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**Latin America  
Review**



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**29 March 1985**

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ALA LAR 85-008  
29 March 1985

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**Latin America  
Review** [Redacted]

25X1

29 March 1985

		<i>Page</i>	
<b>Articles</b>	<b>Cuba: Gloomy Energy Prospects</b> [Redacted]	1	25X1
	[Redacted]		
	Since 1980, Cuba has been trying to reduce its dependence on Soviet-supplied oil by investing heavily in domestic energy exploration, petroleum refining projects, and energy conservation measures. Progress is unlikely until the 1990s, however, when the country's first nuclear power station is scheduled to open. [Redacted]		25X1
	[Redacted]		25X1
	<b>Western Europe: Changing Perspectives on Central America</b> [Redacted]	9	25X1
	[Redacted]		
	Most West European political leaders are viewing the Salvadoran Government in a more positive light, and they are becoming increasingly disillusioned with Nicaragua's failure to move toward democracy. [Redacted]		25X1
	<b>Haiti: Legalization of Political Parties</b> [Redacted]	13	25X1
	[Redacted]		
	The Duvalier regime appears ready to allow political parties to operate openly for the first time in the 39-year history of the dictatorship, but a genuine opening of the political system is unlikely any time soon. [Redacted]		25X1
	[Redacted]		25X1

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**Uruguay: Sanguinetti's First Few Weeks**

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Most opposition leaders and the military are cooperating with the new President, but there are signs that this may change.

Communist-instigated labor unrest is emerging as Sanguinetti's most intractable near-term problem. [Redacted]

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**Cuba: Support for the Polisario Front**

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Cuba has supported the Algerian-backed Polisario Front since the mid-1970s, but it generally has viewed the insurgency as having less importance than other regional policy objectives. [Redacted]

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**Brief**

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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, [Redacted]*

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Articles

**Cuba: Gloomy Energy Prospects** [Redacted]

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In an apparent effort to reduce dependence on Soviet-supplied petroleum, Cuba has been investing heavily in domestic energy exploration, petroleum refining and production projects, and energy conservation measures. Although this campaign has been under way since 1980, it is unlikely that Cuba will achieve any progress until the 1990s, when its first nuclear power station is scheduled to open. In the meantime, Cuban consumers are likely to suffer additional hardships if oil shortages occur as a result of the higher priority now being given to Cuba's export industries. [Redacted]

**Dependence on Soviet Petroleum**

The USSR supplies nearly all of Cuba's petroleum needs, including crude oil and refined products, which accounts for almost two-thirds of the country's energy consumption. About 10 percent of Cuba's oil imports is provided indirectly through a swap arrangement with Venezuela—Caracas ships oil to Havana in exchange for Soviet shipments to a Venezuelan refinery in West Germany. The price of the Soviet oil is based on a moving average of the world price during the previous five years. This pricing policy has resulted in an implicit subsidy for Havana amounting to some \$6.6 billion since 1971. The five-year moving average is probably now near the world price, however, eliminating the subsidy. [Redacted]

Cuban officials have stated publicly that the Soviets "guaranteed" to supply Havana with 220,000 to 240,000 barrels of oil per day during the 1980 to 1985 five-year plan. We believe, however, that Soviet oil shipments have steadily declined since 1982, possibly by as much as 25 percent. Vice President Rodriguez told foreign diplomats at the CEMA heads of government meeting in Havana last October, that

Moscow promised to supply Cuba during 1986 to 1990 with the same volume of petroleum delivered under the current five-year plan. [Redacted]

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**Domestic Production Alternatives**

Cuba has spent considerable resources, with assistance from CEMA countries as well as Western nations, on energy projects to alleviate its dependence on Soviet energy. Only the nuclear program appears to offer hope for some degree of energy independence. [Redacted]

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Domestic oil production accounts for less than 10 percent of Cuba's energy needs, and is likely to remain marginal. Studies [Redacted] made before the revolution as well as geological surveys from the 1960s show little hope for the discovery of large oil reserves either onshore or in littoral areas. A study in 1981 [Redacted] concluded that the offshore region is the only area from which a moderate volume of oil and gas might be extracted. [Redacted]

