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Weekly Contributions  
Latin America Division, ORE, CIA  
25 April 1950

This week D/LA finds two items of particular interest: that on the possibility of a Chinese Communist as consul at Curaçao (p. 2), and that on the trend toward greater diversity in arms purchases by Latin American countries (p. 10).

**CURRENT DEVELOPMENTS**

**NORTHERN AREA:** In Haiti, political tension has mounted as the result of attempts to change the law in order that President Estimé may succeed himself (p. 2). A security problem regarding Curaçao's sensitive oil installations may arise if a Chinese Communist replaces the recently resigned Nationalist consul (p. 2). See also report on the current situation in the British West Indies (p. 4)

**CENTRAL AREA:** In Venezuela, reports again indicate the possibility of a split in the governing junta (p. 2). The appointment in Colombia of a civilian minister of war will not relieve the tense political situation (p. 3).

**SOUTHERN AREA:** See report on the current situation in Bolivia (p. 7)

**SPECIAL SUBJECTS**

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1. HAITI: Second Term Issue Causes Political Tension

Tension has mounted as the result of the efforts of the Estimé machine to make it possible for the president to succeed himself. After a bitter debate, the Senate disapproved a resolution calling for a joint congressional session to consider a constitutional amendment waiving the present single term limitation.

This issue is an explosive one in Haitian politics. In 1946, a similar situation precipitated President Lescot's removal from office. Principal opposition to the second term comes from certain senators who have presidential ambitions. It is possible that the powerful army leader, Colonel Magloirs, is also opposed for the same reason.

Despite the hazards involved, President Estimé will probably attempt to effect passage of the amendment by various artful stratagems, including the offer of attractive foreign posts to opposition senators. D/LA estimates, however, that Estimé has sufficient political acumen to drop the matter before opposition should reach proportions dangerous to the security of his administration.

2. CURACAO: Dutch Recognition of Communist China Poses Possible Security Problem

Dutch recognition of the Communist regime in China may present a security problem if a Communist is sent to the Netherlands Antilles as a replacement for the recently resigned Nationalist consul. The large refineries on Curaçao and neighboring Aruba, where about 60 percent of all Venezuelan crude petroleum exports are refined, constitute one of the most remunerative targets for enemy sabotage in the Western Hemisphere. Accordingly, the presence in the area of a Communist Chinese consul, who might organize subversive activity among Chinese employees of the oil companies, would be a matter of considerable concern.

3. VENEZUELA: New Reports of Possible Split in the Junta

The recently reported movement among the military to oust junta president Lt. Col. Carlos Delgado Chalbaud could lead to a major change in the government. Current unrest appears to center about two dissenting military groups, the older officers backing Lt. Col. Marcos Pérez Jiménez, junta member and minister of defense, the junior officers apparently undecided upon a successor to Delgado. Both groups are opposed to Acción Democrática. While outward calm prevails in Caracas, there have been numerous arrests of AD sympathizers throughout Venezuela.

Rumors of a conflict between Pérez and Delgado, which had been numerous in the early months of the present regime, have, in recent months, markedly declined. While it has been generally recognized that Pérez, ambitious, opportunistic, and with a large following in the army, has coveted the presidency, nevertheless,

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most dependable sources have believed that the two leading junta members were functioning well as a team, and that Pérez realized his dependence upon the political acumen of Delgado. Apart from the current rumors, there is slight evidence of a growing rift between Pérez and Delgado.

The decision to stage a coup and its timing depends largely upon Pérez, who would probably not join in an attempt to oust Delgado without strong pressure from his army supporters and assurance that he would be made provisional president. It is unlikely that such a change in government would be attended by widespread violence, although some AD-inspired demonstrations might well be expected. The removal of Delgado Chalbaud would probably result in a tougher, more repressive internal policy, an obstacle to the return to constitutional government. In terms of US-Venezuelan relations, it would bring to power a man not noted for his cordiality to the US, who would probably find it expedient to cooperate, however, in matters of major concern to the US.

