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**Latin America
Review**

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14 March 1986

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**Latin America
Review**

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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

Nicaragua: Insurgent Political Program and Image

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The anti-Sandinista insurgents' umbrella organization—the Unified Nicaraguan Opposition (UNO)—has heightened its political profile and reaffirmed its adherence to democratic norms. Recent activities, such as its announcement of a new statement of principles and a program to curb insurgent human rights abuses, probably will help improve the guerrillas' image abroad. Nonetheless, the rebels still have political liabilities that will pose significant obstacles to their quest for full international respectability.

Background

The anti-Sandinista insurgents have faced an uphill struggle in their quest for political legitimacy and international support since the principal guerrilla group in UNO, the Nicaraguan Democratic Force (FDN), was founded in late 1981. The chief source of controversy has been the presence of troops who served under former President Somoza, especially among the FDN's top commanders. This issue has provided a propaganda opening for the Sandinistas because of the widespread domestic and foreign revulsion for the brutal tactics used by Somoza's National Guard during the 1979 revolution. Allegations of human rights abuses by the insurgents, some of which are well documented, have compounded the FDN's image problem. Moreover, Eden Pastora—the best known and most charismatic rebel leader—has undermined FDN efforts to improve its image by refusing to unify his forces because of the presence of former Guardsmen in the FDN. These issues do not appear to have inhibited FDN recruitment significantly or its ability to gain popular support in its operating areas, but they have impaired the group's ability to gain foreign acceptance and aid.

The insurgents have adopted a number of measures over the past four years to improve their image and demonstrate their commitment to democratic rule. These changes have enabled them to develop alliances with respected political figures who opposed Somoza or who were formerly allied with the Sandinistas. With the formation of UNO last year, the insurgents could accurately claim to represent a broad spectrum of democratic opposition: Adolfo Calero had served as head of Nicaragua's largest opposition party; Alfonso Robelo leads a social democratic party; and Arturo Cruz was the presidential candidate of the main opposition coalition in Nicaragua's election in 1984. Both Robelo and Cruz had served on the Sandinistas' governing junta.

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UNO has been slow to develop its political infrastructure, but since last fall it has stepped up the pace of its activities. In January, UNO leaders announced a statement of goals and objectives in a well-publicized visit to Caracas, where they received a sympathetic hearing from Venezuelan Government and party leaders, according to the US Embassy. UNO has also lobbied the Contadora countries, the OAS, and the Spanish Government to demand that it not be excluded from any process of "national reconciliation." UNO established a human rights office in Costa Rica in December and opened several other offices in Western Europe over the past year to publicize the guerrilla cause and identify supporters. A further development in UNO's favor is that Eden Pastora apparently has been more willing to cooperate in recent months.

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Commitment to Democracy

Our analysis of UNO's latest statement of goals and principles reveals that, for the most part, it echoes earlier commitments to install a broadly representative democratic government in Nicaragua.

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Insurgent Efforts to Improve Their Image**Late 1981**

Several small groups join to form the Nicaraguan Democratic Force (FDN). Although the Force is composed largely of former National Guardsmen, some, known to have committed human rights violations during the civil war, are excluded when the new organization is established.

December 1982

The FDN junta is replaced by a new directorate which includes members who were Somoza opponents and two former Sandinista supporters.

January 1983

Adolfo Calero, head of Nicaragua's largest opposition political party, goes into exile and becomes the seventh member of the FDN directorate and FDN president. The organization issues a statement of principles and objectives and a "peace initiative" defining democratic norms to be restored to permit an end to the fighting. The FDN general staff is reorganized, removing ex-Guard Colonel Ricardo Lau, who has been accused of human rights abuses during the civil war.

March 1983

A new statement notes that the Sandinistas have rejected the guerrillas' peace offer and declares its commitment to install a new democratic government in Nicaragua.

June 1984

Alfonso Robelo, who led a political party that opposed Somoza and served on the first postrevolutionary government junta, leaves his alliance with Eden Pastora to ally with the FDN. The new umbrella organization, called the United Opposition for Reconciliation (UNIR), also includes Miskito Indians with whom the FDN has had informal links.

March 1985

A broad coalition of Nicaraguan political exiles, including former Sandinista junta member Arturo Cruz and La Prensa editor Pedro Joaquin Chamorro, join UNIR leaders in signing a document offering a cease-fire in exchange for a Church-mediated dialogue with the Sandinistas.

June 1985

Cruz, Robelo, and Calero form a new umbrella organization to replace UNIR, the Unified Nicaraguan Opposition (UNO), stating that its goal is national reconciliation based on democratic principles.

September 1985

UNO announces formation of a new code of conduct for FDN troops and an office to discipline troops accused of human rights abuses.


January 1986

UNO presents a restatement of its principles and objectives, emphasizing its commitment to democratic norms.



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Both UNO and the FDN have stated publicly that they have no intention of transforming themselves into a political party, and, for this reason, the various documents have emphasized the need to restore democracy and guarantee human rights rather than provide a detailed program of government. Recent statements also have emphasized "national

reconciliation" by reaffirming previous calls for dialogue with the regime and by not excluding Sandinista members from amnesty or future participation in politics. Nevertheless, UNO's statement of goals indicates that the insurgents intend to dismantle most of the Sandinistas' political institutions. 

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Key Points of UNO's Political Program

UNO's statement of principles and goals for a "provisional government of national reconciliation" was announced in Caracas, 24 January 1986:

Political Commitments

- *Political pluralism and the right of all citizens to participate in a representative democracy.*
- *Establishment of a state of law, with strict observance of human rights supervised by an independent judiciary; elimination of special tribunals.*
- *Freedom of expression, association, and worship.*
- *Freedom of organized labor and an irrevocable right to strike.*
- *Creation of an autonomous electoral tribunal; principle of no reelection of the president to guarantee alternation of power.*
- *General amnesty, without exception, for political crimes.*
- *Demilitarization of society; civilian supremacy over the military; abolishment of military conscription.*

Social and Economic Commitments

- *State responsibility for satisfying basic human needs and protection of the family.*
- *Establishment of a new social contract that recognizes the principle of equitable participation in benefits as well as labor.*
- *Solidarity with less privileged sectors of society.*
- *Agrarian reform, taking into account both efficiency and the desirability that those who work the land become owners.*
- *Abolition of state centralism in the economy.*

Plan of Government

- *Formation of a new "government of reconciliation," advised by a "consultative organ" representing political and social sectors.*
- *Elections within eight months for a constituent assembly.*
- *General elections within 18 months.*

[Redacted]

UNO's January pronouncement gave increased attention to socioeconomic issues, overcoming a weakness in previous statements. It declared solidarity with the poor and pledged to employ state resources to meet basic human needs. UNO's commitment to land reform and a new "social pact" as the basis for reconstruction appear to counterbalance other elements that appeal primarily to the middle class, such as a call for returning to the private-sector activities that can be performed more efficiently there. Several policy goals also address the principal popular complaints about the Sandinista regime, including abolishing the military draft, restoring the right to strike, demilitarizing society, and ending harassment of the Catholic Church. [Redacted]

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UNO points out that its call for a brief transitional government contrasts with the Sandinistas' five-year delay in holding elections. The January document calls for constituent assembly elections within eight months after a "government of reconciliation" comes to power and national elections within 18 months. UNO's statement last June also provided that the elections would be supervised by the OAS. [Redacted]

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Inside Nicaragua, [Redacted] their program is primarily passed by word of mouth by FDN guerrillas and their supporters, sometimes at "armed propaganda" gatherings of villagers. Pamphlets outlining insurgent principles—the "Blue and White Book"—have been widely distributed to guerrilla forces [Redacted]. The FDN formerly distributed printed propaganda featuring photographs of its commandos and accounts of clashes with government forces, but lack of funds apparently forced suspension of publication. In our view, improved Sandinista air defense capabilities preclude resumption of propaganda drops from aircraft over Nicaraguan cities, as the insurgents did several times in 1983.

