

~~CONFIDENTIAL~~

Weekly Contributions
Latin America Branch, ORE, CIA
23 February 1949

During the past week, two developments are found to be of particular interest. The Argentine Government's last-hour attempt at reform may be too late (p. 5). The Bolivian Government's charges of Peruvian support of revolutionaries may impair relations between these countries and thereby affect US interests in Hemisphere unity (p. 4).

- - -

CURRENT DEVELOPMENTS

GENERAL: Latin American countries are not expected to find grounds for objection to US participation in the North Atlantic Pact (p. 2).

25X6A
25X6A
NORTHERN DIVISION: [REDACTED] Haitian-Dominican animosity may have a divisive effect on Hemisphere unity (p. 3).

CENTRAL DIVISION: Ecuador's unpopular administration is temporarily secure because opposition groups checkmate each other (p. 4).

SOUTHERN DIVISION: Bolivia has charged Peru with complicity in a plot and has declared a state of siege (p. 4). In Paraguay's government, a rift has developed between army leaders and civilians (p. 5). Argentine economic reforms may come too late to avert a crisis (p. 5).

SPECIAL SUBJECTS

Bolivian Communist Activities, Present Capabilities and Future Capabilities	8
Current Situation in Honduras	11
Current Situation in Cuba	13

DOCUMENT NO. 7

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS S (C) 1989

NEXT REVIEW DATE: _____

AUTH: HR 70-2

DATE: 10-25-74 REVIEWER: 372044

~~CONFIDENTIAL~~

SECRET

CONFIDENTIAL

Weekly Contributions
B/LA, CIA

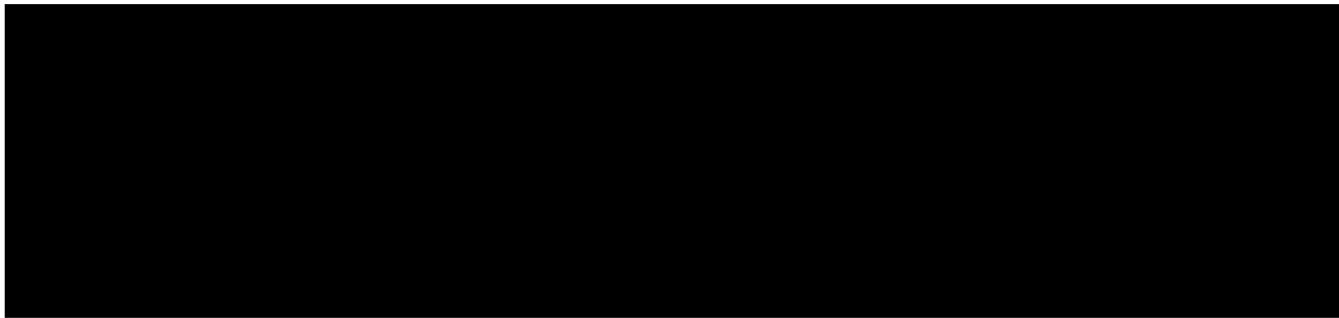
23 February 1949

1. **GENERAL:** Effect of North Atlantic Pact in Latin America
Chances for serious objections by Latin American countries to US participation in the projected North Atlantic Pact now appear slight.

Some of these countries might have found two grounds for objection: adverse effect on the Rio defense treaty, and lessened chances of getting US arms for their armies, but neither of these possibilities has emerged as a problem of any consequence. Apprehension might have been expressed by some on the grounds that extended US commitments under the North Atlantic Pact could increase their obligations under the mutual defense provisions of the Rio Treaty. That these objections did not materialize can be attributed to a considerable extent to early Department of State action in telling Latin American governments that US participation in the Pact would, in fact, constitute a powerful deterrent to any potential aggressor, and thus strengthen the security of the Americas. Resentment might have been expressed in certain countries by military leaders who felt that the US obligation under the Pact to send arms to European countries would lessen their chances of getting US arms at a favorable discount. This issue has not yet appeared, nor is it expected to find particularly vigorous expression. The Hemisphere arms-standardization program -- advocated by US authorities but lacking the legislative action necessary for complete implementation -- still stands as approved policy and probably seems not to have been pushed much further back by the newer proposal. Also, it may be that delayed legislative implementation of this program and renewed availability of alternative sources for arms purchases have cooled Latin American interest in the whole idea.

