



Directorate of Intelligence

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**Latin America  
Review**



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14 February 1986

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ALA LAR 86-005  
14 February 1986

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**Latin America  
Review** 

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Havana is emphasizing its moderation in trying to improve bilateral relations with the new civilian governments in South America, but President Castro has not forgone support for armed revolution in the region.

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**Cuba-Zimbabwe: Upturn in Relations** 

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Despite Harare's past reluctance to accept substantial Cuban aid, Havana has made some headway in recent months toward improving relations with this important member of the Frontline States. Cuba probably will intensify its courtship as the Nonaligned Movement summit in Harare this August nears.

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**Nicaragua: The Growing Consumer Squeeze** 

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Food shortages and a phaseout of subsidies have led to sharply increased prices for staples, while declining real wages have eroded the purchasing power of consumers.

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**Brazil-Soviet Bloc Relations** 

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Although Moscow and its allies probably can continue to expand their influence in Brazil through contacts with the resurgent left, they are unlikely to have a major impact on Brazilian domestic politics under President Sarney's administration.

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**Brazil: Emerging Competitor in World Tank Market** 

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The expected conclusion this spring of a deal to sell tanks to Saudi Arabia would signal Brazil's emergence as a competitor in the market for advanced weapons.

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[Redacted]

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[Redacted]

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The head of the important Oil Workers Union has publicly criticized government policies toward labor and the oil industry, but a major confrontation probably will be averted. [Redacted]

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

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## Articles

### Cuba's Policy Toward South America

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Cuba's foreign policy toward South America over the last five years has involved an intensive effort to exploit the democratic transition in many countries by seeking improved bilateral relations with the new civilian administrations. President Castro's diplomatic efforts in the region are part of a wider strategy to end Cuba's political isolation and gain access to new economic markets as well as to garner support for Havana's positions on regional issues and ease US pressure on Central America. The Cuban leader is emphasizing "moderation" and trying to develop a reputation as a responsible neighbor by focusing on issues of mutual concern such as trade and debt problems. Castro's "opening" to the Catholic Church in recent months is, at least in part, another tactic to improve his image with Latin American leaders.

Castro has not forgone support for armed revolution in the region. In almost all South American countries, the Cubans are providing at least minimal support to the radical left, substantially more in some cases, at the same time that they are courting the governments. The Cubans are being cautious in their approach and advice to the left in most countries because Havana apparently believes a gradual pace is necessary to strengthen and unify radical groups. Moreover, Havana is also using its expanded presence to strengthen ties to more moderate important interest groups—parties, unions, and the church—and individual power brokers willing to champion Cuba's policies to the detriment of US interests. Indeed, we believe that attempts to penetrate and otherwise gain influence in a broad spectrum of political organizations—including the media—will be a key Cuban policy goal in South America over the next few years.



*A highpoint of Castro's diplomatic efforts to ease Cuba's isolation in Latin America was the official visit to Havana last April of Ecuadorean President Leon Febres-Cordero. Although Castro made few gains in terms of substantive agreements, he gained considerable political capital and regional legitimacy from the visit of the conservative Ecuadorean leader. Castro has issued an invitation to Peruvian President Garcia to travel to Cuba this year.*

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#### Seeking Regional Acceptance

Castro's drive to refurbish Cuba's standing in the region has had considerable success. Although most South American leaders remain suspicious of Havana and wary of Cuban meddling in their internal affairs, some leaders apparently believe that Castro's more

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moderate rhetoric and his diplomatic overtures indicate that the prospect of Cuba's promoting antigovernment activity in their countries has diminished. They are probably also gambling that the domestic political gains to be derived from establishing closer ties to Havana outweigh the risks of Cuban subversion. [redacted]

Bolivia, under left-of-center ex-President Siles Zuazo, was the first country to move toward a rapprochement, and the two countries resumed diplomatic relations—broken since 1964—at the charge level in early 1983. Ecuador followed suit a year later by upgrading its relations to the ambassadorial level. Over the past year, Uruguay has reestablished diplomatic ties and Peru agreed to improved relations—which had been at the charge level—by agreeing to exchange ambassadors early this year. Bolivia named a resident charge to Havana last May, although relations have cooled since the subsequent election of President Paz Estenssoro. Castro probably still hopes that he can persuade Brazil and Colombia to reestablish diplomatic relations this year, but Havana's chances were undoubtedly hurt by recent events such as the clumsy attempted abduction of a Cuban defector by Cuban diplomats in Spain last December. Relations with Venezuela remain cool, and there is no indication that President Lusinchi is interested in improving them any time soon. [redacted]

Although Castro also has had some success in stimulating trade with South America, Havana's economic relations in the region are still limited. Cuba's commercial ties to Buenos Aires have expanded, in large part because of President Alfonsin's extension of a \$200 million annual line of credit to Cuba for the 1984-86 period. Cuban trading companies have established permanent commercial offices in Buenos Aires, and the two countries have set up regular air and maritime services. In addition, an Argentine firm has received a contract to build at least six large hotels in Cuba. [redacted]

During the visit of an Ecuadorean economic delegation to Havana last spring, press reports indicate that Quito and Havana worked out a reciprocal line of credit agreement amounting to an

initial \$3.6 million. The two countries also agreed to a barter deal that provides for the exchange of Ecuadorean grain for Cuban meat. Cuba is providing Bolivia with technical training, as well as assistance in health, mining, and agriculture. The two countries created a joint commission last year to study ways of increasing bilateral trade. Uruguay also signed a trade agreement with Cuba last year. [redacted]

[redacted] In December, Peru and Cuba agreed to improve scientific, cultural, and trade ties, and, following a visit to Havana by Peruvian Prime Minister Alva Castro, Cuba loaned Peru two fishing trawlers at no cost to Lima. Colombia and Cuba have agreed in principle to open commercial offices, but trade with Bogota—as with Caracas—is likely to remain limited. [redacted]

Castro has effectively used multilateral forums over the last few years to project an image of Cuba as a responsible actor in regional affairs. Cuban officials lobbied hard and were successful at getting Cuba's National Assembly—a rubberstamp body with no political power—voted into the Latin American Parliament at meetings in Brazil last June. Havana then sent some 40 representatives to a follow-on meeting of the Parliament held in Uruguay last fall. Cuba also successfully applied for observer status in the Andean Pact last year and undoubtedly will try to arrange technical assistance program exchanges with the Andean countries through the Pact. [redacted]

Havana continues to use forums such as the Latin American Economic System (SELA) and Latin groups in international forums that exclude the United States to promote Cuba's identification with its regional neighbors, and Havana expressed an interest in joining the Latin American Integration Association last year. Cuba is being careful to avoid obvious attempts at politicizing such bodies, preferring to use its presence to solidify its desired image as a serious Latin American partner. Cuban Vice President Carlos Rafael Rodriguez chaired the SELA meetings in Venezuela late last year, for example, and reportedly took pains to conduct unbiased and objective meetings. [redacted]

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There are also some indications that Cuba may attempt to rejoin the Organization of American States (OAS). Although he has scornfully described it as "the US Ministry of Colonies," Castro might be considering a bid for OAS membership as a useful show of regional support for Cuba. Even if such a bid were defeated, he might consider the exercise eminently worthwhile, provided another country—perhaps Nicaragua—was promoting Cuba and the vote was polarized with the major South American democracies in favor and conservative regimes like Chile, Paraguay, and Grenada blocking Havana's entry.

[Redacted]

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The Cubans are advocating a two-pronged strategy of maintaining pressure on President Pinochet through terrorism while urging their leftist allies to forge links and cooperate with moderate opposition groups to position themselves to exploit the military regime's eventual downfall.

