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Weekly Contributions  
Latin America Branch, ORR, CIA  
1 March 1949

Two developments are found to be of particular interest this week: the friction between Peru and Colombia over the safe conduct of Haya de la Torre (p. 2); and the evident policy of labor-control of Venezuela's junta (p. 2).

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SUMMARY

GENERAL: The increasing tension between Peru and Colombia is unlikely to lead to military conflict (p. 2).

CENTRAL DIVISION: Venezuela's governing military junta is moving toward a policy of more rigid labor control (p. 2).

SOUTHERN DIVISION: Chile's administration will remain insecure despite its probable victory in the 6 March congressional elections (p. 3). In Paraguay a "secondary" bloodless revolution has made Molas López provisional president (p. 4).

SPECIAL SUBJECTS

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| The Current Situation in Uruguay . . . . .                      | 7 |

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B/LA, CIA

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1. GENERAL: Increased Colombia-Peru Tension Unlikely to lead to Military Conflict

For weeks the Colombian Government has been seeking a "safe conduct" for Haya de la Torre, the APRA leader, at present in asylum in the Colombian Embassy in Lima. US Embassy Bogotá reports that Peru's refusal to grant the safe conduct has caused the Colombian Foreign Minister to consider seriously the withdrawal of the Colombian Ambassador from Lima and the presentation of the matter to the Organization of American States. Ambassador Beaulac further reports that the Colombian Foreign Minister attributes the recalcitrance of the Peruvian Government to its desire to seek a "foreign adventure for internal political reasons" because of Peru's "desperate fiscal and economic situation".

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[redacted] an Ecuadoran official has stated that Peru is planning an attack on Colombian territory in the Leticia region. That the Colombian Government considers this a possibility is evidenced by the Colombian Foreign Minister's confirmation of an informal military agreement with Ecuador against possible Peruvian aggression --- an arrangement apparently suggested by President Galo Plaza during his recent visit to Bogotá. US Embassy Bogotá also reports that the Colombian Government is quietly reinforcing its divisions along the Peruvian border. Information [redacted] indicates, however, an absence of any significant military preparations in Peru.

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Although a Peruvian attack cannot be discounted entirely, B/LA feels that it is still a remote possibility. The more likely development is that, because of pressure from the fire-eaters in his own party, Odría will continue to find it politically inexpedient to grant Haya de la Torre a safe conduct, and consequently the dispute with Colombia will be protracted.

2. VENEZUELA: Anti-labor Measures may Increase

The military junta is moving towards a policy of more rigid labor control, as is evidenced both by impending changes in its membership, which may include more anti-labor military leaders, and by its action in dissolving the Confederación de Trabajadores Venezolanos.

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Changes in membership of the junta may occur between 9 and 27 March. [redacted] Delgado Chalbaud will be eased out, and Pérez Jiménez will assume leadership, with Llovera Páez and Félix Moreno completing the junta membership. Pérez Jiménez may be expected to adopt stronger anti-labor measures.

The recent dissolution of the Confederación de Trabajadores Venezolanos may be the first step towards complete suppression of labor unions. Increasing labor disturbances, together with pressure on the junta from anti-labor military leaders, provide a

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background for this action. The CTV, a confederation of all the former Acción Democrática-controlled syndicates, including Fedepetrol, claims a membership of 300,000 workers. Its dissolution will deprive the non-Communist unions of coordinated leadership.

Further anti-labor measures, accompanied by a possible increase in unemployment resulting from cutbacks in oil production, may create a situation favorable to Communist propaganda. The dissolution of the Acción Democrática confederation, along with the imprisonment of AD labor leaders, creates a "leadership vacuum" into which the heretofore ineffective Communist Party may move.

### 3. CHILE: Administration to Remain Insecure Despite Probable Election Victory

The 6 March congressional elections will provide the first national electoral test of President González Videla's vigorous anti-Communist campaign initiated when he broke definitely with the Communists during the coal strike of 1947. An election victory is expected to crown the anti-Communist stand with apparent vindication, but not greatly to strengthen the President's precarious political position.

