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Weekly Contributions 28-50
Latin America Division, ORE, CIA
11 July 1950

D/LA suggests particular attention this week to the Subversive section of the article on the current situation in Panama, pointing out the possibilities of the use of Panamanian territory as a base for sabotage attempts against the Canal (p. 6).

CURRENT DEVELOPMENTS

GENERAL: Ratification of the Rio treaty by one or more of the four as yet non-ratifying countries may be speeded by the international situation (p. 2).

NORTHERN AREA: Recent action by Guatemala has confirmed that country's alignment with other Latin American countries in support of the UN and US position on Korea (p. 2).



SOUTHERN AREA: Prolonged labor unrest in Chile is a political problem for the administration but shows no signs of being a major Communist effort (p. 3). Prospects are good for a quiet and well-controlled election in Paraguay (p. 4).

SPECIAL SUBJECTS

The Current Situation in Panama	5
Present Capabilities of Latin American Communists for Soviet-Directed Aggressive Action.	8

State Dept. review completed

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1. **GENERAL:** Korean Crisis May Spur Further Ratifications of Rio Treaty
The crisis in Korea which hastened Argentine ratification
of the Rio treaty [] may stimulate similar action in some or all of the four countries which have as yet failed to ratify this mutual defense pact. Argentine adherence to this important inter-American instrument may be an additional reason for some of them to fall in line.

Reports from Ecuador indicate that its foreign ministry plans to present the Rio treaty to the legislature during the session scheduled to convene 10 August. The Peruvian government has recently intimated that only the absence of a legislative body in that country has prevented ratification of the treaty thus far. Since elections have just been held for a new Peruvian congress, that obstacle to ratification is now in the process of being removed. Guatemala's unequivocal support of the US and the UN in the matter of Korea may mean that it will no longer hesitate to align itself with the rest of the American states in defense of the Hemisphere. Bolivia's bad record in ratifying inter-American treaties and conventions, coupled with its disturbed political and economic situation, has kept that country from acting on the Rio treaty up to now. If the present regime can manage to remain in power, however, it would seem likely that it would make the effort needed to go through the ratifying process so as not to be left in splendid isolation should the other three nations adhere to the treaty.

Unanimous ratification of the Rio treaty, the most important single inter-American instrument and the legal basis for the mutual defense of the Hemisphere, would be of considerable importance in demonstrating the strength of inter-American solidarity during this critical period.

2. **GUATEMALA:** US and UN Korea Action Supported

Guatemala's official alignment with the US and the UN in the current Korean crisis has been confirmed by Foreign Minister González Arévalo. The foreign minister has stated that the government fully approves the strongly worded statement of solidarity issued by the Guatemalan Ambassador to the US on 28 June, and will make public Guatemala's support of current UN action.

Because President Arévalo has already assured Assistant Secretary of State Miller personally of Guatemala's international alignment with the US, it is unlikely that he will consider it necessary to make a public statement to this effect. It is probable that Arévalo would regard such a statement as politically undesirable, since Guatemalan-US relations now comprise a highly controversial domestic issue. However, in view of Guatemala's basic social, political, and economic ties with the US and other Western Hemisphere countries, it is believed that President Arévalo and other Guatemalan officials are sincere in their statements of solidarity with the US.