[Redacted]

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**Nurturing South American Leftists**

During the past five years, the Cubans have been more circumspect in their support of armed revolution and the use of violent tactics in South America, but Castro is continuing to provide support and guidance to most of the region's leftist organizations. While Havana has been careful not to jeopardize its improved diplomatic standing in the region, support for revolutions abroad is an intrinsic part of Castroism, and the Cuban leader is unlikely to agree to cease providing such support in exchange for short-term political gain with democratic leaders. Indeed, Castro's diplomatic successes thus far have not required a reciprocal cutoff of assistance to revolutionary groups in the region, only more caution in providing such aid. Havana clearly has become more selective in distinguishing between those countries that are suitable targets for subversion and those where a political approach is more appropriate.

The Cubans, [Redacted] believe that Pinochet has lost much of his middle-class support and that Chilean leftists should emphasize political actions such as propaganda, recruiting, and coordination of opposition activities this year. Moreover, the Cubans have a host of contacts in nonradical leftist organizations that have eschewed violent tactics thus far. In some cases, the Cubans have advised these groups to abandon the moderate opposition led by the Christian Democrats and to join the far left political coalition led by the Communist Party.

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For the short term, Chile is the only country in South America where Cuba is openly supporting subversion, probably reflecting Havana's assessment of the high "revolutionary" potential there and Castro's personal disdain for the military regime. Castro also perceives support for antigovernment groups in Chile as being less risky in terms of the potential political backlash because of the Pinochet regime's international pariah status and may believe that subversive efforts against Chile will help ease pressures on Cuban policy elsewhere in Latin America.

Although presumably recognizing that Chilean leftist groups are not prepared for full-scale revolution, Cuba probably believes that a gradual increase in violence will help sustain domestic and international pressure on Pinochet, as well as help leftist recruiting.

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## Cuban Presence and Activities in South America

	Diplomatic and Economic Initiatives	Ties to Leftist Groups	
Argentina	Full relations at ambassadorial level; political ties correct but not warm; 67 Cuban diplomats resident in Buenos Aires, [redacted] large Prensa Latina office and three Cuban trading companies operating; commercial ties expanding; air and maritime service established last year; Argentina extended Cuba \$600 million line of credit spread over 1984, 1985, and 1986.	Havana believes conditions are opportune for leftist recruiting and infiltration of labor organizations; Cuba does not envision armed revolution in near term and is counseling moderate path for leftists now; Cuba continues limited training and funding of longtime <i>Montoneros</i> and <i>People's Revolutionary Army</i> allies.	25X1
Bolivia	Full relations at charge level; diplomatic ties correct but President Paz Estenssoro has cooled relations since his election last summer; resident Bolivian charge to Havana named last year; approximately 40 Cuban diplomats resident in La Paz; Prensa Latina office operating; Cuba providing 50 to 150 scholarships at any given time.	Cubans are frustrated by divisions among leftists and probably will work to strengthen and unify them; Havana provides limited training and funding to a host of leftist parties and small radical groups.	
Brazil	No relations; good chance relations will resume this year although still not assured; unofficial Prensa Latina representative operating.	Castro wants to open diplomatic relations and apparently is not providing tangible support to small, radical <i>MR-8</i> group; Cuba has a number of sympathetic friends among state and national politicians, journalist and labor groups; Cubans giving funding and training to leftist <i>Workers Party</i> ; Cubans courting progressive church leaders.	
Chile	No relations.	Castro sees President Pinochet as under pressure, although he recognizes overthrow might not come for years; [redacted] [redacted] Havana advising mix of terrorism and coordinated political action with moderate groups to pressure Pinochet.	25X1 25X1 25X1
Colombia	Relations were suspended in 1981 and neither country has resident representation, but Castro and President Betancur have developed personal working relationship; there is some chance that diplomatic ties could be restored this year, but there is strong domestic opposition in Colombia; Prensa Latina operating; Cuba has maritime agreement to use Cartagena port.	Castro probably still holds out hope for diplomatic relations, and Cuba only incrementally increasing support to leftist groups; Cuba could step up funding, training, and arming of leftist <i>M-19</i> allies if an unfriendly government is elected this year; Havana providing limited aid to <i>Revolutionary Armed Forces of Colombia</i> .	
Ecuador	Full relations at ambassadorial level, but President Febres-Cordero cool to Cuba; nonetheless, his visit to Havana last year a highlight of Castro's diplomatic efforts; some 24 Cuban diplomats in Ecuador, [redacted] Prensa Latina operating; limited trade agreement signed last year.	Cuba will try to mask its support to leftist groups but is encouraging some to prepare for armed revolution; Cuba provides training and probably some funds to <i>Alfaro Lives</i> , <i>Carajo</i> terrorist group; Havana has close ties to <i>Revolutionary Socialist Party of Ecuador</i> and maintains relations with <i>Ecuadorian Communist Party</i> .	25X1 25X1
Paraguay	No relations.	Cuba views Paraguay as a pariah state but has no allies there to oppose government.	
Peru	Diplomatic relations are being upgraded to ambassadorial level this year; Castro and President Garcia sparred over debt issue last year, but Garcia may visit Havana this year; 35 Cuban diplomats in Lima, [redacted] Cubana Airlines and Prensa Latina operating; joint trade commission established in 1985.	Havana may seek better ties to <i>Tupac Amaru</i> insurgents but will limit support for now to protect political interests; Cuba apparently has no ties to the <i>Sendero Luminoso</i> guerrillas.	25X1 25X1
Uruguay	Full relations at ambassadorial level established last year; five Cuban diplomats in Uruguay; trade relations resumed last year but trade negligible.	Castro sees an opportunity for the left to develop into strong opposition; Cuba has good ties to leftist <i>Broad Front</i> , which includes the Communist Party; Havana also has well-placed sympathizers in ruling <i>Colorado Party</i> and opposition <i>Blancos</i> ; Cuba funds and trains some members of <i>Tupamaro</i> guerrilla group but is advising them to rebuild organization and avoid violence for now.	
Venezuela	Formal relations exist, but Cuba has no official representation in Caracas; Venezuelan charge resident in Havana; President Lusinchi cool to Cuba and improved relations not expected soon.	Havana sees little hope for the radical left although Cuba may fund and provide training to two tiny groups; Cuba has considerable influence with largest leftist party, the <i>Movement Toward Socialism</i> .	25X1

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Havana is backing violence-oriented leftists in other South American countries, particularly in Colombia and Ecuador, but tangible Cuban aid has been modest, and the Cubans have tried hard to conceal their involvement. Ecuador's Foreign Minister told US Embassy officials that Castro had assured President Febres-Cordero during his visit to Havana last April that Cuba was not involved in internal Ecuadorean affairs. Castro even said he would counsel his leftist contacts there toward moderation.



Elsewhere in the region, Cuba is counseling leftists to forgo violence, to build their organizational strength, and to foster alliances with legal left-of-center parties and other interest groups. This is true with the Montoneros and the People's Revolutionary Army in Argentina, and the Tupamaros in Uruguay—groups with which Cuba has longstanding ties and which receive some Cuban training and financial support, but which are operating in countries where Cuba does not believe conditions are propitious for armed struggle. Havana has relations with several Bolivian leftist groups, but Cuban officials are frustrated by the factionalization of the left there and apparently are providing only minimal help. The Cubans apparently have no contact with the radical Sendero Luminoso in Peru, although Havana reportedly has ties to the smaller, but active, Tupac Amaru insurgent group. Havana has limited relations with the small radical groups in Brazil and Venezuela, but there is no evidence that Cuba is actively supporting opposition elements in Paraguay.

