

September 19, 1984

## THE GRENADA RESCUE MISSION IS NOT OVER

### INTRODUCTION

The Reagan Administration's bold action to restore democracy and a free market economy to Grenada is now threatened by a combination of political inertia and renascent leftist subversion. The strategically located island, scene of last October's historic intervention by forces from six Caribbean islands and the United States, may be in danger of returning to the unstable political and economic environment preceding the 1979 Marxist coup d'etat that carried Grenada solidly into the Soviet/Cuban camp.

The Grenada rescue mission was politically risky for the Reagan Administration. Although a military defeat was hardly possible given the overwhelming tactical superiority of the rescue forces, a prolonged campaign or the chance that the U.S. medical students would be taken as hostages by the Grenadian Marxists could have had severe domestic and international political repercussions.

The rescue did not end with the defeat and removal of Soviet-bloc forces from Grenada.<sup>1</sup> Recognizing the need to restore the shattered Grenadian economy, the White House moved quickly to promote public and private aid to the island. Yet Grenada remains beset with burgeoning problems that could frustrate the development of democratic institutions and provide opportunities for ex-members of the Marxist People's Revolutionary Government (PRG) to regain power. American initiatives equally as bold as the rescue mission are now needed to restore the positive momentum generated in the aftermath of last year's action.

---

<sup>1</sup> For a description of the events leading up to the U.S. action, see "Leninism in Grenada," Problems of Communism, July-August 1984, pp. 33-41.

## BACKGROUND

The dramatic events of October 1983 left Grenada in a political vacuum and economic shambles. The People's Revolutionary Government had largely dissolved through fratricidal assassination and imprisonment even before the allied intervention. Sir Paul Scoon, the Grenadian-born Governor-General who had retained his vestigial colonial office throughout the revolutionary period, assumed de jure control of the island's affairs following the suspension of allied martial law. The Governor-General appointed a nine-member "advisory council" under the chairmanship of Nicholas Braithwaite to serve as an interim governing body.

Grenada was an economic disaster following 4½ years of socialist experimentation and mismanagement. Anti-U.S. rhetoric had frightened away most of the tourist trade, while confiscatory taxation and suppression of private enterprise nearly strangled the native business community.

From 1981 to 1983, economic growth was concentrated in the public sector; all other sectors declined, with the exception of construction (due to work on the Point Salines airport). In 1982, Grenada's Gross Domestic Product was \$107 million, with imports reaching 66 percent of GDP. Foreign exchange earnings from cocoa, the most important cash crop, fell from \$10 million in 1979 to \$4 million in 1983. Banana production declined from 26,000 tons in 1978 to 9,000 tons in 1983, and land under banana cultivation dropped from 5,000 acres in 1978 to 3,200 acres in 1983.

Commercial banks and other credit sources on the island, such as insurance companies, had no cash to lend in the aftermath of the allied rescue mission because the People's Revolutionary Government's insatiable appetite for funds had drained them of their reserves. By March 1983, the net credit extended to the public sector amounted to roughly 35 percent of total deposits--up from approximately 14 percent at the end of 1981. Additional credit was extended to ex-Prime Minister Maurice Bishop's Marxist regime in the form of purchases of government paper, overdrafts, and commercial loans. Grenada's current account deficit grew from the equivalent of 1 percent of GNP in 1978 to 33 percent in 1982.

## PROBLEMS AFTER THE RESCUE MISSION

### The Political Climate

Members of the advisory council were chosen to be as non-partisan as possible in the confusing Grenadian political milieu. One major criterion was that they should have "no vested interest" in the island. As a result, most interim government members are international civil servants with no training in playing an active role in the government processes. The advisory council has removed several of the most extreme Marxists from diplomatic and

civil service posts, and made token efforts at decreasing some of the most odious tariffs imposed by the PRG on such items as basic foodstuffs. It has not developed, however, new investment incentives or made changes in the tax codes to encourage private investment. Although members of the advisory council are aware of the various problems confronting Grenada and probably are sympathetic toward the need for a more dynamic approach to their solution, apathetic inertia has become the council's trademark.

