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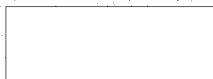


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**Latin America
Review**



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21 September 1984

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ALA LAR 84-017
21 September 1984

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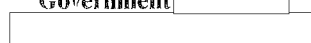
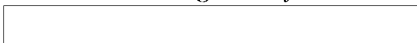
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Latin America
Review



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21 September 1984

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Grenada: Prospects for Moderate Alliance

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The New National Party—made up of Grenada's three leading moderate political groups—stands a good chance of winning a strong majority in the elections scheduled for 3 December if it can reach agreement on the allocation of seats on a single slate.

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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

Guatemala: Improving Political Climate

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The Constituent Assembly election held on 1 July has increased the momentum of Guatemala's transition to civilian rule. Moderate parties comprise a majority in the Assembly, which is drafting a new constitution and other laws in anticipation of national elections early next year. Widespread praise for the military's neutrality in the voting has eased pressure on Chief of State Mejia and has given him added latitude in dealing with other domestic and foreign policy issues. The Army, for its part, will continue to monitor the democratization process closely to guard against any moves it regards as threatening. Meanwhile, the improving political climate has presented a serious dilemma to the guerrillas, who are increasingly divided over whether to abandon armed struggle in favor of political action.

Election Wrap-up

The strong showing by both the reformist Christian Democratic Party and a new moderate group, the National Centrist Union, reflects popular rejection of years of military dominance, violence, and extremist "solutions" to the country's ills. The two centrist parties finished one and two in the popular vote, garnering almost 30 percent of the nearly 1.9 million ballots cast and 41 seats in the 88-member Assembly between them. Nevertheless, the preelection favorite, the ultrarightist National Liberation Movement, remains a potent voice with 23 seats.

Official and independent observers from the Organization of American States, several third countries, and the various parties are almost uniformly satisfied that the Assembly vote was conducted honestly and without interference from the military. Nevertheless, some critics have tried to discredit the election by alleging that the large

Distribution of Major Party Assembly Seats

	Number of Seats	Percentage of Popular Vote	Political Orientation
National Liberation Movement/Authentic National Center (MLN/CAN)	23	12	Rightist
National Centrist Union (UCN)	21	13	Centrist
Christian Democratic Party (DCG)	20	16	Centrist
Revolutionary Party (PR)	10	7	Centrist
National Renewal Party (PNR)	5	6	Centrist
Democratic Institutional Party (PID)	5	5	Rightist

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number of null or void ballots—some 17 percent—was a protest against the regime. Many of these, however, appear to have stemmed from the high turnout of illiterates, a confusing two-ballot system, and the inclusion of unused ballots among those voided by election officials. Indeed, the only charge of fraud—levied by perennial coup plotter Leonel Sisniega—was quickly discredited.

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New Assembly Opens

The Assembly was formally installed on 1 August amid indications that extreme rightists and others will

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not press their earlier demand for immediate selection of a provisional president but will settle for a working dialogue with the government. Both sides, for example, recently adopted a more conciliatory tone in an apparent effort to reduce tensions. In convening the Assembly, which is empowered only to write a new constitution and the associated laws regulating the judiciary and national elections next year, Mejia did not reissue his earlier warning against attempts to function as a provisional government. Most delegates, we believe, will avoid challenging Mejia's authority and will focus—at least initially—on the tasks immediately before them.

Most of the parties, especially the centrist ones, probably will want to write a constitution and electoral laws quickly to capitalize on their success at the polls. An early election also would reduce chances of the military's coalescing against a return of power to civilians. Nevertheless, the need to accommodate a variety of competing sectors, including the wishes of the military, suggests that the process will be a slow one.

The writing of the constitution and the associated debate could prove both contentious and disquieting to the military. Some centrist leaders have indicated that they want to begin reestablishing civilian control over the armed forces. They also have intimated that they will push for constitutional limitations on executive power, an independent judiciary, and greater authority for elected department and local officials. Such changes, if adopted, would weaken the authority of the military, particularly in rural areas where senior commanders now hold ultimate power.

The "Big Three"—the Christian Democrats, National Centrist Union, and the National Liberation Movement—have agreed to share leadership of the Assembly on a rotating basis. In addition, the major parties will chair the three main commissions developed by the Assembly to draft the new constitution, electoral codes, and civil rights legislation. The US Embassy reports that a power-sharing arrangement will permit the smaller parties to chair several subcommissions. These arrangements, however, appear aimed primarily at preventing any

one party from using the Assembly to bolster its election prospects next year and may later be discarded.

Coalition building probably also will be a high priority for many of the parties as they attempt to position themselves for the presidential campaign. Two centrist parties, the Revolutionary Party and the National Renewal Party, recently announced their intention to work together in the Assembly.

The Military View

Despite potential problems ahead, the military, including the junior officer corps, is highly pleased with the outcome of the election.

the Christian Democrats' performance also would enhance Guatemala's relations with El Salvador, Venezuela, and Western Europe. there had been no regret over the strong showing by the Christian Democrats, despite the party's longtime criticism of the military and the pervasive view within the officer corps that it is "subversive." military officers told party leaders in July that the Army would honor the results of the elections should their candidate win the presidency.

