

Weekly Contributions
Latin America Division, ORE, CIA
6 December 1949

CURRENT DEVELOPMENTS

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CENTRAL AREA: In Colombia, prospects for stability have improved somewhat (p. 3).

SOUTHERN AREA: In Bolivia, the government's stability may be impaired by low tin prices (p. 3).

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1. PANAMA: Recent Developments

With public tension lessening and Arnulfo Arias taking energetic measures to consolidate his position, the situation in Panama for the time being appears to be less critical. The principal factors affecting the US-Panama relationship are Arias' seizure of the presidency by force, his considerable popularity with the Panamanian masses, and his anti-US background.

The recent series of coups was another manifestation of the long-standing and intense rivalry between the Arias brothers, Arnulfo and Harmodio, and the followers and allies of ex-president Jiménez. In this instance the focal point of the rivalry was control of the police, Panama's only military force, and one factor involved was the rivalry between Harmodio Arias and a group of which Police Chief Remon is a member, for control of the cattle-slaughtering business. According to reports, Harmodio Arias persuaded President Chánis to oust Remon and appoint a pro-Harmodio police chief. This tactic failed because of Remon's vigorous action in forcing Chánis' resignation. The ousting of President Chánis aroused public indignation over police tactics, and, with civil disturbances imminent, Remon turned to Arnulfo Arias. In fact, Arnulfo Arias, who has a large popular following and is considered by many to have been cheated out of the presidency in 1948, was possibly the only man in Panama capable of preventing further bloodshed by enlisting the support of both the indignant Panamanian population and the unpopular police.

Tension has now eased locally for the time being. The Jimenista leaders have fled to the Canal Zone and are now quarreling among themselves. Harmodio Arias has abandoned his efforts to restore Dr. Chánis to the Presidency and has joined forces with his brother. Arnulfo Arias is gaining new adherents daily and may soon have the support of a majority of the Panamanian people. The greatest uncertainty at present is the outcome of the struggle of the government to free itself from the now thoroughly discredited police clique that placed it in power. The police have thus far refused to accept any solution involving resignation of present police leaders. Arias may be expected sooner or later to attempt to rid himself of police domination, however. While the possibility of a clash remains, Arias may be expected eventually to outwit the present police leadership without a direct clash. A possibility that cannot be ruled out at this time is that of the resort by irresponsible elements to effective threats or assassination, thus completely changing the situation. Moreover, the basic struggle for the perquisites of power will continue; disagreement between Remon and one or another of the Ariases remains a possibility, and anti-Arias forces will persist in plotting the downfall of the new president.

US-Panamanian relations will be considerably affected with Arias as president, regardless of the status of diplomatic relations. It is true that Arias has made overtures to US businessmen, offering

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stable government and investment opportunities. In contrast to his pro-US predecessors, however, Arias has a clear record of being extremely nationalistic and anti-US, and as president, it is quite likely that whenever personal or political considerations are involved, he will pursue a foreign policy often opposed to that of the US. His expected opposition in matters of inter-American defense is of particular concern, but he also can be expected to miss no opportunity to forward (along with his own interests) the interests of groups or individuals opposed to the dominant position of the US in the Caribbean. The opposition of the anti-Communist middle class and Arias' political opponents to Arias' extreme tactics, however, will impose limits on the length to which he can go in asserting anti-US policies.

2. COLOMBIA: Government's Prospects

The Colombian Government is believed to have improved its control of the country as a result of the peaceful presidential election on 27 November.

Although various election disturbances allegedly had been planned, the election was relatively peaceful. Laureano Gomez, the unopposed Conservative candidate, ran up a total of over one million votes, and consequently, the Conservative Party now claims to be the majority party in Colombia. (The largest vote ever polled before by a single party was the 934,000 Liberal vote in the congressional elections of last June.)

Liberals called Gomez' victory a coup d'état on the part of the Conservative Ospina government, and asserted that they would not recognize the election results. Lleras Restrepo, a member of the Liberal Party directorate, has openly stated that the Liberals hope for an army coup.

It is true that reports of subversive activity continue, and it has been estimated that 80% of the army and 90% of the air force are Liberal in background and sympathy. But it is not clear what percentage of these forces might be willing to translate their sympathy into action, nor is it clear how many of the civilian Liberals favor such a policy. Further, the Colombian high command has the will and the capacity to control any potential disloyalty, and the great majority of the armed-forces personnel may be expected to follow the tradition of supporting the constituted authorities.

