



Directorate of Intelligence

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**Latin America
Review**



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16 August 1985

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16 August 1985*

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**Latin America
Review**

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Venezuela: Perez's Precampaign Maneuvers 3325X1
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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis,

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[Redacted]

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Articles

Nicaragua: Sensitivity to Terrorism Charges [Redacted]

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Despite Managua's continued links to groups employing terrorist tactics, recent US statements have placed the Sandinistas on the defensive, and for tactical reasons they are likely to urge regional insurgents not to attack US personnel in the short term. Regime leaders fear Washington's charges are intended to sway US public and Congressional opinion and allow the United States to sustain pressure on Nicaragua. Moreover, the Sandinistas probably believe the US accusations could further complicate relations with other Western governments, that in the past have shown concern over Nicaragua's support for radical leftists. Managua is seeking to blunt the charges by claiming that the United States is responsible for state terrorism through its support for the anti-Sandinista insurgents. [Redacted]

foreknowledge of it, they clearly have supported the Salvadoran insurgents' strategy of conducting urban terrorism. [Redacted]

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Nicaraguan support and influence on the PRTC is well established. The PRTC still has its communications headquarters in Nicaragua. [Redacted]

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In addition to the circumstantial evidence implicating the Sandinistas in terrorist attacks in El Salvador, [Redacted] before the US demarche the Nicaraguans were taking steps to orchestrate new terrorist activities in Honduras:

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The Sandinistas have escalated their rhetoric in the wake of President Reagan's statements branding Nicaragua a principal supporter of state terrorism and the recent US warning that Managua would be held accountable for attacks on US citizens in Central America. The US demarche followed a terrorist assault that killed four off-duty US Marines and nine other persons in San Salvador on 19 June. [Redacted]

[Large Redacted Block]

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The Central American Revolutionary Workers Party (PRTC), one of five groups in the Salvadoran insurgent coalition, claimed responsibility for the murders. [Redacted]

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[Redacted] The coalition leadership eventually endorsed the attack [Redacted] and promised to continue the campaign. [Redacted]

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Nicaraguan Responsibility for Terrorism
Although we do not believe that the Sandinistas directly ordered the 19 June attack or had

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Managua has long made known its position that US military intervention in Nicaragua would result in a series of attacks against US officials and installations throughout the region. [redacted]

[redacted]

information on the presence in Managua of persons accused of belonging to terrorist organizations so the government could conduct an investigation. This technique, employed many times in response to US accusations of aiding the Salvadoran insurgents, allows the regime to deflect accusations while projecting an image of flexibility. [redacted]

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Propaganda Efforts

In its efforts to counter US charges, Nicaragua claims Washington is trying to create a favorable climate in international and US public opinion for a military intervention. The regime also has attempted to focus attention on US support for the anti-Sandinista insurgents and what Managua calls the "terrorist war" being conducted against Nicaragua. [redacted]

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Sandinista Disavowals

Over the last few weeks, Sandinista leaders have tried to defend themselves from Washington's charges. President Ortega, for example, made terrorism the theme of his address during ceremonies commemorating the sixth anniversary of the Sandinista revolution, as well as during several press conferences and a nationwide radiobroadcast. [redacted]

Military Intervention. The Sandinistas are attempting to alarm the international community by suggesting that the United States is preparing a provocation to justify an intervention. Interior Minister Borge, for example, has said that Washington may stage an attack against its own Embassy, and he renewed charges that the United States and the insurgents were plotting to assassinate Nicaraguan Cardinal Obando y Bravo. Although the Sandinistas probably do not believe an invasion is imminent, they undoubtedly fear reprisals in the event of additional terrorist acts against US citizens. Moreover, they probably view the US warning—along with the renewal of aid to anti-Sandinista insurgents and the recent Congressional legislation authorizing military action against Nicaragua for sponsoring terrorist attacks—as an escalation in US pressures that makes eventual intervention more likely. On several recent occasions, Ortega has indicated his concern that the US Congress is becoming less of a barrier to hostile action by the executive branch. [redacted]

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The strongest Sandinista statement disavowing terrorism was issued by the Nicaraguan Foreign Ministry on 18 July. The communique asserted Nicaragua's "vigorous, total condemnation of all forms of terrorism," particularly state terrorism such as that allegedly being sponsored by the United States. The statement claimed that the Sandinista Front had never used terrorist methods during the struggle against the Somoza dictatorship. It rejected any blame for "the events that occurred on 19 June in San Salvador" or similar attacks, saying, "We do not practice or encourage such actions." [redacted]

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Nonetheless, the Foreign Ministry neither condemned the murders in El Salvador nor branded them a terrorist act. Sandinista leadership statements on the attack, moreover, have carefully avoided criticizing the Salvadoran guerrillas and instead hold US policies responsible for violence in Central America. During his revolutionary anniversary press conference, Ortega sidestepped questions about Sandinista support for the Salvadoran rebel faction responsible for the attack and its announcement that it would continue to target US officials. [redacted]

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US Sponsorship of Terror. The Sandinistas are intensifying their accusations that the United States backs aggression and terrorism through its moral and material support for the Nicaraguan insurgents. The government also appears to be employing the word "terrorist" more frequently in its accounts of

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To disarm possible adverse reaction in Europe to the US charges, the Sandinistas announced that they had asked West European governments to supply

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Chronology of Nicaraguan-Supported Terrorist Incidents

Since 1979, the Sandinista regime has provided logistic and moral support to a variety of Latin American leftist groups, many of whom have been involved in terrorist incidents. El Salvador has been the principal arena of Nicaraguan-sponsored subversion, with Costa Rica and Honduras as secondary theaters. Nicaragua also has given safehaven to individuals from such groups as the Montoneros (Argentina), Tupamaros (Uruguay), MIR (Chile), M-19 (Colombia), and the Red Brigades (Italy). In return, some of these groups, as well as the PLO, have given training assistance to the Sandinistas.

Early Years

Several times during the Sandinistas' struggle to overthrow Somoza, the group resorted to terrorist tactics, including assassinations of government officials, kidnaping foreign diplomatic personnel, and the celebrated incident in which current Vice Foreign Minister Nora Astorga used the promise of sexual favors to lure a Nicaraguan general to his death. These incidents contradict recent statements by the Sandinista leadership that the FSLN has never used terrorist tactics.

Following the Revolution

The Sandinistas have been directly or indirectly responsible for numerous terrorist incidents since coming to power in July 1979. These actions include assassinations of Sandinista opponents and bombings and other terrorist acts to intimidate neighboring governments.

October 1979

Sandinista-directed group murders former National Guard officer Pablo Emilio Salazar in Honduras. Salazar had been an effective field commander for Somoza during the revolution, and the new regime feared his involvement with anti-Sandinista rebels.

April 1980

Sandinista-backed Honduran Communists kidnap the American vice president of Texaco's Caribbean operation but are later captured by Honduran authorities.

September 1980

Argentine and Chilean assassins kill former Nicaraguan President Anastasio Somoza in Asuncion, Paraguay. The Nicaraguan Government is involved in the planning and financing of the murder.

March 1981

A Sandinista-backed Honduran terrorist group, the Cinchoneros, hijacks a US-bound Honduran airlines flight and diverts it to Managua.

March 1981

US Marine guards in San Jose, Costa Rica, are wounded in an attack by a Costa Rican terrorist linked to Managua through the Nicaraguan Embassy.

July 1981

Costa Rican authorities intercept six heavily armed men who had entered the country from Nicaragua intending to seize the Guatemalan Embassy and hold the Ambassador hostage. The team included two Nicaraguans affiliated with the Sandinista Front.

February 1982

The Nicaraguan Consul in Liberia, Costa Rica, is the principal suspect in an assassination attempt against anti-Sandinista leader Fernando Chamorro, but his return to Managua shortly after the attack ends the Costa Rican investigation.

March 1982

Costa Rican security forces raid a San Jose safehouse and capture nine suspected subversives—including two Nicaraguans—and a large supply of weapons and vehicles.

July 1982

The Honduran airlines office in San Jose, Costa Rica, is bombed in what was to have been the first act in a Sandinista plan to destabilize the Monge government. A Colombian M-19 member responsible for the bombing is captured, however, and confesses that he had been recruited by Nicaraguan Embassy officials in Costa Rica. Costa Rica subsequently expels two Nicaraguan diplomats after one is lured to a clandestine meeting with the M-19 member.

July-August 1982

Salvadoran and Honduran leftists sabotage the main power station in Tegucigalpa on 4 July, and more bombs are planted at several US businesses in August. A captured Salvadoran guerrilla who participated in the attacks says he had obtained explosives in Nicaragua and transported them in a truck modified there for arms trafficking.

