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Weekly Contributions 27-50
Latin America Division, ORE, CIA
5 July 1950

D/LA considers particularly important this week: the degree of Latin American solidarity in support of the UN and the US on the Korea issue (article, p. 5)

[redacted] and the implications of the Argentine ratification of the Rio treaty (p. 4).

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CURRENT DEVELOPMENTS

GENERAL: Latin American Communist reaction on the Korea issue shows as yet no signs of specific Moscow direction (p. 2). See also, under SPECIAL SUBJECTS below, the report on reaction in Latin America to the Korean crisis (p. 5).

NORTHERN AREA: The Mexican Supreme Court's decision on the Sábalo case is consistent with that country's long-maintained position on national ownership of the subsoil (p. 2). See also the report on the current situation in the French Antilles (p. 9).

25X1

[redacted]

[redacted] of the Venezuelan cabinet would probably have no serious political implications (p. 3).

25X1

[redacted] See also the report on the current situation in French Guiana (p. 7).

SOUTHERN AREA: Argentina's ratification of the Rio treaty is a move away from "third-position" politics (p. 4).

SPECIAL SUBJECTS

Reaction in Latin America to Korea Crisis	5
The Current Situation in French Guiana	7
The Current Situation in the French Antilles	9

State Dept. review completed

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Weekly Contributors, D/LA, 27-50
(CIA Working Paper)

5 July 1950

1. GENERAL: Latin American Communists as Yet Undirected on Korea

There is no evidence thus far of any Moscow-directed Communist special activity in Latin America regarding the Korean situation, the few instances of Communist action having been apparently spontaneous and on local initiative. In Cuba, for example, the Communist Party seems to have been taken by surprise and to be fearful of being outlawed; it is reported that Habana Communists have been ordered to destroy their files and that the party is moving its own headquarters to a secret location, looking toward the possibility of being forced to go underground. In Venezuela, the use of "peace" signs is being intensified, and a small group of youthful Communist sympathizers demonstrated before the US Embassy and threw rocks through the windows.

2. MEXICO: Court Decision on Sabalo Case Consistent With Mexican Doctrine

Recent action of the Mexican Supreme Court in denying the claim of the US-owned Sabalo Transportation Company to indemnification for non-fulfillment of its oil-exploitation contract will probably serve as the basis for settlement of similar pending cases. Sabalo had previously accepted a cash payment for its actual investments in Mexico, and was seeking further compensation for its expectations of income from development of certain fields to which it claimed contractual rights. The basis of this particular Supreme Court decision seems to have been a legal technicality that enabled the court to regard Sabalo's contract as invalid. Mexico has always claimed, however, that, since by its constitution subsoil resources are the sole property of the state, "expected" rights as opposed to vested rights are not compensable, and settlements for previous expropriations have been on this basis.