3. BOLIVIA: Poor Tin Prospects May Impair the Government's Stability

The latest drop in Bolivian tin prices from 95 to 85 cents per pound, reflecting world prices and coming as it did soon after a significant previous cut, will seriously decrease Bolivia's tin revenues, add to the existing imbalance of the government's fiscal and foreign exchange budgets, and further impair the government's stability (see D/IA Wkly 25 Oct 49). Because of these price cuts, the recent

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decree designed to stimulate tin exportation will almost certainly fail to achieve its object.

The gloomy outlook for tin production and the consequent adverse effects on the shaky Bolivian economy will increase social unrest and thus add to the Bolivian government's difficulties in maintaining its control in the face of any possible revolutionary threat.

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The Current Communist Situation in Latin America

(Summary — The gradually declining trend in Communism in Latin America, which became evident at the end of 1947, has continued. — For the next few months it is expected that US interests will continue to be favored by this declining trend.)

Current Trends and Activity

The gradually declining trend in Communism in Latin America which became evident at the end of 1947 has continued with activity shifting somewhat toward more defensive lines designed to keep up Communist morale; to continue its propaganda; and to maintain its organization. In general, the Communist position is slightly weaker than six months ago. The Mexico City "Peace" Congress was the biggest hemisphere-wide effort; results, however, were apparently negative. Financial campaigns of the various Communist parties have been less successful than last year, assuring their continued Party operation, but on a somewhat smaller scale.

The Ecuadorian and Colombian Communist parties have been the only ones in Latin America to hold their annual conventions this year. The Colombian Communist party has been able to bring together its two factions, and its program of avoiding the appearance of participation in the recent political violence has been successful. As a result of the election in Martinique, Communist representation in the legislature, which has a total of 36 seats, was reduced from 15 to 10.

Organization work in labor apparently is bearing some fruit in Guatemala and El Salvador, and the Communists in Peruvian and Venezuelan labor organizations are continuing to be relatively free from governmental repression. The Communist-dominated Confederación de Trabajadores de la America Latina (CTAL) has apparently lost ground during the past year as contrasted to the Anti-Communist Confederación Inter-Americana de Trabajadores (CIT), which has gained slightly. The Communist-controlled World Federation of Trade Unions (WFTU), however, has begun to publish its journal in Spanish and to distribute it free of charge to Latin American unions affiliated with the CTAL.

During the next six months, it is likely that the Communists will have opportunities to take advantage of unstable political situations in several Latin American countries. They will probably continue their efforts to organize port, transport, mining and petroleum workers, but will meet considerable resistance to their efforts, particularly when the new anti-Communist free trade union federation begins to operate.

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Governmental repressive action may be expected to keep Communist demonstrations to a relatively insignificant level, but troublesome incidents are likely to occur, especially in Brazil and Chile.

Anti-Communist Activities

During the past six months, anti-Communist activities by governments have continued with particularly severe repression in Chile and Brazil; unusual political jockeying and manipulation of the labor unions in Cuba and Mexico; increased repression in Argentina; prevention of free movement of Communists between countries; elimination of propaganda outlets; anti-Communist propaganda and counter-propaganda; and deportation or exile of some Communists.

The CIT, which has developed into an organization offering serious competition to the Communist-dominated CTAL, held an impressive convention in Havana during September and voted to participate in the organization of the new world-wide anti-Communist free trade union federation. It may be expected to continue to work vigorously against Communists in the labor movement.

The continued and increasing governmental repression of Communists; the anti-Communist propaganda and generally unsympathetic news coverage of Communists and their activities; and the increasing activities of the anti-Communists in Latin American labor organizations have played an important part in containing advances of Communism in the Hemisphere. In fact, some defections have been reported with certain Communist failures directly attributable to specific anti-Communist activities.

Current Communist Objectives

Recent statements of Communist plans and objectives by Latin American Communist leaders emphasize two objectives affecting the US: (1) to reduce the effectiveness of Latin American cooperation with the US through (a) peace campaigning; (b) anti-US propaganda; and (c) encouragement of chauvinistic nationalism; and (2) to prepare to stop the movement of strategic materials from Latin America to the US in the event of war through (a) control of union organization in petroleum, mine, and transport industries; and (b) development of sabotage plans.

