

Weekly Contributions
Latin America Branch, ONE, CIA
12 July 1949

Two items are of particular interest this week: that on the drop in Bolivian tin production and that on plotting by Venezuelan diplomatic officers.

CURRENT DEVELOPMENTS

GENERAL: Communists in a number of Latin American countries are taking steps to improve their position (p. 2).

NORTHERN DIVISION: Cuba's Chief of Staff, General Pérez, may be removed (p. 2). Guatemala's government, despite denials, appears to have been involved in the Dominican invasion attempt (p. 3).

CENTRAL DIVISION: The reuniting of Colombia's Communist parties will not significantly enhance the party's strength (p. 3). Venezuelan diplomats in the US are said to be plotting the removal of Pérez Jiménez from the governing military junta (p. 4).

SOUTHERN DIVISION: In Bolivia, the decline in mineral production has adverse effects (p. 4). The loss to Uruguay of an expected contract to sell meat to the US has had unfavorable repercussions (p. 5).

SPECIAL SUBJECTS

The Current Situation in Panama 7

DOCUMENT NO. 2
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HP 70-2
DATE 10-25-79 REVIEWER: 372044

~~SECRET~~

Weekly Contributions, B/LA
(CIA Working Paper)

12 July 1949

1. GENERAL: Communists Attempt to Strengthen Position

Recent activities of Latin American Communists seem to indicate that the Communist parties, which, in general, have been declining in strength and effectiveness (see B/LA Wkly, 7 Jun 49), now are taking steps in a number of countries to improve their position by closing ranks and by attempting to extend their influence to splinter groups and popular fronts.

In Colombia the two Communist parties have united in an attempt to further party aims. No evidence has been reported that this has resulted in increased Communist strength. In Mexico two dissident Communist groups (both outside the "regular" party) plan to create a single "authentic Marxist Party" at a Marxist congress of unity scheduled to be held in November.

Recent Communist attempts to extend the party's influence seem to indicate that leaders agree with the idea expressed by Lombardo Toledano, who is reported to have said that, in view of the unimportant position of Communist parties, the creation of "so-called Liberal parties" is necessary. In Chile, as few Communist-sponsored candidates were elected in the March elections, the Communists apparently now plan to direct their efforts, particularly through the use of propaganda, toward the unification of all political elements discontented with the present government. In Venezuela the Communists have a similar scheme; there it is planned to bring all organized labor together, and also to form an alliance to be called "The Patriotic Democratic Anti-Imperialist Front". In Ecuador too, attempts to extend Communist influence are being made; there, in response to instructions said to have been received from Mexico, the party plans to effect a working agreement between the Ecuadoran Communist Party and other leftist groups to provide a united front against Liberals and Conservatives.

These activities, thus far, have not resulted in any discernible strengthening of the generally weak position of the Communist parties in the area. B/LA estimates that, even though a certain increase in Communist activity may be expected, there will probably be no significant improvement in party strength or effectiveness in the immediate future.

2. CUBA: Chief of Staff, General Pérez, may be ousted. President Prío may soon find it convenient to replace General Genovevo Pérez, the Cuban Army's Chief of Staff since 1944. Heretofore, General Pérez' popularity within army circles has forestalled maneuvers by his political opponents to oust him and President Prío has preferred to assume a neutral attitude toward his continued tenure in office. Recently, however, the army has become

~~SECRET~~

2.

Weekly Contributions, B/LA
(CIA Working Paper)

12 July 1949

25X6A

dissatisfied with General Pérez because [REDACTED] veterans' pensions and the army clothing issue have fallen into arrears. Despite the fact that General Pérez has always been very pro-US, it is not believed that his replacement by another officer would have any effect on Cuban-US relations.

3. GUATEMALA: Official Complicity in the Dominican Invasion Attempt
25X1X4

[REDACTED] planes used in the recent Dominican invasion attempt were based in Guatemala, and that Guatemalan Air Force planes and pilots took part in the invasion preparations with the full knowledge and cooperation of President Arévalo and Foreign Minister Muñoz Meany.