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Cuba contracted with the Mexican oil company PEMEX in 1980 to assist in oil exploration. PEMEX shipped US-manufactured drilling rigs and other drilling equipment to Cuba [Redacted]

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[Redacted]

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[Redacted] Cuban Foreign Minister Malmierca said last summer that drillings were being conducted by British, Spanish, and Canadian firms. In addition, the Cuban press reports that the Soviets have been drilling a deep well off the northern coast since last September, [Redacted]

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ALA LAR 85-008  
29 March 1985

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137,000 barrels per day of refined products. 25X1

[Redacted] the first stage of the new refinery, estimated to cost \$365 million, will be completed by 1987. The three existing refineries—two in Havana and one in Santiago de Cuba—are being modernized and expanded. [Redacted] 25X1

With the exception of nuclear energy, Cuba's other sources of energy are generally unpromising. Cuba has no anthracite or bituminous coal deposits, and its small deposits of lignite coal would be uneconomical to mine. The Cubans manufacture ethanol from the residual syrup obtained during sugarcane processing to produce gasahol, used as a cooking fuel and as a raw material for the chemical industry. Gasahol production probably is limited, however, by the significant investment of hard currency needed to expand ethanol output. Cuba's thermal electric power plants could be converted to burn an oil-coal mixture, but these renovations would take three to five years to complete and cost several hundred million dollars. Such an expenditure may be cost effective because the renovations could cut Cuban oil consumption by as much as 8 to 10 percent. [Redacted]

Improvements to the oil distribution network also reportedly are under way. According to the Cuban press, a supertanker base east of Havana in Matanzas Province is scheduled for completion this year. Pipelines reportedly are being constructed to link the supertanker base with oil refineries in Havana and Cienfuegos, and between the Cienfuegos refinery and a large thermoelectric plant under construction in Matanzas. In addition, the West German Government recently informed the United States that the firm Mannesmann AG is considering a joint project with the USSR to build an oil loading/unloading facility in Cuba. [Redacted] 25X1

Conservation Initiatives  
The regime's efforts include a campaign to encourage energy savings. A National Energy Commission was created in 1983 to write annual energy use plans and to develop sanctions and incentives that would stimulate increased energy conservation. Several other conservation measures have been enacted, including bonuses to enterprises that lower oil consumption, use of fluorescent lighting, and an increase in electricity rates during the hours of peak demand. [Redacted] 25X1

A nuclear power station is under construction on the south coast near Cienfuegos that, [Redacted] [Redacted] will contain four Soviet-built 417-megawatt reactors. After numerous delays—the facility originally was to be operational in 1985—construction now seems to be in full swing. The Cuban press reports that, as of last November, there were 188 Soviet advisers and 5,500 Cubans at the Cienfuegos site. Two of the reactors are scheduled to be operational by 1990, and Havana claims that each reactor will cut Cuba's oil consumption by 12,000 barrels per day—equivalent to 7 percent of annual Soviet petroleum imports. [Redacted]

[Redacted] monthly gasoline rations for personal and business use were cut about 40 percent in January. [Redacted] 25X1

[Redacted]

At a press conference last October, Cuban Vice President Rodriguez discussed plans for two more nuclear power stations, one to be located in western Cuba and the other near Holguin in eastern Cuba. [Redacted]

The chief incentive for conserving energy has been an arrangement since 1982 with Moscow that permits Havana to resell the Soviet oil it saves on the world market for hard currency. In 1983, oil resales exceeded even sugar sales as Cuba's leading earner of foreign exchange. Cuban statistics, however, show that income from the sale of surplus Soviet oil was lower during the first nine months of 1984 than [Redacted] 25X1

**Improvements to Refining and Distribution Capabilities**

The Cubans, with Soviet assistance, are building a new oil refinery near Cienfuegos that should add significantly to the island's current capacity of

during the comparable period of 1983. The Soviets have allowed Cuba to continue this arrangement through at least 1991 [redacted]