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[Redacted] suggest a fairly wide familiarity with the FDN's clandestine Radio 15 September, but the small number of shortwave receivers in the country limits the potential audience of regular listeners. [Redacted]

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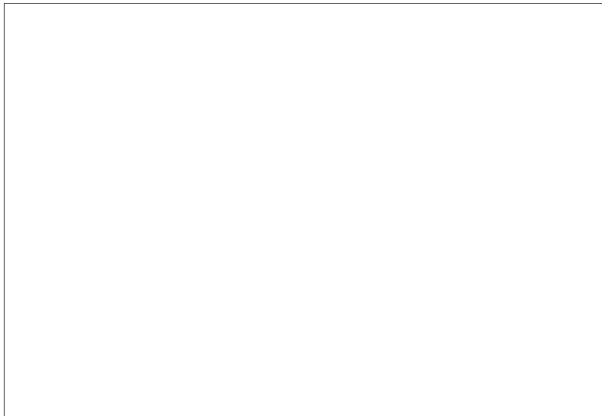
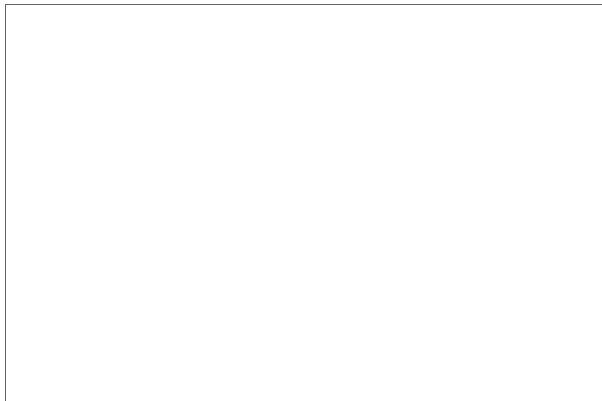
Preventing Human Rights Abuses

UNO leaders, who have admitted publicly that their forces have been guilty of human rights abuses, have

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had some success in publicizing steps to curb them. The human rights office, which monitors violations by both the insurgents and the government, is directed by Roberto Ferrey, a former official of the Sandinista Justice Ministry. UNO leaders have told the press that a code of conduct will be distributed to each member of the rebel force. Last October, the FDN announced that it had informed the International Red Cross of an offer to exchange 12 government officials for rebel prisoners, and it proposed the creation of neutral zones in Nicaragua where civilians could seek safehaven. [redacted]



A Diminished Pastora Challenge

Eden Pastora has toned down his criticism of the FDN in recent months and other factors have acted to lessen the impact of his aloofness. Several of Pastora's commanders reportedly agreed in January to cooperate with UNO in exchange for military supplies. Pastora reacted to press reports of their

decision by declaring that the pact was signed under his direction. Moreover, the Southern Opposition Bloc, which is loosely allied with Pastora, began unity talks with UNO in December. Although the talks were unsuccessful, a Bloc statement, which suggested that further meetings take place, may act to limit public attacks on UNO. [redacted]



We believe that recent defections from Pastora's forces may reinforce UNO's unwillingness to make concessions to gain his support. UNO leaders, for example, have not yielded to Pastora's demand that he be given equal status with Calero, Robelo, and Cruz. In our view, despite the decline in Pastora's military importance, he has retained sufficient political stature to hurt—or help—the FDN's image. Although Pastora has not articulated a political program as detailed as UNO's or assembled as wide a political coalition, he is widely perceived abroad as an authentic social democrat and the most acceptable insurgent leader. [redacted]

Political Weaknesses and Vulnerabilities

Although the insurgents have taken steps to improve their image, several factors are likely to limit their progress in gaining international respectability and expanding domestic support. [redacted]

Somocista Influence. The presence of former National Guardsmen on the FDN military staff continues to be a political liability, although less so than in the past, in our judgment. The insurgents have dealt with the issue indirectly by pointing out that the importance of the ex-Guardsmen in the officer ranks has declined, that none have been accused of human rights abuses, and that their presence has not been an obstacle for the many former Sandinista fighters and Somoza political opponents who have joined UNO. In our view, the insurgents are unlikely to remove additional former Guardsmen from their leadership ranks, especially FDN military commander Bermudez. Aside from the practical matter of the difficulty replacing their military expertise, [redacted]

[redacted] UNO leaders believe they

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have a moral commitment to retain men who have been fighting the Sandinistas longer than anyone else.

[redacted]

efforts to gain popular support in rural areas, but it could prove a barrier in persuading urban Nicaraguans to abandon the regime.

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Press reports since last fall of disputes between Cruz and Calero have focused attention on the related charge that UNO's political leaders have little influence over FDN military commanders. Cruz was said to be distressed by his inability to stop insurgent human rights abuses and his exclusion from knowledge about financing and military operations.

Subservience to the United States. The Sandinista charge that the insurgents are merely US agents undoubtedly contributes to UNO's image problem abroad. Nevertheless, foreign officials seldom surface this objection in their talks with [redacted] US Embassy officers, which supports our judgment that this liability is not nearly as significant as others. The regime has gained propaganda support for its assertions from FDN defectors, including former FDN directorate member Edgar Chamorro's statements about CIA manipulation of insurgent leaders and Mondragon's claim that the insurgents are mercenaries because they receive salaries. Managua has used this type of evidence to back its refusal to negotiate with the insurgents, saying it will not talk to the "puppets" but must deal with the "puppeteer."

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Human Rights Abuses. In our view, foreign observers probably will discount UNO's human rights efforts unless UNO publicizes its investigations and appears to be acting firmly to punish abusers. The Sandinistas probably will retain the upper hand because their capacity to publicize—and even manufacture—incidents exceeds UNO's ability to resolve allegations. Guerrilla defectors to the Sandinistas, such as former task force commander "Mondragon," give even wild accusations an air of credibility, in our judgment. Moreover, international groups reporting on human rights and journalistic accounts have blamed the guerrillas more than the government for violations.

[redacted]

Lack of Ties to the Domestic Opposition. The internal opposition has not openly endorsed the insurgents, which some foreign observers believe reflects a lack of support. This conclusion, however, is at variance with how the insurgents and the main opposition groups view each other. US Embassy reports indicate that the domestic opposition coalition regards the insurgency as a primary obstacle to complete Sandinista consolidation. Despite Sandinista pressures, the civic opposition has refused to condemn insurgent attacks and has repeatedly endorsed "national dialogue" talks that would include the insurgents. For its part, UNO has publicly endorsed opposition political positions, which it sees as a compliment to its armed efforts. In February, for example, the insurgents welcomed a declaration by five political parties urging the government to accept a ceasefire and relax the state of emergency.

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Political Conservatism. Foreign reservations about the insurgents also appear to stem from the fear that a future government would reverse the social thrust of the Sandinista revolution. In our opinion, although UNO's recent statement referring to its concern for the poor was intended to alleviate concern about its political stance, the insurgents probably need to make specific guarantees that their social and economic policies will not turn back the clock to the Somoza era. Inside Nicaragua, UNO's lack of emphasis on socioeconomic concerns probably has not retarded

Although indirect ties [redacted] appear to be growing, closer identification would almost certainly invite even greater Sandinista repression of unarmed opposition groups.

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Somocista Influence in the FDN

The assertion that former Somocistas dominate the FDN has become an article of faith for many foreign observers, despite FDN efforts to publicize its claim that relatively few of its commanders served in Somoza's National Guard. In our view, former Guardsmen remain an influential presence in the FDN, but the organization has become increasingly representative of the Nicaraguan people. In total, we estimate that there are some 300 former Guardsmen among some 17,000 FDN combatants. To our knowledge, none of the ex-Guard members now in the FDN have been accused of human rights abuses during the revolution, and President Somoza's family does not maintain contact with any part of UNO.

its chief, Bermudez. Three former Guard lieutenants serve as heads of personnel, intelligence, and operations.

Senior officers in other staff positions are also former Guardsmen. The heads of the FDN air wing and coastal naval force (yet to be formed) were colonels; the officer in charge of counterintelligence and internal front activities was a major; and the recently appointed head of training was a sergeant. A former lieutenant colonel heads the medical department—its only ex-Guard officer—but other sections—finance, logistics, legal affairs, civil affairs, and communications—are led by men without military experience.

Civil-Military Command

This group supervises overall FDN operations on a daily basis, including military strategy and logistics:

Adolfo Calero (FDN President and Commander in Chief) managed Managua's Coca-Cola bottling plant and led Nicaragua's largest political party. He was jailed by Somoza for leading an antigovernment strike.

Enrique Bermudez (Chief of the military staff) was a military engineer and former Guard Colonel. He served as defense attache in Washington from 1976-79.