September 1982

The Cinchoneros seize 105 Honduran businessmen in San Pedro Sula, demanding release of Honduran and Salvadoran radicals.

October 1982

Hector Frances, an Argentine citizen who reportedly was working with anti-Sandinista guerrillas in Honduras, is kidnaped in Costa Rica. Nicaragua later distributes a filmed confession in which Frances—who shows signs of being beaten—reveals details of Argentine and US aid to the insurgents. He has not been seen since the television show and Managua denies knowledge of his whereabouts.

June 1983

Two Nicaraguan officials pretending to be Sandinista defectors mount an assassination attempt against anti-Sandinista leaders in Costa Rica. One is killed and the other seriously injured when the time bomb they are carrying detonates prematurely.

September 1983

Costa Rican police arrest a member of the Spanish Basque separatist group ETA who had been instructed by Nicaraguan officials to assassinate anti-Sandinista leader Eden Pastora at his San Jose home.

May 1984

Approximately 28 people are wounded and at least four killed when a bomb explodes at a news conference called by Eden Pastora at his camp in southern Nicaragua. Although specific proof is lacking, Nicaragua is the most likely sponsor of the attack. One indicator of Sandinista complicity is a Nicaraguan radio announcement that the bomb was made of plastic—several hours before Costa Rican authorities had determined the nature of the explosive device.

March 1985

Anti-Sandinista insurgents announce that several guerrillas had been wounded by a bomb concealed in a package mailed from Nicaragua to Eden Pastora's son.

June 1985

A Salvadoran insurgent group with ties to Nicaragua claims responsibility for the machinegun attack on a sidewalk cafe in San Salvador that killed 13, including six Americans.

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insurgent activity and is particularly effective in depicting the deaths of women and children as proof of rebel barbarity. Ortega's anniversary speech, for example, claimed that some 200 children under the age of 12 and 134 women had been "murdered." The regime also filed a protest note holding the United States accountable for the deaths of nine women—traveling with armed troops in Army trucks after visiting relatives at a nearby military base—during an insurgent ambush on 27 July. At the funeral service, Ortega said Washington was following a policy of extermination "worse than Hitler's."

In recent weeks, Managua also has renewed charges of US-sponsored assassination plots against government officials. State Security Chief Lenin Cerna, for example, announced in mid-July that his forces had confiscated a shipment of arms—including "single-shot rifles commonly used for assassinations"—that were to be used in a CIA-backed terrorist campaign. The international press frequently reports these charges without critical comment.

Other Tactics. The Sandinistas have attempted to shift the burden of proof by challenging the United States to substantiate its charges of Nicaraguan involvement with terrorists at the World Court. In addition, according to US Embassy reports, in late July the Nicaraguan Foreign Ministry escorted a select group of diplomats to Nicaragua's northwest coast to prove that no terrorist training bases are located there. Foreign Minister D'Escoto's fast from 7 July to 3 August in protest of US "state terrorism," given extensive publicity by the regime, also was aimed at turning the issue to Managua's advantage.

Future Nicaraguan Support for Terrorist Attacks

Although the Sandinistas are likely to take the public line that urban operations by the Salvadoran insurgents are simply the fruit of US policies, Managua is now urging the rebels not to target US citizens.

The Sandinistas are likely to counsel similar restraint in their dealings

with Honduran leftists, although they are almost certain to continue training, arming, and infiltrating them.

We believe the insurgents almost certainly will continue their urban operations. Even if the mainstream insurgent alliance was to accept Nicaraguan—and presumably Cuban—advice and temporarily forgo targeting US personnel in the capital, radical urban splinter groups have the capacity to mount their own operations. Moreover, the guerrillas probably will continue to regard US military advisers in outlying garrisons and in the field as prime targets.

Managua is likely to continue preparing contingency plans to use Central American leftists to mount terrorist attacks in the event of a US invasion. The Sandinistas may view their public statements that these attacks would take place not only as a means to alarm the US public and deter an invasion, but also to remind Washington that a military response against Nicaragua for supporting terrorist attacks could spawn additional terrorism in the region. Borge said in late July, for example, that revolutionary organizations had made "spontaneous offers" to attack US targets if the United States invades Nicaragua. Borge attempted to play down Nicaragua's link to these groups, however, stating that he personally opposed attacks on innocent American civilians and that such operations would be beyond Nicaragua's ability to control.

We expect the Sandinistas to continue their contacts with West European, Latin American, and Middle Eastern groups that have employed terrorist methods. Despite the publicity that the terrorism charges have generated, international disapproval has not been sufficient to discourage the Sandinistas from maintaining these ties.

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Nicaragua: Political Goals Through Agrarian Reform

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During their six years in power, the Sandinistas have substantially reorganized the pattern of Nicaraguan land tenure as part of their effort to attain their goal of a tightly controlled, socialized agricultural sector. At the outset, large, privately owned operations were converted into state farms, but increasingly private holdings are being organized into collective operations. Despite negative economic returns, mixed results in retaining peasant support, and the alienation of private growers, Nicaragua's leaders probably will continue moving ahead out of ideological commitment and a desire to consolidate political control. [redacted]

The Sandinistas' call for radical agrarian reform—land for peasants and a socialist model—during their struggle for power was toned down after the revolution in favor of proclaiming a mixed economy. Nonetheless, according to US Embassy reporting [redacted], government officials have remained committed to achieving ultimately an agricultural sector composed of 50 percent cooperatives and collectives, 25 percent state farms, and 25 percent privately owned properties. The state sector acquired better than 20 percent of agricultural lands with formation of state farms from most of the property confiscated from former President Somoza and his associates in 1979. Expropriation of private property and encouragement from the regime for formation of collectives and cooperatives since then have reduced large private holdings—once comprising nearly half of all agricultural property—to about 10 percent, with the remaining 70 percent divided among cooperatives, collectives, and small- and medium-private owners, according to recent government announcements. [redacted]

Implementation

By their sixth anniversary, [redacted] the Sandinistas had obtained over 6 million acres of agricultural land, or more than two-thirds of the country's arable land—about 2 million to form state farms and another 4 million for collective farms, peasant cooperatives, and individual farms. The

regime phased in measures to attain its goals, focusing first on boosting crop production through state farms and existing large private properties. Only after enactment of the 1981 law providing for expropriation of private property did land distribution to peasants gain momentum. According to US Embassy reporting, most of the new agricultural units formed since 1981 have been collectives, with land owned in common. Two-thirds of the 822 cooperative or collective units planned for 1984 were to be collectives. Recent public announcements indicate that the pace of collective formation is quickening. This year 20 to 25 percent of the 1 million acres scheduled for distribution will go directly to collective farms, and much of the remainder—designated for Indian communities, peasant resettlement camps, and areas of high landless populations—most likely will eventually be organized into collectives as well. [redacted]

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The US Embassy reports that private-sector growers believe land expropriations increasingly are politically motivated. For example, they charge that the confiscation of productive coffee and cotton lands belonging to Enrique Bolanos, the head of the most important private-sector organization and a vocal antiregime critic, was a reprisal. Similarly, they assert that the government has taken property from persons accused of collaborating with insurgents and from the agricultural producers' president for failing to condemn the cancellation of the US sugar quota, and has enacted punitive bank foreclosures on private farms in Chinandega and Leon. [redacted]

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During the past year, private owners have complained of government bias favoring peasant claims following occupations of fallow or noncrop land. The regime has seized thousands of acres of productive cotton and coffee land under false charges of abandonment, according to area owners. The US Embassy reports the Sandinistas have confiscated lands for distribution to disaffected peasants—such as Miskito Indian communities on the Atlantic coast—or to regain

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Collectives and Cooperatives

Most of the land distributed by the Sandinista regime has gone to two new forms of agricultural units:

Collectives, *officially called Sandinista Production Cooperatives, are characterized by common ownership, development of community services, and profitsharing. They receive preferential treatment in title awards, marketing, credit, extension services, and distribution of fertilizer, seed, and farm equipment. The regime consistently refers to collectives as the most advanced form of agricultural organization.*

Cooperatives of Credit and Service feature individual ownership, with—at least in theory—voluntary collective association for obtaining credit, sales, and services. US Embassy reporting indicates that many peasants strongly prefer this form of cooperative organization, which allows them to retain individual ownership.

