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Latin America Review



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9 November 1984

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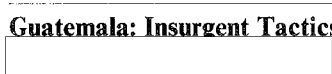







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**Latin America
Review**



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9 November 1984

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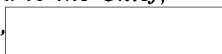
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*Articles have been coordinated as appropriate with other offices within CIA.
Comments and queries regarding this publication may be directed to the Chief,
Production Staff, Office of African and Latin American Analysis,*



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Articles

Brazil: The Military and the Left [Redacted]

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A surge in leftist political activity is making the Brazilian armed forces increasingly uneasy as they prepare to surrender power to a civilian president next March. In recent months, the military has shown its displeasure with the growing visibility of illegal Communist organizations, and some groups in the armed forces reportedly have been working to undercut opposition candidate Tancredo Neves, who is supported by the left. Moreover, scattered terrorist acts suggest that rightwing paramilitary groups, [Redacted] may have resumed operations. Although we believe the armed forces will allow Neves to take office if he wins the election, they clearly intend to remain the arbiters of acceptable political behavior under the civilian regime. [Redacted]

repudiation of military rule and as a threat to the values that inspired intervention 20 years ago. 25X1

[Redacted]

In the mid-1970s, when Brazil's generals initiated the process of *abertura* or political liberalization, they envisaged a gradual, tightly controlled transition to civilian rule that would permit them to return to the barracks with dignity while retaining substantial political influence. Since 1980, however, a series of problems—a three-year recession, a financial payments crisis, and President Figueiredo's inept leadership—have eroded the military's prestige and undermined its control over events. Figueiredo was unable to impose his choice as the government party's presidential candidate, many party members are defecting to the opposition, and Neves now seems likely to win the indirect election in January. The armed forces' departure from direct rule appears less a withdrawal than a rout [Redacted]

Because they associate the opposition with the left and would prefer a more congenial civilian administration, many generals have supported government party candidate Paulo Maluf. In August, Figueiredo ordered all public officials to back Maluf and sacked a cabinet officer who refused. [Redacted] 25X1

[Redacted] 25X1

Now, however, few military officers appear to place much hope in Maluf's campaign, [Redacted] 25X1

[Redacted] the US Embassy and defense attache—report that the armed forces are reconciled to an opposition victory. 25X1

According to [Redacted] press reporting, most high-ranking officers are willing to accept Neves's ascension to the presidency because he is a cautious, moderate politician who has worked well with the military. They are concerned, nonetheless, that in return for leftist support he may move to legalize the Communist Party or appoint radicals to important posts in his administration. [Redacted] 25X1

Military Concerns

In this atmosphere, the armed forces, in our view, see the resurgence of the extreme left both as a blatant

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Opposition rally in Goiania.



ISTOE ©

Moves Against the Left

The appearance of Communist banners and slogans at opposition rallies this year has taken on symbolic importance for the armed forces, in our opinion. [redacted]

[redacted]

At an opposition rally in Belem last month, police denied entry to anyone carrying outlawed banners or placards—and also anyone wearing a red shirt. Those who protested were detained. [redacted]

The military regime has signaled its displeasure in other ways as well, according to US Embassy and press reports. Federal police recently interrogated the head of the pro-Moscow Brazilian Communist Party about the party's support for Neves and its campaign to obtain legal status. The police also raided party headquarters in Belo Horizonte and Sao Paulo, arrested two of its officials, and apparently destroyed the offices of two of its newspapers. Late last month, the authorities also moved against the pro-Albanian Communist Party of Brazil, hitting offices in several cities and arresting about 40 militants. [redacted]

The US Embassy reports that the Army has ordered field commanders to instruct their troops on the dangers of leftist subversion. Local units also have been told to monitor campaign rallies and other activities involving the left. Public warnings by high-ranking officers about the subversive threat probably are intended to persuade radical groups to keep a lower profile. [redacted]

