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Jamaica: Seaga's Prospects

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An Intelligence Assessment

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March 1985
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Jamaica: Seaga's Prospects

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An Intelligence Assessment

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This paper was written by [Redacted] Office of
African and Latin American Analysis, with
contributions by [Redacted] Office of Global
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Comments and queries are welcome and may be
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**Jamaica:
Seaga's Prospects**

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Key Judgments*Information available
as of 25 February 1985
was used in this report.*

After four years in office, Prime Minister Edward Seaga and his Jamaica Labor Party have yet to pull the country out of its economic doldrums. We believe the slump is likely to continue, which will only compound the difficulties the government faces, including the Prime Minister's record-low popularity, the return to more aggressive tactics by the opposition, and a growing level of political and general violence. As a result, we see the likelihood of substantially greater political turmoil over the next 18 to 24 months.

Both Havana and Moscow are hoping that the more turbulent atmosphere will allow the return to power of opposition leader Michael Manley and his People's National Party, whose radical wing has strong ties to Cuba. The Prime Minister still holds most of the political aces, however, and, so long as the defense forces can prevent prolonged disorders stemming from the economic misery, he should be able to stave off opposition demands for a new election.

We see little possibility of a turnaround in conditions that have wreaked havoc with the country's balance of payments and dampened economic growth: slumping US demand for Jamaica's bauxite and alumina, low world prices for sugar and bananas, and sluggish inflows of loans and investment capital. As a result, Seaga is unlikely to make any headway in reducing an unemployment rate of nearly 30 percent that now matches the one inherited from the Manley administration and an inflation rate approaching 40 percent. Eroding confidence in Seaga's economic management has also renewed the exodus of scarce skilled managers and technicians. Continued economic stress is likely to encourage the recent surge in violent crime, increase the attractiveness of marijuana production, and further diminish Seaga's willingness to pursue crop eradication vigorously.

We believe, nonetheless, that Seaga will make a respectable showing in local elections scheduled for June 1985 and has a better-than-even chance of staving off opposition demands for a general election over the next two years:

- The Prime Minister's total control of Parliament in the wake of the opposition's 1983 electoral boycott will prevent a no-confidence vote under almost any circumstances short of overwhelming public pressure and a widespread breakdown in public order.
- The politically adept Seaga probably will be able to continue to capitalize on the widespread dissatisfaction with Manley's past stewardship and to exploit the deep internal divisions in Manley's party.

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Assuming Jamaica's economic outlook remains bleak and that opposition activities against the Seaga government intensify over the near term, Kingston almost certainly will petition more urgently for additional US assistance. This will be especially true after the current IMF standby program ends in mid-1985. We believe Seaga will request help in such forms as additional bauxite purchases, support for the country's security forces, and concessional loans to tide the economy over at least until a new IMF arrangement is forged. From a broader perspective, we believe other moderate countries in the region will tend to evaluate Washington's success in Jamaica as a measure of US effectiveness in promoting stability and economic progress throughout the Caribbean.

If the Jamaican Government missteps badly, should Seaga be tarred with scandal, or if the government proves unable to control rising disorders, pressures for an election would increase. Under such conditions, Manley's oratorical flair, combined with popular disgruntlement with present economic conditions, could outweigh the memories of the radicalization of Jamaican politics that Manley permitted. Should Manley return to power, party moderates, now in the ascendancy, would become vulnerable to pressure for a shift to more radical—and economically debilitating—policies. In addition, Manley is committed to reestablishing relations with Cuba and, over time, probably would permit an expansion of the Soviet presence in Jamaica.


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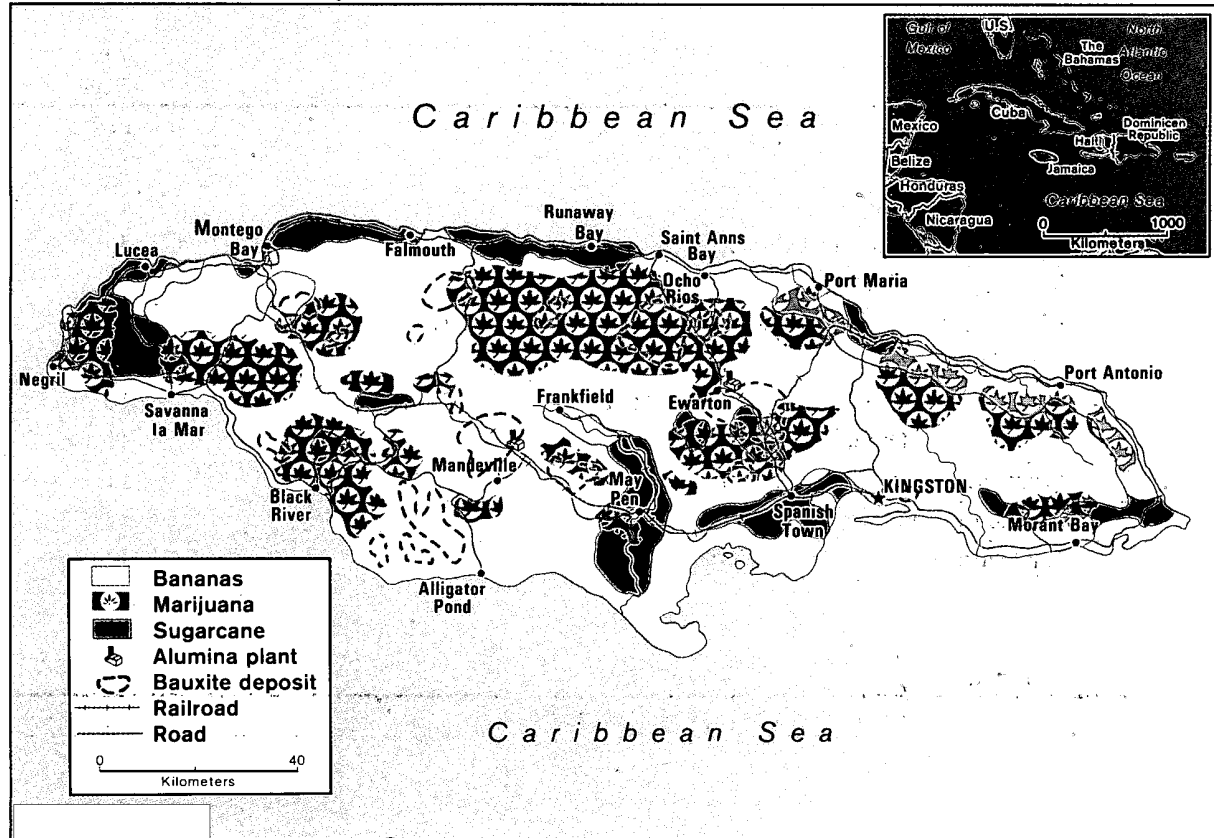


