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Weekly Contributions 30-50  
Latin America Division, ORE, CIA  
25 July 1950

D/LA believes that two developments in connection with Latin American presidential races merit particular attention this week: the item on the probability of violence in the Guatemalan campaign (p. 2) and the article on the implications of an effort by President Aleman to succeed himself in Mexico (p. 5).

CURRENT DEVELOPMENTS

GENERAL: The reopened question of a seaport for Bolivia has not roused the usual storm (p. 2).

NORTHERN AREA: In Guatemala, Lt. Col. Arbenz is losing ground in the presidential race and may rely more on strong-arm methods (p. 2). The Dominican Republic appears to be making a genuine effort toward improved relations with its neighbors (p. 3).

SOUTHERN AREA: Prolongation of the Argentine port strike could complicate US-Argentine relations because of the interest of US unions and the International Transport Workers' Federation in it (p. 3).

SPECIAL SUBJECTS

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Weekly Contributions, D/LA, 30-50  
(CIA Working Paper)

25 July 1950

1. GENERAL: Bolivian Seaport Question Fails to Cause Storm

The question of a Bolivian seaport on the Pacific seems to have entered a new phase. It is not clear just how the matter was reopened, nor what will develop. Preliminary statements, however, are noteworthy because of the absence of the violent protestations by Chile or Peru against "invasion of sovereignty" that have appeared previously each time this recurrent question was raised.

2. GUATEMALA: Arbenz Losing Ground in Presidential Race

Recent developments threaten the political prospects of Lt. Col. Jacobo Arbenz, presidential candidate of the Partido Acción Revolucionaria (PAR) and the Partido Renovación Nacional (PRN). Arbenz, who has relied on the support of a unified, militant, Communist-led labor movement, is now faced with the possible defection of Communist leaders. The Communists have withdrawn from the PAR and have formed the Partido Revolucionario de Obreros Guatemaltecos (PROG), a virtually undisguised Communist labor party which is apparently waiting further proof of Arbenz' sincerity before officially endorsing his candidacy. Arbenz, in turn, appears to be suspicious of the loyalty of the Communists, as suggested by the formation, under PAR auspices, of the Confederación Nacional Campesina de Guatemala which is bitterly opposed by the rival Communist-led Confederación de Trabajadores de Guatemala and by the formation of a new pro-Arbenz labor party, the Partido Revolucionario de Alianza Campesina, which may sap the support of the PROG.

Coinciding with this drift away from Arbenz on the part of the Communists has been a marked increase in the activity and strength of the Conservative opposition. In order to meet this Conservative threat, certain pro-administration congressmen have issued a call for the unification of all revolutionary parties (the PAR, the PRN, and the large Frente Popular Libertador) behind a common candidate. Should such a unification be necessary to forestall a Conservative victory, Arbenz (with his controversial Communist connections and record of political assassination) would almost certainly be discarded in favor of the more moderate Giordani (the FPL candidate) or a new candidate such as Colonel Victor Sandoval, now chief of police, who might have firmer army support than any of the current candidates.

Because it is popularly believed that Arbenz is determined to gain the presidency by fair means or foul, the progress of his campaign has a close relationship to the degree of political tension in Guatemala. Should he appear to be losing popular support, or should the various anti-Arbenz groups appear to be gaining too much strength, it is possible that Arbenz will rely more on strong-arm methods and violence in his campaign.

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3. DOMINICAN REPUBLIC: Relations With Neighbors Improve

Since publication last March of the OAS investigating committee's report (D/LA Wkly, 21 Mar 50), the Dominican Republic seems to be trying to improve its relations with neighboring countries. The Foreign Office exhibited patience and tolerance in yielding to the Venezuelan ambassador's [redacted] demands incident to the departure of political refugees who had taken asylum in the Embassy. A similarly conciliatory attitude was manifest in the successful negotiations with Cuba in final settlement of claims arising from the 1947 Cayo Confites incident. The Dominicans have agreed to waive all indemnity claims in return for the recently effected repatriation of the Dominican vessel Angelita, which had been confiscated from the anti-Trujillo revolutionaries by the Cuban government subsequent to the frustration of the invasion attempt. Repeated efforts to resume normal diplomatic relations with Haiti — the two countries have not exchanged ambassadors since the Roland incident in March 1949 — have led to Haiti's recent acceptance of a new Dominican ambassador. Negotiations are now in progress for the repatriation of Colonel Astrel Roland and Alfred Viaud, Haitian exiles who had been permitted to engage in activities inimical to the Haitian government prior to the OAS investigation.