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Rightwing Activities

Scattered acts of violence against targets associated with the left or critical of the military indicate rightwing groups are resuming operations. Arson damaged the Sao Paulo office of Amnesty International last May and the Brazilian Bar Association headquarters in Brasilia in June. In Porto Alegre last month, a bomb destroyed the offices of Neves's opposition coalition. [redacted]

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[redacted]

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Prospects

The armed forces' commitment to return to the barracks apparently remains firm, despite their uneasiness over the resurgent left. Most officers seem reconciled to an opposition electoral victory, believing Neves will not threaten their institutional interests. [redacted]

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Nonetheless, the military clearly plans to play an active political role under the civilian regime, particularly in setting limits on the left. The generals' recent heavyhanded actions probably were intended to put both the traditional politicians and the extremists on notice that there will be no return to the radicalism of the early 1960s. [redacted]

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In opting for democracy, the armed forces may believe they already have let the genie out of the bottle. If the civilians can maintain order and keep the left at the margins of power, the officers probably will be able to live with the new, less controllable, more tumultuous political system. Otherwise, the military may, as it did in 1964, take command of the government. [redacted]

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[redacted]

**Guatemala: Insurgent
Tactics** [redacted]

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Guatemala's various insurgent groups continue to be plagued with the same problems—a crippled urban support structure, high combat losses, organizational disunity, and an improving political climate¹—that prevented them from disrupting the Constituent Assembly election held in July. To overcome these problems, the guerrillas plan to adopt new tactics designed to regain their credibility and forestall a further decline in their ranks. Their plans include emphasizing small-scale military operations, infiltration of political and social groups, and the use of terrorism. We believe these tactics, even if employed effectively, are unlikely to cost the government the strategic initiative. Moreover, some of them are likely to damage the insurgents' long-term goal of building popular support for their cause. [redacted]

[redacted]

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[redacted] the guerrilla groups remain divided by personality conflicts and ideological differences. Despite the urging of the Guatemalan National Revolutionary Union—the umbrella organization specifically created in 1982 to facilitate tactical coordination—the insurgent factions have failed to work together, even on matters of mutual concern such as mission planning and logistics management.

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[redacted]

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[redacted] this situation was likely to get worse as Cuba focused more on events in Nicaragua and did not press the issue of Guatemalan insurgent unity. [redacted]

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Insurgent Setbacks

[redacted]

Current Tactics

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In an effort to rebound from the setbacks suffered throughout most of this year, the insurgents have begun to use tactics that underscore their currently weakened condition. Their military actions are all low risk, high profile and are primarily designed to harass the government and demonstrate to the public that the insurgency is still a force to be reckoned with.

[redacted]

Since mid-summer, the insurgents have attacked only small, isolated Army and Civilian Defense Force units and have avoided contact with large government forces. Local press [redacted] indicate that skirmishes between guerrillas and

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government forces—some conducted at night—took place every few days between July and early November. In two of the largest, 17 soldiers and an Army engineer were ambushed and killed in Quiche Department in late August, and seven government troops were killed in another guerrilla ambush in late October. At the same time, the guerrillas have shunned contact with battalion-sized Army units, such as those that recently conducted sweep operations in Quiche. [redacted]

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The guerrillas periodically disrupt economic activity by temporarily seizing towns, cooperatives, and farms in remote areas. They also appear to be returning to their earlier strategy of attacking lightly defended economic targets such as power plants and bridges. Several such attacks have taken place since late August, according to press [redacted] reporting. These low-risk efforts probably reflect the insurgents' desire to inflict damage on the government without expending many resources. Nevertheless, these tactics—by disrupting transportation and blocking access to markets—impact directly on the local populace and probably work against the insurgents' long-term goal of regaining popular support. [redacted]

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Prospects

The guerrillas apparently believe the new tactics will stave off a further decline in their strength and counter the Army's highly successful counterinsurgency and civic action programs. In our view, however, some of their methods [redacted] [redacted] probably will increase popular resentment against the rebels and further erode what remains of popular support for their cause. [redacted]