Although President Arévalo has officially denied that Guatemalans were involved in the invasion, it is evident from this and other information that the Guatemalan Government aided the revolutionists at least up to the time of the departure of their planes from Guatemalan territory.

4. COLOMBIA: Unification of the two Communist Parties

After months of controversy concerning the conditions under which a merger would be mutually acceptable, the Colombian Workers' Party (PCO - a group of dissident Communists who separated from the parent organization in 1947) was reunited with the Colombian Communist Party (PCC) by act of the latter's Central Executive Committee on 3 June 1949. Both factions abandoned the rather extreme demands they had made as conditions precedent to unification. Reportedly, the only conditions finally laid down were: (a) members of the PCO must individually submit written application for membership in the PCC, and (b) the PCC will not discriminate against such applicants nor attempt to establish responsibility for any activities of applicants prior to the date of application. The unification of the two groups had for some time been urged by Colombian Communists living in Europe and by the Communist leaders in neighboring countries.

Reports received during the month following the merger seem to indicate that it was entered into more with the hope that it would arrest the declining vitality of Colombian Communism than with any conviction that it would produce any significant advancement of the Communist program in Colombia.

B/LA does not believe that this merger will result in any significant increase of political power for Colombian Communists.

~~SECRET~~

3.

Weekly Contributions, B/LA
(CIA Working Paper)

12 July 1949

5. VENEZUELA: Diplomatic Plotting

25X1X6

25X1X6 Venezuelans in the US are plotting to oust Pérez Jimé-
nez, [REDACTED]

25X1X6

[REDACTED] The plotters are reported to include -- in addi-
tion to other diplomats -- Ambassador Pocaterra, Mario Vargas, and
Rómulo Betancourt and other Acción Democrática leaders. The scheme
is said to contemplate, in addition to the removal of Pérez Jiménez,
the resignation of Delgado Chalbaud from the army and his subsequent
appointment as civilian president of Venezuela. Delgado Chalbaud is
reportedly a party to this plot.

B/LA believes that there may well be plotting among
Venezuelan diplomats in the US, but that they are more likely to be
engaged in political jockeying for a redistribution of power than to
be planning a real revolution. Both Delgado Chalbaud and Pérez
Jiménez are probably aware of the existence of such a conspiracy.
It is improbable that Delgado Chalbaud would be party to any plot
involving the use of one part of the armed forces against another.
It is doubtful whether Betancourt enjoys the confidence of the Vene-
zuelan diplomats, and if AD is involved in such a conspiracy it is
probably at most a token participation. The change in the junta ap-
parently desired by the conspirators would be unlikely adversely to
affect US security interests in the area.

6. BOLIVIA: Drop in Mineral Production has Adverse Effects

The decline in mineral production has already seriously
affected Bolivia's economy and may affect adversely US interests in
stockpiling and in maintaining a readily available Western Hemisphere
source of metals, especially of tin.

Bolivia's national economy has been affected by the de-
crease in revenue from metal exports, especially governmental re-
venues. Estimated fiscal receipts have been reduced nearly six per-
cent as a result of the drop in tin production alone. Officials
also estimate that there will be a US\$10,000,000 deficit in foreign
exchange receipts as the foreign exchange budget was calculated on
the basis of earlier estimates of 1949 tin exports. Under these de-
preciative pressures, the boliviano has reached a new low of 102 to
the dollar on the gray market, as compared with the official rate of
42 bolivianos to the dollar. Unless there is an unexpected recovery
in the metals market, Bolivia can scarcely escape further labor con-
flict, deficit financing, and decreased purchasing power as it seeks
to adjust to the new situation.

~~SECRET~~

4.