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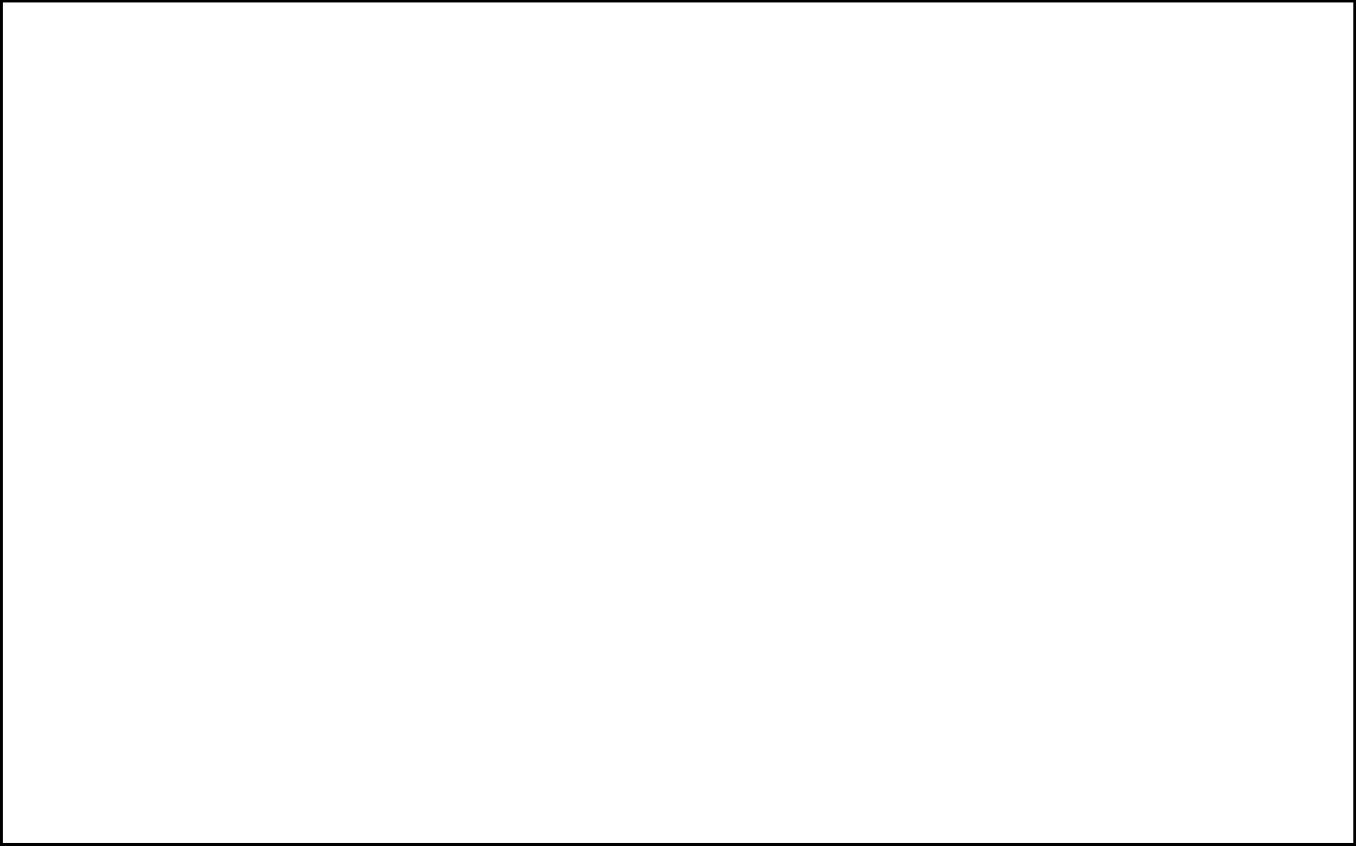
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4. CHILE: Continued Labor Unrest Presents Political Problem

Prolonged labor unrest in northern Chile, besides damaging the country's economy, presents a vexatious political problem to the administration; there is no evidence, however, that it represents a centrally directed Communist movement. The government's policy of intervention (under the Defense of Democracy Law) for the purpose of settling strikes was successful in the Chuquicamata copper strike but has thus far failed in the case of the nitrate and sympathy strikers. Negotiations reached an impasse when the nitrate union refused to meet with the government mediator until the four union leaders, expelled by the government on the grounds that they were Communists, were reinstated.

D/LA estimates that the government will eventually win this contest; the government may, however, rather than press for immediate settlement, allow the present situation to drag along and, by claiming Communist participation in these strikes and pointing to the deleterious effect of the strikes on the weakened national economy, take advantage of the situation to secure reinstatement of the Special Powers Act (invoked in August 1949 for six months to allow the president emergency powers in connection with the Defense of Democracy Law to protect the Chilean economy).

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5. PARAGUAY: Forthcoming Elections

Elections scheduled for 16 July in Paraguay are expected to be quiet and to bring about no major change in the government. Candidates appearing on the ballot will be those of the party in power (Democratic Colorado); candidates of other parties will not be allowed to run. The election will make Dr. Federico Chaves legal president, and will name the members of the House of Representatives. It is expected that Chaves will retain substantially the cabinet he now has.

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The Current Situation in Panama

(Summary -- Opposition to President Arias still weakens his position, but not to the extent of threatening his continuance in office. The economic situation remains unfavorable

[Redacted]

[Redacted] Covert Communist attempts to sabotage Panama Canal installations from the Republic of Panama must be considered a distinct possibility; the overt activities of Panamanian Communism also still threaten US security interests. President Arias has continued to maintain a friendly attitude toward the US.

-- US security interests are threatened by the incapability of the police force to prevent Soviet agents from filtering into Panama or to suppress covert Communist activities in Panama.)