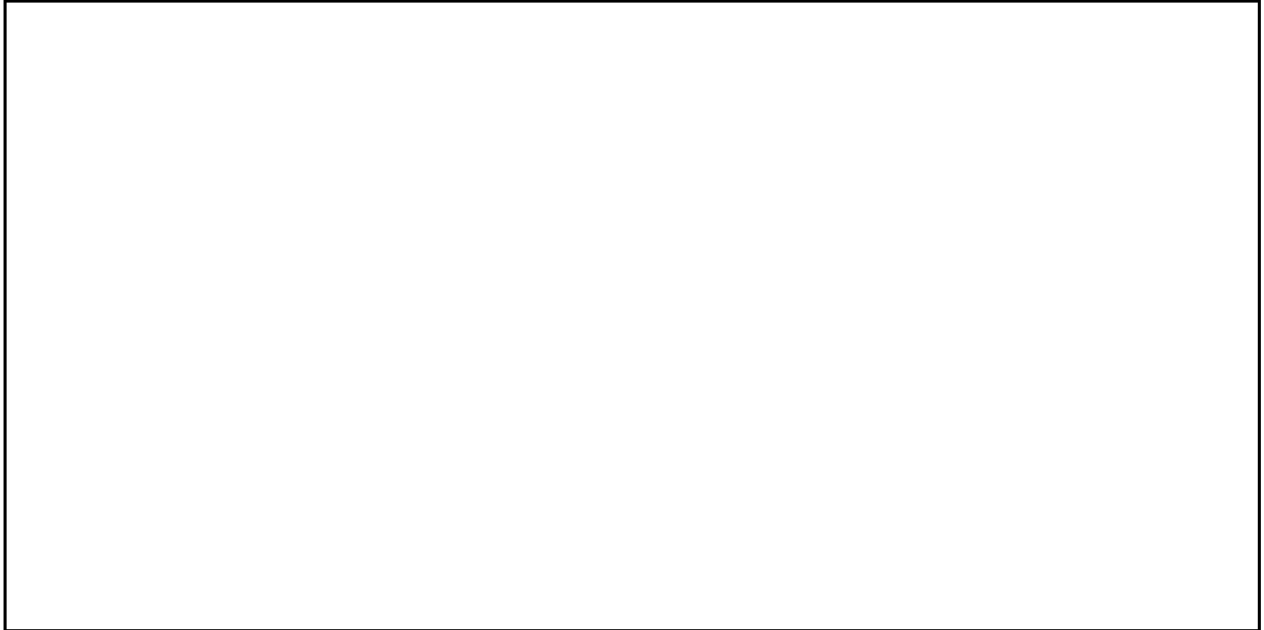
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Weekly Contributions, D/IA, 27-50
(CIA Working Paper)

5 July 1950

25X1

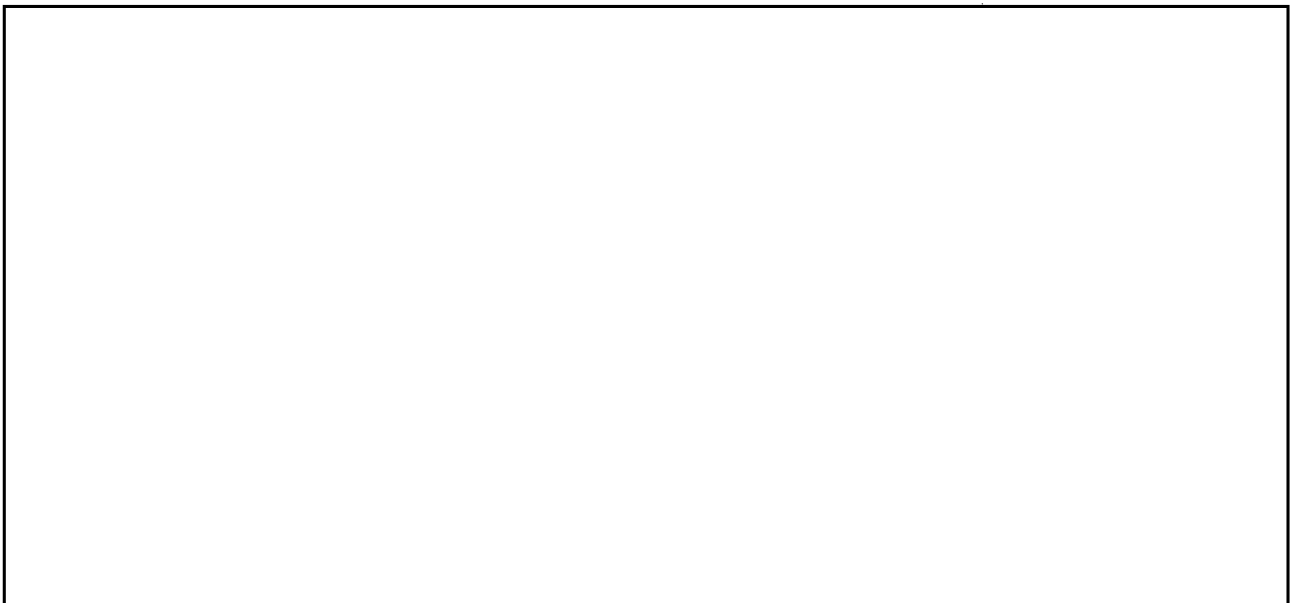


4.