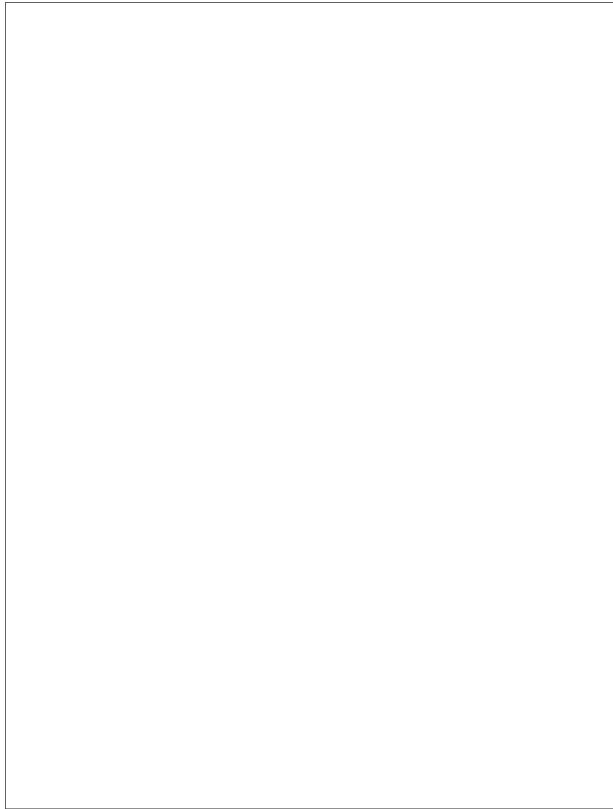
**Building a Support Network**

Cuba's efforts to build political and economic ties to South America not only help strengthen Castro's reintegration into regional affairs, but, also, a wider Cuban presence permits Havana to influence and penetrate important political groups in some countries and to broaden its infrastructure for supporting the radical left in others. Toward these objectives, Cuba not only employs its diplomatic personnel, but also its commercial enterprises, media outlets, civilian air, and maritime services, and even visiting legislative, cultural, and sports delegations. In addition, it uses a network of regional and international Communist front organizations—as well as friendship organizations—to promote Cuban and Soviet policies in South America.

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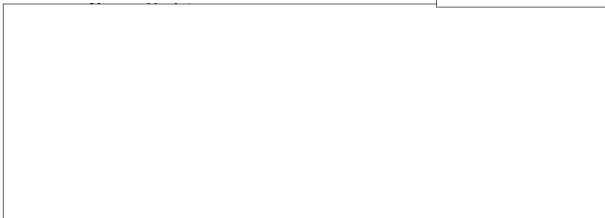
The political liberalization that has been part of the democratization process in South America also will

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allow greater freedom of contact between Cuban personnel and sympathetic members of political parties, unions, church groups, youth organizations, local media, and other groups through which Havana can recruit and build a cadre of pro-Cuban advocates. In both Peru and Uruguay, for example, Havana has well-placed allies in the ruling parties, the legislatures, the major opposition parties, important left-of-center political coalitions, and labor organizations. Havana also has influential friends in Brazilian opposition parties and in the Brazilian Congress, and the Cubans appear to be trying to develop closer relations with labor groups there. Ties are already strong to Bolivian unions and student groups. Castro also appears strongly interested in better relations with Catholic Church leaders, particularly in Chile, Peru, and Brazil. [redacted]



**Outlook for Cuban Activities**

Castro has exploited the return to civilian rule in several South American countries over the past five years, in large part by successfully expanding diplomatic relations. He has done so by moderating his rhetoric, by limiting his support for revolutionaries in selected countries, and by mobilizing friendly forces to lobby on Havana's behalf. These tactics could pay off again in Brazil or Colombia over the next year. Aside from Chile, where we expect Castro to increase efforts to strengthen and broaden the armed and political resistance, the Cubans are likely to continue their gradual approach to increasing their presence and influence in most of South America. We expect to see a virtual onslaught of Cuban delegations—political, commercial, cultural, sports, and others—traveling through South America, as well as an increase of regional youth leaders, labor officials, and politicians making their way to Havana. [redacted]

Despite Havana's progress, there are still a number of roadblocks to its making rapid headway in the near term. Many South American leaders view the opening

of relations with Cuba largely as a symbolic expression of their independence from the United States and a move to quiet domestic leftist opposition. They remain suspicious of Havana because of its covert activities in the region and its ties to influential interest groups in their countries. Uruguayan President Sanguinetti, for example, has restricted the new Cuban Embassy in Montevideo to five diplomats and has made it clear to Havana that he will not countenance Cuban meddling in Uruguayan domestic affairs. Indeed, none of the region's heads of state have any ideological affinity with the Castro regime and, while official exchanges are likely to increase substantially, most of the South Americans will maintain fairly cool, albeit politically correct, relations with Cuba. [redacted]

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The Cubans are unlikely, moreover, to develop a significant trading relationship with South America aside from their credit arrangement with Argentina. Havana's exports are limited to a few primary products—sugar, nickel, and citrus—that are either committed to the Soviet Bloc or are also produced by the South Americans. Moreover, the Cubans are imposing austerity measures at home, and Havana's economic planners are trying to hold imports down. Castro is likely to continue trying to establish a commercial presence and to seek credit and barter arrangements, but trade levels are not likely to increase substantially in the near future. [redacted]

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Havana's progress in strengthening ties to leftist elements in the region will be somewhat constrained by its desire to improve political and economic relations with civilian governments. The Cuban efforts will also be hampered by continuing divisiveness among leftist groups in some countries. Moreover, Cuba's problems in Central America are more immediate and currently of higher priority for Havana and will divert some of Havana's attention and resources from South America. On balance, however, we believe the Cubans will make some inroads with the left because Havana appears willing to continue supporting a host of groups. Castro's cautious approach, focusing on rebuilding the base of support and the capabilities of the left in countries such as Uruguay, Argentina, and Bolivia, probably

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will have some success. Cuban training and arming of more violent groups in Chile, Colombia, and Ecuador probably also will be reflected in a rise of violence and agitation in those countries. [redacted]

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The Soviet Union undoubtedly approves of Castro's approach to South America. We see little evidence of Soviet-Cuban disagreement regarding their strategic goals in the region or the tactics used to attain these goals. Moscow and Havana appear to agree on a policy of subversion in Chile while being careful not to damage their political objectives elsewhere. Unless Castro decides to promote armed revolution in countries such as Argentina or Peru, where Moscow has important economic and political stakes—a development we view as unlikely in the next few years—Moscow and Havana probably will continue to work along parallel tracks in the region. [redacted]

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**Cuba-Zimbabwe:  
Upturn in Relations** [redacted]

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The recent exchange of high-level visits by Cuba and Zimbabwe has resulted in agreements to expand bilateral technical cooperation. Despite Harare's past reluctance to accept substantial Cuban aid, Havana has made some headway in recent months toward improving relations with this important member of the Frontline States. Cuba, intent on manipulating the Nonaligned Movement summit in Harare this August, probably will intensify its courtship of Prime Minister Mugabe. [redacted]

[redacted]

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[redacted]

US Embassy reporting indicates that Havana will send some 40 doctors to Zimbabwe and has developed an ambitious educational exchange program with Harare. [redacted]

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[redacted]

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[redacted] US Embassy reporting indicates that a Zimbabwean official has admitted that Harare cannot handle the estimated 5,000 visitors expected at the summit with the existing facilities and will rely on Cuban workers to construct villas. [redacted]. Havana, however, will be hard pressed to assist in the construction of facilities given the rapidly approaching August deadline. [redacted]

Mugabe reportedly is impressed by Cuba's educational programs but, because of his wariness over Cuban intentions, probably views the accord as a way to satisfy Havana's repeated calls for expanded cooperation without opening the door all the way to Cuban meddling. [redacted]

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**Limited Cooperation Accords**

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[redacted] Mugabe met with some of the 122 Zimbabwean students currently studying in Cuba but apparently discounted their complaints of mistreatment by Cubans. Recruitment for the program appears to be lagging, according to the US Embassy, because of reports that have filtered back to Zimbabwe of poor housing, inadequate stipends, racial discrimination, and isolation from the Cuban population. [redacted]