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Figure 1
Jamaica: Economic Activity



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**Jamaica:
Seaga's Prospects**

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Introduction

The US-led intervention in Grenada in October 1983 generated a sudden surge in Prime Minister Edward Seaga's popularity, which had been badly hurt by Jamaica's worsening economic conditions. Subsequent bungling by Michael Manley and his People's National Party (PNP) provided Seaga—at the crest of his popularity—with an excuse to call an election in December 1983. The PNP's election boycott resulted in Seaga's winning an uncontested new five-year term, but the present one-party Parliament is an abrupt departure from Jamaican tradition and has disturbed many leading figures of the country's two main parties. PNP leaders contend Seaga's only legitimate mandate was won in the 1980 election and will end in 1985.

Now that Grenada and anxiety about the threat of Communist subversion in the region have faded from the front pages of Jamaica's press, the ailing economy and an upsurge in violence are taking the spotlight. A recent poll indicated Seaga's popular support is at a record low. Moreover, the opposition has shifted to more confrontational tactics. This paper examines Jamaica's recent economic stresses, explores how Seaga is maneuvering to limit the resulting political damage, assesses how the country's economic prospects will affect Seaga's tenure as Prime Minister, and draws the implications for US interests in the Caribbean area.

The Ailing Economy

One of the persisting legacies of former Prime Minister Manley was a deepening of the country's economic problems. A long-awaited recovery seemed under way early in the Seaga regime, but sputtered during the next two years. The continuing world recession, which caused a sharp decline in bauxite and alumina production, was largely responsible. In addition, agricultural production shrank because of prolonged drought and strong competition from relatively cheap food imports. Jamaica fared no better on the international economic front. Despite the imposition of austerity measures, Jamaica missed International Monetary

Fund (IMF) performance targets by wide margins, and its two-year-old Fund program came unglued by 1983.

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During the first half of 1984, Jamaican officials were involved in prolonged negotiations to regain IMF funding, according to US Embassy reports. To qualify for new Fund credit, Seaga met a number of preconditions that included:

- Unifying the exchange rate and instituting a currency auction mechanism.
- Eliminating almost all import-licensing requirements.
- Reorganizing the government-owned sugar company.
- Phasing out subsidies on most foods and basic commodities.
- Implementing sharp hikes in electricity and telephone rates.
- Tightening restrictions on credit and monetary expansion.

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In keeping with the process of adjustment, the government presented a budget for the fiscal year beginning in April that slashed the deficit from 18 to 8.3 percent of GDP, mainly by cutting 6,000 public-sector jobs and raising revenues more than 10 percent over the previous year. To cushion the impact on low-income earners, Seaga implemented a food stamp program, reduced income taxes on the poor, and increased the minimum wage. When the United States declined to purchase additional bauxite for its strategic stockpile, the budget was slashed even further, mostly by cutting current expenditures. With these measures in hand, Jamaica qualified for a one-year, \$143 million IMF standby agreement in June. Jamaican officials optimistically predicted that, despite the belt tightening adopted to obtain the Fund's support, Jamaica in 1984 could duplicate the 1.8-percent increase in real GDP recorded in 1983.

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Economic Recovery Stalls, 1981-83

To rebuild the flagging economy he inherited in late 1980, Seaga endorsed new policies designed to dismantle Manley's state-managed economic system and release market forces in the private sector. The recovery plan shifted the emphasis of the country's development strategy from import substitution to the boosting of exports. Initial reliance on foreign funding was slated to be replaced by reinvigorated export earnings and private capital inflows as the pace of recovery quickened. To his credit, Seaga quickly arranged a \$650 million IMF package. The three-year program required tough fiscal and monetary measures and paved the way for substantial debt relief and new funds from Western donors, particularly the United States, and international banks.

Unprecedented foreign funding in 1981 sparked the first real growth in GDP in eight years—3.9 percent. All sectors, except the key bauxite-alumina operations, benefited initially. This spurt, however, quickly fizzled to an annual average of just 1 percent during 1982 and 1983 in response to the deepening world recession and backsliding on Seaga's ambitious plans to deregulate the economy. The major obstacle to growth was the one-third drop in bauxite and alumina output, which contributes 20 percent of GDP and government revenue. This sector fell victim to the

world recession and stiffer competition from producers outside the Caribbean. Residential construction slowed after the reimposition of rent controls, and the manufacturing sector suffered from bureaucratic snarls as well as from shortages of domestic credit, foreign exchange, and managers and skilled workers. Agriculture declined in the face of bad weather and fierce competition from relatively cheap food imports. Only tourism showed buoyancy throughout 1981-83, thanks to an energetic promotion campaign in the United States. [redacted]

Jamaica's foreign payments situation matched the intractable problems in the domestic economy. The slide in bauxite and alumina sales, despite large US purchases for the strategic stockpile, severely reduced export earnings. The institution of multiple exchange rates, designed to cut demand for foreign exchange by discouraging imports and to encourage nontraditional exports, proved to be self-defeating. The rate differentials invited corruption and compounded existing bureaucratic bottlenecks. As a result, Jamaica missed IMF performance targets in March 1983. Subsequent austerity measures also proved inadequate, largely because they sidestepped the fundamental problem of Jamaica's overvalued currency. As a result, the IMF program was abandoned altogether by yearend 1983. [redacted]

