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Weekly Contributions  
Latin America Branch, ORR, CIA  
26 April 1949

B/LA finds, among the developments reported on this week, that the situation in Argentina (p. 4) is of particular interest as the Perón government is threatened by disaffection in labor and in the army as well; the alienation of either group would seriously threaten the regime's tenure.

CURRENT DEVELOPMENTS

GENERAL: Sabotage is reported a possibility in the Caribbean oil area for late April (p. 2.a)

NORTHERN DIVISION: In Costa Rica a political crisis was peacefully resolved by a compromise between Ulate and Figueres (p. 2.b). Nicaragua's serious economic problems could very well develop into a threat to the Somoza regime in a matter of months (p. 2.b). Panama's Diaz government has successfully thwarted another revolutionary attempt (p. 3).



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SOUTHERN DIVISION: Peru's Odría government has announced the discovery of a revolutionary plot, and has declared a state of siege (p. 3). In Bolivia, the none-too-stable Hertzog government is threatened by politically inspired labor troubles (p. 4). In Argentina the stability of the government is threatened by economic dislocations (p. 4).

SPECIAL SUBJECTS

The Current Situation in the British West Indies . . . . . 6  
The Current Situation in French Guiana . . . . . 9

State Department, NAVY reviews completed

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GENERAL: Sabotage is possible in the Caribbean oil-producing area.  
The US Naval Base at Trinidad has been informed [redacted]  
[redacted] that "intensified Communist activity  
is planned for the Caribbean Area the latter part of April". Ac-  
cording to NOB Trinidad, local security officials anticipate  
"small-scale" demonstrations on 1 May in the oil- and cane-field  
areas but believe they can be controlled.

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1. COSTA RICA: Political Crisis Peacefully Resolved.

A political crisis was precipitated last week when the Constituent Assembly voted to base the new constitution on that of 1871 and to reject a proposed constitution of Provisional President Figueres. The junta's constitution included many new theories that the Assembly found objectionable. Subsequently, President Figueres submitted his resignation and "sought" to turn over the government to President-elect Ulate whose conservative supporters he apparently felt responsible for the Assembly vote. After a series of meetings between Ulate and Figueres, however, a compromise was found. Figueres' resignation has been withdrawn until 8 November. Ulate's succession has been "guaranteed" through the appointment of a supporter as Minister of Public Security. The Minister of Economy, whose policies have been bitterly opposed by conservatives, will probably resign shortly.

Issues in dispute between Ulate and Figueres will presumably be taken before the public during congressional elections scheduled to be held before Ulate takes office. Meanwhile, Ulate will endeavor to persuade his followers in the Assembly to be more cooperative toward Figueres.

B/LA estimates that US security interests are not involved in the present difficulties. The principal contenders on both sides are pro-US.

2. NICARAGUA: The Future Dimly Seen.

Falling sesame prices combined with a very poor coffee harvest are hastening Nicaragua's progress toward insolvency and possible revolution. Private dollar commitments (as indicated by approved import permits) have apparently been made in excess of disposable private dollar reserves. Government disposable dollar holdings were exhausted in 1948.

Since the country's dollar holdings can only be partially and temporarily replenished through the proceeds of this year's diminished coffee harvest and sesame crop -- first and second in importance to the national economy -- a general decline in living standards seems inevitable, in the absence of US assistance. This economic situation could develop into a serious threat to the stability of the present Somoza regime between June and December 1949. Such an eventuality is not regarded as a threat to US security interests at this time.

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3. PANAMA: The latest series of revolutionary maneuvers in Panama has resulted in the arrest of an American citizen, an ex-President of Panama, and several oppositionists. Arms acquired by supporters of Arnulfo Arias in Mexico and the US last autumn, and subsequently concealed in Costa Rica, have been drifting into Panama during the past fortnight. The government, apparently fully aware of this illicit arms traffic, has "detained" several people who, it believes, may be implicated. B/IA estimates that the successful frustration of this latest revolutionary endeavor will strengthen the position of the Diaz government. However, in the absence of US financial aid, it is not believed that the government can in the long run withstand the pressures of existing adverse economic conditions in the country.