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**Malmierca's Visit**

Diplomatic relations between the two countries were also enhanced by Cuban Foreign Minister Malmierca's visit to Zimbabwe last month. Mugabe personally arranged air transportation for the Cuban delegation from Lesotho, where it was stranded as a result of the coup. This assistance lends credence to recent press statements by Havana that described bilateral relations as excellent. Topics discussed in the meeting included issues and logistics of the Nonaligned summit and the planned opening of a Zimbabwean embassy in Havana. [redacted]

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**Outlook**

Cuba's intensified efforts to court Zimbabwe underscore Havana's aim to manipulate the agenda and outcome of the Nonaligned summit. While undoubtedly aware of Havana's intentions, we believe Mugabe will have difficulty controlling Cuban activities at the meeting, in view of the substantial assistance he will need from Havana to carry out the event. Cuba showed at the Nonaligned Foreign Ministers' meeting in Luanda last year that it can provide interpreters and advisers, as well as other types of logistic support for such events. Cuba, having persuaded Zimbabwe to host the summit, will have to come through on its pledges or risk embarrassing both Mugabe and Castro. Zimbabwe's receptivity to expanded cooperation beyond the Nonaligned summit will be tied in large part to the success or failure of the summit. Moreover, if the experience of the Zimbabwean teacher trainees is anything like that of other foreign students on the Isle of Youth, we believe Mugabe's support for cooperation with Havana may wane. [redacted]

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**Nicaragua: The Growing Consumer Squeeze** [redacted]

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Nicaraguan consumers are tightening their belts as the economy deteriorates and the regime commits an ever larger share of its budget to the war effort. The Sandinistas' gradual socialization of the economy has led to a highly centralized distribution system, and rationing of basic foods—which began in 1983—is increasingly haphazard. Food shortages and a phaseout of subsidies have led to soaring staple prices, while declining real wages have eroded purchasing power. Prospects for improvement are bleak, and the regime will rely on shipments from the Soviet Bloc to maintain minimum consumption levels while using state-of-emergency powers to prevent manifestations of discontent. [redacted]

than 250 percent in 1980 and remained steady the following year, according to press and US Embassy reporting. By 1982, however, a falloff in donations and the growing shortage of foreign exchange limited the flow of foodstuffs from abroad, leading to frequent shortages. [redacted]

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**Food Distribution Controls**

On seizing power in mid-1979, the Sandinistas centralized food distribution through the newly created National Basic Foods Corporation, which was given sole authority to import, export, and sell basic foodstuffs to retailers. Over time, [redacted]

In response, Managua set up a system of "guaranty supply cards," first for sugar, then for rice, beans, corn, cooking oil, salt, sorghum, and soap. Each family was guaranteed the right to buy at least a specified amount of each product per month through government outlets at official prices. A more stringent fixed ration system established in 1983 for these eight products remains in effect today, with Cuban-style ration cards distributed by the neighborhood Sandinista Defense Committees. Nonetheless, supplies of these goods have become increasingly scarce, giving impetus to a prospering black market. The regime now uses the block committees and other mass organizations to police neighborhood markets to ensure that official prices are honored, according to the US Embassy. [redacted]

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[redacted] the organization:

- Operated the previously privately owned supermarkets in Managua.
- Created "people's stores" to supply basic goods at subsidized prices.
- Supplied foodstuffs to commissaries in some workplaces, which were replaced in mid-1985 by two central commissaries in Managua.
- Furnished priority supplies to some private stores, in exchange for pledges to sell controlled items at official prices.
- Built marketplaces with stalls for private vendors in neighborhoods throughout Managua with the apparent hope of closing the Eastern Market, the capital's bastion of small-scale free enterprise.
- Subsidized foodstuffs and consumer goods by enforcing wholesale and retail price ceilings. [redacted]

Shortages are caused partly by inefficient handling and distribution. [redacted] For example, [redacted] burdensome customs procedures prevent prompt use of donated goods. Censored press articles claim that regime incompetence is hindering distribution of available supplies of cooking oil and grains. We believe low producer prices drive many farmers to divert goods to the black market. [redacted]

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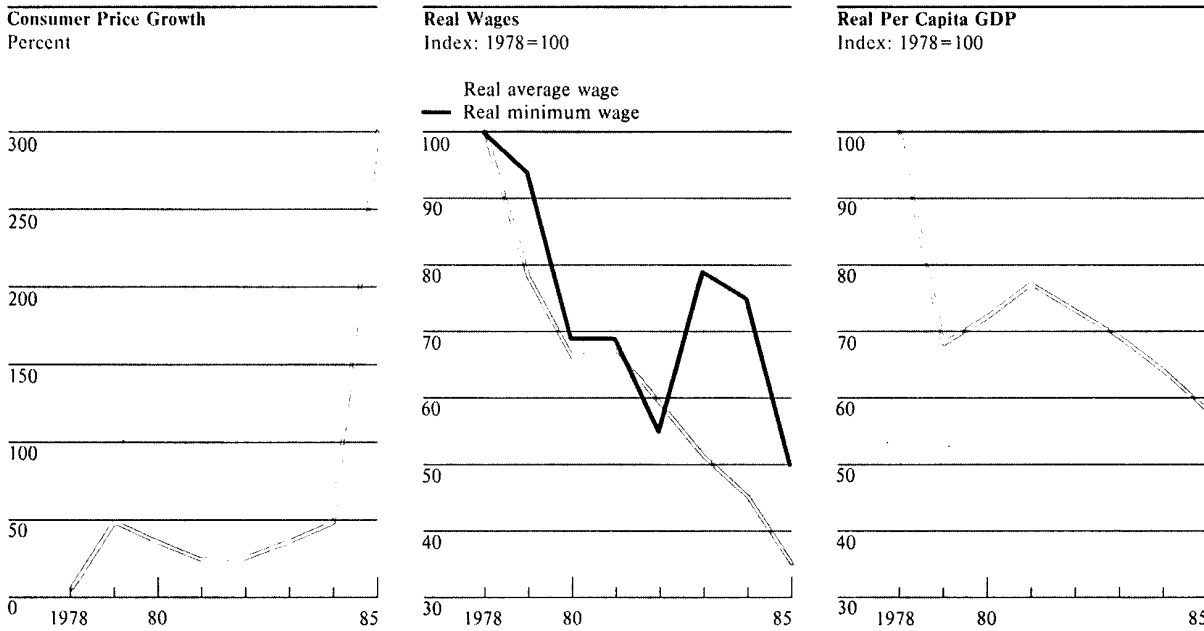
**Soaring Food Prices and Declining Real Wages**

By early 1985, Managua could no longer afford huge and growing food subsidies, in part because of escalating military expenditures. [redacted] 50 percent of the 1985 budget was allocated to the military, up from 25 percent in 1984. US Embassy and press reporting

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During the first two years of Sandinista rule, food imports and donations compensated for the sharp decline in agricultural production during the revolution. Per capita food imports increased by more

Nicaragua: Economic Indicators, 1978-85



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indicate that the government, citing the drain on its budget and the need to curb speculation, sharply boosted official prices for rice, beans, and other staples in February 1985 and again on several other occasions during the year—the first substantial increases since 1979. Black-market prices of these goods also rose sharply.

adjustments last year, and another hike of 50 to 100 percent in early January, did not keep pace with inflation. Analysis of official data indicates that minimum wages, deflated by price increases, fell by one-third during 1985 alone, while the average purchasing power of all workers dropped by one-fifth last year. Compared with 1978, real minimum wages have declined by 50 percent, and real average wages by two-thirds.

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The price rises for staples have had a major impact on inflation. Between 1979 and 1984, the consumer price index rose by an average of 35 percent per year, according to IMF data. Based on US Embassy reporting, we estimate inflation last year at about 300 percent.