[Redacted]

political support and strengthen military defense in areas like the central highlands where the insurgency has been growing. [Redacted]

Benefits and Costs

According to recent government announcements, land redistribution ostensibly has benefited nearly 70,000 families—some 400,000 peasants—but the regime makes no distinction between those who receive individual titles and members of collectives. The government also has provided greater access to subsidized credit and some technical assistance. In addition, the formation of collectives and cooperatives has helped improve the provision of health and education services to rural regions. [Redacted]

Despite increased access to land for many peasants, [Redacted] many putative beneficiaries are dissatisfied with the agrarian reform program. Many peasants reject even credit cooperatives as an unnecessary change in tradition and a restriction of their independence, and they

particularly resent forced resettlement on collective farms, according to press and US Embassy reporting. Managua has relocated tens of thousands of peasants away from the northern and southern borders to deny their support to the insurgents. Many refugees say they fled Nicaragua to escape resettlement. [Redacted]

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Many peasants see themselves as no better off than before the revolution, according to press and US Embassy reports. Real farm income, for both rural wage earners and landowners, has dropped substantially as a result of triple-digit inflation and low official crop prices. Pervasive government control over all aspects of planting, harvesting, and marketing gives farmers little means of bettering their economic situation. They also resent new restrictions on their right to sell their land or divide it among their heirs, according to press reports. [Redacted]

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According to the US Embassy, the loss of private-sector confidence and investment has been another major cost of agrarian reform. Private growers were largely responsible for significant production gains following the civil war. By 1983-84, however, with land expropriations accelerating, private-sector production of critically needed food and export crops had fallen off. Continued declines risk further foreign exchange losses and possible food shortages. The Sandinistas also appear willing to incur the loss of technical and managerial expertise that the accelerated flight of the middle class portends. [Redacted]

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Outlook

For both ideological and practical reasons, the Sandinistas are likely to push ahead with the agrarian reform program. On balance, the land reform efforts undoubtedly are a success in their eyes. Government control over all phases of agricultural production is expanding rapidly, and the regime is extending its political control over the countryside. [Redacted]

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We believe the regime will continue to step up the pace of expropriations over the next few months. In our opinion, the Sandinistas' desire to retain state

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Gradual Reform

The Sandinistas have implemented the agrarian reform in phases, shifting emphasis over the years in response to changing political and economic considerations.

First Steps, 1979-81. The confiscation of agricultural estates belonging to former President Somoza and his associates—some 2 million acres, or more than 20 percent of the nation's cultivable area—gave the new regime considerable land for redistribution without antagonizing the private sector. Most was converted to large state farms, retaining the existing technology and work force and continuing to produce export crops. Private owners were assured they would have a vital role to play in Nicaragua's evolving "mixed economy," and peasant calls for land distribution were deflected in the interests of maintaining production. The government subsidized farm credit, provided greater security to tenant farmers, and created an elaborate bureaucracy to set agricultural policy, prices, and production quotas, and to control marketing and processing.

Formalizing Agrarian Reform, 1981-83. The Agrarian Reform Law of July 1981 subjected the right to own land to a state-defined test of

productivity. Although the law allowed for the expropriation of large estates and underutilized agricultural land for distribution to individuals, cooperatives, and to Indian communities, the government reassured the private sector by guaranteeing land ownership to those who work it productively. Newly distributed "titles" were actually entitlements to use of the land that could not be sold or subdivided but could be inherited. By May 1982, according to the US Embassy, the Sandinista government had seized some 170,000 acres, with most reportedly turned over to collectives.

Consolidation of Agrarian Reform, 1983-85. In the past two-and-a-half years, Managua has substantially stepped up confiscation of private lands as well as redistribution. In 1984, the regime planned to deliver titles to 1.2 million acres—as much as was distributed in the previous three years combined. Recent government announcements claim that over a million more acres will be distributed this year. Though some mostly nonproductive state-owned lands have been distributed, this increase in land distribution has been made possible mainly by broader application of the Agrarian Reform Law to private holdings, according to press reporting.

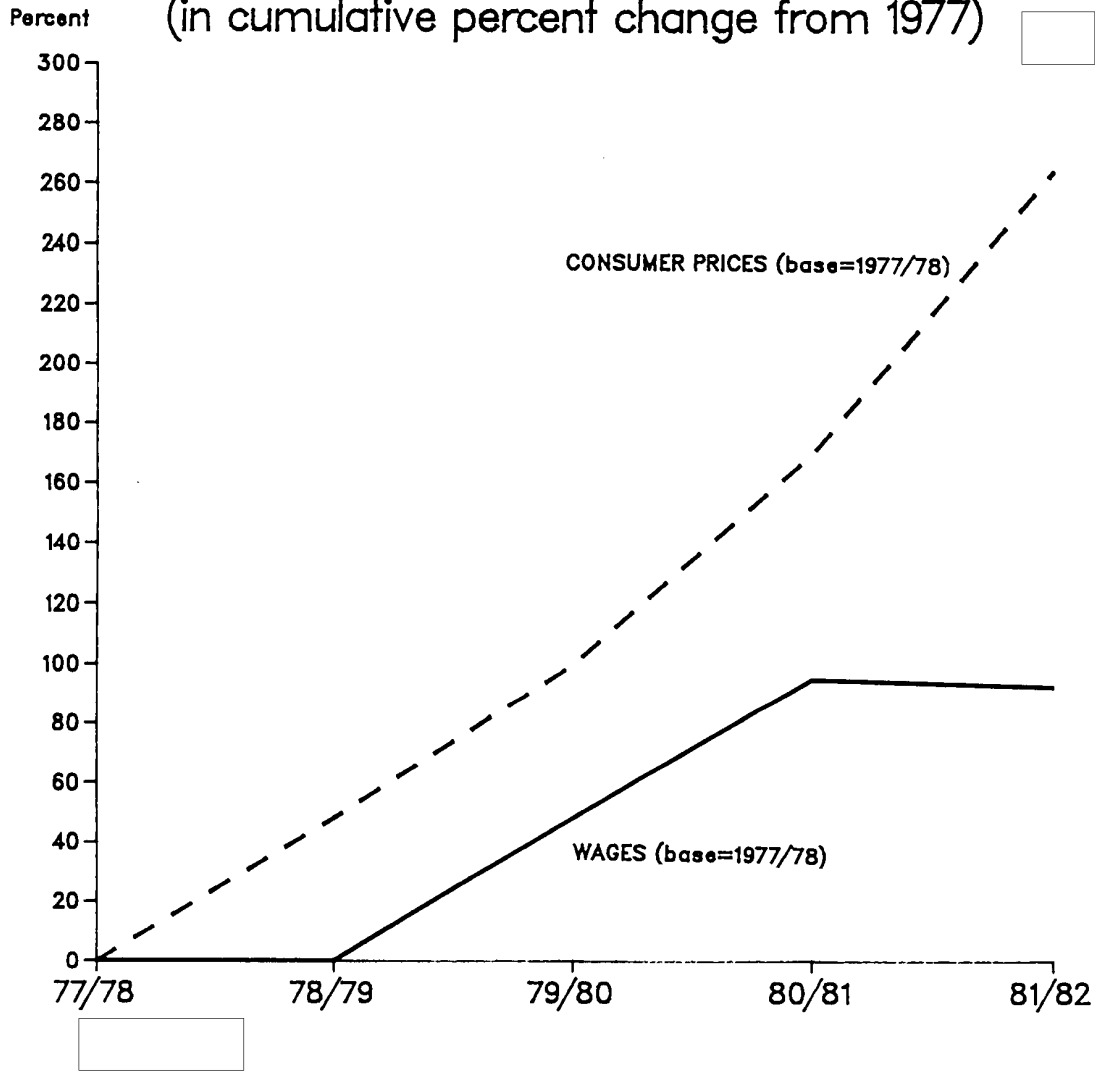


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CHANGE IN DAILY WAGES AND CONSUMER PRICES FOR AGRICULTURAL SEASONS FROM 1977-1982 (in cumulative percent change from 1977)



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farms, expand collectives and cooperatives, and counter rebel inroads in rural areas outweighs, in their policy calculus, any negative results of the agrarian reform program.

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Nicaragua: Sandinistas Diverting Funds

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High-level Sandinista officials are diverting funds from kickbacks and various businesses to bank accounts outside the country, [redacted] and rumors of such activity are circulating more widely. While the extent and purpose of this activity is unclear [redacted] we speculate that such funds may be used for personal enrichment, for controversial government operations, or for contingency purposes in the event the government is overthrown. The allegations of corruption are compounded by the growing contrast between the lifestyles of some of the Sandinista elite and the working class, which is feeding discontent as economic conditions worsen.