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5. PERU: The discovery of "an Aprista plot" was announced on 23 April by the Odría government which has controlled the situation to date by the use of rigorous measures: arrests, reimposition of a full state of siege and partial disarming of the Callao police force that was implicated in the conspiracy. Although the government charges "an Aprista plot", US Embassy Lima suspects that the real plot was within the armed forces, affecting many garrisons and directed by non-Aprista military men — such as the former Inspector General of the Army and the former Air Minister. B/IA concurs with Embassy Lima, but believes that possible Aprista collaboration with rebellious rightists both within and outside the armed forces is a continuing danger to the Peruvian Government.

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6. BOLIVIA: Continued tension at the Catavi mines, in combination with the possibility that MNR and PIR groups have formed a united labor front and may expand labor troubles into a full-scale revolution, indicates that the Hertzog government may still be in a very precarious position. A labor "war of nerves" -- conducted by five major agitators -- continues, because the government has failed in its announced intention of maintaining order. Meanwhile, as a decision by the Ministry of labor is awaited on a petition submitted by MNR-affiliated unions, rumors that wages were to be increased 30 percent have caused Patiño officials to state that any such increase would force them to reduce operations, thus cutting down on the output of tin. Despite elections scheduled for May, the present tension is propitious for revolutionary coups which could easily take place if the MNR and PIR have really established an anti-government entente. Present information, while inconclusive on this point, does indicate that key army figures are still loyal to the regime.

7. ARGENTINA: Economic Difficulties Threaten Stability of Perón Government.

Developments in Argentina since Perón's early March showdown with the army (which gave him a respite from direct military pressure) indicate that he has not been able to ease domestic tensions -- induced by economic dislocations -- which threaten the continuity of his regime.

The recent violent labor outbreak in the Province of Salta is highly indicative of the acute politico-economic problems now harassing the Argentine Government on a national scale. An attack by members of a Perón-dominated union on Peronista provincial authorities in protest against a schedule of maximum prices on basic commodities -- considered excessive by the union -- resulted in approximately five deaths and thirty serious injuries.

The gravity with which the federal government views the problem of inflationary pressures is indicated by action taken at the cabinet level in this incident. Troops were dispatched to quell the disorder; the provincial officials involved were removed; and the price schedule was cancelled.

The government's settlement of the Salta dispute -- by conceding labor's demands -- was consistent with the pattern of the Perón administration's relations with labor, a pattern which involves the most serious threat to the continued stability of the regime because of its dependence on support both from labor and from the army. Despite the government's grave concern, its intensified vigilance, and its public ~~CONFIDENTIAL~~ probably

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contributed to the poorer showing of Peronista strength in recent provincial elections -- the administration has found no formula for successfully resisting widespread inflationary wage demands. Perón's failure to arrest inflation is attributed by army leaders to his "indulgence" of labor and this is an important element in the disaffection of top army leaders and the opposition stand recently taken by the GCU, the colonels' clique through which Perón came to power.

Although the administration has made substantial progress during recent weeks in revising Argentina's ill-advised postwar economic policy to alleviate the economic crisis -- including some concessions to demands of US business on conditions for continued operation -- it is too early for these changes to have had significant practical effect and they may have been taken too late to avert a major political crisis.

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 Situation Memorandum 23-49

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The Current Situation in the British West Indies

(Summary: The BWI, because of their geographic position as natural US defense sites, are important to US security interests. To date Communism is not an acute problem and the general situation is favorable to the US. Noteworthy progress has been made, especially during the past year, toward federation. Meanwhile, native leaders have won greater local autonomy. There are no local military forces of importance, but the police are reasonably adequate. Serious basic economic problems, however, are far from solution.)

The British West Indies (BWI) are important to US security interests because they lie athwart the principal approaches to the Caribbean Sea. They are natural defense sites for the Panama Canal, the Venezuelan oil fields, the refineries at Aruba and Curaçao, and the sea routes from the bauxite deposits in the Guianas. The US maintains active military installations on Jamaica and Trinidad. Facilities on St. Lucia and Antigua are in caretaker status; those in British Guiana are being deactivated. The BWI are of secondary importance as a limited source of such raw materials as bauxite and petroleum as well as agricultural labor.

