists emerged from their clandestineness last year as a united, aggressive political force. The PCCh is now undoubtedly the strongest leftist party in Chile and is surpassed in size and organization only by the centrist Christian Democrats. [redacted]

In all other respects, moreover, the Chilean Communists have avoided even the appearance of deviating from Marxist-Leninist orthodoxy. The PCCh has always maintained a rigidly pro-Moscow foreign policy, enthusiastically defending, for example, the Soviet invasion of Afghanistan. It also has followed Moscow's lead on matters of domestic political strategy. Furthermore, the party's organization—a network of cells that has generally obeyed orders with almost military discipline—conforms to classic revolutionary models. [redacted]

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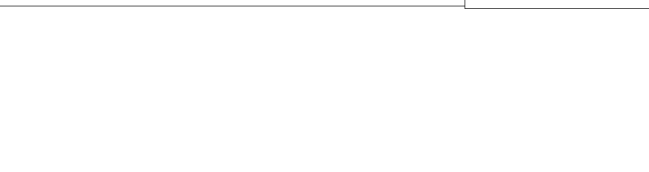
The Communists will play an important political role during the next few years. Their actions will in part determine whether President Pinochet accedes to opposition demands for a quicker transition to civilian rule or attempts to govern under the existing Constitution until 1989. In the long run, the party also will influence whether or not post-Pinochet Chile succumbs to the political instability that plagued the nation prior to 1973. [redacted]

A few cracks in this hierarchy have occasionally become visible—mostly involving disputes between younger and older party members or between exiled leaders and those who remained in Chile after 1973—but they have never threatened the organization's structural soundness. This cohesion has enabled the PCCh to maintain, according to US Embassy estimates, 15,000 to 20,000 active members inside Chile. It has also placed the PCCh in the forefront of the clandestine anti-Pinochet resistance. [redacted]

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**A Classic Party**

From 1956 until 1973 the Chilean Communists consistently defended what they termed “the peaceful road” to socialism. The PCCh established a reputation as a parliamentary party that adhered to democratic rules. Under the Allende regime the Communists were a moderating force that restrained the revolutionary wing of the Socialist Party. Some analysts have described this policy as at least an incipient acceptance of pluralism and democratic principles, a kind of Eurocommunism. Academic studies have revealed, however, that devotion to democracy and liberal freedoms never played a role in Chilean Communism. The pseudoegalitarian attitudes that characterized the party prior to 1973 were purely opportunistic and tactical. The classic Marxist-Leninist goal of the eventual abolition of all non-Communist parties and the installation of a PCCh dictatorship subsisted beneath the ostensibly democratic rhetoric. [redacted]



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**Peaceful Versus Violent Opposition**