Nevertheless, we believe there are limits to the military's tolerance of civilian rule. These same officers, for example, told Christian Democratic leaders that the armed forces would not permit any new government to investigate past wrongdoing by the military.

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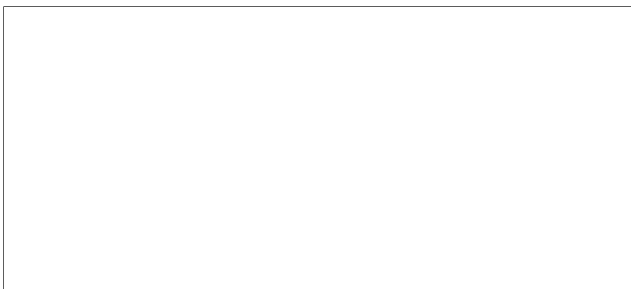
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Mejia, in our view, also is hopeful that these efforts will help end Guatemala's international isolation and improve its chances of securing financial and military aid. As part of a campaign to improve Guatemala's image abroad, the government resumed talks in May with Belizean and UK officials in an effort to resolve Guatemala's longstanding sovereignty claims. Although domestic political constraints in both Guatemala and Belize have prevented a final accord, Mejia's current efforts, in our opinion, ultimately will result in increased negotiating flexibility for a new civilian administration.

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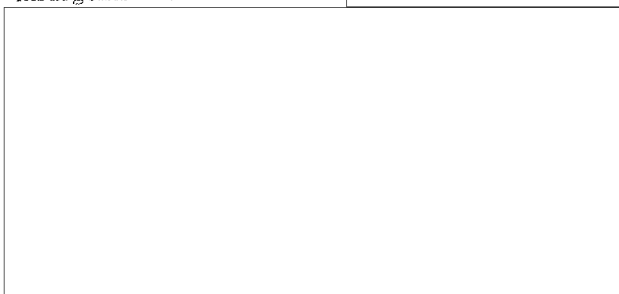
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In addition, we believe the Army will resist strongly any attempt to diminish its control over the civilian defense patrols, which continue to play a key counterinsurgency role. Military spending, and institutional matters such as officer promotions, tactics, and the naming of the defense minister, also are prerogatives expected to be guarded closely by the military.

Meanwhile, the election has aggravated the insurgents' internal divisions.



Election Impact

The honesty and efficiency of the election, in our view, has enhanced the standing of the Mejia government at home and abroad, and has given it increased flexibility in dealing with other domestic and foreign policy issues. For example, Mejia recently took steps to demonstrate that Guatemala is making progress on human rights. In mid-July, the government granted full pardon from criminal charges to all prisoners convicted under the now-defunct special tribunals established by former President Rios Montt. Although rightist criticism apparently required that the move be implemented with little fanfare, Foreign Minister Andrade told the US Embassy that it was intended as a signal of the changed environment in Guatemala. Mejia also has discharged some 100 police officers. A police spokesman told reporters that the dismissals were initiated because the officers either had criminal records or had been accused of abusing their authority.

Some small leftist parties have accepted clandestine support from the insurgents in the past, and they might be willing to do so again to strengthen their chances in the presidential race. Nevertheless, Mejia's moderate policies have led many church, university, and political leaders—who in the past have been quick to criticize the government on a variety of issues—to work with him to facilitate the transition process. As a result, we believe the recent vote has further eroded what remains of popular support for the guerrillas.

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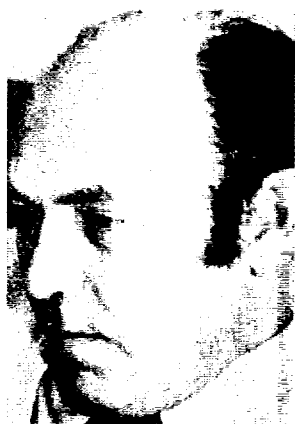
Veja ©
Blanco chief Ferreira.



Ultimas Noticias ©
Colorado candidate
Sanguinetti.

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Ultimas Noticias ©
Blanco candidate Zumaran.



La Manana ©
Broad Front candidate
Crottogini.

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Uruguay: Elections Finally Set [redacted]

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The recent selection of candidates for the presidential election in November sets the stage for a return to civilian rule next March after more than a decade of military government. The center-left Blanco Party's refusal to abide by an agreement between the armed forces and the other parties, however, casts a shadow over the transition process. If the Blancos win and follow through on promises to hold new elections within a year, the military will monitor events closely and may be tempted to step in again. [redacted]

Last month, the armed forces and several political parties reached agreement on procedures for the restoration of civilian government. The accord provides for presidential, congressional, and municipal elections on 25 November, as well as the convocation of a constituent assembly next July. According to US Embassy reporting, the military—thoroughly discredited and eager to return to the barracks—compromised on a variety of issues. The high command rescinded most of the exceptional decrees that had formed the basis of military rule, promised to release a number of political prisoners, and agreed that future presidents would choose officers for promotion to the rank of general from a short list provided by the armed forces. [redacted]

The Candidates

A key figure in the negotiations, Julio Sanguinetti, a 48-year-old moderate, is the principal candidate of the centrist Colorado Party.¹ We believe Sanguinetti's strategy is to target moderate voters while working to weaken the Blanco Party's support on the left.