The economic results, however, have been a disappointing further erosion of living standards for most Jamaicans. Seaga has publicly acknowledged that Jamaica experienced an estimated 1-percent economic decline in 1984, although, in our view, the rapid growth in drug trafficking complicates measurement of Jamaica's actual national income. Based on first-half performance and the recent rise in import prices, the inflation rate in this import-dependent economy approached 40 percent last year. As a result, real wages for many Jamaicans fell roughly 20 percent because of the government's success in holding most wage increases to no more than 15 to 20 percent. Some ground also was lost in the battle against

unemployment—Jamaica's most intractable social problem, in our view. Public-sector layoffs, cutbacks in the sugar and banana industries, and the financially driven closure of the Reynolds Jamaica mine were the major factors in pushing the unemployment rate to nearly 30 percent—roughly on a par with that inherited from the Manley administration. The employment picture was further complicated as shortages of skilled workers, managers, and professionals worsened as the country experienced a resurgence of the exodus of trained personnel that had characterized the Manley years. [redacted]

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Drug Trafficking

Jamaica, the third-largest producer (after Colombia and Mexico) of marijuana for the US market, now supplies about 15 percent of US demand. At least 4,500 acres in Jamaica are used for marijuana cultivation, according to US Government estimates. The Drug Enforcement Administration (DEA) estimates the total crop is at least 2,400 metric tons annually with about 1,750 metric tons smuggled into the United States. [redacted]

Until recently, Jamaican participation in marijuana trafficking was limited to the island, with the rest of the pipeline controlled by US citizens. Since 1981, however, DEA reports indicate that Jamaican brokers and pilots have become increasingly active in the transshipment of marijuana to the United States. Jamaica also has become a significant transit area for Colombian cocaine bound for the United States, but we have no evidence of coca cultivation or processing on the island, and cocaine is not a major source of Jamaican revenue. [redacted]

The Economics of Marijuana. The island's brokers are by far the largest beneficiaries in dollar terms, but press reports indicate that marijuana has become the most lucrative crop for many Jamaican farmers. We believe marijuana smuggled into the United States probably earns the Jamaican economy \$100-225 million annually, assuming that Jamaican brokers keep half their profits and send the rest out of Jamaica immediately without cycling the money through the local economy. As banana and sugar prices have fallen, we believe many of the island's rural poor have shifted to marijuana as a far more valuable alternative than such crops as manioc, yams, or beans. [redacted]

The net economic impact of marijuana is difficult to assess and is hotly debated in Jamaica. Some, including influential newspaper columnists and politicians, believe that trafficking provides major economic benefits to Jamaica and should be legalized. These proponents often mistakenly quote the total US retail value of the crop—about \$2.5 billion—as the sum earned by Jamaica. We believe foreign exchange earnings from marijuana are equivalent to as much as one-third of Jamaica's export receipts. We believe, however, that most of the money brought into Jamaica is allocated for consumer imports and soon returns to the United States. As a result, we doubt that much drug-related money becomes available to finance producer goods or local investment. [redacted]

Government Control Measures. Seaga's strategy to control marijuana consists of aircraft interdiction and taxation of major violators. In late 1984, Seaga won legislation authorizing security forces to destroy illegal airstrips. He recently announced a plan to tax drug traffickers' incomes and indicated that at least \$29 million will be collected from 30 individuals, but we believe collection of this sum will prove difficult. [redacted]

These measures probably are designed to meet US pressure to clamp down on marijuana production without offending any influential constituency. Seaga is concerned most about small farmers, a key segment of the electorate. According to the US Embassy in Kingston, high-level Jamaican officials, including Seaga, fear the backlash they believe would follow any serious attempt to eradicate marijuana, especially if it involved aerial spraying. [redacted]

Domestically, the economic decline was more or less across the board. The continued slump in traditional agriculture was a major factor in the pervasive deterioration of the economy. Production of sugar and bananas—Jamaica's leading farm exports—and the domestic food harvest were severely hurt by low world

prices, bad weather, misguided regulations, shortages of essential imports such as fertilizer and pesticides, and tight domestic credit. As a result, banana and sugar output declined more than 50 percent and 6 percent, respectively, according to US Embassy

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reports. At the same time, government spending cuts and high interest rates also buffeted the construction sector. Moreover, manufacturing aimed at the local and regional markets was crimped by restrictions on credit and imports of raw materials, machinery, and parts. Manufacturing's only relatively bright spot was the production of textiles for sale in the US market, which was buoyed by the beneficial provisions of the US Tariff Schedule and the international Multifiber Arrangement that attracted a number of US and East Asian investors. [redacted]

The deterioration in Jamaica's foreign payments situation in 1984 mirrored that in the domestic economy. Export earnings stagnated: the \$60 million increase in nontraditional farm exports under a government-sponsored program was insufficient to offset sluggish sales of Jamaica's leading foreign exchange earners—bauxite, alumina, and tourism. According to Jamaican statistics, bauxite ore production increased about 12 percent over the 1983 level—the lowest production in 20 years. This improvement occurred in the first half of 1984, however, and reflected one-time only shipments under a US strategic stockpile agreement and accelerated deliveries from the Reynolds Jamaica mine prior to its closure in June after 40 years' operation. In the second half of 1984, bauxite production declined sharply, a development traders attribute to both declining world aluminum demand and high operating costs that have long hurt the profitability of US- and Canadian-owned bauxite and alumina operations in Jamaica. Net earnings slipped 12 percent, according to press reports. Mining is not the only front on which Jamaica was buffeted. Tourist arrivals, which jumped 17 percent in 1983, increased only 7 percent last year, according to US Embassy reports. The industry was hurt, [redacted] by reduced spending on advertising, a strong US dollar that increased competition from Mexico, Western Europe, and other areas, and tourist fears stemming from publicity about the Grenada intervention and growing domestic security problems. [redacted]