This conciliatory policy will be continued as long as it suits Trujillo, who, at least for the present, seems desirous of having his government appear in a favorable light as a cooperative member of the inter-American system. In any event, this policy has resulted in a lessening of intra-Caribbean tension.

4. ARGENTINA: Port Strike Could Complicate US-Argentine Relations

Prolongation of the strike by the Confederacion General de Gremios Maritimos y Afines (CGGMA), a large independent Argentine union affiliated with the (non-Communist) International Transport Workers' Federation (ITF), could undermine Argentine economic recovery and complicate US-Argentine relations. Efforts by the government to incorporate the CGGMA into the government-dominated CGT, coupled with a refusal to satisfy wage demands of the CGGMA, constitute an attempt to consolidate CGT control over all large and influential labor unions in Argentina. While the government's strike-breaking measures have reduced the effectiveness of the nine-week-old strike from almost 100 percent to 40 percent, its continuance spotlights the Peronista attempt to eliminate free trade unionism in Argentina, thus provoking retaliation by the ITF. In the US, the AF of L and the CIO have indicated their readiness to support, in principle, the ITF boycott, reportedly already applied to Argentine ships in two German ports. Moreover, the ITF is confident that its boycott will also be effectively supported by port workers in Scandinavia, France, the Netherlands, and Belgium. Even though in the UK, most important carrier servicing

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Argentine trade, the British Transport and General Workers' Union has as yet indicated no definite position with regard to the boycott, this union will probably be influenced by any government recommendation in the matter. One possible development could lessen the seriousness of this situation: should the ITF boycott be widely effective and receive substantial support from the US seamen's and longshoremen's unions directly concerned, the Argentine government might shelve temporarily its movement to bring the CGMA into the CGT in order to avert further interference with Argentine foreign trade and to preserve now cordial relations with the US.

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Article 9-50

25 July 1950

Possible Crisis in Mexican Political Situation

Evidence is increasing that President Alemán may try for reelection in 1952. Both constitutional and traditional prohibitions of such a step are explicit in Mexico.

[redacted] Serious political disturbances could result.

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The majority of the Mexican people hold the government and official party responsible for safeguarding the constitutional provision of no-reelection. This provision reflects one of the most important developments of the revolution of 1910, which arose from the need for governmental reform after Porfirio Diaz' numerous terms in office. It has been the belief since 1928, when the reelection of President Obregon resulted in his assassination, that democratic processes could be furthered only by strict adherence to the official national watchword of "effective suffrage, no reelection".

The current movement favoring a constitutional amendment to allow the reelection of President Alemán

[redacted]

[redacted] possibly true that Aleman, by not discouraging talk of reelection and therefore leaving his "hat in the ring", has in mind merely a braking action against general political futurism, since others would be reluctant to campaign if they thought the president wanted the position for himself. There is a distinct possibility, however, that Alemán could become convinced that talk of reelection is a mandate from the people and decide to try for reelection. That he is already entertaining such ideas

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[redacted] and that he is aware of the political dangers is substantiated by recent evidence that already-mounting political tensions have dictated the strengthening of the security police, whose particular function is the personal protection of the president.

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[redacted]

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the anti-reelection movement is a strictly national issue, it might be expected that the Communists would instigate political disturbances to further their own ends.



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 (CIA Working Paper)  
 Situation Memorandum 45-50

25 July 1950

The Current Situation in the Netherlands Antilles

(Summary -- Calm prevails during the transition from colonialism to semi-autonomy. Economic prosperity continues. There is no known communist activity in the area. The military establishment is adequate for law enforcement. Friendly relations are maintained with neighboring governments.

-- Developments in the past year are considered to have improved the status of US security interests in the area.)

Political

The Netherlands Antilles remain politically calm and stable during a period of transition from colonial government to semi-autonomy within the Netherlands Kingdom. The Hague is expected shortly to approve the instrument granting limited autonomy, known as the Interim Regulations. This measure promises to encompass the sounder features of self-government proposed by the various bodies that have studied the matter. The mother government is firmly imposing an equitable compromise on the most contentious problem that has arisen to date, the distribution of legislative seats among the component islands. This decision will doubtless be accepted meekly and with relief by the local politicians who have been wrangling inconclusively over this issue for months. It is not anticipated that the promulgation of the Interim Regulations will notably alter either the orderly processes of government or the present cordial relations with the US. Ties with the Dutch Crown were strengthened by the Prince Consort's visit to the area this spring. The continuing devotion of the overwhelming majority of the islanders to the House of Oranges was demonstrated by their enthusiastic participation in the celebration of the Queen's birthday on May Day, at which time honors were liberally distributed among outstanding businessmen, civil servants and politicians.