**Plunging Consumption**  
 US Embassy reporting indicates that the steep decline in purchasing power has altered consumption patterns. The limited data available indicate that per capita consumption of food staples increased in the first two years of Sandinista rule—when food imports

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Minimum wages, boosted by 40 percent soon after the Sandinistas took power, remained virtually frozen for several years despite the rising prices. Three



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**Nicaragua: Prices for Basic Foods**

Cordobas

Product	Unit	Official Prices <sup>a</sup>		Free Market Prices	
		December 1984	December 1985	January 1985	January 1986
Beans	Pound	4.00	105	21	150
Rice	Pound	4.75	21	15	100
Corn	Pound	4.75	10	10	55
Sugar	Pound	4.75	16	7	100
Cooking oil	Gallon	60.00	NA	350	3,000

<sup>a</sup> The current official exchange rate is 70 cordobas per US dollar and the black-market rate is 1,300 per dollar.

[redacted] were high and prices subsidized—but have fallen steadily since the end of 1981. [redacted]

[redacted] about 45 percent of workers earn monthly salaries less than the cost of basic minimum consumer items [redacted]. The plunge in real wages has wiped out savings; restricted the use of private automobiles, dining out, and the purchase of imported goods; and otherwise dramatically altered lifestyles of professionals and the middle class, according to US Embassy reporting. Minimum wage earners are postponing purchases of clothing and other basic consumer goods because a pair of pants—to cite one example—costs the equivalent of half a month's earnings. In addition, many Nicaraguan housewives report that price and supply constraints are causing a sharp deterioration in family diets. [redacted]

Shortages—even of basic rationed staples—are widespread, despite increased shipments of foodstuffs from the Soviet Bloc last year. Since last Christmas, nearly all basic staples—rice, beans, sugar, cheese, milk, chicken, and meat—have been in extremely short supply in government-run outlets, and cooking oil has been practically unavailable anywhere for several months. According to the US Embassy, this is

the first time so many scarcities have occurred simultaneously. While many middle-income consumers are resorting to the black market—where a pound of rice, for example, costs nearly five times the official price—to satisfy basic food needs, the US Embassy reports that this option is not open to lower income families, that must reduce their food consumption or find additional work to make ends meet. [redacted]

**Bleak Prospects**

The outlook for consumers remains grim. [redacted] the harvest of key staples this year will be significantly lower, in part because of poor growing conditions. Inefficient government economic policies, increased land confiscations, and the growing squeeze on the private sector also are hindering agricultural production. Foreign exchange constraints will limit food imports, although the Soviet Bloc probably will continue to provide enough to satisfy minimum consumption needs. [redacted]

The regime's commitment to eliminate remaining subsidies on consumer goods and foodstuffs— [redacted] probably will push official prices higher, and black-market prices almost certainly will rise as well. [redacted]

The calls by Sandinista leaders for a "survival" attitude in the face of mounting pressures suggest they expect supply problems to continue. Managua is likely to push for more Soviet Bloc donations while trying to deflect blame for the shortages to private vendors and continuing to redistribute land to bolster support among the peasants. The regime will rely on the expanded state of emergency to prevent strikes, consumer demonstrations, or other manifestations of discontent. There may be further spontaneous reactions, however, such as the murder of a price-control inspector in a Managuan marketplace in mid-January as he tried to cite a vendor for price violations. [redacted]

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## Brazil-Soviet Bloc Relations [redacted]

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The transition from military to civilian rule in Brazil has brought a slight thaw in relations with the Soviet Bloc. The Sarney administration probably will move gradually to expand economic and cultural ties but will maintain merely cordial political and diplomatic relations. Moscow and its allies probably can expand their influence through increased contacts with the resurgent left, although we believe they are unlikely to have a major impact on Brazilian domestic politics.

[redacted]

### Bilateral Ties

Brazil maintains full diplomatic relations with all Bloc nations except Cuba, although bilateral ties are most extensive with the Soviets. In contrast to the military government's reluctance to cultivate new ties, the Sarney administration has adopted a friendlier attitude toward the USSR and its allies. We believe President Sarney hopes to preempt an issue that the left might attempt to use against him at home and to explore potential avenues for expanding exports, thus enhancing Brazil's ability to service its foreign debt. The new tack also reflects Brazil's longstanding conviction that it is an emerging democratic power that should have viable relations with both superpowers.

[redacted]

The friendlier tone of relations with the Soviets is best illustrated by the Foreign Minister's visit to Moscow last December, the first high-level visit since 1961. The lack of any significant expansion of bilateral links as a result of the visit was reflected in the absence of ceremonies announcing major new accords. Instead, the trip was more symbolic than substantive, reflecting Brasilia's cautiousness toward expanding ties. The President, some key advisers, and the military—which is still influential in foreign policy decision making—remain suspicious of the Soviet Union's motives and troublemaking capabilities.

[redacted]

### Diplomatic, Military, and Cultural Presence

Despite the warming trend, the Soviet Union and its East European allies have only 53 diplomats assigned

to Brasilia, according to US Embassy estimates. Brasilia and Moscow recently set up a bilateral commission to engage in periodic, but not regularly scheduled, consultations on political matters.

[redacted]

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The Soviets do not sell arms or provide military assistance to the staunchly anti-Communist Brazilian armed forces, which [redacted] are opposed to strengthening links.

[redacted]

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Even cultural ties are almost moribund, reflecting Brazil's historical lack of interest in the Soviet Bloc. At present, no cultural agreement exists and Brazilian officials do not seem eager to sign one, according to the US Embassy. Although Brazilian-Soviet cultural centers exist in five major cities, including Sao Paulo and Rio de Janeiro, they apparently restrict their activities to teaching Russian. [redacted]. The East Germans maintain similar centers. Student exchanges and scholarships also are limited.

[redacted]

[redacted]

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### Economic Ties

Economic links between Brazil and the Soviet Bloc nations are unusually limited. There are no economic assistance programs sponsored by Communist countries in Brazil. A number of intergovernmental commissions foster trade and investment, but they are generally insignificant and meet infrequently. Although Brazil's private- and public-sector enterprises have struck deals to obtain energy and mining technologies from the East, Brasilia, for the most part, pays only lipservice to expanded technological cooperation. This accounts for the small number of Soviet Bloc technicians in Brazil.

[redacted]

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Brazil has been disappointed by its efforts to expand trade with the Soviet Union and Eastern Europe. The Communist Bloc's low-quality goods have met market resistance, limiting increases in Soviet sales. Simultaneously, Soviet hard currency stringencies and larger recent harvests have choked off Brazilian attempts to expand exports, especially in view of Brasilia's reticence to extend large-scale credits to Soviet Bloc purchases. Brasilia has been burned by offering trade credits to East European debtors that whowere unable to meet obligations during Brazil's acute balance-of-payments difficulties in 1982-83; bad debts from Poland are still a political issue. [redacted]

Although Brasilia capitalized on the US grain embargo to increase commodity sales to Moscow rapidly in the early 1980s, trade between Brazil and the Soviet Bloc is now declining. In 1984, for example, Brazil exported \$1.4 billion to Communist Bloc countries (5 percent of Brazil's exports), but imported only \$420 million (3 percent of its imports). Preliminary 1985 trade data indicate Brazil's exports to Communist nations dropped 36 percent to only \$900 million, and imports declined 33 percent to only \$280 million. [redacted]

**Growing Leftist Contacts**

On the domestic front, the civilian government's commitment to political liberalization has fostered a more propitious atmosphere for Soviet Bloc activities. The lifting of censorship will facilitate Bloc propaganda efforts that have been minor and largely ineffective. Sarney's decision to legalize radical leftist parties has allowed those groups with strong ties to the Soviets to rebuild. During the national municipal elections last November, some leftist parties performed well, capturing several important mayoralties. [redacted]