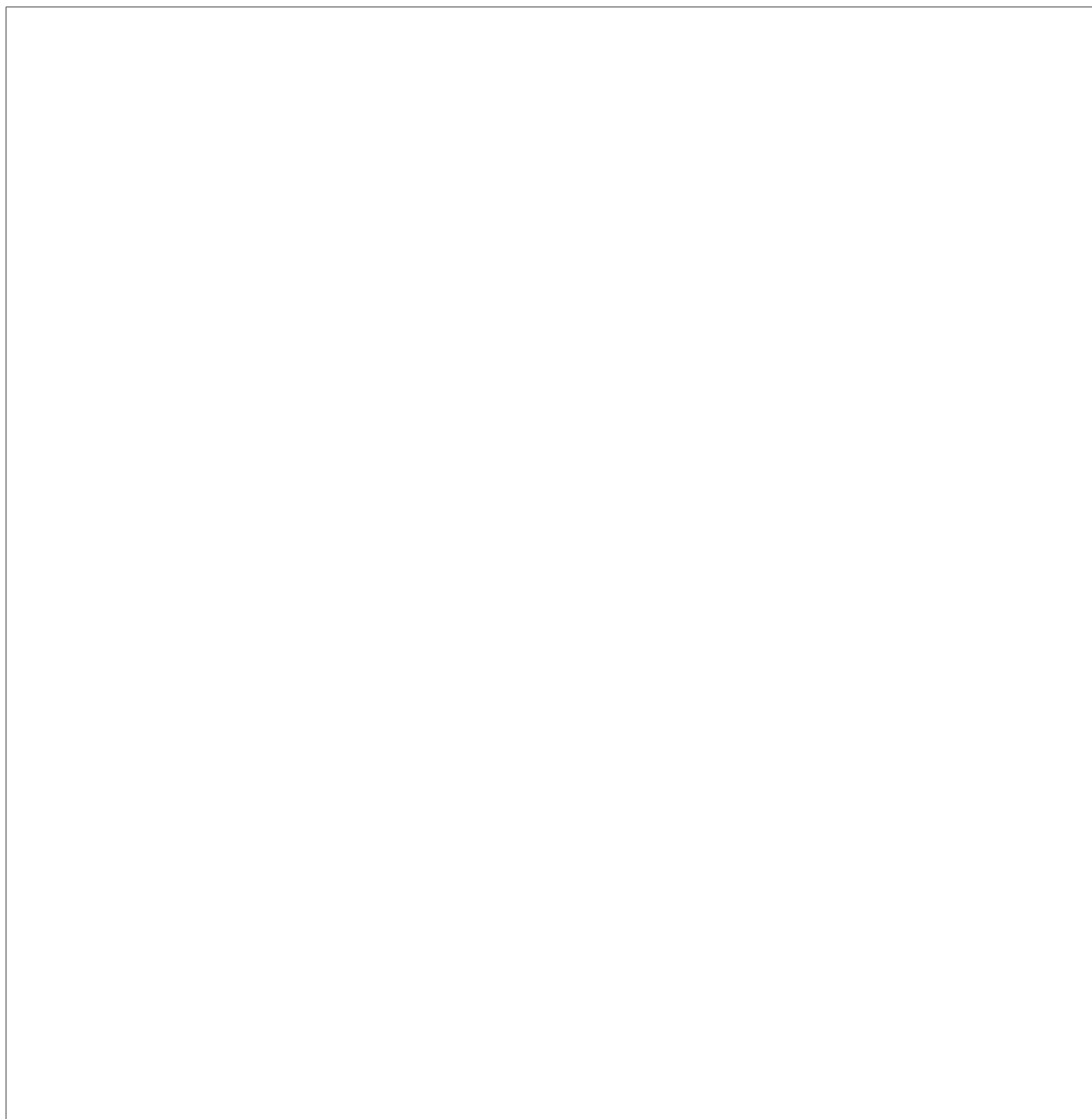
Through 1980 most PCCh opposition activity was akin to pamphleteering because the party still supported the “peaceful road” to socialism. In that year, however, exiled Secretary General Luis Corvalan announced adoption of a strategy of armed resistance to the military regime. [redacted] the new strategy was adopted primarily because of the success of armed insurrection in Nicaragua. We believe that Soviet pressure also played a role, as well as a feeling that the party's previous strategy of seeking an agreement with the

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Christian Democrats to form a broad opposition front had failed. [redacted]



fell into line. Although we believe that many older Communists within Chile continue to be skeptical about the utility of violence against the Pinochet regime, this group remains less influential than the coalition of younger, more dynamic party chiefs in Chile and exiled leaders who advocate terrorism and armed struggle. [redacted]

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[redacted] senior Communist leaders in Chile initially rejected the call to arms as "irresponsible, unrealistic, and self-destructive," but party discipline prevailed and the dissidents quickly

The differences between these groups, however, have never threatened party unity, largely, in our view,

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because the post-1980 line has been implemented with considerable tactical flexibility. The commitment to violence has never precluded the option of peaceful pressure on the regime. During 1983, for example, the party—hoping to attract the democratic opposition into a united front against Pinochet—repudiated violence several times. It was only when the democratic opposition formed the Democratic Alliance coalition, which excluded the Communists, that the PCCh definitively returned to its hardline stance. Even then, the party refused to foreclose on its option to compete openly within the existing system by creating in September 1983 the Popular Democratic Movement, a Communist political front that includes ultraleftists and radical Socialists.

Thus far, Communist efforts to foment armed resistance have been frustrated. The party has failed to mobilize Chile's large population of unemployed slumdwellers. Sporadic violence among this group flared during protests last year, but

Such random violence has further diminished this year. The PCCh continues to organize among the urban poor, but the party's infrastructure in the slums is held in check by the government's frequent arrest and deportation of Communist organizers.

The party also has failed to convert its influence in the trade unions into pressure on Pinochet. The US Embassy estimates that nearly a third of opposition labor leaders are Communists.

We judge that currently the chances for a successful strike are even smaller: moderates still control the labor movement, and the government's judicious mix of economic reforms and repression has kept the opposition disunited and dispirited.

[redacted] we believe that the party has shifted its emphasis from preparation for mass violence to terrorism, seeing this as more suited to the underground conditions that the Communists are now forced to operate.