Economic

During 1949, economic activity declined somewhat from the unusually high level of the preceding year but was generally satisfactory. Largely owing to devaluation--the local currency did not change its relationship to the dollar in September 1949--imports from soft currency areas were cheaper, and the cost of living index registered a modest decline. Another effect of devaluation is that more import requirements are now being obtained from Europe and fewer from the US, although the latter remains the area's principal supplier. Despite a relatively abundant supply of dollar exchange, Royal Dutch Shell's policy of having its Curaçao subsidiary (CPE) buy from European suppliers whenever possible is confirming this trend against the purchase of US goods.

The oil industry, which employs about 12% of the islands' entire population and generally accounts for 75% of all imports and 97% of exports, continues to dominate the economic life of the territory. Early this year, some apprehension was caused among Aruban oil workers when the President of the Lago refinery



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announced that a gradual reduction in the labor force would be effected. The president envisaged reduced production schedules because of (1) the increased flow of oil from the Middle East to new refineries in Europe; (2) an excess of refining capacity in the industry as a whole; (3) reduced demand for certain Lago products such as aviation gasoline; and (4) recently enlarged Canadian refining capacity. D/LA does not anticipate any notable unemployment in Aruba, however, as the labor market is still firm in other industries, and whatever excess may develop in the labor supply will be remedied by the repatriation of British West Indian contract laborers. Further, recent developments in the international situation may alter plans for the curtailment of production.

Secondary industries, such as the production of aloin powder, phosphate, straw hats and divi-divi, continue to provide a modicum of economic diversification. On the other hand, the proposed construction of several modern hotels might expand significantly the tourist business, which presently brings in about \$2.5 million a year, mostly from the US and Venezuela. Government revenues continue to exceed expenditures by a small margin. Because of a recently undertaken public works program, including improvement of airport and harbor facilities, expansion of water distilling capacity, schools and low cost housing units, the government has deemed it necessary to raise taxes moderately and to float a small bond issue. The public debt now stands at \$6 million, a reasonable figure in relation to annual revenues which currently average about \$30 million.

#### Military

While the 500 Dutch troops stationed in the Netherlands Antilles are equipped only with light infantry weapons, their state of training and readiness is considered fully adequate for the maintenance of internal law and order. The police force was re-organized last year, and its morale and efficiency are good. A flotilla of small naval craft is stationed in the area and assists in preserving the security of the islands.

#### Subversive

There is still no known Communist activity in this area. Vigilant [redacted] officials cooperate closely [redacted] in controlling the movements of potentially subversive elements. Transit Europeans en route to Latin America are processed with dispatch and rarely allowed to remain more than twenty-four hours. Despite the government's alertness, some propoganda has been introduced from Venezuela advocating severance of ties with the Netherlands. This material is distributed locally by the relatively unimportant Curacao Democratic Party and has not attracted noteworthy popular attention. D/LA believes that the watchfulness of the authorities will continue to keep the Netherlands Antilles comparatively free of undesirable elements.

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International

Both the natives and colonial government officials remain genuinely friendly toward the US, and there is no reason to believe officials would be otherwise than cooperative in necessary joint undertakings. In evidence of their esteem the islanders recently presented the handsome Franklin D. Roosevelt House as a Consulate General to the US "in gratitude for the aid rendered" during World War II. Of particular significance is the fact that this munificence apparently evoked no remonstrance among the rather touchy tax payers.

Particular vigilance is currently exercised in denying entry to political refugees from Venezuela in order to avoid embroilment in the internal affairs of that country.

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Situation Memorandum 46-50

25 July 1950

### The Current Situation in Bolivia

(Summary -- The Bolivian government remains weak. The over-all economic situation is likely to remain poor despite slightly increased prospects for short term betterment. There has been little change in the state of the armed forces. Subversive groups constitute somewhat less of a threat to the government's stability. Bolivia's relations with other governments remain amicable.)

-- US security interests have been somewhat adversely affected by the continuing weakness of the pro-US government, particularly because of the increasing importance of Bolivian tin in view of recent international developments.)