[redacted]

¹ Uruguay's complicated electoral process allows each party to nominate more than one candidate, with the frontrunner garnering the votes received by all of his party's nominees. Because each faction seeks as much attention as possible, the Colorado and Blanco parties have a total of five candidates for the presidency. [redacted]

The Blancos bolted the civil-military negotiations after party leader Wilson Ferreira was arrested upon his return from exile in June. They have since agreed to participate in the election even though the military still refuses to release Ferreira or to lift political restrictions that preclude his competing for the presidency. Most party members would rather forgo principle and pride than risk total isolation as the political transition proceeds without them. Stand-in candidate Alberto Zumaran pledges that, if he wins, he will call new elections within a year and allow Ferreira to run. The Blancos are denouncing the political accord as a sellout to the military and are painting themselves as the sole prodemocratic, antimilitary party. [redacted]

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The Broad Front, a leftist coalition that includes the Uruguayan Communist Party, has anointed as its standardbearer Juan Jose Crottogini, a 76-year-old physician. The left typically is strong in Montevideo and other urban areas, and the Broad Front probably will draw many votes that otherwise would go to the Blancos. [redacted]

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The Military's Role

Although most members of the armed forces favor a return to the barracks, fear of civilian retribution is causing some uneasiness. [redacted]

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[redacted] many officers believe a Blanco administration would prosecute them for human rights abuses committed during the antisubversive effort of the 1970s. [redacted]

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[redacted] Army
Commander Medina is attempting to reassure the officer corps that the civilians will not be permitted to take revenge. [redacted]
[redacted]

If Zumaran and the Blancos win, the military, in our opinion, probably would swallow hard and surrender power on schedule. The armed forces, however, certainly would watch for any sharp turn to the left. They probably would continue maneuvering to deny Ferreira the presidency, while awaiting Blanco missteps or a general political deterioration that might permit them to justify seizing control again. [redacted]

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We believe the military high command views the Blancos as the greatest threat and thus is in no hurry to complete Ferreira's trial for alleged violations of national security laws. Fearing the popular Blanco chief would win an open election, the military also is unlikely to restore his political rights as long as it remains in control. Both Medina and the Interior Minister have warned publicly that a Blanco administration would have to abide by the spirit of the civil-military accord or risk an abortion of the transition process. The armed forces, meanwhile, have endeavored to boost the Colorados by strengthening the Broad Front at the expense of the Blancos. [redacted]

[redacted]

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Outlook

The US Embassy reports that the Colorados are confident of victory in November. They believe the Blancos' attacks on the civil-military accord and their calls for new elections have not caught the imagination of the public, which is reluctant to endure another year of political uncertainty or risk a derailing of the transition. Moreover, the Colorados believe they will benefit from the divisions on the left.

[redacted]

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We agree that the Colorado Party seems to have the edge at the moment, but the electorate may come to view a vote for the Blancos as an opportunity to repudiate military rule and, by setting up another election that includes Ferreira, to mark a return to full democracy. Although many moderate Blancos objected to Ferreira's dramatic return to Uruguay as "grandstanding," we believe the Blanco chief—who received more votes than any other candidate in the presidential elections of 1971—remains the most popular figure in the country. [redacted]

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Dominican Republic: Fragile Relations Between Labor and Government

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Labor unions have played a leading role in organizing antiausterity protests, but President Jorge Blanco's effective politicking and moderate use of force have thus far prevented worker unrest from becoming a serious challenge to the government. Disunity in the unions also has undermined the effectiveness of labor's tough opposition to IMF-mandated belt-tightening measures. Nevertheless, the long period required to ease the country's deep-seated economic difficulties suggests that labor militancy will grow. Should the government fail to maintain control over labor, it could further delay economic recovery and jeopardize political stability. [redacted]

Background

Politicians in the Dominican Republic have long viewed organized labor as a potential threat to their power and have kept the unions tightly controlled. Rafael Trujillo, who ruled from 1930 to 1961, ruthlessly crushed all union activity. Trujillo's successor, Joaquin Balaguer, paid lipservice to the cause of independent labor but continued to use repressive tactics. Leaders of the ruling Dominican Revolutionary Party (PRD), which came to power in 1978, have used less draconian measures but nevertheless have kept tight control over union activities. [redacted]

Unlike Trujillo and Balaguer, however, leaders of the urban-based PRD have tried to develop better ties with labor. Since the late 1970s, the government has:

- More than doubled the number of unions it recognizes, to nearly 1,000.
- Frequently mediated disputes between unions and employers, working through the Labor Secretariat.
- Raised minimum wages with greater regularity than previous administrations, which had held down wages to help foster economic growth.