The pro-government bloc of Conservative, Radical, Liberal, Democratic, and right-wing Socialist parties united for the elections in a government-sponsored electoral pact seems to promise a little more than 50 per cent of the registered voters, against about 30 per cent for the opposition. While the government's apparent strength might be undermined by defections from the pact resulting from internal party frictions — such as the controversy between the Traditionalist and Social Christian factions of the Conservative Party — such defections are not likely to be sufficiently serious to prevent the return of a pro-government majority.

Anti-administration forces — composed of the FRAS coalition of various minor parties plus the Communist-dominated National Democratic Front that includes the Authentic Socialist Party and about 60,000 "ex-Communists" who were not disenfranchised under the Defense of Democracy Law — are not likely to increase before election day. Opposition strength could, in fact, be greatly reduced, should the administration decide at the last moment to invoke the Defense of Democracy law to outlaw the entire National Democratic Front.

Even though the electoral pact results in the return of a pro-government majority, it is unlikely to prevent dissension among the participants following the election. President González Videla, in spite of Chile's considerable economic and financial improvement under his government during the past year, has not yet succeeded in

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promoting an effective organization of the non-Communist left (which, in Chile, would probably be a majority) or in building a stable working coalition of parties. Therefore, dissension will probably continue to impede his legislative program and encourage Communist efforts to exploit the fissiparous tendencies of the Chilean body politic.

4. PARAGUAY: On 26 February Dr. Felipe Molas López became provisional president of Paraguay following the overthrow of General Rolón by Colorado Party leaders and junior army officers. The coup is believed to have been a move to prevent ranking officers from securing the presidency for Rolón. This move was taken despite Rolón's recent statement that he would not be a presidential candidate in the forthcoming elections. Among the significant changes in government are the overthrow of such important military leaders as cavalry commander Canata and Commander in Chief Villasboa; the reappearance on the political scene of Colonel Stroessner (former infantry commander) and General Díaz de Vivar (who reportedly returned from exile in Argentina to assume command of the cavalry). Thus far, no bid for recognition or no statement of policy have been issued by the new government. It is believed, however, that the Molas regime will follow the pro-US orientation of its predecessors.

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Effect of the Nicaragua-Costa Rica Pact of Friendship

On 21 February the representatives of Nicaragua and Costa Rica signed a "Pact of Friendship", by the terms of which the signatories agree to consider their recent differences settled and to submit any future problems challenging the principles of non-intervention and solidarity to mutual consultation and conciliation. After the pact was signed, the Council of the Organization of American States (COAS) declared terminated its functions as the Organ of Consultation under the terms of the Rio Treaty, and also disbanded its military investigation committee.

The signing of the pact by Costa Rica is a result of Ulatista opposition pressure put on the Figueres government to cooperate with the COAS and to withdraw from Central American entanglements. The real responsibility for the security of Costa Rica against invasion, however, still rests with provisional president Figueres. The absence of an adequate guarantee of security from the COAS and the withdrawal of the military observers leave the Figueres government in the same insecure position vis-à-vis Calderón Guardia and Somoza as existed before the COAS first acted in December. Figueres can be expected, therefore, to continue his policy of compromise between dependence on the Caribbean Legion for protection and compliance with the terms of the COAS resolution which, in effect, enjoined the removal of the Legion from Costa Rica.

To Nicaragua, the pact is invaluable propaganda, as it gives dignity and publicity to Somoza's willingness to negotiate. Furthermore, it is unlikely that even a scrupulous observance of its terms would involve any immediate change in Somoza's plans. For it is estimated General Somoza does not -- and in fact, probably never did -- intend to involve his military establishment in an extensive external campaign. His support of the Calderón forces at the time they invaded Costa Rica seems to have been to insure the initiation of a revolt that would forestall and delay possible Caribbean Legion action against himself. Intervention by the COAS, even though it brought out Somoza's complicity in the revolt, also had the effect of disrupting and delaying the plans of the Legion. In the absence of an immediate threat to his regime, therefore, Somoza can now afford to keep his powder dry until a new crisis approaches.