4. COLOMBIA: Military Minister of War Replaced by Civilian

The appointment of Urdaneta Arbelaez, a civilian, as minister of war to replace Sánchez Amaya, a general of Conservative background, is not expected to lessen the partisan criticism that has been directed at this office. While Urdaneta has not belonged to the pro-Gómez faction of the Conservative Party, he has shared with Gómez the role of first defender of Franco in Colombia. His appointment is not, therefore, expected to appease any one of the three principal factions of the now split Liberal Party (the Santistas, the Lopistas, the Gaitanistas) and, consequently, the situation in Colombia will continue to be tense.

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The Current Situation in the British West Indies

(Summary — Some unrest was manifest in the British West Indies during the past year. Slow progress toward Federation is being made. The present economic situation is generally unfavorable. Police and military forces are considered adequate for the maintenance of internal order. There is little known Communist activity in the area. The natives are increasingly well disposed toward the US.

— The prospective exploitation of Jamaican bauxite deposits, which will initially produce an estimated 40 thousand tons a year, will benefit US security interests by providing a nearby source of that material.)

Political

Some unrest was manifest in the British West Indies during the past year. Much of this unrest is attributable to economic dislocations. In British Honduras, for example, violent disorders occurred, ostensibly as a protest against devaluation but actually as a result of the commercial stagnation that followed the collapse of the colony's two main industries, mahogany and chicle. Similarly, economic stringencies have evoked vocal, but as yet non-violent, demonstrations of discontent in Trinidad, Jamaica and the Leewards. West Indians feel that the UK has not rewarded their loyalty with adequate economic assistance. As a result, D/LA believes that the colonies' loyalty to the mother country, although still great, has been weakened.

Some progress has been achieved during the past year in forging the instrumentalities of self-government. In the Leeward Islands, constitutional reform is being undertaken, whereunder greater popular participation in the government will be possible. Following December demonstrations demanding "annexation" to the US, the British Virgin Islanders are being granted a legislature. Preparatory to achieving full internal autonomy, Trinidad has just received an interim constitution which greatly expands the powers of the popular representatives. At present, political affiliations are based primarily on racial and labor considerations, but the October 1950 legislative elections may bring into being recognizable political parties. In Jamaica, the December 1949 general elections were more orderly and commanded greater popular interest than the first (1946) general elections under universal adult suffrage.

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A further step toward West Indian Federation has been taken by the recent issuance of a definite constitutional plan drawn up by delegates appointed by the individual colonial legislatures. This plan calls for the unification of sundry administrative functions under a federal government located at Trinidad. The UK, through the Governor General, would retain control over such matters as defense, foreign affairs and certain financial questions. All powers not specifically granted to the federal government would remain with the unit governments. The report now goes to the West Indian colonial legislatures where, for various reasons, including a disinclination on the part of the richer colonies to join with the poorer ones, its consideration will probably be protracted.

#### Economic

The present economic situation throughout the British West Indies is generally unfavorable. Devaluation has adversely affected the colonies' terms of trade because prices for their agricultural exports have remained about the same while the cost of imports has increased significantly. This trend is evident even in Trinidad where the economy in large measure is stabilized by a relatively substantial oil industry. In the first nine months of 1949, imports valued at \$65 million represented a 23 percent increase over the corresponding 1948 period, while exports declined from \$58 to \$57 million. During the same period, imports from the US, which have been held to a bare minimum, rose from \$9 million to \$12 million. The already unfavorable balance of payments and employment situation has been further impaired by the closing of US military installations on Jamaica and Trinidad. During 1949, the population of the heavily congested islands increased by some 60 thousand persons, a rise of two percent.