[redacted]

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[redacted] US

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Embassy source, all nine members of the Sandinista National Directorate have Swiss bank accounts for their shares of H&M profits. There is no information available concerning the magnitude of these proceeds.

[redacted]

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Purposes

[redacted] H&M profits are used for personal enrichment. According to US Embassy reporting, some high-level Sandinistas—President Ortega, Defense Minister Ortega, and Agriculture Minister Wheelock, for example—reside in luxurious homes despite their modest official salaries, and virtually all of the Directorate members have expensive vehicles. In addition, [redacted] party members frequent hard currency shops and restaurants reserved for them. Others, however, maintain more modest lifestyles. Borge, for example, still lives in a lower middle-class neighborhood.

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H&M Corporation

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Several top Sandinista officials reportedly are profiting from various schemes involving H&M Corporation, a holding company with more than 25 ostensibly private trading companies and domestic businesses. [redacted] the corporation receives its operating capital outside the official budget and does not report its profits to tax authorities [redacted]

Using their preferential access to foreign exchange and credit, H&M subsidiaries import a wide assortment of products, including vehicles, nonordnance military supplies, and goods sold in diplomatic stores. [redacted]

We speculate that some of the diverted funds may be used for institutional ends, such as funding sensitive or controversial government operations that the regime does not want identified in the official budget. Some may be destined for the Salvadoran insurgents or other regional leftist groups. In addition, the Swiss bank accounts may serve as a cache to finance a new guerrilla effort in Nicaragua if the regime is ever overthrown. [redacted]

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Public Perceptions

The comfortable and sometimes ostentatious lifestyles and perquisites of many high-level government officials contribute to public resentment, according to

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US Embassy and press reporting. The contrast between the elite and the masses is even more marked because of the diminishing living standards of the working class. Some of the early advances of the poor—increased educational opportunities, improved access to health care and housing, and subsidies for staples—have been offset by rationing, shortages, unprecedented inflation, and high unemployment.

[redacted]

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Moreover, the diversion of foreign exchange—an extremely scarce commodity in Nicaragua—exacerbates already severe economic problems. To the extent that hard currency is used by H&M subsidiaries to purchase luxury goods for party members or stashed outside the country, it is unavailable for productive purposes. [redacted]

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Even while reportedly diverting funds themselves, the Sandinistas have come down hard on economic crime and abuses among the working class. In early May, for example, the regime created a National Commission for Struggle Against Corruption after a network of Health Ministry employees—including electricians, maintenance workers, and at least one manager—was found pilfering goods for sale on the black market. Ironically, the Commission is staffed with officials from the Interior Ministry and the H&M Corporation, according to press reports. [redacted]

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Despite their own malfeasance, the Sandinistas are likely to continue to make corruption a special target in an effort, however unsuccessful, to deflect criticism from their own economic mismanagement. [redacted]

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Nicaragua: Chemical Warfare Capabilities [redacted]

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Managua has imported Soviet-manufactured chemical defense equipment during the past year, and [redacted] has formed at least one chemical reconnaissance platoon. The equipment noted thus far is common to most Soviet military clients in the Third World and suggests no more than a desire by the Sandinistas to acquire a rudimentary defensive capability against chemical weapons. Although artillery rounds labeled "chemical munitions" were displayed at a Sandinista Armed Forces Day celebration last September, we have no credible evidence that the Sandinistas are building an offensive chemical warfare capability. [redacted]

which houses a Sandinista Army engineer unit in March. Four BRDM-2/RKH vehicles match the Table of Organization and Equipment for a Soviet CBR Reconnaissance Platoon, which is designed to reconnoiter and mark areas of chemical, biological, or radiological contamination for ground force armored units. The vehicles are equipped with various sensors and yellow marking flags. [redacted]

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Nicaragua is probably in the process of forming a chemical defense battalion—a unit found in the Cuban Armed Forces as well as those of many other Soviet military clients in the Third World. If the Nicaraguans continue to follow the Soviet and Cuban pattern, such a unit would include decontamination vehicles to wash down tanks and other vehicles, a separate company dedicated to decontaminating personnel and their equipment, and a training and supply element to instruct armed forces units on the

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The extent of Nicaragua's chemical defense capabilities was revealed last September during the armed forces celebration. A static display of military equipment at Montelimar Airfield included a gas mask, part of an individual protective suit, a chemical testing set, two BRDM-2/RKH CBR reconnaissance vehicles, a water purifier and decontamination vehicle, and a series of graphics depicting the effects of various chemical agents. The artillery projectiles that were displayed included white phosphorus (used to mark targets) and tear gas rounds, which the Soviets define as chemical weapons. [redacted]

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[redacted]

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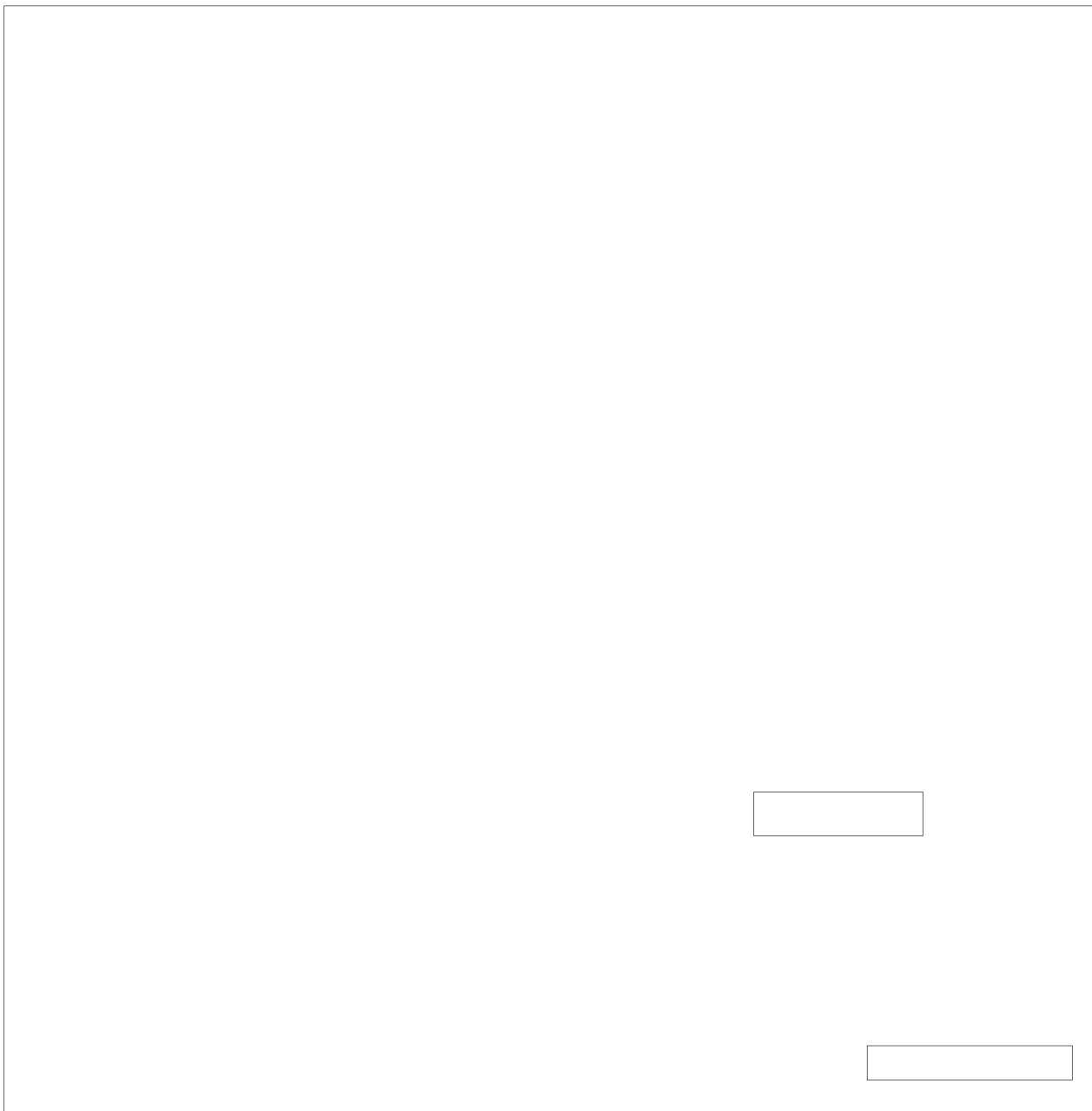
[redacted] the presence of four BRDM-2/RKH chemical reconnaissance vehicles. Two of these vehicles had been seen at this facility,

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effects of chemical weapons and the use of gas masks and protective suits. [redacted]

nonlethal toxic agents reportedly used by the Sandinistas that caused throat irritation and coughing for several days, but these appear to be no more than standard smoke grenades. [redacted]

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[redacted] [redacted] described

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**Brazil: Business's
Political Plan** [redacted]

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Brazilian business leaders plan to provide financial backing to conservative and moderate candidates from at least four political parties in upcoming municipal, gubernatorial, and congressional elections. According to the US Embassy, businessmen are convinced they must involve themselves extensively in politics to stem what they regard as a leftist resurgence since Brazil's recent return to civilian rule. Some business people also claim that President Sarney's administration is not sufficiently defending private enterprise. They are particularly uneasy over the government's land reform program, its nationalizations of some troubled banks, and its proposed changes in the country's new labor laws.