Moscow has provided funds and advice to the Brazilian Communist Party, which has reportedly doubled its membership from 6,000 to 12,000 under civilian rule. The Kremlin probably also maintains ties to the 8 October Revolutionary Movement, a political remnant of the 1970s' guerrilla movement. On the other hand, the Maoist Communist Party of Brazil has continued to rebuff Soviet overtures. [redacted]

In Brazil's freer political climate, the Soviets are also trying to expand their relations with leftist groups that do not have longstanding ties to Communist states. For example, Moscow is attempting to cultivate the Workers Party, an umbrella group of Marxist parties. [redacted]

[redacted] the Soviets have provided funding to the party, which won a number of municipal elections in areas outside of its traditional stronghold of Sao Paulo. Because the party controls the Unified Workers Central, the most radical and active labor confederation in Brazil, it affords the Soviets an opportunity to increase influence in the labor sector. [redacted]

**Outlook**

We believe that Brasilia will probably continue to be cautious in improving relations with the Soviet Bloc. Expanded ties are most likely in those areas the Sarney administration considers innocuous, such as cultural exchanges. Additionally, Brazil would like to expand economic relations, in our judgment, but will encounter Soviet displeasure over Brazil's unwillingness to reduce its large trade surplus by importing more Soviet products. In December the Brazilians extended for three years an agreement to import \$20 million of Soviet machinery and equipment, but such efforts are small gestures. New technology transfer agreements will remain subject to the difficulties of dealing with Brazil's private sector and state enterprises. In our opinion, unless the Soviets have a major crop failure, Brazil's trade with the Bloc probably will stagnate over the near term. [redacted]

The administration also will monitor closely the political activities of the Bloc nations. [redacted]

We believe the USSR is unlikely to have a major impact on political dynamics in Brazil in the near future. Despite their recent growth and victories in [redacted]

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some municipal elections, the leftist parties still occupy a relatively minor position in the power structure. The larger centrist governing party—the Brazilian Democratic Movement—powerful business groups, and, more important, the military, are important checks on the left. In addition, even some leftist politicians apparently oppose close cooperation with the Soviets. Governor of Rio de Janeiro Leonel Brizola, the most prominent leftist politician, is attempting to build support among the middle class and mend fences with his longstanding enemy, the military. Therefore, he will probably keep his distance from Moscow to avoid damaging his presidential prospects.

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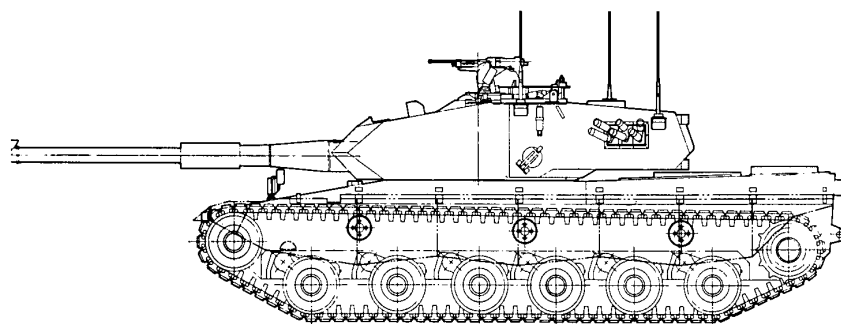
At present, we believe there is little chance that the Soviets could increase their influence through subversive groups, which do not exist at this time. If the left's legal right to compete for political power were rescinded by the centrist majority and the military—an unlikely event—some groups might decide to resort to arms and seek Soviet backing. Buoyed by success in the recent municipal elections, however, the leftist parties presently intend to stick to the peaceful electoral route, in our view.

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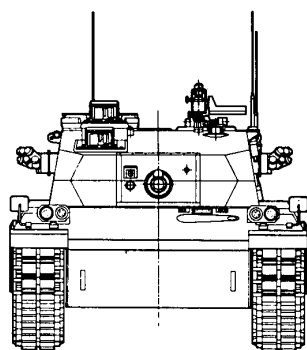
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Osorio tank   
(side view)

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Osorio tank   
(front view)

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**Brazil: Emerging Competitor  
In World Tank Market** [redacted]

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Brazil is currently in the final phase of negotiations to sell \$1 billion of its Osorio tanks to Saudi Arabia. Although several obstacles may yet cause the deal to come apart, we believe the sale will be concluded this spring. It would be Brazil's single largest export of arms and would signify the country's emergence as a competitor in the market for advanced weapons. [redacted]

agreement, [redacted] the Saudis purchased 25 percent of the stock of Engesa, the manufacturer of the Osorio [redacted]

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**Status of Negotiations**

In November, the Brazilian press reported that the Saudis would sign a \$1.5 billion contract with Specialized Engineers, Inc. (Engesa) to buy 1,000 Osorio tanks, but the report was premature. A [redacted]

**Implications**

Even if the Osorio sale falls short of the amounts currently envisioned, the export contract would mark Brazil's emergence as a direct competitor with US and West European suppliers of advanced weaponry. The Osorio main battle tank is the most sophisticated weapon system produced by a Brazilian manufacturer and can be equipped with a variety of armaments geared to the needs of the customer. According to specifications issued by Engesa, the tank is also equipped with a nuclear, biological, chemical air filtering system, and computerized fire control and laser rangefinder systems. Although we believe the Osorio is not as technologically sophisticated as the US Abrams or the West German Leopard II tank, the Brazilian tank will probably gain a foothold in the world market because it is cheaper than the US and West German models and comes free of the political strings associated with US weapons. [redacted]

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Saudi technical delegation will visit Brazil in February to discuss the purchase of 500 Osorio tanks mounted with 120-mm cannons, a deal potentially valued at \$1 billion. These discussions follow a field visit in Saudi Arabia last summer that pitted an Osorio prototype, equipped with a smaller 105-mm cannon, against British and French tanks. [redacted]

[redacted] We believe that the Brazilians will roll out the red carpet for the Saudi delegation, which will probably recommend that the agreement be concluded. Even so, we believe deliveries of the tank cannot be undertaken before late 1987 and could still fall prey to the vagaries of politics in the Middle East, or possibly a spending freeze imposed by the Saudis in the wake of lower oil prices. [redacted]

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**Deepening Ties**

The negotiations for the Osorio highlight the growing bilateral ties between Brazil and Saudi Arabia. To reduce its large trade deficit, Brasilia has been seeking to expand its exports and technical sales to the Saudis. In October 1984 the two governments signed a military-technical accord that cleared the way for arms sales, for joint production of arms, and for the transfer of associated technology. In the wake of the





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## Mexico: Oil Union Rift With Government [redacted]

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The head of Mexico's economically important Oil Workers Union publicly attacked the management of PEMEX—the state oil company—and indirectly criticized President de la Madrid's leadership last month in his presence. The unprecedented action reflects the union's dissatisfaction with government policies toward the oil industry, and with labor in general. Nonetheless, both the union and the administration have an interest in seeking an accommodation, and, in our judgment, a major confrontation probably will be averted at this time.

[redacted]

### The Dispute

The Secretary General of the Oil Workers Union, Jose Sosa Martinez, charged that government budget cuts were undermining Mexico's oil industry. He also asserted that PEMEX was spending more on paperwork and management salaries than on spare parts, tools, and maintenance. He noted that the government and the country as a whole would suffer unless such policies were reversed. Other union spokesmen defended Sosa's remarks and pointed out that the government is not funding sufficient oil exploration to meet its future production and export goals. [redacted]

De la Madrid, for his part, publicly responded that PEMEX and the oil industry are well managed and not, as Sosa had implied, on the verge of collapse.