Communism is not an acute problem in the area and the present situation is, on the whole, favorable to US security interests. The three million natives (over 90 percent colored, exclusive of substantial oriental minorities) are friendly to the US. Despite the fact that major social divisions follow racial lines, Communist propaganda that bids for the support of the impoverished Negro majorities by fixing attention on the rich whites as the direct cause of the Negro's economic ills has not produced an anti-Western orientation among the people. Although reports of the subordination of the US Negro tend to undermine a basically pro-US attitude, for the most part this occurs only to the extent of confirming the loyalty of the populace to the British Crown. The Negroes are not attracted by the Soviet philosophy of racial equality and an egalitarian distribution of wealth at the expense of the whites, as they have been on the neighboring French islands of Martinique and Guadeloupe.

The most noteworthy administrative development in the BWI is the progress toward federation of the now separate colonies of British Honduras, Jamaica, the Windwards, the Leewards, Barbados, Trinidad and British Guiana. The UK Colonial Office has sponsored the federation idea because it believes the social, economic, and political advancement of the area can best be effected by a regional approach to its particular problems.

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Also, the Colonial Office hopes to reduce the perennial West Indian drain on the Treasury by administrative consolidation. Federation was accepted in principle by local leaders at the 1947 Montego Bay Conference. During recent months, the standing Closer Association Committee, under the chairmanship of a UK colonial official, has been planning the machinery whereby federation will become a fact. The work of the Committee is scheduled to be completed this summer. It is anticipated that the Committee's report will be limited to the recommendation of such preliminary measures as the establishment of a common fiscal, customs, and tariff policy; the unification of currencies and public services; and the creation of a federal legislature and judiciary. Such a development would, it is estimated, have no long-term adverse effect on US security interests in the area.

Concurrent with British-sponsored moves toward federation, native leaders have insisted upon greater local autonomy. Trinidad has recently been granted a new constitution which provides for some self-rule. Jamaica, the most politically advanced of the territories, has been almost self-governing since 1944. The remaining colonies in varying degrees have less voice in their own affairs, but constitutional reform is under consideration for some of them. Political parties, which are as a rule the outgrowth of labor organizations, are neither well-organized nor influential except in Jamaica and Trinidad. Elections are scheduled late this year in Jamaica, and the left-wing-socialist People's National Party (PNP) may replace Alexander Bustamante's more conservative Jamaica Labor Party as the majority party. The PNP has previously shown itself to be hostile to US occupation of Jamaican base sites [redacted] and, from this standpoint, its victory at the polls would be an unfavorable development for US security interests.

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When the Trinidad Government starts functioning under the new constitution, demagogic left-wing labor leaders of the Uriah ("Buz") Butler type can be expected to play a prominent role. The activities of these leaders is of direct US concern because Trinidad, unlike the other colonies, has some industrial significance by virtue of its petroleum and asphalt production, and the additional circumstance that Alcoa is at present constructing harbor facilities that will make Trinidad the world's largest bauxite transfer point.

The Colonial Office and native politicians both agree that the BWI must achieve a greater degree of economic independence before political federation can be effective. While the economic situation varies from colony to colony, the basic problem common to the insular areas is threefold: (1) there are too many people on too small land units, and these people use inefficient methods of production and lack occupational outlets

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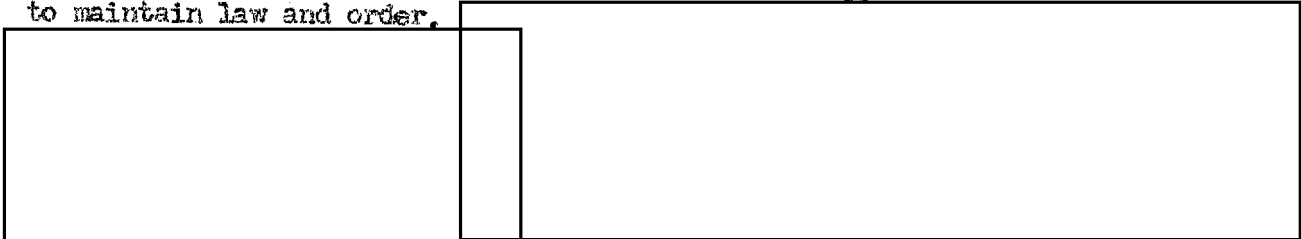
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for their expanding numbers; (2) the area has few resources beyond agriculture and manpower; (3) local government revenues, derived primarily from customs duties, are of themselves insufficient to supply the basic educational, social, and sanitary requirements of the territories.