**The Terrorist Connection**

We believe the PCCh's covert strategy now centers on terrorist tactics as the best way to confront the Pinochet regime. We suspect that the party is trying to goad the government into a blanket repression that could force the democratic opposition to make common cause with the radical left. Within this scenario, overreaction by the authorities to PCCh-inspired terrorism would raise political tensions and possibly re-create the polarization that characterized Chilean society at the height of last year's protests. Only under such circumstances could the party place itself in the vanguard of an active and growing anti-Pinochet mass movement.

The Communists began serious preparations for a terrorist campaign early in 1980.

Although a few isolated bombings were carried out inside Chile, little of consequence was achieved until the fall of 1983, when the Communist-controlled "Frente Cero" group was implicated by the press in a series of terrorist incidents.

The number of terrorist incidents has increased markedly since then

The US Embassy speculates that the Soviets and Cubans may have increased support for PCCh terrorism in recent months because of their perception that the Cuban-backed terrorist Movement of the

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Revolutionary Left has been infiltrated by Chilean security. Finally, we judge that the extent of recent terrorist actions—dozens of bombs have been simultaneously detonated—points to the PCCh.

Neither the Movement of the Revolutionary Left nor several existing Socialist bands possess the human or financial resources necessary to carry out such an extensive offensive. [redacted]

Perhaps the best indication of PCCh involvement in recent terrorist acts is the emergence of the Manuel Rodriguez Patriotic Front that has claimed responsibility for a number of bombings and has interrupted radio programs to transmit revolutionary communiques. [redacted]

[redacted] We suspect that the Front will grow in importance and that it may, over the next year, eclipse the Movement of the Revolutionary Left as the principal Chilean terrorist organization. [redacted]

**Communist Fronts**

The PCCh's clandestine activities are complemented by an overt campaign that stresses mass mobilization.

[redacted] the party's political commission considers the Popular Democratic Movement to be the linchpin of open Communist political activity and its creation to have been the party's "single most important accomplishment" in 1983. The Movement was designed to reduce Communist isolation from the political process and to reestablish the traditional alliance between the Communist and Socialist Parties. [redacted]

To date, however, it has achieved very limited success. Both the Movement and the PCCh are illegal, and we doubt that the 1980 Constitution will be amended to permit them to function openly any time in the near future. The Communists are perhaps more politically isolated now than before the Movement was created, because their advocacy of armed resistance has alienated the Christian Democrats and other centrist parties. An alliance with the Socialists has been achieved, but only at the expense of confirming the

Socialists' split between a hardline faction in the Movement and several democratic groups that refuse to collaborate with the Communists. [redacted]

The party's other main tools of influence are the sundry fronts created by various interest groups. But these organizations—for women, slumdweller, intellectuals, artists, and so forth—have been relatively ineffective in opposing Pinochet.

Nevertheless, they do enable the party slowly to expand its influence among sectors that have not traditionally supported the Communists and will probably enhance overall PCCh leverage once Chile returns to a pluralist political system. [redacted]

**Outlook**

Despite their isolation and extremism, we expect the Communists to play a significant political role in Chile during the next few years. Factionalism among the Socialists has facilitated the PCCh's dominance of the left, and the party probably could muster its traditional 15 percent of the vote if allowed to participate in free elections. The party's ingrained pro-Soviet stance and its ability to infiltrate other groups will assure that it remains a threat to democracy, political stability, and US interests in Chile. The degree of Communist influence will be largely determined by two interrelated factors: the nature of the Chilean transition to democracy and the Communists' decision on peaceful versus violent political strategies. [redacted]

We view the most probable scenario as one in which the government and the opposition hammer out a transition plan that excludes the Communists. In such circumstances, the party would probably continue its terrorist campaign and thus remain ostracized by the democratic parties. In our view, the PCCh is likely to remain on the sidelines during the initial stages of any return to civilian rule. Pinochet is determined to keep the Communists proscribed, and the Democratic Alliance will probably not demand the legalization of a party dedicated to violence. We believe this scenario would help assuage conservative fears that Communism is the sole alternative to Pinochet's rule.

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It would also make the prospect of free elections less threatening to the regime by eliminating the possibility that they could produce a Socialist-Communist majority reminiscent of the Allende era.