Communist Capabilities

Communists are estimated to be incapable of making a significant gain in political influence in any Latin American country in the near future. Communists should, particularly in labor movements, be able to make progress in Peru, Venezuela, and possibly in El Salvador through increased freedom allowed them. However, Communism in those countries is so weak that any gains made during this period should be easily contained by the governments in power. In Guatemala, although Communists or fellow travelers have been allowed to hold some important positions in the executive branch of the government, it is estimated that various internal and

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external pressures will prevent further infiltration and may even force replacement of some of them. In Argentina, it is estimated that the Communists will lose much of their strength (represented by infiltration of labor), and also some of their general propaganda machinery as a result of increased government repression. In the other Latin American countries, it is believed that Communists will be able to maintain their organization and propaganda machinery for the next six months at about the same level as during 1949 or at a slightly lower level. The "Peace" campaign of the Communists is not expected to produce another major Hemisphere-wide effort during the next six months, but may well develop considerable propaganda and other activity (including the organization of numerous small local peace committee front-groups) on a local level. Anti-US propaganda, which is certain to continue from all of the Communist-controlled press and radio, may be expected to appear also quite often in much of the neutral press on issues which happen to coincide with those taken up by the Communists. The growing effectiveness of counter-propaganda in some parts of Latin America offers promise of checking Communist propaganda efforts to develop suspicions and anti-US attitudes in those places, and will further limit their ability to enlist enough people in some of their causes to prevent or delay developments desired by the US. Delays and interruptions of the flow of materials from Latin America resulting from Communist-inspired strikes during the next six months will not seriously affect the US.

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The Current Situation in Peru

(Summary -- The military junta, although it has recently not increased opposition, retains its firm grip upon the country. The economic situation has improved slightly. The armed forces remain substantially loyal to the government. The Communists, despite renewed overtures toward them by the junta, remain isolated and too weak to make a major move, while the numerous Apristas have been further weakened by the government's continued oppression. No important change has occurred in Peru's international relations.

-- The situation as to US interests was slightly improved by prospects for a petroleum law favorable to foreign developers and by the simplification of Peru's foreign exchange system.)

Political

The military junta has retained its control over the country although serious opposition developed to the decree of 14 November that practically terminated exchange and price controls (D/LA Wkly 22 Nov 49). General Odría did much to strengthen the government's position by persuading Luis Miró Quesada, head of the influential daily El Comercio, to cease his opposition to the measure. The government now expects to overcome current discontent on the part of some importers, some leftist groups, and the general public.

The junta's confidence in its own strength has been indicated by General Odría's promise that elections will be held in mid-1950 (D/LA Wkly 18 Oct 49). Elections apparently will be only for a constituent assembly, which will amend the constitution, designate a president, and resolve itself into a congress. To insure its control over the forthcoming elections, the junta has provided for the re-registration of voters (AFRA has been disenfranchised) and has promulgated a new electoral law, which facilitates the election of its chosen candidates. Although opposition to the junta's pre-election maneuvers has developed on the part of some rightist and leftist groups, this has apparently been more than counteracted by the limited support of the Unión Revolucionaria (largest legal party) and a political agreement between the junta and ex-President Manuel Prado. The junta has further increased its control of the elections by removing two principal rivals, Lt. Col. Alfonso Uclesa and Marshal Eloy G. Ureta, from the political scene by giving them foreign assignments. D/LA estimates, therefore, that the junta is likely to maintain its control of the country during the next quarter, at least.

Economic

Peru's economic situation has improved slightly since mid-1949. The gradual upturn is reflected principally in the free-market appreciation of the sol (which advanced from 22 to the dollar in mid-July to 16.50 in

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November) and in the increased possibilities for development of petroleum resources. Although the government has been concerned over the short-term difficulties caused by its abolition of official parity rates (see Political section), the exporters have indicated their intention of cooperating with the government in keeping exchange rates fairly stable. The new exchange arrangement is likely to succeed.

Mid-year estimates of substantial declines in 1949 export totals as compared with 1948 figures were apparently exaggerated, since present indications are that year-end results will register only small declines -- even less significant in view of possible proportionate declines in imports. A new petroleum law -- now in draft -- is likely to be promulgated in essentially its present form with provisions that offer considerable inducements to foreign investment. The effects should be very favorable to Peru's national economy. In summary, Peru's economic prospects for the next quarter appear more promising than the outlook in mid-1949.

