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Weekly Contributions 29-50
Latin America Division, ORE, CIA
18 July 1950

CURRENT DEVELOPMENTS

NORTHERN AREA: In Mexico, Communist "peace" propaganda was apparently successful in securing many signatures backing the Stockholm resolution (p. 2). The Jamaican leader, William Alexander Bustamante, is losing ground to a potentially anti-US group (p. 2). In Haiti, junta member Colonel Magloire can make himself president if he so desires (p. 2).

SOUTHERN AREA: Argentina's bargaining position in UK-Argentine trade negotiations has improved with the increase of foreign competition for the Argentine market (p. 3). Dissension in the Bolivian armed forces adds to the shakiness of the government of that country (p. 4).

SPECIAL SUBJECTS

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(CIA Working Paper)

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1. MEXICO: "Peace" Activity has Some Success

Recently received reports and periodicals indicate that the strong press exposés of the Communist propaganda motive back of the Stockholm resolution on the proscription of the atomic bomb did not prevent the Mexican Peace Committee from getting numerous important signatures. It now seems that, through a well-organized and carefully executed campaign from late April to mid-June, a heterogeneous group (ranging from known Communist to extreme rightist Catholic Church elements) were induced to endorse this program. This instance of apparent acceptance of Communist propaganda by non-Communist groups should be evaluated, however, in the light of the subsequent prompt Mexican government support of the United Nations action in the Korean crisis and the pro-UN and pro-US attitude of the Mexican press as a whole. Improved Communist organization and temporary success in front groups will mean little so long as the weight of Mexican public opinion, which it is believed the government and the press represent, remains on the side of the democratic forces.

2. JAMAICA: Bustamante Losing Ground to Potentially anti-US Group

The influence of William Alexander Bustamante in politics and organized labor -- the two are closely associated in Jamaica -- is declining perceptibly. In last December's general elections, his pro-US and relatively conservative Jamaica Labor Party (JLP) was returned with a drastically reduced majority (D/LA Wkly, 17 Jan 50). As the result of a number of recent jurisdictional strikes, the Bustamante International Trade Union (BITU) lost control of several important labor unions while maintaining only a precarious hold on others. The death or incapacitation of the aging and ailing Bustamante would mean the virtual dissolution of the JLP-BITU organization.

Meanwhile, the rival Peoples' National Party (PNP) and its labor affiliate, the Trades Union Congress (TUC), have been capitalizing on and accelerating the deterioration of Bustamante's position. The PNP advocates a program of left-wing socialism, including the nationalization of the island's principal industry, sugar. While this party has a considerable body of moderates, its policies are often influenced by a vocal left-wing element. When, as ultimately seems inevitable, the PNP wins control of the government, this radical group can be counted on to level charges of imperialism and racial discrimination against the US in an attempt to arouse sentiment hostile to this country among Jamaicans.

3. HAITI: Magloire May Assume Presidency

Embassy Port-au-Prince reports that there are indications that Colonel Magloire, the most powerful member of the three-man governing junta, may be elevated to the presidency at an early date.

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There is little doubt that, if he so desires, Magloire could maneuver himself into office by one device or another. He is popular with the army and influential civilian elements and has twice demonstrated that he is the political master of the country by ousting Presidents Lescot in 1946 and Estimé last May. If Magloire should decide to assume the presidency, his administration would be pro-US and probably conciliatory toward the Dominican Republic. Domestically, the miserable lot of the masses would be little improved, but

meanwhile, Haiti's faltering progress in the evolution of democratic instruments of government would at least temporarily be halted.

4. ARGENTINA: Position Improved in Trade Talks With UK

Strengthening of Argentina's bargaining position in UK-Argentine trade negotiations may well result in an agreement more favorable to Argentina than was indicated a few months ago (D/LA Wkly, 7 Mar 50). A compromise on the meat price now seems probable. Final agreement will improve UK-Argentine trade relations as well as Argentine economic stability.