In addition, legislation favorable to workers has received greater attention in the national legislature. Despite these actions, however, union activity is still constrained by a variety of legal restrictions, including a strict labor code drafted more than 40 years ago. [redacted]

Characteristics of Organized Labor

By Latin American standards, the percentage of union members is small. The US Embassy estimates that only 200,000 workers, some 12 percent of the country's total labor force, belong to unions. In Mexico, in contrast, nearly 25 percent of workers belong to unions. The most highly organized elements, however, are in the sectors of greatest economic importance—transportation, sugar, communications, and mining. Some small, independent businessmen—such as taxi drivers—also are well organized. Most unions are concentrated in Santo Domingo, Santiago, and San Francisco de Marcoris. [redacted]

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Unions traditionally have had limited leverage to use in conflicts with management. Labor laws clearly favor business interests, and the right to strike is severely restricted. Workers also are constrained by the ease with which strikers can be replaced—the rate of unemployment and underemployment exceeds 50 percent, according to US officials. Moreover, the weak financial base of most unions gives national leaders little direct control over their local counterparts. [redacted]

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The potential for rapid growth of Dominican unions is limited by societal and political factors. Aside from the sugar workers, who are highly unionized, most of the rural population in this heavily agricultural country is bound by traditional values and shows little interest in unions. Restrictive legislation—such as the law requiring unions to have at least 20 members, in a country where most businesses have less than 10 employees—also will continue to hinder organization. [redacted]

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Major Labor Confederations

Name	Leadership	Estimated Membership	Political Affiliation	International Affiliation	Comments
General Union of Dominican Workers (UGTD)	Juan Pablo Reyes	34,400 members, 155 unions	Dominican Revolutionary Party (PRD)	International Conference of Free Trade Unions (ICFTU)	Divided leadership; losing ground to better organized and disciplined confederation
Autonomous Confederation of the Working Class (CASC)	Gabriel del Rio	20,800 members, 266 unions	Independent Social Christian ties	Conference of Latin American Trade Unions (CLAT)	Most sophisticated non-Communist confederation; weakened by personal and ideological rivalries.
National Confederation of Dominican Workers (CNTD)	Carlos Enrique Arias Florian	32,400 members, 277 unions	Independent but probably leans toward Reformist Party	AIFLD ICTFTU	Contains bulk of transportation workers; active in recent work stoppages.
General Central of Workers (CGT)	Julio de Pena Valdez	39,450 members, 165 unions	Communist, with links to a half dozen leftist parties, including Juan Bosch's Dominican Liberation Party	Permanent Committee for Labor Unity in Latin America (CPUSTAL)	Strong in manufacturing and communications sector; largest affiliate is militant Dominican Teachers Association; leadership is sharply divided.
Central Unity of Workers (CUT)	Jose Cristobal Duran	4,800 members, 68 unions	Moscow-line Dominican Communist Party (PCD)	CPUSTAL	Minor competitor to the left of CGT.

[Redacted]

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Labor Disunity

Opposition to austerity has encouraged tactical cooperation among unions and has heightened labor's sense of purpose, but the overall movement remains highly factionalized. The US Embassy in Santo Domingo estimates that 30 percent of unionized labor is Communist influenced or controlled. The labor affiliate of the ruling party controls another 30 percent, and a group with Social Christian links dominates some 15 percent. The remainder are nominally independent. Preliminary plans by the conservative Reformist Party to form its own labor affiliate will compound the factionalism and further weaken labor's ability to exert steady pressure on the government. [Redacted]

Disunity within individual unions has magnified the obstacles to greater cooperation by undermining the control union leaders have over the rank and file. According to US Embassy reports, the large Communist-dominated labor federation was wracked last year by a struggle for leadership between

supporters of Communist leader Isa Conde and the head of the leftist Dominican Liberation Party, Juan Bosch. Similarly, factionalism in the ruling party has carried over into its labor affiliate. President Jorge Blanco presently cannot count on the backing of the party's union affiliate because backers of his major opponent in the party—Senate President Jacobo Majluta—dominate the union's leadership. [Redacted]

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Labor's Reaction to Austerity

Despite its lack of cohesion, the labor movement is still able to exert political and economic influence on certain occasions. The US Embassy observes that labor unions have emerged as Jorge Blanco's chief antagonist in his efforts to implement austerity measures. Selective work stoppages following food price increases last April were particularly disruptive. They contributed to the President's decision to abandon talks with the IMF for a formal standby agreement in favor of a less demanding "shadow" accord. [Redacted]

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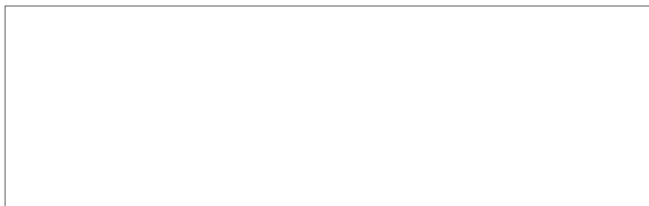


Labor demonstration in August. [redacted]

