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Weekly Contributions  
Latin American Division, ORE, CIA  
1 November 1949

Two items have been selected this week by D/LA as being of particular interest: that on Colombia (p. 3), and that on European control of Latin American Communist activities (p. 2).

CURRENT DEVELOPMENTS

GENERAL: Communist activities in Latin America appear to be controlled from Europe rather than from any point in the Hemisphere (p. 2).

NORTHERN AREA: In EL Salvador, the resignation of two junta members does not affect the stability of that country (p. 3).

CENTRAL AREA: In Colombia, there is a real possibility that increasing violence will impel the government to declare a state of siege (p. 3). In Ecuador, the postponement of the election of the vice-president is expected to be of benefit to the Plaza administration (p. 4).

SOUTHERN AREA: In Paraguay, events of the past week have advanced the date of a possible political showdown (p. 5).

SPECIAL SUBJECTS

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1. GENERAL: European Control of Latin American Communist Activities  
The problem of the extent, nature, and means of international (i.e., Soviet) control of Latin American Communist activities continues to raise many questions to which exact answers are lacking. Certain recent events, however, seem to justify the tentative conclusion that, whatever may be the degree of control or the number of channels, this control is exercised, not through any Latin American regional headquarters for Communist, Communist-front, and allied organizations, but directly from Europe.

All reports of a Latin American Cominform or similar organization have either been in conflict with known facts, or from unreliable sources and impossible of verification. Evidence is lacking of any recent attempts by Russian diplomatic representatives in Latin America to create any regional headquarters or even regional groupings of the local Communist parties or of the various local front-groups. Spontaneous regionalism also appears to be almost entirely lacking among Latin American Communist parties. Local parties appear to have close liaison with only two or three of those Communist parties geographically close to them, and none appears to have close liaison with all other Communist parties in Latin America. The Cuban Communist Party has more extensive contacts with foreign Communists than any other Latin American Communist party. However, even in this case, there has been a substantial community of effort with only the Mexican Communist Party. Couriers and Latin American Communists from other countries pass through Havana and Montevideo, but this is probably for travel convenience rather than because of any organizational grouping of the Communist parties that would give special authority to these two cities.

There is some evidence that Communists block the development of regional control mechanisms in Latin America. For example, it was reported that in a secret session at the recent "Peace" Congress in Mexico City, the Communists -- as distinguished from fellow travelers -- vetoed Lombardo's Hemisphere "peace organization" plan, and, in effect, substituted instead direct subordination of local national groups to Paris headquarters.

The Communist front groups -- WFDY, WIDF and WFTU -- all have international headquarters in Paris, and the local Latin American organizations of these groups appear to be subordinate to those headquarters, with a partial exception in the cases of some trade unions which are affiliated with the WFTU through the

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CTAL, a regional organization. Most of the more important unions belonging to the CTAL, however, also have direct contacts with the Paris headquarters of the WFTU.

The apparent lack of a Soviet regional control mechanism in Latin America; the lack of close cooperation between local Communist parties beyond their immediate neighbors; the resistance of some Communists to the possible development of a regional front-group headquarters in Latin America; and the concentration of general headquarters of world front groups in Europe, support, at least tentatively, the conclusion that the Soviets do not presently desire the development of regional Communist organizations in Latin America and exercise such control as they use directly from European headquarters.

2. **EL SALVADOR:** No change in the stability of the Salvadoran government, or in its middle-of-the-road policy, is foreseen for the immediate future as a result of the resignation of the junta's most influential members — Major Oscar Osorio and Dr. Reynaldo Galindo Pohl. Major Osorio, who resigned to become an active presidential candidate, remains the dominant figure in Salvadoran political life. In recent visits to various military garrisons, he has assured himself of the support of the army, and apparently feels the strength and loyalty of his supporters sufficient to assure his continued dominance in national affairs and his eventual election as constitutional president. It is to be expected that Osorio will continue to seek support from both liberals and conservatives, and will play both ends against the middle in his political campaigning. Galindo Pohl's resignation and his support of Osorio's candidacy suggest a political deal, because his reputed liberal tendencies contrast with Osorio's somewhat conservative beliefs. Major Osorio, the dominant political figure, and Galindo Pohl as well, can be expected to support the junta, which is now reduced to two men, Major Oscar Bolanos and Dr. Humberto Costa. The junta, in turn, can be expected to continue the moderate, middle-of-the-road policy that has existed since its foundation in December 1948. US security interests are not immediately affected.
3. **COLOMBIA:** State of Siege May be Declared  
D/IA estimates that there is a real possibility of a state of siege in view of the increasing violence in Colombia. The current threat to stability stems from Liberal Party fears that the Conservatives may have assured the victory of bitterly-hated Laureano Gomez in the presidential election scheduled for