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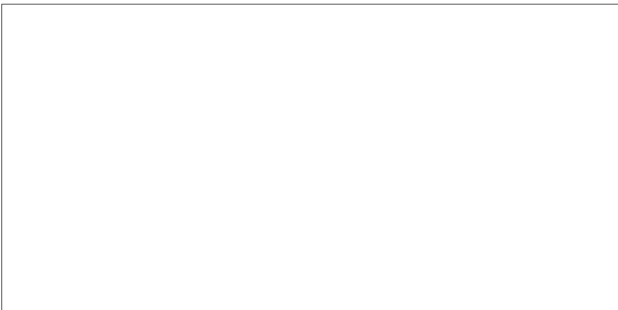
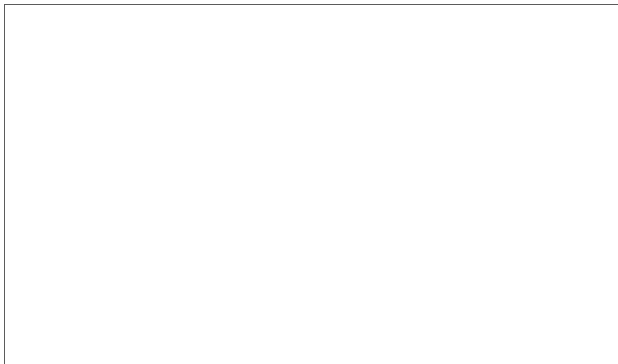
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Similarly, the insurgents' ability to penetrate and use political and social groups is likely to remain limited because of the weakness of their urban networks. Continuing government operations against safehouses, front groups, and other urban support structures probably will disrupt the rebels' attempts to rebuild their strength in the cities, recruit, and obtain financial support. Although some small leftist parties might be willing to accept manipulation by the insurgents, they would need to conceal their ties to the guerrillas or risk reprisal by the government. [redacted]

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Active Army patrolling probably will continue to keep the guerrillas off balance and on the move, thereby hampering their ability to regroup. Although the rebels' reversion to more traditional tactics involving small units in low-risk operations probably will reduce their combat losses, these tactics are unlikely to recapture the strategic initiative. [redacted]

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The guerrillas are likely to react to these mounting political and military problems by retreating even further to isolated parts of the country and conducting sporadic forays into populated areas and ambushes against small Army units. In the cities, they probably will resort increasingly to terrorism in an attempt to dramatize their presence and provoke a government overreaction. [redacted]

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[redacted]

**Cuba-Angola-Ethiopia:
Growing Morale Problems**



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The morale of Cuban troops stationed in Angola and Ethiopia has continued to decline over the past two months. [redacted] largely as a result of the hostility of the local populace in both countries toward the Cubans and growing pressure by the UNITA guerrillas in Angola. An upswing in South African and UNITA military activity in Angola over the past year or so has forced Havana to increase its presence there to probably as many as 35,000 military personnel. The Cuban military presence in Ethiopia, however, has declined to some 2,000 to 2,500 troops [redacted]

now be strong sympathy within the Angolan military for a diplomatic solution. [redacted]

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Situation in Ethiopia

Cuban troop morale also is low in Ethiopia, where the Cubans have had no active combat role since the Ethiopian victory over Somalia in 1978 in the Ogaden war. Although as many as 17,000 Cuban troops may have been deployed at that time, most of them have been withdrawn, leaving at most 2,500 Cuban military personnel there. The remaining contingent does little but garrison duty. President Castro has prohibited his troops from taking a direct part in the war between Ethiopian Government forces and Eritrean insurgents in the north primarily to avoid casualties, but also to avoid angering some Arab states that are sympathetic to the insurgents. [redacted]

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In Angola, [redacted] local commanders have placed tighter security restrictions on Cuban military personnel following a shooting incident in Luanda in August that left one Cuban and three Soviet soldiers dead. The new regulations limit the movement of off-duty Cuban soldiers in the Luanda area and require that noncombat personnel wear civilian clothes to distinguish them from Cuban troops. Visitors have been prohibited in troop quarters and soldiers have been urged by their commanders to avoid all contact with the local population. [redacted]