Indalecio Rodriguez (Chief of civil affairs, including human rights) was a veterinarian and educator. He was involved with the Sandinista Front soon after it was founded and jailed twice by Somoza.

Aristedes Sanchez (Chief of logistics) was a lawyer and cattleman. Press reports allege that he had "social ties" to Somoza. He reportedly has served as head of the military staff during Bermudez's absence.

Military Staff

Four of the six members of the FDN's "strategic command" served in the National Guard, including



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Military Progress and Political Image. We believe that, to some extent, the guerrillas' perceived lack of military progress affects foreign assessments of their political capabilities. Some observers, for example, equate the insurgents' inability to control territory or to hold towns with lack of popular support. Although military momentum does not automatically confer international respectability on an insurgent group, in our judgment, foreign governments probably would give UNO greater political recognition if it scored greater military victories. [redacted]

Implications and Outlook

We judge that UNO's problems with its political image will continue to have a significant impact abroad. Challenges to the insurgents' political legitimacy have discouraged foreign material support for them and probably acted as a brake on international pressure on the Sandinistas. Another manifestation of foreign doubts about the insurgents has been the general reluctance to press the Sandinistas to open talks with UNO. Managua has repeatedly asserted that its commitment to "national reconciliation"—one of the 21 objectives endorsed by all Contadora participants—does not mean that it must conduct a dialogue with armed groups. Although the Contadora group's "Caraballeda Declaration" restated the commitment in January, US Embassy reports indicate that only two of the four mediators interpret it to mean that the Sandinistas must talk to UNO. [redacted]

The insurgents probably will be able to improve their image abroad slowly through their more frequent foreign travels, and they may also become the beneficiaries of growing foreign disillusionment with Sandinista repression. Nevertheless, however successful UNO leaders are in conveying their commitment to democratic principles, foreign reaction is likely to be held hostage to their ability both to curb human rights abuses and to counter Sandinista propaganda on the issue. UNO may be able to make faster progress in improving its image if it pursues a more aggressive public relations strategy, including making more frequent policy declarations that suggest a progressive political orientation. In our

judgment, Eden Pastora's endorsement of UNO probably would yield the quickest political gains—although military cooperation with him almost certainly would introduce other problems. [redacted]

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Inside Nicaragua, UNO's past growth [redacted]

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[redacted] suggest that the guerrillas can attract even greater numbers of combatants with only the broad outlines of a political program. Nicaraguan refugees and guerrillas have told US officials that, for many Nicaraguans, hatred of Sandinista policies is sufficient reason to support the insurgent cause. Moreover, the popular support which the insurgents appear to enjoy in their operating areas suggests that Nicaraguans are able to verify themselves that FDN combatants are neither Somocistas nor pawns of the United States. In our view, however, the ease with which the FDN has grown also has probably promoted a sense of complacency about the potential barrier to further recruitment and cooperation in urban areas. To make similar gains in these areas of Sandinista strength, the insurgents probably will have to emphasize their commitment to the poor, make clear that they will not retaliate against current Sandinista supporters, and underline their resolve that a future government will not return to the patterns of the past. [redacted]

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Mexico: Domestic Politics and the Debt [redacted]

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There is a growing political debate within Mexico over whether to suspend payments on the country's \$98 billion foreign debt. Several influential Cabinet members as well as leftist opposition parties and independent labor unions are calling for a debt moratorium. Nevertheless, President de la Madrid, consistent with his own preferences and the advice of Finance Minister Silva Herzog, for the time being is resisting a radical approach. The government's position could change if Mexico City is unable to reach an accommodation with creditors on a new debt relief package in coming weeks or if government retrenchment policies lead to significant social unrest. More generally, however, the de la Madrid administration will attempt to lead public opinion on the debt issue and to exploit it for bargaining advantage with creditors rather than to have popular attitudes dictate Mexico City's debt stance. [redacted]

radical action in concert with other Third World debtors. [redacted]

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Domestic Pressures for Debt Relief

Despite the administration's generally moderate stance, a number of domestic forces are urging a more confrontational policy. As important as any are the deep divisions in the Cabinet on this issue. [redacted]

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Present Position on the Debt

Mexico City asserts it will need approximately \$6 billion in relief this year if it is to meet payments on its massive foreign debt. It has informed Washington and foreign creditors that it would prefer concessions on interest payments in lieu of new loans, which would increase the size of the debt. Moreover, the de la Madrid administration asserts that growing demands for debt relief within Mexico afford it little room for compromise. Mexican leaders have suggested they will be unable to impose additional austerity measures unless they can point out to the Mexican people that creditors also are making visible sacrifices and doing more to share the debt burden. [redacted]

Leftist political parties, independent labor unions, and a number of intellectuals have taken a militant stand, in some cases calling on the government to repudiate the foreign debt either unilaterally or jointly with other debtors. The largest promoratorium demonstration organized to date attracted as many as 50,000 people, a reasonably good turnout by Mexican standards. [redacted]

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Pressures for a more radical stance on the debt issue also have come from influential sectors within the Institutional Revolutionary Party (PRI). Economic and political nationalists within the ruling party oppose Mexico City's current debt strategy, arguing that it enables outside forces to dictate the country's internal policies. Even Fidel Velazquez, the powerful head of the progovernment Mexican Confederation of Workers, has announced that the foreign debt is

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Up to this point, the de la Madrid administration has consistently rejected radical and confrontational positions on the issue. It sent no official representation to the Havana debt conference last summer, for example, and has shown little interest in forming a debtors' cartel. Mexico City apparently reasons that it has more to lose economically than to gain politically—either at home or abroad—from repudiating its external debt obligations or taking

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“unpayable” and, for that reason, must be renegotiated. While not going so far as to endorse a moratorium, Velazquez has asserted that present debt arrangements impose an unbearable burden on Mexicans and that the “sacrifice of the Mexican worker cannot last forever.” [redacted]

Business groups and the conservative National Action Party, the country’s strongest opposition force, have avoided extremist positions on the debt issue. Business leaders generally favor renegotiation of the debt, believing a default would seriously damage the economy by drying up future sources of credit for the public and private sectors alike. Political conservatives ascribe Mexico’s present financial predicament to what they view as the misguided and inconsistent policies of de la Madrid and his immediate predecessor, Lopez Portillo. [redacted]

De la Madrid’s Views

The President has not provided firm direction to Mexican debt policy, a fact that has enhanced the influence of those around him and allowed greater sway to public opinion than normally would be the case. [redacted]

[redacted]

Capitalizing on the Debt Issue

Domestic support for a moratorium nonetheless poses opportunities for the government in talks with creditors. Mexico City is attempting to use such sentiment to create a crisis atmosphere and, in this way, to increase its leverage with Washington and the banks. For this reason, it has encouraged some media coverage of the issue, tolerated political demonstrations in support of a moratorium, and participated in Cartagena Group meetings. [redacted]

At the same time, Mexico City’s assertion that it must adopt a tough stance in debt negotiations is more than simply a bargaining posture. In our judgment, the de la Madrid administration is seriously concerned about

the prospect of social unrest if the debt burden is not eased. [redacted]

[redacted]

The view of de la Madrid and other Mexican leaders that major unrest could occur this year unless Mexico receives substantial debt relief almost certainly will condition the decisions they make on the debt issue in the future. [redacted]

Prospects

In the months ahead, de la Madrid will attempt to avoid a radical solution to the debt issue, in our judgment. The longer negotiations drag on, however, the more likely he will be to sharpen his rhetoric and act to dramatize the seriousness of Mexico’s plight. We believe there is a better-than-even chance that Mexico City, even while pursuing a settlement with creditors, will suspend some interest payments during the period when negotiations are being conducted. If this occurs, de la Madrid probably will assert that the interruptions in payments are temporary and due to circumstances beyond Mexico City’s control. He is unlikely, in our judgment, to repudiate the foreign debt or to join with other debtors in a regional moratorium. [redacted]

To obtain a combination of new money and other debt concessions, Mexico City will commit itself to additional cuts in public spending and structural reforms. The de la Madrid administration [redacted] is unlikely to permit the standard of living of Mexicans to fall much below present levels, in our judgment. Moreover, most of the reforms Mexico City adopts will be implemented in the next 12 to 18 months. At that time, the government is likely to restimulate the economy in advance of the presidential elections in 1988 and to postpone politically unpopular measures. [redacted]

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In the less likely event that de la Madrid chooses to take more radical action on the debt, he may cite domestic imperatives as necessitating such a move. In our judgment, he would be most likely to do so if creditors failed to grant new debt relief on terms satisfactory to Mexico City, if the country experienced significant new oil price or other external shocks, or if government retrenchment measures led to major social unrest. Under such circumstances, Mexico City probably would pursue more populist and nationalistic policies, some of which, while proving popular domestically, would strain relations with Washington and Mexico's creditors.