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27 November by a) the appointment of a pro-Conservative officer to command the expanded army, b) the removal of Liberals from police administration, and c) the replacement of Liberal Governors by strong Conservatives. On 26 October the Liberal Party publicized a proposal (substantially similar to a proposal made by conservative President Ospina on 24 October) for a form of coalition government to govern for four years in order to reestablish public order. Ultimate decision as to whether or not this proposal will be put into effect lies with the Conservative candidate, Laureano Gomez. It is believed that the resignation of the Liberal members of the Supreme Electoral Court and their announcement that they would not accept the results of an election held under present electoral procedures, along with the National Liberal Directorate's orders that Liberals resign from all electoral bodies, is designed to put pressure upon the Conservative Party in general and upon Gomez in particular, to accept the Liberal "peace proposal."

In view of Gomez's growing conviction that he can win the election in November, D/LA estimates that only under irresistible public pressure will he accept this proposal to postpone for four years his chances of gaining the presidency. In the event that Gomez does reject the Liberal proposal entirely, the government, in order to control probable violence, is expected to declare a state of siege.

4. ECUADOR: Election of Vice-President Postponed

Since Vice-President Sotomayor died (16 Oct) while congress was in session, it was believed that the government would insist that its congressional majority proceed to the immediate election of a new vice-president in order to prevent the anti-Plaza president of the house (Augusto Alvarado Olea) from becoming the interim vice-president as provided in Article 105 of the constitution (see D/LA Wkly 18 Oct 49). The government, however, did not avail itself of this opportunity. In a joint session (21 Oct) congress recognized Alvarado as interim vice-president by the adoption of a resolution that "Article 105 of the Constitution should be interpreted to require the calling of an extraordinary session of Congress upon the termination of the current ordinary session for the purpose of electing a new vice-president."

US Embassy, Quito, reports that the government bloc in congress joined the opposition in support of the resolution because the former group desires to avoid any criticisms of having proceeded unconstitutionally in this business. The Embassy further reports that an extraordinary session will probably be

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called for 10 or 11 November. D/LA estimates that the short delay occasioned by the resolution is more likely to be a benefit rather than a disadvantage to the Plaza administration, and that (as previously estimated in D/LA Wkly 18 Oct 49) the selection of a successor is not likely to pose any serious problem for the government.

5. PARAGUAY: A tug-of-war between political and military elements appears to be developing in Asuncion. Government leaders, who came into office with the aid of General Diaz de Vivar, Chief of Staff, are now fearful that the General is obtaining such a strong grip on the military that he may soon be in a position to overthrow the all-civilian regime and are considering ways and means of removing him without precipitating a crisis. Military leaders, many of whom are dissatisfied with the army's subservient role in the government and who are no doubt aware of the existence of the conspiracy against Diaz de Vivar (see D/LA Wkly 25 Oct 49), might not be averse to participating in a military coup. These developments in the past week have advanced the date for a showdown. While the effect may be damaging to Paraguayan stability, there is no indication that US security interests will be significantly affected.

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The Current Situation in Surinam

(Summary -- Surinam's most important political problem -- its future status with regard to the mother country -- has not been settled. Economic conditions remain favorable. The small garrison force continues to be of no military importance. There has been no movement of a leftist or other subversive character. International relations as such are not carried on by Surinam because of its status as a dependency.

-- None of the current developments in Surinam adversely affect US security interests.)

Political

The most important current problem in Surinam is that of its future relation to the mother country. The solution of this problem is contingent upon the settlement of the question of the relationship of the Indonesian possessions to the Netherlands government, a settlement yet to be made. Because of this, however, Surinam is plagued by the uncertainties inherent in any period of political transition; the old order is no longer adequate for present-day political realities while the new has not been determined. In the meantime, an interim agreement, so sorely needed, appears to be equally difficult to achieve.

It is true that on July 22, the Second Chamber of the Netherlands States General unanimously approved an interim agreement which, among other things, gave legal recognition to Surinam's wish to be represented in the Dutch Parliament when matters relating to Surinam were under discussion. Unfortunately, however, this agreement also contained provisions whereby the Surinam government would be required to support private (including church schools) as well as public schools out of public funds. The reaction to these provisions in Surinam was intense. On 25 July the Surinam Staaten petitioned the Dutch Parliament to withdraw the agreement because the education provisions were "in flagrant conflict with the autonomy of Surinam," and an encroachment upon its budget rights as they prescribed compulsory expenditures." Copies of the petition were also sent to the Inter-Indonesian Conference, the UN and the OAS. In September, the Netherlands government withdrew the agreement bill, leaving the whole question of imperial relationship where it was.