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**Outlook**

Havana's ability to save on energy consumption is limited. There is little potential for additional energy savings by Cuban households. Residential energy users own few appliances and automobiles, and account for only a small share of the island's total energy consumption. Moreover, the prospects for conservation in industry and agriculture are not much better, especially when Cuba's new nickel and thermoelectric plants become operational. Two nickel plants currently under construction—one is scheduled for completion this year—will increase the country's oil use by about 25,000 barrels per day. New thermoelectric plants, including the largest one ever built in Cuba, will demand another 14,000 barrels per day by the late 1980s and 18,000 barrels per day more by the late 1990s. [redacted]

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The energy situation is unlikely to improve substantially until early in the next century, when the second and third nuclear power stations are expected to be completed. Even after these facilities are completed, Havana will be dependent on the USSR for uranium to fuel the nuclear reactors. Although Havana could attempt to secure uranium from other suppliers, this option would be costly because of the low number of other uranium-producing countries.

[redacted]

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The expected sharp increase in oil demand from the expanding industrial sector, combined with stagnating Soviet petroleum deliveries, is likely to create shortages later in this decade. The beleaguered Cuban consumer will take the first blow, but industry and agriculture will also have to bite the bullet. If oil shortages occur, labor motivation and productivity probably will decline as consumers are forced to endure even greater burdens. Moreover, it will be especially difficult for Havana to meet President Castro's recently announced goal to increase hard currency export earnings by at least \$500 million a year. [redacted]

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**Western Europe: Changing Perspectives on Central America** [ ]

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Most West European political leaders are viewing the Salvadoran Government in a more positive light, and they are becoming increasingly disillusioned with Managua's failure to move toward democracy. Despite their disenchantment with the Sandinistas, however, leftist governments and the Socialist International (SI) continue to criticize US policy toward Nicaragua severely, arguing that Washington's support of the Nicaraguan rebels is partially responsible for the Sandinistas' reluctance to undertake democratic reforms and for their growing dependence on the Soviet Union. They also have charged that US pressure on Nicaragua has contributed to the current stagnation in the Contadora negotiations. Although some West European leaders—particularly the more conservative ones—admit that Soviet interference has aggravated the political turmoil in Central America, the vast majority believe that tensions in the region are primarily the result of social and economic imbalances. To promote stability and democracy in the region, the European Community (EC) is preparing a political and economic cooperation agreement with Central America, but we believe that increases in EC development assistance for the region will be small because of continuing budget problems.

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**Changing Government Views on El Salvador . . .**

West European governments are looking much more favorably on El Salvador since the election last year of Napoleon Duarte. West Germany has assigned an ambassador to El Salvador and has resumed its development assistance, which had been discontinued in 1979. Bonn has authorized a \$16 million credit, but it is not extending grants, partly because of continuing opposition among some Social Democrats, the Greens, and large segments of the population to the Salvadoran regime.

The Italian Prime Minister has called the election of Duarte "a victory of democracy," and his government, according to US Embassy reports, plans to send food and medical aid to El Salvador amounting to about \$3 million. Italy also has indicated that it wants to develop a bilateral development program and that it is awaiting project proposals from the Salvadoran Government—particularly in the areas of energy, agriculture, and public health. Italian Foreign Ministry officials have suggested that the program may be similar to a recent \$25 million technical cooperation agreement with Costa Rica.

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France, which had been one of the harshest critics of the Salvadoran Government, has decided to name an ambassador to El Salvador and has publicly expressed its support for the dialogue between President Duarte and the insurgents. According to US Embassy reports, however, Quai officials are skeptical about the prospects for a national reconciliation as long as the Duarte government refuses the insurgents' demand for power sharing. They believe, moreover, that the failure by insurgent leader Villalobos to participate in the dialogue may indicate that the Democratic Revolutionary Front—the political arm of the insurgent movement—cannot speak for the guerrillas.