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**South America: Soviet Presence,
Activities, and Policy** [redacted]

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The USSR is not optimistic about the short-term prospects for revolutionary change in South America, but it remains alert for opportunities for the radical left and is backing local attempts to undermine area governments, especially in Chile. The Soviets have provided limited aid to revolutionary groups and continued their longstanding financial support of area Communist parties. Nevertheless, Moscow believes that it can best undercut US influence by cultivating cultural, trade, and diplomatic relations with most South American countries. [redacted]

The Soviets did not achieve normal diplomatic and commercial relations with most South American states until the late 1960s. Before World War II, the USSR had relations with only two Latin American governments, Mexico (1924-30) and Uruguay (1934-35). Several South American countries established relations with Moscow by the end of World War II, but most broke ties by the early 1950s. Only Mexico, Uruguay, and Argentina sustained relations with Moscow throughout the postwar period. [redacted]

During this time, Soviet involvement in South America was limited largely to providing financial assistance to the local Communist parties, which in return were expected to support Moscow's position at Communist international gatherings. At the same time, the Soviets discouraged these parties from engaging in violence and were reluctant to support leftist groups advocating revolution. Presumably, the Communist parties also provided intelligence to Moscow. [redacted]

Despite its growing ties to Cuba during the 1960s and early 1970s, the USSR did not directly challenge US dominance in South America, although it did vigorously pursue active measures intended to undercut US influence. Moscow provided no large-scale military or economic assistance to any South American country. Soviet policy emphasized the more pragmatic concerns of building diplomatic, commercial, and even military relations with existing

governments. This included the beginning of its extensive arms-sales relationship with Peru. Moscow apparently hoped that stronger bilateral ties would place it in a better position to profit from growing nationalism and its accompanying anti-Americanism. Even in the case of Chile, Moscow held back from wholly embracing the regime of Salvador Allende between 1970 and 1973. The USSR tried to aid Allende, but only within the framework of its traditional foreign economic policies. Most of this assistance took the form of lines of credit and technical cooperation in fishing, construction, vehicles, and mining. Allende welcomed Soviet moral and financial support, but Moscow contributed little to help him solve his economic and political problems. [redacted]

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Since 1981

Private comments by Soviet diplomats and Soviet media commentary suggest that Moscow remains pessimistic about the prospects for revolutionary change in South America during the 1980s. While the Soviets continue to back local leftists' attempts to undermine pro-US regimes, they remain prepared to discard local Communists when expedient. On the other hand, the Soviets and their regional allies, Cuba and Nicaragua, are alert for potential opportunities for the left, especially in Chile and Colombia. [redacted]

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Since 1981, Moscow has exploited the increasing willingness of South American states—largely induced by severely troubled local economies and large debts to Western countries—to deal with the USSR and its allies. Moscow's hopes for expanded influence center on the new civilian governments in South America. [redacted]

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ALA LAR 86-007
14 March 1986

Overt Measures. On the whole, Moscow believes that it can most increase its influence by cultivating cultural, trade, and diplomatic relations with most South American countries. Since 1981 the USSR has sought, with some success, to expand relations on the cultural front. Moscow concluded a new cultural agreement with Lima early last year, and, by late 1985, both Brasilia and Buenos Aires were discussing similar arrangements. Moscow has also established friendship societies in most South American countries, which provide Russian-language instruction as well as low-cost Soviet books and lay the basis for South Americans to pursue studies in the USSR.

[redacted]

The USSR also continues to push for expansion of its commercial and trade relations in the area, especially with Brazil and Argentina. Moscow has been willing to accept an extremely unfavorable balance of trade with these countries to obtain needed South American exports, such as grain and industrial products. The Soviets also have been pressuring Venezuela, Uruguay, and Bolivia to grant landing rights to Aeroflot in an attempt to expand that airline's service within the hemisphere.

Moscow remains especially interested in Peru. Since 1981 the USSR has worked on the base established through its extensive arms sales during the previous decade and has attempted to ingratiate itself with the Peruvian Government. Despite the pro-Western orientation of President Belaunde's government (1980-85), Moscow maintained its role in Lima as arms supplier and commercial partner. The Soviets believe that their influence in Peru will significantly increase during President Garcia's term, although this has yet to occur. To this end, Moscow has reportedly made promises of significant new military and economic assistance and offered to rebuild bilateral intelligence cooperation. The Soviets have worked to establish a model supply and assistance relationship with the Peruvian military in hopes of seducing other South American countries—such as Argentina—into similar arrangements. Moscow has also gained credit in Peru for its willingness to reschedule Lima's \$1.5 billion debt and accept payment largely in nontraditional commodities.

With the exception of Peru, Soviet advances in commercial and cultural ties have generally not been matched on the political front despite Moscow's effort to generate regional good will by supporting Argentina in the 1982 Falklands war. Some political entree has come with the establishment of civilian regimes in South America. In December, Brazil's Foreign Minister visited Moscow, and President Sarney is scheduled to visit during the first half of this year. Argentine Foreign Minister Caputo visited Moscow in late January. Nevertheless, the democracies remain suspicious of Moscow. The administrations in Ecuador, Venezuela, and Bolivia maintain formal relations with the USSR but are essentially unfriendly—Quito has restricted travel by Soviet diplomats, and Caracas has put on hold an agreement to exchange military attaches with Moscow. The governments of Argentina, Uruguay, Colombia, and Brazil are suspicious of Soviet motives and activities, although they pursue commercial and other ties that provide concrete benefits.

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Soviet influence with South American political parties remains generally limited to the local Communist parties, which—except in Peru and Uruguay, where they belong to leftist coalitions—are too small to have much electoral appeal. Consequently, Moscow's best short-term hope for exerting political influence in the region is probably in penetrating and manipulating organized labor, rather than in promoting revolutionary movements, courting governments, or influencing domestic politics. In Uruguay, Bolivia, Peru, and Colombia the local Communist parties have significant weight in organized labor, although Communist strength in unions in most of the other countries is small.

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Chile is the one state in South America where the Soviets see real revolutionary potential and have called for violent struggle—largely because other options are unavailable. Moscow has provided exiled leaders of the Chilean Communist Party (PCCh) with a public forum to call for armed revolution.

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[redacted]

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At a meeting in Stockholm last May with leaders of the main Chilean moderate political coalition, exiled PCCh Secretary General Luis Corvalan rejected an appeal from moderates for his party to renounce armed opposition to Pinochet. Corvalan said it would violate Soviet global strategy to abandon the violent path for overthrowing Pinochet.

revolutionary groups. Moreover, Moscow relays Spanish-language radiobroadcasts to South America through Cuba.

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The Soviets are also educating numerous South American students in the USSR. Moscow reportedly offers hundreds of scholarships per year to students from countries such as Brazil, Colombia, and Peru. Soviet interest in cultivating organized labor in the area has also increased. For example, during the 1980s the USSR has established an educational program for trade unionists from Colombia.

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Covert Measures. Moscow has probably provided support to other revolutionary groups in South America as well.

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the Soviets may be involved in providing material support to groups such as the Revolutionary Armed Forces of Colombia. The USSR provides funds to most South American Communist parties and is encouraging them to become more active, particularly in organizing broad coalitions of the left.