Adding to the government's external financing problems, trade statistics show that import demand remained fairly strong. Despite a plummeting Jamaican dollar—its value in 1984 had fallen 35 percent by the time it was set free to float against the US dollar in

November—imports were buoyed by pent-up consumer demand. Before the Jamaican dollar was floated, Seaga relied on bureaucratic harassment, jawboning, and scolding to dampen demand for dollars at the twice-weekly foreign exchange auctions. While this hostile environment helped hold down import levels somewhat, it also had the side effect of discouraging potential investors and accelerating capital flight, according to the US Embassy. Under IMF pressure, Seaga belatedly relaxed these methods but instituted further interest rate increases and credit restrictions to halt the depreciation of the Jamaican dollar by mopping up excess liquidity and dampening demand. [redacted]

Containing the Political Damage

Jamaicans began turning their attention to the country's economic malaise as the euphoria over Kingston's support for the successful Grenada operation vaporized in early 1984. Polls show that the initial boost in Seaga's popularity associated with his backing of the Grenada intervention was quickly eroded by popular dissatisfaction with the weakening economy and associated price increases in 1984 and also with the uncontested election in late 1983. [redacted]

Seaga laid the groundwork to deal with potential social unrest as the impact of austerity deepened. Public outrage over disruptive electricity outages caused by power worker walkouts last summer and the alarming increase in crime since June 1984 created a receptive climate for strengthening the government's legal and police powers. In recent months, Seaga exploited this sentiment—and the Jamaican preference for strong political leadership—by setting in motion parliamentary action to:

- Revise the Labor Relations and Disputes Act to increase penalties for illegal strikes.
 - Renew for six months the Suppression of Crimes Law, which lessens restrictions on government and security forces.
 - Create a National Advisory Council on Crime.
- These tactics enhanced Seaga's image as a tough, no-nonsense leader—a valuable asset in the Jamaican political context. [redacted]

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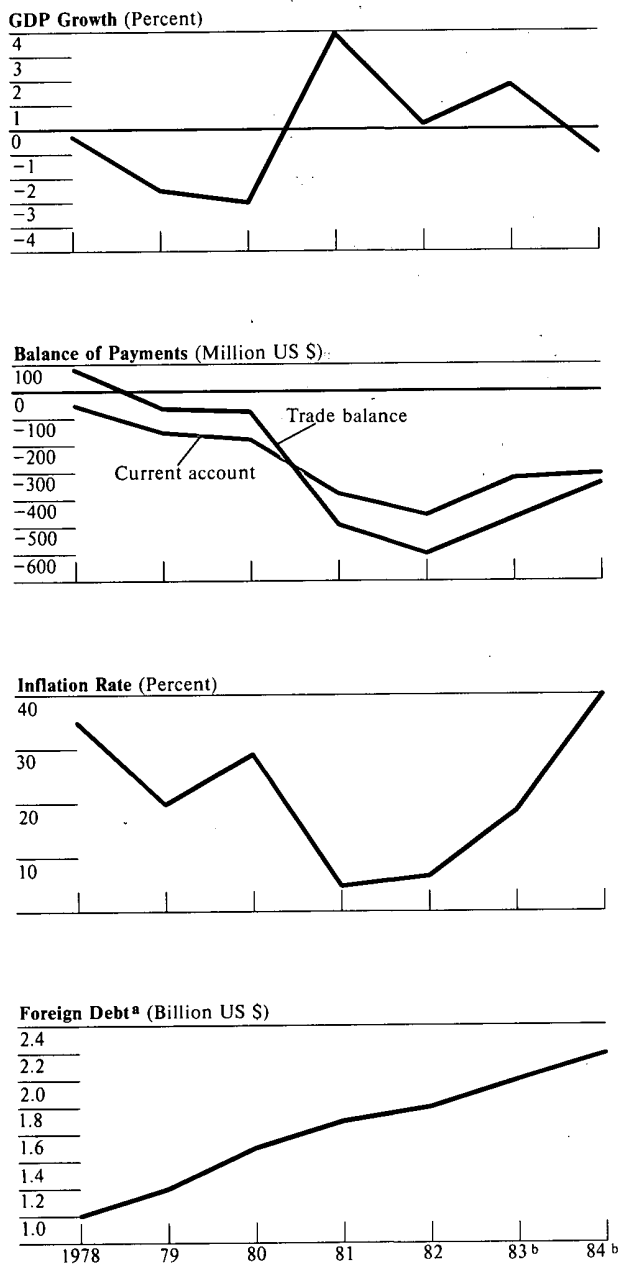
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Figure 2
Jamaica: Economic Indicators, 1978-84



^a Excludes debt to the IMF and debts repayable in less than 1 year.
^b Estimated.

Still, worsening economic conditions, particularly the closure of the Reynolds mine, and opposition and press charges of official corruption and economic mismanagement have diminished the popularity of Seaga and the Jamaica Labor Party (JLP) to record lows. According to a poll conducted in September by the respected Jamaican pollster Carl Stone, only 15 percent of those sampled characterized Seaga's performance as good, 38 percent as poor, and the remainder as "trying but could do better." If an election were held immediately, 26 percent said they would vote for the JLP (compared with 43 percent in October 1983), 38 percent preferred the PNP, 2 percent, the Communist Party (WPJ), with 34 percent undecided. Stone interpreted these results as providing a 59- to 41-percent lead for Manley's party—the same margin by which Seaga trounced Manley in 1980.

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The economy is not the only sensitive issue that has contributed to discontent among Jamaicans; they also have been unsettled by the absence of two-party representation in the government. We believe that Jamaican press comments accurately reflect the views of many Jamaicans in blaming both major parties for the present one-party Parliament.¹ Seaga's call for a snap election was viewed by these commentators as an opportunistic ploy to capitalize on his new popularity. At the same time, the PNP's decision to boycott the election was criticized as an abandonment of its constitutional responsibilities as the official opposition. Manley's claim that Seaga and the ruling JLP had violated a solemn promise by calling an election before revised registration lists were available—allegedly disenfranchising more than 100,000 voters—was labeled an inadequate excuse by the press; the PNP's unpreparedness and Manley's unwillingness to risk another defeat by Seaga were suggested as being the real reasons behind the boycott.