A key factor strengthening Argentina's position is increased foreign competition for the Argentine market, both as an outlet for manufactures and as a source of agricultural products that can be obtained by barter. Some instances of this increased competition are: an important agreement with Germany initialled in June (US\$124 million each way); expanding trade with Japan; French and Belgian consideration of possible credits for Argentina. At present, Argentina also is negotiating a number of small commodity exchanges -- such as meat for German coal (in addition to the trade agreement) and meat for Venezuelan petroleum -- that would cut down on traditional UK exports to Argentina, and earlier arrangements with US companies for imports of dollar petroleum have already reduced requirements for UK oil during the next year (D/LA Wkly, 2 May 50). Further stimulus to reduce Argentine purchases from the UK and to lessen dependence on Britain generally stems from Argentina's shortage of sterling and its general dissatisfaction with trade relations with the British during the past two years. Thus, in order to minimize its loss of trade in Argentina, historically an important UK market, Britain will have to offer more competitive terms in both buying and selling.

A compromise on terms will probably be reached in the near future, since the meat trade is very important to both nations. It is likely that Argentina will agree to a 10 to 15 percent increase in the sterling meat price (as against the 40 percent demanded to compensate for increased petroleum prices) and will also agree to make arrangement for liquidation of commercial and financial arrears in

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the UK (reportedly \$10 to \$20 million). In return, the UK will probably grant Argentina at least a small loan in the guise of a "reciprocal credit" or advance payment for imports from Argentina.

Final agreement on terms will improve UK-Argentine trade relations as well as Argentine economic stability. A prolonged period of uncertainty that has been prejudicial to UK-Argentine trade will be ended and provision will have been made for the liquidation of Argentine commercial and financial debts to the UK. It is true that the new relationship between the prices of meat and petroleum will not be as favorable to Argentina as it was in the June 1949 agreement; the terms now anticipated, however, will be a substantial improvement over Argentine prospects several months ago, and should be favorably reflected in the larger pattern of over-all UK-Argentine economic and financial relations of which the meat price is only one aspect.

5. BOLIVIA: Army Dissension Undermines Government's Stability

The government's army support, on which it is dependent for its continuance in power, is threatened by dissension centering about a struggle between Chief of Staff Colonel Rios Rosel and National Police Director Colonel Vincenti. Possibly because ill feeling between the army and police is of long standing, Rios Rosel has been trying to force the resignation of Vincenti, who, in turn, has been attempting to oust Rios Rosel. Some senior army officers suspect Rios Rosel of intrigue with the MNR, and these elements, as well as President Urriolagoitia, are backing Vincenti. While it is possible that the present difficulty may be resolved by the replacement of Rios Rosel, the existence of dissension within the army impairs the stability of the government by depriving it of sorely needed strength to resist the continued revolutionary attempts of various subversive groups.

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The Current Situation in Ecuador

(Summary -- Recent events have temporarily strengthened President Plaza's position, but will not basically alter the unstable political situation. Economic conditions continue to be unfavorable. Despite the two subversive movements within the army, at the moment it still appears willing to support the present administration. The government may henceforth adopt stronger measures against any increase in Communist activities. Ecuador continues to follow the lead of US policy in international affairs.

-- US security interests have not been affected by recent developments in Ecuador.)

Political

The government's quick suppression of Guevara Moreno's attempted revolt of 15 July will temporarily strengthen President Plaza's position but will not basically alter continuing unstable political conditions. The arrest of Guevara and his revolutionary supporters removes at least for the time being one threat to the present government and temporarily weakens other opposition groups by eliminating the possibility of their collaborating with the hitherto organized Guevara movement in an effort to overthrow the government. However, the political situation remains unstable due to the existence of two subversive movements within the army led by Minister of Defense Manuel Diaz-Granados and by Col. César Alfaro, and the possibility of a revolutionary coup by the military cannot be discounted.

It is not believed that the recent mass cabinet resignation and consequent reorganization will have the hoped-for effect of significantly strengthening the administration's position. The president's decision to reappoint Diaz-Granados as Minister of Defense but not to retain Guillermo Ramos (until now Plaza's right hand man, perhaps the outstanding leader of the MCDN, but an arch enemy of Diaz-Granados) in the important post of Minister of Government indicates Plaza's real concern over the threat currently presented by Diaz's subversive movement. Whether this decision resulted from Plaza's fear that a revolution would be precipitated by failure to rename Diaz to the cabinet or from a hope of winning in this way Diaz's confidence and support, it is not likely that it will greatly discourage the subversive activities of the Minister of Defense.

Although the June congressional elections placed an MCDN-Conservative party majority in Congress (D/LA Wkly, 31 May 50), thereby eliminating the possibility that Plaza might be forced out by a legislative coup, this development likewise has not improved the government's stability in view of the activities of the subversive military elements who still base their hopes on staging a successful coup.