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The Soviets have also stepped up their propaganda activities in the area over the last several years. These efforts aim both to discredit US policy in the hemisphere and to strengthen leftist elements. Moscow, for example, directed its representatives in South America to spread false accusations about the reasons for Washington's tilt toward Britain in the Falklands dispute. The Soviets have used front organizations such as the World Peace Council, the World Federation of Democratic Youth, and the World Federation of Trade Unions to mobilize support for Central American and Caribbean

Outlook

As long as South American nations have at least some success in using traditional Western financial institutions and procedures to cope with their chronic

economic problems, we believe they will remain interested in only limited relations with the Soviet Union. Area governments will continue to regard Moscow as a customer for exports of primary products, but will have relatively little interest in buying Soviet industrial goods or accepting Soviet participation in development projects. Even under these conditions, the Soviets are likely to continue their present concentration on correct state-to-state relations because of the lack of attractive covert opportunities in most countries. [redacted]

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The most notable exception is Chile, where the transition to a post-Pinochet government will offer the Soviets their best chance to promote radical change. Moscow and its surrogates will continue to funnel limited assistance to the Chilean left, in our view, until conditions indicate that more massive help can be translated into an effective, violent challenge to the Pinochet regime or its designated successor. [redacted]

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If area countries experience significantly more severe economic problems or the South Americans decide to move to confrontation with the international banks and creditor countries, developments we regard as unlikely, area governments may have greater interest in expanding economic and political ties to the Soviet Union. The Soviets would probably attempt to encourage closer bilateral ties to the affected states, perhaps through limited offers of trade or military assistance. Moscow would be likely to attempt to exploit the propaganda value of South American difficulties to embarrass the West and claim a role for itself as a representative of the Third World. We doubt, however, that Moscow will be prepared to offer the sort of massive assistance or endure the unfavorable trade balances over the long term that the South Americans would need. [redacted]

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Under either case the Soviets, we believe, will rely primarily on Cuba and Nicaragua to lobby the South Americans to take more anti-US positions on the debt and other international questions. Managua and Havana are also likely to step up their attempts to woo leftist opposition groups or even provide direct assistance to guerrillas and terrorists. [redacted]

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**Cuba: Composition of the
New Politburo**

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The Cuban Politburo, unlike the new Central Committee as a whole, shows few signs of becoming more representative of the Cuban population. At the national level, the Central Committee is theoretically the highest policymaking body, but in practice the party is governed by its 24-member executive, the Politburo. The Central Committee normally convenes only twice a year. Despite the relatively large turnover in the Politburo last month, the body remains dominated by white male guerrilla veterans from Oriente Province, rather than the younger, more racially and geographically balanced membership in the Central Committee.

Revolutionary Affiliation. Profiles of the Politburos formed between 1965 and 1986 underscore the dominance of individuals who participated with the Castro brothers in the guerrilla arm of the 26th of July Movement. Members of the other major revolutionary groups, the Partido Socialista Popular (PSP), or "Old Communists," and the urban underground arm of the 26th of July Movement—are not nearly as well represented.² The only major decline in guerrilla membership occurred between 1965 and 1975, when the proportion of the so-called Old Communists increased by 25 percentage points. the infusion of the Old Communists into the 1975 Politburo was a result of pressure from Moscow.

The apparent decline in guerrilla membership—full and alternate—on the 1986 Politburo may be misleading. Looking only at full members, who hold the real power, we see no change between 1980 and 1986 in the proportion of those with guerrilla backgrounds. The big losers were the Old

This article focuses on the Politburo which had nine of its 24 members replaced.
² The PSP was a pro-Moscow Communist party that existed before the advent of the Castro regime. It generally opposed the tactics of armed insurrection until mid-1958, when it became obvious the Castro forces were winning.

Communists, an inevitable trend given the fact that they generally are much older than their colleagues in the leadership. Several of them, who formerly held top party positions, have already died. It is the Old Communists who are being replaced by individuals with no significant revolutionary affiliation.

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Composition by Sex. As is the case on the Central Committee as a whole, female representation on the Politburo has fallen far short of true socialist equality. There were no women on the Politburo until 1980, when Vilma Espin was given the clearly secondary position of Politburo alternate. In 1986, Espin moved up to full membership, and two women were added as alternate members. Although the number had tripled, the proportion of women on the Politburo is still only an unimpressive 12.5 percent.

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Racial Composition. The proportion of blacks and mulattoes has been similarly unrepresentative of the Cuban population. Black and mulatto representation reached its highest point in 1975, declining to 7.4 percent in 1980. By 1986, black and mulatto membership had risen by 5.1 percentage points, to the same level of representation as on the first Central Committee. In contrast, black and mulatto membership on the Central Committee increased by 8.3 percentage points between 1980 and 1986.

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Provincial Origins. When the first Politburo was formed in 1965, 37.5 percent of the members were from President Castro's home province of Oriente, the province where much of the guerrilla struggle against Batista was waged. This figure is remarkable in that Oriente representation was the same as that of Havana, despite the fact that Havana is far more populous. In 1975 and 1980, the percentage of

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members from Oriente rose to 41.7 percent and 48.1 percent, respectively. The percentage of members from Oriente on the 1986 Politburo, however, has fallen to the 1965 level of 37.5. Despite this decline, the proportion of members from Oriente still exceeds that of Havana by 16.7 percentage points. The continued dominance of "Orientales" differs sharply from that of the Central Committee as a whole, where non-Oriente representation appears to be about 77 percent. [redacted]

Conclusions

The composition of the Politburo indicates that Castro has no intention of allowing any erosion of the guerrilla elite's domination of the policymaking process. We expect the Cuban leader will most likely continue to lean heavily on his colleagues from the guerrilla struggle when faced with critical decisions. He is apparently not yet willing to introduce some of the "new blood" evident in the Central Committee into the Politburo where real power resides. With the guerrilla clique holding the reins of power, it is unlikely that Castro will experience significant pressures from within the party hierarchy for new policy directions. [redacted]

[redacted]

Table 1 *Percent*
Revolutionary Background

	1965	1975	1980	1986
All members				
26 July Movement	87.5	58.3	63.0	54.2
Guerrilla	75.0	50.0	55.6	45.8
Urban	12.5	8.3	7.4	8.3
PSP	0.0	25.0	18.5	12.5
None/unknown	12.5	16.7	18.5	33.3
			1980	1986
Full members only				
26 July Movement			62.5	64.3
Guerrilla			50.0	50.0
Urban			12.5	14.3
PSP			25.0	14.3
None/unknown			12.5	21.4

[redacted]

Table 2 *Percent*
Composition by Sex of All Members

	1965	1975	1980	1986
Male	100	100	96.3	87.5
Female	0	0	3.7	12.5

[redacted]

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Table 3 *Percent*
Racial Makeup of All Members

	1965	1975	1980	1986
White	87.5	75.0	92.6	87.5
Black/mulatto	12.5	25.0	7.4	12.5

[redacted]

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Table 4 *Percent*
Provincial Background of All Members

	1965	1975	1980	1986
Oriente	37.5	41.7	48.1	37.5
Havana	37.5	16.7	18.5	20.8
Other	25.0	33.3	25.9	25.0
Unknown	0.0	8.3	7.4	16.5

[redacted]

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Dominican Republic: Presidential Campaign [redacted]

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Chronic economic problems and intense divisiveness in the ruling Dominican Revolutionary Party (PRD) have made 78-year-old Joaquin Balaguer, a conservative former President with authoritarian credentials, the presidential front-runner in national elections scheduled for May. We believe the volatility of Dominican politics and the ability of the Jorge Blanco administration to manipulate important electoral institutions, nonetheless, will enable the ruling party candidate, Senate President Jacobo Majluta, to mount a strong campaign. In addition to Balaguer's Social Christian Reformist Party (PRSC), the pro-Cuban Dominican Liberation Party (PLD) of Juan Bosch stands to gain from the ruling party's troubles. The far left—the Dominican Communist Party (PCD) and the umbrella Dominican Leftist Front (FID)—remains fragmented despite a veil of unity and, in our view, will have little electoral impact. The armed forces appear committed to remaining on the sidelines to allow the democratic process to proceed, but if campaign violence escalates or Juan Bosch's party does much better than expected the military might be tempted to intervene. [redacted]

the early days of the Jorge Blanco administration. The party's wide range of ideologies—from the center-right (represented by Majluta) to the center-left (the Pena Gomez faction)—have compounded this disunity. To enhance his electoral prospects, Majluta has consistently criticized Jorge Blanco, particularly for his handling of the economy. As Senate President, Majluta often has stymied implementation of Jorge Blanco's economic policies. Even Jorge Blanco's choice as his successor, Pena Gomez, has found it expedient to criticize the government to bolster his electoral support. [redacted]

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The Ruling Party: Contending Personalities and Factions