[redacted]

Brazilian parties currently are undergoing major changes in strength and alignment, and the outcome probably will remain unclear for some time. Businessmen appear reluctant to concentrate their resources behind any single party. [redacted]

[redacted] conservative business interests in Sao Paulo, Brazil's main industrial center, are backing candidates from several different parties in mayoral elections scheduled for November and gubernatorial and congressional contests due to be held a year later. These candidates include former Brazilian President Quadros of the basically nonideological Brazilian Labor Party, who is running for mayor of Sao Paulo; Foreign Minister Setubal, who is likely to run for governor of Sao Paulo state as the candidate of Sarney's centrist Liberal Front Party; and former Planning Minister Delfim Netto, who expects to run for Congress on the conservative Social Democratic Party ticket. Elsewhere in the country, according to the US Embassy, business leaders have indicated plans to support moderates in these parties and in the center-left Brazilian Democratic Movement Party—the senior partner in Sarney's governing coalition. [redacted]

Businessmen have voiced fears that, unless they make a strong effort to elect moderates and conservatives, leftists may dominate the 1987 constituent assembly, which will be comprised of the Congress elected in 1986. The assembly will make constitutional changes that could have a major impact on private enterprise. For example, the assembly could alter constitutional provisions dealing with the tax system, resolution of labor disputes, and guarantees of private property.

[redacted]

We judge business's concerns about the Sarney administration to be somewhat exaggerated. The government thus far has pursued generally moderate policies. Nevertheless, politicians with leftist connections do hold some cabinet-level and other posts. Moreover, leftwingers outside the government such as Rio de Janeiro state Governor Brizola—a likely presidential contender in the future—and the country's Communist parties have increased their political activity in the more open climate since the end of military rule. With the party structure in a state of flux, it will be difficult for business leaders to determine where they can place their money most effectively to combat the left. [redacted]

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French Overseas Departments in the Caribbean



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The French Caribbean Departments: The Independence Movement

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After 20 years of unsuccessful proindependence activities, French Caribbean separatists are demonstrating a broader approach that portends a more active and militant independence movement. Separatist violence in New Caledonia last fall appears to have been a catalyst for separatists in Martinique, Guadeloupe, and French Guiana, who—according to the US Consul General—were encouraged by France's willingness to support independence for the Pacific territory. Since then, French Caribbean separatists have increased their use of violence and tried to strengthen their organizations and popular support to increase pressure on the Mitterrand government. Their more sophisticated approach was underscored by the success of recent protests in Guadeloupe, where separatists exploited the island's racial tensions and high unemployment rate to mobilize proindependence sentiment. Moreover, the separatists may improve their militant capabilities through closer ties with Libya. Nevertheless, senior French officials have said publicly that France will not compromise with the Caribbean independence groups.

about 70 percent of national income. A second group advocates immediate independence, but generally opposes violence as a tactic. A number of minuscule splinter factions, however, believe that terrorist measures are necessary to achieve independence.

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The Communist Party of Guadeloupe and the Guianese Socialist Party—the strongest parties in their respective departments—want greater domestic autonomy, but recognize that economic stability depends on continued French aid. Like their French counterparts, local Communists and Socialists share broad popular support and maintain relatively moderate domestic policies. Combined, the Communists and Socialists usually win about half the popular vote in local General Council elections, according to the US Consul General.

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The Political Setting

Attitudes toward independence and relations with “the metropole” vary among the three Caribbean departments and generally divide along ideological lines. The US Consul General in Martinique reports that 80 percent of French Caribbeanists oppose independence, although many favor increased local autonomy. The political right supports the status quo and is represented by local branches of such French parties as the Union of Democrats for the Republic (UDR). The UDR has the largest following in Martinique, where support for continued association with France is the strongest of the three departments.

The refusal of Communist and Socialist leaders to support independence publicly, despite growing pressures within their parties, has spawned the formation of a number of proindependence parties and splinter groups. In Martinique, for example, the Revolutionary Group of Socialists and the Communist Party for Independence and Socialism were organized in the early 1970s and 1980s as offshoots of the Martinique Communist Party. These groups have attracted little support, even among Communist and Socialist constituents, according to the US Consul General. Only two proindependence candidates won seats in the Guadeloupe and Martinique General Council elections last March. In French Guiana, the proindependence Union of Guianese Workers also won several seats on the local General Council but lacks the popular support to challenge the stronger Socialist Party.

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For the left, however, the independence issue has been divisive. Most leftists, represented by local Communist and Socialist parties, support greater local autonomy, but want to retain the economic benefits of association with France, which amount to

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Table 1
French Caribbean Departments:
Major Leftist Political Groups

Party/Year Formed	Leadership	Estimated Membership	Comments
Martinique			
Progressive Party of Martinique (PPM), 1956	Aime Cesaire, Deputy-Mayor of Fort-de-France; member of French National Assembly	Polled over 27 percent of votes in February 1983 Regional Council election.	Broke with the PCM in the mid-1950s; favors greater local autonomy but within the departmental framework; supported by middle and lower classes, but ineffectively organized beyond the capital.
Communist Party of Martinique (PCM), 1921	Armand Nicholas	1,000	Favors autonomy, not independence; plagued by disunity and weak leadership; usually outpolled by the PPM; large following among civil servants; affiliated with the General Confederation of Martinique Labor and several other trade unions.
Martinique Independence Movement (MIM)	Alfred Marie-Jeanne		Only proindependence party in Martinique that has won legislative seats; limited support, mostly among intellectuals.
Communist Party for Independence and Socialism (PCIS), 1984	Alex Marimoutou Danny Emmanuel		Made up of young Martiniquais Communists who live in France and split from the PCM in 1983 and 1984; favor independence now; reportedly follow a pro-Moscow line.
Socialist Revolutionary Group-Martinique (GRS), 1972	Phillipe Pierre-Charles	200	Trotskyite party formed by PCM members; far left; seeks independence and a socialist state; has negligible public support.
National Council of Popular Committees in Martinique (CNCP)	Edmond Mondesir		Small independence group; follows social democratic philosophy; trying to broaden support and form united front with the MIM.
Guadeloupe			
Communist Party of Guadeloupe (PCG), 1944	Guy Daninthe, Secretary General; Youth Arm: Jean Claude Lombion, Claude Chipotle	3,000	Supports greater autonomy but not independence; received 20 percent of popular vote in March election; strong labor support; associated with the General Confederation of Labor; Youth Arm favors independence and privately supports violent tactics.
Popular Union for the Liberation of Guadeloupe (UPLG), 1978	Claude Makouke	Fewer than 100 active members; can organize 2,000 to 3,000 demonstrators.	Best organized and most active independence group; disclaims violence but sympathizes with violent action; part of Movement for the Unification of the Forces for National Liberation, which also includes several trade unions.
Movement for the Independence of Guadeloupe (MPGI), 1982	Luc Reinette	Several hundred supporters.	Marxist, extremist umbrella group; seeks independence through violence; Reinette also member of Revolutionary Caribbean Alliance; imprisoned in late 1984, Reinette recently escaped and is believed to be hiding in Guadeloupe.

