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Weekly Contributions
Latin America Branch, ONE, CIA
18 January 1948

SUMMARY

NORTHERN DIVISION: El Salvador's Communist Party has not improved its position as the result of recent change in government in that country (item 1). Nicaragua's coffee crop failure may make Dictator Somoza's position less secure (item 2).

CENTRAL DIVISION: In Brazil, a Communist-inspired "Latin American Congress in Defense of Petroleum" is scheduled to meet in Rio de Janeiro in April (item 3). In Ecuador, the prospect of trouble is increased by the tension in the army at a time when there is general dissatisfaction with the Plaza administration (item 4). In Venezuela, the strike in the Maracaibo oil fields, which appears to have been called for the purpose of embarrassing the new government, may have serious consequences (item 5).

SOUTHERN DIVISION: Paraguay has narrowly averted armed conflict, but as the opposing forces have not settled their differences the situation remains tense (item 6). Peru's Odria government, despite growing opposition, still is able to maintain itself as it has adequate army backing (item 7). Peru and Argentina have agreed to consult before acting on any South American problems of international character (item 8). Argentina's new constitutional provisions, if adopted, will result in more highly centralized controls in that country (item 9).

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Weekly Contributions
B/IA, CIA

18 January 1949

1. EL SALVADOR: The Communist position in El Salvador has not changed as a result of the 14 December coup d'etat in that country.
Communists were quick to try to move into El Salvador following the recent coup. The new government, however, deported at least five well-known party members almost as soon as they entered the country and did not alter the policy of the previous government with regard to Communism. Consequently, the local Communist Party may not be expected to expand beyond its present small and ineffective scope, nor to attract much of a following even in the liberal Partido de Orientación Democrática and the tiny labor unions. The local Communists, however, hope to attract a following through a temporary strategic program designed to appeal to local nationalism and designed to appear disarmingly conservative. Their program calls for promotion of a vigorous domestic capitalistic industry in opposition to foreign imperialism and even calls for opposition to measures of the extreme left. Their theory apparently is to fatten the economy for the later kill.

2. NICARAGUA: Coffee Crop Failure
The Nicaraguan coffee crop has failed and the total harvest may be the lowest since 1890, according to US Embassy Managua.
Since coffee is an important source of dollar exchange for Nicaragua, the country's economic outlook is now "very disturbing". The economic distress that must inevitably result from the crop failure will, it is estimated, have a disturbing effect on the country's political life and may cause Dictator Somoza's position to become more insecure than heretofore.

3. BRAZIL: A Latin American Congress in Defense of Petroleum scheduled for 21 April 1949 in Rio de Janeiro by the board of directors of the National Center for the Study and Defense of Petroleum was reported recently in the Brazilian Communist press. The inspiration for this projected congress is definitely Communist, and its purpose is reported to be that of providing "Opportunity for contact between the representatives of the peoples of the Continent to assure national ownership not only of the black gold but of all the other riches of the sub-soil . . . such as iron ore, manganese, thorium, uranium, etc.". It has been planned that this congress will differ from the Communist-inspired Tampico Oil Workers Congress in that a broader propaganda front is to be employed. Government, labor, and student organizations in all South and Central American countries are to be invited to attend, and the propaganda appeal will be made to nationalism rather than specifically to labor.

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~~SECRET~~

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Approved For Release 1999/09/02 : CIA-RDP79-01090A000200010003-6

CONFIDENTIALWeekly Contributions
B/LA, CIA

13 January 1949

The congress is unlikely to take place in the form suggested by the Communist press. President Dutra's announcement that the federal government would facilitate the establishment of a national refining industry was widely received as a concrete demonstration of the government's intention to keep control of the future oil industry in Brazilian hands. Consequently, the announcement foiled the Communist effort to unite all vocal elements of the population against the government on the petroleum issue. The congress, if held at all, is likely to be quiet and ineffective, because the Communists now no longer have the support of those non-Communist elements in Brazil which would be necessary to insure the success of such an international meeting.

4. ECUADOR: Increased tension in the army is indicated by the report of a CIA source that General Larrea Alba (a congenital revolutionary) and Dr. Eduardo Ludena (a Communist) encouraged a group of non-commissioned officers to present an ultimatum to the General Staff demanding immediate reforms. This precipitated a cabinet meeting after which President Galo Plaza granted an immediate pay increase to enlisted personnel and promised to consider the other demands made by the troops. The units most involved are the artillery groups, the Tank Corps and the "Vencedores" Infantry Regiment, the latter two of which are the best equipped and most politically influential in the Ecuadoran Army. Recent reports indicate a growing dissatisfaction with the Plaza administration among the Tank Corps personnel and state that the corps can no longer be considered pro-Plaza. The Vencedores Regiment is believed by some to be loyal to General Larrea, particularly because of the preferential treatment given it (in equipment and personnel) by the general when he was Chief of Staff. In view of the general dissatisfaction with the Plaza administration, this army move is a more serious threat to the stability of the government than it might otherwise have been and the prospects for serious trouble at any time during the next few weeks are greatly increased thereby.
5. VENEZUELA: The oil workers strike in the Maracaibo area has not so far resulted in violence; however transportation and communications facilities were seriously interrupted. All sources agree that the strike was called for the exclusive purpose of embarrassing the military junta. There is a real possibility that the present situation may get out of hand. There are reports that the top members of the junta are becoming estranged; the Joint Weeks of 7 Jan 49 reports also that "Commanders at strategic garrisons at Maracaibo and Lagunaira are showing independence of Caracas superiors and may be key factors in breakup of army unity if internal frictions cause showdowns".