The most pressing economic problem at the moment is the negotiation of a new sugar contract with the UK to come into effect in 1952 when the present contract expires. Sugar, more than any other commodity, determines the standard of living in the area and the failure of the UK to make an acceptable offer has engendered considerable resentment. Chief points at issue are (1) the limitation of the West Indies to a 640 thousand ton quota while the UK continues sugar purchases from dollar sources, (2) the UK proviso that prices be negotiated annually rather than for the life of the contract, and (3) the offer of a five-year rather than a ten-year contract. While negotiations are presently at an impasse, it seems likely that the West Indian representatives will ultimately accept the present UK terms under protest.

The UK and colonial governments are attempting to relieve immediate distress and put the colonies on a sounder economic footing by advancing funds for development and by attracting private capital through tax and

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other concessions. Only one new business, the ECA-financed Reynolds Company bauxite enterprise, gives promise of contributing significantly to the economic progress of the area. By and large, the economic outlook of the British West Indies is a bleak one.

Military

Police and military forces in the area are considered adequate for the maintenance of law and order. Local police units in the individual colonies are capable of handling small-scale disturbances. Military forces consist of a battalion of Royal Inskilling Fusiliers, two companies stationed on Jamaica and the third temporarily in British Honduras. The Fusiliers are efficient and indisputably loyal and they can be transferred by air to neighboring territories in an emergency. In addition, a naval squadron, including a marine detachment, is stationed at Bermuda and is available for duty in the West Indies if required.

Subversive

There is little known Communist activity in the British West Indies. Following the defeat of Nationalist China, small Communist groups emerged among lower class Chinese nationals in Jamaica and Trinidad. These groups are believed to receive propaganda material from the Chinese Communist Party [redacted] In Trinidad, there is also a "study group" of about five Communists, possibly in contact with the UK Communist Party. These units do not constitute much of a security problem at present [redacted]

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International

The British West Indians are becoming increasingly well disposed toward the US. The natives are prone to depend on outside help in the solution of their social and economic ills and, as the UK's inability to furnish substantial assistance has become increasingly apparent, their hopes have become focused on financial benefits under Point Four, ECA and international agencies such as the Caribbean Commission and the UN (ECOSOC) where the US plays a primary role. Further, there is a great demand for US manufactures -- presently under stringent import restrictions -- which are usually more quickly available, cheaper and of better quality than similar goods from sterling sources. Thus, despite a basic loyalty to the Crown, there is considerable sentiment favoring closer relations with the US. The British West Indians have no interest in or sympathy with the anti-colonial maneuvers and attitudes of many Latin American countries.

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The Current Situation in Bolivia

(Summary -- The stability of the government continues to deteriorate. The unfavorable economic situation has shown no significant improvement. Growing army political influence constitutes a future possible threat to government stability. The strongest subversive group is the MNR; the PIR has made no significant gains; and the Communists are weak and politically inexperienced. Bolivia's relations with other countries are amicable.

-- US security interests have been somewhat affected by recent Bolivian events. Generally unfavorable factors include the increase in anti-US feeling, continuing economic difficulties, and growing weakness of the pro-US government.)

Political

Government stability continues to deteriorate, apparently without immediate danger of an overturn. The president successfully resolved a recent cabinet crisis by forcing the resignation of the ministers of government and labor, who, contrary to instructions, appeased labor by reversing the government's policy of standing firm against demands for the release of jailed leaders. This has actually weakened the administration's position, however, as the government's apparent surrender will undoubtedly encourage labor to press further demands and may provide an incentive for Communist expansion. The dissension already existing within the government party (PUSR) was accentuated by the cabinet crisis which resulted in the defection of a section of the party to the support of the expelled ministers. The government's position has been impaired too because the major democratic parties, Liberals and Social Democrats, have become increasingly hostile to the administration since the PUSR's virtual boycott of the February special session of congress. The government also has been opposed by mine-operators, labor, importers, and exporters since recent economic decrees.