This is the central flaw with the interim advisory council. Because the government is provisional--appointed rather than elected--its members feel that they have no authority to enact the series of measures needed to put Grenada back on its feet. The island's governing authority therefore exists in a political limbo, having no mandate to do more than make cosmetic changes and prepare for the election of a parliament. Advisory council inertia is reflected in the widespread mood of apathy and cynicism among the electorate. Public opinion polls have revealed that Grenadians are unsure about their political future and even less certain about those politicians who aspire to lead them.<sup>2</sup>

Dissatisfaction with the interim government seems to be mounting. The editor of the Grenadian Voice wrote in March 1984:

...we have examined the interim administration closely and it is now abundantly clear that they are hamstrung by the limitations they have placed on themselves and will never make certain important decisions that need to be made. Let us prepare to thank them for their

---

<sup>2</sup> The most scholarly of these polls was conducted by Professor William Adams of George Washington University in January 1984. Approximately 84 percent of those islanders interviewed were unable to name anyone they wanted to see emerge as Grenada's next prime minister, an answer repeatedly qualified by the statement that "there were no good leaders they could trust." Many Grenadians voiced objections to holding elections in 1984 and said that an interim government should rule with U.S. support for at least a few years. Not surprisingly, the survey revealed that 75 percent of the people questioned would like for Grenada to officially become part of the United States, demonstrating that Grenadians seem to have temporarily lost confidence in their ability to rule themselves.

The validity of the George Washington University poll is borne out by subsequent surveys conducted by a variety of regional and international organizations. For example, a survey taken by the Grenadian Voice newspaper in March concurred in most respects, with an overwhelming majority of respondents (82 percent) stating that elections should be postponed until 1985 or 1986. Both voters and would-be politicians are still returning from exile, and the enumeration of voters has been extended to accommodate them.

efforts and send them back to their chosen fields of endeavor and let us do so before they have a chance to make too many mistakes.<sup>3</sup>

Grenadians apparently fear, however, what is commonly called the "election threat": the possibility that divisiveness and inexperience among centrist political groups could result in a victory, by default, of either the corrupt, eccentric Sir Eric Gairy or the surviving members of the Marxist People's Revolutionary Government. Responsible islanders believe that Grenada has not had sufficient time to recover from years of political strife, and that the mistakes of the past may be repeated unless new leaders with fresh ideas are allowed the time necessary for organizing and campaigning.

### The Political Situation

Six known political parties are preparing candidates for the next general elections. These are: Grenada United Labor Party (GULP); Grenada National Party (GNP); Grenada Democratic Movement (GDM); National Democratic Party (NDP); Christian Democratic Labor Party (CDLP); and Maurice Bishop Patriotic Movement (MBPM). The GNP, GDM, NDP, and CDLP formed a coalition on August 26, 1984, called the New National Party.

GULP, the party of former prime minister Sir Eric Gairy, began actively rebuilding its party organization within days of the rescue mission. The Grenada United Labor Party grew out of the trade union movement organized by Gairy in 1950 to defend agricultural workers; it continues to draw strong support from predominately older members of the black peasantry. Although Gairy states that he will not participate personally in the next elections, he remains GULP's dominant force and will almost certainly maneuver his way into Parliament if his party forms a government. Critics of Gairy charge that he and his party are on the far right of the political spectrum. In truth, however, they are populist, with a strong emphasis on traditionalism and religion (including Obeah and Shango, the Grenadian variants of Voodoo).

GULP is currently the strongest political party and probably would win 25 to 30 percent of the vote if the elections were held now. This could enable GULP to capture enough seats in the 15-member Parliament to form a government, especially if the remainder of the vote were split among other contending parties. In the island's last elections, held in December 1976, GULP received 52.2 percent of the votes and captured nine of the fifteen seats; the remainder was split, with Maurice Bishop's New Jewel Movement (NJM) receiving 3, the Grenada National Party (GNP) 2, and the United Peoples Party (UPP) 1.

---

<sup>3</sup> The Grenadian Voice, March 31, 1984, pp. 1, 8, and 9.

The GNP, second oldest of Grenada's political parties, was founded in 1955 by Dr. John Watts, a dentist educated at Michigan State University. Although an early GNP manifesto declared that it was "democratic socialist,"<sup>4</sup> Watts disavowed trade union connections and shaped the party to have a multi-class appeal--a philosophy inherited by Herbert Blaize, a barrister and civil servant from the dependency island of Carriacou. He has led the GNP since 1957.