A West European military attache recently observed Cuban troops in Dire Dawa that were poorly dressed and apparently in ill health, according to US Embassy reporting. The attache's Cuban counterpart attributed the poor morale to a lack of military duties and admitted that alcoholism and venereal disease were increasing among enlisted men. Off-duty Cubans often were observed armed with assault rifles and pistols. [redacted]

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The Cubans are suffering increasing casualties from raids by UNITA on towns where there are Cuban garrisons. The Luena area of Angola reportedly has been the site of several clashes between Angolan and UNITA forces, and one UNITA attack was repulsed only by the decisive intervention of the Cubans.

[redacted] the situation in Luena was so dangerous, Cubans could not move freely outside their compound. [redacted]

Moreover, relations between Cuban military personnel and the Ethiopian people are strained. The Cubans reportedly have taken advantage of their status and protection by the Mengistu regime to commit crimes against Ethiopians that go unpunished. Ethiopians are treated as inferiors, and Cuban military advisers have reportedly beat Ethiopian recruits senseless when they failed to measure up to Cuban standards. [redacted]

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Despite nine years of heavy Cuban assistance, Angola's security situation continues to deteriorate. Luanda's efforts to turn back the insurgents have not prevented the continued expansion of UNITA's area of operation, and [redacted] there may

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Effects at Home

Morale is also on the downswing in Cuba. Castro claims that there are over 100,000 veterans of foreign service—most are probably from the nine years of war in Angola. [redacted] the horror stories of soldiers returning from Angola are alarming the population and, as the war drags on, increasing numbers of Cubans apparently prefer to turn in their party and workcards rather than serve in Angola. [redacted]

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Cubans have long been disturbed by the continuing casualty flow in Angola, and may apparently see the involvement there as costly and having little tangible return. As news of the recent problems in Angola spread, popular attitudes on the Angolan relationship are likely to deteriorate further, and incidents in Cuba that embarrass Havana and complicate its ties with Luanda are possible. Harassment of Angolans working or studying in Cuba is likely to increase as Cuban frustrations mount. Faced with this situation, Castro probably will be particularly wary of any Cuban troop withdrawal settlement that appears to be a military defeat. [redacted]

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[redacted]

Cuba: Mixed Economic Performance [redacted]

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Havana has boasted in a report to its Western creditors that its economy during the first half of this year registered strong growth and increased worker productivity. The data presented in the report [redacted] however, signals impending problems for Cuban economic planners. Mounting imports from the West and the weakened performances of sugar and nontraditional exports have contributed to a swelling hard currency trade deficit. This deficit could exhaust Havana's meager foreign reserves, add to its unwieldy Western debt, and undermine its chances to complete another official debt rescheduling next year. [redacted]

more the result of sharply increased imports. Earlier restraints on imports—applied in 1982 and 1983 while Havana grappled with foreign exchange shortages and two debt renegotiation exercises—apparently have been abandoned. According to the Cuban data, imports from the Soviet Bloc rose 19 percent, while those from the West jumped 69 percent, probably largely the result of expanded lines of credit from Argentina and Spain. Past trends and official Cuban policy suggest that as much as 76 percent of the imports from the West consisted of raw material and intermediate goods that would have contributed directly to economic growth. [redacted]

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The estimated real growth of Cuba's gross material product during the first half of this year probably will be closer to 3 percent than the 9.9 percent that Havana claims.¹ The US Interest Section in Havana agrees that economic activity appears to have increased earlier this year, based on observed construction and transportation activity. The government's report, however, apparently overstates the rate of growth by failing to take account of inflation, estimated by the Interest Section to be close to 7 percent. Furthermore, the assertion that all sectors of the economy grew by at least 6 percent is contradicted by data presented later in the same report that indicates declining output of several commodities. [redacted]