It is apparent that the COAS intervention based on the Rio Treaty was effective in limiting the development of the Nicaragua-Costa Rica affair and bringing about renewed manifestations of friendship. The pact itself, however, though a product of international intervention, provides that the basic difficulties be solved on a bilateral basis through consultation between representatives of the two governments. The pact will

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probably be criticized as indicating the avoidance of responsibility by the international body, on the grounds that the proposed bilateral consultation may be ineffective, and that no really effective guarantee has been given against a recurrence of the situation that first precipitated COAS action. Such criticism will supplement that already expressed concerning the inability of the COAS to implement its resolutions through effective sanctions.

B/LA estimates that COAS action in this affair -- substantiating, in effect, the allegations of both sides but placing responsibility for all curative measures, including implementation of the recently signed pact, on the countries themselves -- has done little to alleviate Central American tension, and therefore that there has been no gain for US security interests in the political stability of Central America.

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Situation Memorandum 10-49

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The Current Situation in Uruguay

The present Batlle Berres government is stable and is not expected to alter its traditional pro-US orientation. Political and economic difficulties still exist, but are not serious enough to threaten the government's continuance in power before the 1950 elections.

In domestic politics, a shortage of beef in the Montevideo market has been used by the persistent Herrerista opposition to challenge administration policy and as a possible major issue in the 1950 elections. The es-tancieros, many of whom are Herreristas, have refused to sell their cattle in the controlled and low-price Montevideo market. The Batllistas, with a traditional policy of cheaper meat for the urban population, have stubbornly maintained the system of controls. A recent alleviation of the shortage, however, has been of political advantage to the Batllistas.

The Communists, under close surveillance since October 1948, are undergoing a financial crisis and at present do not constitute a serious political or subversive threat to the stability of the government.

In international affairs, major interest centers on Uruguay's continual "cold war" with Argentina which continues with somewhat lessened intensity. Possibly in part as a product of its antagonism to Argentina, Uruguay continues to withhold recognition from the "military" governments of Peru, Venezuela, El Salvador and Paraguay and has attempted to take aggressive action against Bogotá Resolution XXXV by organizing an "American Committee of Defense of Democracy", designed to consolidate the liberal elements of the American republics in opposition to "military governments" and "dictatorships". US recognition of three of the four nations which Uruguay does not recognize has been criticized rather severely by Uruguayan officials but it is not estimated that this will affect US-Uruguayan relations significantly.

The Uruguayan economy has been affected by the Argentine economic crisis. The decline in dollar value of the Argentine peso has been reflected in the similar, though less serious, decline of the Uruguayan peso's value in terms of dollars. As important to Uruguay as the lessened purchasing power of its money is the fact that Argentine exchange controls and the unfavorable Argentine/Uruguayan exchange rate has reduced Argentine tourist trade in Uruguayan resorts --- an important source of national revenue. The same shift in exchange ratios has stimulated Uruguayan travel and spending in Argentina.

Uruguay's favorable balance of trade during the period 1947-48 has been reduced by half. The wool market is slow and exports of the current season are 23 per cent less than last year. Although there is available for

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export in the coming year 200,000 metric tons of wheat, prices are lower than last year and significant sales have not been made as yet, though it is expected that ECA purchases may help to make possible the disposal of the entire amount.

Inasmuch as neither economic nor political problems are great enough to cause any serious fear of unconstitutional or subversive moves against the government, political interest focuses on the coming 1950 elections where the principal contest will be between the Herreristas and the Colorado candidates. The present period is one of pre-election maneuvering and no clear picture has as yet developed.

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