The two-month party crisis, precipitated by a violent interruption in vote counting in the party's primary last November, has left Majluta scrambling to regain lost ground. The count was halted by shootings at PRD headquarters in which one person was killed as preliminary results showed Majluta leading his archrival, Santo Domingo Mayor Jose Francisco Pena Gomez, the candidate backed by President Jorge Blanco. Both candidates claimed victory, and a special PRD commission was set up to count the disputed ballots. [redacted]

By last January a split in the party seemed imminent, with neither candidate giving ground and Jorge Blanco behaving increasingly like a candidate. Widespread rumors of Majluta's looming ouster and his possible alliance with PRSC leader Balaguer took on new life, according to US Embassy reporting. Determined to bid for the presidency, Majluta, nonetheless, launched his campaign as the ruling party candidate on 19 January. The crisis came to a head in late January as Pena Gomez gave an inflammatory speech describing any reelection bid by Jorge Blanco as "dangerous," a statement confirming the tenuous nature of their alliance. [redacted]

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In an abrupt move, Jorge Blanco on 27 January drafted a "unity pact" that handed the party's nomination to Majluta, a tacit recognition on Jorge Blanco's part that Majluta had the support of a majority in the aborted primary. [redacted]

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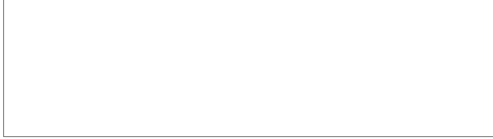
[redacted] Jorge Blanco sought to placate Pena and his supporters by allowing him to assume the party's presidency and to choose the party's senatorial candidate from the National

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The primary was the first occasion in which the party's 700,000 members were allowed to select the presidential candidate through direct ballots, but, according to the Embassy, party officials clearly were not prepared to carry out the task. Party factionalism and jockeying for power have plagued the PRD since

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District, most likely himself. The "unity pact," however, has not resolved the outstanding issues that have long undercut party cohesiveness. Since its conclusion, according to the US Embassy, the Majluta and Jorge Blanco factions have been sharing the party spoils, thus freezing out Pena's disgruntled supporters. [redacted]



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We believe the party crisis has badly handicapped Majluta in the campaign, especially because public opinion polls even before these events showed each of the potential PRD candidates trailing Balaguer.

Balaguer, nonetheless, has faced dissension in his own party. He has had to contend, for example, with opposition from a minority who believe that he should step aside in favor of a younger leader. [redacted]

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[redacted] Majluta, however, seems unwilling to be closely identified with the unpopular government, according to US Embassy reporting. Moreover, [redacted] Pena Gomez, whose supporters comprise a significant sector of the PRD, has been lukewarm in his support for Majluta's campaign. [redacted]

Bosch's Party: Reaping Benefits

US Embassy reports indicate that polls showing Bosch's leftist Dominican Liberation Party gaining strength during the PRD party crisis have encouraged Bosch to continue emphasizing the electoral path at least for now. The party has traditional strength in the capital and has expanded its support among unionized labor and peasant groups. [redacted]

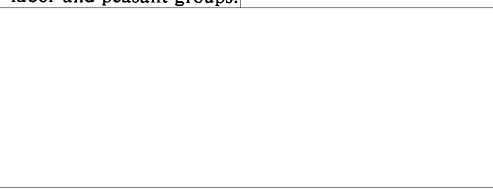
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Despite these obstacles, we believe the ruling party's electoral prospects may improve in the coming weeks. The President already has successfully forced the Chamber of Deputies and the Central Electoral Board to extend the voter registration period for 10 days, thereby helping his party to make up for time lost in registering new members during the primary crisis. This move demonstrated both the PRD's willingness to use its congressional majority to advance its electoral chances and the weakness of the Central Electoral Board, an organization crucial to holding free and fair elections. [redacted]



To attract mainstream voters, Bosch recently has moderated his public statements on economic, political, and foreign policy issues. According to the US Embassy, he recently stated that, if elected, he would not break relations with the IMF and that the country is obligated to repay its external debt. On both issues he differs publicly with other leaders from his party as well as the extreme leftist parties. [redacted]

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Balaguer's Potential Return

Former President Balaguer remains the early favorite, largely because of public dissatisfaction with eight years of PRD rule and infighting [redacted]



Bosch and the PLD remain at arm's length from the Dominican Communist Party and the radical umbrella organization, the Dominican Leftist Front. Personal animosity between Bosch and PCD leader [redacted]

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Presidential Candidates in the Dominican Republic



Joaquin Amparo Balaguer Ricardo . . . Social Christian Reformist Party . . . 78 . . . [redacted] former Trujillo lieutenant . . . President during period of significant economic growth, 1966-78. [redacted]



Juan Emilio Bosch Gavino . . . Dominican Liberation Party . . . 76 . . . Marxist . . . President for seven months in 1963 . . . vocal supporter of Cuba's Castro and the Sandinistas in Nicaragua. [redacted]

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Jacobo Majluta Azar . . . Dominican Revolutionary Party . . . 51 . . . Vice President under Antonio Guzman, 1978-82 . . . served as President for 42 days in 1982 following Guzman's suicide . . . hard-driving populist . . . favors expanded role for private sector and increased US investment. [redacted]



Narciso Isa Conde . . . Dominican Communist Party . . . 43 . . . toes the Soviet Communist Party line . . . [redacted]

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Narciso Isa Conde, more than ideological differences, has prevented the PLD from joining the FID. In addition, Bosch apparently believes that an alliance with the PCD would do little to enhance his party's electoral prospects. The Communists received less than 1 percent of the vote in 1982. [redacted]

We expect opposition to government belt tightening and overall dissatisfaction with the Jorge Blanco administration, especially among the hard hit lower classes, would make it possible for the PLD to double its showing in the national elections of 1982, when it

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Election Results, 1966-82

	1966		1970		1974		1978		1982	
	No. of Votes	Percent	No. of Votes	Percent	No. of Votes	Percent	No. of Votes	Percent	No. of Votes	Percent
Dominican Revolutionary Party (Bosch, Guzman Blanco)	494,570	36.8	DNP ^b		DNP ^b		856,084 ^a	51.7	839,092 ^a	46.7
Reformist Party (Balaguer)	759,887 ^a	56.5	653,565 ^a	52.8	942,726 ^a	84.66	698,273	42.2	656,672	36.6
Dominican Liberation Party (Bosch)							18,375	1.1	173,896	9.7
Qusiqueyano Democratic Party			168,751	13.6					33,991	1.9
Popular Democratic Party					170,963	15.4				
All others		6.7		33.6				5.0		5.1

^a Election winner.^b DNP: did not participate.

[Redacted]

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polled 10 percent of the vote. The seven seats in the Chamber of Deputies (out of a total of 120) won by the PLD in 1982 constituted the first Marxist congressional representation in the nation's history. Such a showing, however, still would bring only a slight increase in the party's legislative representation. Nonetheless, even a marginal increase could have a disruptive impact. In addition to providing a forum for leftist spokesmen, we believe increased legislative representation would afford leftists opportunities to sabotage economic adjustment measures, despite Bosch's statements to the contrary. [Redacted]

[Redacted]

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however, have left the PCD leadership with little time to conduct an election campaign [Redacted]

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[Redacted]

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The Far Left: Fragmented and Stalelated

The Dominican Communist Party, under the tutelage of Isa Conde, is forsaking radical campaign rhetoric in hopes of improving its electoral showing in 1982. The party has long advocated breaking relations with the IMF, suspending external debt payments, and nationalization of the banking industry. More recently, however, it has emphasized such bread-and-butter issues as improved social services, reduced costs of basic foodstuffs, and wage increases. The international globe-trotting of PCD leaders to attend leftist conclaves in Cuba, Nicaragua, and the USSR, [Redacted]

We believe that organizational, personal, and ideological differences within the three-year-old FID will greatly weaken its impact on the elections. Each group continues to retain its own party structure. [Redacted]

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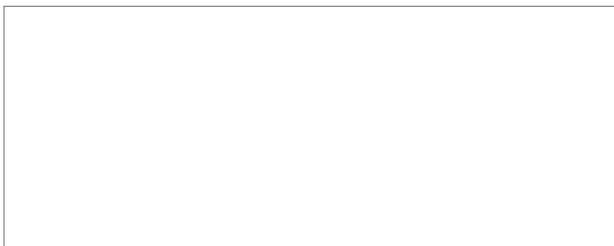
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Outlook

While most opinion polls and informed observers show Balaguer in the lead, we believe that many variables could decisively affect the outcome. Much depends on the amount of support that Jorge Blanco and Pena Gomez provide to Majluta, how willing Majluta is to accept this support, and whether his close identity with an unpopular government will damage his chances. In addition, Balaguer's choice of a running mate may well affect his support, depending on whether his selection is perceived as someone capable of grasping the mantle of power when necessary or as a lackey with no power base of his own. How the military would respond to a higher than expected increase in votes for Bosch or to campaign violence could pose a wild card in the campaign. Thus far, however, military attache reporting indicates that the military is committed to remaining on the sidelines.