[redacted]

We believe a less likely possibility to be a negotiated settlement between the government and the democratic opposition that leads the Communists to a fundamental rethinking of their strategy away from terrorist tactics. Even if the PCCh abjured violence, however, it would be hard pressed to convince either the regime or the Democratic Alliance of its sincerity. Nevertheless, if the Communists were to halt all terrorism and publicly announce a return to the pre-1980 policy of the "peaceful road" to socialism, they might in time regain some influence with sectors of the democratic opposition. The Socialists, in particular, might be tempted to cooperate with a "reformed" PCCh, and the Christian Democrats would probably be reluctant to participate in elections without the Communists if the party appeared to have turned over a new leaf. On the other hand, a less politically isolated PCCh would make the government and the conservative parties more leery of a return to civilian rule. These developments, in turn, would greatly complicate government-opposition relations and increase political and social tensions during and after any transition to democracy.

[redacted]

The least probable scenario hinges on the total collapse of talks between the government and the opposition. If Pinochet and his democratic opponents fail to agree on terms for a peaceful return to civilian rule, the Communists would probably step up their terrorist campaign in the hope of provoking a heavyhanded response from the regime. Should Pinochet respond with a blanket crackdown on the entire opposition—as opposed to his probably careful targeting of the PCCh and the radical left—he could quickly return Chile to last year's level of political polarization and mass protest. With dialogue definitively replaced by open confrontation, the Communists would gain adherents as the only major party that had consistently refused to negotiate with the dictatorship. The Communists probably would also attract democratic leftists convinced that, despite all its faults, the PCCh alone possessed the energy and discipline to apply sufficient pressure to perhaps topple the Pinochet regime.

[redacted]

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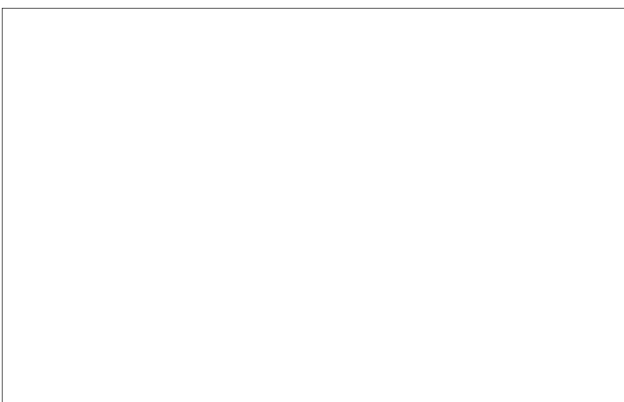
**Peru: An Early Look at the Presidential Election**

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If current trends continue in Peru, we believe the American Popular Revolutionary Alliance (APRA) party will defeat the present center-right ruling coalition in the presidential election in March 1985. The party's secretary general and presidential standard bearer Alan Garcia has built on APRA's impressive victory in the municipal elections last year to gain a headstart in the race for the presidency. The US Embassy reports that the center-leftist Garcia probably cannot obtain the simple majority needed to secure a first-round victory. Nevertheless, if he continues to hold the vital middle in the political spectrum, he probably can win a runoff. We expect the military to tolerate an APRA victory, but we also believe it would launch a coup if the far left triumphs, either by itself or in alliance with APRA.

they believed that association with the unpopular ruling body was hurting their electoral prospects. Although the two center-right parties will continue to cooperate on most issues, restoring the coalition will depend on the willingness of the Popular Action Party to support the presidential ambitions of Popular Christian leader Luis Bedoya.

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The Belaunde administration's misfortunes form the backdrop for the 1985 presidential and congressional elections. A deteriorating economy, aggravated by climatic catastrophes, persistent insurgency, and major municipal election setbacks, have badly eroded President Belaunde's base of support. In the last three years, popular approval of his administration has declined from 60 percent to less than 18 percent. Recent IMF approval of a new funding agreement will provide temporary economic relief, but the associated austerity measures will further cut into the President's popularity. Peruvian security forces have reduced the capabilities of the Sendero Luminoso insurgents in Lima and prevented the guerrillas from disrupting municipal elections last November everywhere except in the group's stronghold in the southeastern Andean highlands. Nevertheless, the insurgents' resilience has embarrassed the administration, heightened public anxiety, and provoked strains in civil-military relations.

Popular Action is seriously divided between factions led by Javier Alva Orlandini and Manuel Ulloa. Ulloa's push for the presidential nomination received a serious setback in April when Alva's faction handily won internal party elections. We rate Alva as a strong favorite at the national convention in July, but even if he secures the nomination he will have to contend with recurrent threats by Ulloa loyalists to bolt the party.