Listin Diario ©

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Labor leaders have also taken the lead in forcing the government to delay electricity price increases and have lobbied hard for wage hikes, improved social security benefits, and other measures designed to reduce the impact of austerity on the poor. Labor's role as a spokesman for those hit hardest by falling standards of living has been enhanced by the strategy most major opposition parties are following. Although they are opposed to key aspects of the austerity program, they have done little to stand in the way of its implementation because they look forward to benefiting from popular discontent when voters go to the polls in upcoming national elections. [redacted]



In part a reflection of the leftist belief that the country is on the verge of a revolutionary upswing, the leftist-dominated unions have been far more aggressive than other unions in opposing the government's belt-tightening measures. [redacted] they worked closely with radical leftist organizations last spring to establish popular-based front groups—"popular struggle committees"—to mobilize anti-administration sentiment. [redacted]

For his part, Jorge Blanco has followed a carrot-and-stick approach in dealing with labor. To derail union-sponsored, antiausterity demonstrations, he has arrested key labor leaders and has ordered security forces to occupy union headquarters. Earlier this month, to disrupt anticipated protests over petroleum price hikes, the President deployed troops in major cities. Deft political moves—such as allowing the chauffeurs' union (taxi and truck drivers) a rate increase equal to the hike in gasoline prices—have dampened the willingness of some unionists to take to the streets. To lessen domestic criticism of his aggressive tactics, the President also has made some conciliatory gestures. For example, he raised minimum wages, although not as much as labor had demanded, and announced new welfare measures. [redacted]

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According to US Embassy officials, these committee members played a key role in fomenting the civil disturbances in late April. [redacted]

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Outlook

Despite Jorge Blanco's success in keeping the lid on labor dissidence, we believe his task will become increasingly difficult. With the rate of inflation expected to exceed 30 percent by the end of 1984—the highest in the Dominican Republic in four decades—and poor economic prospects next year, workers face more austere living conditions. Moreover, although Jorge Blanco has implemented some belt-tightening measures, much more needs to be done if Santo Domingo is to reach agreement with the IMF anytime soon. We judge that the President's demonstrated willingness to use force, together with continued support from the military and a large share of the private sector, are likely to give Jorge Blanco enough leverage to further tighten austerity. We do not rule out an increase in labor agitation, however, especially as campaigning gets under way for national elections scheduled for early 1986.

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**Panama: Drug Money
Crossroads** [redacted]

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Despite disclaimers by its government, Panama has become perhaps the leading narco-dollar center in the Caribbean. Panama's rise to prominence as a drug money center is in large part a result of its attractiveness to the region's dominant Colombian trafficking organizations. Along with a long and close financial relationship, Panama offers the Colombians a Spanish-speaking banking system with stringent secrecy laws, liberal incorporation laws that facilitate shell accounts, corruptible officials, and legal tender status for the US dollar. US pressure for relaxation of Panama's bank secrecy laws may be forcing the Colombians to search for alternatives to Panama, but, as long as a modicum of bank secrecy is preserved there, a dramatic shift in drug money movement is unlikely. Rather, we expect the Colombians would first attempt to alter their methods of operation in Panama or gradually fragment the drug money chain, with Panama becoming one of several equally important centers. [redacted]

Panama's Role as a Money Laundering Center

Over the last several years, considerable evidence has accumulated that Panama is a leading, if not the leading, drug money center in the Caribbean Basin. One indicator of its importance to the all-cash drug industry is the enormous amount of surplus dollars returned by the Banco Nacional de Panama to the United States. In 1982 and 1983 the returned surplus was on the order of \$1 billion—compared to several hundred million or less from any other offshore banking center. Although this cash cannot be directly traced to drug trafficking, the denominations involved suggest strongly that much of it is "street money" derived from drug sales in the United States. Moreover, [redacted] along with evidence compiled domestically in connection with the indictments of several major money launderers, overwhelmingly support the conclusion that Panama is a narco-dollar crossroads. [redacted]

Ties With Colombian Traffickers

Panama's prominence as a drug money center stems in large part from its role as a magnet for Colombian coca and marijuana money. From one-third to one-half of the estimated \$5-15 billion in drug money that leaves the United States each year represents revenues of Colombian marijuana and cocaine traffickers, most of whom bank part of their proceeds in Panama. [redacted]

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The first credible evidence that Panama was serving as a center for Colombian narco-dollars was provided in 1980 to the US Consulate in Cali, a major cocaine trafficking center. A Cali exchange house operator familiar with black-market money movements reported that "a great deal of [drug money] passes straight through the country to Ecuador or never enters but stops in banks in Panama." [redacted]

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The attraction of Panama for Colombian drug traffickers is a reflection of a close financial relationship that extends back several decades. Even before Panamanian banking law was liberalized in 1970 to attract foreign banks, three Colombian banks had branches in Panama, a representation exceeded only by the United States' four branch banks. There are now nine Colombian banks with general licenses

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General License Banks in Panama
As of 31 December 1982