Communists in Latin America have not yet used the North Atlantic Pact to any extent as a subject for anti-US propaganda. A certain amount of drumming on this theme may be expected soon, however, but such appeals in Latin America are expected to be ineffective. Any allegations the Communists might make are not likely to disturb the various Latin American governments, partly because of the general decline of Communist prestige in the area and partly because of the early consultations and assurances of the Department of State.

25X6A



CONFIDENTIAL

2.

SECRET

~~SECRET~~
CONFIDENTIAL

Weekly Contributions

23 February 1949

B/LA, CTA
25X8A-RDP79-01090A0002000100

3. HAITI: Haitian-Dominican Animosity and intra-Caribbean Relations

The underlying antagonism between these two countries has been spectacularly emphasized by the "Roland incident". Whether or not Haiti's version of the story coincides with the actual facts, the incident is a significant illustration of the serious part that such opera bouffe antics can play in the foreign affairs of those Caribbean countries where the governments are dominated by individuals hostile to one another. Although unlikely to result in hostilities, this situation has a divisive effect on intra-Caribbean relations and does tend to impair Hemisphere unity. To the extent that it does so, it is adverse to such US security interests as are dependent upon the solidarity of all 21 American Republics.

25X1X7RDP79-01090A000200010
[REDACTED] Col. Astrel Roland, Haitian chargé in Ecuador, conspired with a Dominican cabinet member to overthrow the Haitian Government. As the first step in the plot, Roland's Belgian mistress, Mlle. Verbraeken, gained access to President Estimé in the guise of a writer interested in Haitian folklore, and made amatory advances which were rebuffed by Estimé. She then approached Col. Magloire, key Haitian political figure and Commander of the Military Department of the Palace. Magloire was amenable to her suggestions, and a hotel rendezvous was arranged. During the meeting, Mlle. Verbraeken offered Magloire a sandwich, but, smelling danger, he insisted she taste it first. Upon doing so, she became violently ill, and, when charged with trying to poison Magloire, admitted her complicity in her lover, Roland's, plot.

On the basis of this and other "evidence", Roland was ordered to return to Port-au-Prince, and the Dominican Republic was formally requested to deny him asylum. Despite this request, Roland, masquerading as a mechanic, flew to Ciudad Trujillo on a Dominican plane. Subsequently, over a radio station owned by the brother of Dominican President Trujillo, Roland directed to his countrymen several inflammatory

~~SECRET~~

CONFIDENTIAL

SECRET

CONFIDENTIALWeekly Contributions
B/LA, CIA

23 February 1949

broadcasts consisting mostly of vituperative excoiations of President Estimé. The Haitian Government responded with similar vilifications of Roland. Estimé construed Roland's broadcasts as a personal affront by Trujillo and is reported by the US Ambassador to be in "an aggressive mood" and to feel that he "will have to fight Trujillo".

The Estimé-controlled Assembly, subsequent to the broadcast, called on the President to implement compulsory military service legislation and has passed a bill calling for a forced national defense loan of \$3 million. (The latter measure has evoked hearty protests from the wealthy and influential elite, and the president of Haiti's Chamber of Commerce has described the situation as "tense and likely to lead to internal disorder".) On 17 February, Haiti proposed that the Rio Treaty be invoked against the Dominican Republic on charges of "moral aggression".

In all probability, the provocative actions of the Dominican Republic were in retaliation against anti-Dominican remarks made in public by members of a Cuban good-will mission which recently visited Port-au-Prince. E/LA believes that Estimé does not anticipate actual conflict with the Dominican Republic. He has, however, become enraged by Roland's plot and by Trujillo's apparent complicity in it, and, at the same time, finds it a useful incident for raising the additional cash his government so urgently requires.