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Table 1 (continued)

Party/Year Formed	Leadership	Estimated Membership	Comments
Revolutionary Caribbean Alliance (ARC), 1983	Martinique— Marcel Manville Guadeloupe— FNU Bernard French Guiana— FNU Marcel	12 25-30 Less than 12	Clandestine terrorist group with wings in three departments; advocates armed struggle for liberation; extremely violent, may have attempted assassinations; has claimed responsibility for most bombings in the French departments since May 1983; inactive since arrest and conviction of several members in 1984-85.
French Guiana			
Guianese Socialist Party (PSG)	Leopold Heder, Mayor of Cayenne and General Council President	Won 48 percent of popular vote in March 1985 election.	Advocates greater local autonomy but not independence; with no organized Communist party in French Guiana, the PSG has consolidated leftist support.
Union of Guianese Workers (UTG)	Alain Michel Robert Aron		Labor union entered politics to allow proindependence choice; recently withdrew to resume labor activities, but plans to form a political party; publicly condemns terrorism but says violence may become necessary for liberation.
Anti-Colonial and Anti-Imperialist Guianese Nationalists Party (PANGA)	Michelle Kapel Louis Bieze		Small, militant separatist group

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Because Guadeloupe—unlike Martinique and French Guiana—has no official proindependence parties, it has had more extraconstitutional separatist activity. In recent years, the Popular Union for the Liberation of Guadeloupe (UPLG) has emerged as the most active independence group in the Caribbean departments, [redacted]. Unlike its predecessors, UPLG leaders so far have publicly rejected violence and instead relied on such tactics as demonstrations to gain popular support. Recent public statements and actions of the UPLG Youth Wing, however, suggest that the leadership has not ruled out violent methods to achieve independence. [redacted]

independence. UPLG leaders recently appear more concerned about trying to build popular support at home and abroad. [redacted]

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[redacted] The US Consul General reports that local officials believe some recent labor strikes in Guadeloupe and Martinique were instigated by the UPLG and other separatists. But the

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New Strategy and Tactics

Reacting to the vigorous prosecution of Revolutionary Caribbean Alliance terrorists in the past year, the UPLG has broadened its approach to achieve

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Separatist Violence

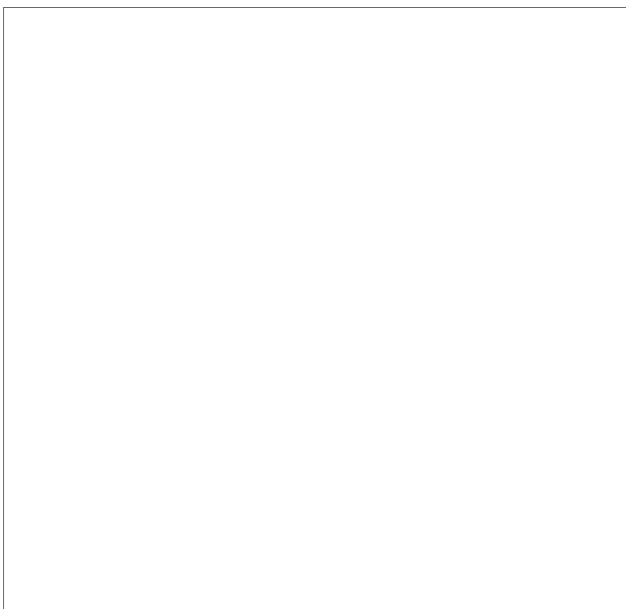
The inability of French Caribbean separatists to achieve independence through the political process since the 1960s has fostered the establishment of numerous clandestine terrorist groups. The US Consul General reports that less than 50 separatists have used violent tactics and the Guadeloupian groups tend to have overlapping memberships. Since the bombings were sporadic and the number of activists small, proindependence activities in the Caribbean departments until recently posed little threat to security. [redacted]

In 1983, however, a series of 17 coordinated bombings in all three departments and Paris by the newly formed Revolutionary Caribbean Alliance (ARC) suggested the development of a more sophisticated organizational network of radical separatists. Since then, [redacted] the ARC has been responsible for over 60 bombings that have left seven dead, numerous injured, and extensive property damage, mainly in Guadeloupe. The ARC has used more spectacular actions than earlier separatist groups and over the past two years has shifted from bombing unoccupied government property to targeting tourist spots. [redacted]

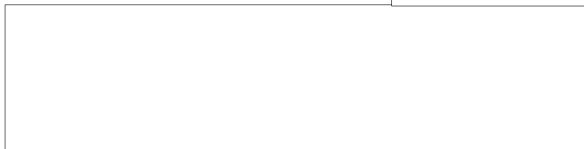
Paris responded last year by substantially increasing counterterrorist forces in the Caribbean departments, outlawing the ARC, and arresting nearly 20 ARC activists. Although the group has been inactive since the crackdown, isolated terrorist incidents have continued. According to the US Consul General, local officials believe that other separatist groups increasingly are adopting violent tactics. [redacted]

[redacted] with ARC in disarray, the youth wing of the UPLG has emerged as the main subversive group in the area. Meanwhile, although the Guadeloupe Communist Party publicly opposes independence, the US Consul General reports that members of that party's Youth Arm support terrorist tactics. In the past year, two Martinique independence groups, the Martinique Independence Movement and the Socialist Revolutionary Group have been linked to separatist violence. In French Guiana a small extremist group, the Anti-Colonial and Anti-Imperialist Guianese Nationalists Party, espouses militancy, and an elected local official from the Union of Guianese Workers recently commented publicly that "violence could not be excluded from the struggle to end French rule." [redacted]

most successful tactic may prove to be the exploitation of racial tensions. Economic disparities between local blacks and the small white French middle class have built up a tradition of racial animosity in the Caribbean departments since the 1950s. For example, the four-day, violent protests by about 600 separatists and strike in Guadeloupe last month—supporting a black separatist leader imprisoned for attacking a white teacher—succeeded in forcing the release of the prisoner. [redacted]



At the same time, [redacted] the UPLG is working to unify the various separatist factions. In an effort to unify all groups seeking independence from France, the UPLG in April hosted a conference on the "Liberation of Remaining French Colonial Territories." UPLG officials recently announced the formation of a secretariat in Paris to disseminate information and coordinate the activities of the various independence groups. [redacted]



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Table 2
A Chronology of Terrorist Activity in the French
Caribbean Departments, January 1983 to Present

Date	Event	Group Responsible
1983		
18-19 February	Two bombs damage the Public Treasury and Maritime Affairs buildings in Pointe-a-Pitre, Guadeloupe; no casualties.	No one claimed responsibility, but 0.5 metric ton of explosives were stolen from the Central Deposit for Explosives on the same date.
28-29 May	Seventeen bombs extensively damage several governmental and private properties in all three departments and Paris; one person killed.	ARC, a previously unknown group, claims responsibility. Represents the first coordinated attack in all three departments.
23 June	Four bombs damage Air France offices and a monument in Paris; no casualties.	ARC claims responsibility and demands Paris release Guadeloupe political prisoners.
23 July	Bomb damages supermarket in Basse-Terre, and another is defused in Gosier, Guadeloupe. Arsonists damage supermarket in Pointe-a-Pitre; no casualties.	ARC claims responsibility.
7 August	Four bombs damage the Department of Public Works in Schoelcher, Martinique; no casualties.	From Paris, ARC claims responsibility.
1 November	Bomb damages the Chase Manhattan Bank and US Consul General's office in Martinique; no casualties.	ARC states that US Consul General was targeted and denounces US intervention in Grenada.
14 November	Six bombs damage governmental and private properties in Pointe-a-Pitre and Basse-Terre, Guadeloupe; 23 people hurt.	ARC does not claim responsibility but announces a beginning of armed struggle against France and its local supporters. Represents first bombings carried out without regard for public safety.
16 November	Car bomb in Marie Galante, Guadeloupe; no casualties.	ARC claims responsibility.
6-7 December	Two bombs disarmed near car of the sub-Prefect of Pointe-a-Pitre, Guadeloupe, and a military vehicle.	
23-24 December	Bomb damages government building in Fort-de-France while another destroys television relay station in Grand Riviere, Martinique; no casualties.	
1984		
20 January	Bomb dismantled at the Telecommunications Center in Guadeloupe.	
3-4 February	Two bombs explode and three disarmed at commercial buildings in St. Francois, Gosier, and Pointe-a-Pitre, Guadeloupe; five people injured, including two tourists.	ARC claims responsibility and abandons policy of avoiding attacks that endanger lives; the first attacks on tourist and local economy.
5 April	Bomb destroys a police car in Riviere-Salee, while another destroys a garage at a golf course in Les Trois Islets, Martinique. Third bomb damages supermarket in Fort-de-France; no casualties.	
26 April	Fifteen bombs damage government offices and three businesses in Basse-Terre and Grande-Terre, Guadeloupe; no casualties.	
21-22 May	Five bombs destroy a police car, two private yachts, retail shop, and tennis club in Guadeloupe; no casualties.	Bombings occur on anniversary of 1848 uprising that led to the abolition of slavery in Martinique.