#### Political

The government remains weak despite its surprising strength exhibited in suppressing the alleged Communist-PRM-ML revolt in May that grew out of a general strike, and in thwarting four reported conspiracies by these groups. These groups, although their potential seems to have been somewhat curtailed by the government's repressive measures (see Subversive), remain active and will be quick to capitalize on any increase in social unrest. Labor, undiscouraged by its defeat in May and not mollified by the government's recent action to raise wages, is again restive. The government is now less certain of army support as a result of discension arising from dissatisfaction with the army chief of staff (L/LA 331, 13 Jul 50).

The government party, PUSC, which is politically isolated, has been further weakened by the intensification of previously existing ill-feeling between President Uribe Lagotia and former ex-Minister Collinedo, now PUSC head, concerning the composition of the cabinet installed on 30 June. In view of these circumstances, little should be expected of the legislature which convenes 6 August to consider the state of siege, important treaties, and internal reforms.

The precarious stability of the Bolivian government has been threatened repeatedly by frequent conspiracies and revolutionary attempts; but that government has demonstrated its ability to survive apparently insurmountable crises. In view of decreased subversive strength, and provided army discension does not become more serious, its chance of remaining in power may be considered very slightly improved.

#### Economic

The over-all economic situation in Bolivia is likely to remain poor despite slightly increased prospects for short-term betterment. Factors favorable to present improvement are: the decree of 5 May which established new wage levels and froze prices and rents, measures which may succeed temporarily in controlling the accelerated inflation produced by devaluation

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measures of February and April; the spectacular rise in the price of tin (from 77¢ before the Korean fighting to a high of 97¢ on 7 July); recent increase in the price of lead, zinc, and silver; and the draft RUC contract for the purchase of all available tin.

Longer-term factors are decidedly less favorable. Inflationary pressures remain extremely strong; wages and prices have not increased in the same percentage as the official value of the boliviano has been depreciated by the new parity, which, however, is still pegged at an unrealistic high value. The estimated 1950 national budget is considerably greater than that of 1949 and will almost certainly add to the existing inflation. Revenues appear to be over-estimated--foreign exchange receipts during the first five months of 1950 have been less than half of budget estimates--and the government will probably be forced again to resort to deficit financing. Bolivia continues to hope for outside aid to ease the critical economic situation rather than taking all the drastic measures necessary. It is true that the president has expressed his willingness to grant a UN technical mission all powers necessary to resolve the economic situation, and that UN technicians reportedly may be placed within the Bolivian Civil Service; it is believed, however, that their efforts would be largely in vain because of  probable resentment on the part of minor Bolivian officials and employees.

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### Military

There has been little change in the state of the armed forces. The army appears to be only slightly below its normal strength at present, while the strength of the national police has declined considerably. The efficiency of the air force, however, has been somewhat enhanced by the reinstatement of certain pilots who fought against the government in the September 1949 revolt and by the expansion of its training program. It appears that appropriations for the ministries of national defense and government (which controls the national police) may again be the largest item in the national budget.

### Subversive

The subversive groups constitute somewhat less of a threat to the government's stability as a result of the government's repressive measures adopted after the May uprising. It is true that the IIR is attempting to regain its strength by vigorous efforts to obtain the support of other organized groups and appears to have met with some degree of success. The outlawing of the PIK and the arrest of many of its members and leaders as a result of its participation in the May revolt should seriously disrupt its organization and decrease its considerable influence among non-mine labor. The labor influence of subversives appears to have been dealt a hard blow by the decree of 23 May which removed previously elected Communist and "Nazi-fascist" labor leaders from office and declared them ineligible for reelection. It is true that joint plans of subversive groups for revolutionary disturbances in mid-August have been reported, and it is possible that such plans may materialize. This Bolivian government has, however, repeatedly demonstrated its ability to

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survive subversive attacks; while its overthrow at any time in the next few months would not be surprising, neither would its survival.

International

Bolivia's amicable foreign relations continue to be influenced by economic considerations and fear of Communism. The cordiality of US-Bolivian relations was enhanced by the 1 May signing of an agreement providing an Eximbank credit up to \$16,000,000 to cover approximately two-thirds of the cost of completing the vital Santa Cruz-Cochabamba highway. Proposals for barter of Bolivian antimony and other ores are presently under consideration with Switzerland, Japan, and Hungary. Preliminary discussions with other South American countries concerning a Bolivian-initiated conference for the control of Communists are continuing, but there is no evidence that any definite results have been obtained.

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