4. **ECUADOR:** The unpopular Plaza administration is temporarily secure because the opposition groups checkmate each other. The Liberals are wary of precipitating a coup because of the fear that in the ensuing chaos the left-wing elements in the country would be the victors. On the other hand, the Socialists fear that any revolutionary action would bring in a rightist government with the Conservative Party in power because a Conservative is Vice-President. Within the army there also exists a checkmate. The dissatisfied officers are led by Col. Carlos Mancheno and Lt. Col. César Alfaro, who are by no means leftists, while the subversive movement among the enlisted men is Communist-inspired.
5. **BOLIVIA-PERU:** Bolivia Charges Peruvian Complicity in Plot
The Bolivian Government declared a state of siege on 19 February and protested to Peru concerning the part allegedly played by the Peruvian Minister of Development in a subversive plot. A revolt was said to have been planned by the Bolivian rightist MNR, involving Bolivian exiles in both Argentina and Peru. Col. Ilosa, a Peruvian cabinet minister, is charged with having given "decided moral and material support" to Bolivians who were thus enabled to cross the border

CONFIDENTIAL

4.

Weekly Contributions
B/LA, CIA

23 February 1949

and prepare supplies for the revolutionary attempt. The Bolivian declaration regarding the ~~25X4X4s~~ accompanied by swift moves to arrest MNR and labor leaders. [REDACTED] reported several weeks ago that the Bolivian Government planned to declare a state of siege and to jail important MNR leaders prior to the May elections, it would now appear that the plot allegations are being used in the government's vigorous attempt to relieve its critical insecurity (CIA Weekly for 4 Feb 49). An additional move in this direction is the reorganization of the cabinet. The Hertzog government has momentarily consolidated its position by its frontal attack on the plot, but if important MNR leaders -- and their secret sympathizers within the Bolivian armed forces -- have escaped, the major trial of the government is merely deferred.

In Peru, the plot charges will no doubt embarrass Col. Llosa in his rivalry with Junta President Odría (B/LA Wkly for 8 Feb 49), even if he is not forced from the Junta.

US interests, neither in Peru nor in Bolivia, seem to be affected at this time.

6. PARAGUAY: A rift has developed between the army leaders and the civilians in the government of Provisional President Rolón. Army leaders want Rolón to continue in the presidency, while the united Colorado Party, under civilian leadership, backs Education Minister Molas López for the post. Tension has mounted as a result of a meeting 17 February in which the difference of views became patent. The civilians claim that party unity requires that Molas López be supported. Although elections have been scheduled for 17 April, Rolón could probably remain in office with or without benefit of elections if in addition to his expected army support he receives the support of Lt. Col. Canata, commander of the Asunción cavalry. The outcome of this struggle is unlikely to have any effect on US interests in the area.

7. ARGENTINA: Argentina Seeks US Aid in Crisis

The Perón government seems to be endeavoring -- tardily and not yet wholeheartedly, it is true -- to avert its overthrow by seeking US aid and cooperation, and to this end the government seems willing to accept some sacrifice of the politically valuable appearance of national economic independence. The army, whose influence in the present government is increasing to the point of dominance, is supporting moderate and cooperation-minded Foreign Minister Bramuglia, sometimes apparently against Perón himself.

A number of important steps toward cooperation and toward orthodox rehabilitation of the Argentine economy already have been taken. The Perón government recently requested US views on the

CONFIDENTIAL

SECRET
CONFIDENTIALWeekly Contributions
B/LA, CIA

23 February 1949

desirability of accepting a Soviet offer to pay dollars or gold for Argentina's entire exportable surplus of fats, oils, and hides. Tentative overtures for membership in the World Bank and Monetary Fund represent a complete reversal of Argentine postwar international financial policy. Drastic revision of Argentina's economic and trade policy by moves toward lower prices and reduced state intervention is exemplified by the dismissal of Liguél Miranda, former economic czar.

Argentina's withdrawal from the International Wheat Conference seems a step away from, rather than one toward, international cooperation. This action may have been due to that government's estimate that the short-run advantage of obtaining greater amounts of urgently needed industrial imports through barter sales at higher-than-world-market prices more than offsets the long-run advantages obtainable through cooperation in grain marketing, which would involve a commitment to a two-dollar-per-bushel maximum for wheat.