Military

The Odría regime has maintained its control of the armed forces, on the support of which it depends for its existence, both by inducements and by strict surveillance of military loyalty. A pay increase has been granted to officers of the armed forces, Guardia Civil, and police; promotions have been announced; and armed forces officers who pass to the retired list are to receive all the benefits of active service. The government is making a special effort to check the movements of Lt. Col. Alfonso Llosa, who, because of his dissatisfaction with his Inter-American Defense Board assignment and anger at being passed over for promotion, has stated that he will use most of 1950 to prepare a year's end anti-Odría coup. The government is also closely watching the activities of Llosa's adherents among the armed forces to prevent their capitalizing on existing minor discontent in the army and air force. Some of these individuals have been given foreign assignments. Odría's secret police are reportedly shadowing the Minister of War General Zenon Noriega and Minister of Government Villacorta.

To strengthen the Navy, the junta has issued a decree that allots a certain percentage of income taxes to the Minister of Marine to be used for the acquisition of naval units. On 14 October, the Peruvian government signed a contract for the delivery of 4 F 80 jet fighters, complete with \$US65,000 worth of spare parts, despite the advice of the Chief of the US Air Mission that the funds involved should be used for the activation of planes already on hand. These planes are the first US jets contracted for by any Latin American air force. Despite all the government's efforts, however, the morale of the armed forces is not good and the present controls and surveillance by the government appear to be necessary to assure

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military support. It is not expected, however, that any domestic situation within the next quarter will place sufficient strain on military loyalty to cause the overthrow of the Odría regime.

Subversive

The Apristas -- the most numerous group opposing the present regime -- have been further disorganized and weakened by the government's continued surveillance and repression so that they are unable to make any major move at this time. Their potential for causing difficulties in the future is significant primarily in relation to the inner weaknesses of the Odría regime which may develop over the longer term, though no serious crisis is expected within the coming quarter. The Communists, on the other hand, represent such a small group numerically that they do not constitute a significant force even though the regime has tolerated their activities in an effort to break the Aprista grip on the Peruvian masses. Since there is little likelihood that Communists will gain significant strength in their own right, or that they could cooperate with the Apristas, they do not pose a serious threat to the Peruvian government for the foreseeable future, even though the gradual growth of Communist strength in Peru continues to be of concern to the US.

International

The most important international event for Peru during the current period was the official submission of the Kaya case to the International Court of Justice on 15 October. Both Peru and Colombia accepted the Court's jurisdiction and dates have been indicated for the presentation of briefs by both parties. General Odría commented favorably, in a speech of 27 October, on the cordial attitude shown by Colombia in the latest phases of the dispute. Another international event was the announcement that Peru and Spain are negotiating a cultural and immigration treaty. Otherwise, there was no perceptible change in Peru's relations with other nations. Relations with the US continue to be cordial.

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The Current Situation in Argentina

(Summary -- Short term stability of the Argentine Government has been improved. A rightist trend in administration policy and appointments is evident. Politically repressive measures may be extended to labor. Efforts toward economic reform and sales abroad have increased slightly. The government has intensified its anti-Communist activities. The armed forces remain relatively strong and even less likely than before to take military action against the regime. Changes in Argentine diplomatic corps personnel have been effected to obtain more effective relations on the international business front.

... US short-term security interests are favored by the anti-Communist measures, the strengthened Army loyalty and the appointment of a Minister of War who reportedly admires the US; the rightist trend of government, however, is adverse to longer range US interests in the preservation and extension of democracy.

Political

To avert potentially unfavorable political upsets, the Perón administration has taken precautionary and politically defensive anti-democratic measures designed to minimize legally the effectiveness of opposition forces (see D/LA Wkly 25 Oct 49). The potential importance of right-wing support as an alternative to labor support was intimated when, during the course of recent labor unrest, two large unions showed a willingness to shelve their Peronista loyalty if denied wage increases. Though the government reluctantly appeased labor in the latest strike wave, there was evidence that it is being forced by economic pressures to change its attitude toward labor and to exercise stricter control (see D/LA Wkly 22 Nov 49). Such control, including the elimination of Communist agitators, may temporarily reduce the incidence of strikes but could be expected to provoke bitter labor strife unless the economic reform program is notably successful. The appointment of a number of nationalists to important government positions seemed indicative of Perón's desire to consolidate right-wing support of his administration. Improved national leadership and cabinet stability continue (see D/LA Wkly 27 Sept 49).