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The Netherland's nonresident ambassador to El Salvador, in conversations with US officials, has emphasized the positive political and economic changes that have taken place under the new government. He also has acknowledged that insurgents, rather than rightist groups, are responsible for the recent surge in political killings. The ambassador noted, however, that the Dutch media and the general public continue to believe that the

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ALA LAR 85-008  
29 March 1985

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Salvadoran Government has made no progress on the human rights front—a view that is shared by other West European publics. [redacted]

development projects in telecommunications and agriculture with Managua during the visit of Nicaraguan Vice President Ramirez in January. [redacted]

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### . . . and Nicaragua

Disappointment among West European governments over the Sandinistas' failure to build a pluralistic political system has grown steadily over the past two years. The election last November was widely perceived as undemocratic because of the lack of participation by the principal opposition parties. According to US Embassy reports, the suspension of the dialogue between the Sandinistas and all the opposition parties and increasing press censorship after the election have strengthened the impression among many West European leaders that Nicaragua is sliding toward totalitarianism. The low-level representation of West European governments—even Socialist ones—at President Ortega's inauguration in January is a good indicator of the growing disenchantment with the Sandinistas. [redacted]

Italy, France, and Canada last January agreed to finance a \$50 million expansion of a geothermal facility northeast of Managua. Italy and Canada probably see their assistance as multilateral development aid and not as an endorsement of the Sandinistas. Prime Minister Craxi's dismay over Nicaragua's protection of Italian terrorists may yet cause Italy to distance itself from the project. The EC also agreed last September to fund regional development projects that include Nicaragua, but more out of concern for balanced economic development in the Central American region than from a desire to bolster the Sandinista regime. [redacted]

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### The Socialist International

The SI perceptions of political developments in El Salvador and Nicaragua are similar to those of West European governments. Secretary General Vaananen recently said that the SI is prepared to cooperate with Duarte and that his leadership has created a promising climate for progress in El Salvador. He indicated, however, that the SI still supports a political role for Guillermo Ungo as the best representative of the democratic left. [redacted]

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Declining West European support for Managua is also reflected in aid cuts. West Germany last year froze \$40 million in export credits, and Spain, which has a sizable assistance program in Nicaragua, reportedly told the Sandinistas shortly after the election that it may not extend new aid. Although these decisions were partially prompted by Managua's default on debt-service payments, West German and Spanish officials also cited the Sandinistas' failure to move toward democracy. The Netherlands—Managua's principal source of Western assistance—will allow its five-year program to lapse at the end of 1985, but plans significant aid increases for democratic Costa Rica. [redacted]

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Regarding Nicaragua, Vaananen admitted SI recognition of the "non-social-democratic" character of the Sandinista regime. Growing SI disapproval of the Sandinistas was reflected in the absence of important Socialist leaders at President Ortega's inauguration and Spanish Prime Minister Gonzalez's reception of opposition leader Arturo Cruz at his private residence. According to US Embassy reports, many participants in the SI Congress last October in Rio de Janeiro said the Sandinistas were at fault in the failed negotiations with Cruz on conditions for the Democratic Coordinating Board's participation in the Nicaraguan election. Despite the evident disaffection with the Sandinistas, however, the SI's official report on the Nicaraguan election was fairly positive and

France's position toward the Sandinistas has been ambiguous. Although French officials have privately voiced their disillusionment with political developments in Nicaragua, then Foreign Minister Cheysson publicly praised the technical correctness of the Nicaraguan election and former presidential adviser Debray maintained that there is a relative democratization in both Nicaragua and El Salvador. French public and private assistance for Nicaragua declined from \$27 million in 1982 to \$18 million in 1984, but there are press reports that Paris negotiated

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even recommended increased aid for Managua—partly, we believe, to strengthen the position of the Ortega brothers, who are perceived to be more open to democratic reform, against Marxist-Leninist hardliners. [ ]