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Table 2
A Chronology of Terrorist Activity in the French
Caribbean Departments, January 1983 to Present (continued)

Date	Event	Group Responsible
24-25 July	Four bombs in Basse-Terre and Pointe-a-Pitre explode prematurely and kill four terrorists.	At least three of those killed were UPLG members.
26 September	ARC letter threatens lives of Aime Cesaire, Deputy-Mayor of Fort-de-France and PPM leader; Camille Darsieres, PPM member; and Emile Maurice, President of the General Council.	Letter concerns PPM camp because Cesaire is pro-autonomy; PPM official identifies Marcel Manville as leader of ARC-Martinique.
1985		
3 January	Three bombs damage several businesses, and a fourth destroys car of acting Procurer General Bec in Pointe-a-Pitre, Guadeloupe; one person injured.	Bec is the prosecutor in the case against Luc Reinette, reputed ARC leader, arrested in connection with bombing of radio station in November 1983.
5 January	Bomb destroys police motorcycle in Gosier, while another is disarmed at a retail store in Pointe-a-Pitre, Guadeloupe; no casualties.	On 11 January Justice Nouvelle, a previously unknown group, claims responsibility for recent bombings in response to police use of tear gas and armored cars in December 1984 to disperse 3,000 to 4,000 demonstrators in support of seven ARC terrorists on trial.
12-13 January	Firebomb destroys boat in Gosier harbor, while two others burn autos in Abymes and St. Anne, Guadeloupe; no casualties.	
5 February	Arson destroys home of French comedian Coluche on Guadeloupe; no casualties.	
23 February	Firebomb damages discotheque in Gosier, Guadeloupe; no casualties.	
3-4 March	Six firebombs reported, one directed at <i>France-Antilles</i> newspaper office in Pointe-a-Pitre, Guadeloupe; no casualties.	Riposte Populaire, a previously unknown group, claims responsibility.
5 March	Firebombs destroy six cars while a time bomb near police headquarters is defused in Moule, Guadeloupe; no casualties.	
7 March	Lucette Michaux-Chevry, President of Guadeloupe General Council, survives assassination attempt from single gunshot.	
9 March	Bomb damages police station in Gosier; five people injured. Bomb damages restaurant in Pointe-a-Pitre, Guadeloupe.	
13 March	Bomb at restaurant in Pointe-a-Pitre, Guadeloupe injures nine (including three US citizens) and kills three (including one US citizen).	Bomb left by a black Antillean couple, but no group claims responsibility.
16 June	ARC leader Luc Reinette and three others escape from prison in Guadeloupe.	Officials claim inside complicity led to escape.
24 June	Gunman fires at but misses local magistrate investigating Reinette's escape from prison.	First incident, terrorist or criminal, directed against a local magistrate.

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Foreign Meddling

Cuba has long maintained active and open relations with the Communist parties and their affiliated trade unions in Martinique and Guadeloupe. According to the US Consul General, local Communist parties coordinate Cuba's extensive program of cultural, education, and sports exchanges. The Consul General also reports that, besides these overt activities, French officials believe that many alleged commercial visits to the departments by Cubans are for the purpose of contacting proindependence leftists. In addition, Guadeloupien separatists increasingly are participating in Cuban-sponsored regional labor activities.

[Redacted]

We believe that the increasing propensity of the separatists to use violence has fueled Libyan leader Qadhafi's determination in recent months to contact proindependence radicals in the French Caribbean departments.

[Redacted] Tripoli, with the help of leftists from Dominica and St. Lucia, has focused on developing ties to the UPLG. In our judgment, Qadhafi hopes to exploit the willingness of French separatists to use violence in order to further his objectives of undermining US and French interests worldwide.¹

[Redacted]

[Redacted]

[Redacted]

French Attitudes and Policies

French authorities both in Paris and in the Caribbean have been quick to counter separatist violence, especially by bolstering local gendarme forces with troops schooled in counterterrorism. France's Socialist government is generally sympathetic to the idea of eventual independence for the overseas territories, but it disparages precipitous action in favor of a period of preparation that includes the growth and demonstration of broad public support for separation from France. French opposition parties, however, are widely expected to win a governing majority in next year's legislative elections and have promised to take a hard line against both independence and terrorism in the overseas territories. Senior French officials have publicly rejected any accommodation with the separatist movement in the French Antilles, and have defended their policy by pointing to the insignificance of proindependence sentiment in the islands.

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Outlook

The growth of ties between Libya and French Caribbean separatists and the comprehensive strategy initiated by the UPLG portend the development of a more active and sophisticated independence movement. We believe that the UPLG's recent efforts to broaden support and promote proindependence unity may encourage Tripoli to increase its assistance. Libyan funding and training would improve the

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separatists' organization and amplify their capabilities for violence.

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Although we believe the radical minority among the separatists will attempt more terrorism, UPLG and other separatist leaders will remain cautious about being associated with such incidents to avoid jeopardizing their public relations effort. We believe the separatists will increase activities that allow more public visibility, such as international and regional political and labor conferences. Much of this activity, in our view, will be aimed at influencing public opinion in France, where polls have shown that 80 percent of the population want Paris to cut ties with the Caribbean departments, according to the US Consul General. Because the separatists probably will increasingly adopt such confrontational tactics as demonstrations, further labor unrest seems likely in the coming months.

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Prospects for the independence movement, nonetheless, vary among the Caribbean departments. We believe separatists in Guadeloupe, with the longest history of proindependence activism, have the best potential for success. Despite frictions between the UPLG and the more radical Movement for the Independence of Guadeloupe, their ability to jointly mobilize protests last month portends greater cooperation. Libyan funding would provide an additional incentive for accommodation. In Martinique, the development of a viable independence movement will continue to be undercut by the political conservatism of the populace and the weakness and disunity of proindependence leftist groups. In French Guiana, although the Union of Guianese Workers is trying to unite separatist groups, the number of proindependence activists there also is small. Even if the separatists unite, they would be hard pressed to muster proindependence activity or compete with the stronger, pro-French Socialist party.

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Venezuela: Perez's Precampaign Maneuvers [redacted]

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Note: This article appeared in the 2 August issue of the *Latin America Review*. Due to a printing error in that issue, it must be reprinted here. [redacted]

As president, Perez played an important role in helping the Sandinistas come to power, but he has increasingly distanced himself from the Ortega government in recent months. [redacted]

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Former President Carlos Andres Perez, Venezuela's leading center-leftist politician, is pursuing an unprecedented second presidential term beginning in 1989, but he faces determined opposition from incumbent President Lusinchi and other leaders of the Democratic Action (AD) party's Orthodox faction.¹ In a bid to broaden his base in the party, Perez has moderated his stand on some foreign policy issues. On the domestic front, he has avoided attacking Lusinchi's economic austerity program but is now publicly intimating that the time has come for strong expansionary measures. Perez's prospects have been enhanced by a recent domestic scandal that the US Embassy believes probably has eliminated his leading rival as a viable candidate. Most party leaders are unconvinced by Perez's tactical shifts, however, and are casting about for another candidate capable of defeating the former president's bid for the party's nomination. [redacted]

In January, he declined to attend Daniel Ortega's inauguration and instead dispatched a letter to Managua that sharply criticized the Nicaraguan elections. In April, Perez publicly supported President Reagan's Central America peace initiative as the only way to end the conflict in Nicaragua and return the Sandinista revolution to its original objectives. [redacted]

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Nevertheless, Perez remains considerably to the left of Lusinchi on most major international issues. For example, he advocates the normalization of Venezuelan-Cuban relations and the creation of a Latin American debtors' cartel, and is a strong supporter of Guillermo Ungo, a leader of the Salvadoran guerrillas' political front group. In a meeting with Japanese Prime Minister Nakasone in June, he asserted that US-Soviet confrontation over Nicaragua, along with Latin America's accumulating external debts, could endanger democracy in the region, according to the US Embassy. This statement is characteristic of Perez's present posture: blaming both superpowers for Central America's problems but implying that Latin America's creditors—above all, the United States—are the main culprits. [redacted]

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Tactical Maneuvering on Foreign Policy

The Venezuelan Constitution stipulates that past presidents must wait at least 10 years before running for a second term. This rule has kept Perez, who left office in 1979, out of the presidential palace but not out of the public eye. Carefully avoiding confrontations with Lusinchi, he has thus far concentrated on public relations gambits. Earlier this summer he completed a multicontinental road show that took him to Algeria, China, and Japan. The trip served the dual purpose of providing Perez with a foreign policy platform outside of Venezuela and reminding the electorate that, even out of office, he is a widely respected international figure. [redacted]