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Economic

Economic conditions are still quite unfavorable and there is no indication that they will improve to any great extent in the coming quarter. The Shell Company's cessation of explorations for oil in the Oriente in April will eventually force 4,000 people out of work. As yet no plans have been made by the government to cope with the unemployment situation, which will reach serious proportions in the early fall with the closing of the Fortovelo gold mine.

Regarding the export of Ecuador's agricultural products, prevailing high market prices for cacao and coffee will continue to assure a substantial income from those sources, even though cacao production has fallen off almost one third from the 1949 level; also greater revenue may be expected from the sale of bananas in view of plans of American fruit companies to expand imports from Ecuador. However, these factors have not offset the adverse effect which the low world market price for rice continues to have on Ecuador's economy. It is expected that the \$250,000 Exim Bank loan granted Ecuador in June for modernization of rice production methods will eventually enable Ecuador to lower costs of production and thus compete advantageously on the world market; but the beneficial effects of the loan will not begin to be felt for six months to a year.

President Plaza's decision to postpone (with the permission of the International Monetary Fund) revising the multiple-exchange-rate law in order that the Congress convening in August may make the final decision in this matter may be attributed mainly to his fear of creating any issue which might be seized upon by opposition forces to make his political position even more precarious than it is at present. Political considerations were also partially responsible for the firm attitude which the government has maintained toward labor in recent worker-management conflicts, for it is expected that such a policy will bring Plaza more support from the middle class and wealth groups.

Military

At the moment the army appears willing to support the government but the growing strength of the two subversive movements within the army (see Political) could change this situation in the coming weeks. Doubts about the loyalty of particular units and unit commanders have already caused the government to effect several transfers. In late March it replaced Major Antonio Salgado, the pro-Guevara commander of the important mechanized unit at San Antonio, with an officer loyal to the administration; in May it rushed anti-Guevara officers to army units in some of the southern provinces where Guevara reportedly had made gains; and in mid-June it sought to consolidate its control in the region of Guayaquil by exchanging the possibly disloyal Pichincha Infantry Battalion with the Guayas battalion located at Ambato (the unit which was responsible for arresting Guevara on 15 July) and strengthening the cavalry group in Guayaquil by an additional fifty men (D/LA Wkly, 27 Jun 50).

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The army is not up to the strength envisaged in its plans for 1950, since less than half of the authorized number of conscripts have been called up for training (D/LA Wkly, 11 Apr 50).

The barter agreement by which Ecuador received Czechoslovak carbines, bayonets and cartridges in return for rice and cacao represents a further step away from arms standardization in the Hemisphere.

Subversive

The government's apprehending Nela Martinez and locking her up overnight (on the pretext that she had absconded with funds designated for a poor family) may be regarded as a warning to the Communists that any great increase in their activities may henceforth be countered with stronger measures on the part of the government. Since her return from a trip to Eastern Europe and the Soviet Union, Nela Martinez has directed the reorganization of "peace committees" in Ecuador, a program which is being carried on mainly by Ecuador's women Communists. She has succeeded in persuading many of the housewives in the Quito area to participate in "peace meetings", and other prominent women Communists have been active organizing the feminine movement in Guayaquil.

In the recent congressional elections the Communists polled about 5,000 votes. This represents a considerable increase over their former voting strength (which was about 3,000), but despite this gain the Communists continue to occupy a position of minor political importance in the country. It is not estimated that they will make any significant gains in the coming months.

International

Ecuador's continuing desire to act with the US in matters pertaining to foreign affairs was further evidenced recently by its prompt assurances of solidarity with the US position regarding the Korean situation and its vote in favor of the US-sponsored Security Council resolution of 27 June. Ecuador may be expected to continue to support US policy in all matters pertaining to the East-West struggle.

Anti-government forces tried recently to capitalize upon the long-standing anti-Peruvian feeling in Ecuador by accusing the administration of "treason" when it signed a trade agreement with Peru. Probably because their motives were obviously more political than patriotic, their efforts met with only limited success. There have been no further developments regarding the settlement of the Lagartococha boundary dispute with Peru. A meeting of the guarantor nations to discuss possibilities for a settlement was originally scheduled for June, then postponed until after the Peruvian elections; as yet no date has been set for the meeting.

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