Perón's economic advisers have informed the US that they consider a substantial dollar loan indispensable to a solution of the crisis. If such a loan is granted, Argentina's natural wealth and ability to export food surpluses should, theoretically, make repayment quite within Argentine capacity, despite adverse trends in world market conditions. The Perón administration, however, has not yet offered a definite commitment to adhere to economic policies best suited to ensure prompt payment. Nor have other commitments, such as favorable treatment of US business, increased cooperation in international agencies, and abatement of anti-US propaganda, been made. The Perón administration's ability to make and keep such commitments will be influenced by the manner in which they may be exacted in relation to public, and especially in relation to nationalist, sentiment favoring economic independence. If such a loan is openly granted Argentina, unfavorable reaction may be expected from other Latin American states -- notably Chile, Uruguay and Brazil -- at what they would consider manifest US support of the authoritarian and expansionist Perón regime.

It is entirely possible that the sharp changes in economic policy have been too long delayed to avoid a major political upheaval. Moderate elements now directing the administration are threatened by increasing activity of extreme nationalist anti-US forces which Perón evidently felt it necessary to appease in his 18 February reiteration of his devotion to the principle of economic independence. Furthermore, the acute labor problem aggravating the inflation through strikes for wage increases and through reduced productivity threatens to become worse. Should present efforts to redirect the Argentine economy and to obtain international assistance in the crisis fail, and should Perón be forced from office, any of three developments might occur: first, Perón might be replaced by a military junta, not necessarily

CONFIDENTIAL

6.

~~SECRET~~

~~CONFIDENTIAL~~
SECRET

Weekly Contributions
B/LA, CIA

23 February 1949

hostile to the US; second, extreme nationalists -- either military or civilian -- hostile to the US might come in at the policy-making level; third, violence, accompanied by a serious breakdown of government and economic activity, might break out between the military and labor forces. Such a situation might lend itself to Communist exploitation.

~~CONFIDENTIAL~~

~~SECRET~~

Weekly Contributions
B/LA, CIA
Article 8-49

23 February 1949

~~SECRET~~
CONFIDENTIAL

Bolivian Communist Activities,
Present Capabilities and Possible Future Capabilities

Communism in Bolivia is not likely seriously to impair US security interests. Communist activity is limited largely to propaganda. Present Communist capabilities are slight and it is estimated that these capabilities are not likely to increase greatly in the next few years.

Clearly recognizable Communist activity in Bolivia is almost entirely limited to continuous local anti-US propaganda, and a local adaptation of the usual Communist line. In addition, some Communist activity may be contributing to (1) the increased sympathy for the USSR shown by PIR (Partido Izquierdo Revolucionario) leaders; (2) the continued activity of Slav groups; (3) clandestine and irregular immigration; and (4) continued agitation in the PIR-controlled labor unions affecting transportation, and labor-organizing activity among petroleum and tin-mine workers.

Present capabilities of Bolivian Communists are limited. They have no political party of their own, because a statutory provision outlaws the Party as such. The Communists have been unable to overcome the political inertia of the illiterate highland Indians who make up the bulk of the Bolivian laborers, and have been unable to organize other politically or militarily effective groups. Further, the repressive political and military strength of the conservatives has been a major deterrent to the development of Communism. The number of Communists in Bolivia is considered negligible, though a list of some 500 suspected Communists has been drawn up.

Communist political influence, where it exists, is exercised mainly through the PIR, which holds slightly more than a third of the elective parliamentary seats, and which, though it is denied participation in the cabinet, participates in the executive branch of the government. In addition, some Communist suspects hold parliamentary seats, and also some government jobs.

Some Communist influence is also extended through various front or infiltrated groups for youths, women, immigrants, Slavs, Jews, and labor --- all of which have been reported to maintain contacts with similar groups in other countries. The most important such group is the PIR-controlled labor federation, CSTB, which boasts affiliation of unions claiming membership of over 75,000 of the 125,000 organized workers of Bolivia, including 10,000 railway workers, 9,000 textile workers, 4,000 drivers of taxis, trucks, etc., and smaller numbers of construction workers, newspaper workers, air-line employees, and miners. The CSTB is a member of the Communist-dominated CTAL, and follows the CTAL-Communist line propaganda.