D/LA estimates that for the foreseeable future the critical factor in the government's stability will be the success or failure of the Perón government's efforts toward economic reform, and that that government will continue to resort during the coming months to undemocratic measures to defend its domestic position.

Economic

During the past two months inflation and a low volume of foreign trade

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have continued to characterize the economic situation. A sharp increase in the money supply, rising prices, new wage increases, and shortages of consumer and producer goods reflect and support inflationary pressures despite increasing unemployment and a decline in business activity. The Peron Administration's efforts to check inflation through price control and the urging of increased production have been ineffective. Recent measures such as relaxation of restriction on "essential" private credit and issuance of new import permits cannot be expected to have sufficient effect to correct disequilibria in the economy during the next few months.

The Peron Administration has given serious attention to reviving foreign trade since the shortage of stocks essential to domestic production has reduced its ability to temporize much longer. The government's efforts towards an export drive, though faltering, have been increased. The 3 October selective modification of exchange rates (see D/LA Wkly 4 Oct 49) was designed principally to stimulate dollar export trade, although certain other revisions in this complicated structure of exchange rates are actually deterrents to expanded trade, particularly with Europe. To mitigate such deterrents, new export price reductions and limited imports of "non-essentials" have been announced. The price reductions have resulted in liquidation of hide surpluses and substantial sales of grain and oil cakes, though sales are still below the level of last year. Prospects for increased sales of meat and other livestock products have been improved by recent elimination of IAPI's (Argentine Trade Promotion Institute) 20-percent commission on meat and termination of its control over the majority of minor livestock by-products. Two of the knottiest trade problems facing Argentina are the resolution of difficulties with the UK and the US. The British, while claiming a 40 percent increase in the price of petroleum on the grounds that oil is tied to the dollar market, refuse to pay Argentina a similar increase in the price of meat. The activities of the Joint Argentine-US Committee on Commercial Studies have influenced some revisions in Argentine trade policy that have already expanded sales of certain commodities, but, since the committee's powers are purely advisory, considerable time must elapse before its recommendations can be implemented to effect an over-all improvement in Argentine trade.

Subversive

There have been no significant Communist activities. Increased anti-Communist measures have been carried out by the Argentine Federal Police. Reportedly, Communist leaders have become concerned over the large number of member-workers discharged from their jobs, presumably because of Party affiliation. The government appears finally to have decided to extend its anti-Communist campaign to labor unions to reduce labor unrest aggravated by Communist agitators. Also, it now appears more probable that the Argentine government will utilize its new "political parties regulation law" to deny legal status to the Communist Party on the grounds of admitted connection with an international organization.

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Military

Army loyalty to the regime appears to have been strengthened recently. The accession of General Lucero, who has had close ties with Perón and Sosa Molina, to the post of Minister of the Army (see D/LA Wdly 18 Oct 49) favored Army loyalty and government stability as did the retention of Minister of Defense Sosa Molina. Also tending to strengthen Army loyalty were the overall rightist trend, willingness of the administration to tighten its control of labor, and a noticeable lull in Senora Peron's activities--possibly due to illness. No change has been reported in the efficiency, quality of manpower, and morale of the military, all of which were last reported to be exceptionally high by Latin American standards.

International

The government's latest anti-Communist measures, which place the Perón administration in a role of opposition to international Communism, favor the US interest in Hemisphere solidarity, since a revival of the Third Position (one of opposition to both the US and the USSR) now has become logically and practically difficult. Increasing recognition by the government of the need for US financial and economic cooperation and the influx of right-wing nationalists into the administration further diminish the prospects for revival of the "Third Position" foreign policy. There is, however, despite the Argentine need for US cooperation, the possibility that the currently cooperative attitude toward the US may be impaired because of the influx of rightists, in some cases extreme nationalists, into the administration, which may in the long run tend to make the government anti-US as well as anti-democratic. The principal purpose of the recent reorganization of the diplomatic corps (some forty replacements have been appointed including a number of militant nationalists), however, was to remedy the loss of international prestige sustained by Argentina during the past two years as a result of its adverse economic situation and inept diplomacy. Emphasis in selection of personnel appears to have been directed toward the improvement of relations on the international business front. To the extent that this is achieved, it will favor short-run US security and commercial interests, directly through improved trade relations and indirectly through improvement in Argentine economic stability.

As anticipated, Argentina was elected to the Trusteeship Council of the United Nations.