The GNP's main support is drawn from the old merchant and planter classes as well as from a portion of the new, conservative black middle class. Based on its record when it held office from 1957-1961 and from 1962-1967, the GNP is business-oriented. Its 1961 budget proposed to turn over the government-owned telephone and electricity services to private enterprises and to grant tax "holidays" to a wide range of enterprises.

The Grenada Democratic Movement (GDM), chaired by Dr. Francis Alexis, emerged in May 1983 as an alliance of various exile groups opposed to the Bishop regime. Centrist in ideology, its members comprise a greater number of university-educated Grenadians than the GNP, including several former supporters of the PRG who became disenchanted with its Marxist-Leninist orientation. The GDM had been allied with the GNP for several months prior to the formation of the New National Party.

The GDM lost a number of its younger followers when the National Democratic Party (NDP) was formally launched this June by George Brizan, an economist and educator. The NDP appears social democratic in ideological orientation, emphasizing employment creation through an interrelated program of tourism, agriculture, fishing, and light industry.

GNP's Blaize and GDM's Alexis had been negotiating with Brizan for several months in an attempt to draw his NDP into a coalition. Although all three leaders say they want to form an alliance that could lead to a "government of national reconciliation," disagreements have hindered progress. Blaize, now leader of the New National Party, reportedly clashed with Brizan over economic policy and his unwillingness to relinquish coalition leadership. Winston Whyte, chairman of the Christian Democratic Labor Party, also resisted efforts to be drawn into a coalition until the Prime Ministers of Barbados, St. Vincent and St. Lucia personally intervened.

With the exception of GULP, individual electoral strengths of the other parties are difficult to estimate.

Whyte, youthful leader of the Christian Democratic Labor Party (CDLP), was elected to parliament in 1976 on the United

---

<sup>4</sup> G.N.P.'s Plan for Grenada (1955), p. 11:

Peoples Party (UPP) ticket. Imprisoned and tortured by the Bishop regime, Whyte has emerged as something of a hero in Grenada, and is considered to have a good chance of regaining his seat. He recently won the support of younger GDM defectors who view him as a conservative counterweight to the liberal Brizan.

The coalition New National Party could win enough seats in the upcoming Grenadian elections to form a government, although its members are still squabbling over division of constituencies and the party platform. One important factor that may polarize the vote even further, however, is the resurgent Left, represented by the Maurice Bishop Patriotic Movement (MBPM).

#### New Threat From the Left

The political vacuum and quarrelling among moderate political elements is being exploited by those Marxist revolutionaries who launched the Cuban-supported 1979 coup d'etat that brought Maurice Bishop's PRG to power. Last January, ex-PRG ministers Kenrick Radix and George Louison established the Maurice Bishop and Martyrs of October 19, 1983 Memorial Foundation, which led in June to a new political party called the Maurice Bishop Patriotic Movement (MBPM).

Although publicly disavowed by former PRG moderates such as Tourism Minister Lyden Ramdhanny, the MBPM plans to field candidates for all 15 parliamentary seats and appears to enjoy at least a moderate degree of support from young leftist sympathizers in the civil service and teaching professions as well as unemployed members of the disbanded Peoples Revolutionary Army. Covertly funded by Cuba and Libya, the MBPM began distributing its Indies Times newspaper in April.<sup>5</sup> The tabloid now has a circulation of around 2,500, representing about 5.3 percent of the 46,900 registered voters. The MBPM is also openly subsidized by support groups such as the New York-based Grenada Foundation, Inc., which is linked to similar organizations in Canada, Sweden and Britain. The Grenada Foundation counts among its supporters such personalities as Representatives John Conyers and Ronald Dellums, Judge Margaret Burnham, singer/composer Pete Seeger, and the American Association of Jurists.<sup>6</sup>

Former PRG officials such as Organization of American States Ambassador Dessima Williams and Press Secretary Don Rojas travel widely in the West and socialist bloc nations, promoting Bishop-- "a true Marxist-Leninist"--as a popular and heroic leader murdered by a "killer clique" with possible CIA connections.<sup>7</sup>

---

<sup>5</sup> Information from Leslie Pierre, Editor, The Grenadian Voice, Washington, D.C., August 1, 1984.

<sup>6</sup> The Grenada Foundation, Inc., News Release, June 19, 1984, p. 1.