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Belaunde often has single-handedly held the party together, but his efforts to find a compromise candidate have so far been unavailing. Both factions rejected novelist Mario Vargas Llosa, a political independent and longtime presidential confidant. Another darkhorse is former Lima mayor Eduardo Orrego. He is convinced, however, that the ruling

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**The Center-Right Alliance**

The Popular Action and the Popular Christian Parties comprised Belaunde's governing coalition until April 1984, when the Popular Christians withdrew because

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party's poor showing in municipal elections last year indicates that any Popular Action nominee is destined to lose. [redacted]

**The Resurgence of APRA**

The most salient electoral development in Peru in recent years has been the revitalization of the populist American Popular Revolutionary Alliance. This accomplishment is largely attributed to Alan Garcia, a young reformist leader who has brought under control the divisive internal struggle that threatened the party's existence. [redacted]

APRA's problems arose in 1979 after the death of the party's founder, Raul Haya de la Torre, when two factions vied for control. Armando Villanueva, leading APRA's leftist faction, used his position to neutralize the opposing moderate majority. The party had been considered the clear favorite in the 1980 presidential and congressional elections until the infighting cost it major victories. By October 1982, however, the moderates united behind new leadership because of their increasing disaffection with the corruption, brutality, and radical leftist leanings of the Villanueva clique. [redacted]

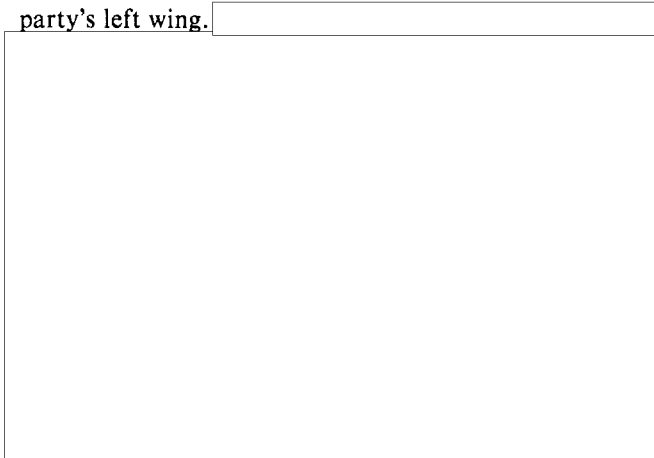
As APRA's new secretary general, Garcia, 33, symbolized a generational shift in power, according to the US Embassy. Handsome, energetic, and charismatic, he was also able to portray himself as a tough but reasonable leader. His public attacks on the administration and adept manipulation of the media have kept him and APRA in the limelight. Within the party, Garcia settled disputes, improved relations between central and regional leaders, and increased control over the party's professional and working-class organizations. He also persuaded the ideologically diverse elements on the political committee to cooperate in formulating an electoral strategy. This increased unity, together with APRA's revived grassroots structure, allowed the party to capture 38 percent of the vote and most provincial mayoralties in municipal elections held in November 1983. Three months later, Garcia solidified his position by engineering his nomination as APRA's presidential candidate. [redacted]



Secretary General Alan Garcia

Oiga ©

Garcia still faces problems from Villanueva and the party's left wing. [redacted]



Garcia probably can meet the challenge by relying on the party's moderate majority. He has managed, to date, by regularly consulting with the party's senior politicians and by paying occasional rhetorical homage to Villanueva's radical leftist principles. Although Garcia will continue to make some concessions to Villanueva, we expect he will maintain firm control of the party machinery, personally or through a trusted proxy. [redacted]

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**The Role of the Left**

The United Left was formed as an electoral alliance for the municipal elections in 1980 under the leadership of Lima's current mayor, Alfonso Barrantes. Its membership comes mostly from legal Marxist groups, but its lack of ideological cohesion has been a major problem. To promote unity for the 1985 elections, coalition leaders agreed in April that candidates will be selected solely under the United Left banner and not as representatives of their respective political parties. [redacted]

The personal attractiveness of Barrantes has been a crucial factor in the growth of the United Left, and his election as mayor of Lima last November gave the coalition a major base from which to build. Barrantes' performance as mayor has been hampered, however, by a shortage of funds and by his lack of administrative expertise. Despite these difficulties, his popularity does not appear to have suffered significantly, according to the US Embassy, and he remains the United Left's only realistic presidential possibility. In early May, coalition leaders expressed support for his candidacy, but he has not yet publicly accepted the nomination. [redacted]

[redacted]

**Election Strategies and Prospects**

The US Embassy reports that, during the campaign, Garcia intends to stress APRA's independence and its traditional nationalism and anti-imperialism. He has stated that APRA will make no formal alliances, but rather hopes to serve as a magnet for all voters. Garcia probably will also intensify his attacks on the unpopular free market policies of the Belaunde administration by promoting APRA's expansionist economic platform. [redacted]