Stability not Threatened by Cabinet Resignation

The resignation of the entire Venezuelan cabinet, unconfirmed as yet, though it was expected to occur 30 June, probably has no serious political implications. A number of cabinet changes have been anticipated for more than a month, and a resignation en masse would probably facilitate reorganization by giving the junta a free hand.

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Weekly Contributions, D/IA, 27-50
(CIA Working Paper)

5 July 1950

6. ARGENTINA: Rio Ratification a Step Away from Neutrality

Ratification of the Rio treaty on 28 June by the Argentine Chamber of Deputies is a high point in Argentine support of US Hemisphere policy. It is true that the timing of the ratification by the lower House -- the last necessary step to be taken except depositing the instrument -- was almost certainly influenced by the Korean crisis. It is also true that the greater apparent imminence of world conflict will probably increase the influence in government councils of those who view a war between the East and the West as a solution to Argentina's economic problems, a solution which would eliminate the necessity for concessions to the US in economic policy such as those made in anticipation of the Eximbank loan. On the other hand, the gain for Hemisphere solidarity in Argentine adherence to the treaty will much more than offset any difficulties that would result from a possible increase in Argentine refractoriness. The ratification of the Rio treaty, as well as the line taken by the Perón administration since the beginning of the Korean crisis, supports the estimate that in case of war between the East and the West, Argentina would become a cobelligerent on the side of the US.

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Weekly Contributions, D/LA, 27-50
(CIA Working Paper)
Article 7-50

5 July 1950

Reaction in Latin America to Korea Crisis

The invasion of the Republic of Korea by the North Korean Communists and the subsequent UN and US action provided the setting for a greater display of inter-American solidarity than has been evident for some time. With varying degrees of promptness, all the governments of Latin America and the overwhelming majority of the non-Communist newspapers of that area expressed their strong support for the decisions taken by the Security Council. In most cases, they also made it a point to mention specifically the role of the US in implementing the UN resolutions and to declare their solidarity with the US in this crisis. The statements of the foreign offices of various American republics, as well as articles in the Latin American press, stressed the fact that the prestige of both the UN and the US is at stake in this serious situation, and that effective measures are essential to halt the Communist drive in the Far East, even if such measures should become the prolude to World War III.

Possibly the most significant of the Latin American reactions came from Argentina, Brazil, Mexico, and Guatemala. In Argentina, for the first days after US action, the few comments from the official press (perhaps acting in the absence of specific instructions) were distinctly neutral and played the "plague on both your houses" theme regarding North and South Korea. The same delay in receipt of specific instructions -- in this instance on the COAS resolution supporting the UN introduced at the Council meeting of 28 June -- was probably responsible for the characteristic Argentine protest against having the CAS meddle in UN matters. On 29 June, however, the day on which the Argentine government announced the ratification of the Rio treaty and sent a strong message of support to the UN on Korea, the administration press swung over to the US position. As a result, the pro-government and independent papers found themselves more united on this issue than on any other within recent months. In Brazil, press reaction has been generally favorable and the government's position has been unequivocal in its support of the UN and the US, though a little tardy and a little reserved in its support of the latter. In the CCAS meeting, Brazil played its customary helpful role, and the Brazilian representative strove successfully for a resolution that would so meet conflicting ideas that it could be adopted unanimously. Mexican official reaction has left no doubt on which side that country stands, but statements appear to have been carefully phrased to permit liberty of action concerning any specific measures later to be discussed. In Guatemala, though one editorial in a pro-government newspaper virtually followed the Communist line, the Guatemalan ambassador to the US was outspoken in placing his country definitely in the anti-Communist camp, thus furnishing

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CONFIDENTIAL
SECRET

- 2 -

Weekly Contributions, D/LA, 27-50
(CIA Working Paper)
Article 7-50

5 July 1950

further evidence of the lack of connection between the leftist political theories of the present Guatemalan regime and any orders from the masters of Soviet foreign policy.