<sup>7</sup> Prague, Rude Pravo in Czech, May 5, 1984, pp. 1, 7 (FBIS, May 10, 1984, p. S1).

Grenadians are advised to continue "resistance against the invaders" while, over media such as Radio Havana, MBPM spokesmen proclaim that "very soon (Grenada) will be liberated by a second revolution which, according to the laws of history, is inevitable."<sup>8</sup>

Such resistance is not empty rhetoric. Crime, particularly theft, is increasing on the island, reportedly encouraged by MBPM activists who advise unemployed and disaffected youths to "liberate" items from "imperialist" tourists. This alone could set back Grenada's economic development by keeping away visitors. The erosion of effective "law and order" is exacerbated by the fact that the U.S. is forbidden by Congress from training the Grenada Police Force.

Leftists also remain in the Grenadian government, most notably within the New York consulate and on the dependency island of Carriacou, where an ex-PRA officer and youth organizer has been reappointed to the District Office. In late May, ten employees were dismissed from the Ministry of Information, which interim government chairman Nicholas Braithwaite said was "packed with people who are not genuine workers but are committed to an alien ideological cause."<sup>9</sup> Grenadian sources indicate that Braithwaite's words could also be used to describe the Ministries of Foreign Affairs, Education, Labor, Social Affairs and Women's Affairs.

While the MBPM's electoral base may be small, its domestic network, financial resources and contacts with international leftist organizations give it potential influence. Maurice Bishop remains a hero to many young Grenadians who have no real Marxist sympathies, a factor being exploited. Although the MBPM probably does not, as yet, enjoy enough popular support to win any seats in the next parliamentary elections, it may well split the "anti-Gairy" vote in key districts and ensure a victory for GULP candidates. Indeed, this may be part of a long-range MBPM strategy: a GULP government would provide the Left with a much greater base for public dissent than would a centrist coalition.

A public opinion poll conducted by a Trinidad research organization showed that 38 percent of the respondents felt that, on the whole, the Bishop regime had been good for Grenada; of this, 55 percent of those aged 16-21 said the PRG was good for Grenada, and 41 percent of those identified as "lower class" took this view.

The several hundred Grenadians earlier sent on "educational" programs to the socialist bloc are also a source of potential

---

<sup>8</sup> Havana Domestic Service in Spanish, May 30, 1984 (FBIS, June 1, 1984, pp. Q11, Q12).

<sup>9</sup> Bonaire Trans World Radio in English, May 25, 1984 (FBIS May 30, 1984, p. S1).

subversion or terrorism. These included three Grenadian military officers (two of whom are now in prison) who attended advanced courses in the USSR and four Grenadians who received Soviet intelligence and security training. Since March, approximately 40 students have returned to the island from socialist countries, although 172 remain in Cuba, 14 in the Soviet Union and 7 in East Germany. At least six of these youths were attending Moscow's International Leninist Party School, where mandatory courses included "Tactics of Revolutionary Movements" and "Social Psychology and Propaganda."

## DEVELOPMENT ASSISTANCE IN PERSPECTIVE

The Reagan Administration has committed itself to restoring the political and economic viability of Grenada. To achieve this, a variety of public and private assistance projects have been initiated in cooperation with other nations and several international agencies.

### Public Sector Aid

Even as sporadic fighting continued during the last days of October 1983, the U.S. Agency for International Development began air-ferrying emergency supplies to Grenada. In mid-November, the U.S. Congress provided \$15 million for medium- to long-term economic development on the island, including a \$5 million balance of payments grant to help provide liquidity for resumption of commercial lending to the private sector, assist the government of Grenada in meeting local costs of development programs, and help finance essential supplies of food, raw materials and spare parts.

Overall, U.S. aid to Grenada is estimated at \$57.2 million in FY 1984 and FY 1985, the bulk of which will go to projects in the early phase of implementation (\$10 million); airport completion (\$19 million); and various other development projects. The controversial Point Salines airport is scheduled to open officially for commercial flights on October 25, 1984--the first anniversary of the allied rescue mission--and will employ an estimated 300 Grenadians.