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Manley only succeeded in persuading the PNP's National Executive Council to back the boycott by threatening to resign.

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¹ The Communist Worker's Party of Jamaica (WPJ), the largest of the country's several fringe parties, also boycotted the election. The WPJ has a fairly steady following of 2 percent of the electorate. Like other fringe parties, it has never held a parliamentary seat.

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Seaga maneuvered skillfully early to blunt public dissatisfaction over the election and to reassure those fearing that the JLP would abuse its unprecedented power. A postelection survey conducted by pollster Stone revealed publicly that 70 percent of the Jamaicans sampled wanted a new election as soon as new voter registration lists and other electoral reforms were in place. In response, Seaga:

- Appointed eight respected political independents to the Senate in place of those the PNP would have appointed under the Constitution as the official opposition party.
- Revived a little-known standing order of the House of Representatives to permit members of the public to make presentations and take part in debate.
- Arranged for continued PNP representation on the Electoral Advisory Committee and for the inclusion of PNP observers in the voter registration process to compensate for the PNP's losing its constitutional right to representation on government commissions.
- Set up a Bureau of Consumer and Public Affairs to provide a forum for citizens' views.

These tactics succeeded in forestalling serious charges of JLP manipulation of the levers of power and, together with the favorable record of the first session of the one-party Parliament, appear to have cooled public demands for another election. According to the Jamaican press, debate in the Senate was impressive, and lively intraparty opposition characterized the House of Representatives—reassuring those who had feared the Parliament would become merely a rubber-stamp for the JLP. The poll by Carl Stone in September indicated that the share of respondents who wanted a new election immediately had dropped to 49 percent, with 47 percent preferring to wait until 1987 or 1988.

Seaga took other steps to outmaneuver the opposition. In keeping with his apparent strategy to avoid elections until the economy improves, Seaga won parliamentary approval in October to postpone local elections for parish council posts until June 1985. Moreover, Seaga further diminished the importance of these elections—and lessened the possibility of an

impressive PNP victory in them—by abolishing Kingston's governing body, the Kingston St. Andrew Corporation, for two years. A team of independent auditors found gross mismanagement rife in the organization—traditionally a PNP stronghold—and recommended restructuring. Seaga seized upon the report as justification for abolishing the organization's 43 local council seats, the largest block of political posts in the country's urban areas.

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The Opposition's Strategy

Manley calculated after the December one-party election that the country's prolonged economic problems would shift voter support automatically to the PNP and generate a wave of sentiment for new elections. He also believed that the use of confrontational tactics would prompt violence and alienate the conservative business and middle-class voters that the PNP was trying to attract. Manley insisted that the party stick to this strategy even though local party workers were complaining by mid-1984 that inaction was eroding their credibility and sowing doubts about the strength of the party's commitment to press for an election.

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By late October, party leaders were concerned, that the PNP had failed to follow up on its theme of "Elections Now" that was announced at the party's annual congress the previous month. With this—and probably the results of the September poll in mind—Manley took the lead at a PNP session in November to develop an aggressive new strategy to immediately challenge the Seaga government. The measures include:

- Initiating a suit challenging the legality of the dissolution of the Kingston St. Andrew Corporation.
- Providing leaders for peaceful demonstrations and roadblocks to protest economic conditions.
- Sponsoring strikes through the PNP-affiliated National Workers Union (NWX) in sympathy with laid-off government workers.
- Initiating regular meetings to gain support from business and other interest groups that would lose money because of the planned protests and strikes.

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The PNP's Struggle To Recover

The PNP's and former Prime Minister Manley suffered a humiliating election defeat in 1980, in a contest in which Manley's support of the radical wing of his party, close ties to Cuba, and socialist economic philosophy were major liabilities. The violent events in Grenada and the evidence of extensive Cuban and Soviet involvement there renewed the focus on the party's radical ties. Government documents captured by US forces revealed that some PNP members had close links with former Prime Minister Maurice Bishop's New Jewel Movement and other regional subversives. PNP moderates, who had been trying to bury the party's radical past, were further irritated when Manley then attempted to justify the PNP's past close ties to Cuba, [redacted]

[redacted] Moreover, his frequent denunciations of the popular US-led intervention frustrated their efforts to play down the Grenada events. The impression among many in Manley's party that he had been duped concerning the true nature of the Bishop regime and its relationship with Havana and Moscow particularly damaged his reputation. [redacted]

The publicity stirred old fears among Jamaicans about Manley's relationship with Castro and the party's real intentions should it return to office, according to several polls published in late 1984. From the PNP's perspective, untimely circumstances—the presence of a PNP delegation in the USSR when the Grenadian crisis broke and statements only a few days previously by the deputy party chairman advocating resumption of diplomatic relations with Havana—were played up by the Jamaican press and exploited for political advantage by the JLP. [redacted]

Perhaps in its haste to counterattack at its first opportunity, the PNP allowed the Prime Minister to convert a blunder into political opportunity. Seaga, retracting an earlier statement that Jamaica had passed its September 1983 IMF targets, revealed that an impasse had been reached in negotiations with the Fund. The PNP demanded Seaga's resignation as

Finance Minister on grounds of deception, and Seaga capitalized on his post-Grenada popularity by calling a snap election, leading to the PNP boycott. [redacted]

A longstanding rift between radicals and moderates continues to hobble the PNP in its effort to formulate strategy. [redacted]

several moderate leaders—Carlyle Dunkley, Derrick Rochester, and Frank Pringle—openly warned Manley in early September that it was imperative that he clarify his political goals. They claimed that middle-class PNP supporters, disaffected JLP adherents, and independents were demanding to know if Manley intended to offer high positions to radical leftists should the party return to power. They warned Manley that, unless the PNP publicly denounced the radicals and ruled out their sharing power in a future PNP government, the party would lose public support. Manley refused to permit such a statement. [redacted]