In crafting his electoral strategy, Garcia hopes to portray APRA as a moderate center-left alternative between the right and the far left. Throughout the campaign, he will compete with the United Left to take advantage of widespread public discontent, but we believe he will avoid radical positions that could alienate the majority of Peruvians and especially the military. He probably faces his greatest challenge in

dealing with growing labor unrest. Garcia must protect his credentials as the champion of the disadvantaged by supporting worker protests, but he must also try to prevent labor-inspired turmoil that might abort the democratic process. [redacted]

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The United Left is not likely to win the elections, but at this point it appears to be in the best position to challenge APRA. The coalition gained 29 percent of the vote in municipal elections last November and would have surpassed APRA if an additional 7 percent of its ballots had not been incorrectly filled out. The United Left's performance in the election next year will depend largely on the willingness of its member parties to compromise on candidate selection and doctrinal matters in order to present a united front. [redacted]

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The outlook for the center right is bleak. The economy is unlikely to improve sufficiently in the months ahead to give the ruling party much of a boost. Conscious of this, the Popular Christians anticipate a victory by one of the leftist groups and are focusing their efforts on trying to become the largest opposition force. [redacted]

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**The Military Equation**

We believe the military, which ruled Peru for 12 years prior to returning power to civilians in 1980, is a crucial factor in the elections. The armed forces have unseated eight presidents in the 20th century and may do so again depending on socioeconomic pressures and the possibility that radical leftists will gain ascendancy. [redacted]

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In our view, the armed forces are more conservative, but also more apolitical, than when they last took power from Belaunde in 1968. The last years of military rule clearly diminished the willingness of the officer corps to reenter the political arena. According to US Embassy and defense attache reporting, senior officers would prefer to devote their energies to rebuilding the services, but they will nevertheless be closely gauging the presidential contest. [redacted]

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The downturn in the economy and the deterioration of internal security have strained the cordial civil-military relations that existed at the beginning of the Belaunde presidency. The military is concerned that the campaign could resuscitate the sharp tensions within congress, among the parties, and between the legislative and executive branches that crippled Belaunde's previous administration. Consequently, senior officers do not want the President to allow politics to hinder his ability to deal with pressing national problems. More important, we believe the armed forces want the electoral process to be dominated by moderate political elements that pose no threat to the military's interests. [redacted]

Although APRA has taken steps to expel extremists, we believe that the military remains deeply suspicious of the leftist tendencies of some leaders and skeptical about the intentions of the party as a whole. Garcia's ability to keep APRA's left wing in line will decisively influence military reactions, but we doubt that the armed forces will intervene if the party, under its present leadership, captures the presidency. [redacted]

The animosity that in the past caused the military to repress the party and prevent it from assuming office has diminished. The US Embassy and the defense attache report that high-level military officers and APRA leaders are trying to improve relations. For example, Alan Garcia took the unprecedented action this spring of speaking at the military's most prestigious training center. Moreover, the US Embassy and the defense attache report the high command believes Garcia is an acceptable presidential candidate, implying it would accede to an APRA victory. [redacted]

If public opinion polls reflect rising popularity for the far left during the campaign, however, it would greatly alarm the military. The United Left's capture of the Lima mayoralty caused some anxiety, and the considerable turnout for a leftist-dominated general strike in March presumably added to that uneasiness. We believe that senior officers would seriously contemplate intervening if APRA edges toward an alliance with the United Left. Such a scenario appears unlikely in the first round of the election unless Garcia should unexpectedly lose control of the party machinery to the Villanueva wing. If APRA's competition in the runoff election is a center-right party or coalition, however, pressure for an APRA alliance with the United Left would intensify and strengthen the likelihood of a military coup. [redacted]

[redacted]

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**Latin America  
Briefs**

**South America**                      **IMF Austerity Under Attack**                       25X1

Severely strained economic conditions and sharply reduced living standards are prompting South American governments to question whether IMF-supported austerity programs are acceptable. With nearly all seven major South American debtor countries presently under, or preparing for, democratic civilian governments, economic austerity has become more difficult to sustain in the face of growing domestic discontent. To varying degrees, the governments of those countries that have undertaken austerity measures to gain IMF loans—Argentina, Brazil, Chile, Ecuador, and Peru—have begun to consider shifts to growth-oriented policies and a more radical approach to restructuring foreign debt payments. These countries at various times have fallen out of compliance with their IMF programs, but none have yet abandoned efforts to solve their problems under an IMF framework.