Restoration of the island's badly deteriorated infrastructure has been given priority by the U.S. The Agency for International Development is also cooperating with the Ministry of Education to find places in Western universities for Grenadian students who choose to return home from socialist bloc countries. American Peace Corps volunteers arrived on the island in January to fill teaching and technical positions left vacant by Cuban instructors. The U.S. government also is encouraging and assisting Grenada to accelerate economic reforms in 1) divestiture of state-owned enterprises, 2) return of agricultural lands to the private sector, 3) marketing of agricultural imports and products, and 4) usury laws. Such Western nations as Great Britain, Australia, and Canada have followed the United States in assisting Grenada.



## Private Sector Aid

Enduring stability for Grenada can only come through private sector jobs creation. Unemployment--conservatively estimated at 30 percent overall, with a much higher percentage among the under 25 age group--is one of the island's most serious problems.

The White House Office of Private Sector Initiatives began putting together an investment promotion program for Grenada early last November. The Reagan Administration also appointed Ambassador Loren Lawrence--a career foreign service officer with an impressive background in Caribbean business--as U.S. chargé d'affairs in Grenada.

Despite an initial euphoria on the island generated by the combination of expert promotional work and Grenada's undeniably great potential, a number of once enthusiastic businessmen from the U.S. and other countries are now hedging on committing capital to the island. Would-be investors have been frustrated by the lackadaisical attitude and inertia of the interim advisory council. Senior corporate executives on whirlwind visits to the island have been kept waiting for hours by unconcerned government officials who often fail to show up for meetings. Sir Eric Gairy reportedly has attempted to solicit "campaign funds" from businessmen, threatening to revoke the concessions of those who rebuff him if GULP wins the elections.

Many participants on the White House-sponsored investment missions have stated that their prime concern is the vacuum in political leadership in Grenada coupled with the uncertainty of the investment tax codes. The only new development legislation enacted--the Investment Incentives Ordinance 1984--is inadequate, being simply an ambiguous rehash of codes dating back to the 1950s, which are noncompetitive in the mid-1980s Caribbean. Other "incentives" such as the Income Tax Act of the People's Law No. 20 of 1980 are actually disincentives due to their socialist nature. These offer no real tax relief for entrepreneurs and restrict foreign investors to a narrow range of options.

## POLICY RECOMMENDATIONS

### Political

A truly democratic future for Grenada must be a reflection of the will of the people. Public opinion polls and private conversations reveal that a majority of Grenadians do not wish to rush into one of the most crucial elections in their island's history. A compromise is needed: a national referendum should be held in late October or early November to give Grenadians the chance to vote on a slate of issues including the date of parliamentary elections and a new constitution. A choice of firm election dates should be included on the ballot, with late November 1984, March 1985, and November 1985 as possibilities.

A referendum would allow Grenadians to test their democratic process and demonstrate to the world that they are truly masters of their own destiny. Such a plebiscite would also permit them to approve or disapprove of the interim advisory council.

Given the fragility of democratic institutions in Grenada at present, it should be helped by the recently established U.S. National Endowment for Democracy. The purpose of the Endowment is precisely to encourage development of democratic institutions and procedures, and a democratic political culture. Grenadian projects would be a most cost-effective utilization of Endowment resources.

### Economic

Grenada must follow the example of such Caribbean islands as the Caymans, the Bahamas and the Turks and Caicos in establishing an innovative and highly attractive climate for investment. Only a restructuring of the existing investment incentives and tax code will give Grenada the chance to compete economically with more developed and experienced West Indian states. New investment legislation is too important to the island's political, social and economic stability to be left in the hands of a single ministry or consulting firm: it should be the product of a working group comprising members of the Grenada Chamber of Commerce, Overseas Private Investment Corporation, the White House Office of Private Sector Initiatives, and others.

The Grenada Chamber of Commerce is a strong and unified force in the community, with excellent leadership. The Chamber has formulated a strategy for development which centers on tourism and agriculture. Its recommendations have won support from U.S. Agency for International Development and OPIC. The Chamber advises that the banana, cocoa and nutmeg associations be immediately returned to cooperative management and control; that the hotels owned by Grenada Resorts Corporation be sold to the private sector; that light industrial facilities such as the Agro-Industrial Plant and the Sugar Factory be sold to private firms; that television and radio be operated privately and that Marketing and Import Board operations be limited to the distribution of local fruits and vegetables, not imported commodities.