Weekly Contributions, B/LA
(CIA Working Paper)

12 July 1949

Even if prices are not lowered in a new US contract now under consideration, 1949 tin production in Bolivia is expected to reach only 32,000 metric tons — instead of the 38,000 considered possible at the first of the year. Although the International Tin Study Group states that the world supply of tin is now adequate for commercial purposes, this is without reference to military plans for stockpiling. Production of lead, zinc, and copper has also declined in Bolivia. While supplies of these metals are adequate for all present purposes, as indicated by falling prices, the reduction in Bolivian output and in reinvestment in facilities will tend to make it difficult to restore full production rapidly in the event of an international emergency. Since Bolivia is an important supplier, especially of US tin, the expected decline in production and ability to produce may have significant strategic implications for the US.

7. URUGUAY: Loss of US Meat Contract a Severe Blow

The announcement by the US Army that Argentina, rather than Uruguay, has been awarded a three million dollar meat contract — after renegotiation of the original bidding in which Uruguay had been low — has adversely affected the prestige of the present Uruguayan Government and has impaired US-Uruguayan relations as well, and may have consequences even more far-reaching.

The announcement set off a barrage of criticism of both the US and the Batlle Berres government. Uruguay's loss of a contract it already considered won could scarcely have happened at a worse time for the Batlle Berres government. Dollar exchange has been lost just when Uruguay is feeling the pinch of its failure to sell sufficient wool to the US when its dollar funds are dangerously low. Both Communists and Herreristas have made considerable political capital of the incident, while members of the government party have with greater or lesser sincerity revived the plaint that the US is forgetting its wartime friends. While it appears somewhat inconsistent for Uruguayans to blame both their own government and the US, both Herreristas and Communists maintain that Uruguay's present discomfiture is a natural result of the Batllista policy of subservience to the US. Ill feeling for the US generated by this incident is so widespread that B/LA estimates that even the renegotiation of the entire meat deal, if offered, could not restore entirely the former cordiality of US-Uruguayan relations. Signing of the long-pending US-Uruguayan trade treaty is likely to be postponed if not abandoned.

US relations with other Latin American nations may also be adversely affected by the incident, since Uruguay has considerable

Weekly Contributions, B/LA
(CIA Working Paper)

12 July 1949

influence on Latin American public opinion, and a reversal of its role as a strong supporter of US policies would be both conspicuous and of great effect. This effect would be heightened if the incident were taken as an example to show that small nations that sedulously support US policies need not expect preferential treatment in economic affairs — an interpretation already given it by anti-US groups in Uruguay.

~~SECRET~~

6.

~~SECRET~~

Weekly Contributions, B/IA
(CIA Working Paper)
Situation Memorandum 39-49

12 July 1949

The Current Situation in Panama

(Summary: US security interests are not seriously affected by current developments. The Diaz administration has survived all opposition attempts to overthrow it. The government continues its hostile attitude toward Communism. The economic situation is grave. The National Police remains loyal, but future improvement in efficiency is doubtful. There has been a tendency toward participation in Central American power-balance rivalries.)

The basically unstable Diaz administration has survived all attempts to overthrow or to humiliate it. Its powers of survival were demonstrated during April when the Minister of Government announced the uncovering of another plot to oust the government. Several of those involved succeeded in eluding the police and fleeing the country; others, including two ex-presidents, were apprehended and jailed. Subsequently, the National Assembly declared by a vote of 28 to 9 a "state of siege" and thereby suspended certain constitutional guarantees.

Shortly after this event, however, an incident occurred that vividly demonstrated the basic instability of the government. The Minister of Public Works, on 1 May, in self defense, shot and fatally wounded a West Indian Negro, who had recently been dropped from the payroll of the Ministry of Public Works for reasons of economy, but who was also a member of the pie de guerra — the administration's private terroristic organization composed of armed ruffians who go about carrying lead pipes concealed in newspapers. Even though the deceased was a notorious thug with a criminal record, the big funeral held for him was attended in full force by the pie de guerra as well as by President Diaz, the Minister of Government and Justice, and other high officials. President Diaz thus publicly demonstrated the extent to which he is obligated to the pie de guerra. B/IA estimates that this incident basically weakened the position of the government because it will sharpen racial animosities and will encourage the pie de guerra to increase its demands on the government to the point where the latter may find itself unable to meet them. In such an event, there is no assurance that the terrorist organization might not turn to opposition elements for employment. Regardless of the turn of political events, however, it is not believed that US security interests will be seriously affected.