#### Criticism of US Policy

A more important explanation for the SI's continuing public support of the Sandinistas, in our opinion, can be found in its strong condemnation of US policy toward Nicaragua. Many West European Socialists believe that US support of the Nicaraguan rebels and Nicaraguan fear of an invasion have made it very difficult for the Sandinista government to build democratic institutions. Swedish Prime Minister Palme, prominent West German Social Democrat Wischniewski, and Spanish Prime Minister Gonzalez have all spoken out against US policy, charging that it is in violation of international law and comparable to Soviet actions in Afghanistan. [ ]

The Socialists' disapproval of US policy is also shared by some more conservative politicians. The Dutch Foreign Minister, while conceding Sandinista shortcomings, has condemned perceived US efforts to drive them from office. West German State Minister Moellemann, during a recent visit to Managua, reportedly also repudiated US support of the Nicaraguan rebels. British Prime Minister Thatcher and West German Chancellor Kohl, however, have shown greater understanding of US policy. [ ]

#### Concern About Contadora

According to US Embassy reports, West European political leaders are becoming increasingly concerned about the growing stagnation in the Contadora negotiations, which they have strongly supported as the only viable means for achieving lasting peace and democracy in Central America. Many concede that differences in interests and perspectives among the Central American countries and the four Contadora mediator states are partially to blame for the stalling of the peace talks. Many West European leaders, however, also believe that US policy toward Nicaragua is delaying the signing of the Contadora draft treaty. The Dutch Foreign Minister, for example, has charged that the lack of serious negotiations within Contadora partially stems from US pressure on Nicaragua's neighbors to make harsh

demands on the Sandinistas. According to press reports, a number of West European governments—including those in Paris, Madrid, The Hague, and Dublin—are urging Washington to resume the suspended bilateral talks to achieve a reconciliation with the Sandinistas. [ ]

#### Questions About a San Jose Followup

The slowdown in the Contadora negotiations has raised questions in the EC about the desirability of holding a followup meeting to the conference last September in San Jose between EC Foreign Ministers and their Central American counterparts. The purpose of that meeting was to strengthen the Contadora process and achieve peace and stability through regional economic development. Italian Foreign Ministry officials have stated that the cancellation of the Contadora meeting in Panama embarrassed the EC and that a continuation of the EC-Central American dialogue would depend on progress in the Contadora negotiations. EC members reportedly also are divided over whether future conferences should be conducted at a ministerial or a lower political level. [ ]

Meanwhile, EC Commissioner Cheysson's plan to conclude an economic and political cooperation agreement with the five Central American states and Panama by June is also running into difficulties. There is a divergence of opinion within the Commission about the content of the document to be presented to the Council of Ministers, particularly the section on political cooperation. Cheysson believes that political aspects should be emphasized in the cooperation agreement, and he has proposed annual political meetings similar to those that have evolved with the ASEAN countries. Some of his fellow commissioners, however, fear that a strong political focus would cause EC member states to interfere too much in the implementation of the agreement. Cheysson has promised to redraft the political section of the document, but the framework proposal is likely to face difficult passage in the Council. [ ]

#### Outlook

Most West European governments are unlikely to condemn Managua publicly, fearing the political backlash from their publics who hold considerable

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sympathies for the Sandinistas. Leftist governments and the SI also will continue to regard US policy toward Nicaragua as a partial excuse for the Sandinistas' failure to implement democratic reforms. Even more conservative governments probably would criticize US military action against Managua in the absence of a clear provocation. Moreover, many West European leaders are likely to blame Washington if the Contadora negotiations fail. If, on the other hand, a treaty is signed, West European governments probably will support it regardless of its contents.