Tourism has the greatest potential for providing jobs and an infusion of much-needed hard currency into the Grenadian economy. Due to the terms of Reagan's Caribbean Basin Initiative, light manufacturing also promises to be an important component of the Grenadian economy. Intelligent land use and sound zoning regulations could help foster tourism and light industrial growth. Southern Grenada is ideal for tourist-related development because of proximity to the new international airport and port of St. George's as much as for its unspoiled beaches. Land in this area is limited, however, and thus should not be marred by industrial parks. Industry should be encouraged in the undeveloped areas north of St. George's, particularly in the Tempé valley (where a

bottling plant and flour mill exist) and in the environs of the town of Grenville, which has a port suitable for expansion.

The often overlooked dependency of Carriacou--16 miles north of Grenada--should be designated an "enterprise zone" or tax haven using ideas borrowed from Britain's Thatcher government and the 1981 Companies Ordinance and Insurance Ordinance adopted by the Turks and Caicos Islands. Carriacou, an 11-square-mile island with 7,000 inhabitants, is well suited for light manufacturing, food processing and related enterprises; it is relatively flat and dry and has an airstrip and a sheltered harbor with great development potential. An innovative scheme for virtually laissez-faire development would serve to provide employment for inhabitants of both Carriacou and Grenada, as well as serving as an ongoing publicity vehicle for the island group as a whole.

### Security

The joint U.S./Caribbean Peacekeeping Force (including 300 American military personnel, 100 of whom are military police) must be maintained for the foreseeable future to guarantee stability. Whether to keep the peacekeeping forces on the island should be included in a national referendum to allow the Grenadian people to express their wishes on the subject.

Special powers on a pro tempore basis should be granted to the interim government to deal with subversion and terrorism. Acts of sabotage recently have occurred and authorities believe that arms caches still exist on the island. Persons considered security risks--such as ex-PRG members who continue to travel to the Soviet bloc--should have their passports revoked.

The Grenada incident highlights the necessity for the strengthening of the federation of Caribbean states to mutually defend against external aggressions. A more extensive regional security program requires: 1) an increase in U.S. security assistance funding and 2) relief from the clause of section 660 of the 1961 Foreign Assistance Act which bars U.S. training of security forces. The resulting increased funds should then be used to expand the existing multinational Regional Defense Force into a more permanent Caribbean Defense Force consisting of primarily combat infantry troops. Most of the Caribbean nations rely on regular police forces to both maintain internal law and order and defend against external aggressors. Increased Military Assistance Program and International Military Education and Training funding is needed to train the 3,370 police in the Eastern Caribbean, of which only ten percent possess any kind of paramilitary training, to help offset shortages of regular regional army forces in the event of any escalation of hostilities.<sup>10</sup>

---

<sup>10</sup> Report of the Delegation of Eastern Caribbean and South American Countries, February 1984, U.S. Government Printing Office.

## CONCLUSION

In the long term, the best means of assuring the political stability of Grenada is by the election of a moderate, reform-minded government to administer an economy as free from legislative encumbrances as possible. Only the creation of a fertile climate for the growth of free enterprise can produce the jobs needed to alleviate Grenada's chronic, and potentially explosive, unemployment problem. The Reagan Administration's policy of providing Grenada with a largesse of recuperative aid is wise, and should ultimately be the basis for a new era of U.S.-Caribbean relations. However, to guarantee that the Grenada rescue mission remains victorious, the White House must be wary of allowing itself to slip into a position of benign neglect toward the island: wise and decisive actions are once again needed to regain the positive momentum generated last October.

First among these should be a speedy national referendum, encouraged by the National Endowment for Democracy, that will allow Grenadians to decide the timetable for parliamentary elections and a new constitution. Next, the country's economy must be rebuilt. The Grenadian Chamber of Commerce has a promising market-oriented development strategy. The White House Office of Private Sector Initiatives should work with it to restructure investment incentives and the tax code, and U.S. aid should support Grenadian tourism and agriculture projects that will bring jobs and needed hard currency to the island. Finally, to guard against external aggression, the U.S. should grant security assistance to expand the current Regional Defense Force into a more permanent Caribbean Defense Force. With proper guidance, Grenada can become yet another example of the benefits of democracy and free market development.

Prepared for The Heritage Foundation by  
Timothy Ashby  
President, Caribbean Financial Consultants  
Arlington, Virginia