Million US \$

Banks	Number	External Loans	Local Loans	External Deposits	Local Deposits
Panamanian	10	15.2	1,213.4	170.7	1,147.3
US	9	7,341.8	936.1	10,074.4	751.0
Colombian	9	1,689.4	255.0	1,560.3	475.0
Other Latin American	13	2,128.0	178.6	2,481.5	321.8
European and Canadian	16	3,355.9	645.8	6,730.1	770.0
Asian and Middle Eastern	9	3,541.3	133.8	4,429.9	131.6

in Panama, more than any other nationality except the United States and Panama (see table); and Colombians reportedly hold substantial equity in non-Colombian banks. The role of Colombian traffickers in this expansion has never been fully documented, but according to DEA at least one trafficker, Gilberto Rodriguez Orjuela, is a major investor in, and officer of, a Panamanian bank that opened in 1975. Since most Colombian branch banks in Panama were established in the 1960s and 1970s, the period during which the lucrative Colombian drug trade to the United States was launched, involvement of other traffickers seems likely. [redacted]

In addition to its advantages as a Colombian offshore banking center, Panama offers a number of other features of particular interest to Colombian traffickers:

- It is the only large Spanish-speaking offshore banking center in the Caribbean Basin area. This is a major attraction for Colombian traffickers, many of whom are inexperienced in the international milieu and all of whom demonstrably prefer the anonymity offered by a Hispanic environment.
- Panama provides perhaps the most stringent bank secrecy in the Caribbean along with liberal incorporation laws that facilitate establishment of shell accounts to further disguise the true ownership of dirty money.

- The free port of Colon, long a transit point for contraband, offers a convenient acquisition site for precursor chemicals used in the processing of cocaine.

[redacted]

- The legal tender status in Panama of the US dollar, the medium of exchange for most Colombian drug deals, permits more inconspicuous handling of cash receipts than in centers where the dollar is foreign exchange. [redacted]

Money Flows

The movement of drug money to Panama is facilitated by a cadre of gray money managers in the United States whose records have provided some of the most damning evidence of Panamanian involvement in the drug money chain. [redacted]

[redacted]

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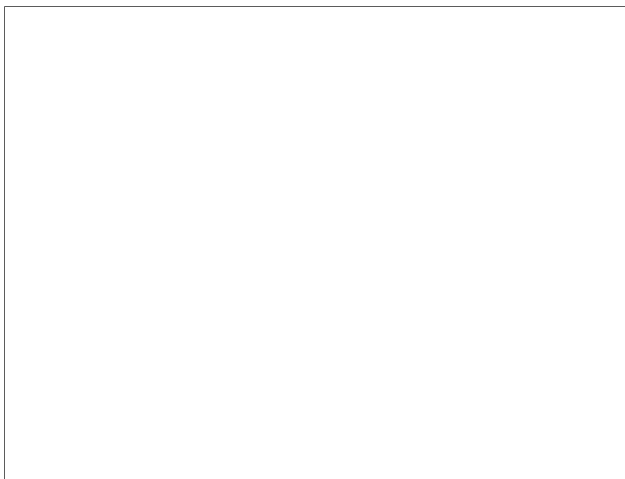
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would be most willing to tolerate lesser accommodations in such Hispanic locales as:

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- Spain, to which traffickers travel frequently to avoid arrest, to seek socially acceptable brides, and to monitor their interests in the growing European market for cocaine.
- Venezuela and Ecuador, to which growing and processing operations may be moved if the situation in Colombia becomes untenable and which have well-developed financial sectors that already are involved locally in drug money movements. [redacted]

Since no location offers all the advantages of Panama in the eyes of the Colombians, a dramatic shift in drug money movements is unlikely so long as some bank secrecy protection is maintained in Panama. More probable developments would be:

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Most of the large amounts of money flowing into Panama apparently is profits from the Colombian organization's illicit narcotics activity. Operating costs in Panama are minimal, with only a small proportion of the incoming money going to pay expenses. Judging from information obtained from Operation Greenback and from DEA field offices, funds used to reimburse growers, processors, and distributors in the drug chain are delivered in the form of cash or cashiers checks directly to Colombia. There is little information on the disposition of those drug profits after deposit in Panama. [redacted]

- Adaptation of the modus operandi to provide preliminary laundering of money en route to Panama. Initial deposits of cash in other locations is a move in this direction.
- Preservation of de facto secrecy in Panama in the form of greater corruption, an option that might be viewed as more cost effective than investment in the development of such untested centers as Venezuela and Ecuador.
- Greater fragmentation of the drug money chain. In such a scenario Panama would become one of several equally important centers, [redacted]

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Outlook

Panama's status in the drug money hierarchy may be on the wane. [redacted]



[redacted] in response to US pressure for relaxation of Panamanian bank secrecy laws, some traffickers also may be looking for other suitable financial centers. The list of those countries offering facilities comparable to Panama has been reduced by cooperation agreements signed with Switzerland and with the United Kingdom on behalf of the Cayman Islands. The chances are good, however, that the Colombians



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**Grenada: Prospects for the
Moderate Alliance** [redacted]

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Grenada's moderate alliance—the New National Party—stands a good chance of winning a strong majority of the 15 seats at stake in elections scheduled for 3 December. Led by Herbert Blaize of the Grenada National Party, the alliance also includes George Brizan's National Democratic Party and Francis Alexis's Grenada Democratic Movement. The Prime Ministers of Barbados, St. Lucia, and St. Vincent were instrumental in fashioning the agreement. They were motivated by concern that a return to power of the autocratic and corrupt Eric Gairy would undermine the effectiveness of regional security forces and provide leftists with a unifying issue. Although the new party is a positive development, the moderates still have to overcome their primary area of dissension—the allocation of seats on a single slate.