A senior AD official has told the US Embassy that leaders of the party's Orthodox wing are concerned over cooperation between Perez and Peruvian President-elect Alan Garcia on a variety of issues, including regional cooperation on Latin debt. [redacted]

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¹ The Democratic Action party is made up of three factions of relatively equal strength—the Orthodox faction associated with President Lusinchi, the labor faction led by party Secretary General Manuel Penalver, and the populist faction identified with Carlos Andres Perez. The alliance between Orthodox and labor leaders within the party's National Executive Committee (CEN) frequently places the populist faction in a minority position on important policy issues. [redacted]

[redacted]

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Perez has also been mentioned as the key figure in a proposed new Contadora-type group for Chile. In addition to Venezuela, the group reportedly would include Argentina, Brazil, Colombia, and Uruguay. In the unlikely event that such a group were to be formed, Perez would not only have a limelight-stealing diplomatic coup to his credit, but would also enhance his image as a major Latin American statesman. [redacted]

Pushing Domestic Populism

On domestic matters, Perez appears through his public pronouncements to be trying to nudge the austerity-minded Lusinchi toward an expansionary economic program and setting the stage for a populist campaign that will focus on pocketbook issues. In May, Perez publicly urged the government to show "audacity" in its economic policies. He blamed the previous Social Christian (COPEI) government of Herrera Campins for the "monstrous" foreign debt Lusinchi inherited, but said the country is ripe for an economic resurgence. [redacted]

Perez probably calculates that he is well positioned to capitalize on the politics of optimism and progress. In contrast to the recessionary gloom of recent years, many Venezuelans probably remember the Perez years from 1974 to 1979 as an era of unparalleled prosperity. The US Embassy reports that Lusinchi, meanwhile, seems determined to stick to his economic game plan for a gradual recovery that will not jeopardize Venezuela's international debt-restructuring agreement, risk runaway inflation, or discourage new investment. Given the likelihood that Venezuela's economy will remain sluggish in 1986 and Perez's penchant for political expediency, he probably will increase his populist rhetoric. Whether he will directly criticize Lusinchi's economic policies is unclear, but such a move almost certainly would stiffen the President's resolve to prevent Perez's nomination. [redacted]

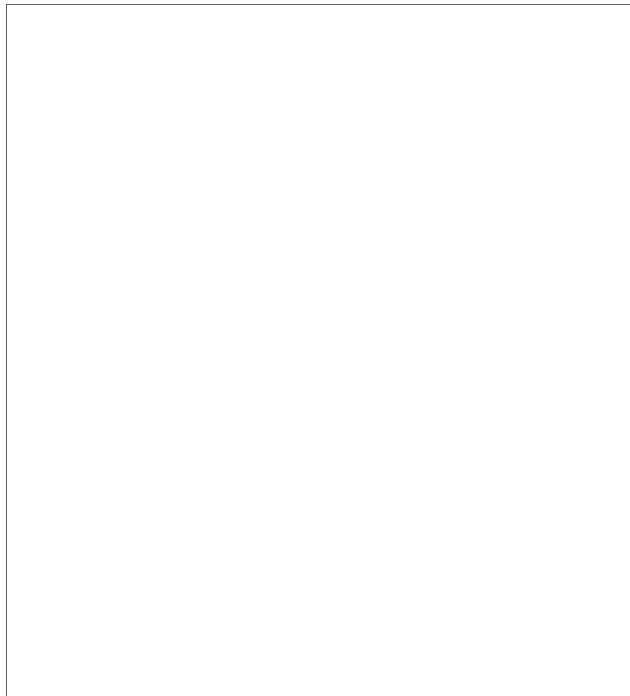
Opposition to Perez

Until recently Interior Minister Octavio Lepage, a member of AD's Orthodox faction, appeared likely to be Perez's strongest challenger for the party's nomination. Lepage is a Lusinchi confidant, but party leftists strongly distrust him and he lacks broad popular appeal. In June Lepage was accused by a

leader of the major opposition party of illegally accepting funds from Juan Vincente Perez Sandoval, the former president of the Banco de Comercio, which the Lusinchi government has recently placed in receivership amid allegations of banking irregularities and kickback payments to public officials. The US Embassy believes that this episode has effectively killed Lepage's presidential ambitions and that the Orthodox faction will use the scandal to justify seeking another candidate. [redacted]

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Outlook

Perez's anti-US orientation is well established and is unlikely to change. His public remonstrations with the Sandinistas—whether sincere or not—may bolster his credibility among some party members. With internal party elections scheduled for the end of the year, we believe Perez will continue to strike moderate poses on most foreign policy issues. [redacted]

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For their part, Lusinchi and his supporters—mindful of Perez's popular appeal—probably will prepare for

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party elections by maneuvering to retain key positions in the party machine and its labor and peasant affiliates. Down the road, however, they may face a quandary, particularly if [redacted] another moderate candidate fails to gain electoral momentum. If the moderates insist on trying to block Perez's nomination, we believe they risk splitting the party, losing leverage over the left, and ultimately jeopardizing AD's chances of retaining control of the government in the next election. By acquiescing in Perez's candidacy, however, they probably ensure losing effective control of the party. In this context, moderate ruling party stalwarts probably fear that, as a second-term president, Perez might be able to accomplish in a second term what he failed to do in the first—remold the party in his own image. [redacted]

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Latin America Briefs

Brazil-Argentina

Concern About Overflights [redacted]

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The Brazilian Air Force is concerned that Argentina may be conducting electronic intelligence (ELINT) collection flights over Brazilian territory. [redacted]

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[redacted] Brazil has approved the frequent overflights, but is worried that the flightpaths seem irregular for the route to Africa. These suspicions were heightened when the Argentine aircraft landed in Recife for refueling and Brazilian ground personnel—although unable to photograph or closely examine the plane—observed antennae and airframe modifications suitable for ELINT collection. [redacted]

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[redacted] want to end the flights, but have hesitated to protest publicly until they can prove the aircraft's ELINT capabilities. The Air Force plans to intercept and photograph the aircraft. Although it has considered stronger measures—such as forcing the plane to land—these might damage Argentine-Brazilian relations and almost certainly would require President Sarney's approval. [redacted]

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Argentina:

Radical Party Old Guard Concern About Technocrats [redacted]

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Members of the governing Radical Party are concerned about the rising influence of "technocrats"—advisers with needed expertise but little or no party background—in President Alfonsin's administration. [redacted]

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[redacted] Old guard politicians reportedly feel that the technocrats' expanding role is causing Alfonsin to neglect the left-leaning platform on which he was elected in 1983. The President's new economic policy, for example, is becoming a key area of contention. Some of the old guard argue that the government's dramatic austerity plan, conceived and implemented by the technocrats, marks a break with the party's tradition of populism and heavy government spending. [redacted]

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Alfonsin's continuing personal popularity has enabled him to keep criticism within the party in check thus far, according to the US Embassy and the press. The Embassy reports, however, that some Argentine analysts believe the struggle between the technocrats and left-leaning Radical Party members may be Argentina's "next big political battle." If Alfonsin's austerity program begins to falter and his popularity slips, party members may become increasingly willing to criticize him openly. Under such circumstances, we believe he could revert to the more left-leaning domestic and foreign policies with which he has been associated in the past. [redacted]

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Dominica

Leftist Machinations [redacted]

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Continued Libyan assistance probably will help keep the opposition Labor Party of Dominica intact in the coming months, but ideological differences threaten party unity in the long run. [redacted]

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[redacted]

The Labor Party, an uncomfortable alliance of leftwing and rightwing oppositionists, has suffered from factionalism since its formation earlier this year. Douglas apparently expects former Prime Minister Patrick John, who dominates the party's moderate faction, to use his influence to keep peace in the party. John is to stand trial on charges of conspiracy later this year and is unlikely to precipitate a break with Douglas before then [redacted]

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[redacted]. Nevertheless, in our view, strong political differences between the two factions eventually will undermine the coalition. Should Libya fail to come through with promised funding, the alliance probably would break up even sooner.

[redacted]

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Antigua-Barbuda

Opposition Strategies [redacted]

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The recently formed New Democratic Party (NDP) has begun an aggressive effort to enhance its ability to challenge to the ruling Antigua Labor Party. Composed of businessmen and professionals, the New Democratic Party was launched last March to fill the vacuum created by the virtual disappearance of the Progressive Labor Movement and the United People's Movement after their defeat in the 1984 election. The new party is actively courting allies from both ends of the political spectrum but its primary audience is Antigua's conservative middle class, and most of the party's recruiting efforts so far have been directed at former members of the two defunct parties. [redacted]

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