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Nothing of exclusively domestic political importance has developed during the past three or four months. The May election for the elective members of the Staaten resulted in a distribution of representatives favoring the three big local parties; the National Party of Surinam (NPS), the Progressive Surinamese Party (PSP, a Catholic Party), and the Christian Socialist Party (CSP). Racially, the make-up is seven mixed-bloods, seven East Indians, four Negroes, two whites, and one Javanese. None of the members elected is known to be anti-US.

#### Economic

The economic condition of Surinam continues to be good. Local business is normal. Of the three most important exports (bauxite, rice and gold) production of only the last has declined. There are no significant changes in the export-import pattern and the colony's financial situation is sound.

With regard to the monetary situation, officials of the government have announced that, under present circumstances, there is no reason to devalue the Surinam guilder. It is estimated that the Foreign Currency Fund will lose 100,000 guilders as a result of sterling devaluation which can, however, be covered by existing reserves. Although the devaluation of Netherlands currency may threaten exporters of citrus fruits and lumber (because their products are sent mainly to the Netherlands), the devaluation generally has been financially advantageous to Surinam as it owes money to the Netherlands.

The production of bauxite, the most important single export commodity, is about normal. Inasmuch as practically all production is exported to the US, the wave of devaluations will have no effect upon Surinam's prospective income from this source, nor will American importers profit to any greater degree because, as stated above, Surinam has not had to devalue its currency.

Gold production continues to decrease in spite of the bonus of Fl. 0.25 paid by the government on all new gold mined. Most recent figures indicate a decline of 46.5% from last year's production for a similar period, and there are no indications of the likelihood of any increase in production during the remainder of this year.

The harvest of rice -- the principal agricultural product both from the standpoint of the domestic economy and foreign trade -- is somewhat

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late in getting under way because of unseasonable rains which continued this year well into the normal dry season. From all appearances, the yield per acre will be heavier than last year, but, as there are some 500 acres less under cultivation, the total crop will probably be about the same as last year (58,395 metric tons of rough rice).

Officials of the Surinam Department of Agriculture are considering a new plan for the rice industry involving a change from the present method of producing only white rice to the production also of steamed or "converted" rice, which would involve the introduction of new machinery. Although such a change would increase the volume produced, persons interested in the rice industry do not favor it. The market for Surinam rice has been the US, the Netherlands, Curacao, and Venezuela where there is no demand for steamed rice, and a shift to the production of such rice would leave only the British and French West Indies as practical outlets.

#### Military

The small Dutch garrison force stationed in Surinam continues to be of no political or military importance.

#### Subversive

No movement of a leftist or other subversive character is known to exist in Surinam.

#### International

As a dependency of the Netherlands, Surinam does not carry on any international relations as such. Nothing of note has developed from the conference held some months ago by the governors of the three Guianas for the discussion of economic and scientific matters of mutual concern. The people of Surinam continue to be favorably disposed toward the US.

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The Current Situation in Cuba

(Summary -- The administration is stable, but there is a great deal of jockeying for position among and within the political parties. The economic situation remains somewhat unfavorable. The government continues its anti-Communist attitude. Army morale has improved. The Air Force is to be reorganized. The economic relations with the US are being made difficult because of the uncertain economic situation in Cuba.

-- US security interests are not seriously affected by Cuban economic developments at present, but the developing friction between Cuba and the US could adversely affect US interests.

Political

The administration is stable. There is a great deal of jockeying for position among political parties, and for control of the Autentico (government) machine. President Prío will probably retain control, in spite of efforts of Senator Alemán and ex-President Grau to take over Autentico direction. Real accomplishments, however, continue to be blocked by politics. Negotiations for the proposed loan (see Economic) have been complicated by attempts by members of congress to make their votes for the loan contingent on the granting of political concessions and diversion of graft to themselves. Gang warfare has increased substantially in recent months but because gang activities receive substantial backing from influential politicians, the administration is not able, and is somewhat unwilling, to comply with public demands that gangsterism be suppressed.