Late last month, the leaders of Grenada's four major moderate political parties agreed to unite to present a broad-based alternative to former Prime Minister Gairy's United Labor Party, which has benefited from the moderate's squabbling. Shortly after, representatives of the three larger parties voted to oust Winston Whyte and his Christian Democratic Labor Party from the alliance. This action stemmed from Whyte's refusal to disassociate himself from an article in his party's newspaper alleging secret negotiations between Blaize and Gairy. The US Embassy in Grenada and the other moderate leaders believe that Whyte's ouster could actually help the unity party. Whyte has only a limited base of public support. Moreover, his antagonistic manner and the controversy surrounding him because of his past political associations with Gairy and the leftist New Jewel Movement probably would have made Whyte a liability to the campaign.

The US Embassies in Grenada and Barbados report that domestic and regional reactions to the alliance have been cautiously optimistic. A steering committee of representatives from each of the three participating parties already has begun work on the new organization's structure and platform. A party constitution has been approved, and a manifesto of principles is being developed. According to the US Embassy in Grenada, the National Party has put together a \$634,000 campaign budget. The members expect to receive less than 10 percent of their funds from local sources and will look to foreign donors for the rest. [redacted]

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[redacted] some possible sources of aid include Grenadians living abroad and private US organizations.

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The new party—if it holds together and is able to mount a successful campaign—stands a good chance of winning a strong majority of the 15 seats at stake in the elections. The remainder probably would be won by Gairy's party and a few independent candidates. Gairy retains sizable support, however, among loyal elderly and rural voters, according to the US Embassy. Over the last few months, his party has gained strength by resorting to its past tactics of deception and vote buying. Moreover, underlying fears among the populace of a leftist resurgence have increased support for Gairy, whom many Grenadians see as the only leader strong enough to put down any Communist threat.

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Leftist elements in Grenada, however, are disorganized and, in our judgment, pose no political threat to the moderate candidate. The Maurice Bishop Patriotic Movement launched by Kendrick Radix and George Louison—two former ministers in Bishop's government—has no significant popular support, according to the US Embassy [redacted]

[redacted] We believe the group is unlikely to win any seats should it decide to contest the elections.

The strength and durability of the unity party will be tested in the next few weeks as the moderates try to reach agreement on a slate of candidates. While the key members finally appear serious about the alliance, past disagreements are likely to surface and the negotiations may be slow and painful. Without unity and a strong electoral mandate, the new government would find it difficult to deal with the island's political and economic reconstruction. Leftists would likely portray such problems as the legacy of the US intervention.

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**Latin America
Briefs**

Dominican Republic

Petroleum Price Increase

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The Jorge Blanco government's recent petroleum price hike of 20 percent could increase revenue by as much as \$40 million annually, but further austerity measures will be needed to qualify for IMF funding. The reduction of petroleum subsidies was a major IMF requirement for an unofficial, interim adjustment program. This temporary program will remain in effect until a formal standby can be put into place, perhaps as early as the first quarter of 1985. The Fund, nevertheless, requires additional belt-tightening, including further cuts in public spending and a restructuring of inefficient government-owned enterprises. Meanwhile, the government is counting on the interim accord, which provides no new IMF credit, to attract sizable new aid and investment—an unrealistic hope, in our view.

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Initial public reaction to the petroleum price hike has been muted, largely because of the widespread deployment of troops. To deter violence, the President had put the Army on a higher level of alert than during the food price riots in April. Unrest could develop, however, as the troops return to their barracks and the new measures begin to cut into living standards. Some Dominican economists and local businessmen fear the petroleum price hike will push inflation well above its present 30-percent level.

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Brazil

Lender Confidence Improving

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Trade and payments improvements over the first seven months of this year have led to renewed confidence by foreign lenders and the IMF in Brazil's ability to deal with its debt problems. At the same time, however, Brasilia is facing domestic criticism that austerity measures and triple-digit inflation are suppressing economic activity and hurting living standards. We believe the government—with a presidential election scheduled next January—may permit a moderate loosening of credit or wage controls, but will seek to comply as much as possible with its adjustment program in hopes of getting favorable terms during debt talks this fall.

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South America

Tenuous Financial Balance

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Higher interest payments, continued tight access to new credit, and—in most cases—sagging exports will mean most South American debtor nations will encounter deteriorating financial conditions through the rest of this year. Although the largest debtors—Brazil, Argentina, and Venezuela—will have improved trade surpluses, financial strains among the Andean debtors and even Argentina will continue to grow. Political pressures for growth—especially in Argentina, Chile, Peru, and Bolivia—may encourage some deliberate debt-servicing interruptions. We believe that at least some financial rescue programs will have to be revised; we also acknowledge a chance that the programs could begin to unravel.