Tensions between Manley and the moderates heightened during the party's 46th annual congress in late September. Although Manley did not interfere with the moderates' successful tactics to shut the radicals out of the proceedings, he blocked their efforts to oust radical Donald Buchanan from his position as deputy party secretary. Manley [redacted] opposed the move because it represented a major shift in the PNP's ideological position. [redacted]

The ambiguity surrounding the party's ideological orientation has stymied local fundraising efforts and precluded the PNP from presenting a convincing blueprint for the island's economic recovery. [redacted]

[redacted] potential financial backers have refused to contribute money unless prominent radicals are expelled. After his well-publicized trip to Havana in November 1984, ostensibly on Socialist International business, prospective donors in the business community told Manley they would not provide funds to the PNP as long as he supports Castro, [redacted]

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The PNP seized the opportunity to implement its plans in January 1985, when the government announced the increases in petroleum prices.

[redacted] the PNP leadership decided to implement an already prepared contingency plan designed to disrupt traffic throughout Kingston for two days. PNP leaders reportedly did not coordinate their plan with the Communist party and instructed their activists not to seek Communist assistance.

[redacted] Communist and PNP activists, nonetheless, worked together during the protests.

[redacted] the PNP leadership was pleased with the results—the essentially nonviolent demonstrations paralyzed traffic throughout the island for three days. Subsequent press comment, however, criticized the PNP for having dealt a massive blow to an already faltering economy in order to score political points. The moderate tone of the party's "Elections Now" rally on 3 February, reported by the press, suggests that the party leadership temporarily has ruled out further aggressive tactics as counterproductive.

**Other Domestic Security Concerns—
The Political Gangs**

Jamaica's security concerns go beyond the government's ability to handle popular demonstrations over economic and political issues. Another key element in the country's security picture is the role of armed gangs in Jamaican politics. Political parties in Jamaica traditionally have relied on armed thugs, especially in Kingston's ghettos, to protect party turf, distribute benefits, and demonstrate power by challenging and humiliating rival gangs.

[redacted] in late 1983 police records showed some 2,675 gunmen, organized into nearly 50 gangs varying in size from 20 to 300 members, active in the Kingston corporate area. About 17 gangs were affiliated with the PNP, 19 with the JLP, and 12 with the WPJ. Gang-related murders in 1984 were up almost 60 percent in comparison with 1983.

Political reliance on gangs appears to be increasing. According to the US Embassy, several prominent JLP leaders believe their party's vulnerability on economic

issues and financial limits to its ability to provide benefits make it even more imperative to demonstrate its authority on the streets. Moreover, these hardliners consider the national police so biased against the JLP that the party's own "community authority structures" are needed to protect its members, according to the Embassy. They also worry that, once new voting procedures are in place, demands for a new election would regain momentum if the JLP is widely seen as too weak to control the streets. We believe Seaga's decision to pay armed JLP activists from his own West Kingston constituency to clear roadblocks during the January demonstrations,

[redacted] may have been motivated by concerns over police bias. Gangs associated with the PNP are equally aggressive.

[redacted] Manley told a select group of party activists and gunmen in September that he would supply weapons to them when the time was ripe to try to force the JLP into calling a new election.

While political reliance on gangs appears to be on the rise, the gangs themselves may be in the process of raising the stakes. In mid-1984, a new gang emerged. The new group, with PNP links, was uniformed and evinced the discipline and sophistication of organization and weaponry more typical of a military unit than the usual street gang. The band operated out of the cave-dotted hills east of Kingston for more than four months before a major security operation in July and August forced it to flee to rural areas,

[redacted] Paul Burke—a radical leftist leader long associated with the PNP's Youth Organization—directed the group and PNP leftist gunman Larry Robertson trained it and that these activists have coordinated their efforts with Communist party leader Trevor Munroe. Burke,

[redacted] ordered similar bands organized throughout the island to undermine confidence in the government's ability to provide security. It would not be difficult to arm such groups.

[redacted] Burke controls 55 percent of the PNP weapons in Kingston, while 45 percent are in the hands of gangs loyal to Manley.

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Not only is the militarism of the gangs on the rise but so is their armament.

[redacted] press accounts of an occasional interdiction of arms shipments indicate that the number of weapons on the island is proliferating.

[redacted] all three parties are actively smuggling arms, including automatic weapons, into the country for their partisans and, in some cases, financing these operations by drug trafficking. For example, Munroe has increased arms supplies to Communist gangs in West Kingston since June, resulting in violent clashes between his gunmen, JLP gangs, and the police.

Jamaica's security forces could be overwhelmed if they were faced with a spate of simultaneous, widely dispersed incidents. Cuts in the budget of Jamaica's 6,000-man police force have played havoc with morale, recruitment, and equipment maintenance.

[redacted] low salaries, soaring prices, and stepped-up drug trafficking have further increased widespread corruption. The 3,660-man Jamaica Defense Force is better trained, led, and equipped and enjoys a far superior reputation for professionalism and integrity than the police. It largely overcame the deterioration suffered during the Manley years by the judicious use of US aid to reequip and retrain the force. Recent budget slashes and resignations of officers seeking better paying positions, however, are creating serious operational problems this year.

[redacted] In addition, a longstanding interservice rivalry has undermined the efficient use of limited resources and compromised the effectiveness of joint operations.

Outside Interference

Jamaica's combination of economic depression, strong political tensions, a growing guns-and-drugs underworld, and simmering political instability is a condition ripe for exploitation by Moscow and its allies. Operationally, however, both Moscow and Havana have been hampered by the Seaga administration's countermoves. Seaga's hostility to the Castro regime has been unremitting. He severed diplomatic relations in 1981 shortly after his inauguration and expelled the

representative of Havana's press service, Prensa Latina, in November 1983 on charges of spying. Cuba consequently lacks a diplomatic presence in Kingston, and its only remaining representative is the Cubana Airlines chief. Moreover, Seaga's expulsion of four Soviet diplomats for spying simultaneously with the ouster of the Cuban press representative has probably made remaining Soviet Bloc diplomats more cautious in their local contacts.