[redacted]

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France and Spain, which have shown the greatest interest in Central America, may assume a lower profile in the region. Prime Minister Gonzalez faces strong domestic opposition to Spain's membership in NATO and reportedly does not want to complicate his position with controversial Central American issues. France's foreign policy priorities lie elsewhere, particularly in Europe and Africa. [redacted]

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Completion of an EC cooperation agreement with Central America probably will take longer than originally envisioned, and its economic provisions are likely to be disappointing for the Central Americans. As yet, no financial protocol or trade concessions have been worked out. Because increases in EC development assistance are likely to be small, the EC probably will ask member states to increase their bilateral assistance for the region. [redacted]

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**Haiti: Legalization of Political Parties** ( [redacted] )

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President for Life Jean Claude Duvalier appears ready to allow political parties to begin operating openly in Haiti, according to US Embassy officials. Despite this unprecedented step, we doubt that the Duvalier regime is committed to a genuine opening of the political system, and the chances are slim that a strong domestic opposition will develop any time soon. Nevertheless, the move is likely to intensify infighting among Haiti's political elites. If Duvalier perceives that fledgling opposition groups are gaining strength, we believe he would not hesitate to clamp down. [redacted]

Some structural changes in the government also are possible after the law is implemented by the National Assembly. Embassy sources indicate that Duvalier is considering the establishment of a prime ministerial system. The Embassy also speculates that elections for a new National Assembly, a rubber stamp organization, will be held later this year. [redacted]

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[redacted] Duvalier is trying to revitalize his nascent political organization, the National Committee for Jean Claudist Action, lends credence to the Embassy's analysis and suggests that an official government party may be established in the coming months. [redacted]

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According to US Embassy reports, Duvalier will present a "Law on Political Parties" to the National Assembly when it convenes in late April. The law, drafted by a presidential commission, will lay out the guidelines under which political parties will be permitted to organize. Haitian officials indicate Communist parties will not be allowed to register, but there will be no formal restrictions on the number of parties that can be formed. No legally recognized political party currently operates in Haiti. [redacted]

Reflecting in part the seriousness the public gives Duvalier's promises to permit political parties, one potential challenger has already tossed his hat into the ring. Clovis Desinor, a former government minister and presidential adviser, announced in February that he would form his own party. Desinor, although politically inactive in recent years, has some support among those old-guard Duvalierists unhappy with the President's policies—particularly his liberalization efforts—according to US Embassy officials. Based on reporting from the Embassy over the past year, we believe at least several other organizers, including Hubert de Ronceray, a human rights activist, also will step forward. [redacted]

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The law has been the focus of intense debate within the regime during recent months. Hardliners, led by Defense Minister LaFontant as well as the President's influential wife, argue that even limited reform could jeopardize the country's political peace and hurt the popularity of the President among old-guard Duvalierists. Last year, LaFontant and other hardliners capitalized on fears that food riots in two major northern cities would spark serious social unrest to persuade the President to delay implementing a political parties law. Similiar arguments this year and the President's concern over the increasing activism of the Catholic Church, nonetheless, were outweighed by Duvalier's determination to push ahead with the gradual liberalization program he has pursued since the early 1980s. Reforms to date include a relaxation of press controls and the holding of local elections—in 1983 and 1984—for the first time in the regime's 39-year history. [redacted]

Despite the President's determination to reverse Haiti's reputation as a primitive and repressive nation, there are clear limits to his willingness to make meaningful changes. Underscoring our belief that the modest reform program is designed primarily to enhance the regime's international image, US Embassy reports indicate that Haitian officials are looking for a "formula" to limit the influence of opposition parties. [redacted]

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[Redacted] even if a prime ministerial system were established, the President would continue to make all important decisions. [Redacted]

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Duvalier's unwillingness to share power is, in our view, the major obstacle facing party organizers, but Haiti's lack of organized interest groups—such as labor unions—also will severely restrict the ability of opposition groups to generate mass support.

Moreover, most Haitians, particularly the peasants, show little interest in politics. US Embassy officials say the vast majority of the bureaucracy and the military remain loyal to Duvalier, and they doubt that sympathy for Desinor among Duvalierists will translate into open opposition against the President in the foreseeable future. [Redacted]

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Because Duvalier intends to stack the cards against fledgling opposition parties, we see little immediate internal threat to the country's political peace. Hardliners in the regime, however, are likely to continue looking for excuses to clamp down on regime critics and to slow the pace of the political liberalization process even further. Signs that the opposition is establishing links with the Catholic Church—the only domestic institution in recent months to display any organizational capabilities—would prompt a quick crackdown. [Redacted]