~~SECRET~~

7.

Weekly Contributions, B/LA
 (CIA Working Paper)
 Situation Memorandum 39-49

- 2 -

12 July 1949

The conservative Diaz administration continues its hostile attitude toward local and world Communism. There appears to have been no increase in the strength of the small Communist minority during the past few months. A future increase is not foreseen at this time.

Panama's economic situation remains unfavorable and the government's fiscal situation "is grave, but not desperate". Reduced US expenditures in the Canal Zone have caused a sharp decline in national income. The cost-of-living index fell to 183.0 at the end of May from the March figure of 187.6. In Panama City alone, it was estimated that there were 5,000 heads of families without employment during April. March internal revenue collections were \$400,000 below the previous year; the budget remains unbalanced; and the Ministry of Public Works, as an economy measure, instituted a five-day working week on 1 May in order to effect a monthly saving of \$20,000. Despite enormous governmental and general interest in agricultural development --- regarded by many as Panama's most pressing problem --- little has been accomplished in the way of devising and executing a positive program. The Sinclair Oil Company has ceased all prospecting and drilling operations in the country, and its equipment is now being crated for shipment to the US. (A field crew of some 200 individuals were employed on this work during the past three years, and \$1,173,000 was spent on drilling two wells, both of which were dry.) B/LA estimates that, in the absence of increased US expenditures in the area, the country's economic situation will remain adverse. Unemployment will rise, security prices will continue to decline, bankruptcy proceedings will increase, the national income will fall still further.

The National Police Force remains loyal to the administration. It acted with promptitude and dispatch in the suppression of the April revolt of pro-Arias conspirators. Ringleaders were quickly arrested and those who eluded the police and escaped the country have not returned. In order to increase the mobility and effectiveness of his forces, Police Chief Remón is now seeking to purchase four C-45's so that he may rapidly transport his men to strategic points about the countryside in order better to suppress revolutionaries should the need arise. B/LA believes, however, that Chief of Police Remón will be unable further to increase the efficiency of the police; adverse economic conditions and President Diaz' subservience to the pie de guerra will prevent him from doing so.

In foreign policy matters, the government continues its friendly attitude toward the US. Also, it is showing an increasing interest in Middle American relationships. On 13 April the President signed the National Assembly law --- passed by a vote of 27 to 12 --- approving the US-Panamanian Air Transport Agreement and thereby demonstrated that the two

~~SECRET~~

3.

Weekly Contributions, B/LA
(CIA Working Paper)
Situation Memorandum 39-49

- 3 -

12 July 1949

countries were able, by diplomatic means, to effect an agreement on a highly controversial subject. Meanwhile, the government has requested of the US the assistance of a technical aviation expert to help prepare the national airport to function as an international air center. The failure of the neighboring Costa Rican Government to take requested restrictive measures toward pro-Arias conspirators has encouraged Panama toward participation in Central American power-balance rivalries. As a backhanded slap at Costa Rica, the Panamanian Government sent a goodwill mission of high officials to visit Costa Rica's neighbor and "enemy", Nicaragua. Also, Panama plans to raise its legation at Managua to an embassy. President Diaz is said to desire to see Nicaraguan cattle imported into Panama. Such a move would both improve Diaz' personal relations with Nicaragua's dictator, Somoza, who owns a good portion of that country's cattle, and hurt Diaz' bitter personal and political enemy Harmodio Arias, who owns a good portion of Panama's cattle. It is true that Panamanian participation in Middle American power-balance rivalries must be considered an adverse development from the standpoint of the US security concept of Hemisphere solidarity based on the unity of all 21 American Republics. B/LA believes, however, that since the government is not motivated by much more than personal political vendettas, the results of this recent tendency, so far as US security interests are concerned, will be ephemeral and of no great consequence.