The resurgence of imports from the West was not balanced by any comparable increase in hard currency exports, indicating that Havana will be hard pressed to sustain this pace of economic growth over the next few years. The hard currency trade deficit grew to \$156 million by June and would have been even larger without the resale of \$179 million worth of Soviet-supplied petroleum, according to Cuban data. The trade deficit is likely to widen further as the demand for energy to sustain growing economic activity cuts into the petroleum available for re-export. Furthermore, Havana's drive to stimulate production of nontraditional exports appears to be floundering. Falling production and sales of nickel, citrus, coffee, and textiles—products touted as central to Havana's export promotion drive—account for much of the decline. According to the [redacted] report, the decline in the value of sugar owing to the weak world market for that commodity accounted for less than half of the sharp drop in total exports to Western markets. [redacted]

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Havana claims that more than 80 percent of the growth results from increased productivity. This claim reflects the government's effort to spotlight the success of highly publicized incentive programs introduced into roughly half of all economic establishments over the past two years. In reality, however, the spurt in economic activity probably is

Despite the short-term growth sparked by the surge in imports, Havana's runaway trade policy is likely to

¹ Gross material product (GMP), measures the value of goods produced and services used by the productive sectors. It does not include services such as passenger transportation, finance, insurance, public administration, the Army, or internal security [redacted]

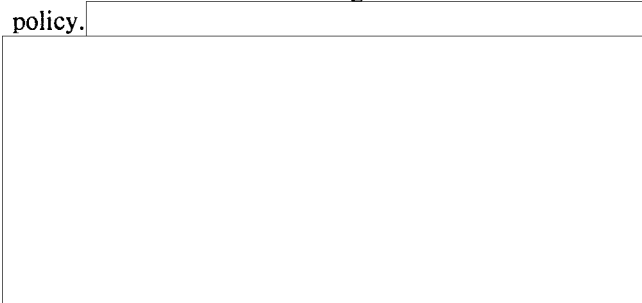
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aggravate Western creditors. The widening trade deficit suggests that the government may be falling well short of the targets on the hard currency trade balance and foreign reserves negotiated with official creditors in debt rescheduling exercises earlier this year. Furthermore, an attempt to finance the deficit with new Western credits—if they were to be forthcoming—probably would push Havana over its target for total foreign debt. Under this year's rescheduling agreement, Havana must meet these targets before official creditors consider rescheduling the 1985 debt.

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We judge that Moscow is unlikely to provide the hard currency necessary to finance Havana's freewheeling purchases from the West. The Soviets have refused to bail out the Cubans in past hard currency debt crunches. Moscow probably also believes that the Cubans have been too extravagant in their trade policy.

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The Bahamas: Pindling Still on Top



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Despite pressure from both the ruling and opposition parties, Prime Minister Lynden O. Pindling remains firmly in control of the government. His recent reelection as leader of the ruling Progressive Liberal Party and the inability of the weak opposition party to pose a strong challenge tends to discount rumors that Pindling will resign from office in the near term. Although the Prime Minister may face serious charges when a Commission of Inquiry into government corruption presents its report later this year, we believe that he is determined to remain in office and will take whatever steps he deems necessary to maintain his position until his term ends in 1987.



Pindling with bodyguards.

Nassau Tribune ©

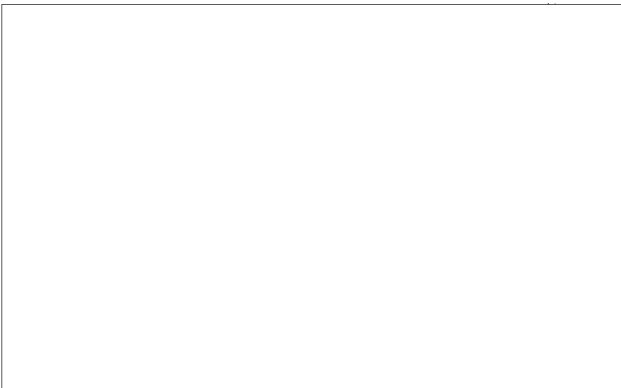
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In September 1983, an NBC news report alleged that senior government officials, including the Prime Minister, had accepted bribes to protect drug-smuggling operations in the islands. In response, Pindling called for the formation of a Royal Commission of Inquiry to investigate the charges. Although the Commission originally was expected to finish hearing testimony in June 1984 and to present its findings in September, proceedings did not progress as quickly as hoped. As a result, Commission members now anticipate releasing the report in late December.



members to oust Pindling with a call for a vote of no confidence when Parliament convened on 10 October.