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**Uruguay: Sanguinetti's  
First Few Weeks** [redacted]

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President Sanguinetti, who took office when Uruguay returned to civilian rule on 1 March, has skillfully handled several sensitive issues facing his administration. Most opposition leaders and the military have been cooperating thus far with the President. There are signs that this may change, however. Communist-instigated labor unrest is already posing a major problem for the new government. [redacted]

**Relations With the Military**

In opposing an unconditional amnesty for political prisoners convicted of homicide, Sanguinetti was honoring a commitment he had made to leaders of the outgoing military regime. He complemented this by accepting one of the military's nominees for promotion to general, thus adhering to his pledge to grant the armed forces a voice in appointments of senior officers. [redacted]

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**Strong Cabinet**

The 10 members of Sanguinetti's cabinet are qualified and respected professionals, according to US Embassy reporting. Ricardo Zerbino, the Minister of Finance, is described by the Embassy as a moderate who favors an open economy and orthodox policies. Foreign Minister Enrique Iglesias is a veteran economist and former official of the Economic Commission for Latin America. Defense Minister Juan Chiarino, the 83-year-old leader of the small Civic Union Party, is widely respected among political and military leaders, [redacted] Interior Minister Carlos Manini Rios also reportedly enjoys the confidence of the military establishment. [redacted]

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The armed forces also have been particularly concerned about the question of punishment of military officers for human rights abuses committed during the era of military rule. The Blancos and the Broad Front have demanded that civilian courts prosecute officers accused of such abuses. Sanguinetti's policy is to leave the question of trials to the military courts—the approach favored by leaders of the armed forces. He recently decreed that 11 officers who had been subpoenaed to appear before civilian courts were not required to do so, and he assured Army Commander in Chief Medina that these cases would remain under the jurisdiction of the military justice system. [redacted]

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**Amnesty Issue**

The new government was immediately confronted by the sensitive question of amnesty for political prisoners. The opposition parties—the center-left Blancos and the leftist Broad Front—proposed legislation calling for an unconditional amnesty for all of the 300 to 350 persons who were in prison for political reasons when civilian rule was restored. Sanguinetti, however, submitted to Congress a separate bill that would have blocked immediate release of the approximately 60 prisoners who had been convicted of terrorist violence. The President and opposition leaders finally worked out a compromise providing for the release of all political prisoners, but requiring the courts to reexamine the cases of those charged with murder. [redacted]

Some middle-level officers nonetheless are concerned that Sanguinetti's guarantees may not hold up in the event of strong political pressure over the issue.

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**Communist-Inspired Labor Trouble**

As expected, labor unrest appears to be emerging as Sanguinetti's most intractable near-term problem. In recent months workers have been staging strikes, slowdowns, and plant takeovers in many sectors of the

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economy, including the key textile industry. The workers' primary demand has been for wage hikes to compensate for the 60-percent drop in purchasing power over the last decade, including a 40-percent decline during the past three years. Significant wage increases, however, would undercut the President's efforts to stabilize the economy and reduce inflation.

[redacted]

[redacted] the Communist Party—legalized by Sanguinetti along with other outlawed political groups in early March—is playing a major role in instigating the unrest. [redacted]

[redacted] a sizable number of workers are opposed to Communist domination of the labor movement, but they receive no support from the other political parties and are ignored by the Uruguayan press. [redacted]

**Other Potential Challenges From the Left**

The freed political prisoners include members of the far-left Tupamaro movement, the main sponsor of the leftwing guerrilla violence that helped trigger the military coup in 1973. Many of the released Tupamaros say they intend to pursue their goals through peaceful means, but one faction is preparing to return to violence, [redacted]

[redacted]

Cuba might emerge as another source of trouble for the new government. Sanguinetti reportedly plans to restore diplomatic ties with Havana, at least in part to appease his domestic leftist opposition. The Cubans, however, appear to be laying the groundwork for developing influence in Uruguay over the long term by supporting—and possibly funding—leftwing Senator Juan Raul Ferreira, a prominent Blanco Party member. [redacted]