[redacted]

### Union Objectives

In speaking out, Sosa almost certainly was serving as the mouthpiece for Joaquin "La Quina" Hernandez, who for many years has been the power behind the throne within the 110,000-member Oil Workers Union. Under Hernandez' stewardship, the Oil Workers Union, although affiliated with the powerful

Mexican Confederation of Workers, has enjoyed considerable autonomy, in part because of its considerable financial resources. [redacted]

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Hernandez and other leaders of the Oil Workers Union probably intended to discredit PEMEX head Ramon Beteta, a presidential favorite who is rumored to aspire to a Cabinet post or perhaps even to the presidency. On coming to PEMEX in late 1982, at the time de la Madrid assumed office, Beteta pushed hard to clean up the notoriously corrupt Oil Workers Union. He was successful in limiting the union's access to many of the lucrative PEMEX maintenance contracts it once controlled, but his efforts to get union leaders to undertake a more thorough housecleaning failed, according to Embassy reporting. [redacted]

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The oil workers' leadership, like labor leadership generally, also has been publicly critical of the wage increases the union has received, including the 32-percent minimum wage hike the government announced last December. Although oil workers are relatively privileged, they too have suffered losses in real wages since de la Madrid came to power. [redacted]

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Leaders of the Oil Workers Union, which has long supported the ruling party, probably believe labor has not received sufficient political concessions—mainly in the form of public offices—to compensate for economic sacrifices. Labor officials were disappointed late last year when the ruling party did not nominate the candidate labor favored for governor in the northern state of Chihuahua, where an important race will be held later this year. With 13 governorships at stake in 1986 and more party standard bearers to be named in the near future, the union leadership clearly wants candidates with strong labor credentials in as many states as possible. [redacted]

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To a lesser extent, the union leaders, in lashing out at PEMEX management and the government, probably also are motivated by genuine concerns about the effects that budget cuts could have on the safety of oil workers and the future viability of the industry. De la Madrid, in fact, has invested far less than his immediate predecessor in new equipment, facilities, and exploration. His critics can point to a recent series of accidents, including the loss of a PEMEX supply ship and a gas explosion, as indicative of maintenance problems. [redacted]

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**Outlook**

The oil workers' leadership, having attracted the government's attention, is unlikely to seek a broader confrontation, in our view. Sosa and Hernandez almost certainly are aware that de la Madrid could use his influence, albeit at considerable cost, to replace them with more politically malleable leaders should they stray too far. Short of such drastic measures, however, the government could launch investigations of some of the questionable means by which Hernandez and other prominent union leaders have enriched themselves. [redacted]

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The administration, for its part, probably will seek to reach an accommodation with the union without appearing to capitulate. It may offer labor additional political offices in oil-producing regions, for example. The government can ill afford to alienate oil workers or their leaders, since strikes, work slowdowns, or even sabotage of PEMEX facilities would severely damage the already ailing Mexican economy. The de la Madrid administration will also need the political support of the oil workers and other influential labor groups in coming elections if the ruling party is to make a strong showing in key contests without resorting to extensive fraud. [redacted]

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**Latin America  
Briefs**



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**Honduras**

**Impact of Military Shakeup** [redacted]

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The ouster of Armed Forces chief General Lopez by other military officers only four days into President Azcona's term damaged the civilian President's image and may weaken his legislative and political bases. [redacted]

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[redacted] by reports that he was not informed of Lopez's resignation until it was a fait accompli, and Azcona has not been consulted in the search for a new military chief. [redacted]

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[redacted]

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[redacted] colonels—known as the Fifth Promotion class—henceforth intend to make all major military decisions. The defense attache reports that one leading Fifth Promotion officer said the group continues to support Azcona but will not be as "subservient" as was Lopez, who played a central role in keeping the democratization process on track. [redacted]

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With Lopez gone, Azcona has no visible support from powerful military officers. In fact, several of the colonels supported opposition National Party leader Rafael Callejas during the elections and may now seek ways of boosting his power at Azcona's expense. [redacted] the neutrality of the military under Lopez was crucial to the formation of a legislative coalition between the President and Callejas, who also now controls the Supreme Court as part of an agreement with Azcona. We believe Lopez's departure may make Callejas more reluctant to cooperate with Azcona because he may believe closer alliance with the Fifth Promotion will better ensure his political future. [redacted]

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Lopez's removal may lead to other changes in the government. [redacted] several of Azcona's Cabinet members had been nominated by Lopez, and we believe they could be replaced. Foreign Minister Lopez Contreras, a cousin of the former military chief, told the US Embassy that his ability to negotiate matters of military interest, such as the Salvadoran border issue, already has diminished. [redacted]

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**Ecuador**

**Despair Over Declining Oil Revenues** [redacted]

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President Febres-Cordero is deeply troubled by the sudden plunge in oil prices, according to US Embassy reporting. Foreign Minister Teran told the Embassy that the President fears that the resulting economic recession and balance-of-payments disequilibrium endanger his experiment with free market economics and threaten to undo Ecuador's recently signed accords with international lenders. Indicating that the administration has no contingency plan, Teran said that the President is angered by his helplessness in dealing with the oil market collapse. The Foreign Minister voiced concern that recession would strengthen domestic critics of the President's close relations with Washington and the IMF, and could result in a sweeping defeat for the President's coalition in June's congressional elections. [redacted]

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Although Teran was clearly trying to elicit offers of additional support, [redacted] the Ecuadorean economy has rough sledding ahead. According to the US Embassy, real GDP growth this year is likely to fall far short of the government's 3.7-percent target—a target based on earlier estimates of oil exports at \$23 per barrel. In the Embassy's view, the economy will register no growth this year if oil prices continue at the current \$19 per barrel level and would decline by three percent should oil prices average \$15 for the year. Moreover, [redacted] oil at \$15 per barrel would produce a balance-of-payments gap that could not be covered by Ecuador's meager foreign exchange reserves, necessitating an appeal to international lenders for new loans. [redacted]

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In the less pessimistic case—oil holding at \$19 per barrel—revenues from oil exports would fall \$400 million below the government's \$1.75 billion target. The resulting balance-of-payments gap would be more manageable, however, because soaring coffee prices and the administration's flexible exchange rate policy are

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expected to boost nonoil export revenues this year. This would leave total export revenues \$200 million below last year's \$2.8 billion—but still sufficient to cover this year's debt service (\$750-800 million) and import needs, [redacted]. Even if oil prices hold at \$19 per barrel and a severe balance-of-payments crisis is avoided, the resulting recession is likely to exacerbate Febres-Cordero's problems with student radicals and the political opposition—at a time when he was hoping to give more attention to a growing terrorist threat. [redacted]

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**Dominican Republic**

**Easing Austerity** [redacted]

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Dominican Republic is relying on increased coffee earnings to finance part of public-sector wage hikes while continuing compliance with IMF guidelines for a \$78 million standby loan. The US Embassy reports that coffee earnings—which last year accounted for roughly 10 percent of total export sales—could grow by \$90 million this year, helping to avert a crisis among public-sector workers who threatened strikes and violent protests unless wage increases in effect since last July were maintained this year. Congress has failed to pass some \$54 million in new taxes needed to pay the wage bill. Last year, the government liquidated reserves of a state-owned gold mine to meet the payroll while still making IMF targets. The Embassy reports that Santo Domingo passed the Fund's end-of-the-year targets by a comfortable margin, paving the way for disbursement in April of the final \$17 million standby tranche. [redacted]

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There is a danger that President Jorge Blanco will cite better coffee prices as a reason for relaxing economic austerity before the presidential election in May. Entrenched problems continue to plague the economy, and, if the government eases fiscal discipline too much recovery may well elude the next administration. Persistent consumer price inflation, fueled by speculation, is keeping upward pressure on wages and threatening export competitiveness. The crucial sugar industry—accounting for about 30 percent of total exports—is in disarray in response to continued low world prices and declining US purchases. [redacted]

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Peru

**Mine Workers' Strike** [redacted]

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Mine workers in southern Peru recently staged the first successful strike since President Garcia took office last July. The Communist-led union won a 50-percent pay hike from US-owned Southern Peru Copper Corporation following a two-week work stoppage involving 6,000 workers. Although other attempts by far-left union leaders to rally their rank and file continue to fizzle, the mine workers' example will probably encourage labor militants to take an increasingly confrontational approach in both the private and the public sectors. [redacted]