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The investigation reportedly has failed to find any evidence directly linking Pindling to drug payoffs. Nevertheless, a number of financial irregularities—most notably Pindling's acceptance of a large finders fee for the sale of a government-owned bridge—and the resultant unfavorable coverage in the foreign press have severely damaged Pindling's public and party support.



Hanna's plan for a vote of no confidence was scuttled by the refusal of the opposition Free National Movement to cooperate.

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The resignation on 8 October of Deputy Prime Minister Arthur Hanna—leader of the anti-Pindling faction in the ruling party—apparently was designed to set the stage for an effort by dissident party

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[redacted] Lacking the support of opposition parliamentarians needed to topple Pindling, Hanna apparently abandoned the plan. [redacted]

Pindling may choose not to release the entire report, but the chances for a leak make this a risky tactic. After Pindling and the Cabinet study the report, it is scheduled to be released to the Parliament and the Attorney General's office. Although Attorney General Paul Adderley has warned that he will pursue legal action against Pindling if there is strong evidence of wrongdoing, we believe that Adderley is unlikely to do so. Adderley is politically vulnerable because he is the only Cabinet minister not holding an elected seat in Parliament and he can be dismissed by the Prime Minister at any time. Although such a move would imply guilt on Pindling's part, it is a risk he probably would be willing to take if the Commission's report further damages his reputation. If he took such action, Pindling would also probably estimate that Adderley's unpopularity—his arrogance has gained the Attorney General many enemies in both the ruling and opposition parties—would dampen any public disapproval of the dismissal. [redacted]

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Pindling then moved to strengthen his control of the party during the organization's convention in late October. [redacted]

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[redacted]

[redacted] The strength of Pindling's support within the party was demonstrated when his handpicked candidate for the party chairmanship defeated the incumbent—a strong Hanna supporter—by an overwhelming 302 to 107 margin. [redacted]

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With Pindling's control of the party stronger than ever and those most tainted by the Commission hearings removed from leading government and party positions, the Prime Minister is now likely to focus on developing a strategy to deal with the results of the Commission report. Pindling probably calculates that many of the accusations will be discounted because the testimony consists largely of unsubstantiated third-party evidence, much of it from convicted criminals and known drug traffickers. The postponement of the report's release is likely to work in Pindling's favor. Over a year already has lapsed since the initial accusations were made, and public interest probably will continue to wane in the next few months. [redacted]

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**Latin America
Briefs**

Caribbean **Possible Withdrawal of Security Forces** [redacted] 25X1

Some members of the multinational Caribbean Peacekeeping Force stationed in Grenada may be withdrawn following the elections on 3 December. The unit is made up of about 300 men from the Jamaica Defense Force and small contingents from Antigua, Barbados, Dominica, St. Kitts-Nevis, St. Lucia, and St. Vincent. The peacekeeping force has the primary responsibility for security in Grenada until a restructured indigenous police force is ready around April 1985. Some 200 US military personnel provide backup support. [redacted]

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Late last month, St. Vincent Prime Minister Mitchell publicly announced that he intends to withdraw his country's contingent on 5 December unless the Grenadian governor general requests further assistance. [redacted]

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[redacted]

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Although the primary motivation for the withdrawals is economic—the countries are barely able to afford maintenance of police forces on their own islands, much less on Grenada—there are political considerations as well. In all of the participating countries, the continued presence of the peacekeeping force has been criticized by opposition elements. In addition, increasing violence in Jamaica and the possibility of unrest in Dominica during the coming election campaign period indicate a greater need for the security personnel in their home islands. [redacted]