The Havana/Moscow Angle.

[redacted] both Moscow and Havana view the return to power of Manley and the PNP as their best chance for future gains in the region. Havana's decision to give priority to the election of a PNP government—rather than to strengthen the Communist WPJ—is reflected in its circumspect dealings with Trevor Munroe and the Communists since the Grenada operation. [redacted] for example, the Communist Worker's Party of Jamaica temporarily lost its Soviet and Cuban financial support immediately after the intervention. Havana resumed funding in the fall of 1984 with the stipulation that the party help the PNP return to power.

Moscow, for its part, has resumed its support to the Communist WPJ.

[redacted] the USSR contributed funds for the Communists' party congress last December. Moreover, during a private session of the congress, Munroe announced that the USSR, Hungary, and East Germany had promised financial and technical assistance to the party for an agricultural project.

Evidence of Cuban aid to the PNP in the form of arms deliveries is fragmentary.

[redacted] PNP radical Paul Burke was rebuffed when he requested weapons from his Cuban contacts soon after the Grenada intervention, although he and his comrades in the PNP Youth

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Organization had received arms from Cuba in the past, [redacted]

[redacted] during 1983 and early 1984, PNP and PNP Youth Organization radicals smuggled weapons, ammunition, and other supplies into Jamaica from Cuba using an illegal rural airstrip. [redacted]

Other Radical Actors. Other radical actors such as North Korea and Libya appear to be more at the periphery of PNP and Communist WPJ activity, although they are cultivating assets and providing some funding. In line with North Korea's policy of strengthening ties with leftist and moderate governments in the region, its diplomats, [redacted]

[redacted] have tried to draw closer to the PNP but were rebuffed by Manley both during his tenure as Prime Minister and after he left office. [redacted]

[redacted] the North Koreans consequently decided last July to restrict their efforts to aiding potential parliamentary candidates on an individual basis. [redacted]

Earlier last year, [redacted] a North Korean diplomat had covertly supplied funds to the PNP and to an action committee of various leftwing Jamaican organizations to support activities to force early elections. [redacted]

[redacted] North Korean diplomats have been involved with Jamaican leftists in training in paramilitary tactics at an unidentified location. [redacted]

[redacted] during 1984 North Koreans frequently attended Communist party meetings and were observed passing money to Jamaican leftists. [redacted]

Libya, like Cuba and Moscow, apparently is hoping to widen its influence via a return of the PNP to power. [redacted]

[redacted] two PNP members, while visiting Libya in April 1984, were offered a large loan for a reelected PNP government in exchange for a promise that such a government would adopt a strong anti-US stance. No firm commitments reportedly were made by either side. [redacted]

[redacted]

Grim Near-Term Economic Outlook

Domestic and international trends provide little cause for optimism that the Jamaican economy will post much, if any, growth in 1985. Nor is Seaga likely to make any real headway in slashing unemployment and inflation. In our view, any recovery would hinge largely on an unexpected pickup in commodity exports and tourism, on Seaga's ability to stimulate investor interest—particularly in nontraditional agriculture and light manufacturing—and on his success in tapping foreign capital markets. [redacted]

The likelihood of reviving the bauxite-alumina sector is bleak, despite currency devaluations that, in effect, have cut wages and other local costs in US dollar terms, or even in the unlikely event that world demand for aluminum picks up significantly. [redacted]

[redacted] US producers probably would satisfy their needs from lower cost operations in Guinea, Australia, Brazil, and elsewhere before trying to increase purchases from Jamaica. This year Alcoa has suspended its bauxite and alumina operations for at least one year. According to Seaga, the closure will cost Jamaica \$40 million in exports and \$25 million in government revenues this year as well as 900 direct jobs. [redacted]

As an illustration of the problem being faced, the manager of the ALPART alumina refinery, the largest US investment in Jamaica, in October 1984 indicated to US Embassy officials that its operations may close this year. The plant processes more than 15 percent of Jamaica's bauxite production, earns 10 percent of the island's foreign exchange, and employs 1,200 workers. The manager claims that only complete exclusion from the government's bauxite tax might keep the plant open. Any tax relief probably would not increase production sufficiently to maintain vital government revenues from this source. In any case, Jamaica's eroding competitiveness will severely limit the government's recently announced plans to take up the slack in sales by more vigorously diversifying markets through countertrade deals. [redacted]

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In addition to the dismal bauxite/alumina picture, the government's initial hopes for a banner tourist year were quickly dashed by the January protests in response to the steep rise in oil prices that came on top of a recent upsurge in domestic crime and harassment of tourists by drug peddlers. According to local press reports, occupancy rates and new reservations at many hotels have dropped sharply since mid-January despite a new advertising campaign in the United States. Seaga mentioned in a press interview that all but two of the business conventions expected to be held in Jamaica during 1985 and 1986 have been canceled. [redacted]

The prospects for agriculture are mixed, in our judgment. Recent currency devaluations—by making Jamaican exports relatively cheaper and imports costlier—should increase the competitiveness of food production geared to both the foreign and domestic markets. Jamaican Government efforts under the trade provisions of the Caribbean Basin Initiative will continue to encourage the expansion of such higher value products as spices, cut flowers, and winter vegetables. Sugar and banana prices, however, are likely to remain too low in 1985 to encourage much, if any, increase in production of these traditional crops. [redacted]

Shortages of foreign investment and loan capital will continue to crimp the performance of most sectors, particularly heavily import-dependent manufacturing activities. Economic and political uncertainties are prompting a number of international banks to decrease their loan exposure in Jamaica. [redacted]