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Uruguay: Prospects for Sanguinetti and the Colorado Party [redacted]

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President Sanguinetti's centrist Colorado Party enjoys strong popular support one year after Uruguay's return to democracy. As winner of the elections in 1984, the Colorados reasserted their traditional role as the country's governing party, defeating their historical rival, the Blanco Party, and the leftist Broad Front coalition. We expect Sanguinetti to govern effectively over the next year, capitalizing on the electorate's preference for orderly reform and politics by consensus. Long-term prospects, however, are less certain, as the government faces a bleak economic picture, strong opposition in Congress, persistent labor agitation, and a nervous military.

Julio Maria Sanguinetti



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The Military and the Transition to Civilian Rule

Sanguinetti and the Colorados played an active role in Uruguay's transition to democracy last year, after more than a decade of military rule. The party helped negotiate an agreement with the armed forces that provided a face-saving way for the military to relinquish power by allowing it limited participation in the government during the first year of civilian rule.

50 years old . . . dynamic, articulate . . . Minister of Industry and Commerce, 1969-71 . . . Minister of Education and Culture, 1972 . . . has also practiced law, journalism . . . married to prominent Uruguayan art historian, has two children. [redacted]

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The Colorado platform rejected radical change and risky economic experiments, tasking a serious business-type approach in favor of long-term solutions instead of quick fixes. Sanguinetti himself adopted a statesmanlike attitude, urging cooperation among all Uruguayans and focusing on the need to reestablish democratic institutions and enhance economic productivity.

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the US Embassy reports that Sanguinetti assiduously cultivated good relations with Armed Forces Commander in Chief Hugo Medina to ensure a smooth transition to democracy.

Since the elections, the Colorados have walked a fine line between meeting demands from the left and appeasing a still apprehensive military. The party has been especially careful, for example, in its handling of the controversial human rights issue. Broad Front politicians are advocating thorough investigations and trials of officers accused of human rights violations during military rule. The Supreme Court will decide in early March whether these cases will be tried in civilian or military courts. The armed forces are extremely sensitive about possible trials

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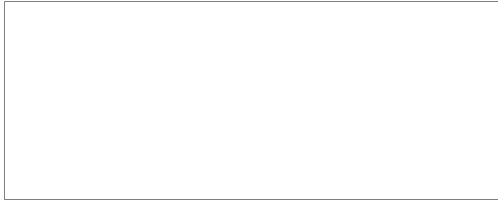
Moderation and Compromise

We believe the Colorado victory demonstrated the Uruguayan electorate's desire for moderate reform and political stability. Sanguinetti won the presidential contest with 41 percent of the vote, although the combined Broad Front and Blancos gained enough votes to obtain a majority in Congress, presenting the new government with the delicate task of governing with an opposition-controlled legislature.

[redacted]

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leadership of the largest Colorado faction, has given him firm control over Uruguay's best organized political force. [redacted]

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Although the Colorados are much more unified than the Blancos or the Broad Front, the party contains various factions. The differences, however, are based more on personalities than ideology, and have so far not hampered the President's authority, either within the party or the government. [redacted]

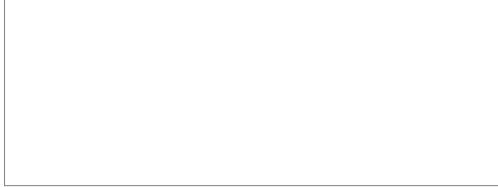
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The Colorados have also taken careful steps in foreign policy. Sanguinetti values good relations with the West and Uruguay's South American neighbors, but he has also strengthened contacts with the Soviet Bloc. Uruguay recently reestablished diplomatic relations with Cuba and has expanded cultural and commercial ties to the Soviet Union. [redacted]

Several Colorado leaders have contributed to the party's relative unity and popularity. Vice President Enrique Tarigo, for example, heads the Liberty and Change faction, which is slightly to the left of Sanguinetti's Unity and Reform faction. In our view, Tarigo has shown impressive leadership capability in his role as president of the Senate and has gained public attention through his tactful handling of a number of controversial debates. As Sanguinetti's representative to international conferences and meetings in other countries, Tarigo is also increasing his regional exposure and foreign policy expertise.

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Relations between Uruguay and the United States are friendly and cooperative, although Sanguinetti has been more critical of US policy than previous military rulers. The Colorados have had little positive to say regarding the US role in Central America, and were particularly harsh in criticizing Washington's embargo of Nicaragua last year. US import restrictions on Uruguayan textile exports have also been a point of friction. Nevertheless, the President has taken care not to let specific policy disputes blunt the pro-Western thrust of his government. Uruguay looks to the United States to support its new democracy [redacted]



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Several senators have also assumed key roles in the party but without undercutting Sanguinetti's power. Senator Jorge Batlle, from Sanguinetti's own faction, is the son of the former President and a seasoned politician with excellent contacts. [redacted]

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Party Leadership and Factions

We view Sanguinetti as a typical Colorado Party leader. He associates himself with the legacy of former President Jose Batlle y Ordonez, who built the modern Colorado Party as a representative of the urban middle and lower middle class. "Batllismo"—which the US Embassy sees as similar to European social democracy—is still strong in Uruguay today. Many Uruguayans view Sanguinetti as the embodiment of Batllismo, and this, combined with his

Outlook

Although Sanguinetti's centrist policies have been relatively successful over the past year, the administration will face serious economic and political challenges throughout 1986. Uruguay is beset by high inflation and unemployment and a foreign debt of

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\$5 billion—the highest per capita debt in the Third World. At the same time, the aggressive, leftist-dominated labor movement is agitating for a moratorium on foreign debt payments, for widespread nationalizations, for increased social welfare expenditures, and for wage hikes that would go beyond increases in productivity. Labor agitation has disrupted industrial production and the service sector, and, in our view, has been the main cause of the current tense political and social atmosphere. Moreover, the military is still not fully convinced that the government can control the left as well as protect the armed forces from prosecution for human rights abuses. [redacted]

We believe that Colorado Party unity and Sanguinetti's sagacity will enable the government to tackle at least some of the challenges of the coming year. The President has already demonstrated his leadership by negotiating an initially unpopular IMF agreement and taking a firm stance against labor unrest. He commands strong public support: according to polls, the electorate is disenchanted with the social and economic disorder that has disrupted the country since the return to civilian rule and is eager for the government to take active measures to ensure political stability. We also expect the government to preserve its military support as Sanguinetti deals carefully with the armed forces over sensitive issues such as human rights trials. Moreover, we believe the Colorados may be able to count on Blanco Party help to counter leftist inroads in Congress and support an economic revitalization program. Government and Blanco leaders are currently discussing a "national accord" which, if implemented, would enable Sanguinetti to muster more congressional support for his policies. [redacted]

While Sanguinetti is likely to manage these immediate obstacles, we view long-term prospects for democracy as uncertain at best. Depressed prices for traditional agricultural exports will continue to hinder economic growth despite strict belt-tightening measures and some diversification of exports. A decline in economy and controversial austerity measures will probably erode the Colorado Party's strong public support and cause labor tensions to escalate over time. The Blancos will be the likely beneficiary of any serious Colorado missteps, but there is an outside chance that Uruguayans might shun both traditional parties and turn to the leftist Broad Front in future elections. Any attempt to transfer power to the left would probably risk an immediate military response to overturn Uruguay's democracy. [redacted]

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Guyana: Government Response to Economic Crisis [redacted]