Undoubtedly the vigorous action taken by the US in implementing the decisions of the Security Council has increased its prestige in Latin America and has united the Americas on an international issue transcending purely inter-American matters and tending to obscure, at least for the time being, points at issue between the US and various Latin American governments. Should the international situation reach a point, however, leading to requests by the US for particular supporting action from the other American republics, these issues may cause greater delay and bargaining over terms than might otherwise have been the case.

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Weekly Contributions, D/LA, 27-50
(CIA Working Paper)
Situation Memorandum 41-50

5 July 1950

The Current Situation in French Guiana

(Summary -- Elections last fall indicate that the Radical Socialists are still the strongest party. There continues to be a minimum of economic activity. The military capabilities of the French army garrison in Cayenne remain at a low level. The Communist Party made some gains in the October elections.

[REDACTED]

[REDACTED] little can be said of the current situation in this French overseas department. It seems reasonable to assume, however, that no recent developments have affected the basic importance of this area for US security interests.)

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Political

The Radical Socialists continue to be the strongest party, with the Socialists following as a close second; in the cantonal elections held in October 1949 for the General Council (a body elected by universal suffrage whose functions consist mainly of approving bills pertaining to local administration submitted to it by the prefect) the Radical Socialists won seven of the fifteen seats at stake, the SFIO (Socialists) five, the Communists two, and the RPF (De Gaulle's party) one. Further moves have been taken in the past year towards the assimilation of this overseas department into the administrative organization of metropolitan France.

Economic

There continues to be a minimum of economic activity in French Guiana. It is known that production of gold, the principal export, declined in 1948, but figures showing 1949 production are still unavailable. There has been no decision as yet to start mining the area's bauxite deposits, although in May 1949 the Guiana Mining Bureau, a State corporation, was chartered in France and invested with extensive powers over all mining activity in the area. The rosewood and balata industries have fallen off since the war. In addition, sugar is no longer produced for export, all cane grown now being used for rum production. Only partially offsetting these unfavorable developments has been the creation of a new industry, production of shark liver oil, and the recent establishment of several modern saw mills, one of which was financed by French North African capital for the manufacture of wine barrels.

As has been the case for many years, French Guiana still has an unfavorable balance of trade. The department continues to import almost everything it needs, although much of the food it imports could be grown locally were it not for the chronic labor shortage. There has been a definite trend in the last few years away from almost exclusive trade with France in the direction of increased commercial relations with other countries, especially the US.

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Weekly Contributions, D/LA, 27-50
(CIA Working Paper)
Situation Memorandum 41-50

5 July 1950

D/LA estimates that there will be little change in the prevailing poor economic condition of French Guiana in the coming year. Chances of improvement after that period will depend almost completely on the extent and success of the activities of the Guiana Mining Bureau.

Military

The military capabilities of the French army garrison in Cayenne (which consists of only one battalion with a strength of approximately five hundred enlisted men and ten officers) remain at a low level. The garrison continues to be of no political significance.

Subversive

The results of the October 1949 cantonal elections for the General Council indicate an increase in Communist strength in French Guiana (the only one of the three Guianas in which there exists an organized Communist Party); the number of their representatives rose from zero to two of the fifteen seats on the Council. Nothing is known of Communist activities or capabilities.

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Weekly Contributions, D/IA, 27-50
(CIA Working Paper)
Situation Memorandum 42-50

5 July 1950

The Current Situation in the French Antilles

(Summary -- Under the new departmental status, Martinique and Guadeloupe are quieter politically, and Communist influence has diminished. While the economic situation is not favorable, some recent improvement is evident. Local forces are capable of maintaining internal law and order. The inhabitants maintain their allegiance to France and are somewhat suspicious of US intentions in the Caribbean.

-- The decision of the pro-US prefects not to submit to a puppet French government in the event that the USSR overruns France is a gain for US security interests.)