An agreement reportedly signed by the MNR and the PIR providing for concerted action against the government could threaten stability, but ideological differences between the two parties will probably preclude effective cooperation. While army support of the MNR would constitute the most severe threat to the administration, there is little probability of such a development at this time.

It is believed that, in view of the present lack of common purpose among opposition groups, the greater probability is that the administration will be able to maintain its uneasy tenure during coming months.

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Economic

Bolivia's unfavorable economic situation has shown no significant improvement. Government income, derived mainly from taxes on metals exports, has been seriously affected because of the decline in minerals prices and consequent production decline, and gold and foreign exchange reserves are dangerously low. The government is attempting to meet this situation by currency devaluation and modifications in its exchange rate and import control system, but so far no significant results have been achieved.

Labor is dissatisfied with recent wage increase decrees and may seek additional increases. Although prices were frozen in February, there is considerable danger that this and subsequent measures will be unable to control the inflationary effects of the currency devaluation.

The 1950 foreign exchange budget was balanced by a decree which provided that exporters must surrender their foreign exchange receipts in exchange for bolivianos. This has met with opposition from mine operators, who claim it will further curtail vital minerals production, and from importers, who are seriously affected since 1950 allotments for commerce are less than half of last year's amount.

D/LA estimates that during coming months the general Bolivian economic prospects will continue to be extremely unfavorable as (1) it appears likely that there will continue to be a world surplus of tin and (2) although the recent decrees should have a favorable effect, growing opposition may prevent their full operation.

Military

The army (the only effective fighting force) appears to be substantially loyal to the government, but its growing political influence constitutes a future possible threat to the present administration.

Subversive

The strongest subversive group continues to be the MNR; the PIR has made no significant gains recently; and Communists, despite government alarms to the contrary, remain a weak and politically inexperienced group. The MNR has reportedly signed an agreement providing for PIR support of an MNR revolutionary uprising allegedly scheduled for early May. If this agreement should prove effective, which is doubtful in view of ideological differences, or if the MNR should receive army support, which is slightly more probable, an MNR uprising -- by taking advantage of the population's

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general discontent arising from disturbed political and economic conditions -- might have a real chance of success.

The PIR's strength does not appear to have been significantly affected by the withdrawal of its more violent Communists and by its excommunication by the Bolivian bishopric. Its increasing influence among labor is a potential threat to future government-labor relations.

Communism has made no significant gains despite government assertions to the contrary. It is true, however, that many aspects of the situation are propitious for Communist activities. The government's announcements of the discovery of five Communist-tainted plots in recent months appears to represent its attempt to quiet increasing labor unrest and to impress the US with Bolivia's need for financial assistance. The outlawing of the Communist party -- which a dissident PIR faction had been trying to organize -- and arrest of alleged Communists, will seriously curtail the subversive potential of that weak group. Apparently, therefore, the major importance of Communism at this time is limited to the contribution it can make to the already powerful opposition.

#### International

Bolivia's relations with other governments continue to be amicable. Official relations with the US remain cordial although disappointment over failure to receive additional US economic aid has recently increased anti-US feeling. Recent recognition of the governments of Venezuela, Peru, and Panama indicate that Bolivia may have abandoned its doctrine of not recognizing regimes established by force. The president has informally requested US views regarding an immediate conference of the ten South American nations to draft mutual defense measures against Communism.

Economic problems are influencing the pattern of Bolivia's international relations. In order to dispose of its products, Bolivia is resorting to "clearing agreements" with several countries. A 15-member UN mission is scheduled to arrive in La Paz shortly for a four months' study of the Bolivian economy.

D/LA foresees no immediate changes in Bolivia's relations with other governments.

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Trend Away From Arms Standardization

Since 1948 when virtually no surplus property was available for sale to Latin America, arms purchases by those countries have produced an increasing heterogeneity in their war matériel. In May 1949, CIA found (ORE 60-49) that the "standardization of arms program" in the Western Hemisphere had not as yet been seriously threatened by Latin American purchases from non-US sources. Since then, however, arms purchases, chiefly from Europe, have accelerated the rate of diversification, resulting in a further trend away from any "standardization of arms program".