CONFIDENTIAL

~~SECRET~~
~~CONFIDENTIAL~~

Weekly Contributions
B/LA, CIA
Article 8-49

23 February 1949

Present Communist capabilities for impairing US security interests in Bolivia appear to be slight. The number of Communists is limited, and they lack militant organization. In addition, they are relatively ineffective in influencing political-economic life in the country through labor organizations and other groups, as contrasted with the influence exerted by the Bolivian Army, which is not known to be penetrated by Communists. However, it is estimated that in case of war between the US and the USSR, the Communists at present (1) through their influence in the CSTB could start some strikes, but these could be effectively controlled even by a weak government; (2) could effect some sabotage of mines and railways that would temporarily reduce tin output; and (3) could set off some popular demonstrations adding to the political instability of the government, or join with other elements in causing its fall, but could not capture control of the government.

With regard to future capabilities, it seems at present most reasonable to estimate Communists and even leftists will lose influence in Bolivia in the course of the next year or two. It would be only through the unlikely combination of astute leadership and propitious circumstances that there could be a rapid and significant increase in Communist influence and capabilities. It is true that there are some factors which tend to favor Communist development, such as continued weak government, lack of issues within the PIR to force the Stalinists to show their true colors, economic instability, lack of strong anti-Communist unionism, fragmentation of conservative political forces, and the existence of numerous politically ambitious groups within the army and the resultant loss of unity as a stabilizing influence. It is expected, however, that previously listed factors working against the Communists will prove the stronger. Only two possibilities, both remote, merit particular comment.

The conservative MHR (party of former president Villarroel) is said to have boasted that with 400 armed men it could seize the government by force. Even if this boast has some substance — and the Bolivian Government is normally very shaky — 400 armed Communists could not necessarily accomplish a similar overthrow. To capture the government by force the Communists would probably, because of lack of popular following, have to muster many more than 400 armed men. Violent seizure of the Bolivian Government seems quite beyond present Communist capabilities.

It is, of course, possible that the Communists might, some time in the future, gain a measure of increased political power through greater influence in the PIR. There are, even now, probably many Communists in the PIR; the Marxist ideology of the PIR closely agrees with Stalinist Communism; and José Antonio Arce, founder and president of the PIR, as well as other PIR

~~SECRET~~
~~CONFIDENTIAL~~

9.

~~SECRET~~

Weekly Contributions
B/LA, CIA
Article 8-49

23 February 1949

CONFIDENTIAL

Leaders, have recently shown increased favor toward Russian foreign policy, and have disseminated Russian propaganda through PIR channels. Should the Communists be able to dominate that party or win its leadership, and hence the party, to their cause, even though party strength declines, they would gain considerable economic strength through the PIR-controlled CSTB unions. There are at present, however, no indications that any such Communist success is immediately likely.

CONFIDENTIAL

~~SECRET~~

Weekly Contributions
B/LA, CIA
Situation Memorandum 8-49

23 February 1949

The Current Situation in Honduras

The newly inaugurated Gálvez regime is popular, will probably prove to be a relatively stable and progressive administration, and is in general favorable to US interests.

On 1 January 1949, Tiburcio Carías, for the past 16 years president and "dictator" of Honduras, turned over direction of the government for the next six years to his hand-picked and duly elected successor, Juan Manuel Gálvez. The latter, Minister of War under Carías and one-time chief legal adviser in Honduras to the United Fruit Company, is capable and strongly favorable to the US, which he has described as the "world's best defender of democracy".

Gálvez' program has a broad popular appeal. He advocates: (1) the advancement of agriculture by the distribution of government lands to small farmers and the improvement of internal transportation; (2) the improvement of cultural and educational opportunities and facilities; and (3) fiscal reform, including the broadening of the tax base and "absolute honesty in the handling of government funds". Some progress has already been made in setting up the administrative machinery for the implementation of the program. In the matter of ridding the government of corrupt and inefficient officials, however, Gálvez appears to be proceeding cautiously so as not to alienate Carías, who still wields considerable political power. In general, the administration is enjoying increasing popularity as the result of its conduct to date and its apparent desire to improve the lot of the Honduran people. There seems little likelihood that either the demoralized Liberal (opposition) Party or the notorious grafters who are gradually being removed from office are capable of organizing any serious or substantial popular resistance to the regime for some time to come.