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**Cuba Chronology**

January 1986

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- 1 January** Nicaraguan President Daniel Ortega, President of the Revolutionary Council of Afghanistan Babrak Karmal, and Chairman of Ethiopia's Provisional Military Administrative Council Mengistu send messages of congratulation to Fidel Castro on the 27th anniversary of the Cuban Revolution.
- 2 January** *EKONOMICHESKAYA GAZETA* says the volume of trade between the Soviet Union and Cuba reached \$8.8 billion in 1985 and that more than 240 works were built or modernized with Soviet aid.
- Havana Radio reports that in 1985 Cuba fulfilled its sugar goals by processing 8 million tons, investments valued at \$4.4 billion were made, and exports grew almost 10 percent.
- 3 January** Peruvian Prime Minister Luis Alva at a press conference in Havana, announces the imminent arrival of the new Peruvian Ambassador to Cuba and resumption of full diplomatic relations.
- Alva who is also Peru's Finance Minister, reaffirms Peru's refusal to permit the IMV to mediate the renegotiation of the foreign debt.
- 4 January** Alva tells the press in Lima that his trip to Cuba was very positive and that relations between the two countries not only will be normalized but also will expand.
- 5 January** Nicaragua's Commander of the Revolution Jaime Wheelock announces that Cuba, in a gesture of solidarity and internationalism, has decided to buy all sugar production from the "Victoria de Julio" sugar mill.
- 6 January** Paris press announces that Jean-Louis Marfaing, the French Ambassador to Costa Rica, has been appointed Ambassador to Cuba, where he will replace Pierre Decamps.
- 7 January** Havana press carries a report by a Cuban Foreign Ministry spokesman refuting rumors about Fidel Castro's alleged death reported by the news media in Miami and Puerto Rico.
- Havana TV announces that tourism is now Cuba's third-ranking economic activity. During 1980-85 tourism brought in approximately \$484 million, and Havana expects earnings of \$648 million in 1986-90.

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At a CEMA conference in Budapest, Cuban Institute of Radio and Television President Ismael Gonzalez says Cuba is prepared to confront all types of radio-broadcast and televised aggressions.

**8 January**

President of the National Assembly Flavio Bravo receives a delegation of legislators from the Netherlands.

Fidel Castro meets with Max van de Berg, Chairman of the Labor Party of the Netherlands, to discuss the international situation, especially foreign debt, and party relations.

Poland's Council of National Defense Chairman Wojciech Jaruzelski meets in Warsaw with Cuban Ambassador Narcisco Martin Mora Diaz to discuss bilateral interests. Jaruzelski conveys greetings to Fidel.

The Cuban Foreign Ministry condemns US threats of economic sanctions and military provocations against Libya.

The Council of State agrees to remove Idalberto Ladron de Guevara Quintana from the post of Attorney General. Dr. Ramon de la Cruz Ochoa will assume the rest of his term in office.

**9 January**

A protocol is signed at the conclusion of the 14th session of the Hungarian-Cuban Economic and Technical-Scientific Cooperation Committee. Cuba will send workers to build houses in Hungary.

**10 January**

Flavio Bravo greets an Ecuadorean parliamentary delegation headed by Averroes Bucarem. Bucarem says that dialogue and an exchange of ideas and experiences should exist between the countries.

**13 January**

A radio and television cooperation protocol between the USSR and Cuba for 1986-87 is signed in Moscow by A. N. Aksenov and Ismael Gonzalez.

**14 January**

TASS announces that Alexander Kapto, Secretary of the Communist Party in the Ukraine, has been named Soviet Ambassador to Cuba.

President of the National Assembly Flavio Bravo arrives in Lima to attend the Latin American Parliament directors' meeting.

Chamber of Commerce President Jose Garcia Lara welcomes more than 20 businessmen from 18 Costa Rican firms. Attorney Echeverria believes there are possibilities of developing trade with Cuba.

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Carlos Rafael Rodriguez meets with Eduardo Latorre Rodriguez, Executive Secretary of the Group of Latin American and Caribbean Sugar Exporting Countries, to discuss the international sugar market.

**16 January**

A cultural agreement for 1986-87 between Cuba and Italy is signed in Havana. The agreement includes the areas of science, culture, education, and sports.

Politburo member Sergio del Valle arrives in Guyana and is greeted at the airport by Guyanese official Van West-Charles. Del Valle will evaluate the efforts of the 33 Cubans working in Guyana.

**17 January**

Nicaraguan Public Health Minister Dora Maria Tellez arrives in Cuba to discuss strengthening medical cooperation between the two countries.

Cuban Ambassador to Zaire Luis Delgado Perez delivers a message from Fidel Castro to President Mobutu in which Castro reaffirms Cuba's desire to maintain cooperative relations.

Flavio Bravo and Peruvian President Alan Garcia discuss topics of common interest during a meeting in Lima.

**18 January**

A car bomb explodes outside the Cuban airline office in central Luanda but causes no injuries.

Foreign Minister Malmierca arrives in Lesotho. He is received by Foreign Minister Vincent Makhele and the ministers of planning, health, and information.

Two Soviet merchant ships are en route to Cuba with hurricane relief. The ships contain 1,500 tons of galvanized steel plate, more than 500 tons of fibrocement, and about 1,700 tons of zinc sheets.

**20 January**

A parliamentary delegation from the Japanese Diet, headed by Liberal Democratic Party deputy Sakarushi, arrives in Cuba at the invitation of the National Assembly. The deputies will visit important economic centers and construction sites.

**22 January**

Flavio Bravo meets with Clemente Guido, Vice President of the National Assembly of Nicaragua, to discuss the positive results of the recent Latin American Parliament meeting in Lima.

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**24 January** A Zimbabwean Air Force plane flies Foreign Minister Malmierca out of Lesotho, where he had been stranded as a result of the military coup that overthrew the government.

President of Zimbabwean Canaan Banana meets with Isidoro Malmierca to discuss the coming summit meeting of the Nonaligned Movement.

**25 January** Minister President of the State Committee for Economic Cooperation Ernesto Melendez arrives in Sierra Leone to attend the presidential inauguration of Maj. Gen. Joseph Saidu Momoh.

**27 January** South Yemeni Minister of Foreign Affairs 'Abd al-'Aziz al-Dali receives the Cuban Ambassador to Aden, who affirms Cuba's support for South Yemen's struggle for socialism.

The Cuban Episcopal Conference holds its first ordinary session of 1986 to prepare the topics to be discussed at the Cuban national ecclesiastical meeting that will take place 17-19 February.

Carlos Rafael Rodriguez receives the credentials of the new Soviet Ambassador to Cuba, Aleksandr Semenovich Kopto.

Isidoro Malmierca and Zimbabwean Prime Minister Mugabe describe bilateral relations as excellent and discuss preparations for the eighth Nonaligned conference to be held in Harare in September.

Talks between the USSR, Angola, and Cuba are held in Moscow on the situation in southern Africa.

**28 January** Vilma Espin speaks at a ceremony at Havana University commemorating the 133rd anniversary of Jose Marti's birth. Neither Fidel nor Raul Castro attends.

Havana TV transmits its condolences to the US people for the tragedy caused by the space shuttle Challenger's accident.

**29 January** Raul Sendic, leader of the Tupamaros in Uruguay, says in Havana that his organization supports and defends his country's democratic process, which is now being threatened.

A Uruguayan Foreign Ministry official arrives in Havana to initiate arrangements for the installation of his country's embassy in Cuba.

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**31 January**

A PLO delegation headed by Abd al-Rahim Ahmad departs Amman for Cuba to attend the Third Party Congress and to discuss developments in the Middle East with Cuban officials.



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