Economic

The economic situation is moderately unfavorable. It is true that the sugar wage problem (see B/Wkly 2 Aug) has been temporarily settled to the satisfaction of all groups concerned and will probably not arise again until the end of the 1950 grinding season. It is also true that most of 1948-49 sugar crop is sold, sugar prices are high, and under the US sugar act of 1948 Cuba's share of the US domestic sugar market is large enough to assure Cuba of an export market of 2.5 to 3.1 million short tons per year. US purchases of Cuban sugar for use in foreign countries, however, have been decreasing as sugar production has increased in war-devastated areas. As a result of this situation, the

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1948-49 sugar crop (5.76 million short tons) has been voluntarily cut in volume to a level 14 percent below that of the previous year, and Cuban economists anticipate the need for further decreases in production for 1949-50. The total value of Cuba's exports and of imports in the first six months of 1949 were substantially lower than that of 1948, government's revenues collected have decreased considerably and unemployment is increasing. Cuban leaders continue to dread a major economic depression.

Cuba's current governmental economic policies -- potential sources of friction between Cuba and the US; see International -- are not likely to strengthen Cuba's basic economic structure. Further, there is little chance that the government loan (see B/Wkly 2 Aug) -- negotiations for which are said to be in an advanced stage -- will provide long-range benefits unless its use is closely supervised by the lending group, because present indications are that there will be considerable graft in connection with the loan. There are strict limitations to Cuba's capacity to strengthen and broaden its economy permanently because the Cuban government continues to be more interested in preserving as large a sugar export market as possible, rather than in economic diversification which would tend to decrease Cuba's import requirements and develop export items other than sugar.

It is estimated that the government's economic policies and objectives will remain substantially as at present during incoming months, that the customary graft of public funds will continue, and that the government's financial situation will not improve unless a loan is consummated. Adverse factors will have only a moderate effect on the Cuban economy in the next few months, however, because of the present high price of sugar and the strong demand for Cuban sugar on the US market.

#### Subversive

The government continues its anti-Communist attitude. Havana newspapers reported a trip of four Cuban Communist leaders to the USSR in August for instructions. It is thought that there has been little change in Communist strength in Cuba during recent months, but the inadequacy of intelligence reporting on Communist activities in Cuba prevents a complete estimate of Communist strength at this time.

#### Military

The armed forces remain capable of maintaining law and order, of protecting the government in times of stress, and in the event of a

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US-USSR war of controlling anti-US elements in the domestic population. Army morale has improved since the appointment of General Ruperto Cabrera to replace General Pérez as Chief of Staff. The new military intelligence service (GRAS) has been fully activated.

The new Chief of Staff has ordered a reorganization and modernization of the Army Air Force along US lines and wants air force personnel to be trained in the United States. Unsuitable craft are to be scrapped and a fighter squadron and a bombardment squadron are to be formed. As of 7 Jul 49 the Army Air Force had 56 planes, 20 of which were non-operational due to lack of spare parts or need of repairs.

#### International

Cuba continues to support the US as against the USSR in international politics.

Economic relations with the US are being made difficult at this time because of Cuba's justified feeling of uncertainty regarding the future. In bilateral discussions with the US and at the recent conference of GATT signatories in Amecy, the Cuban delegation took an uncompromising attitude in supporting its demands for tariff increases for the protection of textiles and other domestic industries, tariff increases which would decrease the market for US industrial and agricultural products in Cuba. Thus far, changes in the Cuban tariff have been made only for potato imports. There have also been difficulties between the US and Cuba over proposed changes in US tariffs. The Cuban delegation to Amecy finally withdrew from the conference in protest against the US grants of tariff concessions to Haiti without first consulting Cuba, which would be affected (but not greatly) by such concessions. Recent events in the UN indicate that there is likely to be an increase in Cuban charges that US commercial practices are unfair to underdeveloped areas. Such developments would furnish Moscow with good propaganda themes on US economic imperialism. D/IA anticipates that Cuban-US economic relations will gradually become more difficult as the Cuban economic situation becomes more unfavorable.

The Cuban government's basic opposition to US-controlled and other foreign enterprises in Cuba continues to be manifested from time to time despite the current attempt to obtain a large loan from US investors or from the International Bank. Various groups, including foreign accountants, Cuban agents of foreign drug and pharmaceutical firms, and foreign life insurance companies, have experienced discriminatory treatment in recent months. It is estimated that such discrimination will

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continue because political expediency demands that the Cuban government defer to Cuban lobbies against US claims and that it discriminate against foreign enterprises when it is to the government's advantage to do so.

Cuba has appointed a new chargé to Spain whose special task will be to encourage Spanish imports of Cuban cigars, and is preparing a new commercial treaty with Italy which may open up the Italian market for Cuban products, including tobacco.

Cuba continues to be one of the foci of the Caribbean Legion activities but the Legion has gone partially underground and less is known of its plans than formerly. The Legion may be able to operate with more freedom in Cuba now that General Cabrera (a "more manageable" man than General Pérez) has become Chief of Staff.

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