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Jamaica **Rising Political Violence** [redacted] 25X1

A decision by the Worker's Party of Jamaica, a small Communist Party, to arm its activists in Kingston has caused increased clashes since June between leftist gunmen, armed gangs of the ruling party, and police, [redacted]

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[redacted] Worker's Party chief Trevor Munroe wants to goad the government into declaring a state of emergency to increase pressure for new elections. [redacted] member of the main opposition party is directing small, newly created paramilitary groups to commit violence and is coordinating his activities with Munroe. [redacted]

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The paramilitary groups are more organized and better armed than the usual street gangs that have plagued Jamaica in recent years. Nevertheless, Prime Minister Seaga, whose popularity is badly eroded by Jamaica's economic difficulties, is unlikely to call new elections. Instead, he probably will crack down soon to curb the violence. The timing, so close to the start of the crucial tourist season in December, could badly hurt foreign exchange earnings and further deter investors. [redacted]

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Netherlands Antilles**Refinery Closure** [redacted]

Exxon's announced plan to close its Lago oil refinery in the Netherlands Antilles early next year will compound the country's economic troubles. Company officials decided to shut down the Aruba operation, the largest in the six-island federation, after a yearlong effort to make the refinery profitable. Royal Dutch Shell, operator in Curacao of the other refinery in the country, has announced that it also will pull out unless costs can be cut. [redacted]

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Reduced US oil demand and excess refining capacity have depressed sales of Caribbean refined products. Such products account for 97 percent of Antillian export earnings. With other foreign exchange earners—tourism, ship repair, and offshore banking—already languishing, closure of even one refinery could nearly cripple the country's economy. A shutdown of both refineries would add about 2,000 workers to the jobless ranks, pushing the unemployment rate to over 40 percent. Growing economic troubles are likely to generate unrest, particularly as Aruba prepares to leave the Federation in early 1986. [redacted]

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Dominican Republic**Financial Troubles Deepen** [redacted]

The government estimates that its foreign reserves will be \$750 million in the red by the end of this year unless debt relief can be obtained. Gross reserves now stand at only about \$170 million. The government owes \$885 million to Mexico, Venezuela, and other government creditors, and \$35 million in interest to commercial bankers through the rest of this year. It has proposed a 90-day suspension of payments on the commercial debts while preparing a rescheduling proposal to be presented to foreign bankers by 31 December. Officials are hoping to conclude an IMF agreement by December and a Paris Club rescheduling by March 1985. We believe the government's timetable may be overly optimistic. In the meantime, deteriorating economic and social conditions could prompt new outbreaks of domestic unrest. [redacted]

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Barbados

Faltering Economy

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The Barbadian economy continues to falter despite the economic recovery in the United States—Barbados's main trading partner—and passage of the Caribbean Basin Initiative. Formerly one of the Caribbean's strongest performers, Barbados is likely to register little economic growth in 1984 despite a slight rise in tourism, its major foreign exchange earner. Excessive government regulation appears to be limiting the coattail effect of the US recovery and reducing the effectiveness of the CBI.

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Intraregional trade protectionism has hobbled the island's light manufacturing sector, and in the sugar industry high processing costs and low prices are more than offsetting the 18-percent rise in sugar production this year. The economic slowdown has pushed the overall jobless rate to 18 percent—the highest since 1976. Falling exports have prompted the government to borrow heavily at home and abroad on nonconcessional terms to continue funding ambitious development projects. Opposition parties are working hard to take advantage of growing public dissatisfaction with economic hard times to strengthen their hand in national elections that are constitutionally due in 1986.

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The opposition will have an opportunity to make gains in a second byelection to fill a vacancy in the National Legislature to be held late this month. The runoff is necessary because the Barbadian High Court, acting on claims by the ruling Barbados Labor Party of irregularities in the counting of ballots, voided the first special election held in July. The opposition Democratic Labor Party won the earlier race by a slim margin.

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