[redacted] The current IMF standby accord is scheduled to end in mid-1985, and Jamaica may well have to weather some months without a Fund-supported program. If Seaga's commitment to austerity weakens in the face of the coming local elections, negotiations for a new IMF agreement could drag on even longer than in the past. Kingston's recent moves to try to reschedule part of the country's \$2.2 billion medium- and long-term external debt will further discourage potential lenders. Still, Jamaica's relatively low wages—recent devaluations have cut labor costs well below those in Hong Kong, for example—and proximity to the US market will lure some investors. [redacted]

Election Prospects

Despite the likelihood of continuing economic stress, we believe Seaga has a better-than-even chance of staving off opposition demands for a general election over the next two years at least. Seaga's conviction that a new national election must be avoided until the economy posts some gains was strengthened by the results of the September poll, [redacted]

We expect that Seaga will schedule local elections by June 1985. The ruling party has several strengths as it enters the campaign, and opposition PNP hopes of trumpeting the results as proof that it has achieved majority status may be frustrated, in our view. The ruling JLP's chances in rural areas—where it traditionally has done well—are further enhanced by its incumbency, which gives it control over the disbursement of all central government funds appropriated for local use. Moreover, by dissolving the Kingston St. Andrew Corporation, Seaga has reduced the ratio of urban to rural posts, thereby diminishing the PNP's chances of being able to win overwhelmingly in these races. A JLP victory, while less likely in our view, could occur if an unexpected event—such as Manley's death—or a tactical error by his party alters voter perceptions. [redacted]

Even if the PNP makes a strong showing in the local election, it probably would not be sufficient to force an early general election. Only overwhelming public pressure would be likely to overcome Seaga's resistance to call an early vote. In any parliamentary system, the incumbent party can dictate the election timetable if it holds a solid majority. With the JLP in control of all 60 seats in the House of Representatives, Seaga is shielded from a parliamentary vote of no confidence that automatically would trigger a new election. Based largely on the results of the September poll, we believe that any further erosion of Seaga's public support stemming from the country's economic difficulties would not proportionately boost pressure for new elections. [redacted]

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The PNP's aggressive new strategy could prove a two-edged sword. While it could force an early general election, PNP support at the polls could be undercut if the populace blamed the party for any pickup in violence. If the party launches its effort as planned during the crucial winter tourist season through April, when both parties traditionally have refrained from confrontational politics, the PNP also risks the charge of sacrificing the country's economic welfare for its own political ambitions. [redacted]

The PNP also faces difficulties in trying to maintain the cooperation of organized labor, an element essential to the success of its planned strategy. [redacted]

[redacted] many union officials privately expressed reservations when Manley was elected president of the PNP-affiliated National Worker's Union in June 1984. They noted that, after the PNP came to power in 1972, it essentially abandoned the union. We believe that union leaders, primarily concerned with maintaining credibility with their rank and file, will cooperate with the PNP only as long as they judge the party's interests dovetail with those of their membership. [redacted]

Implications for the United States

Seaga's success or failure in bringing economic recovery to Jamaica will directly affect US political and economic policy in the region, in our view. Jamaica is seen by regional leaders as the linchpin of Washington's Caribbean policy because of its size and political importance among the English-speaking islands. This view has been reinforced by Seaga's actions in swinging Jamaica firmly into the US camp, his vigorous support of the US-led Grenada intervention, and his espousal of free enterprise economic policies. We believe other moderates in the region will read the outcome in Jamaica as a barometer of Washington's effectiveness in promoting stability and economic progress throughout the Caribbean over the long term. Considering the generous US economic support provided to the Seaga administration, his political defeat would raise doubts about the suitability of the free market approach as a cure for the region's economic doldrums. [redacted]

Assuming Jamaica's economic outlook remains bleak and that opposition activities will intensify over the near term, Kingston almost certainly will seek additional US assistance with an increasingly urgent tone, especially after the current IMF standby program ends in mid-1985. We believe Seaga will request help in such forms as additional bauxite purchases, support for the country's security forces, and concessional loans to tide the economy over should agreement on a new Fund arrangement be delayed. At the same time, continued economic distress is likely to further diminish the Seaga government's willingness to provoke the wrath of farmers by pressing efforts to eradicate marijuana crops. [redacted]

We would expect a Manley government, even one in which moderates occupy influential positions, to depart from the economic policies advocated by Seaga in several key respects. Based partly on statements made at recent PNP caucuses, we believe the party's economic program would include a return to a fixed foreign exchange rate and import licensing. The PNP also supports an end to further divestitures of state-owned enterprises and cuts in government payrolls. Although PNP leaders have not ruled out pursuit of IMF support, enactment of these nonmarket policies probably would preclude a Fund program. Without IMF support, access to credit from other international lending agencies and commercial banks would be severely limited as would investment capital. The chances of Jamaica declaring a moratorium on its external debt—of which \$700 million, or nearly one-third, is owed to the United States—would increase. The deepening economic crisis that would inevitably follow, in our view, would make moderates in the PNP increasingly vulnerable to radical pressure for a shift to a more leftist orientation. [redacted]

With regard to foreign policy, the PNP would be likely to reestablish relations with Cuba and permit an expanded Soviet presence. [redacted] Manley indicated [redacted] in late 1984 that a

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future PNP government would maintain correct and open relations with Cuba, reflecting Jamaica's sovereignty and its position as Cuba's closest neighbor. He added that the PNP would recognize the reality of US hegemony in the Caribbean region but not to the point of obeisance. We believe Manley would be correct, but cool, in his relations with US officials—he blames Washington in large part for Jamaica's economic woes during the 1970s and for his humiliating election defeat. Pressure by the moderates and the country's economic aid needs probably would limit the government's anti-US rhetoric. As in the past, Manley would openly criticize such US policies as support of the anti-Sandinista insurgents in Nicaragua, which he views as violating international law.

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With respect to such US interests as the curtailment of drug trafficking and illegal emigration, the impact of PNP policies would most likely be negative. We believe the economic deterioration that would follow a PNP victory would foreclose much progress on interdiction and eradication and would increase the already substantial flow of legal and illegal Jamaican emigrants to the United States.

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