Political

The gradual changeover from colonial to departmental status, initiated in 1947, has resulted in greater political stability and lessened Communist Party influence in Martinique and Guadeloupe. The new prefects, who replaced the vacillating colonial governors, have rallied anti-Communist sentiment so successfully that the Communists have lost much of the political advantage they gained during the period immediately following World War II. These prefects have recently organized a small special police force, the Corps Républicain de Sécurité (CRS), which has been used most effectively in controlling excesses of Communist and labor groups. Further, with the transfer of executive power from the governors to the national government in Paris, these pressure groups have found it increasingly difficult to win unwarranted concessions. In contrast to the turmoil of preceding years, during the past twelve months there has been only one major strike, the non-Communist, non-violent walkout in March 1950 of government workers, whose demands were met by the national government. Although about one-third of the electorate still votes the Communist ticket, the numerical strength of the Communist Party remains fairly constant while the anti-Communist groups continue to gain adherents. Unless the Communists come to power in France, there is little likelihood that the Communist parties in these islands will regain their former ascendancy.

Economic

The economic situation, which deteriorated severely during 1949, has recently shown some signs of improvement. Labor inefficiency, absenteeism, and wage increases raised the production costs of the islands' principal commodities, sugar and bananas, above market prices in 1949. Further, the profitable rum trade was curtailed because of a glut on the French market. The September devaluation of the franc was a severe blow to Martinique and Guadeloupe because their exports go almost entirely to soft currency areas while essential foods and manufactures are largely

CONFIDENTIAL

Weekly Contributions, D/LA, 27-50 - 2 -
(CIA Working Paper)
Situation Memorandum 42-50

5 July 1950

obtained from dollar sources. As a result, for the first time in many years the islands have shown adverse trade balances in each of the last two years, with imports in 1949 valued at \$44.5 million (\$6 million from the US) and exports at \$29.5 million. During the early months of 1950, the trade picture improved somewhat, largely as the result of new markets and better prices for bananas and the gradual mechanization and expanding production of the sugar industry. In addition, the economy is benefiting from a decided upswing in the tourist trade, attributable to the May 1950 opening of a commercial airfield on each island, the construction of Guadeloupe's first modern hotel, and the routing of a number of cruise ships to Fort-de-France for the first time since the war. The outlook is favorable for a continuation of this modest economic recovery.

Assimilation of Martinique and Guadeloupe as departments of France is changing their entire fiscal system, and the results in the long run should prove beneficial. The national government in large measure has taken over revenue collection and expenditures, and has initiated a ten-year "re-equipment" program to provide modern sewage and water systems, port facilities, schools, hospitals, and air fields. In addition, it is underwriting 70 per cent of the cost of an extensive public health service and is administering a far-reaching social security program. Although figures are not published, it is estimated that in 1949 the national government collected \$5 million in taxes and expended \$10 million in the area, while the departments collected and spent \$5 million locally.

Military

The small native garrison, led by regular French army officers, is considered capable of maintaining internal law and order. The newly created motorized CRS (see Political) has greatly improved law enforcement in the area.

Subversive

(See Political and International.)

International

The people of Martinique and Guadeloupe, Communist and non-Communist alike, continue to be devoted citizens of France and, in varying degrees, suspicious of US power. In order to exploit this sentiment, the Communists have interpreted the current meeting of the Caribbean Commission at Fort-de-France, US war games off Puerto Rico, the landing of Pan American Airways planes on the new fields, and the liberty calls of US warships, as part of a master plan of the US to occupy the islands. Even the strongly anti-Communist prefects view the Caribbean Commission meeting without enthusiasm, regarding the inclusion of the French Antilles

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Weekly Contributions, D/LA, 27-50 - 3 -
(CIA Working Paper)
Situation Memorandum 42-50

5 July 1950

among the "commission territories" as inconsistent with their new status as integral parts of the Republic. There is no doubt, however, where the prefects would stand in the event that continental France should be overrun by the Soviets: at a recent conference between the prefects and national government officials, in Paris, it was agreed that in such an eventuality the prefect of Martinique would assume full executive control over the French Antilles and would have authority to grant military bases to an outside power.

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