Political

Opposition to President Arias still weakens his position but not to the extent of threatening his continuance in office. Many of Arias' political maneuvers antagonize influential groups, including political opponents, erstwhile supporters, and the clergy, all of whom wage a more or less constant propaganda offensive against him. These characteristics of his administration will probably continue, and opposition may increase unless progress is made towards the solution of unemployment problems before the national assembly meeting in October. Nevertheless, the opposition is not likely to grow sufficiently strong in the near future to cause Police Chief Remon to withdraw his support of Arias. This working alliance between the president and Remon, upon which the stability of the administration rests, has proved satisfactory to both men and, in addition, many Panamanians dread the political turmoil that would result if this alliance were broken. Therefore, it is believed that the alliance will continue, and that the Arias administration will remain in office at least during the next few months.

The president's action in outlawing Communist activities [Redacted] temporarily strengthened his position by decreasing Communist activities against the administration and by partially appeasing the clergy, whose opposition had been increasingly reflected in the attitude of the masses. In addition, the government's action probably forced some anti-Arias elements to reconsider the relative advantages and disadvantages of continuing their semi-cooperation with the Communists, which in the past has tended to strengthen the Communist position. It is thought that the serious international situation will strengthen public support

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of the president's anti-Communist activities, which had originally been recognized as a purely political maneuver. However, the president's strength in Panama will depend upon other factors than his action against the Communists.

Economic

The economic situation remains unfavorable. The president continues his efforts to make Panama eligible for early US aid and foreign investments, and to this end issued a decree law in June which gives special protection and encouragement to domestic and foreign capital investment. No tangible assistance, however, has thus far been received in solving the unemployment problem created by the reduction in the number of Panamanians employed in the Canal Zone [redacted] and, in the absence of substantial US expenditures in the area or of the employment of more Panamanians in the Zone, the economic situation will continue unfavorable.

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The overt activities of Panamanian Communism also still threaten US security interests because of their propaganda potentialities. It is

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true that overt Communist activities have decreased greatly as a result of the cabinet decree of 29 April [redacted] the subsequent governmental action toward preventing Communists from holding public office, and police raids against various Communist organizations. The president will no doubt continue to act against the Communists and will have little difficulty in suppressing overt activities in coming months. The Communists are still, however, pursuing one of their important objectives in Panama -- creating ill will against the US -- and it will be difficult to suppress all Communist propaganda without running the risk of committing the political error of suppressing the anti-US propaganda of ultra-nationalists who frequently sound like Communists. During the period of semi-war, this problem may be especially acute. Anti-US propaganda in Panama may be quite strong at times during coming months, particularly if the unemployment situation remains acute. In addition, the Communists may be expected to make effective propaganda use out of the advantage that will be afforded them if US action in Korea drags out for several months without substantial success.

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The influence of Canal Zone Local 713, an important propaganda outlet of the Panamanian Communists among laborers in the Zone, is being noticeably cut down by the strenuous organizing campaign which is being made by CIO labor organizers in the Zone. Even though this CIO campaign is now slowing down and is beginning to reveal certain weaknesses, it is estimated that the Panamanian Communists will have decreasing influence over laborers in the Zone during coming months.

International

President Arias, and consequently the Panamanian government, has continued to maintain a friendly attitude toward the US, and this has recently been reflected in strong statements of support in the Korean situation. There is a possibility of a change in this attitude, however, if Arias is unable to make -- or at least to claim -- progress toward solving unemployment in Panama, such progress as would result from any increase in Canal personnel or any other form of increase in revenue for Panama. Lacking such a development, the unemployment situation will continue to be bad, and there will be little Arias can do about it except blame the US.

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Present Capabilities of Latin American Communists
for Soviet-Directed Aggressive Action

In Latin America, Soviet-directed Communist aggressive action could affect US security interests by interfering for short periods with the production and shipment of critical and strategic materials through work stoppages and through sabotage.

On the basis of work stoppages which have occurred in the past, Communists are believed capable, largely through Communist-influenced and Communist-dominated labor unions, of tying up temporarily shipments from one or more important Latin American ports; of interfering with transportation to and from the interior; and of instigating strikes, slow-downs, or other hindrances in the production of critical or strategic materials. This applies particularly to manganese in Brazil, copper and iodine in Chile, molasses and sugar in Cuba, lead and mercury in Mexico, and tin and antimony in Bolivia. In a period of war, however, or other national emergency, it is estimated that the governments concerned would limit the duration of such work stoppages, if not prevent them entirely.

Sabotage, other than indirectly by slow-downs and strikes, is probable in Cuba, Venezuela, Chile, Brazil, Mexico, and Colombia, and possibly elsewhere, although this cannot be expected to tie up any major industry in Latin America for more than short periods. The Venezuelan oil installations constitute the most remunerative and important target for Soviet-directed sabotage in Latin America, being particularly vulnerable to damage by skilled saboteurs. Production could be considerably curtailed until the critical power and pumping stations were repaired. There is also reason to believe that, without assistance, Panama could not prevent the use of its territory as a base of Communist sabotage operations against the Panama Canal.

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