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We believe, however, that debtors will demand increased flexibility on the part of the Fund and bank creditors to support domestic recovery. If such flexibility is not provided, some of these countries may confront the IMF with a “take it or leave it” demand for easier terms. Should cooperation between a debtor and creditors break down, then the chances are good that such a government would suspend its debt payments.

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**Suriname**                                      **Dim Prospects for Aid**                       25X1

The US Embassy reports that Paramaribo may decide soon to stall talks with the IMF and to concentrate instead on efforts to win restoration of financial assistance from the Netherlands. A lack of preparedness on the part of the Surinamese financial team has caused the Fund to proceed slowly with the negotiations. Moreover, the IMF recommendations have received a cool reception from Surinamese business leaders, who have rejected the Fund’s call for devaluation; labor has warned that strikes would follow any tax increases.

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The Dutch are the only other likely source for the significant level of funding needed by the cash-strapped economy. The Hague, however, continues to insist on an investigation into the murders of opposition leaders in December 1982—a condition strongly opposed by Army Commander Bouterse and others involved in the incident. The Brazilians, for their part, will continue to offer only modest

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technical, trade, and military assistance to Suriname, according to the Embassy. With no significant amount of aid coming in, foreign exchange reserves have been nearly exhausted while a virtual ban on imports has caused food shortages and cut deeply into Surinamers' once relatively high standard of living.

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**Jamaica**

**Labor Demands Cloud IMF Agreement**

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Jamaica has met the last two conditions necessary to qualify for \$144 million in IMF standby and compensatory funding. Last month, Kingston reported the satisfactory renegotiation of debt owed to Trinidad and Tobago and announced a 50- to 100-percent price hike for telephone service. According to the US Embassy, Jamaica will apply the first IMF disbursement to clear foreign payment arrears before approaching international bankers and the Paris Club to refinance at least \$300 million in debt.

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Labor's increasingly vocal demands for wage hikes to help offset the inflationary effect of recent devaluations could quickly derail the new IMF program. The labor dispute that closed the Alpart alumina facility in May, which is costing substantial foreign exchange and government revenue, could spread to other bauxite companies that do not have current contracts. Public utility workers also staged a two-day strike in June and have threatened a repeat performance unless the government concedes to wage demands. Favorable settlements for the relatively well-paid bauxite workers could fuel the demands of other unions; but tight limits on government spending under the IMF program will crimp Kingston's ability to fund civil service wage hikes. Nevertheless, opposition leader Michael Manley, who is also president of a major labor union, is likely to push for further demonstrations against government economic policy to increase pressure on the ruling party.

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**Costa Rica**

**Debt Payments Frozen**

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Delays in satisfying IMF conditions for a \$52 million standby credit and a lack of foreign exchange have prompted Costa Rica to call a 90-day halt on principal payments to foreign commercial banks. The banks agreed to the move after it became clear that the IMF would not approve a standby credit by the 30 June deadline. According to the US Embassy, the agreement is still not enough to stave off a new foreign exchange crisis.

25X1

USAID announced last week the disbursement of \$23 million, but even quick release of the remaining \$35 million in US aid scheduled for Costa Rica in 1984 would not cover the country's foreign exchange requirements through July. The banks want Costa Rica to raise domestic consumption taxes and clear arrears to the IMF in order to come to terms with the Fund by 31 August. San Jose's financial bind, however, may cause this deadline to slip as well.

25X1

**Honduras****Opposing IMF Conditions** 

25X1

Growing labor opposition to austerity measures is making an IMF program for Honduras increasingly unlikely this year. To avert a strike on 20 June by the country's largest union, President Suazo already has modified his new economic stabilization package. The package still includes higher taxes and spending cuts designed to satisfy IMF and donor conditions for future assistance.

25X1

The IMF also wants a currency devaluation or an expansion of the parallel foreign exchange market. Tegucigalpa, however, strongly opposes a devaluation, partly because the lempira's par value with the US dollar has not been changed for more than 50 years. Moreover, with elections approaching in 1985, the Suazo government will be reluctant to impose any currency adjustment that would quickly boost inflation in the country's import-dependent economy.

25X1

**The Bahamas****Attacks on Police** 

25X1

Several policemen and civilians were shot during attacks on Nassau police stations in early June,  Two civilians were kidnaped and their vehicles apparently used in the attack; they were later released unharmed. An anonymous caller who telephoned one police station stated that 40 police officials and politicians were on "the list to be punished." Hospital personnel who treated the injured policemen received similar threats. The attacks may have been directed against individuals involved in drug investigations, but the police still have no suspects or clues.