Confidence in the new administration, following the uncertainties of the bitter campaign and pre-inaugural period, has been reflected in a general acceleration of business activity. The all-important banana industry is slowly expanding its operations and continues to furnish the country with whatever dollar exchange is needed, and export duties on bananas constitute an important source of government revenue. A large proportion of Hondurans are small farmers, and their situation will be considerably improved if, as seems likely, the government carries out its road-development plans which will make possible the economical transportation of surplus crops.

To many, both inside and outside of Honduras, Carías was a "dictator" and, as such, was the target of considerable "anti-dictator" sentiment. His retirement from the presidency has allowed Honduras to assume a more

CONFIDENTIAL

~~CONFIDENTIAL~~
SECRET

Weekly Contributions
B/LA, CIA
Situation Memorandum 8-49

23 February 1949

passive role in Central American-Caribbean power-balance rivalries. The Gálvez regime has been the object of favorable comments -- in sharp contrast to the situation obtaining during the Carias "dictatorship" -- from officials of such militantly "anti-dictator" governments as those of Guatemala and Cuba. Gálvez' determination to preserve Honduran neutrality -- in itself a step in the direction of Hemisphere solidarity -- was vigorously expressed in his inaugural address.

In keeping with his pacific intentions, and probably in order to divert public funds toward more productive projects, Gálvez has reduced the size of the Honduran Army by over 30 per cent. Although the Palace Guard, important to the stability of the regime, is now reported disorganized as a result of current changes, it is believed its efficiency will ultimately be enhanced upon the completion of the present reorganization program. The army is considered loyal and Gálvez' long experience in administering the War Ministry has made him adept in handling the military.

There is no known Communist activity in Honduras. The new government, like its predecessor, can be expected to suppress any such activity should it arise. Also like its predecessor, the new government will maintain a friendly and cooperative attitude toward the US and can be expected to assume a cooperative attitude toward all measures designed to strengthen Hemisphere solidarity and defense.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Weekly Contributions
B/LA, CIA
Situation Memorandum 9-49

23 February 1949

The Current Situation in Cuba

(Summary: Current political maneuvers will not affect the Prío government's anti-Communist policies and pro-US orientation. Cuban government policies toward the US will not be influenced by fluctuations in the economy during the next few months.)

President Prío's government appears stable. The plotting of ex-President Grau against him and the current maneuvers of Senator Alemán and Vice-President Pujol will not seriously impair his position because he now commands the support of the army. Chief of Staff, General Pérez, originally a protégé of Grau, has publicly affirmed his loyalty to President Prío.

Sugar production for 1949 has been scheduled at 5.68 million short tons, as compared to 6.7 million for 1948. Cuban sugar experts believe that most of this year's production can be sold at the current relatively high price. Since world sugar production now approximates the prewar level, however, Cuba does not count on such sales in 1950 and thereafter. Domestic adjustments to anticipated changes in the world sugar situation are being publicly discussed. Alternatives suggested are: (1) maintenance of existing markets by persuading the US to increase its quota of Cuban sugar or by underselling other producers on the world market, (2) reduction of sugar production in order to stabilize prices.

Renewed interest in the diversification of industry has developed in the face of a decline in the national income that Cuba can derive from sugar. Cuban manufacturing industries are now feeling the pinch of post-war readjustment, however. A few industries with little competition from imported goods are still operating at a high level, but others which have to compete with US industry are cutting production. In the textile industry, the situation is sufficiently serious to impel consideration of government subsidies and unemployment relief.

Important wage disputes have arisen in the sugar and transportation industries because of the difficulty of maintaining high wage levels in the face of reduced profits. Temporary solutions have been found through government tax readjustments. Two rival groups are seeking control of the government-recognized non-Communist Cuban workers' federation (CTC). Since both are anti-Communist, the outcome will not affect the present orientation of the labor movement as a whole.

~~CONFIDENTIAL~~

Weekly Contributions
B/LA, CIA
Situation Memorandum 9-49

23 February 1949

The Prío administration has made no significant changes in foreign policy, which remains closely oriented to the US. There is evidence of a more vigorous opposition to Caribbean "dictatorships", but this is not likely to lessen Cuba's interest in inter-American and United Nations affairs.

CONFIDENTIAL