CONFIDENTIAL~~SECRET~~

3.

~~CONFIDENTIAL~~

Weekly Contributions
B/LA, CIA

18 January 1949

6. PARAGUAY: Armed conflict averted

The Gonzalez government has weathered another threat to its existence, but the strange chain of circumstances which favored President Gonzalez over his political rivals offers no more than a respite in his struggle for supremacy vis-à-vis the Molas López-Rodríguez opposition faction.

The incident precipitating this crisis was the publication on 7 January of a letter addressed to Gonzalez and written by the President of the Colorado Party Governing Board, demanding the removal of Venancio Molas López from his position in the police department on the grounds that Molas was usurping power and was threatening Colorados who opposed him and his brother, Felipe Molas López, leader of the anti-government faction. The Molistas, of course, refused to accede to such a demand. With the support of the Democratic Colorado faction they in turn directed an attack against the Morifiguistas supporting the President and demanded their arrest on the grounds that they were blocking unification of the Colorado Party. The President, probably playing for time, was reported to have agreed on 12 January to oust his Morifiguista colleagues. At that time tension had mounted until an outbreak was expected momentarily. The Asunción police and the First Cavalry Division were expected to support the Molistas against the 11th Infantry Regiment and the newly formed Presidential Guard, believed to be backing the Gonzalistas. At the crucial moment, however, the army, though pressing for unification of the Colorado Party, agreed to stay out of the "party affair"; the President of the Supreme Court stepped in and offered to mediate the differences; and an armed conflict was averted.

The incident, however, is by no means closed. The two political factions may be expected to continue their struggle for power. Significant, however, is the inactivity of the police and the fact that the army, despite its present lack of unity, has once again proved the directing force in Paraguayan politics. Continued army aloofness to active participation in politics should help the army unite and recover its former position of dominance over the political scene.

7. PERU: Retention of control over army vital for continuance of Odría government

Opposition to the Odría regime has been growing in recent weeks. The government is currently facing opposition by the APRA party (which claims that it remained practically intact in going underground), the Communists, and the Bustamantistas. Many agriculturists also were alienated by the recent government decree which provides for labor participation in profits (see B/LA Wkly for 14 Dec 48). Cotton growers further object to

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4.

~~SECRET~~

Weekly Contributions
B/IA, CIA

~~CONFIDENTIAL~~
SECRET

18 January 1949

the export tax features of recently established exchange and foreign trade controls, and recently the government estranged the "independent" legislators (see B/IA Wkly for 11 Jan 49).

Odría apparently believes that he is more powerful than the wealthy conservatives who helped him into power and can eventually dispense with their backing after building up his labor following. Nevertheless, there is no evidence that the government's social program has succeeded in winning more than a modicum of labor support. The lack of unity among cabinet officials — and even to some extent within the army — is reportedly becoming noticeable.

In spite of these developments unfavorable to the Junta, Odría can remain in power for the present as he now controls leading army officers. If, however, opposition continues to increase, he may not be able to retain the support of these key army figures.

8. The reported agreement between the Argentine and Peruvian Governments for prior mutual consultation before either government takes action "of an international character on the South American continent" is the most specific corroboration to date of the expected increase in Argentine influence in Peru (see B/IA Wkly for 4 Jan 49 and 23 Dec 48).

9. ARGENTINA: Highly centralized control of the Argentine life and economy in a labor-welfare state, as developed under Peron, is expected to be provided in the new Constitution which will soon replace the liberal organic law of 1853 modeled on the US Constitution. The Peronista-dominated Constitutional Convention is expected, in addition to authorizing the re-election of the President, to place in the new basic law provisions for achieving national economic independence, including (1) sharp limitations on the rights of private property, (2) state control of foreign trade, (3) nationalization of public services, and (4) state organization and development of resources. Adoption of these provisions could further complicate Argentina's commercial and financial relations abroad.

In advancing his constitutional reform program, Perón has to a certain extent endeavored to be all things to all people excepting his ineffective opposition and he even gave some evidence of a desire to reassure them. He has succeeded by these means in retaining his strong labor support and added that of the Communists and the violently anti-Communist nationalists. It would seem possible, therefore, that he may have extreme measures incorporated in the new Constitution to appease various groups and then actually implement them moderately or not at all. Argentina's exigent situation in its financial and trade relations with the US, and its impaired bargaining position in the imminent trade negotiations with the UK, would certainly appear to caution Perón against new extremes in economic policy. He may endeavor, as he has in the past, to trade moderation in implementing domestic legislation

CONFIDENTIAL

SECRET

5.

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SECRET

Weekly Contributions
B/IA, CIA

18 January 1949

for foreign concessions; this would appear to be especially likely in the case of the proposed constitutional requirement that all aliens must apply for citizenship after two years' residence or leave Argentina. In fact, the Foreign Office has already given assurances that the new citizenship policy will (1) not be retroactive in application, and (2) not apply to foreigners in Argentina on specific business or professional assignments. (Above material, except for last sentence, used in CIA Weekly, 14 Jan 49.)

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