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**Montserrat****State of Emergency** 

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The Governor of the British Caribbean colony of Montserrat declared a state of emergency on 24 June after strikes by public employees disrupted water and electricity supplies. Power has only been available for 12 hours a day and there is, no running water. The workers are seeking 12- to 15-percent pay raises, but the employers have offered only 5 percent and are refusing to negotiate while the strikes continue. Unless an agreement can be reached soon, the British Government may be forced to take action to prevent further disaster.

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## Cuba Chronology

May 1984

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- 1 May** Half a million Cubans celebrate May Day in Havana by marching through Revolution Square with signs stressing solidarity with Nicaragua and El Salvador and pictures of Cubans killed in Grenada and Angola.
- During May Day celebrations in Revolution Square in Havana, Roberto Veiga, Director of the Federation of Workers says that "militarily, Cuba is stronger than ever."
- Madrid press reports that a result of a request by Prime Minister Gonzalez, the Cuban Government has agreed to receive six members of the ETA terrorist group expelled from France and sent to Panama.
- 3 May** *Granma* announces that Cuba and Colombia agree to extend their accord on naval and air hijackings for another five years.
- Granma* reports sugar production for the current harvest is more than 1 million metric tons behind planned goals.
- 7 May** The Soviet Navy fleet that had been anchored off Cuban coasts since 26 March on an "official, friendly" visit ends its stay.
- 8 May** Barbados Prime Minister Adams tells Parliament that he has been told that Fidel Castro may seek revenge on those responsible for Havana's "humiliation" last year in Grenada.
- 10 May** *New York Times* reports that diplomats in Cuba say that Robert L. Vesco, the fugitive American financier, has been living a reclusive life in Cuba for more than a year.
- 11 May** In a news conference with South Korean reporters, Miguel Diaz, the Sports Ministry's Public Relations officer, says that Cuba will participate in the 1988 Seoul Summer Olympics.
- Jose Ramon Fernandez says Cuba is seriously concerned over the atmosphere of hostility in Los Angeles and the lack of guarantees of security of sportsmen from socialist countries.

- 13-19 May** Transportation Minister Guillermo Garcia Frias visits France and is greeted by his counterpart Charles Fiterman at Orly Airport. During his visit he will discuss bilateral cooperation.
- 14 May** Jorge Enrique Mendoza, Director of *Granma*, says in an article published in *Pravda*, condemns the mining of Nicaraguan ports with the participation of the CIA and other aggressive actions.
- 15 May** Foreign Minister Malmierca meets with Felix Houphouet-Boigny, President of the Ivory Coast, to discuss the situation in southern Africa after the failure of the Lusaka conference on Namibia.
- 16 May** Alternate Politburo Member Jesus Montane receives Vietnamese Minister Vo Dong Giang. Montane expresses Cuba's full support for the Vietnamese people's struggle against Chinese expansionism.
- 17 May** President of the National Assembly Flavio Bravo and China's Ambassador to Cuba Wang Jin meet in Havana and agree to improve and develop friendly relations.
- The Cuban Foreign Ministry issues a statement condemning China's acts of aggression against Vietnam's northern border provinces since early April.
- 19 May** Foreign Minister Malmierca arrives in Algiers on a four-day official visit. In a press statement, he discusses the situation in Latin America and condemns US aggression in that area.
- 20 May** Transportation Minister Guillermo Garcia Frias visits Spain to discuss the possibility of a bilateral agreement for the construction and sale of Spanish ships to Cuba.
- 21 May** Cuban and field athletes tell Radio Havana that the decisions made by the Olympic Committee of the USSR and other socialist nations not to attend the Los Angeles Olympics are justifiable.
- 22 May** Carlos Rafael Rodriguez presides over the coordination meeting of the Latin American Economic System in Havana. Hector Rodriguez Llompart says Cuba supports the call for a meeting on foreign debt.

*23 May*

The Cuban Olympic Committee in Havana reports that Cuban athletes will not participate at the 23rd Olympic Games in Los Angeles, but Cuban judges will attend.

Foreign Minister Malmierca arrives in Rome and discusses the Central American crisis and Italo-Cuban relations with Foreign Minister Andreotti.

*28 May*

Foreign Minister Malmierca signs a joint communique with Tanzania rejecting any efforts to link Namibia's independence to the presence of Cuban troops in Angola and to support liberation movements.

*30 May*

Havana International Service accuses the CIA of biological warfare against Cuba.



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