Important factors which have encouraged the American republics to return to the pre-war pattern of diversified purchasing are the dollar shortage in these countries, the aggressive sales tactics of European manufacturers, favorable prices and terms of payment, the generally good quality of arms made available, and the fact that Latin America has traditionally secured most of its arms from Europe rather than from the US.

This increasing diversification is taking place in nearly all of the Latin American countries to a varying degree. As regards aircraft, for example, Argentina, due to purchases of British Meteor jet fighters and British Lincoln and Lancaster bombers, has reduced its total percentage of US aircraft from about 42% to 17%. Similarly, the percentage of US aircraft in the Dominican Republic has dropped from 100% to 84% because of purchases of British World War II planes. (The Dominican Republic is also reported to be interested in purchasing British jet fighters.) In Venezuela, jet fighter purchases from the UK have caused the percentage of US aircraft to decrease from 100% to 94%, and a further drop can be expected in view of plans to purchase additional British jets. Brazil is reported to be negotiating for thirty of these planes. Some of the countries are building up and strengthening their air transport systems with British commercial aircraft.

Small arms purchases, particularly of rifles, also illustrate this increasing diversification. Except for a small number of rifles and police-type US revolvers, these small arms are being purchased chiefly from Belgium. Brazil, for example, has reportedly negotiated for the purchase of \$4,500,000 of Belgian small arms, including a new type semi-automatic rifle. Venezuela with only 1.3% of US rifles is adopting as standard a Belgian semi-automatic rifle --- having recently purchased 6,000. The percentage of US machine guns in that country has also been reduced from 75% to 20% due to European purchases. A comparable drop in percentage of US rifles (97% to 40%) has occurred in the Dominican

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Republic. As regards future purchases of small arms, further diversification can be expected as the result of energetic and successful efforts by Switzerland and Czechoslovakia in selling machine guns, and the likelihood that France will share in the mortar trade.

The naval picture shows a trend toward the pre-war reliance on the UK for warships, guns, and other equipment. Two river gunboats are now under construction for Peru whose present strength of forty vessels is 67% US. Post-war purchases of other naval units from the UK and Canada have been considerable, particularly purchases by Argentina, Venezuela, and the Dominican Republic. Should Venezuela buy three new destroyers from the UK, as is contemplated, the percentage of US vessels would then be reduced from 33% to 25%.

In addition to increased purchases from Europe, there is a growing small arms industry in Latin America which contributes toward diversification since European patents and calibers are generally used. Three major countries (Argentina, Brazil, and Mexico) have ordnance industries which produce a large part of their ammunition requirements as well as pistols, revolvers, rifles, bayonets, machine guns, and small artillery pieces. Chile and Peru manufacture some ammunition as well as replacement parts for most arms up to field pieces. The Dominican Republic is planning to expand its small arms industry to supply its own needs and also for export.

In contrast to this increasing volume of non-US war matériel, Latin American purchases from the US remain negligible. Since the end of the interim program in 1948, the other American republics have acquired only a small amount of arms from the US out of the limited supply available to them from US firms. This has been chiefly World War II aircraft and small naval craft, most of which were considered expensive by these countries and were, to a considerable extent, obsolete with replacement parts difficult to obtain.

At this time, there is no reason to expect any substantial change in this trend away from arms standardization. Due to its restrictions as applicable to Latin America, the Mutual Defense Assistance Act will probably have no significant effect on the amount of US arms sold to the other American republics even though all of them subscribe to the principle of standardization and, other things being equal, would favor modern US equipment over European. Future arms purchases by Latin American countries will probably, as at present, be governed by local short-term considerations; and as long as the competitive advantages of European manufacturers remain, these countries are likely to continue to accumulate miscellaneous assortments of arms.

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