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President Hoyte has begun to move away from the rigid economic policies of the late President Burnham since his election last December. Hoyte has implemented much-needed economic reforms, and other changes are expected. Moreover, recent Cabinet appointments have indicated a shift from party ideologues, many of whom were Burnham's trusted allies, to nonideological technocrats in top government positions. Hoyte also has said that the ruling People's National Congress must place party discipline over personal loyalties and warned that new strategies and attitudes would be required to revive Guyana's battered economy. Nonetheless, Guyana's economy continues to deteriorate rapidly. [redacted]

and speculates that the announcement is intended to renew public confidence in the face of growing oil shortages. [redacted]

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No quick economic remedies are apparent. Chronic shortages of marketable export commodities will continue to limit earnings until new investment occurs in such potentially profitable areas as gold mining and nontraditional agriculture. Meanwhile, large arrearages—particularly to the IMF—will continue to choke capital inflows. [redacted]

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Hoyte also appears to be adopting a more balanced foreign policy with an eye toward widening the country's sources of economic aid. [redacted]

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In a significant deviation from the policies of his predecessor, Hoyte has outlined plans to open up the state-dominated economy to foreign and private investment, emphasizing the Caribbean Community (CARICOM). Guyana's trade with CARICOM has declined sharply in recent years, largely because of its inability to pay its debts. A Guyanese trade delegation visited several neighboring countries last month to discuss improved relations. Missions also were sent to the United States and Western Europe to gauge international interest in possible joint ventures and to seek development aid. According to press reports, the government has held discussions with the World Bank and the European Community on funding to revitalize Guyana's bauxite industry and reorganize its unprofitable sugar industry. [redacted]

[redacted]

[redacted] Guyana's relations with its Communist allies remain friendly, in keeping with Hoyte's belief that he cannot afford to alienate any possible donor. Cuba continues to supply technical aid for infrastructure projects, and a Soviet trade delegation signed a long-term bauxite agreement during a visit in January. [redacted]

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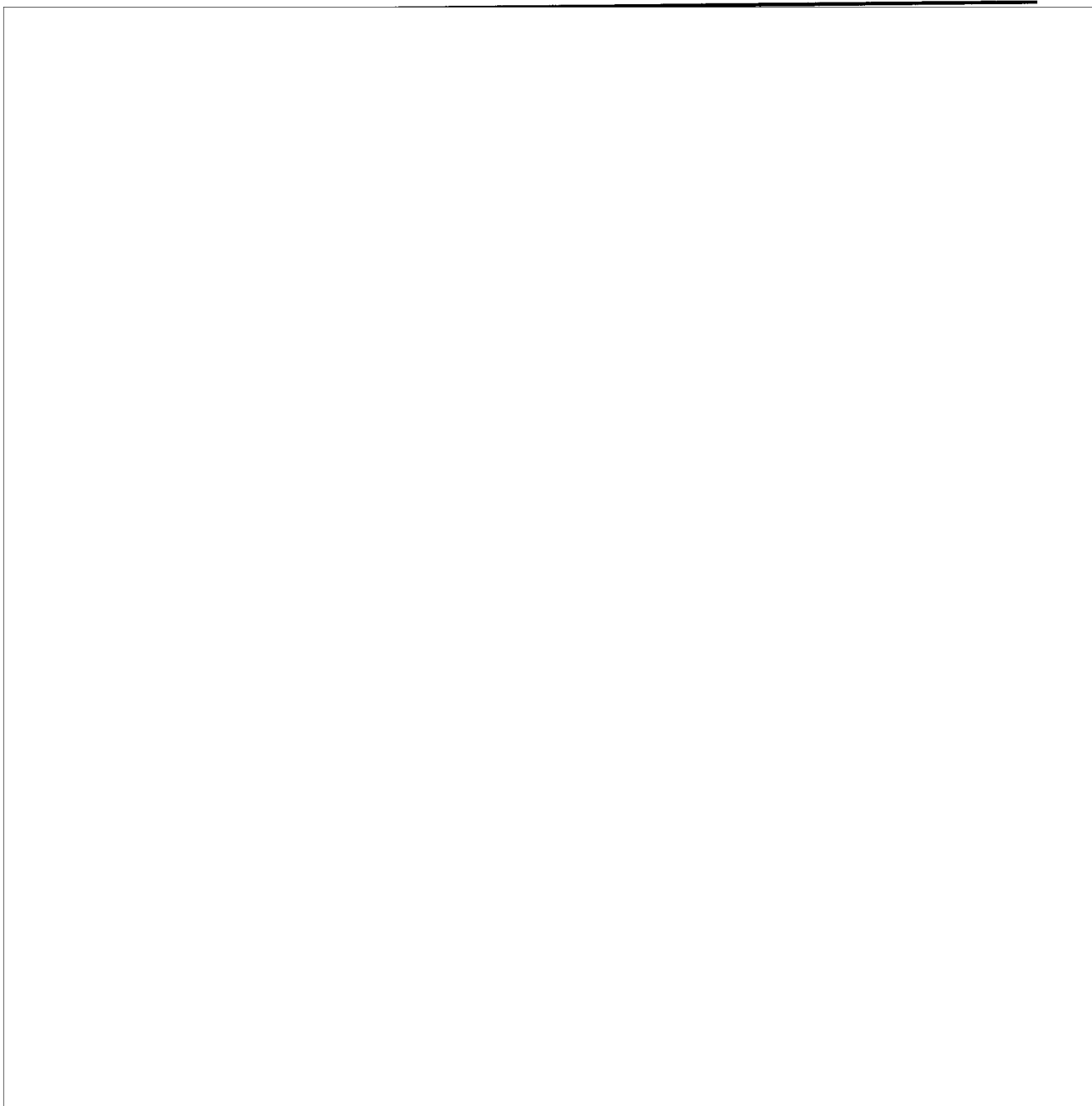
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Despite these promising longer term adjustments, the foreign financial bind has noticeably worsened in recent months. Trinidad's decision to require cash in advance for petroleum exports to Guyana has caused severe oil shortages and prompted rationing. Hoyte's recent decision to import wheat flour, lifting a four-year ban imposed by Burnham to encourage domestic food production, has caused dissent with Burnham loyalists in ruling party circles. Although the action will worsen the country's trade balance, the US Embassy says the decision is popular with the public

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[Redacted]

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Mexico

Status of GATT Negotiations [Redacted]

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[Redacted]

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[Redacted] the negotiating process is likely to take at least six months. The harder line taken by members suggests Mexico may not be able to obtain as sweet a basket of concessions as that offered in 1979, when it rejected GATT membership. The actual implementation of any agreement will take several years. We believe the de la Madrid administration will push for an eight-year time limit to phase out trade restrictions, but it probably would settle for four years. [Redacted]

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GATT membership would improve Mexico's trade prospects over the long term and mark a political victory for de la Madrid and Finance Minister Silva Herzog—both strong advocates of entry. The issue will remain controversial, however, since domestic opposition is widespread. Much of the private sector favors continued protectionism, and leftists view GATT as a threat to national sovereignty. Moreover, according to a recent poll, only 25 percent of Mexicans favor GATT membership and 88 percent believe Mexico would be a net loser in the agreement. Nevertheless, we believe de la Madrid will proceed with the negotiations. [Redacted]

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El Salvador

Small Coffee Harvest [Redacted]

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The 1985-86 coffee crop is only 200 million pounds, almost 30 percent below last year, according to US Embassy sources. The harvest—that may end up as the lowest in 30 years—has suffered because of continued depressed internal prices paid to producers, poor weather, and increased guerrilla destruction of crops. The Embassy reports that existing stocks and high world coffee prices should allow El Salvador to equal or slightly increase 1985 export revenues, but low production will substantially eliminate any windfall that might have been realized from the price increases. The poor harvest further weakens President Duarte's austerity program, which is already under attack from leftist labor leaders and from conservatives. The program imposed additional taxes on coffee this year hoping to benefit from increased export earnings. [Redacted]

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Peru

Floods Add to Economic Problems

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Flooding in the mountains around Lake Titicaca has cost nearly \$3 million in crop and livestock losses and displaced at least 90,000 peasants, according to Peruvian and Bolivian civil defense officials. Food shortages already exist in Lima, and this disaster will boost domestic prices and require more imports, thus eroding a planned \$800 million trade surplus. President Garcia is seeking credits from Argentina and Uruguay to cope with Peru's worst food crisis in 40 years.

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