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Cuba Chronology

August 1984

1 August

Granma publishes a joint Cuban-Ghanaian communique at the end of an official visit to Cuba by Ghanaian leader Jerry Rawlings, stressing bilateral relations and cooperation.

Deputy Foreign Minister Pelegrin Torras and Zhu Qizhen, assistant to China's Foreign Minister, meet in Havana to discuss bilateral relations and international topics.

The Foreign Ministry confirms that Deputy Foreign Minister Ricardo Alarcon is in New York City to discuss immigration problems with US officials.

2 August

Spain's Secretary of State for Commerce Luis Velasco Rami and Foreign Trade Minister Ricardo Cabrizas sign a protocol to develop lines of credit and increase mutual trade.

Johannesburg Domestic Service quotes a statement issued in Pretoria by the Department of Foreign Affairs that there are up to 31,000 Cubans—6,000 civilians and 25,000 soldiers—in Angola.

Havana press reports that seven 630-bed hospitals and two 320-bed hospitals are now under construction, and that another 37 hospitals throughout Cuba are being enlarged.

7 August

The Angolan press agency discloses that Luanda has agreed on the gradual withdrawal of Cuban troops from Angola; Luanda made a similar proclamation last March after President dos Santos's visit to Havana.

In an interview with *El Nacional* in Caracas, PRC Foreign Minister Wu Xuegian says, "Of late, the Cuban Government has shown interest in improving relations with China, and Beijing also wants this."

Prensa Latina reports that Cuba is using 18,000 workers and 3,000 pieces of equipment to fortify defenses against possible US attacks, adding that 15 percent of Cuba's reinforced concrete is being used to build bunkers.

10 August

Minister of Higher Education Fernando Vecino Alegret says in Mexico that, after 25 years of living under the US threat, Cuba is ready to repel an attack by the United States in defense of the revolution.

Cuba and Argentina sign a scientific and technical cooperation agreement, the first of its kind to be signed by the two nations, as a result of Hector Rodriguez Llompart's visit to Argentina.

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- 11 August** Ecuadorean Ambassador to Cuba Eduardo Santos Alvite says on Cuban radio that relations between Cuba and Ecuador are being normalized and have made possible the signing of a trade agreement.
- 12 August** Minister of Culture Armando Hart and Diogenes Cedeno Cenci, director of the Panamanian National Culture Institute, sign a document reaffirming ties of friendship.
- 13 August** The Council of State appoints Oscar Oramas as Cuba's new Ambassador and Permanent Representative to the United Nations.
- 14 August** Havana television reports that the US Senate has approved the appointment of Jorge Mas Conosa, believed to be one of the leaders of Alpha-66, as president of the anti-Cuban Radio Marti.
- 15 August** *Tribuna de la Habana* says, "It is necessary to prepare our population to face any attack," and adds that trenches and shelters are being built throughout Cuba as part of a defense and resistance plan.
- 16 August** President of the Council of Ministers Humberto Perez and his Hungarian counterpart Lajos Faluvegi sign an economic and scientific-technical cooperation plan through the year 2000.
- 20 August** Prensa Latina says Cuba mobilized thousands of its citizens in a civil defense drill over the weekend in anticipation of a possible US invasion led by a "massive air attack."
- 24 August** The Soviet ship Taras Shevchenko arrives in Cuba with some 800 Cuban students who graduated from various universities in the Soviet Union.
- Cuban Ambassador to the United Nations Raul Roa Kouri reiterates his country's solidarity for Puerto Rico's independence and denounces US militarization of that island during a speech before the United Nations.
- 25 August** Foreign Trade Minister Cabrizas and his Angolan counterpart Ismael Gaspar Martins sign trade agreements during talks in Cuba; Havana will participate at the Luanda trade fair this November.
- 28 August** Minister President of the Central Planning Board Humberto Perez arrives in Warsaw from Bulgaria to study the coordination of economic plans between Cuba and Poland for the next five years.
- 30 August** President Reagan, considering an increase in travel restrictions, orders an investigation into trips by journalists and professionals to Cuba.
- 31 August** Soviet Central Committee Politburo member Shcherbitskiy receives Juan Morente, recently appointed Consul General of Cuba, in Kiev to discuss strengthening relations.

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First Secretary of the Polish United Workers' Party Wojciech Jaruzelski receives Humberto Perez, Vice President of the Council of Ministers, to coordinate Cuban-Polish economic plans for 1986-90.

Humberto Perez and Manfred Gorywoda, chairman of Poland's Planning Commission, sign a memorandum on coordinating the 1986-90 economic plan.

A seminar on the US elections and Washington's policy toward Latin America opens at the Havana Convention Palace with Latin American and US researchers participating.

At the inauguration ceremony of the Cuban magazine *Cuadernos de Nuestra America*, Manuel Pineiro says Cuba is stronger, more organized, and more capable of defending itself than ever before.



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