[redacted] Ferreira, who is seeking the chairmanship of the Senate's foreign relations committee, is a leading activist in the Blanco Party's largest faction, headed by his father, Wilson Ferreira. Cuba's strategy suggests that, for the time being, it will not risk alienating the new Colorado government by supporting leftist elements advocating antigovernment tactics. Neither do we expect, however, Havana to cut ties to its longtime Tupamaro allies, which give Castro the option of turning to a revolutionary strategy. [redacted]

**Outlook**

We believe Sanguinetti will be able to maintain cooperative relations with the military and most of the opposition—which holds a majority in the Congress—over the near term. [redacted]

[redacted] Wilson Ferreira may begin obstructing the government's legislative proposals later in the year. Meanwhile, Communist-led labor unrest is likely to remain a major source of trouble. Sanguinetti will have great difficulty meeting workers' wage demands, and continued labor protests may eventually force him to impose limitations on civil and political freedoms. [redacted]

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**Cuba: Support for the Polisario Front** [redacted]

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Cuba has supported the Polisario Front, the Algerian-backed insurgent group attempting to win control of the former Spanish Sahara from Morocco, since the mid-1970s, but Havana generally has viewed the insurgency as having less importance than other regional policy objectives. Concern over Algerian sensitivities has been the principal factor restraining Cuba's activities, along with other considerations. Although Havana recently has renewed its offers of military assistance to the insurgents, Algeria's fear of internationalizing the conflict makes acceptance of Cuba's offer unlikely. [redacted]

**Background**

Since the early 1970s, Cuban support for the Polisario has emphasized medical assistance. There was tenuous evidence of possible weapons shipments during the 1970s, and Havana reportedly has provided paramilitary training for Polisario military officers in Cuba for several years. Today there are about 50 Cuban medical personnel serving in Algerian hospitals and in Polisario troop camps in the Tindouf region in western Algeria. [redacted]

[redacted]. In addition, approximately 700 Polisario youngsters are presently studying in Cuba. [redacted]

**Tentative Support**

Judging from Havana's actions over the years, support for the Polisario Front always has been secondary to other objectives. For example, although Cuba gave strong propaganda support to the Polisario during the 1970s, it delayed recognizing the Front's political entity, the Sahara Democratic Arab Republic (SDAR), until 1980. Havana's ambivalent attitude probably reflected an effort to balance its need to avoid criticism of its revolutionary credentials and its fear of losing some \$60 million in sugar sales to Morocco. Its decision to formalize ties with the SDAR probably was part of Castro's overall effort to recover from his loss of prestige in the Nonaligned



*Fidel Castro greeting the general secretary of the Polisario Front, May 1982.* [redacted] *Granma* ©

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Movement caused by the Soviet invasion of Afghanistan. Through this move, Havana also hoped to improve bilateral ties with radical Arab countries such as Algeria and Libya, the principal backers of the insurgents. [redacted]

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In recent years, Havana has repeatedly offered to provide the Polisario military equipment and Cuban advisers to assist the insurgent effort, but the Castro regime has taken care not to alienate more important allies in the region. [redacted]

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There has been no indication that Cuban military advisers have been sent to help the insurgents. [redacted] Cuban medical personnel in Algeria are becoming more involved in the Polisario's guerrilla war against Morocco, [redacted]

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[Redacted]

Cuban

medical teams often accompany the guerrillas to the front during heavy fighting as Polisario medical support in forward battle areas is very weak.

[Redacted]

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**Outlook**

In our judgment, Cuba's support for the Polisario will continue to rank below what Havana views as more important foreign policy objectives. Castro is unlikely to act without Algerian approval and endanger one of its strongest ties with the Arab world. Cuba's renewed offers of assistance to the Polisario probably are intended primarily to demonstrate Havana's support for the Polisario cause. However, because of Algeria's fear of internationalization of the conflict and desire to maintain control over the insurgency, Cuban offers of military aid will probably not be accepted.

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