The UK is endeavoring to solve these problems in a limited manner. Under the terms of the Colonial Development and Welfare Act, \$17,500,000 is being made available to the BWI over a ten-year period (1946-56) in order to alleviate immediate distress and to establish projects that will be of long-term benefit, such as the modernization of the Turks Island salt industry and the establishment of the University College of the West Indies at Jamaica. The Evans Commission has recommended the transfer of 100,000 islanders to British Guiana and British Honduras during the next ten years. Such a scheme, even if implemented, would at best be a mere palliative in the face of the annual natural increase estimated at 75,000. The UK has somewhat stabilized colonial commodity prices by bulk purchasing agreements. Various projects, such as the promotion of the tourist trade, have been worked out jointly with the US, France, and the Netherlands through the Caribbean Commission. These efforts offer no real solution of the economic ills of the area.

Excluding US troops, the only military force in the BWI is a UK battalion located at Jamaica. Territorial military units were disbanded for purposes of economy after World War II. Units of the British Fleet make periodic visits to the area. Local police forces appear to be sufficient to maintain law and order.

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The Current Situation in French Guiana

French Guiana has virtually nothing to contribute to US security, nor are there factors present in the situation which in any way jeopardize US security interests. The only significant commodity present is bauxite, deposits of which, so far, have not been adequately explored or proved as to quantity and quality. With regard to US military aviation, the only importance of French Guiana is as a site for emergency landing fields. It is of very little importance in the US air-defense scheme for the Caribbean region. During World War II, the US Air Force maintained a base at Rechambeau Field which was returned to the French Government in January of this year. Inasmuch as French Guiana has been made an overseas department (a new relationship binding the government of the former colony more closely to the government of France), its international relations and activities will be determined in the mother country.

The position of French Guiana in the French constitutional system was changed by a 1946 law from that of a colony to that of an overseas department --- a transition which was completed by August 1947. The most effective agitation for this alteration of governmental status in the French West Indies was carried on particularly by the Communists on Martinique and Guadeloupe. No serious demand for change was made by the people of French Guiana. When, however, the French Government acceded to the demand for modification of the imperial constitutional pattern, French Guiana was included among those overseas possessions erected into departments, thereby making it an integral unit in the home government with parliamentary representation and all the other rights and obligations of the continental departments.

Economically, French Guiana is backward and undeveloped. Only one-half of one percent of the land is under cultivation. Transportation facilities are extremely primitive. There is a potentially good harbor in the Mahoury River off the town of Cayenne, but a sand bar prevents its efficient utilization. Port facilities, in general, suffer from neglect. Bauxite deposits have been found. An American company (Reynolds Metals) and a French company have combined to extract bauxite in French Guiana, but there have been no reports indicating that operations have begun. Exploration has been too limited to permit any assessment of the value of the deposits. In 1948 sugar production amounted to only 3,000 tons and that of bananas to 15,000 tons. Both of these commodities were exported to France. Gold is extracted by primitive means and its marketing has been rigidly controlled by the government. Electric power is practically non-existent.

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The population, a small and declining one, consists of a majority of Negroes and a white minority comprised chiefly of government officials and ex-convicts from the former penal colony who cannot or care not to return to France. Relations between the two races are not good. There is a general labor shortage. To improve this condition, the government has plans for the introduction of about 200 families of displaced persons with labor skills, but so far, there is no indication that any action is being taken to implement the plan. In short, the prospects for economic development in French Guiana are dim and its importance to the US at the present time is nil.

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